

CHAPTER 1: RESEARCH PROBLEM AND RESEARCH DESIGN

1.1 INTRODUCTION

This study is a conceptual analysis of public financial performance management with specific reference to the area of effectiveness and outcomes. It is an attempt to assess and identify financial performance drivers, which will enhance the South African Government's desire to improve the quality of life of all citizens in South Africa (SA). In this sense, it is also an attempt to scientifically develop financial performance management perspectives and options, which may be useful to resolve the effectiveness of government in a focused and systemic manner. Consequently, a particular methodology will be followed to scientifically analyse different approaches to improve the quality of government services.

In order to have a clear understanding of public financial performance management in the context of government, it is necessary to pay attention to the environment of public administration and the need to develop the theory and practice of public administration in South Africa. Public financial performance management is part of the administrative principles and practices which permeate the daily lives of all citizens of South Africa and has emerged as the most efficient way of ensuring a simultaneously high standard of living and high quality of life. Public financial performance management increases and enhances the professionalism exhibited by government managers and must become an accepted practice norm seeking ongoing improvement and exploring best practices. Public financial performance management produces enhanced capability and replaces the focus on process with a focus on results. The emphasis is on the role of government in society, which impacts on the development of policies and provisioning of services and must be viewed as an essential component of successful management. The classification of administrative functions successfully explains the nature and extent of the duties of officials responsible for administration and of actual administrative practices, but it is necessary for innovative thought for the continued development of the discipline of Public Administration and the practice of public administration.

Although public institutions should not be managed in the same manner as a private business operation, a public institution should be managed for excellent performance as it represents one of the stimulating academic challenges for the academic discipline of Public Administration. To manage public institutions for performance

represents one of the biggest challenges for the future and to face up to this challenge, a situation-specific public management approach will have to be developed.

1.2 OVERVIEW AND CONTEXTUALISATION

Mr Nelson Mandela (BBC,2005), speaking on London's Trafalgar Square in support of the Campaign to Make Poverty History ahead of a meeting with European Union Finance Ministers on 3 February 2005, strongly exhorted the following: *"In this new century, millions of people in the world's poorest countries remain imprisoned, enslaved and in chains. They are trapped in the prison of poverty. It is time to set them free. ... poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings"*. In his State of the Nation address on 6 February 2009, the then President of the Republic of South Africa, Mr Kgalema Motlanthe expressed the need for the efficiency of the South African Public Service and specifically mentioned the need for proper public financial management skills and practices in the Government. To his own question on how to improve the quality of service delivery, the President responded by saying: *"We still got a way to go"*, and *"the challenges remain immense"* (The Presidency, 2009:2).

The South African Public Service has a critical role to play to deliver the goods and services required to accelerate economic growth, reduce poverty and inequality and improve the lives of all South Africans. In his State of the Nation address on 10 February 2011, the President of the Republic of South Africa, Mr Jacob Zuma, confirmed the Government's steady progress towards a more prosperous society and the commitment to build a performance orientated state. Although some achievements were evident, serious challenges such as unemployment, poverty and people without houses, electricity or water and also the poor performance of local government institutions were highlighted. The frustrations in some areas resulted in protests, which indicated the problems that existed in this sphere. As a result of these challenges, the Government's focus on specific priorities was reaffirmed. These are education, health, rural development and agrarian reform, taking forward the fight against crime and creating decent work. These priorities will be dealt with by means of turnaround strategies focusing on, among others, the strengthening of basic administrative systems, financial management and customer care (The Presidency, 2011:1-8).

Despite the progress and achievements of the Government in the delivery of services to the poor, especially in the field of housing, water and sanitation, electrification, health and education, the dividends resulting from increased pro-poor social expenditure by the state have proved disappointing in terms of reducing poverty and solving ongoing socio-economic problems. Unemployment rates in South Africa are exceptionally high and using the expanded definition, currently stand at around 40%, and around 23% using the narrow definition. According to Seekings (2007:16), unemployment rates in South Africa “remain much higher than they were in 1994 and are higher than anywhere else in the world excepting Iraq”.

South Africa currently spends an amount equivalent to about 7% of its GDP on education, yet the education system fails to produce school leavers with adequate work-related skills in sufficient numbers. South African schools simply do not produce outputs commensurate with state expenditure, particularly when viewed in terms of the potential for improved education to alleviate poverty. South African students display exceptionally low levels of literacy and numeracy (Seekings, 2007:18-19).

