

CHAPTER 4: THE ENVIRONMENT IN WHICH PUBLIC ADMINISTRATION FUNCTIONS

4.1 INTRODUCTION

The role of government plays itself off in public administration, which is the vehicle for expressing the values and preferences of citizens, communities and society. In order for a responsive and responsible reaction from government, public financial performance management principles and practices need to support a public service that is ready and prepared at all times to provide the most effective services for quality of life for all people in society. This situation requires an enabling environment for a government in order to fulfil its corporate social responsibility by means of mandating, facilitating, partnering and endorsing.

The modern view of the role of government is influenced by a new thinking about public management and the complexity of information management as a result of globalisation with the sweeping power of economy and exchange between nations and other role-players such as international institutions and NGOs. How can organisations govern these processes and the complexity of economic, cultural and political interactions without idealising and exalting the nation state? In this age of unreason the modern view of management is also affected by an increase in the inequities between the developing and developed world with negative consequences for both. The general welfare of the state is no more the sole problem of that state because it affects the general welfare of regions and continents and mutual co-operation seems to be the environmental response to underperforming states.

Today, the world witnesses the decline of the state not necessarily as an entity but as a unit of analysis. Scholars of international relations argue that states should not be the focus of analysis in international relations and that more systemic and institutionalist perspectives are required to understand international relations. The state is an organisation that will never be both all-inclusive and unitary at the same time. Therefore, seeing the nation state as the main actor-player in global and domestic governance would not help in any way.

The purpose of this chapter is to analyse the interrelated and challenging environmental context in which public administration manifests itself in the global, national and regional arena. This chapter will mainly focus on the political,

economical, social and development environmental issues that influence financial performance management in public administration. This discussion, firstly, explores the influence of multinational organisations in relation to international environmental issues, followed by an African regional environmental scenario setting, and finally, the South African public administration environment.

4.2 THE ENVIRONMENTAL CONTEXT

According to Minnaar (2010:8), the world of today is not the same as the world that was known when the “*acronym solutions to the challenges of public administration and management reigned supreme*”. In response to outdated, traditional solutions failing to deliver the necessary returns, future reform thesis holds that public administration must become anticipatory, responsive, results-orientated, values-based and entrepreneurial (Kuye *et al.*, 2002:20). With accelerated change comes more and more inflexibility and less structure with the growing demand to satisfy the needs of the sophisticated twenty-first-century citizen. The twenty-first century is characterised by global competitiveness for resources and the absorption of these resources in modern government.

The implication of the above-mentioned is clear in that government organisations functioning in the new environment will need to adapt their organisational management and planning methodologies to suit the anticipated realities of the environment. Due to the constantly changing environment, organisations will have to reflect the realities of the time in order to be really responsive and responsible. Challenging the bureaucratic organisation is the demise of the permanent, hierarchical-style organisational structuring in favour of more flexible, less rigid project-based structural arrangements unfolding the opportunity for a comprehensive integrated performance management approach. This approach allows for the opportunity to shift away from a focus of finance as an exclusive determinant of organisational performance and suggests a model that allows for the transition of institutional strategies into operational terms. This integrated approach recognises finances, business processes, learning and growth as basic elements of a governance structure (Minnaar, 2010:9-13).

Public administration aims to satisfy the needs of society (legal) by the skillful employment of experts in order to manage (managerial) scarce and limited resources to accomplish the goals set by public policy (political). In this scenario, two integrated

components, namely the political process of policy formulation and a management process of policy implementation, become visible and are linked by the governance function. All these processes take place in a specific environmental context. In this context, *environment* refers to the dynamics and influences that affect government policies, namely the government environment, and organisational aims, namely the management environment. According to Eyestone (1971:18), this makes “*public policy ... the relationship of a governmental unit to its environment*”. In achieving the ultimate aim of government, which is to promote general welfare in a sustainable manner, the need for synergy between the environment, government, governance and management is a critical requirement (Bourgon, 2007:15).

4.3 MULTINATIONAL ORGANISATIONS IN THE INTERNATIONAL ENVIRONMENT

Mutual co-operation in the international context manifests itself in the establishment of multinational organisations as an environmental response to underperforming states. Public financial performance management is high on the reform agenda of these organisations. International institutions’ main reason to exist, according to a public choice perspective, is to provide a way for states to overcome problems of collective action, high transaction costs and information deficits or asymmetries (Harlow, 2006:198). Confusing them with states or regimes may create perception problems and lead to misrepresentation of reality. These institutions have come to exist after successions of international agreements between nation states. It is therefore acceptable to suggest that they affect the state behaviours through self-enforcing agreements and because these institutions collect and provide policy-related information (Aktan & Özler, 2008:165).

Global good governance and related to this, public financial performance management, advocated by international institutions primarily privilege neo-liberal faith in the protection of private property and basic market freedoms. Global good governance emphasises not only economic constitution based on international free trade and a global code of corporate responsibility, but also representative and responsible governments, protection of fundamental rights, a sustainable environment and absence of corruption. Global economic constitutions can emerge through intergovernmental organisations and are entrusted with power by member states to fill out the terms of contract. The contract as the rules of the game governs the transactions among members at local, national and global level (Aktan & Özler,

2008:166). Following is an analysis of the influence and impact of various multinational organisations on the public financial performance management of government organisations in public administration.

4.3.1 The World Bank

According to Aktan & Özler (2008:166), the World Bank (WB) was established to rebuild the war-torn Europe, and then began to promote the economic growth and the eradication of poverty in less-developed countries. The instruments used to pursue those objectives have also changed over the years. The World Bank first supported large-scale growth-oriented projects of governments, and later adopted individual projects to reduce poverty. The World Bank noticed that as far as governments do not improve the way they govern with specific reference to public financial management and adopt policies supporting market economy, the result is poor financial performance and these projects have little value in the long term to reduce poverty and facilitate sustainable development. The World Bank is not directly accountable to the people but the ministries of relevant policy areas of the governments and voting rights are proportional to the contributions of the countries in accordance with their gross domestic product (GDP).

Early financial performance failures related to structural adjustment and reform programmes in the developing world stimulated the interest of the World Bank and other intergovernmental and international institutions in good governance (Harlow, 2006:199). World Bank financed programmes faced local hostility, widespread corruption, disappearance of aid funds, and inadequate auditing arrangements especially in Africa because the governments in those countries were out of touch with the governed. Consequently, a World Bank report on sub-Saharan Africa in 1989 promoted the idea that “democratisation in the context of a free economy would compel governments to be more accountable, less corrupt and hence more efficient developmentally” thus, participation, accountability and transparency formed the triad of good governance values and laid the basis for the World Bank’s leading role in terms of public financial management and specifically, financial performance management (World Bank, 2000).

The World Bank has embraced decentralisation as one of the major governance reforms on its agenda. With the emphasis on decentralisation, the World Bank aims at reducing the role of central government and administration; replacing command

and control economy to market economy; increasing intergovernmental competition and thus learning by doing; providing additional checks and balances in political processes and increasing the responsiveness and efficiency of governments; defusing social and political tensions and ensuring local and cultural autonomy (Aktan & Özler, 2008:178).

According to Harlow (2006:199), the World Bank adopted a more consultative and regional approach to African countries, especially where development is concerned. The New Partnership for Africa's Development (NEPAD) is the ideal platform for the World Bank to support regional issues such as poverty, HIV/Aids and debt reduction. The World Bank supports the African peer review process as a mechanism to deal with the assessment of Africa's own programmes.

Governance, as defined by the World Bank, is the manner in which power is exercised in the management of a country's social and economic resources for development. It is a process which includes setting policies, programmes and their implementation, enforcement and evaluation. It covers all the formal and non-formal actors involved in decision and policy-making as well as the actions of implementation of these policies and decisions (Singh, 2008:1).

