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ACTA AERARII PUBLICI

Ročník 13 – číslo 1 - 2016

**Vedecký časopis Ekonomickej fakulty
Univerzity Mateja Bela v Banskej Bystrici**

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ACTA AERARII PUBLICI

Scientific Journal published by the Faculty of Economics, Matej Bel University, Banská Bystrica, Slovakia

Acta Aerarii Publici is the Scientific Journal published by the Faculty of Economics, Matej Bel University in Banská Bystrica. The Journal focuses on the publishing of original scientific papers and original reviews from financial theory and practice. The main focus of the Journal is on the areas of finance, accounting, banking, insurance, financial management, public finance, information technologies in finance, quantitative methods in finance. Submitted papers shall relate to these areas.

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Registračné číslo MK SR: EV 1815/08

Vychádza: 2 x ročne

IČO vydavateľa: 30 232 295

Sídlo vydavateľa: Národná ulica č. 12, 974 01 Banská Bystrica

Dátum vydania periodickej tlače: august 2016

ISSN 1336-8818

Za jazykovú stránku príspevkov zodpovedajú ich autori.

© Ekonomická fakulta UMB v Banskej Bystrici

Tajovského 10

Printed in Slovakia

UNIVERSITAS



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EDITORIAL

The first 2016 issue of *Acta Aerarii Publici* has a specific character. It consists of a series of articles, originally published in the latest issues of the *African Journal of Public Affairs*. Our decision to dedicate space to published research has two main reasons. Firstly, social – our long collaboration with this journal, which is guaranteed by the University of Pretoria in South Africa. The second, main reason is to show readers of our journal the specifics of public finance, public administration and public policy in a developmental state. South Africa is one of the countries that decided against fully implementing a standard market economy model, often considered the only possible functional model of the economy, state and society. A developmental state embodies a system based on the combination of the state and the market, where economic growth is at least partially based on coordinated public action and a protection of domestic interests. Apart from South Africa, India and other countries are also following this model to a certain extent.

Special thanks to the guest editor Prof. Jerry O. Kuye from Pretoria University, the main editor of the *African Journal of Public Affairs*, for his cooperation in the making of this issue.

Prvé číslo časopisu *Acta Aerarii Publici* v roku 2016 má špecifický charakter. Pozostáva zo série článkov, originálne publikovaných v najnovších číslach časopisu *African Journal of Public Affairs*. Naše rozhodnutie venovať priestor už publikovaným statiam má dva hlavné dôvody. Prvým z nich – spoločenským – je naša dlhoročná spolupráca s týmto časopisom, ktorého vydávanie garantuje Univerzita v Pretórii, Južná Afrika. Druhým – obsahovým a hlavným – dôvodom je náš zámer priblížiť čitateľom časopisu špecifiká verejných financií, verejnej správy a verejnej politiky v podmienkach „developmental state“. Južná Afrika patrí medzi krajiny, ktoré sa nerozhodli plne implementovať „štandardný“ model trhovej ekonomiky, považovaný v našich podmienkach často za jediný možný model fungovania spoločnosti, ekonomiky a štátu. „Developmental state“ predstavuje systém založený na kombinácii štátu a trhu, v ktorom je ekonomický rast minimálne čiastočne založený na koordinovanej štátnej akcii a ochrane domácich záujmov. Okrem Južnej Afriky sa k tomuto modelu hlási napríklad India, ale aj mnohé ďalšie krajiny.

Hostujúcim editorom je prof. Jerry O. Kuye z Univerzity Pretoria, hlavný editor časopisu *African Journal of Public Affairs*, ktorému ďakujeme za spoluprácu pri zostavení tohto čísla.

prof. Ing. Marta Orviská, PhD.

prof. Ing. Juraj Nemeč, CSc.

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**PARTNERSHIP AND OUTSOURCING AS TOOLS FOR
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PARTNERSTVO A OUTSOURCING AKO NÁSTROJE NA ZLEPŠENIE PRÍSTUPU KU KONZULÁRNEJ SLUŽBE: SOUTH AFRICAN HIGH COMMISSION VO VEĽKEJ BRITÁNII

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Abstract

The provision of consular services is an obligation of every government to its citizens who are living abroad. In providing such services, efforts must be made to ensure that they are accessible to all citizens, wherever they may be. In the current economic climate, maintaining an extensive network of embassies and consulates around the world is an expensive venture. It is against this background that governments must be innovative in providing services by ensuring that private and third sector organisations are involved, in order to complement their work of guaranteeing that consular services reach their citizens at affordable costs—wherever they are in the world. This article makes a vital contribution to the concept of using partnership and outsourcing as tools for increased access to consular services in one of the critical missions of South Africa (SA) abroad—the United Kingdom (UK), by showing that the traditional way of rendering consular services from a diplomatic mission is inadequate to reach potential customers scattered throughout the host country. The research makes use of a mixed methods approach and concludes with significant recommendations that, inter alia, include even using post offices and the internet to ensure that consular services reach all parts of the UK where South Africans reside. Given that consular services have inherent security implications, the article also notes that, amongst factors that must be taken into account before outsourcing consular services, or even setting up a partnership, the chosen service providers must be able to maintain and protect the confidentiality of their customers.

Caveat: The Journal cannot be held responsible for the views expressed in this article

This paper is reprint of the original paper published by African Journal of Public Affairs, volume 8, number 4, December 2015, pp. 119-133. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

INTRODUCTION

One of the important hallmarks of globalisation is the migration of skilled people from developing countries to the developed world, in search of better economic opportunities. Like other developing countries, South Africa (SA) is not immune to such migration. In the case of SA, the migration is caused by push factors such as crime, poor economic conditions and prospects, discrimination, political uncertainty, the impact of the HIV epidemic, and the quality of public services (Sveninsson and Gumuschian 2008:1). According to Plaza (2009:5), other push factors for South Africans include the cost of living and taxation. The destinations of most people leaving SA for developed countries include Australia, New Zealand, the United States of America, Canada and the United Kingdom, and

the people leaving the country include those in professions in high demand such as engineering, medicine, accounting and banking (Crush & Williams 2001:7; Rule 1994:1).

The impact of this emigration on SA cannot be underestimated. According to Bohlman (2010:10) permanent emigration of skilled people, in the absence of complementary policies, can have a negative impact on economic growth and the welfare of the population in the long run. In as far as emigration of South Africans to the UK is concerned, the actual number of South Africans living in the UK is highly speculative due to a lack of process enabling people leaving the country to declare their intention to emigrate (Myburgh 2004:13). Much reliance for determining the actual figures is therefore placed on institutions in the UK such as the Department of Work and Pensions and also the Home Office. According to Kyambi (2005:90) the number of South Africans living in the UK increased from a mere 67 918 in 1991 to 140 000 in 2001 – an increase of 106%. Other reports by Crawford (2008:14) and The Witness (2005:1) put the figure between 400 000 to 1.5 million.

Concerted efforts to ensure that consular services were accessible to South Africans and foreigners in South African missions abroad have been largely half-hearted. The consequences of this lack of access to public services lead to unresponsive services and unnecessary costs for clients in terms of both time and money (Russell and Bvuma 2001:260; Kluever 2006:27; Mapisa-Nqakula 2006:1). Taking the aforementioned into account, this study investigated how partnerships and outsourcing could be used to make consular services more accessible to South African citizens in the United Kingdom.

2. OVERVIEW OF CONSULAR SERVICES

Consular services can be defined as providing assistance to the citizens of a particular country while living abroad. These services are rendered within the context of international relations and in line with international agreements; the actual act of rendering such services is routinely referred to as consular diplomacy (Okano-Heijmans 2010:2).

Consular services are divided into three areas. Firstly, issuing enabling documents such as passports, birth certificates and visas to people. The category of people using this service includes tourists, students or business people. Secondly, consular services provide individual assistance to citizens in distress. Thirdly, they offer assistance during major crises abroad; for instance the Rwandan genocide and the September 11, 2001 attacks in New York (Okano-Heijmans and Melissen 2007:2). Consular services thus remain a classic indicator of the ability of government to look after its citizens, wherever they may reside. The birth of the new political dispensation in South Africa resulted in its citizens developing an increased interest in travelling abroad, and led to the establishment of a professional South African Consular Service (DIRCO 2009:4). The Department of International Relations and Co-operation (DIRCO) offers the following consular services:

- protection and assistance to distressed and destitute South African citizens abroad (including assistance following deaths; for missing persons; child custody cases; and abductions and kidnappings);
- assistance to South African citizens in detention or imprisoned abroad;
- service of process (facilitate the process via diplomatic channels to have documents in civil law served on respondents abroad);
- other legal processes including transmitting requests for extradition, mutual legal assistance, evidence on commission, rogatory letters and maintenance orders;
- consular notarial services, commonly referred to as legalisation services;

- information (local) services including requests for information and advice (relating to matters such as entry requirements to foreign countries, customs regulations, civil aviation, taxation, pensions, social services, legal services, travel, banking and education); and
- immigration and civic services at missions where the Department of Home Affairs is not represented (DIRCO 2009:4).

With regard to the functioning of South African Consular Services in the UK, the DIRCO is the lead organisation in terms of helping South Africans, and is supported by the Department of Home Affairs. The South African High Commission is based only in London. There are no consulates in other parts of the UK for assisting nationals living in other parts of the country. According to Kyambi (2005:90), South Africans are scattered all over the UK, with most living within the London area. To render consular services to South African citizens, customers are served on a first-come, first-serve basis. Apart from a walk-in system of service, the office also accepts applications by post, from those who cannot come to the office personally (Mnisi 2005:13).

Due to lack of access to critical departmental databases, the consular office forwards most applications for the issuing of enabling documents to SA (Mnisi 2005:14). The posting of received applications to SA results in delays in issuing any requested official document. Furthermore, it also results in loss of documents and unnecessary expenditure associated with having to resend another application to replace the lost one (Mnisi 2005:14). The presence of only one South African Consular Office in the UK often means that the customers have to incur costs to travel from all parts of the country to make the relevant applications that they require. It is thus clear that consular services are not readily accessible to clients in the UK.

Apart from the problems mentioned above, South African Consular Services are beset by a number of challenges that need innovative solutions in order to surmount them. These challenges inter alia include the absence of consular law in South Africa, arrests of nationals abroad, an increase in the number of nationals living abroad, parental child abductions, unrealistic levels of expectation about the nature of assistance that can be provided in case of emergency, demand for consular protection and lack of funds to render consular service (Tiba 2012:17–24). South African Consular Services abroad are rendered according to a regulatory and statutory framework that will now be assessed.

3. REGULATORY AND STATUTORY FRAMEWORK FOR RENDERING SOUTH AFRICAN CONSULAR SERVICES

The Vienna Convention on Consular Relations (VCCR) (1963) clearly stipulates the functions that consular officers should perform in host countries. The VCCR (1963) is a means of codifying consular practices originally governed by customary international law and bilateral agreements between states (Garcia 2008:5). It also provides a legal basis for the rendering of consular services. According to Article 5 of the VCCR (1963), consular functions, amongst others, include:

- protecting in the receiving state the interests of the sending state and of its nationals, both individuals and bodies corporate, within the limits permitted by international law; and
- furthering the development of commercial, economic, cultural and scientific relations between the sending state and the receiving state and otherwise promoting friendly relations between them in accordance with the provisions of the present Convention.

The prescriptions and provisions of the VCCR (1963) are complemented by South African regulations and laws. Table 1 provides an overview of the applicable regulatory and statutory framework for providing consular services abroad.

Table 1 South African regulatory and legislative framework impacting on consular services

Year of the Promulgation	Name of Act (year omitted)	Summarised
1968	South African Marriage Act 25	To make provision for the solemnisation of civil marriages in South Africa
1992	South African Birth and Death Registration Act 51	To make provision for the registration of birth and death in South Africa.
1994	Passports and Travel Documents Act 4	To make provision for the acquisition of passports by South African citizens and residents.
1995	South African Citizenship Act 88	To make provision for the acquisition, loss and resumption of South African citizenship.
1996	Constitution of the Republic of South Africa	To introduce the new Constitution of South Africa and all the matters related to it.
1997	Identification Act 68	To make provision for the compilation and maintenance of South Africa.
1998	Recognition of Marriages Act 120	To make provision for the recognition of customary marriages.
1999	Public Finance Management Act 1	To regulate financial management in the national and provincial governments.
2001	Immigration Act 13	To make provision for the regulation of admission and departure of people from South Africa.
2006	Civil Union Act 17	To make provision for the solemnisation of civil unions for people of the same sex.

Source: Authors' own compilations.

The above listed regulations and legislation are important instruments for governing and providing a legal mandate in the rendering of consular services in South African missions abroad. The VCCR (1963) emerged as the foundation for the rendering of consular services around the world, but should be complemented by country specific regulations and legislation as outlined above.

4. RESEARCH METHODOLOGY AND DESIGN

As a point of departure, research methodology is a procedure according to which researchers go about their work of describing, explaining and predicting phenomena (Rajasekar et al. 2006:2). The study made use of a mixed-methods approach by using data collection methods from both the qualitative and quantitative approaches. It used semi-structured interviews, two sets of structured questionnaires (one for managers and one for customers) as well as a review of the available literature in order to attain the set research objectives. The reason for employing these instruments was to obtain the opinions of the respondents regarding available South African Consular Services within the United Kingdom. A literature review was conducted first, in order to underpin the theoretical basis of the article, followed by construction of a questionnaire and conducting of semi-structured interviews to obtain the viewpoints of the respondents, and to provide the empirical findings of the article.

A population of 60 respondents was targeted by means of convenient sampling to participate in the study. This involved that the respondents were selected randomly on the day of their visit to the Consular Office and were asked to participate in the survey. This approach was necessary as the population was scattered across the UK. However, it ensured that all relevant respondents had an equal chance to be selected as part of the study during their business visit to the Consular Office. The managers and immigration agents used in the study were selected by means of judgemental sampling because they possessed the relevant knowledge and judgement about consular services. The respondents thus included 51 customers in the UK, three managers from the South African High Commission, three immigration agents, one manager responsible for consular services at the Department of International Relations and Co-operation (DIRCO), and two country managers of visa-outsourcing companies. After completion of the survey, 58 questionnaires were eventually completed and received back from the above-mentioned respondents. Fifty-three per cent of the respondents were male, while forty-seven percent were female. Seventy-two percent of the respondents were between the ages of 18–40, while the remaining twenty-eight percent were within the age group of people older than 40. This was an indication that more young people requested the services of the South African Consular Services Section (and by implication these are the people who normally leave their country of origin for other countries providing better opportunities).

5. RESEARCH FINDINGS

The data obtained from the respondents, as well as an analysis of the findings, are presented below according to relevant research themes. The perceptions of respondents (customers) with regard to access and the functioning of South African Consular Services within the UK were measured first.

5.1 The kind of consular services customers have utilised

In order to determine what kind of consular services customers received from the South African Consular Section, respondents were requested to reveal the kind of services that are in demand. This information was deemed necessary in order to increase the footprint of consular services that would result in greater benefit to customers.

Fifty three percent of the respondents indicated that they went to the Consular Services Section in order to apply for visas to visit South Africa. Another forty three percent of respondents indicated that they applied for passports. The remaining four percent of respondents indicated they had made use of other services, such as requesting certificates, retention of citizenship, or even renunciation of citizenship. The results indicate that applications for visas and passports constitute the most popular service rendered by the South African Consular Service. As mentioned, it was necessary to determine this in order to understand the demand for particular services by South African emigrants.

5.2 Applicable methods to make South African Consular Services more accessible

Respondents were probed regarding the kind of alternative service delivery mechanism(s) that would help them access quality and effective consular services. Forty percent of respondents indicated that the use of a website could make consular services more accessible to applicants. Twenty six percent indicated that postal services should be used to make consular services more accessible. The use of honorary consuls for increased access to consular services was suggested by five percent of respondents. Thirteen percent of respondents suggested outsourcing to visa centres. Partnership with NGOs was suggested by seven percent of respondents and the remaining nine percent suggested accredited agents.

The results indicate that the current walk-in and postal methods used by the South African Consular Services Section should be complemented by other methods of service delivery, in order to improve the quality of services and their accessibility.

5.3 Possible providers of consular services that are accessible in the UK

To obtain a closer understanding of the possible providers of consular services that are accessible or available in areas where customers of the South African Consular Services Section lived, respondents' perceptions were measured. Twenty four percent of respondents indicated that the South African Consular Services Section is accessible to them. An additional twenty four percent indicated that visa centres are mostly accessible to them. Honorary consuls were suggested by only four percent of respondents. Forty-eight percent of respondents suggested that the post office is accessible to them as a possible service provider for consular services.

The results suggest that post offices are most accessible to customers of the South African Consular Services Section, which is followed by the Consular Section itself, the visa centres and lastly, honorary consuls. There is thus a need for a wider variety of accessible consular services to SA emigrants living in the UK.

5.4 Factors to take into account before outsourcing consular services

Several factors should be considered by the SA High Commission before outsourcing consular services, such as accessibility and affordability. Twenty two percent of respondents stated that cost saving is an important factor to be taken into account before outsourcing consular services. Seventeen percent agreed that the ability of the service providers to maintain the confidentiality of applicants is a vital factor. Continued affordability of the services was suggested by twenty three percent of the respondents. Thirteen percent of respondents agreed that access to skills and expertise not available within the consular section is an important factor to be considered. The remaining twenty five percent of the respondents agreed that improved access to consular services by customers in all areas of the UK is a factor worth considering. The results indicate that respondents had different needs and therefore cited different factors to take into account before outsourcing consular services.

The study made use of two structured questionnaires. One was used for customers, as previously stated, and the other for managers at the South African High Commission, DIRCO, and for immigration agencies. Themes from the latter questionnaire are deliberated next.

5.5 Challenges facing South African Consular Services in the UK

This theme was aimed at determining from the respondents the challenges that face the South African Consular Services Section in the UK.

Figure 1 illustrates the responses of the managers interviewed, regarding the challenges faced by the South African Consular Services.

Twenty nine percent of the respondents agreed that the South African Consular Services were faced with the problem of employing too few staff. A further twenty nine percent indicated that an increase in demand for the service was another challenge. Lack of training of staff was identified by nineteen percent of respondents. A lack of access to critical systems was identified by fourteen percent of respondents. The remaining nine percent of respondents proposed outdated technological equipment as the challenge.

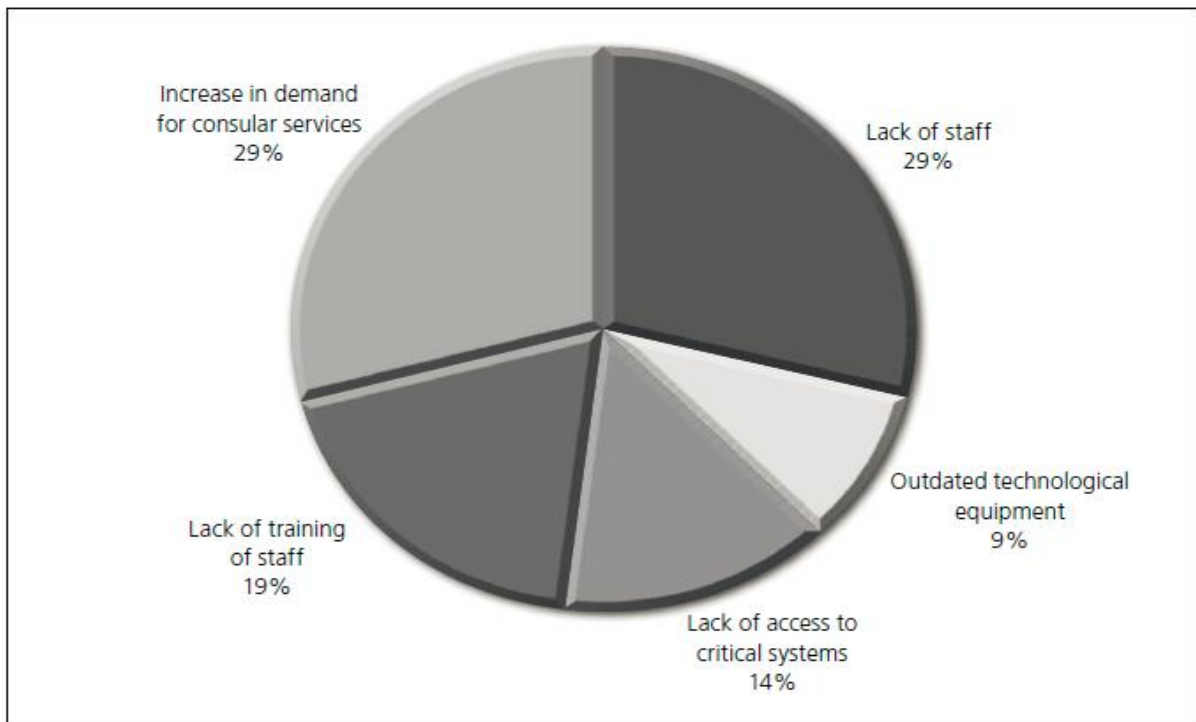


Figure 1 Challenges faced by South African Consular Services

Source: Authors.

5.6 Conquering South African Consular Services challenges

In following up on the challenges faced by the South African Consular Services Section in the UK, respondents were requested to provide possible solutions, which included the following:

- development of methods for interpretation of statutes, to avoid lack of uniformity in enforcing legislation administered by the South African Consular Services;
- investment in labour-saving devices;
- buy more bandwidth for improved communication between the Consular Services Section and Head Office in Pretoria;
- train staff for effective and efficient service delivery; and
- employ more personnel.

The results confirmed that the use of partnership and outsourcing could contribute towards improvement of consular services. This is because it could provide possible solutions to the aforementioned challenges, bearing the solutions suggested by the respondents in mind.

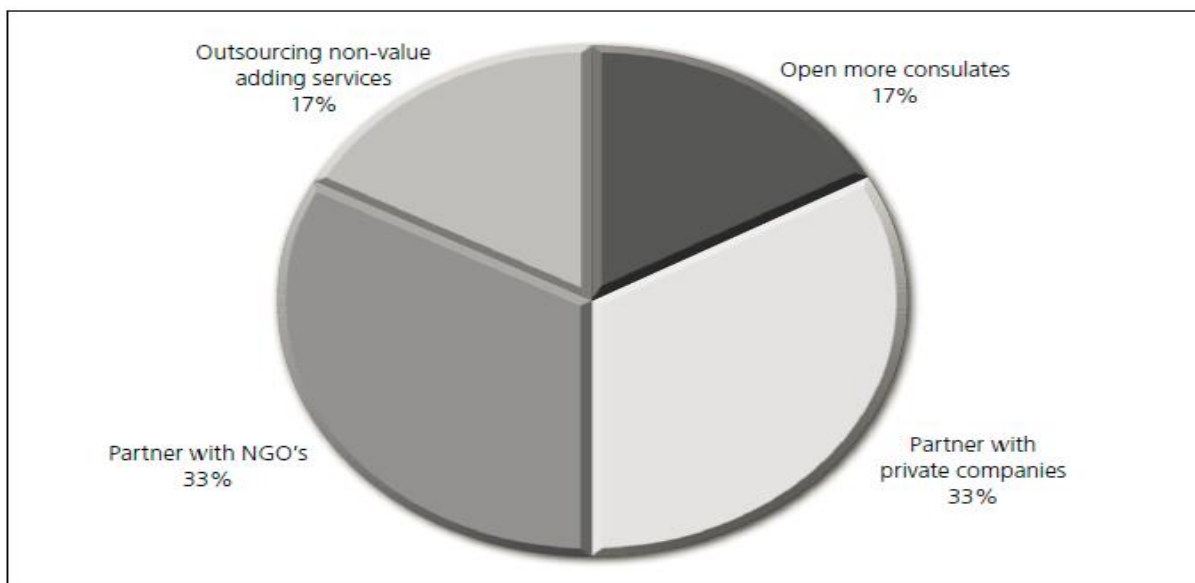


Figure 2 Possible solutions to improve access to South African Consular Services
Source: Authors.

5.7 Making South African Consular Services more accessible to customers

Accessible consular services are an important yardstick to measure the responsibility of a government towards its citizens staying abroad. This theme probed the perception of respondents regarding the possible methods that could be used to increase access to South African Consular Services. The findings of this question are illustrated in Figure 2.

Thirty three percent of respondents were of the opinion that South African Consular Services could outsource non-value-adding services in order to make their services more accessible to customers. Furthermore, another thirty three percent agreed that partnering with a Nongovernmental Organisation (NGO) could contribute towards making South African Consular Services more accessible. Seventeen percent of the respondents considered that opening more South African consulates in the UK could contribute to increased access to consular services. The remaining seventeen percent noted that partnering with private companies could also increase access to consular services. The results indicate that more innovative ways should be sought to realise more effective access to consular services.

5.8 Possible consular functions that could be outsourced to private companies or NGOs

Respondents were requested to indicate functions of the Consular Services Section that could be outsourced in order to improve efficiency and effectiveness. Eleven percent considered that the provision of counselling services could be outsourced. Another eleven percent agreed that enrolment of biometrics could be outsourced. Provision of temporary housing to stranded South African citizens abroad was another possibility suggested by twenty one percent (21%) of respondents. Furthermore, twenty five percent of the respondents agreed that the receipt of passport applications could be outsourced. The outsourcing of receipt of visa applications was suggested by only eighteen percent of the respondents. Fourteen percent of the respondents suggested confirmation of need for medical attention in times of crisis as a function that could be outsourced.

The results suggest the need for outsourcing certain consular services. The findings are in line with the objectives of this research, namely that outsourcing could be used as an effective tool to increase access to consular services. Consular services would furthermore by means of outsourcing be able to concentrate on its core business.

5.9 Factors to take into account before outsourcing consular services

The purpose of this question was to enable the respondents (managers) to identify the factors that must be taken into account by the South African High Commission, before deciding to outsource identified functions, as illustrated in Figure 3.

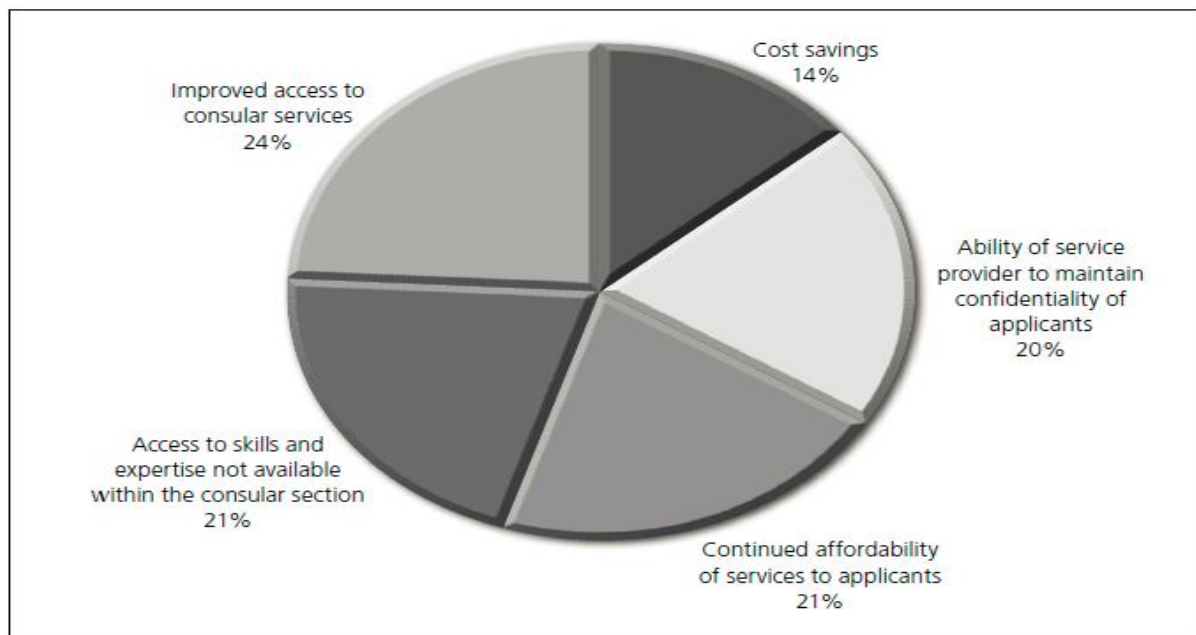


Figure 3: Factors to be considered before outsourcing consular services

Source: Authors.

Twenty four percent of the respondents indicated that improved access to consular services was a vital factor to be considered. Continued affordability of services and access to scarce skills was suggested by twenty one percent of the respondents. Another twenty-one percent (21%) identified continued affordability of services to applicants as a considerable factor. Fourteen percent of the respondents noted that cost savings was a vital factor to be considered; while the remaining twenty percent of the respondents agreed that the ability of a service provider to maintain the confidentiality of applicants is an important factor to be considered. The results therefore indicate that there is also a realisation, even amongst managers, that consular services could be more accessible if outsourced or entered into partnerships with similar service providers. The next section therefore provides arguments on the need for partnerships and outsourcing in rendering more effective consular services.

6. THE NEED FOR PARTNERSHIPS AND OUTSOURCING IN RENDERING MORE EFFECTIVE CONSULAR SERVICES

To reach their clients in every country, foreign ministries render consular services through a network of embassies, high commissions, consulate generals, and also honorary consuls (Berridge 2010:131; Australian National Audit Office (ANAO) 2003:19). According to Okano-Heijmans and Mellisen (2007:201), the increasing demand for consular services and poor fiscal conditions have forced diplomatic missions to consider alternative ways of dealing with challenges and the dilemmas in the consular field. The alternatives include partnership with non-governmental organisations (NGOs) dealing with crises, and outsourcing of services to private companies and law-enforcement agencies (General Accountability Office (GAO) 2005:1; UK National Audit Office (NAO) 2005:12).

Outsourcing is one of those innovative ways in which governments work with third parties (Okano-Heijmans and Melissen 2007:9). Venter and Landsberg (2012:157) reiterate that appropriate services are contracted out to the private sector where it is financially beneficial and where the service

expertise cannot be employed cost effectively. According to Seidle (1995:44), access to consular services includes convenient working hours for the public, proximity of the service point to customers, coordination of the service in such a way that it takes into account different clients, suitable means of transaction, and information availability to clients. In as far as increased access to services is concerned; it appears that outsourcing can serve as a tool to deliver this. Hamilton (2009:20) found that outsourcing can increase access to services to a certain extent. The Hamilton study was largely based on the experience of the transformation of the United States (US) Consular Services. In this regard, the findings of the study were that the need to streamline services and cut spiralling costs of rendering consular services impelled the US State Department to outsource non-core services. Those services included security, switchboard operation, acceptance of visa applications, and even the posting of issued visas and passports. Cost-effective savings were made as most of the costs were shouldered by outsourced partners.

The findings of Hamilton (2009) are in line with the Computer Services Corporation (CSC) (2009:1) and the Visa Facilitation Service (VFS) (2009:3). According to the CSC (2009:1), outsourcing was instrumental in increasing access to services to over 30 visa application centres that were opened in 14 countries, and also multilingual call centres in 87 countries. Concerning the VFS, the use of outsourcing by the UK Border Agency resulted in the opening of 76 new visa application centres around the world, and also the processing over 2.5 million visa applications well ahead of the set turnaround time. The benefits of outsourcing included, inter alia, the following (VFS 2009):

- established call centres handled over 200 000 e-mails and 2,1 million calls per year;
- opening of additional visa centres in countries where the VFS was appointed; those countries included Italy, Morocco and India; and
- handling and delivery of issued visas for the US Embassy in India.