According to research, the same holds true for healthcare expenditure. Despite greatly increased state expenditure on public health services, life expectancy declined from around 60 years in 1994 to around 49 years in 2006 (about 30% below the world average), largely because of the impact of HIV/Aids. South Africa also has one of the world’s highest reported infection rates (and lowest reported cure rates) of tuberculosis in the world. It also has one of the highest reported rates of fetal alcohol syndrome in the world. South Africa also has one of the highest reported rates of violence (particularly violence against women and children) in the world. In the 2006/07 financial year, South Africa recorded a murder rate of 40,5 per 100 000, a serious assault rate of 460 per 100 000 and a reported rape rate of 111 per 100 000 (this is despite the fact that the majority of women and children do not report being raped to the police) (Luyt, 2008:2-8).

Apart from being borne primarily by the poor, such socio-economic conditions impede economic development and poverty alleviation, and contribute to the country’s haemorrhaging of skills, commonly known as the brain drain, which further retards economic growth. Indeed, the Government Performance Barometer survey conducted by Markinor in February 2008, found that respondents rated the South African Government’s attempts to stop the brain drain as its worst area of

performance, with 73% of respondents saying that the Government performed badly in terms of halting the loss of skilled people.

A decrease in poverty levels in South Africa has been achieved largely by expanded state expenditure on social security grants, and not as a result of economic growth or redistribution. Seekings (2007:27) notes that any significant reduction of poverty in South Africa in the future is “*likely to require a further expansion of the welfare state*”. There are clearly fiscal limitations to such expansion. Over and above the country’s socio-economic problems, the Public Service Accountability Monitor (PSAM) believes that a major obstacle to poverty alleviation in South Africa is poor governance, which includes not simply corruption, but also poor performance of government officials in their management of public resources and a lack of political will to act against underperforming officials. The poor management of public resources translates directly into poor public service delivery implementation, and thus obviously undermines poverty alleviation policies (Luyt, 2008:4).

Given the fiscal restrictions of poverty alleviation through targeted pro-poor state expenditure, good public resource management becomes especially important: every cent must be made to count. Certainly, corruption represents a profound challenge to the alleviation of poverty, but so too does poor performance of politicians and government officials. As Van der Berg, Louw and Du Toit (2007:41) put it, in South Africa “*the key to improving social outcomes for the poor is improved social delivery, which depends on managerial efficiency and good accountability structures. Given the limited scope for increasing government expenditure, it is imperative to improve the efficiency of social delivery. Improving managerial skills and accountability structures is an attainable goal that requires careful attention but does not depend on massive financial resource inputs.*” The absence of adequate accountability mechanisms may lead to frustration with poor service delivery manifesting in more confrontational and violent ways, such as the service delivery protests which have swept through South Africa over the past few years (Centre for Development and Enterprise Press Release, May 2007).

In South Africa, accountability is especially important at the provincial and local municipal sphere, since it is at these spheres that the major part of the national budget aimed at alleviating poverty through the provision of housing, health and education services is spent. In terms of implementation, governance is only as good as its weakest links, and in South Africa, the weak links are provincial and local

government, although there is great variation in the quality of provincial and municipal governance. Some provinces and municipalities display relatively good governance, others are simply appalling, according to Luyt (2008:4).

The role of civil society in entrenching accountability is especially important. While South Africa's national human rights institutions such as the South African Human Rights Commission and other bodies established in terms of Chapter 9 of the South African Constitution (1996), for example, the office of the Auditor-General, the Commission on Gender Equality and the Public Protector are important to ensuring good governance and accountability, they are limited, *inter alia*, by reliance on government funding.

The ultimate goal of financial management in government is based on the principle of stewardship, which means to take care of another person's property or financial affairs. As agents of the people, all decision-makers in financial management must ensure that they safeguard and use available money and other resources in the best interests of the people.

1.3 FRAME OF REFERENCE

Decision-makers in the public service environment today face a very different world from their predecessors. For example, the steady, planned and predictable world of financial management has been changed beyond measure by a number of pressures including public scandals and the consequent intense focus on good governance and risk management. Also evident is the changing expectations of the finance function, from number crunching and rear-view reporting to involvement in strategy setting, execution and monitoring; add to this the rising significance of responsible public service practices and the application of effective business information technology.