4.3.2 The International Monetary Fund (IMF)

The International Monetary Fund (IMF) is an organisation of 186 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Like the World Bank, the IMF's approach has changed over time as the fund started to provide assistance and advice to countries in transition in its Enhanced Structural Adjustment Facility (ESAF) Programme (Harlow, 2006:207). The view of the IMF on "good governance" is primarily concerned with macroeconomic stability of the monetary system and of the world economy, external viability and orderly economic growth in member countries. Therefore, the IMF's involvement in governance is understandably limited to economic aspects of governance such as public financial performance management (IMF, 1997:3).

The IMF's structural adjustment initiatives and failure in many developed countries due to large-scale corruption in governance increased concerns about advancement of developing countries in their quest to integrate into the global economy. The IMF

began to emphasise the administrative aspects of governance including democratic governance, financial performance management, judicial reform and anti-corruption. Many of these attempts are noble yet many of them are doomed to fail as most of the developing countries are ruled by a corrupt, incompetent, authoritarian class of elites who are reluctant to devolve their power and authority and legitimacy to societal elements. Moreover, the general public and intellectuals in developing countries are very likely to see this type of advice related to governance practices as interference in their internal affairs (IMF, 1997:3).

The IMF contributes to good governance through its policy advice and, where relevant, technical assistance. The IMF improves the management of public resources through financial performance management reforms covering public sector institutions (e.g. the treasury, central bank, public enterprises and the civil service function), including administrative procedures related to performance management (e.g. expenditure control, budget management, and revenue collection). It also supports the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private-sector activities for increased revenue (e.g. price systems, exchange and trade regimes, and banking systems and their related regulations) (IMF, 1997:3).

4.3.3 The Group of Eight (G8)

The Group of Eight (G8) is the heads of state or government of the major industrial democracies (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) who meet every year to deal with economic and political concerns facing their own societies and the global community. The G8 summits are also attended by heads of international organisations and some heads of state of developing countries. This interaction provides the heads of state of developing countries an opportunity to influence the G8 leaders on developmental, political and economic issues (G8, 2005).

At the 2002 G8 summit in Kananaskis in Canada, the G8 adopted the Africa Action Plan in response to NEPAD (Institute for Security Studies, 2005). The 2005 G8 Summit in Gleneagles emphasised the fact that improving public financial performance management systems is critical to countries making progress in reducing poverty. Most of the poverty-reduction strategy papers developed by partner countries recognise that poverty reduction is not merely a question of

spending more, but of maximising the impact and efficiency of public resources and to do more with less, as a requirement for public financial performance management. Partner countries also acknowledge that problems in sectors such as health, education and agriculture may have a common origin: weak public financial management and accountability. Making aid more predictable, procurement systems more robust and budget support more effective also require adequate capacities for managing public finances.

The agenda of the July 2005 summit in Scotland was dominated by the Millennium Development Goals, development challenges facing sub-Saharan Africa and debt relief for the world's poorest countries (G8, 2005). The summit stated that a comprehensive focused development plan based on financial performance management is needed to support Africa's progress towards growth and development in contrast to emergency funding alone. The G8 agreed to double aid for Africa by 2010 and write off the debt of the eligible heavily indebted poor countries. The G8 was criticised because most of the aid was earmarked for emergency relief rather than the development aid needed for investment in growth (Lake & Whitman, 2006:105).

4.3.4 The European Union (EU)

As the European Union (EU) changed its name from the European Economic Community (established in 1957 with the Treaty of Rome) and then the European Community, so it changed from an initial economic union to a more political one. The European Union (established in 1992 with the Maastricht Treaty) consists of 25 member states, with three countries joining in 2007 and Turkey as a candidate country (Europe Cares, 2006).

The Africa and Europe relationship is deeply rooted in history, with Europe as one of Africa's major colonialisers (Commission of the European Communities, 2005). The EU is the world's largest donor in Africa, especially in sub-Saharan Africa, and it is the African continent's main trade and economic partner. Sub-Saharan Africa receives additional funding from the Revision of the Cotonou Partnership Agreement (Europe Cares, 2006). With the onset of the United Nation's Millennium Development Goals project, the EU decided to increase funding for Africa and also developed an EU strategic performance management plan for Africa (Commission of the European Communities, 2005:2). The overall goals of the strategic performance management

plan are to support Africa's efforts to achieve the Millennium Development Goals and also provide a comprehensive, integrated and long-term framework for its relations with Africa. For the EU, sound public administrative practices based on good governance are critical for the highest possible return on investment for member states and these practices need to be portrayed within effective financial management practices and performance management initiatives as prerequisites for sustainable development (Commission of the European Communities, 2005:4).

4.3.5 The Commonwealth of Nations

The Commonwealth of Nations is an alliance of 53 independent sovereign states, almost all of which are former territories of the British Empire, with the British Queen as the head of states (Wikipedia, 2005). The main goal of the Commonwealth is to create an environment of economic co-operation between the members, as well as the promotion and support of democracy, human rights and governance in the member nations. Except for the economic co-operation, the member states also discuss social, environmental, health and developmental issues. HIV/Aids, sustainable development and security issues are regular items on the agenda. Although this is not a political union, matters that have a political impact are discussed and resolutions that emanate from them may have an influence on a member state. This may create an atmosphere of peer pressure among member states to improve their administrations with financial performance management as the key denominator for better service delivery and quality of life.

4.3.6 The Non-Aligned Movement

The Non-Aligned Movement was established in 1961 to express concern that the acceleration of the arms race between the Soviet Union and the United States might result in war between the two world powers (Non-Aligned Movement, 2004a). Over time, the focus has moved from political matters to the support of global economic and related problems. Today, the Non-Aligned Movement has about 115 members, representing the developing countries' priorities and interest. The Non-Aligned Movement tried to establish an independent path in world politics that will put them on the same platform as the big powers. Another focus of the movement is to work towards the restructuring of the global economic order by influencing the G8 and the EU to make more beneficial decisions towards the developing world. The non-aligned countries also endeavour to unify their actions towards the United Nations and other

international discussions to form an effective pressure group. As an organisation representing the interests of the developing world, the Non-Aligned Movement provides the ideal platform for improved administrative practices for enhanced public financial performance management, good governance, accountability and stewardship (Non-Aligned Movement, 2004b).

4.3.7 The World Trade Organisation (WTO)

The World Trade Organisation (WTO) is one of the most controversial international, multilateral organisations and is the only global organisation dealing with the regulations of trade between nations. The WTO's main goals are to decide on rules for the international trading system and resolve disputes between its member states (Wikipedia, 2004). There is considerable evidence that international institutions like the WTO have played a central role in moving the world towards a freer trade regime by reducing tariffs in assisting the developed world rather than the underdeveloped (Bardhan, 2002:185).

Developing countries have become significantly more involved in WTO discussions, especially in the field of agriculture. However, there has been criticism that the WTO does not run the global economy without bias, and that it has a regular bias towards rich countries and multinational corporations. Potentially, the WTO provides the ideal forum for increased trade and investment in developing countries. The WTO must provide the terms of reference for effective trade and investment in order for developing countries to assess their current administrative and management practices for enhanced financial performance management practices (World Trade Organisation, 2006).

4.3.8 The United Nations Development Programme (UNDP)

The United Nations Development Programme (UNDP) objectives are aimed at accelerated sustainable development, secured social support and attraction of foreign direct investment to Africa. The UNDP (1997:19) underlines the need for financial performance management for the efficient and effective management of public resources in response to the critical needs of all members of society. For the UNDP, a system of governance is good when there is evidence of efficient and effective financial performance and also the ability to satisfy these conditions. Good governance requires financial management systems that are transparent and

accountable, operate by the rule of law and are responsive to the needs of the people (UNDP, 1997:19).