Furthermore, access to consular services increased through the development of multilingual websites in the local languages of customers. The case studies of the VFS (2009:3), which outlined outsourcing and its benefits for rendering consular services, covered countries such as Italy, India, the UK and the United States of America, and visa centres jointly operated on behalf of Belgium, the Netherlands, Italy, Switzerland, Spain, Sweden, Denmark and Iceland.

Apart from using outsourcing to cut costs, it is also used to ensure that expertise that is not present in an organisation is accessed from outside the public sector. According to the Foreign and Commonwealth Office (FCO) (2009:12), outsourcing can be used to access services that are not provided internally, like emotional support and also assessment of the need for medical care during times of emergency.

In addition to outsourcing, partnership is another tool that can increase access to consular services, and also enable the state to access much-needed expertise. For the purposes of this article, partnership is defined as a commitment to a common goal through the joint provision of complementary resources and expertise, and the joint sharing of the risks involved (Ridley 2001:1). According to Seidle (1995:140–142) the hallmarks of partnerships include the following factors:

- partnerships can be distinguished by the nature of the parties to the agreement. Public-private partnerships fall under this category, as this can involve agreement with the private sector or a NGO;
- partnership with a social sector organisation is called a social partnership;
- true partnership: where there is an equal sharing of power among partners. This form of partnership requires public officials to cede authority to partners outside government; and
- degree of empowerment of the parties involved in the partnership.

Furthermore, hallmarks of partnership in the public sector include each partner being capable of bargaining on its own, the relations among partners is enduring, and each partner brings something to the partnership and this can include expertise they might have (Pierre 1998:13).

The implementation of partnerships in the public sector is not without problems. If it is not properly implemented, it can lead to serious reputational problems. The Institute of Public Policy Research (IPPR) (2001:3) suggests that to ensure that partnerships are successful, the following factors must, inter alia, be taken into account, before implementation:

- adequate funding of public services;
- consistent rationale for using partnerships;
- the presence of a strong public sector partner;
- responsible private and third sector willing to embrace a high standard of transparency and accountability; and
- legitimacy among the general public and public service workforce.

Partnership in the area of consular service may involve countries working together to assist each other's national citizens in countries where they are not represented. The forms of partnership and their role in increasing access to consular services may include:

- Partnerships between countries in areas of non-representation, especially where the interests of the country will be greatly served.
- Honorary consuls that would serve as vital partners in extending consular services to far-flung areas. Honorary consuls are mainly used for attraction of foreign investment, and establishment of relations between academic institutions of countries.
- Partnerships with NGOs especially in areas where the diplomatic mission is less effective and where matters fall outside the domain of the consular service.
- Consulate on wheels which entails arranging with local authorities where services could be rendered to expatriates.
- Warden network which is mainly a network of expatriates who volunteer their services to serve as a point of contact of their country abroad.

(Vienna Convention on Consular Relations, 1963; Berridge 2010:137; Rispoli 2009:2; Berridge and James 2003:273).

7. A SYNTHESIS

The discussion and empirical findings above clearly indicate that there is a need to explore partnerships and outsourcing as alternatives in order to improve consular services offered by the South African Government to its citizens residing in the UK. Effective, efficient and economic partnerships and outsourcing must be developed and put into practice, as this would assist in improving consular services. The ultimate goal of public sector organisations is to provide customer-oriented services. It is on this basis that all avenues and service-delivery mechanisms should be explored.

The rendering of South African Consular Services in the UK has been discussed with a view to highlighting and understanding the need for accessible and affordable services to expatriates. Considering that the traditional way of rendering consular services from a diplomatic mission is inadequate to reach potential customers scattered in parts of the host country, the following recommendations are made based on the findings of this research, in order to ensure increased access to South African Consular Services within the UK:

- Alternative consular services such as electronic internet or web-based services should be considered, which would ensure that customers receive value for their money by not having to travel for services that could be accessed online. However, these services can only include those not requiring the collection of biometrics for issuing a requested document.
- Outsourcing the handling of mere enquiries could improve services and furthermore enable the consular officers to focus their attention on ensuring that the received applications are processed speedily.
- The handling of visas and passports could be outsourced to a service provider, in order to increase the footprint of the Consular Section across the UK and also to provide customers with value for their money.
- Social services such as the provision of housing to stranded South Africans abroad can also be outsourced, together with determination of the need of medical attention in times of crisis.
- Before outsourcing consular services, factors such as cost savings, improved access to consular services in the UK, continued affordability of services, and the ability of service providers to maintain the confidentiality of applicants, should be taken into account. This would ensure that outsourcing is in the customers' best interests.
- The South African Consular Services Section should ensure that a website providing information on relevant services offered is regularly updated and that brochures are printed and disseminated upon request. Such an initiative would guarantee that customers do not have to incur costs and spend time asking about the requirements for their applications before coming to the office.
- Lastly, the Consular Services Section should negotiate mutually beneficial partnerships with postal services, to enable customers to apply for designated services from them. In this way, the footprint of the South African Consular Services could be increased at little or no cost to the government.

CONCLUSION

This article locates the significant challenges faced by the South African Government to render consular services in the UK for its citizens staying abroad. It has been argued that due to South African emigrants being scattered across the UK, access to consular services was not easily available. This therefore requires a shift in approach in terms of how consular services could be rendered more effectively and efficiently. This shift involves considering tools such as partnership and outsourcing for increasing access to South African Consular Services in the UK. The study found that partnership and outsourcing provide value for money in the rendering of consular services. Furthermore, the study found, inter alia, that factors such as continued affordability of outsourced services, and the ability of chosen service providers to maintain the confidentiality of customers, should be considered before consular services can be outsourced.

Though partnership and outsourcing have been found to be effective for increased access to consular services, it is also recommended that a monitoring and evaluation mechanism be developed and agreed upon before implementation. The results of such an evaluation could be disseminated amongst customers in the interest of transparency, as well as for instilling confidence in the new service-delivery mechanism.

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TECHNICAL BUDGETING PROBLEMS IN ANGLOPHONE AFRICAN COUNTRIES: A STRATEGY TO MINIMISE THE PROBLEMS

PROBLÉMY ROZPOČTOVANIA V ANGLOFÓNNYCH AFRICKÝCH KRAJINÁCH: STRATÉGIA PRE MINIMALIZÁCIU PROBLÉMOV

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Abstract

The purpose of this paper is to develop a strategy to address technical budget problems emanating from the techniques used in the budget preparation aspect of budgeting systems in select Anglophone African countries. The objectives are consequently to firstly select a sample of Anglophone African states for study; secondly, to examine the nature and functioning of budget systems in general; thirdly, to identify the techniques used in budgeting systems in general and the selected countries in particular; fourthly, to identify the technical problems emanating from the techniques utilised in the selected countries; and lastly to develop a strategy to deal with the major technical problems experienced in the selected countries.

This paper is reprint of the original paper published by African Journal of Public Affairs volume 9, number 1, March 2016, pp. 70-85. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and the author of the paper.

INTRODUCTION

African countries inherited the public governance, -administration and -financial management (including budgeting) systems of their colonisers at independence. The Anglophone African countries in particular inherited the British budgeting system which has subsequently been reformed by Britain and other Anglophone countries into the world class benchmark for developed countries e.g. Australia and New Zealand. The budgeting system reforms of Anglophone African countries, undertaken on grounds of economic crises, lagging development, own initiative and/or requirements set by development partners, have failed to achieve sustainable improvements in performance (Andrews, Pritchett and Woolcock 2012: 299).

The effectiveness of the public financial management systems (including budgeting systems) of some Anglophone African countries have been assessed and surveyed by international institutions with the purpose of identifying problems and implementing reforms to promote development. The well-intentioned reforms aided by donor technical assistance have not generally achieved success because of a number of problems of which the lack of contextual understanding and patchwork reform are a part. According to the World Bank's CPIA ratings, PFM systems in developing countries hardly increased during the last ten years. PEFA scores generally paint a similar disappointing picture (Allen 2009:1-30). A more strategic approach should be taken to address and resolve the budgeting system problems experienced in these countries. The aim of the article is to identify technical problems emanating from budgeting techniques used in budgeting systems of select Anglophone African countries. The sophistication and quality of budgeting systems differ significantly between the

developed, developing and underdeveloped countries of the world. Any attempt to identify technical problems emanating from budgeting techniques for the universe of countries would result in insignificant findings. A single country case study on the other hand would provide significant findings but of limited applicability. This article will attempt to provide a strategy to deal with the technical budgeting problems of a sample of Anglophone African countries; a strategy that might have some utility when these countries meet in reform workshops to share their experiences and expertise. The method of investigation used is a qualitative analysis investigating relevant sources, legislation and policy documents. The study aims to understand the budgetary systems utilised, identify the technical problems emanating from the budgetary techniques utilised, and to develop a strategy to deal with the major technical problems experienced in the selected countries strategically rather than tactically.

2. CONTEXTUALISATION OF BUDGETING SYSTEMS/TECHNIQUES

Public budgeting systems constitute the operating core of PFM systems. Furthermore, budget formulation, implementation, execution and oversight are situated at the centre of good economic governance (Sayeh 2013). The literature does not clearly distinguish between budgeting systems and PFM systems. Budget systems theory uses the allocation problem as the point of departure whereas PFM has government revenue and expenditure as its point of departure. Both areas of study expand from their respective departure points eventually incorporating many of the aspects addressed by the other. The budgeting system, the budget cycle and the budget are common to both. Techniques are used and related technical problems are experienced in each aspect of both areas of study. This article uses literature from the budgeting system area of study and focuses on the techniques used in budget preparation, the related technical problems and their strategic resolution.

A sound public finance management (PFM) system, transparent government accounts and effective public resource management are crucial preconditions for the sustained economic growth and prosperity of a nation-state (Sayeh 2013). The budgetary system is at the centre of PFM systems because it seeks to resolve the issue of matching infinite needs to finite scarce resources, measures progress toward the achievement of policy objectives and provides the means to hold persons to account for fiscal discipline, effective allocation of scarce resources and efficient service delivery. Budgets are a powerful tool for relevant and credible planning and contracting, providing a mechanism to coordinate engagements amongst key role-players resulting in a social contract that defines what government will deliver with the allocated resources. Budgets can be considered as having three (3) overall objectives, namely, fiscal control to support macroeconomic stability, allocative efficiency and operational efficiency (Welham and Hadley 2015:431). Technical problems emanating from the budgetary techniques utilised detract from the achievement of these public finance management goals and therefore need to be identified and dealt with strategically rather than tactically.

Budgeting is central to both political and administrative processes of governance. Budgetary thinking by public officials has evolved by virtue of the criticality of budgeting to governance and as driven by changing public opinion about the proper place of government. When governments had to prove to their taxpayers that they could be trusted with their money, the budget emphasised controlling costs, accounting for finances and improving efficiency. In times of economic recession or depression when citizens want government to proactively solve problems the private sector is blamed for, the effectiveness of public programmes became the budgetary focus. In recent years both of these missions have been reflected in the public budget (Henry 2010:181). The evolution of budget thinking is characterised in the under-mentioned systems of budgeting or budgetary techniques (Henry 2010:183-190; Lee, Johnson and Joyce 2008:149-157).

- Line item budgeting
- Programme/Performance budgeting
- Planning-Programming-Budgeting System (PPBS)
- Budgeting-by-objectives (BBO)
- Zero-based-budgeting (ZBB)
- Target base budgeting (TBB)
- Budgeting-for-Results
- Hybrid budgeting techniques

The abovementioned budgetary techniques are not discrete and each technique has had a lasting legacy in the evolution of budgetary techniques. Various combinations of the techniques are in use in each country depending on the governance challenges being faced and the expectations of the citizenry (Lee, Johnson and Joyce 2008:157). The Budgeting-for-Results technique seeks to create rules linking funding and results. It requires significant capacities for successful implementation and is thus generally unsuitable until the more basic elements of good budgeting have been developed. The sample Anglophone African countries use a hybrid of budgeting techniques consisting of Programme/Performance budgeting and Target Base Budgeting (CABRI 2010 and World Bank Public Sector Budget Law Database {WB PSBLD} 2010). These techniques are combined with multi-year budgeting in a Medium Term Expenditure Framework (MTEF) to provide government decision makers with the medium term fiscal consequences of the budget (De Renzio & Wehner 2009:20). MTEF is a system for planning actions and programming spending over a three to five-year period. It reconciles systematically the achievement of strategic objectives with respect for aggregate resource limits and articulates political-administration participation (OECD 2009:10). MTEFs require institutional adjustments and full integration into the annual budget process.

The demands on budgetary thinking by administrators has also changed as a consequence of the evolving techniques i.e. Line Budgets requires administrators to justify and control costs of inputs; Programme/Performance budgets required administrators to determine the programmatic purposes of the budget and budget as a means of fulfilling public purposes; PPBS requires administrators to acquire skills in economic analysis as well as in accountancy and administration; BBO requires administrators to negotiate goals and hold subordinates to account for achieving them as well as be more productivity minded; ZBB requires administrators to be more involved in budgeting to justify the continuation of their programmes; TBB requires administrators to develop political and coordinative skills and to acquire knowledge of the governance and budgetary system; and Budgeting-for-Results requires administrators to maximise programme outputs for given budgets. Without the appropriate capacity, administrators would experience difficulty in adopting and applying these budgetary techniques individually or in combination.

3. STUDY APPROACH: ANGLOPHONE AFRICAN COUNTRY SAMPLE SELECTION

Countries are unique with respect to their political history and the development of their state institutions and governance practices. Major differences exist in the budgeting systems, techniques and technical problems of developing countries and others such as heavily indebted poor countries and fragile states. The technical problems emanating from their budgeting systems consequently also differ. A sample of Anglophone African countries will thus be selected as the subject of this article rather than a single country case study which is less challenging. The sampled countries share a common governance inheritance but their subsequent development differs substantially.

In the selection of the sample the identifying of technical problems associated with the techniques used in budgeting systems requires specific information regarding the PFM systems and budgeting system used in a country or group of countries. Information is also required about the quality with which such systems operate. Combining the information provided by the abovementioned databases and survey facilitates the identification of generic technical problems emanating from the techniques used in the budgeting systems of Anglophone African countries included. The countries that will thus serve as a sample for this study are Ghana, Kenya, Tanzania, Uganda, Zambia, Lesotho, Botswana and South Africa. These countries are regularly grouped together when CABRI seminars are offered to Anglo-, Franco- and Lusophone country groups.

3.1 Budget practice inheritance and subsequent development

The PFM systems of Anglophone African countries have a number of weaknesses in their budgeting systems. Public spending has taken place without budget authority, commitments have been made, but cash has not been available for payment, data in accounting ledgers and monthly reports have not been maintained, and long delays have been experienced in preparing and auditing the annual accounts of government. Pursuant to such weaknesses, budget performance has been disappointing. Over the past two decades, planned budget deficits have been exceeded because revenue projections have been optimistic, specific expenditures in the annual budget have been under-budgeted for e.g. government supplied utilities, expenditure control has been poor and there has been a general lack of fiscal discipline. These developments can be attributed to weaknesses in the original British budgeting system other external influences, notably those coming from the international financial community, and the manner in which PFM systems have evolved and are operated today in these countries (Lienert and Sarraf 2001:21-22).

3.2 Sources of information for selection and analysis

The development of a strategy to address technical problems experienced in budgeting systems of the Anglophone African countries must be based on the specific problems experienced in these countries. A number of on-line databases are operated by international institutions involved in promoting governance, public administration and public financial management (including budgeting systems) in the world. From these databases the following have been identified to support this study:

- **Public Expenditure and Financial Accountability (PEFA)**

The PEFA initiative (a consortium of donor agencies) promotes a coordinated approach to the assessment of the quality of PFM systems in developing countries and to support the development of related reform programs. PEFA launched a performance monitoring framework for Public Financial Management (PFM) systems in 2005. The framework consists of six dimensions using 28 indicators which attempt to capture the capacity of country PFM systems to deliver positive outcomes along a series of dimensions. The dimensions are: credibility of the budget; comprehensiveness and transparency of the budget; policy-based budgeting; predictability and control in budget execution; accounting, recording and reporting; and external scrutiny and audit. The PEFA framework has been applied in over 60 countries of which 21 were carried out in Sub-Saharan African countries and eight in Anglophone African countries. The dimensions relevant to budgeting techniques as per Public Expenditure and Financial Accountability 2005 and 2010 and PFM Performance Measurement Framework - as Revised January 2011 (WB PEFA 2005 2010 and 2011) and for the purpose of this paper are PI-5 to PI-12.

- **Collaborative Africa Budget Reform Initiative (CABRI)**

CABRI aims at strengthening budget practices and procedures in African countries. CABRI (supported by the African Development Bank) arranged an extension of the Organisation for Economic Co-operation and Development (OECD) “Survey on Budget Practices and Procedures” to African countries. The survey provides an overview of budget practices and procedures in the following seven (7) key areas: budget timelines, budget formulation, parliamentary oversight, budget execution, fiscal transparency, off-budget spending, and aid management (De Renzio and Wehner 2009:20). These areas were selected in order to cover the most relevant issues for budgeting in Africa. The 2008 survey was conducted in 26 participating African countries. The survey objective was for African countries to ‘take stock’ of the state of their practices and procedures, and to compare and contrast these practices with those of their peers as well as providing CABRI with a basis to consider what emerges as key priorities for budget reform for the continent. Eleven of the surveyed Africa countries were Anglophone countries, seven of which have also undergone PEFA assessments.

- **World Bank: Country Budget Law Database (WB PSBLD)**

The World Bank provides a database of current budget system laws (sometimes referred to as organic budget law or public finance acts) to aid in understanding public finance law and assist in reviewing or drafting legislation. These laws have been collected from numerous sources, including World Bank and International Monetary Fund staff, country Finance Ministries, and consultants. Organic budget laws are drafted to suite country legal, cultural, and political conditions (WB PSBLD 2010). A number of countries recognised the need to change budget systems laws in fundamental ways to enable reforms e.g. placing the annual budget in a medium-term macro-fiscal framework; changing the legal basis for annual appropriations from an inputs to an outputs basis; laying the framework for budget preparation; specifying that ministers are responsible for the effectiveness of the policy underlying their budgets and for conducting regular operational efficiency audits; introducing a performance-oriented budget system; establishing principles for budget stability; and allowing greater freedom for budget managers to reallocate expenditures between budget lines and to carry over expenditures into the next fiscal year. Some countries have introduced far-reaching reforms by adopting completely new laws to fill gaps in existing legal frameworks. Reforms (techniques) such as improved performance-oriented budgeting; improving the efficiency and effectiveness of government programmes; preparation of multi-year strategic plans, annual performance plans and annual performance reports; clarifying the role of government in budget processes; the requirement that government report to parliament on the objectives aimed at and the results achieved in various areas of operations; introducing accrual accounting to accompany the budget reform to enhance transparency for parliament and new accountability for budget program managers serve as examples of how budget systems are changed or adopted through legislation (Lienert and Sarraf 2001:21-22). The countries that will thus serve as a sample and as part of the data base for this study are Ghana, Kenya, Tanzania, Uganda, Zambia, Lesotho, Botswana and South Africa.

4. TECHNICAL BUDGETING PROBLEMS

Analysing the performance of a country’s PFM system including the budgeting system requires distinction between deficiencies in the technical competence of the public service and the wider quality of governance. Governance concerns the clarity and openness of the relationship between the executive and the legislature and between the elected officials and the appointed officials (public service). The technical competence of the public service refers to both the technical capacity and

institutional structures and processes to support budget management (DFID 2001:34). Although the governance context is a cardinal determinant of the performance of a country's public budgeting system, it is beyond the scope of this article. The article thus focuses on the technical problems emanating from the budgeting techniques used by the public service in budget preparation.

4.1 Identifying technical budgeting problems

The diagnostic instruments for assessing the quality of budgetary institutions and systems are limited. The best known of these instruments is the PEFA diagnostic tool discussed above.

The diagnostic information deriving from a PEFA assessment does not provide a robust basis for preparing an action plan to be used by national authorities in strengthening their budgetary institutions (Allen 2009:15). However a PEFA assessment of a country or group of countries provides sufficient information to identify aggregate weaknesses in budget cycles in general and budget preparation in particular from which technical problems can be deduced (WB PEFA 2010). The limitations of the PEFA assessments can be compensated for by using the CABRI Budget Practice Survey from which technical problems experienced by African countries have been deduced and elaborated on (De Renzio and Wehner 2009). This will allow the identification of common technical problems in budget preparation for the Anglophone African countries of the selected sample with a reasonable degree of confidence.

The PEFA assessments provide a benchmark assessment of a developed country for comparative purposes. The sub-standard criteria can be interpreted as technical problems emanating from the budgeting techniques used by the country in question. The dimension „PFM Outturns“ and related indicators is the combined consequence of the budget preparation and execution phases and is thus beyond the scope of the article. The results of the comparison of “Cross Cutting Issues: Comprehensiveness and Transparency“, “Budget Cycle: Policy-based Budgeting“ and „Donor Practices“ allows identification of a common set of technical problems emanating from the budgeting techniques for budget preparation used by the sample countries.

4.2 Budget preparation problems in Anglophone African countries

The sample countries are substandard in a number of indicators in the budget preparation aspects of the PEFA assessment. The most problematic dimension is “Donor Practices“ with its associated indicators. This problem will not be addressed further because it is an issue arising from the donor-beneficiary country relationship and the insistence by donors that all donations must be „on-budget“. The major challenge to solve this problem is the lack of synchronisation in the related budget cycles. The problem is being addressed through various international institutions and donor forums with a standard practice under development.

The dimensions relevant to budgeting techniques as per Public Expenditure and Financial Accountability (PEFA) 2010 and PFM Performance Measurement Framework - as Revised January 2011 and for the purpose of this article are PI-5 to PI-12. A cursory analysis of these dimensions reveals that the sample countries are generally on par with the benchmark country with respect to the indicators „Multi-year perspective in fiscal planning, expenditure policy and budgeting“, „Public access to key fiscal information“, and „Oversight of aggregate risk from other public sector entities“. Interestingly, the benchmark country and the sample countries have a similar technical problem to properly link multi-year planning with budgeting (PI-12) (Lienert and Sarraf 2001:14). As a consequence the multi-year recurrent expenditure of investment expenditure is not fully addressed, consequently the outturn in aggregate expenditure and composition are very different from that budgeted and have to be reworked extensively in following years. The performance of the sample

countries is sub-standard on the remaining five relevant indicators thereby indicating technical problems that will be addressed individually.

- **Classification of the budget (PI-5)**

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional and programme. The international standard for classification systems is the Government Finance Statistics (GFS) which provides the framework for economic and functional classification of transactions. Under the UN-supported Classification of Functions of Government (COFOG), which is the functional classification applied in GFS, there are ten main functions at the highest level and 69 functions at the second (sub-functional) level. No international standard for programmatic classification exists, and this type of classification is used in widely deviating ways across countries (WB PEFA 2005:17). The budget formulation and execution of the benchmark country is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. The budget formulation and execution in the sample countries is based only on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards i.e. the functional and programmatic dimensions are not included (WB PEFA 2010). The sample countries thus experience a technical problem with comprehensive performance budgeting in the absence of programmatic and functional budget classifications.

- **Comprehensiveness of information included in the budget presentation (PI-6)**

Annual budget documentation submitted to the legislature for scrutiny and approval, should allow a complete picture of central government fiscal forecasts, budget proposals and outturn of previous years. To be considered complete, the annual budget documentation should include information on the following elements: macro-economic assumptions, fiscal deficit, deficit financing, debt stock (creditors), financial assets, prior year's budget outturn, current year's budget (both budgets in the same format for comparability) summarised budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year, and explanation of budget implications of new policy initiatives (WB PEFA 2005:18; Lienert and Sarraf 2001:16). The benchmark country provides 7-9 of the information benchmarks whilst the sample countries generally provide 5-6 of the information benchmarks in budget documentation (WB PEFA 2010). The missing information items differ between sample countries and can only be identified from individual country reports if made accessible. These items are possibly incomplete budget data because of the inadequate classification identified above as well as debt stock and financial assets.

- **Extent of unreported government operations (PI-7)**

Annual budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities of central government to allow a complete picture of central government revenue, expenditures across all categories, and financing. The sub-indicators assess firstly, the level of extra-budgetary expenditure (other than donor funded projects which is unreported and secondly, income/expenditure information on donor-funded projects which is reported (WB PEFA 2005: 19; Lienert and Sarraf 2001:15). The benchmark country has firstly, insignificant (less than 1% of total expenditure) unreported extra-budgetary expenditure (other than donor funded projects) and secondly, reports 90% income/expenditure information for 90% (value) of donor-funded projects except inputs provided in-kind or, donor funded project expenditure is insignificant (below 1% of total expenditure). The sample countries generally have unreported extra-budgetary expenditure

(other than donor funded projects) of 5-10% of total expenditure but have complete income/expenditure information for all loan financed projects is included in fiscal reports (WB PEFA 2010). The 5-10% of total expenditure that is not reported is a technical problem leading to a potential lack of transparency and accountability.

- **Transparency of inter-governmental fiscal relations (PI-8)**

The levels of sub-national government, revenue sharing arrangements and related expenditure responsibilities are determined in constitutions and/or laws. Sub-national governments determine the use of equitable revenue share and transfers such as unconditional and conditional grants to implement selected service delivery and expenditure responsibilities, through their budgets. Clear criteria, such as formulas, for the horizontal distribution of grants among sub-national government entities are needed to ensure allocative transparency and medium-term predictability of funds available for planning and budgeting of expenditure programs. Firm and reliable information on annual allocations from central government well in advance of the completion (preferably before commencement) of their own budget preparation processes is necessary. Complete overview of expenditure allocations by general government requires sub-national governments to provide fiscal data with a classification that is comparable to central government and that such information is collected at least annually and consolidated with central government fiscal reports. The consolidated reporting of fiscal information should be of a reasonable quality, include all tiers of general government, and be presented on both an ex-ante (budgeted) and an ex-post (actual) basis. Ex-post information should be sourced from routine accounting systems. The indicators assessed are firstly, transparent and rules-based systems in the horizontal allocation among sub-national governments of unconditional and conditional transfers from central government; secondly timeliness of reliable information to sub-national governments on their allocations from central government for the coming year; and thirdly, the extent to which consolidated fiscal data is collected and reported for general government according to sectoral categories (WB PEFA 2005:20-21). The benchmark country determines at least 50% of transfers from central government by transparent and rules-based systems; sub-national governments are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible; and, fiscal information that is consistent with central government fiscal reporting is collected for at least 75% (by value) of sub-national government expenditure and consolidated into annual reports within 18 months of the end of the fiscal year. The sample countries generally determine only 10-50% of transfers from central government by transparent and rules-based systems; reliable information to sub-national governments is issued before the start of the sub-national fiscal year, but too late for significant budget changes to be made; and, fiscal information that is consistent with central government fiscal reporting is collected for at least 60% (by value) of sub-national government expenditure and consolidated into annual reports within 24 months of the end of the fiscal year. The sample countries experience technical problems with respect to an inadequate rules-based system of transfers, late provision of transfer allocations disabling timely budget adjustments and inadequate and late fiscal reporting for general government fiscal reporting (WB PEFA 2010).

- **Orderliness and participation in the budget cycle (PI-11)**

A pre-determined budget formulation calendar should facilitate participation in an integrated top-down and bottom-up budgeting process by involving all parties in an orderly and timely manner. The calendar should allow sufficient time for participants to meaningfully prepare their detailed budget proposals as per the guidance. Clear guidance on the budget process should be provided in the budget circular and budget formulation manual, including indicative budgetary

ceilings for administrative units or functional areas. Effective participation in the budget formulation process by the political leadership, ministries, departments and agencies impacts the extent to which the budget will reflect macro-economic, fiscal and sector policies. It is important that the political leadership is actively involved in the setting of aggregate allocations (particularly for sectors or functions) from an early stage of the budget preparation process. This should be initiated through review and approval of the allocation ceilings in the budget circular, either by approving the budget circular or by approving a preceding proposal for aggregate allocations. The calendar should allow for passing of the budget law before the start of the Fiscal year. Delays in passing the budget may create uncertainty about the level of approved expenditures and delays in some government activities, including major contracts.

The indicators assessed are the existence of and adherence to a fixed budget calendar, clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent), and timely budget approval by the legislature (WB PEFA 2005:20-21). The benchmark country has a clear annual budget calendar that is generally adhered to and allows ministries, departments and agencies at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time; a comprehensive and clear budget circular reflecting ceilings approved by Cabinet (or equivalent) prior to the circular's distribution; and the legislature approves the budget before the start of the fiscal year. The sample countries generally have clear annual budget calendars with some implementation delays allowing ministries, departments and agencies at least four weeks from receipt of the budget circular so that most of them are able to meaningfully complete their detailed estimates on time; a comprehensive and clear budget circular is issued which reflects ceilings approved by Cabinet (or equivalent) provided after distribution of the circular but before budget submissions are completed; and the legislature approves the budget before the start of the fiscal year, but delays of up to two months may occur (WB PEFA 2010). The sample countries experience technical problems with limited time to complete budget submissions caused by late provision of expenditure ceilings. Late approval of the budget causes uncertainty about level of spending approvals delaying new government activities including major contracts.

4.3 Technical budgeting problems requiring strategic attention

The sample countries experience a number of technical budgeting problems. Comprehensive performance budgeting is challenging in the absence of adequate programmatic and functional budget classifications. Certain required information items such as debt stock and financial assets as well as incomplete budget data emanating from incomplete budget classification is lacking. Government activities to the value of 5-10% of total expenditure are not captured on budget leading to a potential lack of transparency and accountability. An inadequate rules-based system of transfers and late provision of transfer allocations disables timely budget adjustments also causing inadequate and late fiscal reporting for general government fiscal reporting. Delayed implementation of budget circulars and late provision of spending ceilings limit the time available to complete budget submissions. Approval of the budget after commencement of the fiscal year causes uncertainty about level of spending approvals delaying new government activities including major contracts. These technical problems should be dealt with strategically and not in a piecemeal fashion.

5. BUDGETING IMPROVEMENT STRATEGY

Strengthening budgetary systems in low- and middle-income countries is often constrained by the poor quality of public institutions; weak centres of government and cabinet systems that create problems of policy coordination and efficient planning; strong patronage systems and weak capacity in

human resources and information systems. In addition, such countries have insufficient financial resources to spend on necessary technical systems and capacity building (Allen 2009:24).

5.1 Approach to budgeting system reform

Countries needing to upgrade their budget systems to resolve technical problems would have to consider various strategies and action plans. Allen (2009:24) has provided some key principles and factors to consider. First, envisaged corrective measures should be considered in terms of the PFM objectives of fiscal discipline (fiscal control management and fiscal sustainability), efficient resource allocation and operational efficiency before their incorporation into strategies and action plans. Second, public finance systems can be considered as hierarchical structures in which reforms should be built up from secure foundations. Corrective strategies should target a few key areas of the budget system that are the foundation of more advanced reforms e.g. budgeting-for-results and accrual accounting. Such areas are likely to include establishing a comprehensive and credible budget that eliminates (or reduces) extra-budgetary activities and accounts; and building a sound system of accounting and control that avoids payment arrears and enables fiscal reports to be produced on a timely and regular basis. Third, rather than give priority to correcting areas of the budget system that score most poorly in a diagnostic assessment e.g. PEFA, a more sophisticated, nuanced approach is required in which all relevant variables – including the regulatory framework, business processes, human resource issues such as developing appropriate skills, and IT systems be taken into account. Finally, technocratic budget improvement programmes need to be avoided. Budget reform is an art, not a science. Moreover, modernisation of the budget needs to be linked to reforms in public administration supported by the political leadership and to the establishment of a professional, merit-based civil service (UNESCO 2005:16).