Organisations, and especially public sector organisations, with poor strategies will commonly suffer, for example, ineffective risk management, weak strategy execution, and an inability to respond to fast-changing environmental conditions. But while there have been lengthy discussions on how to achieve effective compliance and improved strategic performance, the two disciplines rarely collide, despite considerable evidence that adopting good conformance as well as effective strategic management is essential to achieving sustainability.

Public financial management capacity is at the core of good governance and lies at the heart of effective service delivery. Developing countries are beginning to recognise that problems in sectors such as health, education and agriculture may have a common origin namely weak public financial performance management.

Effective, efficient, transparent, accountable and predictable public financial performance management in, for example, the Government of South Africa as a developing country, is a prerequisite for long-term and sustainable reduction of poverty and effective use of scarce financial resources in order to ensure quality of life for all citizens. Public financial performance management is also directly linked to opportunities for democratic governance and, for example, the ability to fight corruption.

Pauw, Woods, Van der Linde, Fourie, & Visser (2002:138), argue that the public sector might indeed require unique knowledge and skills for the analysis, measurement and evaluation of the performance of organisations: *“The measurement of economy, efficiency and especially effectiveness, requires a lot of thinking.”* Pauw *et al.* (2002:141) further state: *“In government institutions, money is generally a means rather than the end. Money from the legislative environment to public service institutions is not given to receive money back, but to achieve other ends. The ends are the things that need to be measured in non-monetary terms.”* In business organizations, profit acts as an unambiguous measure of effectiveness, but there is no such universal measure in not-for-profit government organisations. Although managers in not-for-profit government organisations do not face a profit-maximising test for performance, they cannot ignore the utilisation of public funds. Performance measurement and management are crucial aspects of public financial management since the spending of public money should be aimed at achieving the objectives of a public institution. It is, therefore, necessary that public officials, especially line managers, understand the underlying principles thereof and be able to apply it continuously in their planning as well as strategic and operational management.

Financial reporting obligations support good corporate governance through outwards and internal reporting. Outward reporting is to Parliament and all external stakeholders. Effective management and decision-making require adequate internal financial reporting systems, which consist of timely and regular submission of comprehensive and candid reports on every significant matter of financial

administration in a public sector institution to all levels of decision-makers. The focus of financial management in national and provincial departments is the successful implementation of the Public Finance Management Act (1/1999)(PFMA) and the Treasury Regulations.

The aim of financial management in the public sector is to manage limited financial resources with the purpose to ensure economy and efficiency in the delivery of outputs required to achieve desired outcomes (effectiveness), which will serve the needs of the community (appropriateness). The absence of the profit measure in the public sector makes analysis and evaluation of management performance more difficult than in profit-orientated firms. Management success in the public sector is measurable in terms of economy, efficiency, effectiveness and appropriateness and is directly related to public financial performance management.

Several elements of private sector financial management, however, provide a sound basis for practices in the public sector. The PFMA (1/1999) aims to introduce an approach of management for results instead of managing for compliance. Accounting officers enter into employment contracts with executive authorities supported by performance agreements, which include performance standards and are allowed flexibility in the use of resources.

Financial management ranges from daily cash management to the formulation of long-term financial objectives, policies and strategies in support of the strategic and operational plans of the department. Public financial management includes the planning and control of capital expenditure, working capital management, interaction with the relevant treasury, funding and performance decisions. Public financial performance management supervises the supporting financial and management accounting functions, which are predominately concerned with the collection, processing and provision of financial information and the planning, operation and control of the supporting financial information systems.

1.4 OBJECTIVE OF THE STUDY AND PROBLEM STATEMENT

An active challenge (i.e. problem) faced by researchers and practitioners, who do not have adequate solutions available, is the fact that government departments are not able to say what they have achieved; only what they have done.

In order to clarify this statement, Tigue and Greene (1994:36) distinguish between three types of performance measures. Input measures deal with the question of how much resources are needed to provide a particular programme or service. Output measures focus on the level of activity in providing a particular programme or service (what has been done). Outcome measures focus on the question of whether or not the service meets its proposed goals and these measures are used to evaluate the quality or effectiveness of public programmes (achievements).