The UNDP assists in the simultaneous development of NEPAD and the AU by supporting the involvement of African civil society in NEPAD and encouraging the industrialised world to support the programme for enhanced performance (UNDP, 1997:20).

4.3.9 The Organisation for Economic Co-operation and Development (OECD)

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 democracies work together to deal with the economic, social and environmental challenges of globalisation as they affect the modern view of government. The OECD strives to provide the opportunity for governments in the developing world to be more responsive and responsible by means of the establishment of public financial management principles and practices for enhanced performance. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance and the information economy. The organisation provides a development platform where governments can compare policy experiences, seek answers to common performance problems, identify good financial management practices and work to co-ordinate domestic and international financial management policies (OECD, 2008d: 2).

4.3.10 The United Nations Economic Commission for Africa (UNECA)

The United Nations Economic Commission for Africa (UNECA) was established in 1958 and is under the administrative direction of the United Nations (UN) headquarters (United Nations Economic Commission for Africa, 2006). It has 53 member states, including sub-Saharan African states, and its mandate is to support economic and social development, encourage regional integration and promote international co-operation for Africa's development. UNECA's main activities are policy analysis, advocacy, enhancing partnerships, technical assistance, communication and knowledge sharing. The organisation annually produces a report on Africa, called the Economic Report on Africa (United Nations Economic Commission for Africa, 2006), which gives an overview of the economic status of the member countries.

4.3.11 Summary of international organisations

The international institutions which were shortly sketched above are confronted with governance dilemmas such as the agency problem, asymmetry of information, closure and lack of transparency (Considine, 2002:20). This problem arises, for instance, when the power and prestige of an international organisation is pitted against the weak position of a developing country. Another problem is accountability and asymmetry of information between these epistemic communities and national interests. In situations where the internationally supported policies failed in a developing country, there is no clear guidance to point out those who were responsible for the failure (Chowla, Oatham & Wren, 2007:3). Actually, the accountability problem increases with the complexity of procedures within a network system of governance and remains a problem at both global and local level to be solved by the adherence of good governance (Stiglitz, 1998:583).

The Bretton Woods institutions are too strong for poor countries and yet their advices are ignored by some developed nations. The inability of the IMF, for instance, to take on its powerful members threatens the global public good of a stable international economy (Bevir, 2006:430). International institutions have faced many dilemmas such as these and now they are more willing to involve effected parties in their development policies. Therefore, these institutions are not reluctant to solve these problems but actively develop governance structures and tools to improve their internal system of governance to meet the criteria of good governance such as public financial performance management, democratic accountability, and transparency (Leighley, 1991:749).

4.4 AFRICAN REGIONAL SCENARIO

The poor people of the world are concentrated in Asia, South America and Africa. For the African continent, one of the biggest threats to human security is violent conflicts and war. Wars have displaced millions of people, disrupted lives, killed and maimed many people and destroyed the infrastructure of countries. Violent conflicts and wars can also roll back the human development gains built up over many years (UNDP, 2005:151). The World Bank estimates that wars and violent conflict cost Africa at least 2% loss of economic growth during the 1990s (Institute for Security Studies, 2006b). During the past 10 years, various violent conflicts and war have disrupted the

lives of the people of sub-Saharan Africa. In conflict, the principles of democracy, and also then the principles of good governance, are not adhered to and mismanagement and corruption in what is left of a government are extensive in nature. For the rich and developed countries to support developing countries with aid, peace and security, which is closely linked to development, is a prerequisite.

Support to developing countries is a requirement for growth and development towards global prosperity and security. However, the developed world and related international aid organisations are more and more concerned that service delivery initiatives to meet the needs of the people do not necessarily guarantee quality of life. Therefore, development support and related funding are subject to an urgent precondition, namely the benefiting countries' decision-makers in public financial management must give account of their performance with specific reference to the effectiveness of service delivery outcomes (Tigue & Greene, 1994:37).

4.4.1 Economic environment

The African economy remains underdeveloped despite decades of conceptualising, formulating and implementing various types of economic policies and programmes. Average income per capita in Africa is lower than at the end of the 1960s. The African region contains a growing share of the world's absolute poor with little power to influence the allocation of resources. Africa's income per capita averaged about US \$315 in 1997. If this figure is expressed in terms of purchasing power parity (accounting for higher costs and prices in Africa) then real income averaged one-third less than in South Asia, making Africa the poorest region in the world (World Bank, 2000:4).

Most countries in Africa remain largely primary exporters, aid-dependent and deeply indebted. In 1997, the foreign debt burden was more than 80% of GDP in net present value terms. Africa is the only major region where investment and savings per capita declined after 1970. The savings rate of the typical African country has been the lowest in the world, averaging about 13% of GDP in the 1990s (World Bank, 2000:4).

The above situation creates an imbalance between revenue and expenditure and does not create the ideal environment for effective service delivery and financial performance. The problem of limited financial resources for unlimited needs can only be solved with a developed economy as the success of a country's development

programme hinges on the country's effective economic policies, good governance and financial performance management.

4.4.2 Development environment

As analysed in Chapter 3, the role and functions of government are related to the establishment of an enabling environment for all its citizens to enjoy a good life. An underdeveloped economy is not the ideal situation for the establishment of an enabling environment for development. The development challenges of Africa are deeper than low income, falling trade shares, low savings and slow growth. In addition, they include high inequality, uneven access to resources, social exclusion, insecurity, environmental degradation and the HIV/Aids pandemic (World Bank, 2000:4).

In order to reverse underdevelopment in Africa, several initiatives have been attempted in the past. These include the 1980 Lagos Plan of Action, the Priority Programme of Economic Redressing of Africa (PPREA) adopted by the OAU in 1985 and the complementary UN Programme for the Economic Redressing and Development of Africa. Other initiatives are the Alternative Structural Adjustment Programme for Africa and the African Scope of Reference for Socio-Economic Redressing and Transformation. These efforts, to a large extent, have not been implemented (World Bank, 2000:4).

More than 90% of sub-Saharan Africa lies in the tropics with the accompanying high burden of tropical diseases, such as malaria and cholera, which reduce life expectancy, human capital development and labour force participation (Ndulu, 2006:214). In sub-Saharan Africa, there are 48 small economies with a median gross domestic product of US \$3 billion. The sovereign, ethnic and linguistic fragmentation makes the region more difficult to develop and the development is slower than in other developing regions (Ndulu, 2006:215). A lack of good infrastructure, especially in the rural areas, impedes growth even further. Most of the countries are landlocked, which relates to high transport costs and higher prices of commodities, which, in turn, slows down growth.

During the last five years, African leaders have renewed efforts at uniting Africa to face the challenges brought on by globalisation and trade liberalisation. The Millennium Africa Recovery Programme and the Omega Plan, which were merged to

form the New Africa Initiative and later the New Partnership for Africa's Development, as well as the newly remodelled African Union are the most important of these initiatives. While the African Union (AU) calls on self-sustaining Africa, the New Partnership for Africa's Development (NEPAD) looks at the industrialised world for partnerships to sustain its programme (World Bank, 2000:6).

On the economic side, there are many economic groupings such as the Southern African Development Community (SADC) in the south, the Economic Community of West African States (ECOWAS) in west Africa, the Maghreb Union of North Africa, the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority for Development (IGAD). It may be difficult to bring all these economic groupings together in a single bloc as some of the economic groups feel they are better off alone. The language issue is still a contentious one and many African leaders fail to see the challenges facing Africa from a wholly African perspective (World Bank, 2000:7).

Developing countries may be poor and the quality of life stays the same or goes down, but they have the majority of the world's people (or markets) and raw materials and minerals. Without them, the rich developing countries of the world cannot thrive and many developed countries exploit these resources without investing in the development of factories, human resources and social services. Africa is often viewed as a problematic continent because of war, poverty, corruption, weak governments and poor financial performance management and, therefore, the developed countries are hesitant to invest money in sustainable economic development. As no country can achieve prosperity on its own, the need for regional co-operation was realised as the way for the development of a plan for African development (World Bank, 2000:6).