5.2 Regulatory framework

Budget system laws provide clear operational rules for the budget system to all participants; ensure that budget rules have sufficient authority; incorporate budget principles into legal text; elaborate on constitutional requirements for the budget system; reform the budget system either radically or on a piecemeal basis; specify the financial powers of the legislature and the executive; contribute to macroeconomic stability; and, enhance the transparency of the budget system for accountability purposes (Lienert and Jung 2004:86). The adequacy of existing or envisaged budget system laws should be in accord with the established principles guiding such legislation (Lienert and Fainboim 2010:7).

These prescripts in the organic budget system laws of the sample countries will furthermore provide clarity regarding responsibilities and processes as well as serve as a basis for capacity building and accountability. Other considerations for improving budget performance include:

- improving the alignment between strategy, planning and budgeting for select sectors through the introduction of standardised strategic plans, common strategic objectives, generic budget programme structures and uniform reporting; and
- improving the availability of information within the budget in order to empower oversight structures to strengthen accountability and promote greater transparency.

5.3 Information support system

This component of the recommended corrective strategy addresses the generic aspects of an adequate information support system to correct the identified technical budgeting problems. In the past decade, developing countries have been encouraged to reform their PFM systems by introducing government Financial Management Information Systems (FMIS). FMIS provide powerful platforms to enable standardisation of information, comparability, integration and resource planning, amongst

others (ICGFM 2010:1-2). FMIS are a crucial supporting component of a country's budgeting system and should have the following capabilities with respect to the budgeting function: maintain a historical database of budget and expenditure plans; have dedicated modules to handle monthly, rolling, short-term and longer-term forward estimates of revenues and expenditures prepared by ministries, departments and agencies; and, have built-in analytical tools to offer trend analysis of various elements of fiscal operations to permit a forward look at the emerging events bearing on the fiscal stance (Diamond and Khemani 2005:5).

5.4 Capacity building

Capacity building in budgeting may address the individual level, the organisational level and the institutional level. Capacity building interventions aim at developing institutional rules and procedures, organise the work and provide resources in a way that facilitates their efficient implementation, and equips people in the organisations with competence to operate efficiently in accordance with them (Anderson and Isaksen 2002:1). It is by giving adequate attention to the human angle (particularly the motives, competence and the actions of individuals) that reform programmes can expect to have a substantive impact on internal processes and external service delivery (UNESCO 2005:16 and UK Cabinet Office 2006:24). Enhancing the capability of public sector organisations will empower them to strengthen their budget processes and to perform their respective mandates (Tilley, Hadley, Long and Clark 2015:432).

Staff training should thus not only include training in use of the FMIS for their respective operations and functions, but also training in the new legal and regulatory framework, the new codes and classifications, and the new business procedures put in place. In the initial stage of implementation, there is a need to develop new practices, and the associated training requires a great deal of innovation and tailoring to the specific features and capacity of the organisation. A large proportion of the training should be on-the-job training, and be focused on "super-users." This implies decentralised on-the-job trainers deployed throughout the implementation period. User support is also necessary as a permanent service (Diamond and Khemani 2005:12).

Capacitating the administrators in the sample countries to comply with the amended budgetary framework and effectively utilise the adjusted FMIS to perform their budgeting functions according to the prescribed techniques, will qualify them to be held to account for the execution of their respective functions.

5.5 Accountability

Accountability requires a relationship of conferring responsibility and reporting back on the expected and agreed performance and on the manner in which the responsibility was fulfilled. The rendering of account, whether obligatory or on a voluntary basis, establishes the relationship of accountability (Khan 2007:2).

Administrators of the sample countries are entrusted with public resources for performance of certain well-defined budgeting functions. From the point of view of the public they have a fiduciary relationship with the people at large. Although all administrators are accountable for the performance of their respective functions, the senior management has a broader responsibility to procure, utilise and account for the resources at their disposal. Having been provided with an amended budgetary framework, a modified FMIS and training for proficiency and compliance, administrators of the sample countries can now be held fully accountable for the effective performance of their budgetary

duties. What remains is the adoption of good governance practices that emphasise integrity, transparency and accountability in the sample countries.

Institutional accountability must be strengthened within the budget cycle process. Key elements include budget execution and audit and evaluation. The access to comprehensive accurate and timely reporting of actual spend against budget, amongst others; will empower political representatives and citizens to hold government to account. Increased transparency promotes change, maintains openness with the public, encourages the involvement of citizens, and increases citizens' confidence (Sayeh 2013). Citizens' awareness pushes government to become more accountable thereby promoting more transparency that demands more accountability (ICGFM 2010:3).

In addition, independent assurance will provide confidence that funds have been collected, managed and expensed for intended purposes and in compliance with the relevant laws and regulations (Andrews, Cangiano, Cole, De Renzio, Krause and Seligmann 2014:285). Strengthening the role and performance of assurance providers is therefore also critical to improving institutional accountability. Strong political and executive leadership are essential elements of improving institutional accountability (Sayeh 2013).

CONCLUSION

The budgeting techniques adopted by the sample Anglophone African countries show some progress but proficiency in the adopted techniques should first be achieved before the more sophisticated budgeting techniques of the developed countries of the world are attempted. The technical budgeting problems identified in the sample countries relate to foundational aspects of their respective budgeting systems and should thus be addressed before considering advancements. Following the principles expounded by Allen (2009) a more strategic approach addressing the fundamental aspects of an appropriate regulatory framework, providing relevant information support, building public service capacity and enforcing accountability arrangements is recommended. The corrective stratagem for the identified technical budgeting problems is thus first establish an adequate regulatory framework in law; second provide an integrated information support system that reinforces the framework; third build the public service capacity to operate within the regulatory framework; and last, hold to account any official that moves outside the framework. This article reveals further research opportunities using similar methodology applied to the Francophone and Lusophone African countries as well expanding beyond budgeting systems into PFM systems.

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A REVIEW OF LOCAL GOVERNMENT EXPERIENCE IN SOUTH AFRICA: SUCCESSES AND FAILURES.

MIESTNE SAMOSPRÁVY V JUŽNEJ AFRIKE: ÚSPECHY A ZLYHANIA

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Abstract

South Africa's public policy approach since 1994 has been robust and forward-looking. The policy process has been stretched over all areas of governance. Many policies have been translated into law, regulations and institutions which aimed explicitly as serving the public good. The key is narrowing the gap between the institutions of governance and people's needs. However public dissatisfaction and mass protest in the local government sphere continue. Mass public protest consumes public capability and is therefore wasteful and counterproductive. The response of the authorities entering the contested space is usually reactionary and is hardly successful at addressing the core grievances of communities. Crucially, political representatives, i.e. ward and proportional representative councillors, are crowded out of resolution processes. Communities argue that mass protest and the appropriation of public space is an essential tactic of gaining the attention of the highest authorities. Most community protests are accompanied by acts of violence. Sometimes, the presence of policing services and/or the media exacerbates the crisis. The concern is that communities are acting outside democratic processes as well as institutional arrangements meant to bridge local delivery issues and intended community beneficiaries. It is possible that communities are either unaware of public policy instruments or that they do not respect them as bona fide channels of engagement with the local state. Consequently, protest, usually lacking organisation, strategic direction and leadership pervade the local government landscape. Accordingly, the purpose of the article is to examine how and why public policy provisions fail the public. The focus will be on policy provisions in local government legislation and the recent (2007) local government policy review process, which were intended to address, among others, good governance and public participation approaches, thereby enhancing service delivery. Overall, the article will attempt to evaluate policy gaps at the local government sphere.

This paper is reprint of the original paper published by African Journal of Public Affairs. volume 8, number 4, December 2015, pp. 12-25. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

INTRODUCTION

The Constitution of the Republic of South Africa, 1996 in Section 152, sets out the objectives for local government as: to provide democratic and accountable government of local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement

of communities and community organisations in the matters of local government (South Africa (RSA) 1996:78).

Following immediately from the objectives of local government, Section 153 of the Constitution obliges municipalities to build their capability for delivery. Municipalities are required to manage their administration, budgeting and planning processes to give priority to the needs of the community, and to promote social and economic development of the community, as well as participate in nation and provincial development programmes (RSA 1996:79).

According to the National Treasury, if municipalities achieve the above objectives consistently; provided they do so within their financial and administrative capacities, they could be considered as functional, well-performing municipalities (RSA 2009:7).

Notwithstanding the above, the local government sphere is featured prominently in the Constitution in terms of its developmental role; further expanded upon in the Local Government White Paper; and supported administratively by a comprehensive set of local government legislation. Additionally, the Section 139 of the Constitution allows provincial government intervention where municipalities are found to be failing in their responsibilities (RSA 1996:72). Further, the local government sphere has been the recipient of several government initiatives and support programmes (such as the Local Government Strategic Agenda; Integrated Development Planning support programmes; grants including the Municipal Infrastructure Grant; Local Economic Development strategies and support; and Project Consolidate; as well as donor supported programmes such as the Consolidated Municipal Transformation Programme (SAGI 2010:1).

However, despite the above provisions and support programmes, the 2009 overview report of the state of local government in South Africa discloses a deleterious collection of failures which are attributable to structural, governance and capacity causes. The report clusters the service delivery and governance problems as the priority areas, consistent with government's developmental challenges, including: service delivery backlogs; poor communication and communication relationships with communities; problems with the political administrative interface; corruption and fraud; poor financial management; service delivery protests; weak civil society formations; intra- and inter-political party issues affecting governance and delivery; and inadequate municipal capacity due to lack of skills (RSA 2009:4). The report points out that many of South Africa's municipalities are in distress and that negative practices and fault-lines have become deeply rooted in governance (RSA 2009:4).

The performance assessment of local government by national government is only one among various perspectives. Other views, in particular that of civil society and the media, will be highlighted later. On the whole then, this article consolidates the problems and challenges faced by local government as public policy failure. Since public policy is the agency for institutional, governance and operational measures, local government public policy will be examined for its own fault lines. The article is structured according to: analysis of local government service delivery issues; response by some communities towards their municipalities; local government policy framework; provincial and local government policy review process; policy processes and implementation problems; and conclusion and recommendations.

2. ANALYSIS OF MUNICIPAL SERVICE DELIVERY ISSUES

Municipalities are the custodian of public funds. They are tasked with utilising public resources to address the needs of their communities for basic services such as infrastructure, water, electricity and refuse removal, as well as planning towards the spatial development of their localities. The 2008 local government budget and expenditure review points out that investment in local government is not resulting in returns for the national economy. Collectively, poor governance, inappropriate spatial planning, massive service backlogs, and inadequate social infrastructure have resulted in constraints to

economic growth and poverty reduction. The report warns that if this trend is not addressed it might undermine the future sustainability of services (RSA 2008:2).

The Table 1 shows the state of municipal finances as conducted by the Auditor-General for the period 2008 to 2009.

Table 1 Municipal audits

Municipal audit reports, 2007/08 and 2008/09				
	Number		Proportion	
Disclaimer ^(a)	110	81	38.9%	28.6%
Adverse	11	8	3.9%	2.8%
Qualified	63	47	22.3%	16.6%
Financially unqualified (with other matters)	91	107	32.3 %	37.8%
Financially unqualified (clean audit)	4	4	1.4%	1.4%
Total	279	247	98.6%	87.3%
Late	4	36	1.4%	12.7%
Total	283	283	100%	100%
(a) A disclaimer is issued when an auditor could not reach a conclusion and consequently refuses to present, an opinion on the financial statements.				

Source: SAIRR (2010:718).

The figure shows that only four of a total of 283 municipalities during the period 2007 to 2009 have had unqualified audit reports. The number of municipalities that failed the audit process all together more or less balances off the number of municipalities that received financially unqualified (with other matters) for the same period. The late submission to the audit process grew exponentially from four to 36 municipalities during the same period, implying that financial accountability trends by some municipalities have worsened over a very short period of time.

The notion of failure in the local sphere resulting in the failure in the national economy is elaborated upon by the South Africa Institute of Race Relations (SAIRR), which states that South Africa will remain largely poor and unequal because government is unlikely to amend its poor policy which will result in an economic growth rate of only 3% a year until 2030. The SAIRR argues that a number of risk factors would become prominent in the next two decades, including the government's retreat from growth-led development to interventionist and redistributive policy. The risk factors belong to three policy areas including education, the labour market, and affirmative action, where policies have failed (Business Day 2009).

The consequence of the poor performance of the national economy is reduced fiscal share to local government. Additionally, since there is an increasing reliance by local government for transfers from national government, and given that local municipalities are limited with regards to raising their own revenues, their ability to deliver on services, alleviate poverty and promote development is severely undermined (RSA 2008:4).

Another feature contributing to public policy failure in the local government sphere is to be found in administrative and institutional capacity. Capacity refers to the availability of and access to tangible resources, including human, financial, and technological, as well as the knowledge to implement policies and deliver services (Koma 2010:114–115). However, the effective use of the tangible

resources requires intangible human qualities such as commitment and leadership, as well as institutional qualities such as networks of interests, since service delivery is dependent on a complex demand and supply chain. In order to achieve optimal capacity, the Local Government Budget and Expenditure Report of 2008, points out that an important challenge that remains is stabilising the senior management cadre in municipalities that is responsible for implementing (existing plans) and reforms (RSA 2008:4).

A related issue is that of councillor participation and competencies in the decision-making process. The South African Local Government Association (SALGA) reports that contestation roles and responsibilities have been a major point of contestation in local government since its inception and that this problem is constantly undermining municipalities' performance (Baatjies 2010:9). This weakness prevails despite the provisions of Section 53 of the Local Government: Municipal Systems Act, 32 of 2000 which requires a municipality to define the specific role and area of responsibility of each political structure and office bearer of the municipality and of the municipal manager (RSA 2000:35). Accordingly SALGA has developed guidelines on roles and responsibilities of councillors, political structures and officials called the Municipal Office Bearers Handbook (SALGA and GTZ 2008). A codified classification will not only improve governance in municipalities but further assist national and provincial government and local communities to better understand the roles of political office bearers (George 2009:28).

Finally, an important governance imperative, that of monitoring of municipalities by provinces, is a major weakness. The Constitution, 1996 stipulates in Section 155 that legislation must be developed for the monitoring of local government (RSA 1996). Such provisions are contained in local government and intergovernmental legislation. However, there are no official consolidated government reports covering provincial monitoring of local government. An interim evaluation report of the German Development Service (DED) also implying that financial accountability trends by some municipalities have worsened over a very short period of time.

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3. COMMUNITY RESPONSE TO MUNICIPAL SERVICE DELIVERY

Service delivery protests were a political phenomenon of the apartheid era: i.e. the protests were geared towards expressing dissatisfaction with the lack of services as well as targeting apartheid institutions. The overriding aim was the building of social movements to oppose oppressive initiatives of the state.

Alexander (2010:25–26) qualifies service delivery protest as grass-roots protests against poor quality of service delivery as well as the public's expression of other needs. An accompanying aspect of the protests was the violence that wracked various townships. Quoting Booysen, Alexander proposes from a national survey data and case studies that the South African local electorate appears to believe that voting helps and protest works when it comes to deciding on a form of action to highlight service delivery in communities (Alexander 2010:29).

The Human Sciences Research Council (HSRC) report of 2008 which consolidated public submissions to the policy process on the system of provincial and local government commented in Section 7 (Public Debate) that the most popular subject matter was service delivery (HSRC 2008:132). The report states that there exists a dichotomy between government and citizens on service delivery. The public has become increasingly discouraged and impatient at what they perceive as lack of service delivery, namely provision of housing, water supply, refuse collection, eradication of the bucket system, provision of electricity, transport, policing against crime, education, and so on. Many people feel betrayed by the government as promises of delivery have been made for years but not fulfilled (HSRC 2008:132–133).

The HSRC report also comments on the role of ward committees. Apparently ward committees do not feature in the public debates. Instead, people want delivery rather than institutions for discussion (HSRC 2008:133). Additionally, ward committees appear to have failed as the general claim by communities is that they do not get responses from their local municipalities. People may not be interested in ward committees, as they make no difference to their daily lives. This observation may explain the extreme forms of expressing dissatisfaction and frustration where violent protests have resulted in killings, threats, and wanton damage to property.

The media has highlighted the public protests extensively and expressively. The Business Day made the comment that more service delivery protests were expected in parts of Gauteng, Limpopo, Mpumalanga and North West which indicated growing levels of public dissatisfaction with delivery in various municipalities. The newspaper quotes an unknown research survey which further claims that a third of residents in Gauteng were dissatisfied with service delivery (Business Day in HSRC 2008:134).

The Times reported that Sebokeng went up in flames, and police shot and arrested residents of the Gauteng township during service delivery protests. When asked the reason for their protest, community members reported that they have been staying in shacks since 1995; informal settlements were overcrowded; basic facilities such as running water was inadequate; and that they have tried the peaceful route by talking to their councillor and Mayor, but to no avail (The Times, in HSRC 2008:134).

The HSRC report continues to provide experiences of public protests according to public services issues including: transport; health/ambulance services; refuse collection; crime; eviction from informal settlements; and housing (HSCR 2008:135). The interesting aspect of the protests is the distribution of the protests across different geographical localities with the objective of protesting, namely the divergent issues experienced at a given time. Communities appear to be spontaneous in their protests. However, it is clear that focused research is required to ascertain any trends in the protests and what organisation is put into such protests. The research must also explain what forms of support and leadership constituted the different protests. Finally, the research must link their findings to theoretical formations such as the claim that public protests are part of a social movement in South Africa.

Alexander describes the protests as a rebellion of the poor, reflecting disappointment with democracy (2010:37). However, the question is why do communities resort to such extreme militant actions when a democratic, representative government is in place? While focussed research is required to explain this question, it does appear that local councillors are the main targets during the protest episodes. Ironically, the belief may be that the more violent the protests, the more likely the authorities, in particular higher authorities, will respond to their demands.

Critically then, government has responded to the demands of the citizenry. Recognising that citizens have the right to expect more responsive, accountable, efficient and better quality of service, a review of the provincial and local government was mandated by the Cabinet in 2007 (RSA 2007:6). A discussion of the review process follows hereunder.

4. LOCAL GOVERNMENT POLICY FRAMEWORK

South African local government policy is comprehensive, with the Constitution, 1996 providing a definitive point of departure for other policies and legislation. Below is a summary of the South African local government policy framework with particular focus on functions relating delivery of services. Community participation, as developmental instrument is highlighted in each of the documents discussed.

According to section 152 of the Constitution, 1996 the objectives of local government as a developmental sphere of government includes to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of local communities and community organisations in the matters of local government (RSA 1996).

Section 153 of the Constitution, 1996 then spells out further what the developmental duties of a municipality are: namely, structure and manage its administration, budgeting and planning processes

to give priority to the basic needs of the community; to promote the social and economic development of the community; and participate in national and provincial development programmes (RSA 1996).

The White Paper on Local Government, 1998 defines developmental local government as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives (RSA 1998:23). The White Paper elaborates on the four characteristics of developmental local government: maximising social development and economic growth; integrating and coordinating; democratising development, empowering and redistributing; and leading and learning (RSA 1998:23–26). Crucially, the White Paper obliges municipalities to develop mechanisms to ensure citizen participation in policy initiation, formulation, implementation, monitoring and evaluation of programmes. Each municipality must, therefore, develop a localised system of participation (RSA 1998:33). Following from the provisions of the White Paper, local government legislation sets out other critical service delivery issues.

The Local Government: Municipal Structures Act, 1998 requires all municipal councils to develop mechanisms to consult and involve the community and their civil society organisations in local governance. Sections 19(2)(c) and (3) of the Act direct municipalities towards a new culture of governance that complements representative democracy through participation (RSA 1998:14). Institutionally, the Act provides for the establishment of ward committees which may advise a municipality on local matters (RSA:1998:36).

Section 17 of the Municipal Systems Act, 2000 provides for participation by the local community in the affairs of the municipality through political structures. Chapter 2 of the Act stipulates the encouragement of community participation, consultation and involvement in the activities and functions of municipalities (RSA:1998). In fulfilling the constitutional mandate, the Municipal Systems Act, 2000 provides for all municipalities, together with their stakeholders to jointly complete their integrated development plans (IDPs) (RSA 1998). In addition to the community being involved in the IDP process, the community has an expanded role to establish, implement and review performance management systems (PMS); prepare the local budget; and make strategic decisions relating to the provision of municipal services (RSA:1998).

The Local Government: Municipal Finance Management Act, 56 of 2003 provides for the comprehensive reform of finance management systems within local government and aims to regulate the municipal budgeting process, financial accounting, auditing, reporting and borrowing (RSA 2003:23). The Act also describes the responsibilities of municipal mayors and officials with regard to financial management and municipal budget process (RSA 2003). With regard to participation, the Act stipulates in Chapter 4, Section 23, that a municipal council must consult the community on the annual tabled budget (RSA 2003).

The Local Government: Municipal Property Rates Act, 6 of 2004 provides municipalities with guidelines on how to set rates in a local area. It creates a uniform framework for regulating property rates within the country. The main goal of the Act is to make the methods for valuating properties fair and equitable (RSA 2004:1). This process therefore allows consideration for indigent property owners. With respect to participation, the Act stipulates that the public must participate in decisions relating to municipal property rates (RSA 2000).

Finally, the Draft National Policy Framework for Public Participation provides a formal framework for public participation in South Africa. The national policy is seen as building on the commitment of the democratic government to deepen democracy, which is embedded in the Constitution, 1996 and, above all, in the concept of local government, as comprising the municipality and the community (RSA 2005:1). The national policy declares that it is committed to a form of participation which is genuinely empowering, and not token consultation or manipulation.

In a nutshell, the developmental process involves a range of functions including creating democratic representative structures (ward committees), assisting those structures to plan at a local level (community-based planning), to implement and monitor those plans using a range of working groups and community based organisations, supporting community-based services, and to support these local structures through community development workers (RSA 2005:1). The national policy also envisages improving the accountability of ward and municipal structures to one another and to the communities they serve, as well as improving the linkages between provincial and national departments to their clients, and so to service delivery and policy (RSA 2005:1).

5. PROVINCIAL AND LOCAL GOVERNMENT POLICY REVIEW PROCESS

The end to apartheid was achieved in 1996 through the adoption of the first democratic Constitution. Government is constituted as national, provincial and local government as spheres of government, each with distinctive powers and functions (RSA 1996). The Constitution requires the spheres to function as a single system of co-operative government. Co-operative government means that all political parties and other participants must respect, cherish and promote the existence of the three spheres of government (De Villiers 2008:4). Accordingly, the underlying meaning to the spheres was the notion of governments, and not administrative entities (Reddy and Govender 2011:2).

The provinces, in particular, came under sharp focus from very early stages of the government of national unity (GNU) (Reddy and Govender 2011:2). The source of criticism of the provinces emanates jointly from government and the ANC. As the ANC, the Polokwane Resolution: 2007 resolves that government must develop a White Paper on Provincial Government and to review the Local Government White Paper. The motivation of the resolution includes: a debate within the organisation on changes which is required regarding provincial and local government in order to give effect to the developmental state; determine the process of review towards the macro organisation of the state; and to open the debate and consider other interests and alternatives, while at the same time alleviating fears and concerns (about the future of provinces) (ANC 2010:2). Government's key concern is about efficiency and improving services, and how the powers and functions of government can be better distributed (DDP 2010:3). Notwithstanding, the preceding arguments, since provinces were a compromise in the negotiations post 1990, and since there has never been finality on the provinces, their political and administrative relevance are being revisited (ANC 2010:3–4).

As a result of the foregoing, co-operative government was incorporated into the 1996 Constitution as contained in Chapter 3 (RSA 1996). Following the 1996 Constitution, government attempted to review the distribution of powers and functions between provincial and local government (ANC 2010:7). Government then introduced the Inter-government Fiscal Relations Act, 1997, and the Intergovernmental Relations Framework Act, 2005 to formally address issues of co-operative government. Finally, in January 2007, the Cabinet mandated the then Department of Provincial and Local Government to develop a White Paper on provincial government (RSA 2007:2). Interestingly the review process includes reviewing local government. A white paper on provinces was expected in 2008, but is still awaited. An additional change was the restructuring and renaming of the department to Cooperative Governance and Traditional Affairs after the 2009 national and provincial elections.

6. POLICY PROCESSES AND IMPLEMENTATION PROBLEMS

The policy analysis methodology can be separated into two frameworks—an upper framework consisting of policy formulation and a lower framework referred to as policy implementation. Policy formulation involves the development and synthesis of alternative solutions for policy problems and it is essentially a conceptual and theoretical activity. The focus is on the nature of problems and has little

to do with the resolving of these problems. The process involves understanding the problem and setting objectives which outline the desired outcomes of a policy intervention (Govender 2001:1).

Policy implementation involves the execution of a policy plan of action that is aimed at remedying the identified problem. The main aim is choosing a course of action and ensuring that it is properly followed over a period of time. Policy implementation is about acting on the basis of best choices (Govender 2001:2).

While policy implementation has been practised for a considerable period, applying implementation theory to practice has been rare. Valid theory can inform and improve practice by offering knowledge that can be tapped by people in the world of action (O'Toole 2004:1). A key observation of policy implementation is that policy implementation has too often been practised as a top-down or governing-elite phenomenon. Rather its practice would be much better served, if its practitioners adopted a more participatory, more direct democratic orientation (deLeon and deLeon 2002:2).

According to Pressman and Wildavsky (cited in Cloete and Wissink 2000:166), policies imply theories; policies become programmes when, by authoritative action, the initial conditions are created. Implementation, then, is the ability to forge subsequent links in the causal chain so as to obtain the desired result. The definition of implementation by Van Meter and Van Horn (cited in Cloete and Wissink 2000:166) is more focussed: policy implementation encompasses those actions by public or private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decision.

The above definitions however, seem to emphasise the implementation of single policies to address single problems. There is no distinction between single policy types and multi-policy types. Policy formulation and policy implementation are indeed complex operations. Most policies cut across multiple disciplines such as the social, economic political and environmental dimensions. Policy implementation is also aimed at groups and multiple groups of people with differing and even competing interests. For example, the provision of housing for the homeless by a municipality will require a policy approach that is more than simply the building of houses. The approach will have to, *inter alia*, consider: who are the most in need; will the housing provided be affordable; where should the site for housing be located; how will integration be encouraged; will the housing project link with other economic activities; what should the level of services be, and are there transportation links to economic areas; should beneficiaries be consulted; what is the environmental impact of the project; how will the project be funded; how will cost be recovered; and after consideration of these questions, a decision about the type of housing will have to be made which should be in line with the overall social housing policy of the municipality. When the housing project is in progress, an evaluation will be necessary to determine whether the assumptions made earlier are correct or not. In most cases new unforeseen problems will emerge, which require further decisions (Govender 2001:3).

At a Democracy Development Conference, 2010, policy formulation in South Africa was found to lack both the expertise and theoretical background, thereby casting a shadow on the policy's intended outcomes. Rather, policies in use represented informal, opportunistic, random, and unsystematic decisions by policy actors at different policy making spaces and levels. Further, policies in-use were legitimised by spin-doctors, government spokespersons and so on (DDP 2010:7). A key assertion at the same conference was that the capacity by provincial government to formulate and implement coherent and effective policies was weak; that public participation in policy making processes were also weak and limited despite adequate provisions in law and policy documents; and that therefore, the rational-comprehensive model of policy making was impossible in reality (DDP 2010:4)

Some key policy implementation problems include: context, conflicts and values are confronted at the implementation stage rather than at the policy formulation stage, which alters the original content and objectives of policy; the non-availability of resources present a serious hindrance to policy

implementation; the control and accountability of policy implementation, where there is a leakage caused by lower level bureaucrats; where inter-governmental relations are necessary for effective policy implementation and where such relations are weak, policy implementation becomes difficult if not impossible; policy implementation becomes more complex where policies perform distributive, redistributive, and regulatory functions; where there are winners and losers, thereby causing conflict. Unorganised, poor and vulnerable communities tend to benefit least as they lack the capacity to make their demands felt to the authorities. Achieving goal consensus is difficult under certain political circumstances, such as when politicians experience only the needs in their own constituencies and disregard others where needs may be greater; sometimes implementation goals can be confused by those implementing policy and those evaluating policy, thereby resulting in goals being changed; where authorities that implement policy, lack support, policy implementation can fail. Policies emanate from a theoretical basis and must have a causal link with the outcomes of policy implementation. Policy implementation must include the participation of all actors, i.e. the policy framers or planners, the implementers and the recipients. The cumulative advantages include greater clarity of policy; more morale; and reduction in resistance to change. (Morah 1996:84).

The policy implementation lessons described above have implications for South Africa's local government public policy and praxis. Government's 10 year and 15 year reviews, conducted in 2003 and 2008 respectively, have shown considerable achievements with regard to service delivery policy objectives. However, these achievements are counter balanced by a set of policy gaps and failures. These gaps and failures include: governance challenges; institutional and administrative weaknesses; inadequate community engagement; political interference; poor oversight; inability to respond to complexity of demands and expectations; and the huge variables in spatial location, skills base and socio-economic legacies (RSA 2009:33).

Accordingly, the article's concern for public policy failure is justified. While government is attempting to address the challenges it faces, it is clear that government will be unable to successfully turn the situation around by itself. A much more broad-based intervention, consisting of social scientists, legal experts, practitioners, politicians, and civil society are required.

CONCLUSION AND RECOMMENDATIONS

For the current government, the transformation of local government has probably been the largest undertaking within the entire governance transformation project. Government seems to agree that despite progress since 1994, an enormous amount of thinking, effort, resources, and political will still need to go towards making all of the 283 (now 278) municipalities fully functional, efficient, responsive and sustainable. Accordingly, a Turn-Around Strategy for local government has been agreed upon (RSA 2009). Government is hoping that strategy will highlight a problem statement relating to a series of thematic areas which will then allow for appropriate interventions. However, as pointed out earlier, simplistic approaches do not reveal the underlying complexity and multi-dimensional nature of reforms, development approaches, and day-to-day service delivery issues.

This article has shown that despite a myriad of interventions and support programmes, local government has indeed slipped into distress, and that much of this state of affairs has become deeply rooted within the system (RSA 2009:4). Accordingly, government is at pains to restore the confidence of communities in the local government sphere.

A key deduction from government's approach to the local government sphere is its highly politicised nature. The party political system, combined with the representative system of councillors and ward committees has proved to be problematic and confusing, especially with regard to taking responsibility for service delivery. Rather than directing their common efforts and purpose at people and communities, the political leaders appear to be engaged or distracted by activities such as political

survival, corruption, or simply accruing advantages afforded by political processes. Government has recognised that a culture of patronage and nepotism is widespread in many municipalities. The state of affairs has reached extreme proportions to the extent that formal municipal accountability systems are ineffective. Citizens also appear powerless to intervene. Further, the will to maintain oversight over public officials responsible for service delivery is either diminished, or they enter into mutual corrupt arrangements.

The public policy process was shown to be compressive and transformative. There appears to be a continuous roll towards the achievement of the developmental state. However, this process may be taking precedence over other priorities such as day-to-day administrative responsibilities. Accordingly, public officials escape accountability and strict adherence to their public functions.