Output measures are useful in defining the activities or units of service provided by government, but they provide no indication of whether the goals established for the service have been met, nor can they be used to assess the quality of a programme or service. Tigue and Greene (1994:37) state the following: “*While outcome indicators are of the most interest among policy makers and citizens, they also tend to be the least utilized*”. This statement is supported by various arguments and is also supported by Pauw *et al.* (2002:76) regarding the measurement of organisational effectiveness and that the ends are the things that need to be measured in non-monetary terms.

In a bureaucratic environment, the result of a major focus on input and output performance measurement and less attention to outcomes performance measurement leads to a situation of more reporting on compliance, a high degree of regulation and less focus on performance. It tends to become a situation of working hard, but not working smart. The challenge is to develop mechanisms to measure organisational achievements with specific reference to outcomes and effectiveness.

Performance measurement fulfils a critical component in the measuring of good governance since it is an essential tool for effective management and without which no proper evaluation and improvement will be possible. Performance measurement assists in formulating and implementing policy, contributes to planning and budgeting for service provision, monitors the effects of change and improves standards of service. Performance measurement also ensure fairness in terms of user access to particular services, measures the distribution and the economic and efficient use of resources and provides a critical component in exercising managerial control and decision-making.

From this overview emerges the research question:

How can decision-makers in public financial management give account of their performance with specific reference to the area of effectiveness and outcomes?

The topic of the thesis flows from the research question: **Public financial performance management in South Africa: A conceptual approach.**

The study will attempt to unpack the source of the problem, provide some comments of the philosophy behind international and national developments, construct a theoretical framework to look at particular cases or problems in the Public Service and then provide a conceptual framework to improve public-sector financial performance management in order to meet the needs of all people in the most effective way.

Unique knowledge of the analysis, measurement and evaluation of performance effectiveness in public organisations will be provided. Operational managers will be empowered to measure the effects of service delivery in non-monetary terms in order to ensure effective public financial performance management. Not only will the operational manager be able to indicate what he/she has done, but also account in a constructive manner for all planned achievements. Measurement will enhance management and will shift the phenomenon of public performance management beyond the boundaries of quantity to quality in terms of outcomes. This could ensure a better life for all.

1.5 RESEARCH DESIGN AND METHODOLOGY

Burns (1997:19) describes *research* as a systematic investigation whereby data is collected, analysed and interpreted in an effort to understand or predict a phenomenon and the research is influenced by the researcher's theoretical framework. This theoretical framework is referred to as the paradigm and influences the way in which knowledge is studied and interpreted. *Methodology* refers to the rationale and philosophical assumptions that underline a particular study relative to the scientific method used with a view to explaining the researcher's ontological and epistemological views (Patton, 1989: 69).

The planned research will deal with the concept of *public financial performance management* and will by means of a conceptual analysis clarify and elaborate on the different dimensions of performance in relation to effectiveness and outcomes.

Based on existing theories and historical research, new models will be developed to explain the phenomenon of financial performance management. Research will be conducted in the format of a theoretical investigation and a literature study (national and international) to provide a conceptual framework for financial performance management.

In order to avoid conceptual confusion and theoretical ambiguities, the research will also ensure conceptual clarity and will reveal the conceptual implications of different viewpoints. An appropriate research design will deal with the Public Administration environment and government finances with specific reference to good governance financial management. In terms of existing theories, the emphasis will be on national and international best practices in government finances and financial performance management, taking into consideration the key roles performed by organisations such as the International Monetary Fund (IMF), the World Bank and International Federation of Public Sector Accountants. Current financial systems in public-sector finance in South Africa as well as public financial performance management in the context of the state will be analysed. As a result of deductive theory construction, a set of postulates will be formulated and will then enable the researcher to derive a comprehensive set of theoretical propositions in order to be tested against empirical data.

1.6 BENEFITS, ASSUMPTIONS AND LIMITATIONS

The study has the possibility to deliver some academic input into the field of public administration, specifically in public financial management and financial performance management. The study also has the potential to contribute to the establishment of effective financial practices in terms of government revenue and expenditure and alignment between organisational strategy and financial best practices. Effective financial management practices will contribute to value for money, efficient management, monitoring and reporting and a rise in the perceptions of the general taxpayer and donor organisations regarding the government performance of administration in South Africa. Finally, this study will create favourable conditions to ensure that the right people are at the right place at the right time, ready and prepared to deliver lifesaving services for quality of life. Some of the assumptions are:

- 1) Poor financial performance management can create a situation where essential services, such as rescue and emergency, fail to perform, leading to the death of SA citizens as government clients;
- 2) The international community is relies on financial alignment to ensure effective development programmes;
- 3) International non-government organisations are major contributors to world development and prosperity;
- 4) No individual country or organisation can follow a singular approach to development;
- 5) Development in the national environment is unique, however, basic principles for financial performance management can be similar in various regions around the world; and
- 6) Operational and functional managers (non-financial managers) are key role players in the quest for effective public financial performance management.