4.4.3 Regional organisations

The world used to be made up of independent nation states, but now borders are becoming less important and the world is reorganising into regions and trade blocs for free trade and the establishment of an integrated regional and world economy. Unfortunately, free trade does not always mean fair trade and countries that supply raw materials and agricultural produce are at a disadvantage to developed countries. Developed countries also have more powerful voices in international bodies such as the United Nations and the World Bank. Developed countries tend to contribute more

financially and this buys them more power. As the developed countries have organised themselves into effective partnerships for growth and development, the developing countries have also organised themselves to unite around a common agenda so they can negotiate more effectively with the powerful developed world (World Bank, 2000:7).

4.4.3.1 The Africa Commission

The Africa Commission stated in 2005 by means of a comprehensive report that poverty and stagnation in Africa are the greatest tragedy of modern times, which demands a forceful response. Although Africa has made some improvements in economic growth and governance, the continent needs accelerated reform, both from the developed world and Africa to pull itself out of the cycle of poverty. The commission proposed a “coherent package” for Africa's upliftment, including governance and capacity-building, peace and security, education, public health, growth, poverty reduction and more and fairer trade. The report called for an additional US \$25 billion per year in aid to implement the package. However, these development interventions require funding and due to the fact that developed countries are hesitant to invest money for development, the countries to benefit from any assistance need to prove their public financial performance management ability (Commission for Africa, 2005).

4.4.3.2 The African Union

On 25 May 1963, 32 African government representatives established the Organisation of African Unity (OAU) in Addis Ababa with the signing of the OAU Charter. The main objectives of the OAU were to rid Africa of colonialism, promote unity and sovereignty among African states, promote development, ensure sovereignty and territorial integrity, and promote international co-ordination within the setting of the United Nations (African Union, 2005: Introduction). The OAU has, through the years, embarked on various initiatives to unify the states and to enhance economic and social development. The Lagos Plan and the Final Act of Lagos of 1980 mentioned self-reliant development and co-operation among African countries. Many programmes, charters, agendas and declarations followed, always with the OAU's determination to place the African citizen at the centre of development and decision-making (African Union, 2005). One of the most important treaties established the African Economic Community (AEC), commonly known as the Abuja

Treaty, seeking to create the AEC through six stages culminating in an African common market (Leshaba, 2004:5). The OAU laid a solid and firm foundation for the unity and solidarity of Africa.

The African Union (AU) was established through four summits of the OAU: the Sirte Extraordinary Session in 1999, which decided to establish the AU, the Lome Summit in 2000, which adopted the Constitutive Act of the Union, the Lusaka Summit in 2001, which drew the road map for the implementation of the AU and finally, the Durban Summit in 2002, where the AU was launched and the first Assembly of the Heads of States was convened (African Union, 2005). With the establishment of the AU, the OAU and the AEC were unified into one institution. During the celebrations of the 40th anniversary of the Organisation of African Unity on 23 May 2003, the then South African president and the president of the African Union, Mr. Thabo Mbeki, stated that the new issues on the continent's agenda were issues of democracy, peace and stability, good governance, sustainable development, human rights, health, gender equality and computer and information technology (Mbeki, 2003). These issues are quite different from the ones that the OAU had to face 40 years ago. The requirement for administrative action is obvious, but these issues require funding and once again stress the need for effective public financial performance management.

4.4.3.3 The New Partnership for Africa's Development (NEPAD)

As already mentioned, the Africa Action Plan, as a G8 initiative, is interlinked with NEPAD and together they form a partnership based on African priorities for the African people at a continental level. The AU is a clear manifestation of a collective demand for unity and NEPAD is the most significant continent-wide economic initiative to emerge in contemporary Africa (Mohammed, 2002:2). The basis of NEPAD is a commitment by African governments to put in place the good governance preconditions for economic growth, including strengthening democracy and the rule of law, achieving peace and security, and public financial performance management. These measures will help create an enabling environment for development. In response, the international community is expected to provide fairer market access for African products, debt relief and increased high quality aid flows, to enable Africa to meet the International Development Goals (Moller, 2009: 9).

NEPAD has several components, including governance, peace and security, and economic development. It is a sovereign process, driven by African governments, which brings together pre-existing initiatives including the Millennium Partnership for Africa's Recovery, led by South Africa, Nigeria and Algeria, and the OMEGA Plan of Senegal. In some respects, NEPAD is in fact an exercise in bringing together existing best practices of development partnership such as the participatory African Peer Review Mechanism (APRM), a scheme through which African states voluntarily assess each other's political and economic management, or governance. The mechanism is an outgrowth of NEPAD, adopted by African leaders in 2001 as the continent's development framework. The APRM reflects a moral contract to ensure that African leaders and their people adhere to the tenets of NEPAD. The APRM's notion of governance is a broad one, encompassing management of virtually all sectors of society, from the top echelons of political power to business, the media, civil society and local communities. NEPAD is open to all members of the AU and so far about half (25) have joined (Ekpo, 2002:10).

Current criticism that there is "nothing new" in NEPAD might be unfounded. There is no revolutionary blueprint for solving Africa's problems, but instead, increased effort put into what already works, and greater persistence in reducing or removing known obstacles to development, such as unsustainable debt overhang. The emphasis on regional co-operation is also not new, but is given new urgency (Moller, 2009:10).

What makes NEPAD different is the African political commitment behind it, and the fact that it has been greeted very positively among major aid donors including the G8. NEPAD's ability to provide the ideal platform for future public financial performance management reforms and review initiatives is one of the main reasons for international support. The previous United Kingdom Chancellor of the Exchequer, and later prime minister of the United Kingdom, Gordon Brown, called for a doubling in existing aid flows to the developing world, from \$53 billion to \$100 billion, by 2015. A major increase in Britain's aid commitment to Africa is likely to be part of Britain's future initiatives and action (Brown, 2005:6). In this context, NEPAD is the initiative that Western leaders have seized upon as the modality for assisting Africa.

NEPAD is therefore a synthesis of what is known to work and what is believed to work, packaged in a manner that can gain the confidence and support of African and international partner governments. Although NEPAD is not integrally linked to the African Union, it shares many of the same principles and aims. It is likely that the two

will succeed together, or not at all. As NEPAD is a pan-African initiative, the prospects for success depend upon all governments co-operating, and ensuring that the weakest performers are enabled to overcome their problems. Governments that are clearly failing the governance test, for example, are not merely harming themselves but are damaging the prospects for the whole continent. The old argument of non-interference in the internal affairs of African countries, already largely discarded, must be abandoned altogether (Ekpo, 2002:10).

4.4.3.4 The Economic Commission for Africa

The features of underdevelopment are well elucidated in the Economic Commission for Africa (1990) and the commission form the basis for an African alternative to the Bretton Woods structural adjustment programme. It is clear that the Economic Governance Initiative (EGI) within NEPAD fails to capture the reality of the African economy. Part of this reality is the African economic crises, which are deep and different and hence all theories developed outside the continent seem wanting for ignoring this crisis (Ekpo, 2002:11).

4.4.3.5 The Southern African Development Community (SADC)

The Southern African Development Co-ordination Conference (SADCC) was established in 1980 as a free alliance of nine countries in southern Africa with the goal of co-ordinating development projects to assist these countries in reducing their economic dependence on the then apartheid South Africa (Southern African Development Community, 2006) In 1992, the transformation from a co-ordinating conference to a development community took place with the signing of the declaration and treaty at the summit of heads of state of 14 southern African countries, which gave legal status to the Southern African Development Community.