Notwithstanding the above, the critical debate within the reform, developmental governance, and day-to-day administrative matrix is the ANC's determined will to exert political power in the local sphere of government. It is clear that the ANC is focussing on consolidating political power, rather than ensuring the functionality of democracy, i.e. democratic practice vis-à-vis public participation where citizens have an equal voice to other local actors; democratic institutions so that all actors have an even and equal space for participation; and democratic accountability where citizens are ensured of their share of the social contract.

Given the complexity of addressing the problems of the local government sphere, and since the ANC has assumed the key role player status, the article makes the following recommendations: a multi-stakeholder task force, including international bodies such as the United Nations be drawn into the provincial and local government policy process which is currently underway; the Presidential Planning Commission form part of the provincial and local government policy review process; and the process of reform must be strongly informed by policy implementation theory leading to a revised local government model which does not depend solely on developmental rhetoric, but which balances redress, civic virtue, and the politics of participation.

NOTE

Dimitrij Umansky, intern at the Centre for the Advancement of Non-Racialism and Democracy, at the NMMU undertook the secondary desktop research for this article.

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ACCOUNTING INFORMATION FOR PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR

VYUŽITIE ÚČTOVNÍCTVA PRI PROCESOCH RIADENIA VÝKONNOSTI VO VEREJNOM SEKTORE

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Abstract

Performance information indicates how well an institution is meeting its aim and objectives and which policies and processes are working. This article argues that the current system of accounting used by government for the preparation of its accounts has certain limitations in as far as the provision of performance information is concerned. Existing theory points to the fact that performance in the public sector is measured in terms of the economical, efficient and effective use of resources. However, the traditional government accounting system was developed to respond to the accountability requirements of the public and not to promote the economical, efficient and effective use of resources. Based on a case study conducted at the Northern Cape Provincial Legislature, it was determined that the modified cash basis of accounting used by government does not provide management with the information needed to enable performance management. The outcomes point to the fact that the accrual basis of accounting is a more effective basis for accounting and can contribute to more economical, efficient and effective use of resources. This is relevant because other government institutions also make use of the modified cash base of accounting to prepare their financial statements.

This paper is reprint of the original paper published by African Journal of Public Affairs, volume 8, number 4, December 2015, pp. 102-118. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

1. INTRODUCTION

It is inherently more difficult to measure performance and to make an evaluation of management success in the public sector because the measure of success in the public sector is not profit but rather service delivery. In the public sector, performance is measured in terms of the economical, efficient and effective use of resources to deliver the necessary services. The public sector in South Africa makes use of the modified cash basis of accounting to report on its financial outcomes and the full cash basis for budget reports. However, measuring performance is difficult when the cash or modified cash basis of accounting is used because this basis of accounting does not provide the necessary information to do so.

The primary reports produced by the modified cash basis of accounting are statements comparing the budgeted income and expenditure with actual income and expenditure. This implies that financial performance is measured in terms of the ability to spend the cash appropriated in the budget. This is

problematic because it does not provide institutions with the information required to make an assessment of how economically, efficiently and effectively resources were employed. In view of the shortcomings of the cash basis of accounting, it is necessary to explore whether another basis of accounting, such as accrual accounting, can provide better information to support performance management. The focus of this study is to determine whether performance management will benefit from the implementation of the accrual basis of accounting.

2. ACCOUNTING INFORMATION

The South African government employs the modified cash basis of accounting in the national and provincial spheres of government for the preparation of its accounts (Quist, Certan & Dendura 2008:49; Baboojee 2011:1). In the modified cash base of accounting, transactions are recorded primarily on the cash basis, but reported results are supplemented with accrual disclosures. According to Blöndal (2003:44) and Van der Hoek (2005:34), the cash basis and the full accrual accounting basis represent two end points on a spectrum of possible accounting and financial reporting bases, as illustrated in Figure 1.

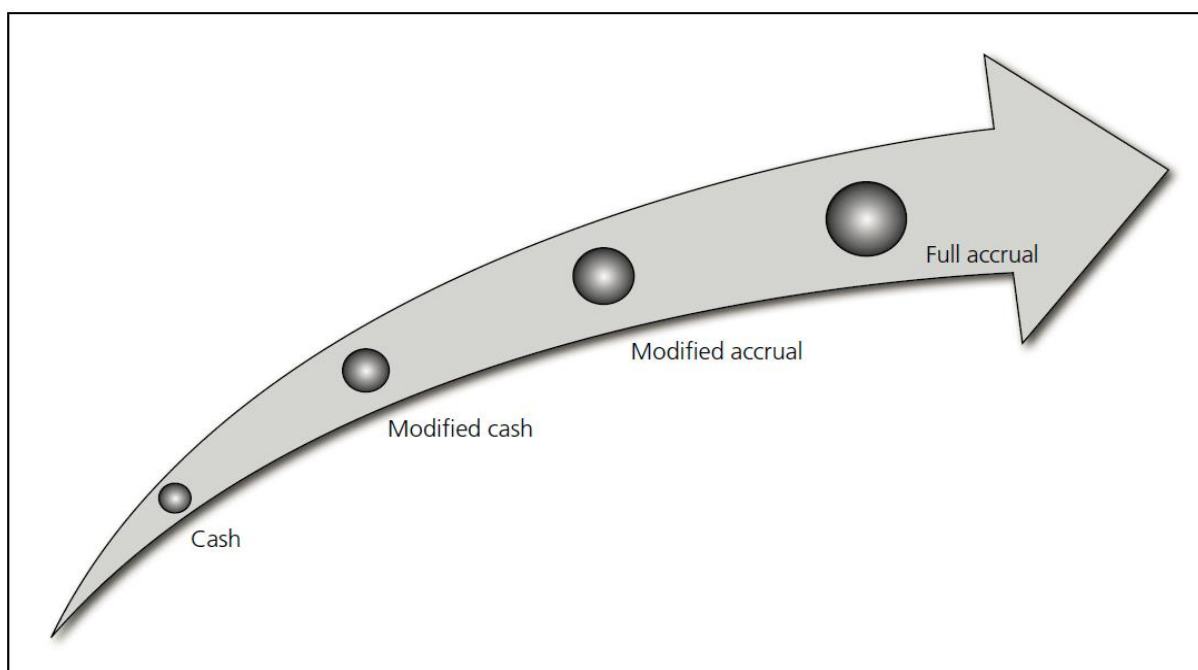


Figure 1 Spectrum of accounting bases

Source: Authors.

The following paragraphs provide a theoretical explanation of the main differences between the cash basis of accounting and the accrual basis of accounting.

3. CASH BASIS OF ACCOUNTING

The cash basis of accounting is an accounting method in which the effects of transactions are recognised when the related cash flow takes place (Monteiro & Gomes 2013:105; Van der Hoek 2005:34; Carnegie & West, 2003:83). Expenses and income are therefore recorded in the accounts when actual payments of cash are made. Pauw et al. (2009:183) describe the cash basis of accounting more comprehensively by postulating four distinct characteristics, namely:

- transactions and events are recognised when cash is received or paid;

- cash receipts, disbursements and balances are measured at historical cost;
- financial results are measured as the difference between cash received and cash disbursed: and
- information is provided about the sources of cash that are raised, the use to which those funds are put and cash balances at the reporting date.

Tiron Tudor and Mutiu (1990:2) summarise the advantages of the cash basis of accounting as it being the simplest basis on which to perform transactions and its objectivity. This implies that those who record transactions do not require high levels of skill in order to recognise the events that would constitute an accounting transaction. Cash flows would signal the need to record a transaction and no subjective estimation of transaction valuation is therefore required.

In addition, Champoux (2006:18) argues that the cash basis of accounting is more transparent from the point of view of a user of financial statements. This is because the users might lack clarity in their understanding of the underlying assumptions of any basis other than cash. Pauw et al. (2009:183) support this by stating that “the cash basis provides links to budgets and appropriations and might be readily understandable and timely”.

Diamond (2002:4) summarises the advantages of cash accounting as follows:

- easily comprehended by users;
- allows measurement on compliance with budget appropriation;
- simple to implement; and
- costs are low due to the lower level of accounting skills required.

Wynne (2004:26) supports this by stating that cash accounting has the virtues of simplicity and objectivity, which translate into its main strength. From the above, the deduction can be made that the cash base of accounting is easy to understand, transparent, user friendly and uncomplicated to use.

In terms of disadvantages of the cash basis of accounting, Diamond (2002:4) lists its limited scope as a major shortcoming. This arises from the fact that it does not reflect the impact that transactions resulting from cash flows outside the reporting period may have. Van Wyk (2003:131) explains the shortcomings of the cash accounting system in the public sector environment by summarising the main deficiency as the fact that the cash basis of accounting measures the resources consumed during the period under review. Thus, actual costs are not measured, controlled and reported. In essence, this means that the cash basis measures all cash costs incurred, but does not disclose the consumption of those resources. It could be that stock was procured, but not consumed. The cash basis will record this transaction as if the resource was paid and consumed.

In addition, the International Federation of Accountants (2000:24–25) lists the following as the main limitations of the cash basis of accounting in government institutions:

- Increasingly, users of government financial information expect governments to provide information on assets and liabilities. The cash system does not meet this requirement.
- Full financial position is not reflected.
- There is no control over fixed assets and current assets.
- All expenses incurred are not accounted for.
- No records of debtors and creditors are kept.
- Actual costs of services cannot be calculated.
- It cannot be used as a base for performance measurement.

Baboojee (2011:12) goes further to state that the cash basis of accounting does not distinguish sufficiently between cash spent on operating expenses and cash invested for the future (capital expenditure). It can be concluded that the cash accounting system is incapable of producing information on the return on investment in future accounting periods other than the period during which cash was spent for investment purposes.

In spite of its limitations, cash accounting is still used as the South African provincial and national government's method of choice with some modifications to include accrual disclosures. On the other end of the spectrum of possible bases of accounting is the accrual basis. The following paragraphs will discuss accrual accounting, as well as its advantages and disadvantages with particular reference to its application in the public sector.

4. ACCRUAL BASIS OF ACCOUNTING

According to Khan & Mayes (2009:3), Diamond (2002:4) and Van Wyk (2003:1X), accrual accounting is an accounting method in which transactions are recognised when underlying economic events occurred, regardless of the timing of the related cash receipts and payment. The Accounting Standards Board (2012:6) supports this by defining accrual accounting as a "... basis of accounting under which transactions, other events and conditions are recognised when they occur". This is in contrast with cash accounting, which recognises the effects of transactions only when cash or its equivalent is received or paid. Transactions and other events are therefore recorded in the accounting records and recognised in the financial statements of the periods to which they relate. According to the Accounting Standards Board (2012:6), the elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.

Pauw et al. (2009:183–184) comprehensively describe the accrual basis of accounting as a system under which:

- Transactions and events are recognised when they occur, rather than when cash is paid or received.
- Assets, liabilities, revenues and expenses are recognised.
- Assets, liabilities and revenues are initially recognised on the historical cost basis, but often revalued to their fair value.
- Later, the measurement focus is on economic resources or service potential and changes in these.
- Information is provided about:
 - the resources controlled by the entity;
 - the cost of operations or providing services;
 - the financial position; and
 - changes in the financial position and operational efficiency.

Much scholarly debate exists regarding the benefits of the accrual system in the public sector as well as its disadvantages. For instance, in a study commissioned by the International Federation of Accountants (2000:59), the following benefits of reporting on the accrual basis were identified:

- It indicates how the entity financed its activities and met its cash requirements.
- It allows users to evaluate the entity's ongoing ability to finance its activities.
- It shows the position of an entity and changes in its financial position.
- It provides an opportunity to demonstrate successful management.
- It is useful in evaluating an entity's performance in terms of its cost and efficiency.

Wynne (2004:7) adds to the above-mentioned by stating that the following points are put forward most often in favour of the accrual basis of accounting:

- It is said to provide more comprehensive financial information.
- It allows for better management of assets.
- It provides the full cost of public services.

Another advantage discussed by Wynne (2004:7–8) is that the accrual basis places greater emphasis on outputs than on inputs. Pauw et al. (2009:184) further summarise the benefits of the accrual system relative to the cash system as follows:

- It enables an assessment of the stewardship of management.
- The true cost of goods and services can be determined.
- It enables an assessment of the true financial position of government.

From the above discussion it can be concluded that the accrual basis of accounting has strong advantages, yet some authors find the implementation in the public sector to be disappointing. In this regard, Wynne (2004:9) states that one of the major disadvantages of accrual accounting is the costs involved in its implementation. These include costs associated with identifying and valuing existing assets, the development of accounting policies, establishing accounting systems and developing the required skills of both the user and preparer of financial statements.

Another disadvantage is that the system is designed to measure profit (Wynne 2004:9), whilst it is not the purpose of government institutions to make profit, but rather to render a service. The complexity of accrual accounting might also lead to less oversight by legislatures and the requirement of more highly skilled staff and auditors in the public sector (Wynne 2004:11).

5. CHALLENGES RELATING TO THE IMPLEMENTATION OF ACCRUAL ACCOUNTING

Heald (2003:2) accepts that the implementation of accrual accounting in the public sector will make a difference to organisational performance, but also concedes that more research is required to make a determination of the extent of that difference. Carnegie and West (2003:83) further argue that accrual accounting will benefit the public sector in terms of optimising outputs; however, modification and augmentation of accrual accounting practices are required for its use and introduction to be successful. Baboojee (2011:44) adds to this by stating that experience from other parts of the world reveals that the adoption of accrual accounting in the public sector, a model that was developed for private sector reporting purposes, has had a limited impact and has been fraught with challenges.

Lessons can be learned from the implementation of accrual accounting in other countries, like the Fijian Public Service, where the following was determined (Tickell 2010:78):

- Government attempted too much change too soon.
- Incorrect software was purchased.
- There was a high reliance on international consultants who did not understand the circumstances in Fiji at the time.
- There was a low-skill base for public service accountants.

It can be concluded that the implementation of accrual accounting is a complicated process and that scholars are not all in agreement with regard to the benefits to the public sector. This may be due to the main differences between government and the private sector where government is aimed at service delivery and the private sector at profit making.

6. PUBLIC FINANCIAL PERFORMANCE MANAGEMENT

According to Mwita (2000:22), performance management is “a multi-dimensional construct aimed at defining the outcomes of work so as to create a link to the goals of the institution, customer satisfaction and economic contributors”. Marr (2009:221) defines performance management simply as a process to determine up front what matters, collecting the correct management information to evaluate according to the plans, and gaining insight from the management information to improve performance going forward. In the context of a government institution, these definitions imply that a performance management system should link outcomes to the predetermined objectives (goals), the public benefit (customer satisfaction) and public funds (economic contributors) used to achieve the goals.

A number of models have been developed over years to help organisations assess how well their public financial management (PFM) functions are performing and to improve performance. Two of the most helpful ones are the public financial management Performance Measurement Framework (PMF) and the Logical Framework Model. These two models will briefly be discussed.

The public financial management Performance Measurement Framework (PMF) was developed by the Public Expenditure and Financial Accountability (PEFA) Secretariat of the World Bank. The PMF is an integrated monitoring framework that allows the measurement of a country’s public financial management performance over time and has been developed as a tool that would provide reliable information on the performance of public financial management systems, processes and institutions (World Bank 2005:1).

Pauw et al. (2009:130–131) summarise the critical dimensions of the Performance Measurement Framework as follows:

- credibility of the budget, which should be realistic and implemented as intended;
- comprehensiveness and transparency, including oversight and accessibility to the public;
- policy based, which means that the budget and predetermined goals and objectives are developed and prepared in accordance with set policies and regulations;
- predictability and control in the execution processes, which includes arrangements for the exercise of control and stewardship of public funds;
- accounting, recording and reporting, which relate to adequate records and information that is produced, maintained and disseminated to achieve decision making, control, management and reporting purposes (this aspect is also of importance for the purpose of performance evaluation); and
- external scrutiny and audit, including arrangements for the scrutiny of public financial records and follow-up by the responsible executive.

These dimensions are also consistent with the definitions reported by Mwita (2000:22) and Marr (2009:221), and while these six dimensions are all equally important to performance management in general, the dimension relating to accounting, recording and reporting are of particular importance to this study. This dimension will be examined later on.

Crawford and Bryce (2003:364) describe the Logical Framework Model as a hierarchy of objectives and assumptions based on cause and effect logic also known as vertical logic. The Logical Framework Approach (LFA) was designed to address three basic concerns (Republic of Serbia 2011:7), namely:

- Planning was too vague and without clearly defined objectives that could be used to monitor and evaluate success (or failure).
- Management responsibilities were unclear.
- Evaluation was often an adversarial process, because there was no common agreement as to what the project to be achieved was.

Applied to the public sector, the concept of a Logical Framework Model can be explained as follows (National Treasury 2007:6):

- Inputs are the resources that contribute to the production of service delivery outputs. Inputs also refer to what we use to do the work and include finances, personnel, equipment and buildings.
- Activities relate to the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. Activities describe what we do.
- Outputs relate to the final product, goods and services produced for delivery. Outputs may be defined as what we produce or deliver.
- Outcomes refer to the medium term results for specific beneficiaries that are the consequences of achieving outputs. Outcomes are what we wish to achieve.
- Impacts are the results of achieving specific outcomes such as reducing poverty or creating jobs. Impacts are how have we influenced communities and target groups.

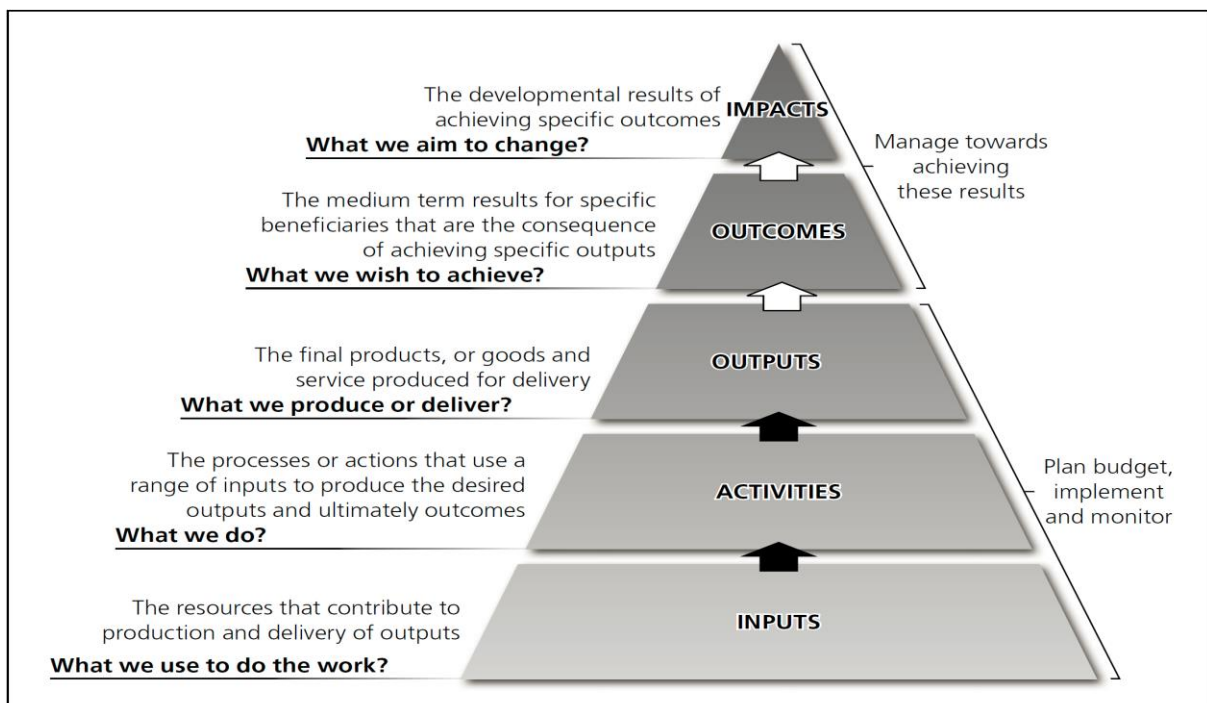


Figure 2 The Logical Framework Model applied to performance management

Source: National Treasury (2007:6).

Performance in the public sector is measured in terms of the economical, efficient and effective use of resources in order to achieve the necessary outputs (service delivery). It is therefore significant that the National Treasury has issued regulations to ensure that performance information underpins planning, budgeting, implementation management and reporting in order to promote transparency and expenditure control in order to achieve economy, efficiency and effectiveness in the use of public resources (National Treasury 2011:4).

The crucial element is the reporting of performance information to the legislature and other stakeholders that will enable them to determine whether departments are achieving the objectives or outcomes identified in their strategic plans. Holding heads of department accountable for performance, i.e. the efficient, effective, economical and transparent use of resources, is regarded as more important than the traditional accountability for compliance (National Treasury 2007:10).

Public sector financial reporting is intended to provide information to users so that they can assess the achievements (performance) of government and the costs at which this performance was achieved, essentially the economy, efficiency and effectiveness of performance costs (Granof 1998:18). The following section will therefore focus on the accounting basis used to produce this information in order to determine whether resources were used economically, efficiently and effectively.

7. RESEARCH DESIGN AND METHODS

The research on this topic took the form of a qualitative assessment of the information provided on a modified cash basis in the Northern Cape Provincial Legislature. Data were collected by means of a self-administered questionnaire which was supplemented with data obtained from semi-structured interviews. A questionnaire was compiled, consisting of closed-ended questions focusing on the most relevant aspects of financial information that have an effect on performance management. Respondents were requested to rate specific factors that were identified in the literature study on a Likert scale from one to five, where one represents not an important factor and five represents an important factor. The Statistical Product and Service Solutions package (SPSS) was used to analyse data and calculate a score for each factor. A mean value as well as a factor value for each question was also calculated. The factor value is a score out of 1 where a score above 0.5 would indicate that respondents agree with the question, and a score below 0.5 would suggest disagreement. The questionnaire was distributed to 23 managers who form the first target group for the study. Of the 23 questionnaires circulated, 20 were received back, which represents a response rate of 80%. In addition to the questionnaires, semi-structured interviews were conducted with the Chief Financial Officers of two provincial legislatures that have already implemented the accrual basis of accounting. The purpose of the interviews was to obtain more in-depth qualitative information. Interviewees were interviewed telephonically and the researcher made use of an interview guide to guide interviewees while the responses were noted in writing. The data were analysed manually and reported in terms of each participant's view.

8. ASSESSMENT OF DATA COLLECTED

The questionnaire consisted of questions that relate to financial information as well as performance management. This is in line with the aim of the study, which is to explore the relationship between financial information and performance management in the Northern Cape Provincial Legislature.

The research indicates that respondents were of the opinion that the quality of both financial and performance information available to enable them to make management decisions is below satisfactory. In addition, the quality of performance information was rated lower than that of financial information. It is worth noting that no respondent rated the quality of either the financial information or the performance information as excellent.

Figure 3 shows the responses with respect to financial information.

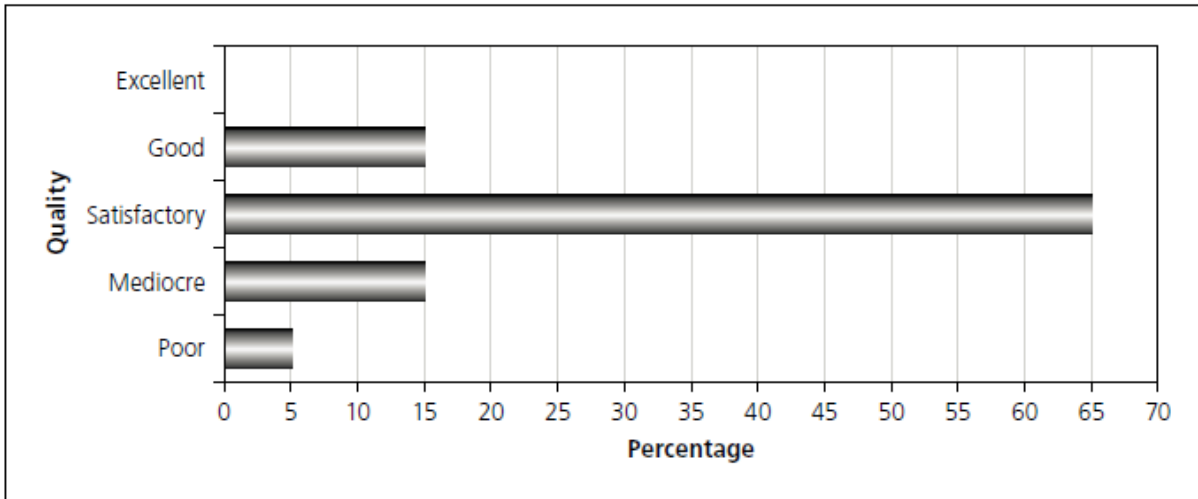


Figure 3 Quality of financial information
Source: Authors.

An analysis of the responses on the quality of financial information indicates a mean of 2.900 on the Likert scale with a factor value of 0.475, which is below 0.5 and which implies that the majority of the respondents considered the quality of financial information as inadequate. Figure 4 provides a breakdown of the responses with regard to the quality of performance information.

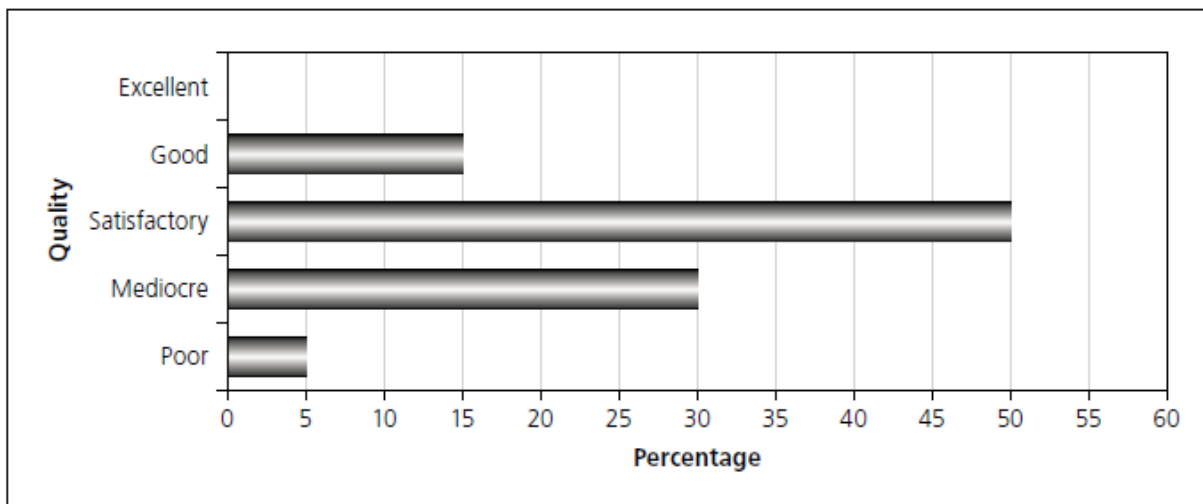


Figure 4 Quality of performance information
Source: Authors.

An analysis of the responses on the quality of performance information shows that a mean of 2.750 was calculated with a factor value of 0.438. This implies that the quality of performance information is inadequate for proper management decisions. The responses on the quality of performance information is in line with the responses on the quality of financial information, and although respondents rate the quality of performance information lower, there is a close correlation between the ratings of the two sets of information available. The findings confirm theories on the cash and modified cash bases of accounting by authors such as Granof (1998:18), Dittenhofer (2001:452) and Van der Hoek (2005:35), who state that the cash and modified cash bases of accounting do not provide the necessary information to assess the achievements of government and the costs of these achievements.

In order to determine what the most important features of a financial and performance management system are, respondents were requested to rate five important features identified in the literature on a

scale from one to five. The following features, as identified in the literature review, were rated in the questionnaire:

- strategic and operational planning,
- timely and regular financial reports,
- excellent information produced by the system,
- accountability of managers,
- a strong link between performance information and financial information.

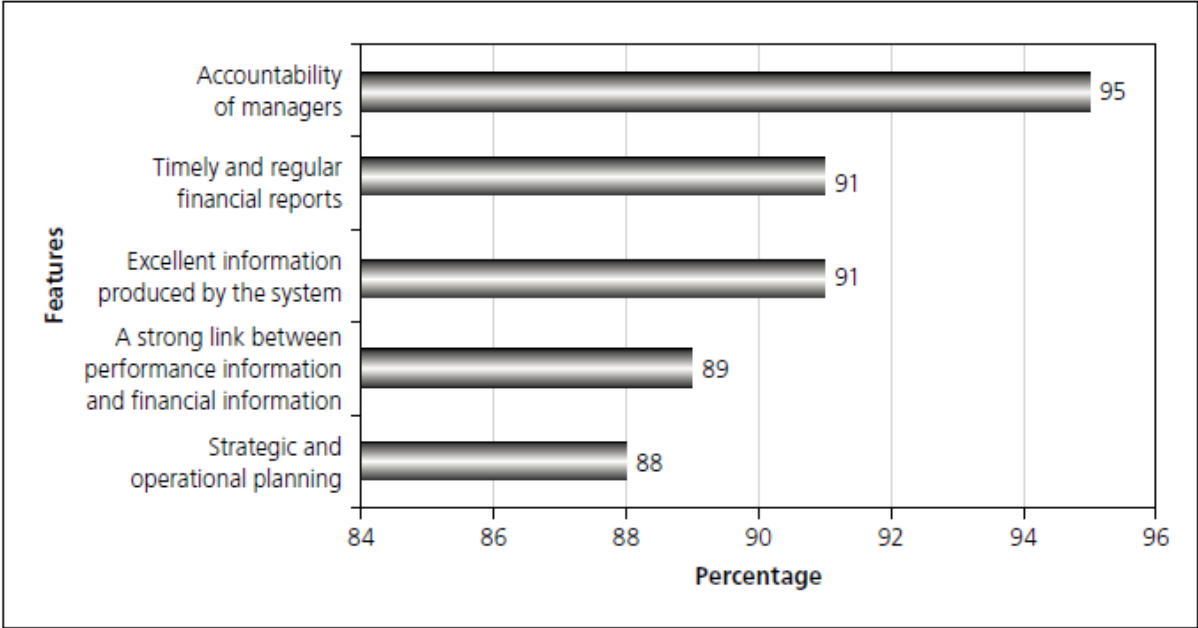


Figure 5 Features of a financial and performance management system
 Source: Authors.

All the features were rated as being of high importance with the mean value above 4.400 and the factor value above 0.850, which indicates that the overwhelming majority of respondents agreed that all these features are of high importance for a creditable system of financial and performance reporting. The aspect that was considered most important by the respondents in the study is that of the accountability of managers. This implies that respondents are acutely aware of the fact that systems alone do not produce results, but that the users (managers) of the systems play a critical role, and in the opinion of respondents, the most important role, in ensuring desired performance outcomes.

An important component of the study was to determine which factors contributed to the fact that the NCPG received a qualified audit opinion on performance information for the 2011/12 financial year but an unqualified audit opinion on its financial statements for the same year (The Auditor-General of South Africa 2012:44).