There are several limitations to this study, for example, the domain of Public Administration is wide and this study will not cover all aspects of international research. International financial management research will be hampered by restrictions on language, research relevance, disclosure and regional responses to economical situations.

1.7 DATA COLLECTION

Secondary data is used in the research study and was gathered from relevant books, journals, reports, conference proceedings, published articles, relevant government policy documents, speeches, newsletters and newspapers. This literature review forms the theoretical foundation of the study from which empirical interpretations will be developed.

1.7.1 Books and journals

The books consulted were those relating to operations in the public service and financial performance management in the private and public sector. Books referring to theories and paradigms that inform the financial performance management system were also consulted. Several journals focusing on financial performance management issues in the private and public sector were used.

1.7.2 Reports

Reports compiled by the Government of South Africa, nationally, provincially and locally were reviewed. The King report on corporate governance for South Africa (2002), reports from the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Monetary Fund (IMF), the United Kingdom's Department for International Development (DFID) and reports from other independent organisations were also reviewed and these sources provide valuable insight into the enquiry of public financial performance management.

1.7.3 Conference papers

A variety of conference papers were consulted emphasising the current focus on the need to deliver services in the most economic, efficient and effective way to ensure quality of life for all people in a specific environmental context.

1.7.4 Policy documents

The main policy documents consulted were the South African Acts of Parliament with specific reference to the Constitution of the Republic of South Africa (1996), the Public Finance Management Act (1/1999) as amended by Public Finance Management Amendment Act (29/1999). Other policy documents include the Treasury Regulations for departments, trading entities, constitutional institutions and public entities, issued in terms of the Public Finance Management Act (1/1999) and the Public Service Regulations, 2001.

1.7.5 Other papers and memoranda

Several papers prepared by individuals and non-governmental organisations were also referred to. Papers and memoranda from the World Bank, IMF, DFID, OECD and United Nations (UN) on issues and practices related to public financial management and public financial performance management were valuable sources of information.

1.7.6 Internet sites

The internet was a very accessible and useful medium of data and information. However, the researcher was cautious and guarded against the use of information from web pages and internet sites without due recognition of the relevant sources.

1.7.7 Speeches

Reference was also made to speeches of eminent role players in the international public administration and management environment as well as the President of the Republic of South Africa and also former South African presidents.

1.7.8 Newspaper articles

Newspaper articles are sometimes not viewed by researchers as a reliable source of information, however, at times it can serve as the only accessible source to substantiate the authenticity of a claim. Some key aspects related to public financial performance management that featured in these articles were used for research purposes.

1.8 CLARIFICATION OF KEY CONCEPTS AND TERMS

This section clarifies concepts and terms so that the discussions in the text are put into context and understood throughout the study. These key concepts are:

Accountability: Accountability means that managers are held responsible for carrying out a defined set of duties or tasks, and for conforming with rules and standards applicable to their posts (Pauw *et al.* 2002:136).

Accounting basis: This is the body of accounting principles that determines the form of financial reporting. There are two ways in which this can be done, namely cash-based and accrual based accounting (Institute for democracy in Africa, 2009).

Accounting officer: This is the head of a department or a chief executive officer of a constitutional institution (Public Finance Management Act, 1/1999).

Accounting: Accounting is the systematic recording of the financial aspects of transactions. This is done according to recognised principles so that expenditures are transparent and accounts can be audited (Hickey & Van Zyl, 2002:75).

Accrual accounting: This is an accounting convention by which payments and receipts are recorded at the time that the parties enter into a commitment. For example, this system would record the purchase of naval helicopters when the contract is signed, not when the equipment is delivered and paid for (Institute for democracy in Africa, 2009).

Assets: Assets are objects such as bonds, shares, houses, cars, furniture that may be owned by government, individuals or private sector companies (Institute for democracy in Africa, 2009).