The main objectives of the SADC are economic growth, poverty alleviation, promotion of peace and security, promotion of democracy, enhancement of the standard and quality of life of the people of southern Africa, sustainable development and support of the socially disadvantaged through regional integration. The SADC programme of action was developed to assist the organisation to attain its goals (Southern African Development Community, 2006).

4.4.3.6 **The Common Market for Eastern and Southern Africa (COMESA)**

The Common Market for Eastern and Southern Africa (COMESA) succeeded the Preferential Trade Area for Eastern and Southern Africa in 1993. COMESA has 20 members and its overarching goal is to strengthen the process of regional economic integration. Issues such as sustainable growth, joint development in all economic activity, cross-border co-operation and investment, peace, security and stability are high on COMESA's agenda. Most of the sub-Saharan African countries are members of COMESA (Institute for Security Studies, 2006b).

No country or region can achieve prosperity on its own and the world's view of Africa as a problematic continent will have an impact on the continent's ability for growth and development. The urgent requirement for investment and funding for growth and development is subject to good financial performance management practices. Regional organisations seem to be the answer for the establishment of uniformed financial performance management practices to enhance sustainable economic development (Institute for Security Studies, 2006b).

4.4.4 **The challenges facing sub-Saharan Africa**

The African continent is underdeveloped and faces some daunting challenges in the new millennium, such as crippling national debt, corruption in governments, human rights violations, poverty, conflict, famine and with the world's largest number of people living with HIV/Aids in the region. Sub-Saharan Africa is severely affected with approximately 25.4 million people living with HIV, representing about 60% of all HIV-positive people worldwide. As Aids affects the most productive sector of the population on a continent where four out of 10 people live on less than US \$1 per day, HIV/Aids needs to be taken seriously and become a priority (CIA World Factbook, 2011).

The sub-Saharan region has 34 of the world's 50 least-developed countries and it will need a special effort from both the continent and the developed countries to make major progress towards reaching the Millennium Development Goals (CIA World Factbook, 2011). Although Africa has a positive growth rate, it will not be enough to meet the Millennium Development Goals by 2015. The International Monetary Fund (IMF) has estimated that the Sub-Saharan region should have a growth rate of about 7% per year if the MDGs are to be achieved. Although some of the countries have a

high gross domestic product (GDP) per capita rate, the overall low ranking of human development index and poverty, high HIV prevalence rates, high infant and mortality and maternal mortality rates will have a huge impact on sub-Saharan African governments' public financial policy and spending (Ekpo, 2002:12-17).

In the sub-Saharan Africa region, the Republic of South Africa is firmly established as a regional power. With Africa's largest GDP, a diverse economy, and a government that has played an active role in promoting regional peace and stability, South Africa is poised to have a substantial impact on the economic and political future of Africa. South Africa is also playing an increasingly prominent role in various international fora. The next part of this chapter will highlight the internal environment of South Africa (CIA World Factbook, 2011).

4.5 THE SOUTH AFRICAN INTERNAL ENVIRONMENT

South Africa (SA) is a country with people from many diverse population groups merged into one unique nation. With a history of internal struggles between mainly black and white people to fight for democratic rights for the black population within a government system based on separate development, called apartheid, the past 18 years were evidence of significant changes, growth and development since the first democratic elections in 1994. In the years prior to 1994, the South African public service was divided into "general" and "own" affairs departments of the central government under the tricameral political system, along with six self-governing territories and the Transkei, Boputhatswana, Venda and Ciskei (TBVC) states with their own government departments (Fourie, 1998:233-234).

The South African political system is regarded as stable, but the South African Government faces serious long-term challenges arising from poverty, unemployment, and HIV/Aids (see brief statistics in Figure 3.1). South Africa is divided into nine provinces (see Figure 3.2) and has a population of almost 50 million (CIA World Factbook, 2011).

Figure 4.1: South Africa in brief

Population: 49 million (+)

African, 79%; whites, 9.6%; mixed race, 9%; Asian, 2.5%

Religion: 80% Christian, 2% Muslim, 4% Other, 15% None

Language most often spoken at home:

Zulu, 24%; Xhosa, 18%; Afrikaans, 13%; Sepedi 9.4%, English 8.2%, Setswana 8.2%, Sesotho 7.9%, Xitsonga 4.4%

Population growth rate: -0.38% (2011 est)

Life expectancy: 49.33 years

Prevalence of HIV/Aids: 17.8% (2009 est)

Literacy: 86.4%

Gross domestic product (GDP): \$354.4 billion (2010 est)

GDP per capita: \$10 700 (2010 est)

Unemployment: 23.3% (2010 est)

Source: CIA. 2011. World Fact Book. [Online] Available from:

<http://www.cia.gov/library/publications/the-world-factbook/> [Accessed: November 2009].

Figure 4.2: Map of South Africa's provinces



Source: Ploch, L. 2011. Congressional Research Service (CRS), *CRS Report for Congress, South Africa: current issues and US relations*. January 4, 2011, page 3.

After the first democratic election in April 1994, the South African public sector embarked on a tremendous transformation process, from a one-party minority-ruled regime to a government of national unity with a democratic system of governance. This has brought about new challenges in the political, economic, cultural, technological and physical environment. The challenge faced by the newly transformed South African Public Service is to deliver better services and to meet the expectations of all the inhabitants of the country within limited financial and human resources (Fourie, 1998:233-234).

4.5.1 State of development and growth in South Africa

In terms of the latest mid-year population estimates, in 2008, the total population of South Africa was 48.7 million, which is an increase of about 0.4% from the 48.5 million figure recorded by the 2007 community survey. There has been a significant increase in the number of households from 9 million in 1996 to 12.5 million in 2007. Since 1994, there has been an increase in the number of new households that were formed, which outpaced the increase in the population. It is clear that over time, the South African society has gone through a period where a large number of citizens chose to form new households that were also smaller in size. The large number of new households has placed an additional burden on reducing the service delivery backlog. About 45% of the population lives in rural areas and a fairly large proportion of the urban population reside in township areas and informal settlements (OECD, Economic Surveys, South Africa Economic Assessment, 2008:17- 49).

4.5.2 Performance indicators and current realities

Performance management has become an integral part of modern government with a growing focus on understanding and meeting the needs of communities. There is a continual demand to deliver more, and better, for less resulting in growing emphasis on financial performance management, measuring outputs in relation to the resources necessary for successful delivery of services. Performance indicators and current realities allow the opportunity for continuous improvement (Bogumil, 2004:392).

4.5.2.1 Economic indicators

South African's economy is by far the largest in sub-Saharan Africa with about 40% of total sub-Saharan African GDP, exerting major influence on total output, trade and investment flows of the African continent. The awarding of the 2010 FIFA World Cup to South Africa is a confirmation that South Africa is recognised as a stable, modern state, in many ways a model for the rest of the African continent. In 2010, South Africa successfully hosted the largest event ever held on the African continent, the FIFA World Cup, an international football (soccer) competition. The Government and the private sector undertook a wide variety of construction and infrastructure projects in preparation for the event, which was attended by over three million people and drew over 300 000 tourists. South Africa defied many expectations during the event and six new stadiums were finished on time and crime was very low (Ploch, 2011:2).

Based on the official government development indicators (Government Development Indicators, 2009:5), South Africa's GDP growth is below the growth goal of 6% per annum. The government aims to limit its debt and reduce its demands on the financial markets in order to create conditions for lower interest rates and higher private-sector investment. However, government debt is likely to rise during the current period of slow economic growth and high government investment. In its Global Competitiveness Index, South Africa currently ranks 45th and 48th on the World Economic Forum (WEF) and International Institute for Management Development (IMD) global ratings. Education and healthcare systems bring South Africa's competitiveness down at present, and in recent times, concerns about infrastructure services have grown. South Africa needs to transform from a resource-based economy to become a knowledge-based economy (OECD, Economic Surveys, South Africa Economic Assessment, 2008:17-49).