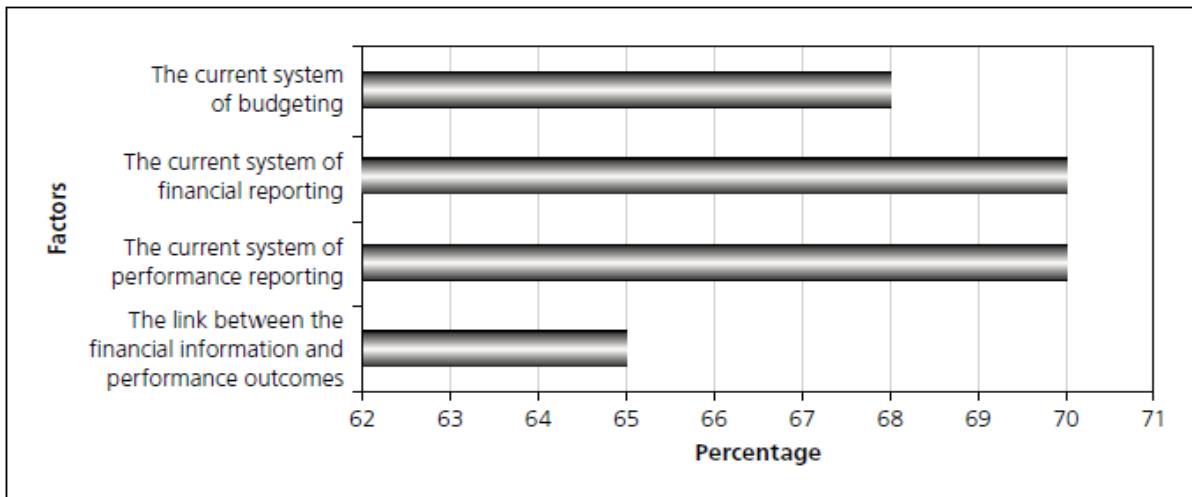


Figure 6 Factors contributing to a qualified audit opinion on performance information but an unqualified opinion on financial information
Source: Authors.

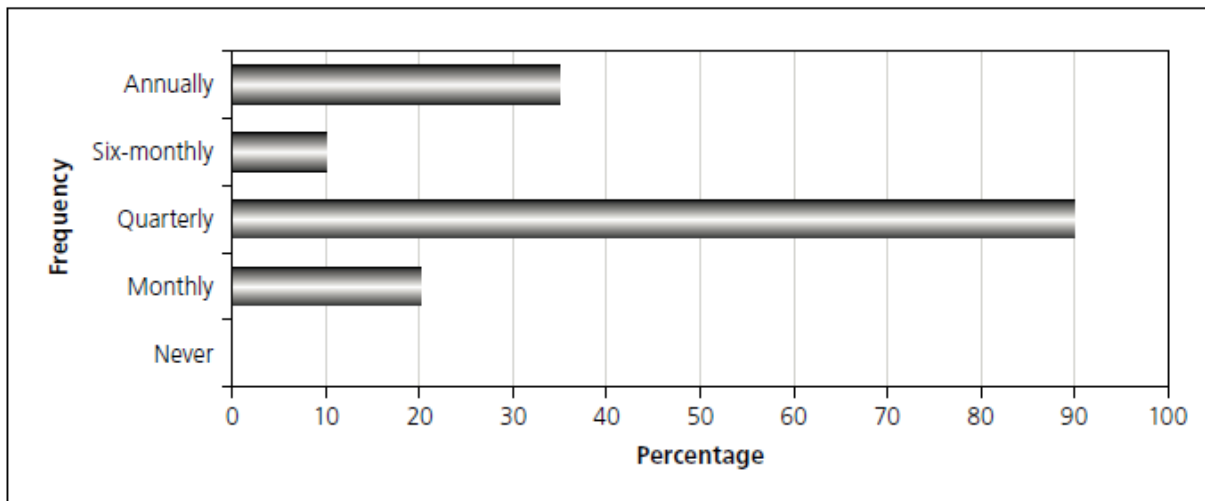


Figure 7 Reporting frequency
Source: Authors.

According to the respondents, the most important contributors to the qualified audit opinion on performance information were the system of financial reporting and performance reporting. This correlates with the findings on the quality of financial information and performance information in figures 3 and 4, where respondents rated the information provided by the system as inadequate.

An important requirement of reporting is the provision of timely and quality information to those who may need it, such as management (Hendriks 2012:9). The study therefore measured the existing reporting frequency with which management received critical information that they use to make decisions that affect the performance outcomes. Figure 7 depicts the reporting frequencies in the Northern Cape Provincial Legislature as perceived by respondents. (Respondents could select more than one choice).

A total of 90% of the respondents indicated that formal reporting takes place on a quarterly basis, whilst 35% indicated that it is done annually. Quarterly reporting seems to be the overall standard frequency of reports for both financial and performance information. This means that information needed to take decisions that affect the performance of an institution can already be 3 months old

before any decision is taken. Furthermore, the lack of performance reports indicates that management might only see the results of a management decision six months (two quarters) later. The majority of the respondents (65%) were also of the opinion that the reporting frequency should be increased to enable better decision making.

In addition to the findings obtained relating to the modified cash base accounting system, the study also focused on the accrual base of accounting. Figure 6 indicates that the modified cash base of accounting is a main contributor to poor performance information and that it may affect management decisions. The aim, therefore, was to determine if the accrual basis of accounting would benefit the decision making of management. Figure 8 illustrates the responses of respondents to this question.

The majority of the respondents (55%) were of the opinion that accrual accounting will benefit the NCPL to some extent, while 45% were of the opinion that it would benefit the NCPL to a great extent. A mean of 4.200 was calculated with a factor value of 0.800, which implies that the overwhelming majority of participants agreed that the introduction of accrual accounting will benefit them in terms of management’s decision making.

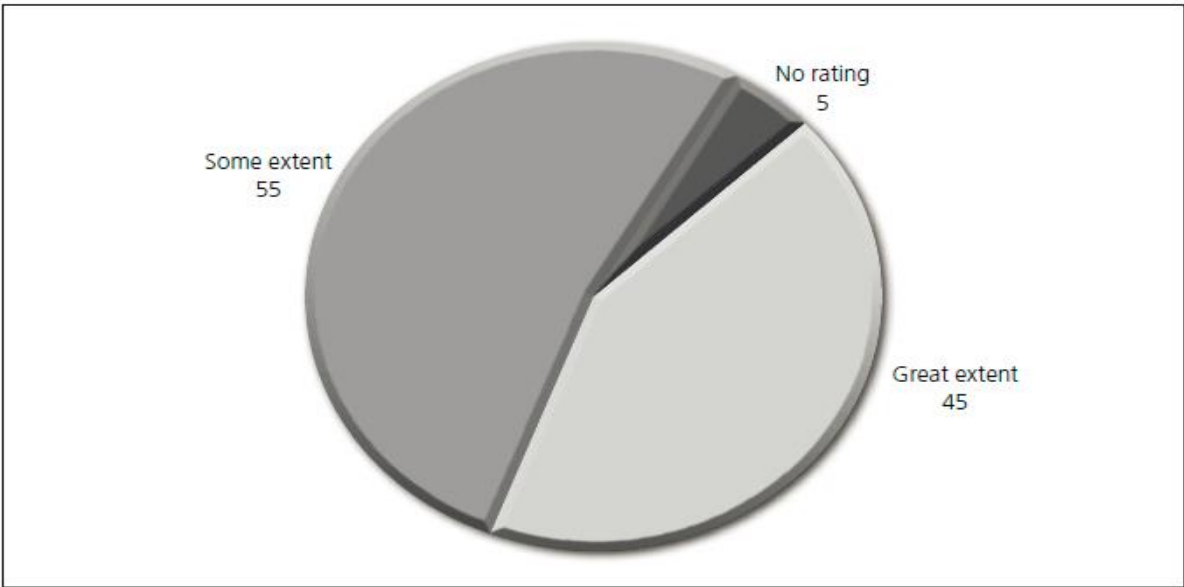


Figure 8 Extent to which accrual accounting would benefit the Northern Cape Provincial Legislature
Source: Authors.

Due to the claimed benefits that accrual system is said to have, respondents were asked to indicate whether they were of the opinion that an accrual accounting system will lead to an improvement in performance outcomes for the NCPL. Figure 9 depicts the results of the question.

From the responses received, a mean of 4.150 was calculated with a factor value of 0.788. None of the respondents chose a value of less than three. While 20% were not sure, 45% responded with a yes and 35% indicated yes definitely.

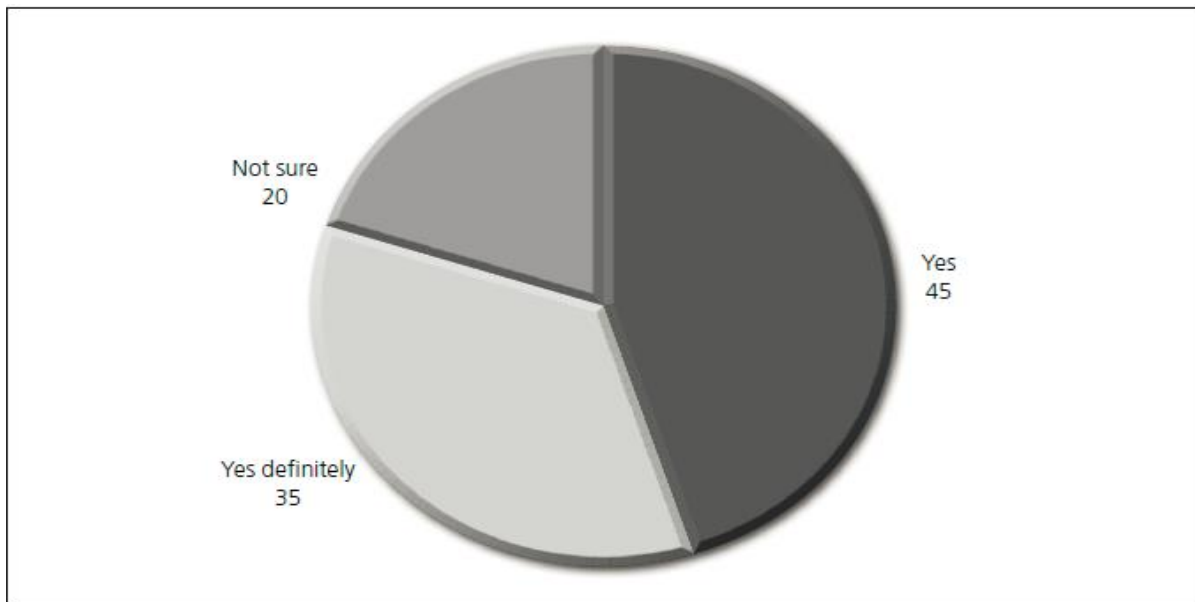


Figure 9 Accrual basis of accounting will lead to an improvement in performance outcomes for the Northern Cape Provincial Legislature

Source: Authors.

The participants in the interviews indicated that since the introduction of accrual accounting, there has been an improvement in the management of resources in their respective legislatures. The interviewees in the study could quantify the improvement in the management of resources. It was indicated that by reporting the cost of operations more accurately through accrual accounting, it made decision makers more cost sensitive and able to improve the economic use of resources.

Interviewees indicated that new financial legislation had also been enacted, which places a compliance requirement on their legislatures to implement accrual accounting. This legislation puts more rigorous compliance regulations in place other than accrual accounting. It is therefore difficult to isolate the effect of the implementation of accrual accounting, because it was done as part of other financial reforms at the time.

The interviewees indicated that because government as a whole operates on a cash basis of accounting, all other processes, such as budgeting and planning, are done to support the cash basis. Because the legislature is part of the government system of appropriation, it means that budgets and financial reports must, in any event, be converted to cash in order to be consolidated. The aforementioned scenario creates additional work load which would not be necessary otherwise.

Interviewees were of the opinion that the accrual basis of accounting is superior to the cash basis in that it allows for better planning, because the transactions are on the financial statements immediately and can be taken into account when planning. In terms of the level of investment, interviewees agreed that the information technology software is the largest investment, followed by retraining of staff and costs related to the conversion of historical information.

Participants cited the retraining of staff and the valuing of assets as the most challenging aspects in the conversion from cash basis accounting to accrual basis accounting. Other aspects that were regarded as challenging relate to the users of financial statements, who were not accustomed to accrual reporting and were overlooked when the entire process was planned. The acquisition of a new information system that is able to handle the requirements was rated by participants as the most important aspect of the entire process.

It was also recommended that implementing the accrual system parallel to the cash system or whilst the cash system is maintained was advisable for a pilot period to iron out any implementation

problems. Based on the empirical research, it is recommended that the Northern Cape Provincial Legislature implement an integrated accrual based financial and reporting model, consisting out of the following stages:

- **Stage 1** – Simultaneous strategic and operational planning and budgeting (accrual based).
In this stage, the performance objectives are clearly set and the required financial resources are linked to the objectives (budgeting). This stage requires considering alternatives and the economical, efficient and effective allocation of resources.
- **Stage 2** – Implementation and monitoring.
In this stage, all implementation decisions are based on plans (strategic and operational) and the budget (available resources). Monthly monitoring to track progress is done by means of formal reporting against both financial and performance results.
- **Stage 3** – Report and feedback.
In this stage, the end results are reported upon, based on the original planning, and the formal statement of performance is submitted along with the financial implications. The results are fed back to system stage 1 (strategic and operational planning and budgeting) for the following year.

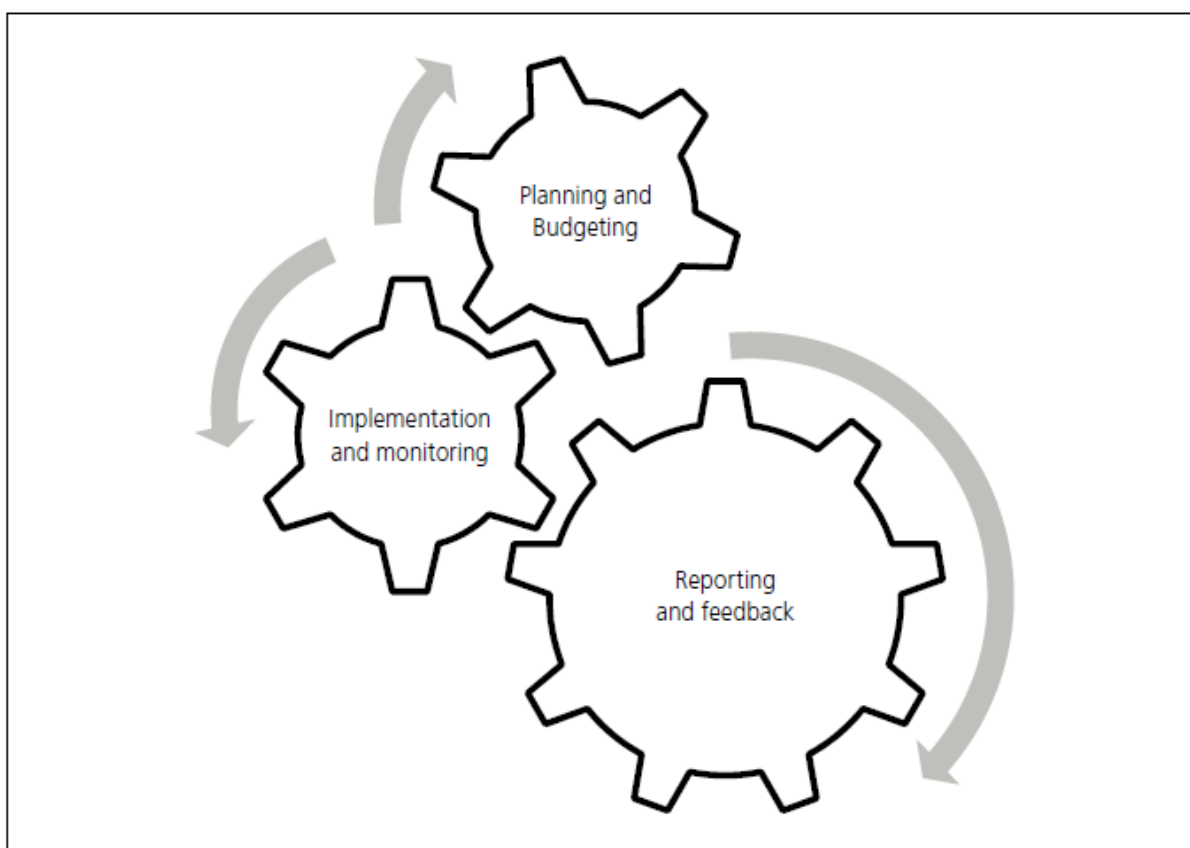


Figure 10 Integrated accrual based performance and financial reporting model

Source: Authors.

A three stage planning and reporting cycle consists of one calendar year (12 months) that feeds into a five year strategic planning cycle. Figure 10 illustrates the recommended model.

While the accrual accounting basis of reporting is recommended, it is further recommended that the Northern Cape Provincial Legislature:

- Invests in an integrated management information system, which supports integrated performance and financial management.
- Skills audit to be performed to determine if any skill gaps exist in the implementation and management of accrual accounting systems, and required training be put in place to bridge any identified gaps.
- Strong emphasis be placed on ensuring data is accurately converted from the cash basis of accounting to the accrual basis of accounting. Any new system to be run parallel to the existing system for a period of at least one reporting cycle.

CONCLUSION

This study concludes that there are certain deficiencies in the cash basis of accounting used by the NCPL. The study determined that the accrual basis of accounting is a more effective basis for accounting and can contribute to more economical, efficient and effective use of resources. The findings for the study suggest that an accrual basis of accounting will provide improved information and therefore enhanced performance management. However, the implementation of a new basis of accounting is not without problems, and aspects such as costs and personnel should be carefully considered before such implementation take place.

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THE SOUTH AFRICAN DEVELOPMENTAL STATE DEBATE: LEADERSHIP, GOVERNANCE AND A DIALOGUE IN PUBLIC SECTOR FINANCE

JUHOAFRICKÝ “DEVELOPMENTAL STATE” Z POHLÁDU FUNGOVANIA VEREJNÝCH FINANCIÍ

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Abstract

The Constitution of South Africa, with its progressive realisation of justiciable socio-economic rights, is fundamentally transformative, and places a number of stringent requirements on the public finance management system to support that agenda. Furthermore, within the government and governance parameters set by the Constitution, a number of strategic orientations for the role of the state are possible, including the developmental state, which may place additional requirements on the public finance management system. This paper explores the implications for the public finance management system of the South African government's aspiration to become a developmental state, as articulated in the newly released National Development Plan 2030: Our future – make it work (South Africa. National Planning Commission 2012). It concludes by delineating an analytical framework through which progress with budget reforms can be assessed, encompassing not only its technical dimensions, but also leadership and governance.

This paper is reprint of the original paper published by African Journal of Public Affairs, volume 5, number 2, September 2015, pp. 48-68. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

1. INTRODUCTION

Contemporary South African public sector leadership tends to be neither collegiate nor collaborative, whereas the transformational exigencies of the constitutionally envisaged governance arrangements require both these characteristics. We are in the lower left quadrant of the diagram below in the main, and need to move systemically to the top right corner.

Unfortunately, despite the move by the Presidency to move towards government-wide outcomes based management, government planning programme and project management systems as well as monitoring and evaluation systems are not congruent currently with this new approach. In particular, the budgeting system which focuses on institutional boundaries (i.e. per department or municipality) rather than programmatic outcomes (which transcend individually public entities typically) is a particularly problematic disjunctive. Furthermore, new conceptualisations of accountability will be

required to be defined and operationalised in an outcomes-based system with collaborative and collegiate leadership.

2. CONSTITUTION AND BUDGET REFORM

Amidst the tumultuous political, social and economic changes precipitated by the transition to a democratic order, the adoption of a new constitution and a profound process of restructuring the macro-organisation of the state (e.g. creation of provincial government, demarcation of wall-to-wall municipalities) and other sweeping civil service reforms, it is easy to overlook that the South African constitution also required fundamental changes to public resource allocation.

Chapter 10 of the Constitution (ss195-197) lays out the basic values and principles for public administration and, within public administration, the role of the public service (South Africa 1996). Of particular relevance is the principle articulated in section 195(b) that “Efficient, economic and effective use of resources must be promoted”. Other important principles which would apply to the public financial management system as well as to all other administrative systems include: the need to provide services fairly and equitably (section 195(1) (d)), responsively and in a participatory manner (section 195(1) (e)), accountably (section 195(1) (f)) and transparently (section 195(1) (g)).

The Constitution in sections 215 and 216, read together with section 195(b), (f) and (g), laid the constitutional foundations for fiscal governance in the South African public sector. At the same time, the Constitution precipitated a fundamental transformation of the fiscal landscape to a more decentralised intergovernmental fiscal system, later given further operational substance by the Intergovernmental Fiscal Relations Act of 1997 (South Africa, 1997).

This level of detail and attention to the management of public finances in the form of a “fiscal constitution” is a highly unusual feature of any basic law of a country. The fiscal constitution is even more remarkable when read together with the Bill of Rights which confers on citizens justiciable socio-economic rights to be progressively realised within available resources (such as the right to access to education, health, housing etc.). Cumulatively, these constitutional provisions place immense pressure on the fiscus to support the development outcomes and socio-economic transformation envisaged by the Constitution. Thus, to pass constitutional muster, the fiscal system must not only demonstrably adhere to good fiscal governance (e.g. legal compliance, probity and accountability), it must also be results or outcomes oriented and achieve value for money.

It is hardly surprising, therefore, that Government embarked on major reforms of the tax and revenue management systems (such as the creation of the South African Revenue Service), the establishment of a system of intergovernmental fiscal relations and far-reaching public expenditure management reforms, exemplified by the Public Finance Management Act, 1 of 1999.

The enactment of the Public Finance Management Act, 1999 (PFMA) was an important milestone in the budget reform trajectory of South Africa (South Africa 1999). It aimed at modernising public financial management in line with the demands of the new democratic dispensation and international good practice. As was noted above, the impetus towards these attempts at improving the raising and application of government resources was embedded in the 1996 Constitution, which embraced good fiscal governance through increased accountability, transparency and participation. The RDP White Paper of 1996 also was firmly grounded in the commitment to enhanced aggregate fiscal discipline, coupled with improved reprioritisation and better productivity of government spending (South Africa 1994). The Presidential Review Commission of 1997 had proposed many recommendations about improving public resource allocation mechanisms over the medium to long term (South Africa. Presidential Review Commission 1997). The PFMA also built on previous budget reform initiatives such as, inter alia, the Medium Term Expenditure Framework (MTEF) and the Medium Term Budget Policy Statement (MTBPS) introduced in 1998.

The PFMA has now been in the implementation phase for more than a decade in national and provincial departments as well as public entities. Some of the lessons learnt have already fed into the Municipal Finance Management Act of 1993, the PFMA's counterpart legislation within the local government sphere.

Substantial resources have been devoted to implementing the PFMA since 2000 (Folscher and Cole 2006), with some managers arguing that tight PFMA controls have made financial managers risk averse and stifled service delivery. There has been significant investment in creation of financial governance structures such as audit committees, risk committees, the internal audit function, establishing supply chain management units to mention but a few dimensions (Nair 2008). Audit requirements have also become more onerous in the wake of the PFMA and South Africa is one of the few countries in the world where departments and entities are subjected to annual financial, compliance and performance information audits.

A great concern from a fiscal governance perspective is that, despite these on-going reforms since 1994, the quality of financial management does not seem to be improving within national and provincial departments. The status of audit opinions is a good proxy for the quality of financial management. Unfortunately the depressing trend of successive General Audit Reports of the Auditor-General of South Africa is that despite a decade of reforms, fiscal governance improvement has stagnated, especially in the large social services and infrastructure provincial departments described below (which jointly comprise 85% of annual provincial government spending):

The overall deterioration in the audit outcomes of Education, Health, Public Works, Human Settlements and Social Development needs to be arrested. Except for the Department of Human Settlements (Limpopo) none of these departments obtained a clean audit report. For the 2010-11 financial year, ten departments in these sectors registered improved audit outcomes, while three regressed. The net result is that only 50% are financially unqualified, compared to the 83% overall of departments in other sectors. Four departments in these five sectors received adverse or disclaimers of audit opinions. (South Africa. Auditor General 2011: 6).

Even more disconcerting is that fiscal outcomes have been even more disappointing from an efficiency and effectiveness perspective. Wasteful and inefficient expenditure seems rife, as well as outright corruption (Pickard 2005). As noted by the Presidency in its position paper Improving Government Performance: Our Approach, despite spending more on education and health as a percentage of GDP than our developing country and SADC counterparts, the outcomes of our education and health systems have been disappointing to say the least. For instance in the Southern African Quality Monitoring and Evaluation Consortium grade 6 mathematics tests, South African learners performed much worse than their counterparts in Kenya, Mozambique, Tanzania and Uganda (South Africa. Presidency 2009). Clearly the pursuit of value-for-money at this stage is more aspirational than operational.

3. A DEVELOPMENTAL STATE FOR SOUTH AFRICA: IMPLICATIONS FOR BUDGET REFORM

The African National Congress (ANC), the governing party, in its National General Council in mid-2005 committed itself to building a developmental state to transform the South African economy fundamentally. This theme was later reinforced at the ANC 52nd national conference in 2007 in Polokwane, and the ANC 2009 election manifesto (Edigheji 2010). In order to address the challenges

of accelerating economic growth and reducing unemployment, poverty, inequality, “the skewed patterns of ownership and production”, a developmental state was envisaged which would play a leading role by “directly investing in underdeveloped areas and directing private investment” (ANC 2007). Unlike the authoritarianism of many earlier developmental state regimes in East Asia, this vision also emphasised democratic nation building and social policy:

Whilst engaging private capital strategically, our government must be rooted amongst the people and buttressed by a mass-based democratic liberation movement. Whilst determining a clear and consistent path forward, it must also seek to build consensus on a democratic basis that builds national unity. Whilst acting effectively to promote growth, efficiency and productivity, it must be equally effective in addressing the social conditions of the masses of our people and realising economic progress for the poor (ANC 2007).

The pursuit of a developmental state agenda is thus currently official policy of the South African Government. In 2009 the developmental state was a focal point of the State of the Nation Address (SONA) by President Jacob Zuma as well as of the 2009 Medium Term Strategic Framework. Most recently in 2012, building a developmental state featured as one of the prime objectives of the National Development Plan 2030: Our Future – Make it work (South Africa. National Planning Commission 2012).

The parlance of the developmental state has rapidly permeated political discourse. Much of the South African debate, however, has been superficial, predominantly at the level of rhetoric rather than practice (Freund 2007) and framed ideologically as opposed to being pragmatically grounded in implementation reality (Tshishonga and De Vries 2011). The official thrust towards constructing a developmental state has been interpreted as the ascendancy of interventionist socialist/workerist elements within the African National Congress, supported by leftist alliance partners like the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP), over the neo-liberal factions which were seen as dominant during the Mbeki era (Fikeni 2010; Kagwanja 2009; Maserumule 2010). One reason for the vague definition of the development state vision may well, therefore, have been to paper over the deep ideological divisions both within the tripartite alliance and with the ANC itself, since devoid of specific content, the development state rubric could mean all things to all people.

Neoliberal approaches typically favour free markets, minimal government intervention, private enterprise, free trade and investor friendliness and stringent intellectual property protection regimes (Chang 2007:11). In contrast the developmental state is perceived as “interventionist, productivist, ideologically opportunist, protectionist and quite often authoritarian” (Swilling 2008:3), often driving significant change in the distribution of property rights through land reform and nurturing strategic infant industries through active industrial policy. The developmental state model is also contrasted with the “show-case modernity” of many failed Latin American and African experiments with import substitution-led industrialisation and trade in natural resource commodities, aimed not at inclusive and sustainable development, but on achieving “a set of elite consumption patterns appropriate for developed countries” and characterised by “exuberant consumption, heavily skewed in favour of urban elite groups at the expense of the rural and lower-income majorities” (Woo-Cummings 1999: 22). States like Zaire under Mobutu Sese Seko, displayed predatory characteristics and state capture by small powerful elites since the 1960s. This resulted in developmental retrogression, shrinking economies and sharply rising poverty as a small elite class of personally connected individuals, plundering the common weal in the interests of self-enrichment (Evans 1992). State owned enterprises were often ineffectual and made sustained large losses, civil services were bloated, ineffective and fiscally unsustainable, high debt levels, deteriorating infrastructure despite public investment and narrow tax bases heavily dependent on trade related tariffs (Fritz and Menocal 2006).

Historically, most developmental states were driven by political motives such as nationalism and the need to “catch up” with the West. A state may be regarded as developmental when:

It establishes, as its principle of legitimacy, its ability to promote and sustain development, understanding by development the combination of steady high rates of growth and structural change in the productive system, both domestically and in its relationship to the international economy Thus, ultimately for the developmental state, economic development is not a goal but a means. (Castells 1992:56-57, cited in Fine 2010).

The term developmental state was first explicitly coined in 1982 by Chalmers Johnson referring to the spectacular rise of the Japanese economy (Johnson 1982). It has also been associated with newly industrialised countries of East Asia (such as Singapore, Malaysia, and Hong Kong) as well as Scandinavian corporatist models such as Norway (Moses 2010). However, its emphasis on the role of the state in either directly intervening to stimulate economic growth or through creating the conditions to influence the nature and direction of growth can be traced much further back to the German nation building protectionism of Friedrich List in the nineteenth century and the import-substituting industrialisation of Latin America in the 20th century (Fine 2010).

Leftwich has crafted a stylised model of the developmental state, the “classical model” based on six components:

- a determined developmental elite ... a bureaucracy with authoritative and pivotal influence in developing policy, often at the expense of both political and legislative elites”;
- relative autonomy of the development state from class, regional or sectoral interests ... within a dense web of ties to non-state and other state actors (internally and externally);
- a powerful, competent and insulated economic bureaucracy;
- a weak and subordinated civil society;
- the effective management of non-state economic interests ... with state power and autonomy consolidated before national or foreign capital became influential; and
- repression of civil rights, legitimacy and performance” (Leftwich 1995:405-419).

While many of the successful developmental states were in fact authoritarian (e.g. Korea), other instances of developmental states (e.g. Norway, Sweden, Kerala State in India, Porto Alegre, Brazil and Venezuela) were in fact democratic and had invested heavily in research and development, using their welfare systems to facilitate structural change towards high productivity sectors (Chang 2011; Pillay 2007). Drawing on case studies such as Korea, analysts have argued that the developmental state cannot be a stable equilibrium: if it fails in its quest to stimulate economic growth it loses its legitimacy and is compelled to change; if it successfully stimulates economic development then it will experience pressures from society, including local big business, to moderate its heavy-handed, dirigiste approach to economic intervention (Kim 2010).

Because the authoritarian dimensions of the East Asian model would be untenable due to our social and political history, and the tenets of the Constitution (Van Dijk and Croucamp 2007), attention in South Africa has focussed on the democratic development state (Edigheji 2010). Two lessons transferable from the classical East Asian model to a democratic development state seem to be: (a) the need for a competent, influential, meritocratic bureaucracy akin to the Weberian ideal, operating under an incentive regime of long term career rewards and capable of enforcing performance standards, and (b) its embedded autonomy i.e. “an apparently contradictory combination of Weberian bureaucratic insulation with intense immersion in the social structure” (Evans 1992:154), for example through social ties to business and broader society. Evans contends that embeddedness does not degenerate into clientelism, corruption and state ineffectiveness, if it is counterbalanced by insulation of competent bureaucrats from the short-term pressures of their political constituencies which creates the space for them to take the most economically appropriate long term decisions. This is based on the

implicit assumption that technocrats have the knowledge, capacity and incentives to do so (Evans 1992). Another implicit assumption not discussed by Evans but nevertheless important is that the bureaucracy is inculcated with values and ethics consistent with public service and stewardship of public resources rather than merely self-interest.