Activity: An activity is a measurable amount of work performed to convert inputs into outputs ([www. businessdirectory.com/activity/definition.html](http://www.businessdirectory.com/activity/definition.html)).

Audit: An audit is an independent, objective assurance activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes ([www. businessdirectory.com/audit/definition.html](http://www.businessdirectory.com/audit/definition.html)).

Budget: A budget is a quantified, planned course of action over a definitive time period. It is an attempt to estimate inputs and the costs of inputs along with associated outputs and revenues from outputs ([www. businessdirectory.com/budget/definition.html](http://www.businessdirectory.com/budget/definition.html)).

Cash based accounting: This accounting system recognises only cash inflows and outflows. It recognises revenue when cash is received and expenses at the time of payment. Assets are fully expended at the time of payment and no distinction is made between operating and capital expenditure (Visser & Erasmus, 2002:366).

Compliance: Compliance is the ability to reasonably ensure conformity and adherence to organisation policies, plans, procedures, laws and contracts (Visser & Erasmus, 2002:366).

Control: Control is any action taken by management, the board and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved (Visser & Erasmus, 2002:366).

Cost-benefit analysis: This is a way of presenting information to assist public-sector choice in selecting an appraisal of projects (Abedian, Strachan & Ajam, 1998:194).

Department: A department is a national or provincial government department, or a constitutional institution (Public Finance Management Act, 1/1999).

Division of revenue: This means the allocation of funds between the spheres of government, as required by the Constitution (1996) (Visser & Erasmus, 2002:366).

Economy: Economy indicates the achievement of the lowest cost for a given quality and quantity of inputs (Allen & Tommasi, 2001:450).

Efficiency: Efficiency is the extent to which inputs are used optimally to produce outputs (Allen & Tommasi, 2001:450).

Effectiveness: Effectiveness is the achievement of the maximum outcome by the selection of the optimal mix of outputs (Allen & Tommasi, 2001:450).

Evaluation: Evaluation is an in-depth examination of economic, financial and social effects of a programme or policy initiatives (Allen & Tommasi, 2001:448).

Executive authority: Executive authority is, in relation to a national department, the Cabinet member who is accountable to Parliament for that department, in relation to a provincial department, the MEC who is accountable to the provincial legislature for that department (Public Finance Management Act, 1/1999).

Financial management: This means the legal and administrative system and procedures put in place to permit government ministries and agencies to conduct their activities so as to ensure correct usage of public funds meeting defined standards of probity, regularity, efficiency and effectiveness. Financial management includes the revenue, the management and control of public expenditure, financial

reporting, reporting, cash management and asset management (Allen & Tommasi, 2001:450).

Fiscal accountability: This means that the government should account, through its elected representatives, for its intentions, objectives and strategies, the cost of its strategies and actual results (Abedian *et al.*, 1998:194).

Fiscal Transparency: This is a policy of providing information to the public about the functions and organisation of the government, its economic and fiscal goals and objectives, its financial forecast and public sector accounts (Allen & Tommasi, 2001:454).

Fruitless and wasteful expenditure: This is expenditure which was made in vain and would have been avoided had reasonable care been exercised (Public Finance Management Act (1/1999)).

Governance process: This means the procedures used by the representatives of the organisation's stakeholders to provide oversight of risk and control processes administered by management (World Bank, 1998).

Government finance statistics (GFS): This means a system designed by the International Monetary Fund (IMF) for the analysis of fiscal policy. It specifies accounting rules, balance sheet formats, definitions and classifications of revenue and expenditure (Institute for democracy in Africa, 2009).

Institution: Institution is sometimes used synonymously with the term *organisation* or *body*, for example, ministry or government office. However, the term is increasingly used in a different sense to describe the formal and informal rules that declare behaviour and the enforcement of the rules (Allen & Tommasi, 2001:459).

Irregular expenditure: This is any expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation (Public Finance Management Act 1/1999).

Logistical information system: This is a provisioning, procurement and stocktaking system, which is highly adaptable to the requirements of a department (Visser & Erasmus, 2002:369).

Medium-Term Expenditure Framework (MTEF): This framework consist of forward medium-term (typically three to five years) estimates of the costs (integrating recurrent and capital spending) of existing policies and proposed policy changes subjected to explicit aggregate fiscal ceilings (Visser & Erasmus, 2002:369).