South Africa is committed to empower historically disadvantaged South Africans. The total BEE transactions have steadily increased over the last 14 years. With a numerical target of approximately 16 million people employed, it is expected that the current global economic situation will have a negative impact on employment. South Africa has just witnessed massive job losses due largely to the global economic crisis and decline in economic growth. The higher number of unemployed youth is especially worrying (OECD, Economic Surveys, South Africa Economic Assessment, 2008d:50).

4.5.2.2 Income distribution

South Africa's distribution of income is among the most unequal in the world. There is an improvement in the incomes of the poorest, however, the income of the richest 10% of the population increased at a faster rate. When the percentage incomes of the richest and poorest quintiles are compared, the deep structural nature of poverty in South Africa is clear. This structural nature of poverty has a racial underpinning. It seems also that the lowest rate of improvement is in the middle income ranges (RSA Government Development Indicators, 2009:5).

4.5.2.3 Unemployment and poverty

Unemployment and poverty remain the most pressing economic problems. The Government's ability to meet the basic needs of all South Africans has declined and the rate of eliminating poverty is slow. The Government needs to provide appropriate social-assistance support to all eligible beneficiaries. Approximately 70.5% of South African households now live in formal dwellings. South Africa has surpassed the Millennium Development Goal of halving the proportion of people without sustainable water and is likely to achieve the 2014 goal of universal access to potable water, despite the challenge of an ever-increasing number of households. The rate of new electricity connections is slowing down considerably as it now has to be preceded by the establishment of bulk infrastructure in areas that were not previously served (RSA Government Development Indicators, 2009:5).

4.5.2.4 HIV/Aids in South Africa

According to the Government Development Indicators (2009:5), the prevalence of HIV/Aids in South Africa is above all a human tragedy on a grand scale. Some 17.8% (2009 est) of the prime age adult population is estimated to be HIV positive, and deaths from Aids now amount to nearly one thousand a day. There are approximately 1.2 million Aids orphans under the age of 18, and millions more children have lost one parent to the disease, which is the biggest single cause of death for South Africans aged 24-49. The goal of building a healthy, well-educated and prosperous nation based on the enhancement of a greater life expectancy shows a trend of increasing mortality, especially of the young. This seems to be related to HIV prevalence rates (CIA World Factbook, 2011; UNAID, 2006).

4.5.2.5 Education

Educational outcomes are poor, contributing to entrenched poverty, inequality and a skills gap. The phenomenon of persistent extreme unemployment is bound up with the failure of the education system to deliver enough skilled workers to the labour force. It appears that the learner-to-educator ratio has stabilised below the set target of 32:1. However, it is critical also to pay attention to disparities within provinces and districts. South Africa needs to improve the quality of education as reflected in the National Senior Certificate Examinations of 2009 with an average pass rate of 60%. The stagnation of the literacy rate between 2005 and 2008 confirms the need for more vigorous programmes to meet the illiteracy challenge facing society (RSA Government Development Indicators, 2009:5).

4.5.2.6 Crime and security indicators

The crime rate remains unacceptably high and South Africa ranks among the worst countries in the world on this front. In the 2007-08 Global Competitiveness Index calculated by the World Economic Forum, for example, South Africa was ranked 126th of 131 countries for the business costs of crime and violence. The problem is not merely one of perceptions: South Africa has one of the highest homicide rates in the world, with particularly high numbers of gun deaths. With the sharp increase in especially violent crimes, feelings of personal safety are declining (OECD, Economic Surveys, South Africa Economic Assessment, 2008d:17-49).

4.5.2.7 International relations

In terms of international relations, South Africa remains a significant actor and a major contributor in peacekeeping operations on the continent and elsewhere in the world. South Africa also continued to render humanitarian support to a number of countries during disasters and also plays a role in supporting post-conflict reconstruction and development in the DRC and Sudan. Recently, South Africa has been playing a crucial role in Libya to restore peace and justice after the violent objections and protest actions against the Gaddafi regime (Ploch, 2011:8).

4.5.2.8 Governance

The need to promote prudent and responsible use of public resources shows little improvement in the number of government departments and public entities that received unqualified audit opinions in the 2009/10 financial year audit. The most notable difference concerns the number of provincial departments that received qualified audit opinions, where there has been a significant decrease. These figures show that there is a lot of work that remains to be done to improve public financial performance management in government institutions in order to improve audit outcomes (Afrobarometer, 2006:1-4). The 2008 Corruption Perceptions Index (CPI) results show a setback in perception regarding the fight against corruption in South Africa. According to the CPI, perceptions about corruption in South Africa have increased between 2007 and 2008, pushing the ranking of South Africa downwards from the 43rd place to the 54th. And for the first time in many years, South Africa's score fell below the midpoint (which is 5) to 4.90 (RSA Government Development Indicators, 2009:5-76).

According to the 2008 Open Budget Index, South Africa continued its impressive record by providing citizens with extensive information about the budget. Out of the 78 countries included in the index, South Africa is ranked among the top five that provide extensive budgetary information to citizens, which confirms the Government's commitment to transparency and openness (RSA Government Development Indicators, 2009:5-76).

4.5.3 National development initiatives since 1994

In the early years of the first post-apartheid government, the main policy framework was the Reconstruction and Development Programme (RDP), which was part of the election platform of the African National Congress in the 1994 elections. The RDP consisted of socio-economic programmes designed to redress imbalances in living conditions and institutional reform, educational and cultural programmes, employment generation and human resource development. An RDP Fund was created to finance RDP projects, and a separate RDP office set up to administer the fund and co-ordinate the programme across ministries. In 1996, however, the Government introduced a macroeconomic policy framework called the Growth, Employment and Redistribution (GEAR) strategy, which put fiscal sustainability to the

fore and stressed that macroeconomic stability was a necessary condition for successful development (Ploch, 2011:8).

The RDP did not actually end with the launching of GEAR, but from 1996, the separate RDP office was disbanded, and the programme was de-emphasised, while GEAR took centre stage. GEAR achieved impressive macroeconomic stabilisation, but growth performance remained mediocre, and unemployment, already extreme, continued to rise, along with inequality and poverty. It was therefore decided to take a careful look at how to accelerate growth and ensure rising living standards for the majority (Ploch, 2011:8).

On 6 February 2006, the then South African deputy president Mlambo-Ngcuka launched a development strategy, the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). As the third major development strategy adopted since 1994, AsgiSA was designed to permit the achievement of pre-announced goals concerning the halving of unemployment and poverty between 2004 and 2014 (OECD, 2008d:18).

AsgiSA was born out of recognition that despite substantial economic achievements since the transition to democracy in 1994, the fruits of those successes were not being shared widely enough. The same disadvantaged blacks who had suffered under apartheid failed to improve their living standards under majority rule (OECD, 2008d:2-4).

During April 2009, the people of South Africa voted in a free and fair election for a new administration, headed by Mr Jacob Zuma as the newly appointed President. During May 2009, a new structure of government was announced in order to create the necessary structures and resources to drive the implementation of the Government's revised priorities as announced by the President in the 2009 State of the Nation address (Government's Programme of Action, 2009:2).

As a result of a functional re-evaluation of the national priorities, 10 priority areas from 2009 to 2014 have been identified. These priority areas will endeavour to speed up economic growth and transform the economy to create decent work and sustainable livelihoods. Sustainable resource management and use will be ensured. A massive programme will be introduced to build economic and social infrastructure. Plans will be developed and implemented to establish a comprehensive rural

development strategy linked to land and agrarian reform and food security. The skills and human resource base will be strengthened, the health profile of all South Africans will be improved, the fight against crime and corruption will be intensified. Cohesive, caring and sustainable communities will be established. African advancement and enhanced international co-operation will be pursued. A developmental state, improved public services and strengthened democratic institutions will be established (Government's Programme of Action, 2009:2).