Other preconditions often cited as being critical to the creation of a democratic development state include social pacts between the state and powerful interest groups such as business and labour, a strong pilot agency such as the Japanese MITI or Korean Economic Planning Board (EPB), state control over the financial sector and effective state owned enterprises (Chang 2011).

Globally the knowledge economy is increasing in importance relative to agriculture, manufacturing and services. As high value-added activities become increasingly knowledge intensive, effective expanding access to the existing stock of ideas and intensifying their application, as well as the generating new intellectual property becomes indispensable. This research and development and innovation capacity is contingent on human capability. In the 21st century, therefore, an aspirant developmental state will have to discharge two broad roles effectively. First is to create incentives for individuals to invest in their own capabilities through a distribution of basic rights and social support for education, healthcare etc. Second, in addition to achieving societal goals, developmental states will also act as the platforms for defining developmental goals and making hard social choices. Achieving this function “places democratic deliberation at the top of the list of capabilities that the development state must foster” (Evans 2010:44). From Evan’s analysis outlined above, it is clear that an incipient developmental state would not only have to develop technical policy formulation and analysis capacity and administrative capacity, but also the political capacity for effective governance. This political capacity is often underplayed in the discussion of the developmental state yet it is pivotal to the state’s ability to mobilise a country and its many distinct interest groups around a common national development project in a legitimate, transparent and accountable manner (Edigheji 2010). Instead of engaging with small groups of industrial elites through efficient administrative structures and personal networks as in the classical East Asian models, a democratic development state would have to engage with a much broader range of social actors, forging compacts based on shared interest in capability which focus on enhancing long term productive capacity and transcend narrow, short term sectional interests. Competent, accountable leaders with integrity who do not depend on “media spin or shadowy thuggery are a necessary condition for building the institutions that foster trust, reciprocity, mutuality and creativity” (Swilling 2008:8).

Any chance for a successful developmental state would seem to require strong leadership to negotiate the treacherous passage between the Scylla of state capture by powerful elites in the guise of developmental alliances (too little state autonomy) and the influence of technocrats disengaged from business, unions and broader civil society (insufficient embeddedness). The net result of this politically tempting pitfall would be a state which calls itself a developmental state but, contrary to its own rhetoric, “builds an institutional framework which is politically expedient but ducks the difficulties of delivering on capability expansion” (Evans 2010:51).

In contrast with the alacrity with which the development state ideal has been embraced by political leaders within the tripartite alliance and the governing party, most academic commentators were trenchantly sceptical. Some analysts have identified South Africa’s advantages in respect of crafting a developmental state. Firstly is the assertion that the global economic crisis has demonstrated that markets are not always self-regulating and highlighted the importance of state interventions, creating a much more ideologically fluid international environment conducive to a developmental state (Edigheji 2010). Secondly, unlike many other developing countries, South Africa’s government has a strong mass party base which, if it had the requisite political will, could facilitate the thorough implementation of its policies (Chang 2011). This point is somewhat negated by the deep conflict, factionalism and fracturing within the governing party itself, which had been mentioned earlier.

Thirdly, South Africa already has a number of development finance institutions such as the Development Bank of South Africa (DBSA) and the Industrial Development Corporation (IDC) as well as various state owned enterprises (Chang 2011). Finally it is argued that South Africa's skill set is at least as good as many of the Asian developmental states at their early stages (Chang 2011).

The vast majority of academics have been pessimistic about the prospects for a developmental state in South Africa, based on a number of factors both in the external international environment and in the domestic context. External economic, political and ideological shifts include:

- The Asian financial crisis in 1997 undermined the credibility of the developmental state model.
- Developmental states like Korea and Japan had benefited from resource injections from the United States during the Cold War, which would not be available to contemporary aspirant developmental states.
- Developmental states had retained control over their capital accounts and were therefore able to provide subsidised loans to selected strategic infant industries. Developing countries are now however under increasing pressure to liberalise their capital accounts.
- Under the General Agreement on Trade and Tariffs (GATT) developing countries could selectively subscribe to certain agreements. The move, through the World Trade Organisation, to the unified collective agreements has reduced the trade policy space developing countries have. The international trade regime has become much more stringent. The Trade Related Investment Measures (TRIMS) restricts signatory governments' ability to impose local content and other performance requirements to ensure that foreign investors contribute to growing domestic productive capability. The Trade Related Intellectual Property agreement (TRIP) increases the cost of developing countries to the knowledge and research they need to move up the production value chain. (Chang 2007 and 2011; Deen 2011).

Internal conditions which are seen as retarding the institutionalisation of a developmental state in South Africa include:

- An incompetent, unmotivated bureaucracy which lacks the requisite skills to drive a developmental state.
- Lack of policy coherence and the absence of an overarching vision of development to align the ambitious policy frameworks devised by powerful departmental policy units in separate "silos", largely disconnected from each other.
- Endemic corruption and patronage.
- The democratic regime which could arguably undermine a developmental state's ability to pursue long term economic restructuring goals rather than short term political interests.
- The political repression of civil society and the labour movement is inconsistent with the Constitution. However there is little evidence of the governance ability to forge consensual social pacts.
- Any future developmental state could face lack of cooperation or opposition from concentrated conglomerate capital, especially in the minerals-energy complex, and as agri-business elites, as well as highly organised trade unions (in event of changes to labour legislation).
- Foreseeable and preventable electricity shortages resulting in outages are indicative of the lack of strategic economic and political foresight of the current regime.
- A history of land dispossession coupled with the slow pace of land reform post 1994. (Butler 2010; Deen 2011; Fine 2010; Swilling 2008; Terreblanche 2009; Von Holdt 2010).

The contention that a developmental state may not be possible in South Africa is not an argument that development per se is unattainable, but points instead to the need to move innovatively beyond conventional development models, in a manner which responds both to the international and regional opportunities and threats as well as the local socio-political and economic context (Andreasson 2007).

In practice, the South African government since 1994 has followed what Evan's terms an "intermediate model" (1992) with some neoliberal, some development state, some welfare state and some clientelist neopatrimonial state characteristics. Some of the developmental state elements since 1994 have included substantial and sustained infrastructure investment programmes, rising expenditure on health, education and other social services, the use of state owned enterprises and a well-targeted social safety net (Swilling 2008). Sadly, as noted earlier, the increased expenditure on health and education has not resulted in improved health or education outcomes and in long term improvement in productive capability. This threatens to make welfare grants a structural feature of the South African landscape when coupled with low levels of growth and poor labour absorption.

While the government has been interventionist in its approach to black economic empowerment, these interventions have tended to benefit small politically connected elite (Maserumule 2007). Furthermore the deployment of incompetent cadres has weakened state capacity especially at local government level (Lodge 2009; Pickard, 2005). In addition, there has been insufficient resources allocated to research and development since 1994 (South Africa. National Planning Commission, 2012) and this, coupled with the education system quality crisis which leaves school matriculants largely unemployable, will mean that the transition to a knowledge economy is more than likely to deepen the "digital divide" (South Africa. Financial and Fiscal Commission 2012).

In terms of financing a developmental state, it is important to note that South Africa has a fairly deep tax base and is not plagued by the constraints on tax revenues faced by many other African countries as a result of their over-dependence on commodities, the erosion of their tariff incomes due to trade liberalisation and the perverse impacts of foreign aid which may undermine the tax structures and key institutions of beneficiary governments (Sindzingre 2007). On the expenditure side, it has been argued that a developmental state approach to fiscal policy should not be merely countercyclical and focussed on fiscal discipline but should be reconstructive in the sense of expanding the supply side of the economy to raise long term economic growth: "using the process of taxation, borrowing and expenditure to fund programmes which have the effect of creating physical infrastructure and human capital; these in turn generate positive externalities for the wider economy" (Creamer 2010:213).

Unfortunately, while improvements in the tax administration system may have created the fiscal space, the expenditure patterns of the public sector, especially provincial governments and municipalities, have been characterised by chronic under-spending, especially in relation to infrastructure delivery, as well as over-spending on personnel which has tended to crowd out complementary inputs such as textbooks and medicines (Ajam and Aron 2007).

Furthermore, as mentioned above, despite significant increases in resources, education, health and other social policy outcomes have been bitterly disappointing. Value-for-money has definitely not been achieved, with high levels of inefficiency and corruption. Not only is a public finance management system which fails to deliver value-for-money inconsistent with constitutional imperatives (as outlined in the section above), it also undermines the possibility of a democratic development state in SA. A further critique levelled at budget reforms to date is that they have focussed excessively on compliance, at the expense of service delivery:

"...the management of public finances should not be geared toward getting a "clean audit" at the expense of providing public goods to citizens, as this tended to have a paralyzing and disabling effect on the state. Rather public financial management should be seen as a means to an end. Thus, the capacity problem often discussed in South Africa may be partly due to the Public Finance Management Act (1999 as amended), and the

‘obsession’ with the war on corruption as an end goal rather than as part of the general efforts to enhance the capacity of the state as a means to achieve its developmental goals” (Edigheji 2010:6-7).

In the interest of constitutional compliance or in support of strengthening state capacity to achieve developmental outcomes (whether this be in support of a development state type model or not), now is an opportune juncture to evaluate progress with the budget reform programme precipitated by the promulgation of the Public Finance Management Act, 1999. As argued below, it is essential that this assessment incorporates not only technical dimensions of the design and implementation of public financial management systems, but also leadership and governance dimensions in improving audit outcomes. As indicated in the Consolidated General Report on the Provincial PFMA Audit Outcomes 2010–2011 the audit outcomes of provincial departments have not improved, despite the efforts of National Treasury and the nine provincial treasuries, with 31% of provincial departments audited (36 out of 115 audits) being financially qualified, compared to 27% the previous year. In order to improve financial audit outcomes, and the quality of public finance management in general, the Audit General has identified poor executive leadership and fiscal governance as two of the key drivers of poor audit outcomes, and conversely, critical factors in improving those outcomes.

As can be seen in the table 1, some provincial governments perform fairly well in terms of leadership and governance (e.g. the Western Cape, Gauteng, Mpumalanga and Gauteng). Others are however a cause of grave concern, notably the Eastern Cape, Free State and Limpopo provinces).

Table 1 Provincial analysis of drivers of audit outcomes – departments

Province	Leadership			Financial and performance management			Governance		
	Goods	In Progress	Intervention required	Goods	In Progress	Intervention required	Goods	In Progress	Intervention required
Eastern Cape	7%	60%	33%	7%	53%	40%	11%	58%	31%
Free State	15%	47%	38%	15%	62%	23%	15%	47%	38%
Gauteng	54%	42%	4%	50%	42%	8%	83%	17%	0%
KwaZulu-Natal	48%	46%	6%	63%	31%	6%	46%	48%	6%
Limpopo	23%	46%	31%	23%	46%	31%	46%	23%	31%
Mpumalanga	55%	37%	8%	37%	34%	29%	57%	36%	7%
Northern Cape	0%	92%	8%	0%	54%	46%	0%	0%	100%
North West	8%	56%	36%	13%	43%	44%	6%	68%	26%
Western Cape	80%	17%	3%	51%	42%	7%	88%	12%	0%

Source: South Africa. Auditor General (2011:62).

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4. THE NATIONAL DEVELOPMENT PLAN, LEADERSHIP, GOVERNANCE AND THE PUBLIC FINANCIAL MANAGEMENT SYSTEM

The preceding sections have reviewed both the constitutional imperatives for a South African public finance management system as well as the requirements of an aspirant development state. This section turns the focus to the National Development Plan 2030 (NDP) released in August 2012, which is the first long term development plan in South Africa. The NDP significantly extends the planning horizon beyond the five year medium term time span of the existing departmental five year strategic plans and aims to strengthen policy coherence.

The NDP aims to mobilise all South Africans around an ambitious national project to “eliminate poverty and reduce inequality by 2030” (South Africa. National Planning Commission 2012:24). The Plan provides specific objectives across 13 focus areas underpinned by 119 specific actions. The focus areas are: the economy and employment, economic infrastructure, environmental sustainability and resilience, an inclusive rural economy, South Africa in the region and the world, human settlements, education, training and innovation health care, social protection, safer communities, fighting corruption, nation building and building a capable and developmental state (South Africa. National Planning Commission 2012).

The Plan explicitly draws on the democratic development state model, premised on job creation through accelerated economic growth while de-racialising ownership and control in the economy, enhanced education quality, effective skills development and innovation coupled with building the capability required for a developmental state. The NDP is premised on a theory of change which suggests that strong leadership, effective government and active citizenry are key success factors for building the capacity to identify and act upon opportunities to transform the economy and society. The strategic application of this capability, anchored in an environment of social cohesion, has the

potential to engender a virtuous cycle of development: increased employment and growth, reduced poverty and higher living standards.

To accelerate development, South Africa needs the support of all citizens, leadership in all sectors that puts the country's collective interest ahead of narrow, short term goals and radically improves government performance. (South Africa. National Planning Commission 2012).

To this end, one of the 119 actions on the to do list of the NDP is “work towards a social compact for growth, employment and equity”. The critical role of leadership in forging and implementing social pacts is vital, especially when there are difficult trade-offs, when the potential benefits manifest after a long and indeterminate interval and accrue differentially to the various development partners. In addition, as noted in the NDP itself, despite a palpable education quality crisis, the education pacts between teacher unions, government and other sector role players (such as the Basic Education Accord and the Code of Quality Education) have not been fully implemented.

The 2011 Annual National Assessment (ANA) report shows that 69% of learners in grade 6 scored below 35% in math on average. The best scores were in Gauteng and the Western Cape where only 53 and 45% of students failed to reach the pass mark of 35%. For Limpopo and Mpumalanga the grade 6 math failure rate in ANA was 80 and 83% respectively. These are leading indicators for what the matriculation results will be in a few years' time when this cohort reaches grade 12, unless the interventions sketched in the NDP yield their anticipated results (South Africa. Department of Basic Education 2011).

The NDP goes on to exhort that “differences and grievances should never be allowed to disrupt education” and notes that a “new agreement will not lead to improvements unless we focus on the obstacles to implementing existing agreements” (South Africa. National Planning Commission 2012:314). Unfortunately, short of advocating further engagement and better monitoring of agreement implementation, the NDP says little about the political management required to align the narrow interests of the elites with the public interest, how the alliance politics would be managed and what would be done differently to ensure better outcomes in the other social compacts the NDP proposes (such as the spatial compact).

The NDP emphasis on active citizenship is entirely laudable and gives expression to constitutional aspirations, but it is seldom institutionalised in practice where exercises like izimbizo seem to play more of a public relations exercise rather than providing a vehicle for genuine engagement (Maserumule 2010).

Other elements of the NDP proposals which resonate with the democratic development state paradigm include the need for public service to be “immersed in the developmental agenda” but “sufficiently autonomous to be insulated from political patronage” (South Africa. National Planning Commission 2012:410). To this end the National Planning Commission advocates limiting political interference in recruitment, separation of the roles of the political principal and the administrative head, skills and competence training, clarifying state owned enterprises, and promoting better intergovernmental and cross sectoral coordination etc.

The drive towards a developmental state has important implications for public resource allocation over the medium and long term. Public spending which stimulates investment and innovation, builds human capability and transforms the economy structurally will have to take precedence over other competing budget priorities. This will entail hard budgetary trade-offs which will demand significant political will, governance capability and astute political management to confront head-on rather than choosing avoidance, inaction and “muddling through”. One of these trade-offs relates to escalating personnel costs coupled with poor productivity and expenditure outcomes in health, education and infrastructure expansion which co-exists with widespread vacancies and skills shortages:

Particular attention needs to be paid to managing the government wage bill, making resources available for other priorities. This will involve balancing competing pressures such as increasing staff numbers, adequately remunerating skilled professionals and improving benefit coverage. (South Africa. National Planning Commission 2012:60).

The National Planning Commission asserts that the NDP will not “determine annual budgets”, it will nevertheless “shape resource allocations over the next 2 decades” (South Africa. National Planning Commission 2012:60). Unfortunately, the National Planning Commission provides very little detail on how this long term plan will be aligned to medium term and annual financial planning and budgeting. Presumably this oversight will be corrected soon, since plans which are dislocated from the budget process are unlikely to be implemented fully and coherently.

Increased cohesion in the policy development and planning phases could be undermined by the decentralised intergovernmental budget process where every national and provincial department, municipality or state owned enterprises make individual decisions on resource allocation. The net unintended result is that there is cherry picking of a sub-set of the NDP objectives and 119 actions for funding and implementation, undermining their mutually reinforcing impact as well as their sequencing and synchronisation. This is especially true since each of the outcome objectives in the NDP requires co-ordinated funding across a broad range of stakeholders in the private sector and civil society (regionally, internationally and domestically), the legislative sector as well as the three spheres of government and state owned entities.

The governance context of a democratic developmental state calls for a different type of public leadership. Firstly of all is the need to accept citizens, not just as periodic voters or passive recipients of government services delivered to them and their behalf, but as co-shapers of their own developmental destinies. This sort of co-production goes beyond formal lip-service in relation to meeting statutory consultation obligations. It necessitates that citizens be educated about their rights but also be made cognizant of their concomitant responsibilities. Unfortunately the specific competences required to effect meaningful consultation may not be part of the training of either political leadership (e.g. executive mayors) or top managers (e.g. municipal managers). But creating social compacts around, for instance, creating a culture of payment for services at local government level requires these competences as well as technical finance skills.

Secondly, involving the private sector in the provision of public service provision means that public leaders will have to identify areas where this is appropriate and ensure that such engagements are beneficial to the public sector, and create long term public value. Collaboration and contract management will have to ensure that the incentives of business are appropriately aligned with social objectives and the attendant risks (such as poor supply chain management practices facilitating corrupt activities) mitigated.

Thirdly, an outcomes-based focus to planning, budgeting and monitoring and evaluation is most congruent with the progressive realisation of socio-economic rights and public service values. However, with a constitutional framework of decentralised delivery by subnational governments of policy crafted at national level and overlapping, concurrent competences, any single government outcome (e.g. improving health or education) outcomes is likely to require joint delivery which transcend spheres of government, sectors and individual public entities. In other words, leadership will have to be collaborative i.e. shared among different organisations which share a common aim and vision (Brooke 2007). Each of these organisations may, however, also have their own particular interests and incentives which could diverge or even conflict in specific areas.

Furthermore, even within public sector organisations, there is a trend towards increased de-concentration and the delegation of powers and functions to delivery sub-components closest to the coal face of delivery. For example, in the health sector there has been a move to delegate managerial authority and budgets to hospital managers rather than provincial health department head offices.

Similarly in education, increasingly governance functions and budgets are being delegated to school governing bodies and principals as instructional leaders. Thus contemporary public leadership also requires where collegiate leadership is distributed throughout a single organisation where its constituent parts need to cooperate but have some element of managerial discretion (Brooke 2007).

Unfortunately, public leadership and management in the South African public sector still has a tendency towards centralised decision making and silos both within and among various public sector entities.

Contemporary South African public leadership tends to be neither collegiate nor collaborative, whereas the transformational exigencies of the constitutional envisaged governance arrangements require both these characteristics. We are in the lower left quadrant of the diagram below in the main, and need to move systemically to the top right corner.

Unfortunately, despite the move by the Presidency to move towards government-wide outcomes based management, government planning programme and project management systems as well as monitoring and evaluation systems are not congruent currently with this new approach. In particular, the budgeting system which focuses on institutional boundaries (i.e. per department or municipality) rather than programmatic outcomes (which transcend individually public entities typically) is a particularly problematic disjunctive. Furthermore, new conceptualisations of accountability will be required to be defined and operationalised in an outcomes-based system with collaborative and collegiate leadership.

These, in addition to the technical and managerial elements of financial management and broader public sector reform, are likely to dominate the quest review the reform trajectory in a way that contributes to significantly better policy outcomes and value-for-money.

5. LEADERSHIP, GOVERNANCE AND BUDGET REFORM

Having made the case that assessing progress with budget reforms need to be assessed both in the light of the constitutional arrangements and relative to supporting the NDP policy objective of building a democratic development state, this final section sketches a conceptual relational model for assessing budget reforms both from a technical public financial management and public economics perspective, but also from a leadership and governance perspective.

As indicated in Figure 2 below, public financial management systems are shaped by many contextual factors: the global and domestic economic environment, the political system, the constitutional and legislative environment, and prevailing social and technological conditions. Public financing is one of the key generic public administration functions which support the core business (i.e. the functional or line activities of a public institution) in public service provision or regulation (Cloete and Thornhill 2010).

The public finance administration system endeavours to resource the policy choices, priorities and plans emerging from the governance process. In this article, the term governance refers to the “exercise of political, economic and administrative authority to manage a nation’s affairs. It is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences.” (UNESCO 2006).

		Low	High
		Shared leadership	
Distributed leadership	High	<p>Collegiate not collaborative Operates in own silo with narrowly defined aims and objectives – not collaborative But provides some authority to its teams or units therefore collegiate Organisation locally structured, little joined up work, underpinned by behavioural and transactional approaches</p>	<p>Collaborative and collegiate Shared leadership driving shared vision aims and objectives – collaborative Multi-agency and collective approach to collective leadership both across and within the constituent organisations. Also fully devolved authority and responsibility and decentralised structures. Vision-to-delivery focussed leadership, likely to display all aspects of leadership styles with a focus on transformational and adaptive styles</p>
	Low	<p>Not collegiate or collaborative Individual approach to determining aims and objectives, insensitive to the needs of other organisations – not collaborative Not collegiate – little authority to teams and units within the organisation Silos, bureaucratic focus leadership underpinned by individual trait approaches</p>	<p>Collaborate but not collegiate Shared leadership in taking forward shared visions, aims and objectives with partner organisations – collaborative No distributed leadership in the organisation Joined up at executive level but less so lower down, more centrally determined and hierarchic, may take a multi-agency approach. Focus on high level aims and objectives but less emphasis on local integrated service delivery Visionary focussed leadership which displays elements of transformational leadership at the higher level only</p>

Figure 1 A collective public leadership framework

Source: Brooke (2007).

A distinction may be drawn between (a) the system for administering public finance management and (b) the management activities and leadership which takes place within the broad parameters of that system (Cloete and Thornhill 2010; Du Toit and Van der Walt 1997). Individual fiscal policy decision-makers and finance managers perform their day to day budgeting and financial management activities within the financial administrative system: medium term financial planning, annual budgeting, budget implementation, recruitment and performance management of staff etc. Any public finance management reform would be concerned with both of these elements, in particular whether changes to the system of finance administration leads to change in management and leadership behaviour which results in the desired revenue and expenditure outcomes.

As reflected in Figure 2 below, the administrative system for public finances is constituted by its own distinct generic components: fiscal and financial management policies and regulations, the organisational design of the national and provincial treasuries as the central budget agencies and their budget office counterparts within national and provincial departments, financing of on-going public financial management operations as well as for budget reform initiatives, guidelines on human resources and competences required for public financial management, specific budgeting, accounting and reporting processes, format and standards as well as control measures such as budgeting monitoring, programme evaluation, financial and performance auditing, legislative fiscal oversight (Premchand 1983; (Schiavo-Campo 1999). Each of these components may apply various levels: government-wide, within a particular sphere or within a particular public institution.

From the above description it is clear that any attempt at budget reform would have to consider each of the technical aspects of financial management systems in terms of sequencing and consistency (e.g. introduction of new accounting standards may require changes in regulations, changes in processes and formats, new IT systems, changes to reporting cycles, recruitment of additional specialist skills and funding for technical support and capacity building).

These individual components form the institutional framework for public financial management (i.e. the rules – both formal and informal, the roles and information flows) which cumulatively shapes the incentives which financial decision-makers and managers face (Schick 1998). These incentives in turn condition their behaviours and influences budget and financial management outcomes (such as efficiency, effectiveness, fiscal discipline, equity, compliance etc.).

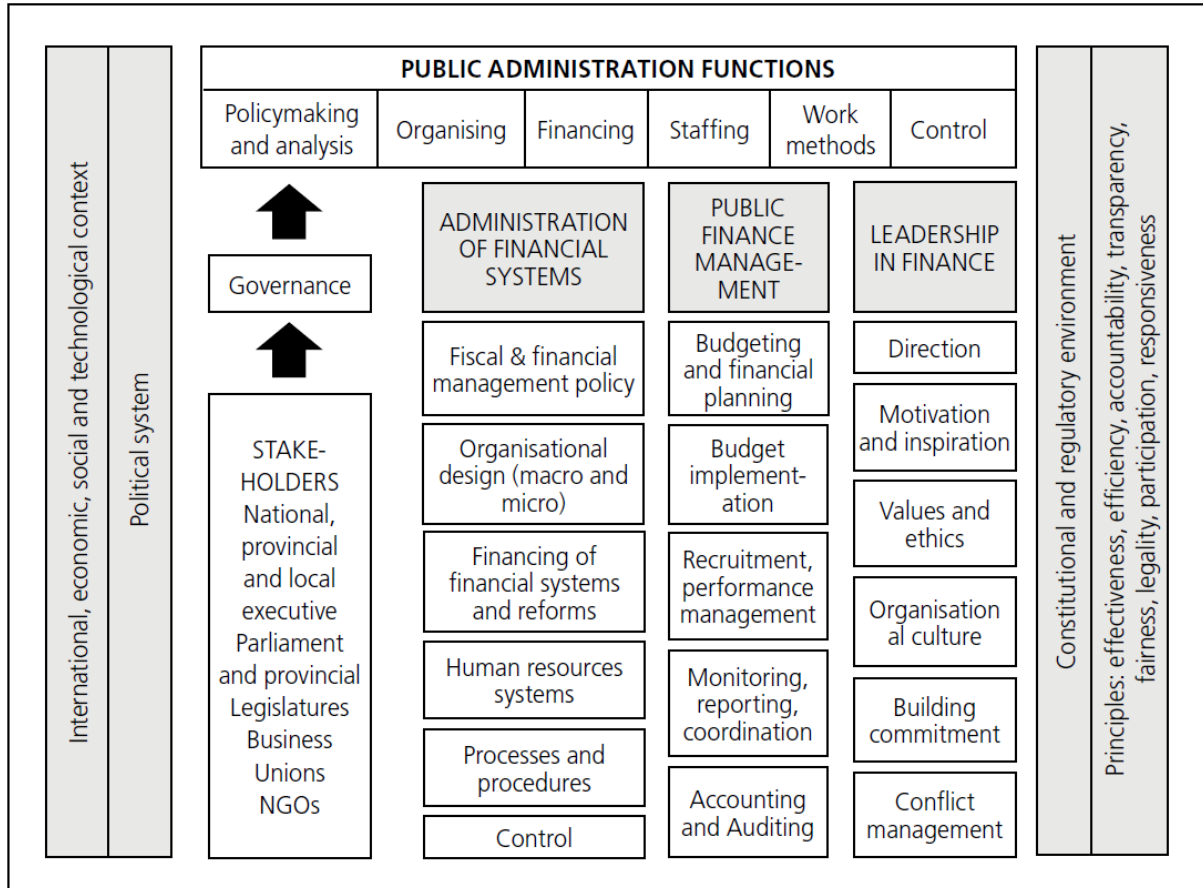


Figure 2 A conceptual framework for the analysis of public financial management reforms

Source: Authors.

Equally important in the environment of budget reform is the process of leadership. The concept of public leadership has been notoriously difficult to define and to distinguish from public management. In the context of public sector reforms it may be said that, “Leadership shapes the future, management delivers it” (Bovaird and Loffler 2009:265). The change management which is a pre-requisite for successful budget reform requires not only mobilising resources, increasing efficiency and decreasing costs within the existing system (i.e. management) but also the creativity to envision a new system beyond the parameters of the existing one, and managing the risk, uncertainty and resistance to making it a reality.

Analyses from the disciplines of Public Administration and Public Economics have tended to emphasise the interplay of formal authority, power and legitimacy of political principles and top management. The role of informal institutions and organisational culture and politics in shaping public sector reforms should however not be under-stated:

Leadership occurs among groups of people as well as highly placed individuals. Power is more diffuse than we might first imagine and does not operate only through orthodox hierarchy. A corollary is that leadership is exercised in a political environment – a seen and unseen network of relations and tactics that people employ to either commit to, or dissent from, decisions that affect them. (Bovaird and Loffler 2009:267).

Kuye contends that leadership value systems in African and other developing countries should be attuned to their unique specific social and cultural contexts, rather than an uncritical reliance on Western values:

...while the world prescribes democracy as the only form of good governance, where other forms of leadership such as in one party states and patriarchy manifests itself in Africa, the aim should be to entrench the universal values of transparent, accountable leadership and the respect for human rights. (Kuye 2011:182).

Whereas management in the private sector is geared primarily to profit maximisation and increasing shareholder wealth, ethics, values and service to citizens in the public interest lie at the heart of public administration and management (Kanyane 2010). As illustrated in Figure 2 above, the values of the Constitution should characterise each element of the public financial administrative system as well as efforts to reform them.

The simple conceptual model in Figure 2 above abstracts completely from the complex, dynamic, non-linear, emergent, iterative, path dependent and messy reality of public finance management systems and their reforms. As an analytical and heuristic tool, it does however add value in emphasising not just the technical elements of public financial management systems and reforms, but the leadership and governance elements for these reforms to achieve their desired impact.

CONCLUSION

This article begins by exploring the implications of both the constitution and of the development state policy agenda for the design and implementation of public finance management systems, as articulated in the National Development Plan 2030. In addition to technical administrative and managerial capability, international experience and the academic literature on the developmental state also emphasise the pivotal role of leadership and governance. Observing that South African budget and financial reforms have not achieved their intended objectives to date and that the quality of public financial management seems to have stagnated, the article suggests that more attention should be paid to leadership and governance dimensions of reform, rather than focussing almost exclusively on technical dimensions. It concludes by providing a conceptual model of the relationship between the technical, governance and leadership elements of budget reform.

After 17 years of budget and financial reforms in South Africa, the time has come to assess its strengths and weaknesses to date systematically and to identify ways in which more of the initial benefits of budget and financial management reforms could be realised. It is hoped that this paper constitutes a contribution to that larger long term research agenda.

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56. WOO-CUMMINGS, W. 1999. Preface. In Woo-Cummings, M. (Ed.). *The Developmental State*. Ithaca and London: Cornell University Press. Skills development and professionalism to promote food security policy implementation.

IMPACT EVALUATION AS A REFORM MECHANISM, TO ASSESS PERFORMANCE OF GAUTENG'S METROPOLITAN MUNICIPALITIES IN DELIVERING BASIC SERVICES

HODNOTENIE DOPADOV AKO MECHANIZMUS POSUDZOVANIA VÝKONNOSTI OBCÍ PRI ZABEZPEČOVANÍ ZÁKLADNÝCH SLUŽIEB V METROPOLITNEJ OBLASTI GAUTE

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Abstract

Metropolitan municipalities in Gauteng Province of South Africa are responsible for more than nine million inhabitants. This implies that they are the largest providers of municipal services to the inhabitants of the Gauteng Province. The research focused on only the services identified as basic to society. This was done to establish the extent to which the three metropolitan municipalities viz. Tshwane, Ekurhuleni and Johannesburg meet the Millennium Development Goals. The research focused on the delivery of services to informal settlements to determine how the respective municipalities identified the need for services and how they provided the services to a rather unknown number of inhabitants in the selected settlements. A sample was used in each municipality to guide the researcher in determining the impact of the services in relation to the Millennium Development Goals. The article discusses the essence and importance of programme performance information as reform mechanism in metropolitan municipalities in the South African context, Millennium Development Goals [MDGs] and the provision of basic services by the South African government since 2003 – 2013. The approach adopted in this article, is to use Impact Evaluation (IE) – which is a process used to conduct evaluations and provide publication of results in Gauteng's metropolitan municipalities (Ekurhuleni, Johannesburg and Tshwane). For a scientific and balanced output – various sources of information will be consulted, results analysed and compared to calibrate a view and formulate an opinion on how metropolitan municipalities in Gauteng are performing in terms of the provision of basic services.