Operational plan: This is drawn from the strategic plan. It describes and quantifies in sufficient detail outputs and associated required inputs. It provides a description of the operational processes, skills and technology, as well as human, capital and other resources required to deliver the agreed outputs. It also establishes performance measures and indicators by which achievement of the outputs and outcomes can be measured (Visser & Erasmus, 2002:370).

Performance: Performance is the extent of achievement of economy, efficiency and effectiveness in the delivery of outputs/outcomes (Visser & Erasmus, 2002:370).

Performance audit: This is an audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities (International Organisation of Supreme Audit Institutions, 2007:73).

Performance indicator: This is a measure used when outputs or performance is not directly measurable. Indicators do not necessarily reflect the complete picture, but provide relevant information for the assessment of performance (Visser & Erasmus, 2002:370).

Performance measurement framework (PEFA): The performance measurement framework or PEFA framework was developed against the background of the need to: i) reduce the heavy transaction costs on recipient governments; ii) reduce the overlap of the many diagnostic instruments; iii) improve and enhance co-ordination among donors and iv) improve the impact of reform initiatives. The PEFA framework provides a “*snapshot*” of a country’s PFM performance system. It covers the entire financial management cycle and embraces international standards and codes in its structure. The framework is based on a set of 28 evidence-based indicators in terms of the government and three indicators in relation to donor practices (World Bank, 1998).

Programme: A programme is viewed as any suitable and meaningfully integrated group of activities and projects, under a single manager, which consumes resources to contribute to a specified policy objective. The operational objectives of each programme and activity can then be identified (Visser & Erasmus, 2002:370).

Public accountability: This means the obligations of persons or entities, including public enterprise and corporations, entrusted with public resources to be answerable for fiscal, managerial and programme responsibilities that have been conferred on them, and to report to those that have conferred these responsibilities on them (International Organisation of Supreme Audit institutions, 2007:73).

Public finance: Public finance (government finance) is the field of economics that deals with budgeting the revenues and expenditures of a public-sector entity, usually government. Governments, like any other legal entity, can take out loans, issue bonds and invest. Based on the taxing authority of the entity, they issue bonds such as tax increment bonds or revenue bonds. A bond issued by a public-sector entity may give tax advantages to its owners (Allen & Tommasi, 2001:450).

Public financial management: In the public sector, financial management focuses on transparency, prioritisation of scarce resources and value for money i.e. providing the best possible services with the available resources (Allen & Tommasi, 2001:453).

Public sector: This means all institutions owned or controlled by the Government. These include national, provincial and local government, extra-budgetary governmental institutions and non-financial public enterprises, e.g. Telkom, Denel (Hickey & Van Zyl, 2002:127).

Results-oriented (or performance or output) budgeting: This is the planning of public expenditures for the purpose of achieving explicit and defined results. These results may be inspirational policy objectives (outcomes), or the outputs of routine public service activities intended to contribute to policy goals, or 'intermediate outcomes', which represent a major stepping stone in the service delivery towards these goals ((World Bank, 1998).

Strategic management: This is a systematic process or analysis through which a department aligns itself to its operating environment and makes deliberate decisions

about the most appropriate alternatives to achieve predetermined outcomes (Visser & Erasmus, 2002:371).

Strategic plan: This is a plan formulated from the department's mission statement and which deals with the main outcomes that the department will focus on. It includes high-level output objectives, performance measures and indicators (Visser & Erasmus, 2002:371).

Transparency: This is the extent to which openness in governance prevails and the extent to which full information on service cost, delivery and performance is made available to the public (Abedian, *et al.*, 1998:2).

Unauthorised expenditure: This is money that was spent for purposes other than for which it was allocated or expenditure in excess of what was allocated (Hickey & Van Zyl, 2002:142).

Vote: Vote is one of the main segments into which an appropriation Act is divided and which specifies the total amount that is to be appropriated, usually per department, in an appropriation Act and is separately approved by Parliament or a provincial legislature before it approves the relevant draft appropriation Act (Public Finance Management Act, 1/1999).