4.5.4 Functional arrangements in the South African Government

By the end of March 2008, the South African Public Service had 1 204 525 public service employees. Of these employees, 63% were attached to the social services sector (health, social development, education and home affairs), followed by 20% in the criminal justice sector (Department of Public Service and Administration, Public Service Review Report, 2008/2009).

The government has the responsibility to make policies and laws about the rights and responsibilities of citizens and the delivery of government services. The government collects revenue from taxes and uses this money to provide services and infrastructure, which improves the lives of all the people in the country, particularly the poor (CIA World Factbook, 2011).

The Constitution of South Africa (1996) sets the rules for the Government's operations. There are three spheres of government in South Africa, namely, the National Government, the provincial government and the local government. Each sphere of government is made up of the elected members who represent the public and approve policies and laws (legislative authority). At the national sphere, the Cabinet, and at the provincial sphere, the executive committee, co-ordinates law and policy-making and oversee implementation by government departments as the executive administration (Department of Public Service and Administration, The Machinery of Government, Structure and Functions of Government, 2003:14-15).

4.5.4.1 National Government

Laws and policies are approved by the National Assembly (Parliament) and the National Council of Provinces (NCOP). The National Assembly is made up of members of Parliament, elected every five years. The NCOP is made up of

representatives of provincial legislatures and local government. The President is elected by Parliament and appoints a Cabinet of ministers. They act as the executive committee of government and each minister is the political head of a government department. Each government department is responsible for implementing the laws and policies decided on by Parliament or the Cabinet. Government departments are headed by a director-general (accounting officer) and employ managers and staff to execute the functions of government.

Based on the outcome of a departmental strategy, every department prepares a budget for a specific period. Under the guidance of a National Treasury, all departmental budgets are integrated into one national budget to be approved by the legislative authority. Provincial or local government may not do anything that is against the laws or policies set down by the National Government. The provincial government gets most of its money from the National Treasury. The local government also gets grants and some loans through the National Treasury (Department of Public Service and Administration, *The Machinery of Government*, 2003:14-15).

Sound financial management by the government of the day is achieved through maintaining prudent and responsible fiscal policies. Its effectiveness permeates all levels of society. This situation requires a legislative framework, which demarcates areas of responsibility, accountability, and operation. An environment where accountable, responsible public officials collaborate fully will ensure good planning, effective implementation and adherence to prescriptions in order to constitute the foundation that is essential for sound public financial performance management (Visser & Erasmus, 2002:4).

The National Government may raise the vast bulk of revenue, but its expenditure responsibilities are low as certain powers, functions and financial resources are assigned to the provincial and local tiers of government. Therefore, a fiscal system is required providing for inter governmental fiscal transfers, ensuring equitable relationships accompanied by objective and quantifiable criteria for financial performance (Visser & Erasmus, 2002:257).

4.5.4.2 Provincial government

The Constitution (1996) provides for the election of provincial legislatures for nine provinces and each province elects its own premier, who then appoints a provincial executive council. The provincial legislatures have the authority to legislate in a range of matters specified in the Constitution (1996), including education, environment, health, housing, police and transport, although complex provisions give the central government a degree of concurrent power. The legislature also passes an annual provincial budget. Provincial departments employ heads of department (accounting officers) and civil servants to execute the development functions of the relevant provincial government (Department of Public Service and Administration, *The Machinery of Government, Structure and Functions of Government*, 2003:14-15).

In the provincial environment, *development functions* refer to a multidimensional process improving the quality of life of all. The success of development rests in the areas of functionary experts that are responsible for improvements in housing, educational levels, nutrition, and water and sanitation. Development seeks to redress the imbalances of the South African society. Community development, economic growth and employment are issues that are prominent on the provincial agendas. Sound financial management is critical for all functionary experts to be successful and they must be able to manage limited resources in the most economic, efficient and effective way in order to deliver world-class services (Van der Waldt & Du Toit, 2005:145).

4.5.4.3 Local government

Local government is regarded as a sphere of government in its own right and is not regarded as an extension (administrative implementing arm) of the provincial or national spheres of government. The whole of South Africa is divided into local municipalities. Local municipalities have the right to administer the local government matters listed in the Constitution (1996), Part B of Schedule 4 and Part B of Schedule 5, and any other matter referred to them by national or provincial laws. Each municipality has a council where decisions are made and municipal officials who implement the work of the municipality. The council is made up of elected members who approve policies and by-laws. The work of the council is co-ordinated by a mayor who is elected by the Local Council. The mayor is assisted by an executive or

mayoral committee of councillors. The mayor together with the executive council also oversees the work of the municipal manager and other officials (Van der Waldt & Du Toit, 2005:146).

The executive administration, headed by the municipal manager (accounting officer), is responsible for sound management to implement programmes approved by the municipal council. In the absence of functional departments in the local sphere of government, "integrated development planning" (IDP) provides direction for future development in the specific local areas of the country. IDP aims to co-ordinate the work of local and other spheres of government in a coherent planned programme to improve the quality of life for all the people living in an area (Minnaar, 2010:40).

4.5.4.4 Inter governmental relations and co-operative governance

Inter governmental relations refer to the organisation and unique relationships between the three spheres of government. The Constitution (1996) states that the three spheres of government "are distinctive, interdependent and interrelated" (Constitution, 1996, Section 40 [1]). Although the three spheres of government are autonomous, they exist in a unitary South Africa, meaning that they have to work together on decision-making, co-ordinating budgets, policies and activities, particularly for those functions that cut across the spheres (Constitution, 1996, Chapter 3, Section 41).

Local government is represented in the NCOP and other important institutions such as the Financial and Fiscal Commission (FFC) and the Budget Council. The South African Local Government Association (SALGA) is the official representative of local government. SALGA is made up of nine provincial associations (Department of Public Service and Administration, *The Machinery of Government, Structure and Functions of Government*, 2003:27-32).

The fact that the principles of co-operative government are included in the Constitution (1996) should confirm its importance in the South African society. Programmes developed at national government level can only succeed if implementation at the provincial and local levels of government is successful. Organisation and co-ordination between the respective authorities and executive institutions are therefore of cardinal importance. The government of the day can

achieve its objectives efficiently and effectively only if there are sound financial relations between all levels of government (Visser & Erasmus, 2002:276).

4.5.5 Political oversight

Functional arrangements in the various levels of government allow managers the opportunity to manage available resources in the most economic, efficient and effective way. However, in the South African Government environment, all service delivery initiatives and the conduct of public administrators must be aligned with the Constitutional principles for public administration and therefore demand that managers are accountable. Various institutions play an oversight role in order to ensure public accountability with regard to service delivery (Van der Waldt & Du Toit, 2005:42).

4.5.5.1 The Auditor-General

As a constitutional institution, the Auditor-General's role is to audit the accounts and financial statements of national and provincial departments as well as municipalities and any other institution or accounting entity. In addition, the Auditor-General may report on the accounts, financial statements and financial management of any institution funded from the National Revenue Fund, a provincial revenue fund or by a municipality. The Auditor-General is also authorised to audit the financial affairs of any institution that may, in terms of law, receive money for public purposes (Department of Public Service and Administration, *The Machinery of Government, Structure and Functions of Government*, 2003:24).

From a public finance perspective, budgeting and public finance systems are in place enabling government departments to report on the resources they used, on the outputs produced or the activities conducted and to report on these to the legislatures and the public. This approach allows managers to manage, but they are accountable through reporting. The implication of this is that if the legislature and the public had information about where and how money was spent and what was delivered for this money, then they could hold government accountable and thereby improve service delivery (Naidoo & Simmonds, 2007:5).