This paper is reprint of the original paper published by African Journal of Public Affairs, volume 8, number 4, December 2015, pp. 134-150. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

INTRODUCTION

Metropolitan municipalities are important contributors to the improvement of the quality of the lives of urban dwellers. In the Gauteng province the three metropolitan municipalities, Tshwane, Ekurhuleni and Johannesburg provide services to more than nine million people. The metropolitan municipalities are confronted by a number of challenges e.g. the large influx of people to informal settlements and the challenge the informal settlements pose to planning and the orderly delivery of

services. The Millennium Development Goals require the public sector and by implication municipalities to meet particular targets. The difficulties experienced by metropolitan municipalities include the lack of correct data regarding the number of people in informal settlements as well as the lack of resources to meet the needs of the particular communities. The investigation focuses on selected informal settlements in the three Gauteng metropolitan municipalities to determine the impact of the delivery of basic services thereby evaluating the performance of these municipalities.

2. POLICY FRAMEWORK

The Constitution of the Republic of South Africa, 1996 states in section 164:

Any matter concerning local government not dealt with in the Constitution may be prescribed by national legislation or by provincial legislation within the framework of national legislation.

National Treasury issued a Framework for Programme Performance Information [FPPI] and Statistics South Africa [SSA] then issued the South African Statistics Quality Framework [SASQAF]. Both FPPI and SASQAF are critical parts of the policy framework that governs performance information in government. The National Evaluation Policy Framework [NEPF] completes the policy framework for Performance Monitoring and Evaluation [PME] in South Africa in general (NEPF 2011:1) – which describes the process of evaluation in particular. [The National Evaluation Policy Framework [NEPF], for the Government-wide Monitoring and Evaluation system [GWM&E] was approved by the South African Cabinet in 2005. GWM&E provides the overall framework for monitoring and evaluation systems in South Africa. The policy framework draws from three data terrains for performance, monitoring and evaluation (PME) purposes, each of which is the subject of a dedicated policy describing what is required for PME to be fully functional. A component of GWM&E is evaluation (Impact Evaluation) and programme performance information – which are focal points in this article.

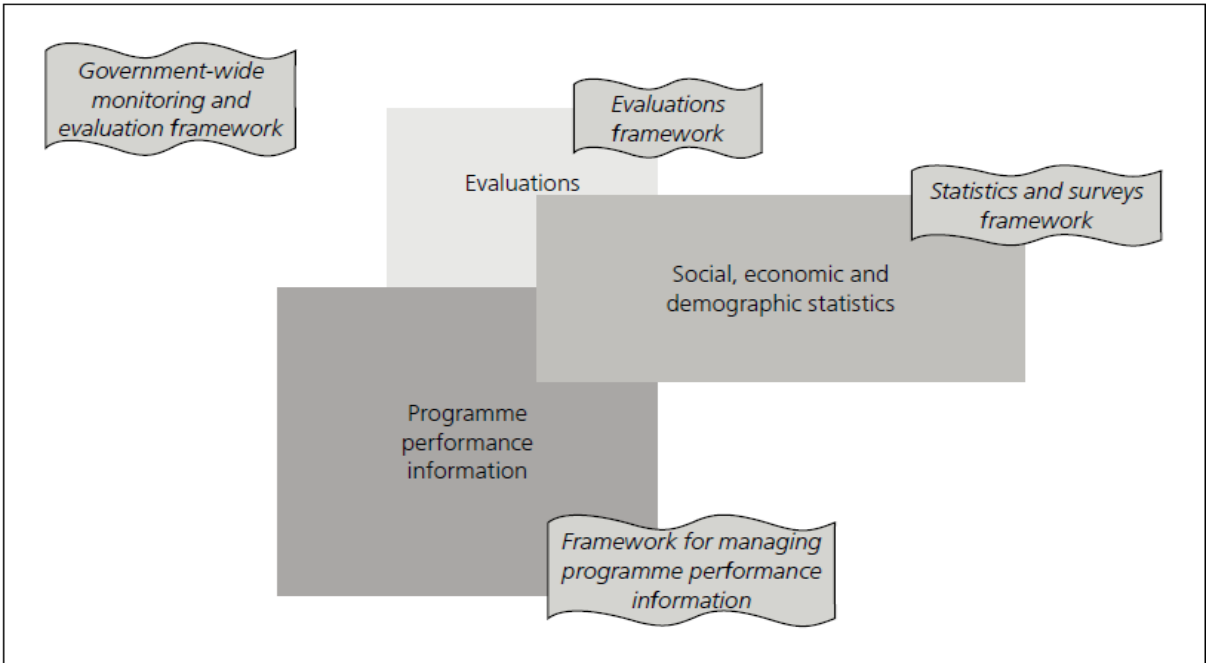


Figure 1 Components of Government-wide Monitoring and Evaluation system
 Source: National Treasury (2007: 9).

The GWM&E Policy Framework recommends that departments and other organs of state should first concentrate on monitoring outputs and immediate outcomes and use this as a platform for evaluation of outcomes and impact. The aims of the evaluation framework are to encourage

government institutions to regularly evaluate their programmes, provide guidance on the approach to be adopted when conducting evaluations and provide for the publication of the results of evaluations (The Presidency 2009:16). Moreover, the GWM&E indicates that PME processes can assist the public sector in three ways (National Treasury 2007:8). These include:

- evaluating its performance and identifying the factors which contribute to its service delivery outcomes;
- assist in providing an evidence base for public resource allocation decisions; and
- identify how challenges should be addressed and successes replicated in government.

South Africa has recently commenced in terms of institutionalising performance monitoring and evaluation [PME] in the public sector through legislation—work is underway to establish PME in all spheres, especially the local government sphere in municipalities. From a national perspective, the GWM&E system aims to enhance PME systems by describing them and explaining how they relate to each other (National Treasury 2007:8). The GWM&E system has three components (Figure 1). They are: programme performance information; social, economic and demographic statistics; and evaluations. The article will focus on Evaluations.

3. ESSENCE AND IMPORTANCE OF PROGRAMME PERFORMANCE INFORMATION

Among its various expectations, the South African Government-wide Monitoring and Evaluation (GWM&E) system must produce the relevant outputs related to municipalities. The anticipated outputs include improved quality of performance information and analysis at programme level within national departments, provincial departments and municipalities (inputs, outputs and outcomes). This also includes improved monitoring and evaluation of outcomes and impact across the whole of government through governmental programmes of action bi-monthly reports; annual country progress reports based on the national indicators; projects to improve PME in selected institutions across government and capacity building initiatives to build capacity for PME and foster a culture of governance and decision making which responds to PME findings (National Treasury 2007:9).

The discussion will focus on the performance of Gauteng's metropolitan municipalities (Ekurhuleni, Johannesburg and Tshwane) in delivering basic services (Electricity, water, refuse collection and sanitation). This performance will then be compared to South Africa's 2013 annual progress report on Millennium Development Goals [MDGs] based on national indicators.

The main issue emanating from National Evaluation Policy Framework NEPF (NEP 2011:1) is that in South Africa, the need for systematic evaluation of policy interventions and expenditure programmes by government is urgent – considering the need for implementation of the National Development Plan (NDP) and attaining the Millennium Development Goals (MDGs) set by the United Nations.

Public sector role players need to have more extensive information on whether the South African government is undertaking its activities in the correct way to achieve its political mandate with set objectives and to understand why the results of policy interventions and public expenditure are below expectation.

Some of the challenges currently concerning evaluation (i.e. as identified by the Presidency), include:

- lack of clear policy and strategic direction concerning the issue of evaluation;
- a need to promote the use of knowledge from both evaluation and research;
- improving the knowledge base;

- confusion on what the essence are of evaluation, performance auditing and research;
- evaluation work exists but is not necessarily known, either within departments or externally;
- lack of co-ordination between organisations and fragmentation of approaches;
- poor quality plans making evaluation difficult;
- inadequate use of evaluation, leading to a perception that it is a luxury; and
- a lack of institutionalisation of evaluation in the government system.

It is important to mention that national planning is related to PME and in particular evaluation. In the Green Paper: National Strategic Planning, the former Minister in the Presidency: National Planning (Mr Trevor Manuel) proposes that government proceeds from the understanding that governance consists of a continuum of activities which relate to one another and that planning, co-ordination and performance management are interrelated. These functions call for close interaction and collaboration. (Green Paper 2009:2). The activities include:

- policy development;
- strategic and operational planning;
- resource allocation;
- implementation; and
- performance monitoring and evaluation.

The interpretation by the then Minister of National Planning is that PME is an important variable in the planning processes of government. PME information therefore relates directly to the formulation of policy; how government should develop plans; allocate resources and implement programmes for effective and efficient delivery of services to its citizens. PME which includes evaluation—as a central tool to manage interventions, improve practice and ensure accountability—is highly challenging in these contexts (Jones 2011:1). Moreover, policy change is a highly complex process shaped by a multitude of interacting forces and actors. Outright successes in terms of achieving specific hoped-for changes are rare and the work that does influence policy is often unique and rarely repeated or replicated, with many incentives working against the sharing of good practice. Therefore, this discussion is an attempt to influence policy and demonstrate the importance of PME in general and in particular Impact Evaluation [IE] as a reform mechanism to assess and improve performance in metropolitan municipalities. In essence. IE is a reform mechanism, it is a means to an end.

4. IE AS REFORM MECHANISM

According to the Thesaurus dictionary – reform (c.1300), means “to convert into another and better form,” from O.Fr. reformer [12c.], from L. reformare “to form again, change, alter”, from re-”again” + formare “to form”. The noun means, the improvement or amendment of what is wrong, corrupt, unsatisfactory: e.g. social reform.

Transformation is different from reform. Originally, the word transformation according to the Thesaurus dictionary was conceptualised in 1400–50s. It originates from Late Latin (stem of *trānsfōrmātiō*) change of shape. It means to change in form, appearance, nature, or character. PME in general and IE in particular is, therefore, a reform mechanism in a transformed political environment of local government since the first democratic elections in 2000, when the new system of local government was introduced in South Africa.

The argument that will be presented in this section is that Impact Evaluation (IE) is an initiative supported by a strong reform programme that has been given authority by political leaders. A reform programme must ensure that government achieves its reform objectives. According to Thornhill (1994:4), reform refers to the process or procedure of becoming better by removing or abandoning

imperfections, faults and errors. The objectively perceivable imperfections, faults and errors must be a motive or rationale for reform. Not all political bodies, or governments, would regard the same set of circumstances as imperfections or faults. The decisions depend on their value systems and political persuasion of what constitutes acceptable processes and outputs.

It can be argued that not all political institutions have the political courage and support to take action to change undesirable imperfections, faults or errors. Only a legitimate government, which has an electoral mandate and political support, would have the strength and opportunity to channel, muster resources and rely on an electoral mandate to change undesirable situations; inefficiencies and ineffectiveness in its systems.

Impact Evaluation (IE) is a component of the reform mechanism [i.e. the whole is PME – Performance Monitoring and Evaluation) set out by the Presidency under the Department of PME. One of its key responsibilities is to conduct performance monitoring and evaluation on the twelve outcomes that were outlined by the Office of the President. The Presidency expects that this reform mechanism will enhance the performance of government service delivery programmes and have an effect on the behaviour of the individuals involved (i.e. public officials and political office bearers). In his foreword on the National Policy Evaluation Framework (NPEF 2011); the late Minister of PME Mr. Collins Chabane states:

We have moved to establish plans for our priority outcomes, to deliver them and to monitor them. This policy framework provides the next essential part of the jigsaw, setting out the basis for a government-wide evaluation system to be applied across the public sector, but initially focusing on our priority areas. It should assist to provide a marked step-up in performance of the public sector and contribute to the establishment of a culture of continuous improvement.

The framework for PME in South Africa is based on the section 195 in the Constitution, 1996 which mandates inter alia that public administration must be:

- efficient, economic and effective;
- development-oriented;
- accountable;
- transparent; and
- fostered with timely, accessible and accurate information.

It is international practice that reform actions be introduced through the direct involvement of politicians whose actions are aimed at improving the operations of government and public administration to attain national goals. According to Quah, (1992:121) administrative reform requires changes on two important fronts in particular the structure and procedures of the public bureaucracy (i.e. reorganisation or the institutional aspect); and the attitudes and behaviour of the public officials involved i.e. the attitudinal aspect. It is further argued by Carstens & Thornhill (2000:178) that the scope of reform interventions includes changing the operational structures of governments, namely their departments, altering their work methods and procedures and the behaviour and attitudes of the managers and operational employees.

Reform could be applied comprehensively, spanning the total public sector, or selectively. Reform interventions are measures which are related to the reform goals and objectives of politicians to deliberately change the status quo. However, not all initiatives of public managers to change the status quo are reform interventions. Administrative reform must be sanctioned by politicians, but are often initiated by senior public officials.

For a reform mechanism similar to IE to become effective—it would require relevant policy, procedures, re-structuring, human resource training and adjustment of processes in administration –

which have already been effected by the South African government to a considerable extent since 2009. This must take place in all spheres of government – national, provincial and local.

Managerial issues will also have to be considered with the authority by politicians and legislators. An important consideration that must be noted, is that to change the undesirable status quo is not an easy task. The approach of reformers during the reform process, which could be incremental improvements or a strategic departure from the status quo, determines the nature and extent of the reform interventions. This means that a wrong approach or a lack of understanding or support from both the public and public officials can stall reform and have detrimental effects.

For reform measures to be successful, politicians who are the main role-players must make sure that there is support from both the public and the officials responsible for this mechanism in the administration. Although support of officials in government is necessary, it is at a secondary level– the most important stakeholders, who should support any government reform, are the citizens as they are the recipients of the services produced by the public institution – in this instance, specific focus is on metropolitan municipalities and the inhabitants of informal settlements.

5. METROPLITAN MUNICIPALITIES

According to the Constitution, 1996–the local sphere of government is given status by section 151(1). The section indicates that the local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic. It is also determined in section 151(1) that the executive and legislative authority of a municipality vest in its municipal council. In terms of Section 155(6)(a), the nine provincial legislatures have an obligation to monitor and support the municipalities in their respective provinces. Moreover, in terms of Section 155(7), the legislatures have legislative authority to oversee the effective performance of municipalities in respect of those competencies.

The Constitution, 1996 states in section 152(1) that it is the object of local government to encourage the involvement of communities and community organisations in the matter of local government. According to Mogale (2005:136) this requires a co-operative approach i.e. an effective partnership where municipal councils provide strong leadership for their areas and their communities. The municipalities as the constituting structures of local government, as stated by the Constitution, should enhance opportunities for participation by placing more power and resources at a closer and more easily influenced sphere of government.

Metropolitan municipalities represent the large densely populated and urbanised regions that encompass multiple cities in South Africa. Section 155(1) of the Constitution, 1996 defines a category A municipality as a municipality that has exclusive municipal executive and legislative authority in its area. The Local Government: Municipal Structures Act (MSA),

117 of 1998 defines this category of municipality as conurbations or in common terminology centres of economic activity’, areas for which integrated development planning is desirable, and areas with strong interdependent social and economic linkages. In essence category A municipalities are vastly different from categories B and C municipalities respectively.

The Local Government: Municipal Systems Act, 32 of 2000 (sections 38, 39 and 41) outlines the establishment and development of a performance management system in municipalities. Section 40 is more specific regarding the monitoring and review of a performance management system. It states that a municipality must establish mechanisms to monitor and review its performance management system. Other sections of the Act outline other important areas such as:

- Section 41–core components;
- Section 42–community involvement;

- Section 43—general key performance indicators;
- Section 44—notification of key performance indicators and performance targets;
- Section 45—audit of performance measurements.

The Public Audit Act, 25 of 2004 (20(2)(c)) requires the Auditor-General’s audit reports to reflect an opinion or conclusion on the reported information relating to performance against predetermined objectives of the auditee, including constitutionally created institutions, departments, public entities, municipalities and municipal partnerships, and other institutions as required by sections 4(1) and 4(3) of the Act.

A performance management guide for municipalities was developed in 2001 by the then Department of Provincial and Local Government, now the Department of Cooperative Governance and Traditional Affairs. The guide was developed to assist councillors, managers, and other officials and municipal stakeholders in developing and implementing a performance management system in terms of the requirements of legislation. The guide strives to establish common terminology and ensure a level of consistency and uniformity in the application of concepts. The Local Government: Municipal Finance Management Act, 56 of 2003 has enhanced control over public expenditure and empowered public sector managers, in particular section 121 (4)(d) which stipulates that the annual report of a municipal department or an entity must include:

“An assessment by the entity’s accounting officer of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.”

The important tool for transforming government is to use performance measurement. Osborne & Plastrik (2000) argue that a public institution defines its products and services and develops indicators to measure its output. It is argued that performance management is seen as an administrative control mechanism to assign accountability for both the internal and external stakeholders (Steward & Carpenter–Hubin 2003:56).

According to Van der Waldt (Van der Waldt, G. Venter, A. Van der Walt, C. Phutiagae, K. Khalo, T. Van Niekerk, D. & Nealer, E. 2007:118), there are three basic aspects of a municipal service that may be measured. These are:

- the inputs (financial, human and material) that are used to produce a service;
- the outputs achieved (e.g. number of informal settlements that were upgraded and provided with basic service); and
- the outcomes achieved (decrease in poverty levels and increase in economic growth).

A combined result from all the variables above can be an indicator of how the municipality uses its resources to deliver services effectively and efficiently to its constituencies. The outcomes from such a measurement can to a considerable extent indicate the impact of the service rendered and its quality. The quality of a service is difficult to measure. Van der Waldt et al. (2007: 118), argue that quality can be judged using compliance with national standards; check whether good practices are used; consumer satisfaction surveys and the extent to which basic services are provided.

The important point from this discussion is that performance measurement can enable politicians to demonstrate to their constituencies the impact of their policies i.e. achievement or under achievement of development goals) and provide a portfolio of evidence on service delivery for the communities they serve. However, the performance measurement must take into account set targets and goals in all spheres of government, including at an international level where South Africa participates, e.g. at the United Nations.

7. MILLENIUM DEVELOPMENT GOALS

The Millennium Development Goals (MDGs) originate from the Millennium Summit which was a meeting among world leaders held at the United Nations headquarters in New York City (United States of America) from 6 September to 8 September 2000 (United Nations 2000: a & b). The purpose of the summit was to discuss the role of the United Nations at the turn of the 21st century. According to a BBC news report, this meeting was the largest gathering of world leaders in history since 2000 (BBC: 2000). At this meeting, 189 world leaders representing member states in the General Assembly ratified the United Nations Millennium Declaration, which was adopted on 8 September 2000.

The implementation of the Declaration was reviewed at the 2005 World Summit of leaders (UN 2000: c) at the UN headquarters in New York – USA, which was attended by leaders from 191 member states. The 2005 World Summit led to the Millennium Declaration of the Millennium Development Goals (MDGs). The United Nations described it as “a once-in-a-generation opportunity to take bold decisions in the areas of development, security, human rights and reform of the United Nations” (UN 2000: c).

The eight Millennium Development Goals [MDGs] to be achieved by 2015 are:

- to halve the number of undernourished people;
- to achieve universal primary education;
- to promote gender equality and empower women;
- to reduce child mortality;
- to improve maternal health;
- to combat HIV/AIDS, malaria, and other diseases;
- to ensure environmental sustainability; and
- to develop a global partnership for development.

The MDGs set specific targets and indicators for poverty reduction in order to achieve the rights set forth in the Declaration. For the purpose of this study, the focus will be limited to MDG 7 with specific focus on targets 10 & 11. These goals address the key issues of halving the number of undernourished people and ensuring environmental sustainability. Targets 10 & 11, in summary, focus on the following:

Target 10—halve by 2015 the proportion of people without sustainable access to safe drinking water:

- proportion of the population using improved drinking water sources, rural;
- proportion of the population using improved drinking water sources, total;
- proportion of the population using improved drinking water sources, urban;
- proportion of the population using improved sanitation facilities, rural;
- proportion of the population using improved sanitation facilities, total; and
- proportion of the population using improved sanitation facilities, urban.

Target 11—by 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers (i.e. informal settlements)

- slum population as percentage of urban, percentage; and
- slum population in urban areas (i.e. urban informal settlements).

These targets imply that governments must implement programmes that will ensure that they achieve the set targets by 2015 as outlined in the declaration. The outcome document of the 2005 World Summit of leaders titled: Resolution adopted by the General Assembly [without reference to a Main Committee (A/60/L.1)] 60/1. 2005 World Summit Outcome—A/RES/60/1 stipulate important areas relevant to the study (UN 2005:14). The relevant sections will now be extracted and discussed.

Section 56 of the report is in pursuance of the UN’s commitment to achieve sustainable development, stated:

(h) To assist developing countries’ efforts to prepare integrated water resources management and water efficiency plans as part of their national development strategies and to provide access to safe drinking water and basic sanitation in accordance with the Millennium Declaration 1 and the Johannesburg Plan of Implementation, including halving by 2015 the proportion of people who are unable to reach or afford safe drinking water and who do not have access to basic sanitation;

(m) To achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020, recognising the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritising slum prevention and slum upgrading, and to encourage support for the United Nations Habitat and Human Settlements Foundation and its Slum Upgrading Facility.

This means that the South African government as a signatory to the Millennium Declaration should put government programmes in place to address the UN resolution. According to Statistics South Africa’s MDG country report 2013, South Africa has adhered to the consultation requirements outlined in the compilation of the MDG report and continues to improve on this front. In September 2010 the Cabinet directed Statistics South Africa [SSA] to institutionalise participation in the MDG reporting processes.

According to the South African government, MDGs do not constitute a separate plan. Instead, they are embedded in the National Development Plan (NDP) of South Africa, Provincial Growth and Development Plans and the Integrated Development Plans (IDPs) of municipalities (SSA, 2013:15). The 2013 MDG Report process has been designed to include participation of Civil Society Organisations in all spheres of the government structures. This includes provincial and local spheres structures—municipalities.

8. PROVISION OF BASIC SERVICES 2003–2013

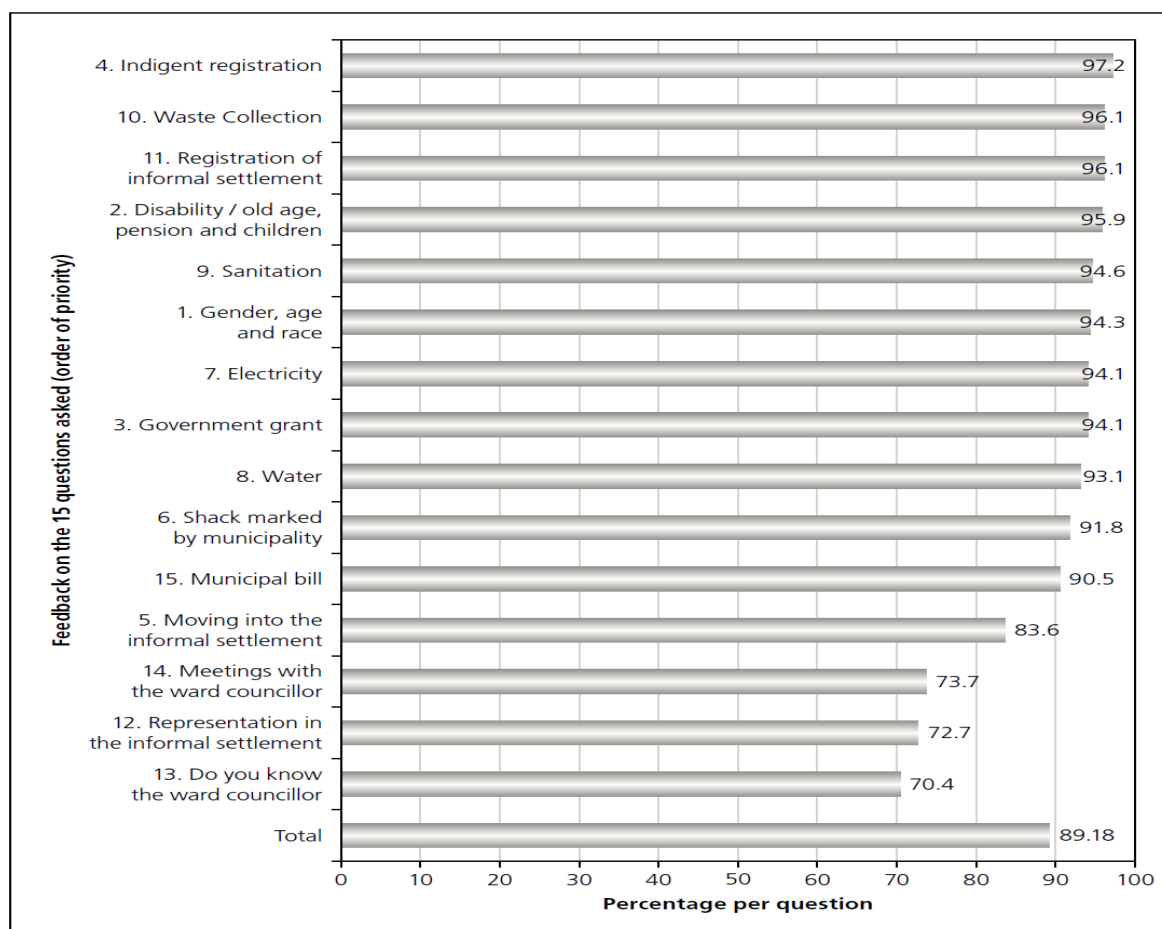
The table 1 indicates that government has made significant progress in terms of improving the provision of basic services in communities across South Africa. Even though there are still backlogs – it is clear that government has surpassed the Millennium Development Goals (MDGs) set by the UN as discussed in the previous sections of this article. The target set was to reach a 50% reduction across the board. However, it is evident that South Africa has exceeded the target even before the set date – which is 2015.

Table 1 Statistics South Africa’s basic services findings – National summary

Basic Service	Access in 2002	Access in 2013	Current backlog %	% Improvement
Piped Water	73.9%	89.9%	10.1%	16%
Sanitation	62.3%	77.9%	22.1%	15.6%
Electricity/ Energy	77.1%	85%	15%	7.9%
Refuse collection/removal	56.7%	63.5%	36.5%	6.8%

Source: Authors.

Table 2 Findings from an empirical study on provision of basic services in Gauteng's urban informal settlements



Source: Authors.

It is important to unravel the detail of the total and consider different communities or classes in society – especially the poor and people living in urban informal settlements. As it is important to unravel the detail of the total and consider different communities or classes in society – especially the poor and people living in urban informal settlements. As outlined in previous sections, the UN MDGs are directed at assisting in improving the living conditions of the poor and people living in squalor and abject poverty – similar to those found in urban informal settlements.

Table 3 Order of priority based on findings on 4 main basic services in 2

Order of priority [i.e. minimum basic services]	Number of responses	Expected responses and Non respondents	Percentage
Waste collection/removal	377	392 – 377 = 15	96%
Sanitation	371	392 – 371 = 21	94.6%
Electricity/Energy	369	392 - 369 = 23	94.1%
Water	365	392 - 365 = 27	93.1%
Total	1482	1568 [86]	94.4%

Source: Own interpretation of results of research.

In the study, municipal managers of the three respective municipalities indicated that they conduct regular and annual enterprise-wide performance monitoring and evaluation system (Maepa 2015:314–317).

The results of this study were compared with the 2013 Statistics South Africa’s MDGs country report. Table 2 – 3 show a 94% response percentage on questions associated with the four selected basic services. Lastly, Table 3 shows the order of priority in terms of the highest responses from residents in urban informal settlements – which are 20 years or older and not formalised. The empirical study is used and accepted because of its scientific rigour and methodology.

Results of the empirical study are as follows:



The report by Statistics South Africa on MDGs indicates that there are no set targets on proportion of households below the Food Poverty index (R321 per month in 2011 prices) with access to free basic services (%) and in particular water; electricity; sanitation and waste collection/removal. However, it has been indicated earlier that the MDG comparable goal or target is Goal 7. The goal is clear, i.e. the intention is to halve the proportion of people without sustainable access to safe potable water and basic sanitation. As a result, the target for 2015 is 50%. For the purposes of this article, a 50% target will be adopted and used, including for electricity and waste collection/removal, as they form part of the minimum basic services in the South African context.

Table 4 Proportion of households below Food Poverty (R321 per month in 2011 prices) with access to free basic services (%)

Basic Service	MDGs status – National Proportion of households below food poverty [R321 per month in 2011 prices]	Urban Informal Settlements in the three Metropolitan municipalities in Gauteng	Total Impact percentage as compared to MDGs target of 50%
Electricity	65% [More than half] ↑	49% [Below target] ↓	< -1%
Sanitation	23.3% [Below target] ↓	34% [Below target] ↑	< -16%
Water	56% [More than half] ↑	51% [Below target] ↓	< -5%
Waste collection/removal	28.3% [Below target] ↓	66% [Above target] ↑	> +16.7%

Source: Adapted from SSA, Millennium Development Goals (MDGs) –Country report 2013: South Africa, 26.

The Constitution, 1996 identifies in Part B of Schedule 5 (exclusive provincial competence) services within the ambit of the sphere of local government with its constituent units: municipalities. The minimum basic services means: water, sanitation, electricity, and waste collection/removal. Considering the argument as presented in the preceding paragraph together with the findings as outlined in Table 4.–Metropolitan municipalities are performing below MDGs target of 50%–when urban informal settlements are considered. Summary results in order of priority (lowest/far from target to highest/closest to target) indicate the following:



Legend: — target not achieve + target exceeded

When the findings of the empirical study are compared with the percentage of indigent households receiving free basic services (Table 5.) the outcome is worse than when they are compared with MDGs as outlined in Table 4. which measures proportion of households below Food Poverty Index (R321 per month in 2011 prices) with access to free basic services. The results of the comparative analysis points to under-performance by metropolitan municipalities, in providing minimum basic services in urban informal settlements (UIS) that are 20 years and older – which are not formalised (Maepa 2015:314–317).

When considering the fact that all selected UISs in the empirical study are above 20 years or older – the findings show a negative trend. Thus, the findings indicate that the eradication of the informal settlements plan (The 2004 ‘Informal Settlements Upgrading Programme Business Plan) that was implemented by the Department of Human Settlements (DHS) and which was expected to eradicate informal settlements (i.e. urban and rural) through a phased approach by the 2007/8 financial year – has had minimum impact or performed below expected results in Gauteng’s UISs in particular.

Table 5 Percentage of indigent households receiving free basic services (Adapted from SSA, Millennium Development Goals (MDGs)–Country report 2013: South Africa, 26)

Basic service	2004	2007	2011	2014 [% in the study]	Difference [2014–2013]
Electricity	29.3%	50.4%	59.5% ↑	49% ↓	-10.5%
Sanitation	38.5%	52.1%	57.9% ↑	34% ↓	-23.9%
Water	61.8%	72.3%	71.6% ↑	51% ↓	-20.6%
Waste collection/removal	38.7%	56.6%	54.1% ↑	66% ↑	+11.9%

Electricity	< 10.5%	—
Sanitation	< 23.9%	—
Water	> 20.6%	—
Waste collection/removal	> +11.9%	+

Legend: — target not achieve + target exceeded

Source: Authors.