1.9 STRUCTURE OF RESEARCH

The structure of the study maps the flow of each chapter and presents a short summation of the essence of each chapter. The study is divided into seven chapters and is structured as follows:

Chapter 1 outlines the research design and methodology that were used to conduct the research and provides the objectives of the study and the research problem. The introductory overview highlights the relationship between service delivery and social problems such as poverty and poor health, which seriously affects the majority of citizens in South Africa and deprives them the right to quality of life. The frame of reference puts the emphasis on the relationship between service delivery and public financial performance management with specific reference to concepts related to performance and accountability. A discussion of benefits, assumptions and limitations clarifies future prospects and directions of thought and influential factors

for the study. The secondary approach to data collection is explained and specific key concepts and terms that are prominent in the study are clarified.

Chapter 2 provides the theoretical framework for the contextualisation of Public Administration with specific reference to the historic events and Public Administration theories and the impact thereof on management and foundations for public financial management. An analysis of theoretical constructs in Public Administration will create a deeper understanding of administrative theory and also emphasise the significance of different schools of administrative theories and significance to modern-day public administrative application and management. The generic functions of public administration highlight the relationship between politics and administration with specific reference to policy-making. The functions of financing, human resources, organisation, methods and procedures, control and management are analysed as a possible platform for resource mobilisation and financial performance management towards effective service delivery. Future trends in Public Administration are analysed and key concepts such as public management, stewardship and good governance are explained.

The role and functions of government are the main focus of analysis in chapter 3 and the role of government as facilitator for administration in the public sector is highlighted. This analysis focuses on the economic problem of scarcity and the relationship with the basic functions of an economic system. The roots of modern economic management and the ideological basis of the state provide understanding of the nature and functions of the public service environment and also of the classification of services. This analysis finally provides the opportunity to investigate future prospects and the new role of the state, which is related to financial performance management.

Public administration and government interaction for financial performance take place in an open-systems environment and therefore a holistic analysis of the environment in which public administration functions will be conducted in Chapter 4. Based on the open-systems approach, the international environment, hosting multinational organisations, the African regional environment, hosting regional organisations, and the South African internal environment are analysed with the emphasis on influence and performance relations.

Based on financing as a generic function of public administration and the interaction with the other generic functions, government and public financial performance management are analysed. The focus of analysis in Chapter 5 is on international reform initiatives and possible best practices in government finances and financial performance management. This allows the opportunity for future alignment in order to provide world-class public services in the South African context. Theoretical models and different approaches to public financial performance management are analysed with the aim of finding cross-cutting issues, evidence of practical applications and also for capacity development.

In-house public financial management and financial performance management are the main focus of Chapter 6. This analysis at first deals with financial management and the relevant political executive scenario and the related financial management approach. This approach is aligned with the role of public administrators as public managers and the related management functions. The emphasis of analysis is on accountability, the various key role players in financial management, management reforms and capacity, assessments and financial performance management.

As the concluding chapter, Chapter 7 integrates all available evidence in order to construct a conceptual model for public financial performance management. This model provides the opportunity to ensure that the right people are at the right place, at the right time, with the right resources, ready and prepared to deliver world-class services in the most economic, efficient and effective way for a quality of life experience for all people.

1.10 CONCLUSION

The Government of South Africa is confronted by problems such as poverty and is compelled to find answers and solutions to overcome and eradicate the unnatural, man-made problem of poverty and related societal problems. Poor governance and inaction by human beings are a major obstacle and create situations where outputs are not commensurate with government expenditure. Management inefficiency and the absence of accountability structures create opportunities for corruption and poor performance of officials to not manage resources in the most economic, efficient and effective manner.

New strategies are necessary to turn around the inability to deliver world-class quality services. New turnaround strategies should focus on renewal of administrative systems and practices, public financial performance management and customer care initiatives. This situation requires thorough research and analysis for performance improvement.

The theoretical framework provides the positioning of the research in the discipline of Public Administration in general and public financial management and financial performance management in particular. Attention was given to the research methodology and design, outlining benefits, assumptions and limitations. The foundation and need for the study were emphasised by focusing on the need to develop a public financial performance management model. Key terms and concepts in public administration, public financial management and financial performance management were defined. Finally, a description of the study and research structure was presented.

The next chapter is devoted to the contextualisation of Public Administration, as a discipline and public administration as an activity. The chapter explores the historical perspectives on public administration, and also considers the development of administrative theories and administrative functions and the impact thereof on the management environment and foundations for public financial management. The chapter concludes with an analysis of the latest trends in Public Administration in relation to public financial performance management.