The outcomes substantiate the assertion that the Urban Renewal Programme (URP) of the government has not achieved similar results that are shown nationally by SSA in the 2013 MDG's country report – when compared with empirical study results in UISs that are located in Gauteng's metropolitan municipalities. This finding is substantiated when empirical study results are compared with the national average in both indigent households receiving free basic services and proportion of households below the Food Poverty line.

It can be argued that although the national average figures are showing an upward progression in most areas (i.e. especially in indigent households receiving free basic services) and surpassed the MDGs (50% target) in some instances, the overall outcomes in UISs that are not formalised and are 20 years or older, indicate a target output percentage combined of exactly 50% (Electricity 49% + Water 51% + Sanitation 34% + Waste collection/removal 66% = 200% thus averaging for the four at 50%). However, the results remain below 50% when services are considered individually – especially electricity and sanitation remain below 50% in all comparisons (Maepa 2015:314–317).

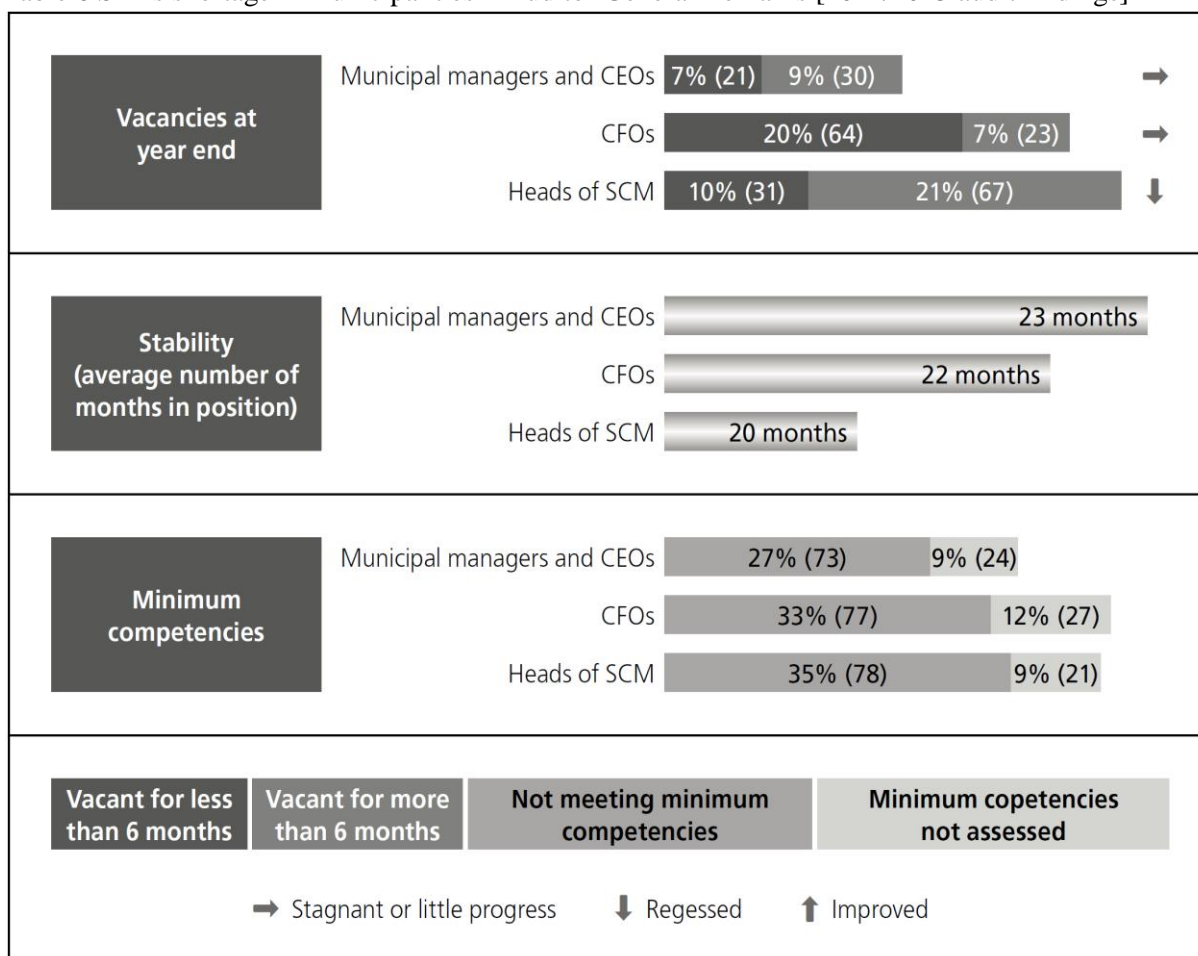
9. REASONS FOR UNDERPERFORMING

There are various factors that can cause this below average performance in municipalities. The Auditor-General South Africa (AGSA) in the General report on the audit outcomes of local government, 2011–12 (SA – AGSA 2011&12: 99–100) highlights the issue of competencies of key officials, by stating:

The complexities in local government, the challenges experienced and the high expectations of the public demand that key personnel at municipalities have the skills, experience and capacity to assume and fulfil their responsibilities and exercise their functions and powers. The reforms in financial and performance management have also resulted in a higher level of competency requirements than in the past for municipal managers, CFOs, senior managers, SCM officials and other financial officials. The poor audit outcomes, failures in service delivery and the high demand for consultants and support from national and provincial governments are indicative of an environment where the persons appointed in these posts do not have the required competencies. The root cause of this is two pronged – staff who do not

have the required competencies are appointed in key positions, while current employees do not keep up with the changing local government environment through ongoing training and development.

Table 6 Skills shortage in municipalities – Auditor General Remarks [2012/2013 audit findings]



Source: Local Government Brief–Auditor General: Local Government audit outcomes 2012–13.

It can be deduced from the AGSA’s report that there are capacity challenges in municipalities which pose other hindrances for full implementation of performance monitoring and evaluation (PME) systems in municipalities. Table 6. provides a summary in percentages with regards to vacancies, stability in municipalities and minimum competencies – the skills shortage.

FINDINGS AND CONCLUSION

The introduction of GWM&E by the South African government to institutionalise PME (Performance monitoring and evaluation) in general and evaluations in particular (Impact Evaluation) as a reform mechanism to assess and codify programme performance information – has produced specific results in the public sector.

The annual audit by Statistics South Africa (SSA) to review government performance with regards to the attainment of MDGs has assisted the South African Cabinet to better understand how the country is performing against set targets (locally and internationally) to eradicate poverty and underdevelopment.

The SSA 2013 country report indicates that MDGs set a target of 50% by 2015 was achieved in 2007 when considering indigent households receiving free basic services – a category that most of the unemployed live in UISs (i.e. 73% according to the empirical study findings).

The enterprise-wide performance monitoring and evaluation system that the city managers conduct quarterly should have picked up an early warning: that the provision of basic services in UISs (i.e. 20 years and older) is not on par with national averages and are not improving to be able to reach the MDG's set target of 50%, sooner than 2015 – as it has been the case with the national findings provided by Statistics South Africa's (SSA) 2013 report on MDGs. There might be a correlation between lack of provision of basic services in UISs (under performance in relation to MDGs) and shortage of requisite skills in municipalities as argued by the Auditor General – South Africa (AGSA). It is therefore advisable for municipalities to enhance their enterprise-wide performance monitoring and evaluation (PME) system in general and evaluations (Impact Evaluation – IE) in particular, with the primary intention of improving their performance in delivery of basic services – especially in areas where they are needed the most – similar to the situation found in the three Gauteng's metropolitan municipalities' UISs.

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IMPLEMENTING PERFORMANCE MANAGEMENT IN LOCAL GOVERNANCE IN SOUTH AFRICA: A CASE STUDY OF WEST RAND DISTRICT MUNICIPALITY

IMPLEMENTOVANIE MANAŽMENTU VÝKONNOSTI V NA MIESTNEJ ÚROVNI V JUŽNEJ AFRIKE: PRÍPADOVÁ ŠTÚDIA WEST RAND DISTRICT MUNICIPALITY

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Abstract

The post-1994 era proclaimed a period of transition for municipalities in South Africa. Within the sphere of local government, performance management has been identified as a tool for promoting accountability. Together with strategic planning, benchmarking and continuous improvement, performance measurement forms the nucleus for managing for results in any sphere of government. The aim of this article is to assess the degree to which performance management has been implemented at the West Rand District Municipality. The West Rand District Municipality (WRDM) is a Category C Municipality, located on the South Western edge of Gauteng Province of South Africa. WRDM comprises four local municipalities namely, Mogale City, Merafong City, Randfontein and Westonaria. The stratified sampling approach was used in selecting the respondents that participated in the questionnaires. The article recommends that, performance management needs to be strengthened such that it measures the actual delivery of services and a formal performance management system needs to be designed. Also, as part of strengthening governance, local government through the councillors should report regularly to communities they serve. Though there is alignment in the process of planning, implementation and performance management, the conclusion of this article is that the systems for monitoring remain a challenge that needs to be addressed by local government.

This paper is reprint of the original paper published by African Journal of Public Affairs, volume 9, number 1, March 2016, pp. 110-122. ISSN 1997-7441. It is published with the kind permission of chief editor of the journal prof. J. O. Kuye and authors of the paper.

INTRODUCTION

Performance management has been identified as a tool to promote accountability in local government. It is seen as a driver for change local government and a mechanism for guiding the implementation of the Integrated Development Plan (IDP). Together with strategic planning, benchmarking and continuous improvement and performance measurement form the nucleus for managing for results.

Performance has been an issue in government for as long as government has been around (Van der Waldt 2004:34). At its inception performance was introduced as a possible way of strengthening the

public sector (Kambuwa and Wallis 2002:5). The public organisation's performance should constantly be scrutinised by the different stakeholders including politicians, citizens, service users and all government officials. Hence, public managers in the different spheres of government are under constant pressure to improve the performance and the quality of services that are delivered (Van der Waldt 2004:170). The article examines the broad concept of performance management within local government, discusses the research problem, methodology and research area. Finally, the article discusses the analysis based on the results of the research and conclusion.

2. WHY PERFORMANCE MANAGEMENT?

Performance management aims to maximise the qualitative value of the relationship between inputs, activities, outputs and outcomes. It also provides methodologies required to gear the organisation towards the service delivery priorities identified during the strategic planning process (Minnaar 2010:1). The main components of the Performance Management System include setting indicators, including outcomes and impact, linked to the municipal Integrated Development Plan setting measurable targets, performance monitoring, review, performance improvement and regular reporting (Kambuwa and Wallis 2002:5). The Integrated Development Plan is a prerequisite for a Performance Management System to play a key role in promoting better implementation. Performance ideology suggests that activities must be clearly defined and understood as separate to outputs and outcomes (Haynes 2003:93). With the inputs being what makes the activities to occur, whereas the activities produce outputs and outcomes (Haynes 2003:93).

3. THE RESEARCH PROBLEM

Municipalities are required by the Local Government: Municipal Systems Act, 32 of 2000 to develop an Integrated Development Plan as a strategic plan for the municipality to achieve its developmental goals. Integrated Development Plans are a good concept aimed at ensuring synergy in the planning processes. However, implementation still remains a challenge. There is a tool for performance monitoring and evaluation that is supposed to be utilised, but there are still gaps in efficiency and effectiveness of performance monitoring. Based on the above observations, the key objectives of this research were to:

- analyse the extent of alignment between planning, implementation and performance management; and
- evaluate the extent to which performance management and measurement contribute in fast-tracking and improving of service delivery.

4. RESEARCH METHODOLOGY AND DESIGN

As part of the research process, both primary and secondary data were gathered to conduct an analysis of the implementation of performance management in the District Municipality. Secondary data entailed the collection of literature for definition and discussion of different concepts that are relevant to the topic such as governance, project planning, development planning, project implementation, community participation and service delivery among others. The literature utilised in conducting this research included sources such as academic books, journals, dissertations/theses, newspaper articles, local government publications, local government legislation and policies.

The next stage after secondary data was the collection of primary data which was collected through administering questionnaires to the key respondents within the different categories. The questionnaire that was utilised in gathering primary data was mainly quantitative in nature with a portion that was

qualitative. The researchers distributed questionnaires and also explored the findings of various primary researches done in this area of study.

4.1 Sample size

The total number of people that took part on this research was 80, both from the West Rand District Municipality and the Westonaria Local Municipality. Prior to the administering of the questionnaires a formal request to conduct research was made to the relevant authorities following the appropriate procedures.

4.2 Respondents

The categories of respondents (both from the district and the local municipality) were political leaders (politicians); senior management of both municipalities; municipal officials responsible for project management, planning and implementation; officials from the provincial Department of Local Government and Housing; South African Local Government Association officials; Integrated Development Planning officials; and community representatives.

5. THE RESEARCH AREA AT A GLANCE

The West Rand District Municipality (WRDM) is a Category C Municipality, located on the South Western edge of Gauteng Province. WRDM comprises four local municipalities namely, Mogale City, Merafong City, Randfontein and Westonaria. The WRDM is serviced by national, provincial and local roads, N12 and N14 which are the two national roads running parallel to each other, forming a strong south-east to north-west linkage. These routes generally provide good regional access between the WRDM and Johannesburg to the east, Pretoria to the north and the North West Province to the north-west. The R28 acts as a seam in the context of the District connecting the main movement lines in a north-south direction. The R500 provides the north-south direction connecting to the N14 to the north. The whole of West Rand region has a population of 848 597 and covers approximately 4 095 km² in size (West Rand District Municipality IDP 2011/12 to 2015/16).

6. THE CONCEPT OF PERFORMANCE MANAGEMENT

Performance is one of the principles or characteristics of governance and it refers to the ability of the responsible agency to undertake required functions and the capacity to undertake a regular and comprehensive review of progress towards goals, and to respond to findings (Shipley and Kovacs 2008:217). It is essentially about using best business practices to enhance organisational performance. As a foundation, strategic planning is one way of assuring that the organisation assuredly accomplishes its ends. The researchers have concluded that there is a strong correlation between strategic planning and organisational effectiveness (Carver 1990 and Bradshaw 1992 cited in Taylor 2000:111). Thus better strategic planning results in better organisational performance.

Linked to the issue of performance are the terms governance and good governance which are said to be somehow related to the performance of government, the political institution responsible for exercising the executive power of the state (Elahi 2009:1168).

Within the local government context in South Africa, the Integrated Development Plan incorporates a system of performance management and performance budgeting. The intention of this is to ensure that the municipality has appropriately prioritised its budget and is to monitor and report on its performance against clear measurement criteria. Performance planning commences with the review of the Integrated Development Plan. It is important to ensure that the Performance Management

System is an extension of the Integrated Development Plan since PMS is the tool that is used to monitor the implementation of the Integrated Development Plan and as well report back on the extent of its implementation.

Performance management is the systematic process of:

- planning work and setting expectations;
- continually monitoring performance;
- developing the capacity to perform;
- periodically rating performance in a summary fashion; and
- rewarding good performance (De Waal and Counet 2009:107).

In an effective organisation, work is planned out in advance. Planning means setting performance expectations and goals for individuals to channel their efforts towards achieving organisational objectives (De Waal and Counet 2009:108). In addition to that, a Performance Management System draws together both the management and other employees to work towards achieving the overall organisations goal. Getting employees involved in the planning process will assist them to understand the goals of the organisation, what needs to be done, why it needs to be done, and how well it should be done (Carpinetti, Galdamez and Gerolamo 2008:411).

Shiple and Kovacs (2008:218) outline eight different criteria for performance as follows:

- cost effectiveness: the efficiency in the achievement of objectives;
- capacity: the ability of the responsible agency to undertake required functions. It also refers to policy capacity and the adequacy and security of funding;
- co-ordination: the ability to synchronise the efforts of players;
- performance information to the public requires provision of sufficient information for the public to assess progress;
- responsiveness: an agency's ability and inclination to deal with complaints and public criticism;
- monitoring and evaluation: the capacity to undertake regular and comprehensive review of progress toward goals, and to respond to findings;
- adaptive management: the ability to learn and adjust management based on experience; and
- risk management: the capacity to identify key potential problems and to prepare for them.

Performance management considers the following key aspects as part of a broader Performance Management System, namely Monitoring, Evaluation, Rating, Rewarding and Reporting.

6.1 Monitoring

Monitoring is a continuous process aimed at early detection of performance deviation in order for it to be addressed prior to reaching devastating impact on the measurable performance of the institution (Minnaar 2010:157). Performance monitoring involves tracking of performance on an on-going basis, in order to determine whether the achievement of objectives is likely to occur (Van der Waldt 2004:67). Performance should be monitored in order to ensure that implementation is done according to plans Van der Waldt (2004:95). This should not be limited to financial performance, but also consider non-financial performance. This aims to improve the efficiency and effectiveness of the project or organisation. It is based on targets set and activities planned during planning phases of work.

In an effective organisation, activities and projects are monitored continually. Monitoring well means consistently measuring performance and providing on-going feedback to employees and work groups on their progress toward reaching their goals. The regulatory requirements for monitoring

performance include conducting progress reviews with employees where their performance is compared against their elements and set standards.

If performance is monitored challenges will be identified and addressed prior to causing negative impact on the end result (Syamil, Doll and Apigian 2004:209). Therefore, the monitoring of performance provides early-warning signals. Implementing and managing a performance measuring system assists to concentrate in the key performance factors and stimulate decision making according to the information analysis that contributes positively towards the performance management of any organisation (Carpinetti et al., 2008:412).

6.2 Rating

From time to time, organisations find it useful to summarise employee performance. This assists with comparing performance over time or across a set of employees. Organisations need to know who their best performers are. Within the context of formal performance appraisal requirements, rating means evaluating employee or group performance against the elements and standards in an employee's performance plan and assigning a summary rating of record.

6.3 Rewarding

In an effective organisation, rewards are used often and well. Rewarding means recognising employees, individually and as members of groups, for their performance and acknowledging their contributions to the institution's mission. A basic principle of effective management is that all behaviour is controlled by its consequences. Those consequences can and should be both formal and informal and both positive and negative. The development of Performance

Management System is being advocated in the Local Government: Municipal Systems Act, 32 of 2000 which stipulates that all municipalities are required among other things, to develop a Performance Management System, monitor and review performance based on the indicators linked to the Integrated Development Plan.

6.4 Reporting

Performance Management System is a method of reporting critical matters, motivating employees, promoting control and accountability and also intervening where required (Nelly 1998, Fisher 1995 and Haas and Kleingeld 1998 cited in Radnor and Barnes, 2007:389). The main goal of every project is success. Therefore utilising Performance Management System helps in assessing success (Najmi, Ehsani, Sharbatoghlie and Saidi-Mehrabad 2009:114), and assists in improving service delivery and in advancing performance (De Waal and Counet 2009:108). The success of every project is linked to performance measures which are ultimately aligned to the overall project objective, and put emphasis on the importance of measuring performance.

7. EFFICIENCY AND EFFECTIVENESS

Performance is seen in the light of two critical characteristics i.e. efficiency and effectiveness, argue Radnor and Barnes (2007:390), hence a suitable system is required in measuring the said characteristics (Najmi et al. 2009:114). Efficiency is concerned about doing things right, whilst effectiveness refers to doing the right things right.

According to Elahi (2009:1170) efficiency and effectiveness require a process where institutions produce results that meet needs while making the best use of resources. Good governance requires processes and institutions to produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

Performance measurement by its nature focuses on efficiency, productivity and utilisation. Also performance management focuses on effectiveness through building on performance measurement. Lebas (1995) cited in Radnor and Barnes (2007:391) indicates that though performance management and measurement's procedures are distinct they are interlinked. It is of public interest that municipalities performs in an efficient manner.

Holzer and Kloby (2005:521) make an observation that most organisations focus on accountability particularly measuring and reporting performance or progress. Accountability is crucial for government to have credibility with the different stakeholders. This system continuously monitors and reports the progress based on the goals (Najmi et al. 2009:114). This system will therefore indicate in detail exactly what is happening in a particular project. According to Neely (1997) cited in Radnor and Barnes (2007:390) supported by Najmi et al. (2009:114) performance measurement is regarded as a way of enumerating efficiency and effectiveness. Holzer and Kloby (2005:519) add that measuring performance also contributes towards increasing productivity. Neely (1995) cited in Najmi et al. (2009:114) further elaborate that measuring performance is regarded as a metric used to quantify both the efficiency and effectiveness of an action.

Performance is evaluated according to cost, quality and time which is known as the project triangle (Syamil et al., 2004:208). The extent of compliance with predetermined cost and time is considered as an efficiency indicator and the extent of compliance with expected quality is considered as an effectiveness indicator (Najmi et al. 2009:115). Holzer and Kloby (2005:522) emphasise that measuring performance helps in creating a shift from subjective personal measures of performance to objective, empirical gauge. However, what is crucial is measuring the right things and using those measures as the basis for managing performance improvement (Radnor and Barnes 2007:388).

There must be sufficient resources (budget) and capacity (people) available for the implementation (De Waal and Counet 2009:109). In order for a Performance Management System to be successful it is crucial that management prioritises its implementation and also commit to its implementation and functioning so that other employees take it seriously and also prioritise utilising the system (De Waal and Counet 2009:109). Buy-in from management and the employees is crucial for the success. When management and employees see its purpose then the implementation will be delayed or even not fully utilised.

Holzer and Kloby (2005:525) recommend that effective measurement systems are capable of addressing questions such as:

- Is an agency doing its job?
- Is it creating unintended side effects or producing unanticipated impacts?
- Is it responsive to the public?
- Is it fair to all, or does it favour certain groups, either inadvertently or deliberately?
- Does it keep within its proper bounds of authorised activity?
- Overall, is it productive?

8. PERFORMANCE BUDGETING

The budget, according to Van der Waldt et al. (2002:10), serves the following functions:

- Policy declaration: through presenting government goals to the citizens. For instance the beneficiaries of government services have to go through the content of the budget to determine the ways in which community needs will be addressed.
- Source of information: it determines the proposed activities that government aims to undertake.
- Work programme: aims to guide the authorities/ functions tasked to undertake the aims of government. It further serves a guideline for the detailed programmes on which officials can base their operational activities.
- Control measure: the budget can also be utilised to determine if key activities were done in accordance with the legislative prescriptions. The budget is an important document for rational decision making.

South Africa has laid a foundation for a shift to performance budgeting, but beyond that the Act 56 of 2003 (MFMA) assists the implementation of a budget-analysis process by prescribing a reporting cycle with specific time-frames and a content guide for departmental reports (Van der Waldt 2004:121). The process of monitoring and measuring performance and service delivery process provides valuable information to a manager's contributing to better planning and budgeting within departments and enhancing service delivery to communities (Van der Waldt 2004:178). Successful integration is crucial in the implementation of an appropriate PMS that contains financial and operational management data. Beyond that monitoring and measuring performance and service delivery are key elements of Medium-Term budgeting (Van der Waldt 2004:178).

9. HUMAN AND INDIVIDUAL PERFORMANCE MANAGEMENT

Performance management ideology is aimed at achieving better results through people (Van der Waldt 2004:205). Human Performance Management aims to assist managers to get Human Performance Management is concerned with the development of potential so that employees are capable of taking on greater responsibility and thus earn even higher rewards (Van der Waldt 2004:205).

In municipalities, the Performance Management System is accompanied by the performance contracts or agreements for public servants which has been one way of ensuring that services are delivered. Gaster (2003:91) emphasises that performance measurement for quality, in the environment within which most public service workers now operate, needs to have clear benefits to the employees, public and the organisation. Furthermore performance in government is important to communities in the same way as it is to officials (Van der Waldt 2004:33). It is about doing the work, as well as the results achieved, according to Otlay (1999) cited in Van der Waldt (2004:34). Performance Management is a system which management harnesses the endeavours of individual managers and works towards an organisation's strategic goals (Van der Waldt 2004:39).

A performance agreement, also known as a performance contract, defines expectations, the work to be done, the results to be achieved and the attributes (skills, knowledge and expertise) and the competencies required to achieve these results. A critical component in service delivery is at the individual performance level (Nel, Van Dyk, Haasbroek, Schultz, Sono and Werner 2006:107). In this instance there has to be accountability that is linked to job descriptions and delegation of authority, education and training, commitment to delivering services, ethical conduct, effective placement in both back and front office, and appropriate performance management in areas of rewards and discipline (Nel et al. 2006:107).

The development of individual performance agreements or scorecards poses a number of challenges for municipalities. Municipalities are continuously challenged to develop meaningful goals

and objectives for individual employees. Annual appraisal is fraught with disagreements on issues varying from the actual meaning of the indicators. All employees require opportunities to demonstrate how their specific actions are making the difference and helping the municipality fulfil its strategic objectives.

Individual performance scorecards aim to change behaviour through communication. The aim is to realise the intended strategy. The particular interventions that the municipality make in order to learn, improve internal business processes, or fulfil the expectations of its communities, must be based on the conviction that these interventions constitute the best path to the future. Individual performance scorecards translate the Integrated Development Plan into terms that are meaningful for municipal employees in their everyday activities.

Van der Waldt (2004:205) views Performance Management as a tool for integration at two levels in organisation:

- at the organisational level Performance Management links individual and team performance to strategic goals through an appropriate organisation and management framework; and
- at the individual level, it links all the people management processes to the strategic goals and does so coherently, in a process that starts with human resource planning, knowing what the purpose of a job is and what competencies are required to do it as well as the basis for the processes designed to attract, retain, support and develop staff and set them up to succeed.

Nel et al. (2006:109) argues that performance management provides an opportunity to link an individual's performance with institutional performance. In a sense that institutional key performance areas (strategic and the operational plans) should be linked to the key result areas in the performance agreements of senior management. The strategic and the operational plans of an organisation in turn should be cascaded into the key performance areas of the subordinate staff. In defining key performance areas, emphasis should be placed on measurability.

Progress with attaining goals linked to the operational plans performance agreements of employees should be rigorously monitored and reported upon, at least on a quarterly basis. This should be the opportunity to identify problems that may impact on delivery and solutions to redirect delivery. Rewards-delivery should only be allocated to above-average performers, while under-achievers should be disciplined where skills development and motivation fail. Ultimately the focus should be on getting underachievers to shape up or ship out (Nel et al. 2006:109).

In an effective organisation, employee developmental needs are evaluated and addressed. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. Providing employees with training and developmental opportunities encourage good performance, strengthen job-related skills and competencies, and help employees keep up with changes in the workplace, such as the introduction of new technology.

10. PERFORMANCE ASSESSMENTS VERSUS APPRAISAL

Performance Appraisal and Assessment are two terms that are different but interrelated and it is important to differentiate between them. Performance Assessment is defined as the process by which an employee's contribution to the organisation during a specified period of time is assessed. Assessment means making a judgment about measuring a person's performance against standards (Van der Waldt 2004:243). Whilst appraisal is the process of reviewing and making decisions about past performance with the performance, prior to planning for the future (Van der Waldt 2004:243). Evaluation of the Human Performance Management is done through the performance appraisal. Liff (2011:139) argues that the performance standards are crucial components of the Appraisal Plan

because the said standards are the basis for measuring the performance of the employees. Alignment of the standards with the organisational goals is important so that whilst employees are performing consequently the organisation performs as well. Contrary, if these are not aligned, people will focus on different things are not in the organisations best interest (Liff 2011:140).

It is important to be cautious about setting clear objectives because of the danger that bias and emotion may enter, perhaps unconsciously, to sway employees' judgments (Van der Waldt 2004:224). The reason being that objectives form a visible set of criteria against which a choice will be made. Beyond that objectives constitute the should for the employee as a set of guidelines against which to model his or her own performance (Van der Waldt 2004:224). In addition, it is important for both the supervisor and supervisee to understand the set objectives for the job because that will give the basis for evaluating performance.

11. ANALYSIS BASED ON THE RESULTS OF THE RESEARCH

Democracy has brought a lot of lessons to the sphere of Local Government and South Africa as a whole. Hence, there are a number of successes achieved from which lessons could be drawn on the implementation of performance management within the sphere of local government, but challenges still lie ahead.

The pioneering of the Constitution of the Republic of South Africa, 1996 creates a culture and environment in which the public sector should operate in support of good governance. Some legislative frameworks governing local government reflect the doctrine of governance in which the different principles of good governance should be adhered to. Nevertheless, the responsibility still lies with the municipalities' political and administrative leaders to instil a culture of performance within the subordinates in the sphere of local government as a whole towards achieving the set vision.

For holistic governance in local government to be achieved, there are relevant aspects that are crucial in the process of which adherence to the regulatory and policy frameworks within local government is amongst these key characteristics. The Integrated Development Plans are good frameworks for enhancing intergovernmental relations hence fully utilising them will achieve its essence in being the 'plan' of the state as the whole.

In order to further enhance governance in the sphere of local government with specific focus on the study area, the following assumptions and recommendations are made:

- Monitoring and evaluating by tracking the progress is one way of instilling the culture of good governance because it encourages transparency and the accessibility of information and it strengthens accountability.
- Performance-management need to be strengthened such that it measures the actual delivery. Reporting of municipal performance also need to be done as legislated and be accurate, thorough and also user-friendly.
- A formal performance management system need to be designed both for senior managers and also for the councillors and also monitored accordingly in executing their responsibility.
- Participatory monitoring and evaluation is extremely important since it assists in addressing challenges as they arise and provide the basis for influencing and scaling up.
- Local government through the councillors should report regularly and also in detail to the community, because it is through reporting to the public that continuous feedback on the local government projects gets known to the public.

CONCLUSION

There is a strong correlation between planning, implementation and performance management. This linkage is based on the fact that the projects are planned in the Integrated Development Plan which is the strategic planning tool for the municipality. These later get implemented and their implementations are monitored accordingly. There are plans in place in the form of Integrated Development Plans, but effective implementation still remains a challenge. Also though the Integrated Development Plans exist at the local government sphere, there is lack of adherence with them at the provincial and national spheres, which means fragmentation and lack of true integration still remain.

Though there is alignment on the process of planning, implementation and performance management, the systems for monitoring remain a challenge that needs to be addressed by local government. As indicated above monitoring is done, but linking organisational performance and individual performance is sub-standard, including the processes for appraising employee performance.

NOTE

Paper presented at the IASIA 2014 Conference, Port Elizabeth, South Africa.

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4. **Príspevok by nemal presiahnuť 15 normovaných rukopisných strán** 30 riadkov na stránku, 60 úderov v riadku vrátane medzier, a to vrátane tabuliek, grafov, literatúry a anglického abstraktu. Rukopisy vypracujte v normalizovanej úprave vo formáte MS Word 6,0/95 a vyššie, typ písma Times New Roman, veľkosť písma 12, riadkovanie jednoduché. Podobu grafov je potrebné prispôbiť formátu časopisu B5 a skutočnosti, že časopis je čierno-biely. Tabuľky predkladajte vo Worde, event. v Exceli. Okrem nadpisov a podnadpisov text nezvýrazňujte ani nepodčiarkujte.
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Acta Aerarii Publici

Vedecký časopis Ekonomickej fakulty Univerzity Mateja Bela v Banskej Bystrici.

Adresa redakcie: Ekonomická fakulta UMB, Tajovského 10, 975 90 Banská Bystrica

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Tlač: EQUILIBRIA, s.r.o., Košice

Cena: Nepredajné.

Náklad: 100 výtlačkov.

ISSN 1336-8818