4.5.5.2 The Financial and Fiscal Commission

The Financial and Fiscal Commission is a consultative body, which makes recommendations and gives advice on financial and fiscal matters for state organs in all spheres of government. The commission consists of expert members appointed by the President of South Africa. As an independent body, the commission is required to act impartially and to make recommendations regarding matters as prescribed in the Constitution (1996) relating to the three spheres of government (Visser & Erasmus, 2002:258).

In terms of financial performance management, the significance of the Financial and Fiscal Commission is the fact that regular reporting to the National Assembly, the National Council of Provinces, and the provincial legislatures on all recommendations is required (openness). In terms of the division of revenue between the spheres of government, the commission advises equitable sharing of revenue and other inter-governmental fiscal issues. The commission can control the negative effects of subjective political decision-making in the allocation of resources (appropriateness) (Visser & Erasmus, 2002:266).

4.5.5.3 The Public Service Commission

In South Africa, the Public Service Commission (PSC) is an independent and impartial body created by the Constitution (1996) as the custodian of governance in the Public Service. The PSC derives its mandate from Sections 195 and 196 of the Constitution (1996). The PSC promotes a professional and ethical environment and adds value to a public administration that is accountable, equitable, efficient, effective, corruption-free and responsive to the needs of the people of South Africa (Public Service Commission, State of the Public Service Report, 2009:2).

In terms of Section 196(4) of the Constitution (1996), the commission is mandated to promote the constitutionally enshrined democratic principles and values in the Public Service by investigating, monitoring, evaluating, communicating and reporting on public administration. The commission must investigate and evaluate the application of public administration practices and propose measures to ensure effective and efficient performance in the Public Service. In order to ensure sound procedures and practices relating to human resource management, the commission must also advise national and provincial organs of state and report to the relevant executive authority

and legislature. The commission must report at least once a year to the National Assembly; and, in respect of its activities in a province, to the legislature of the province. The commission must at all times retain its independent and impartial status. Such interaction must in no way affect its reporting to the National Assembly or the various provincial legislatures (Van der Waldt & Du Toit, 2005:157).

In terms of organisational arrangements, the PSC has work study officials who examine public officials in support of the establishment of sound procedures and practices relating to human resource management. This initiative is aligned with the need for proper training as key requirement for sound financial performance management, rather than reliance on legislation and procedural frameworks, since legislation and procedural manuals alone cannot instil the powers of insight, interpretation and evaluation in officials responsible for implementation. The impact of the PSC can shift the emphasis from a focus on compliance and adhering to principle, to a focus emphasising outputs and real impact or results (Naidoo & Simmonds, 2007:6).

4.5.5.4 **Parliamentary committees**

The National Assembly and the National Council of Provinces are divided into committees, which play a vital role in the process of political oversight and public financial performance management. Committees allow the opportunity for members of the public to express their opinions directly and try to influence the outcome of Parliament's decisions. In the National Assembly, these committees are called portfolio committees and in the National Council of Provinces they are called select committees.

In terms of Section 55 of the Constitution (1996), the National Assembly establishes mechanisms of oversight and the Standing Committee on Public Accounts (SCOPA) is one such oversight committee. In terms of public accounts, SCOPA acts as Parliament's watchdog over the way taxpayers' money is spent by the executive. Every year, the Auditor-General (AG) tables reports on the accounts and financial management of the various government departments and state institutions. The heads of these bodies are regularly called to account by this committee. The committee has the normal powers of any National Assembly committee, including the power to summon any person to appear before it to give evidence, or to produce documents, or require any person or institution to report to it. Owing to its volume of

work (more than 250 reports per year), SCOPA has established two work groups. Most of the reports referred to SCOPA are tabled in September every year in terms of the PFMA deadlines. The AG also tables two general reports and a number of performance and special audit reports.

4.5.5.5 Management capacity in the South African Government

The Public Service Act (103/1994) created the basis for integrating the fragmented system of state administrations inherited from the apartheid era into a unified national public service. The transformation of the South African Public Service is unique and institutionally complex (Fourie, 1998:239).

Based on the situation prior to 1994, the transformation process entails the implementation of policy to deal with affirmative action and the need for equal opportunities. According to Fourie (1998:240), the central public service was dominated by white males, and black officials were only found in the former "bantustans". The number of educated and trained black officials was extremely limited compared with white officials. Historical education policies before 1994 resulted in a skewed distribution of technical skills across races and regions and due to the nature of the political climate, senior officials were subjected to extreme politicisation.

The establishment of a unified service entails major restructuring interventions in order to ensure functional and structural unification and alignment of national and provincial administrations including the assignment of powers to administer existing laws. Policy decisions and strategies to support the transformation process deal with the establishment of new staffing levels, job descriptions, remuneration structures and performance-related promotion. However policies and strategies to redress equity imbalances and rightsizing such as retrenchment and early retirement incentives created a major challenge for future initiatives on skills development and retaining of specialised and scarce skills in the fields of accounting and financial management (Fourie, 1998:244).

Today, the consequences of a lack of management skills are negatively portrayed in government performance indicators and supportive management information systems. The absence of the requisite technical proficiency and educational background to grasp the fundamentals of subjects such as accounting, government

finance, economics, commercial law, quantitative methods, data processing and computerised information systems will continue to constrain organisational performance. Fourie (1998:246) lists the following skills requirements as critical areas of concern: to identify deviations from agreed terms in a contract and to offer constructive solutions; to be alert for the existence of problems or potential problems derived from progress reports and to deal with the required assistance; to be sensitive to human relations and related people skills when negotiating and interacting with people affected by the services being provided also with reference to contractual interaction on contract objectives, evaluation findings and recommendations. Fourie (1998:246-247) further emphasises the need for training and development programmes on financial management, practices and procedures, evaluation and monitoring skills, and the ability to establish business systems and controls in the economical, efficient and effective use of resources. The above scenario is negatively affecting the government's strive for good governance and the need to enhance performance for quality of life for all citizens in South Africa.

4.6 CONCLUSION

Due to the influence of the environment on public administration, public financial performance management is also influenced by the environment. There is no place or organisation that escapes the trend of globalisation. Organisations need to participate in the establishment of strategic alliances and partnerships and must maintain a level of competency comparable with that of worldwide skills and best practices. The future organisation will have to focus on the capacity to access a wider population.

Progress has been made in economic governance, public financial management and accountability and the integrity of the monetary and financial systems by several African countries. As a result, the situation in Africa today is better than it was a decade or so ago. However, a great deal remains to be done, such as the question of leadership and how seriously it is committed to sound public financial management and accountability. The integrity of the monetary and financial system is central, as is the question of the ability of other institutions of government and civil society in general to control the executive and make it accountable. In this regard, the role of parliaments and civil society organisations is crucial. These institutions must be empowered and their capacity enhanced so that they are more or less equal interlocutors and partners with the executive branch of government. The dominance

of the executive over the legislature and the judiciary must be sharply curtailed, and a true and genuine system of checks and balances must be established among the three spheres of government. In addition, civil society organisations (oversight) must be strengthened, and their independence from the government as well as their ability and capacity to play a greater and more effective role in economic policy-making and implementation must be greatly reinforced. Many of these organisations simply lack the capacity and experience to be effective in economic governance and public financial management.

Given the magnitude of the challenges and the tasks facing African countries, African governments and other stakeholders, especially the international community, must focus not only on devising schemes, policies and programmes and adopting internationally accepted rules, regulations and codes of good practices, but also on ensuring that the capacity to implement these well-conceived reforms is available. A holistic approach will be needed for the problem of governance and to make progress on all fronts simultaneously, challenging though this may be.

Chapter 5 deals with the analysis of public financial management practices in the international environment and discusses specific initiatives undertaken by national states and also international organisations in the quest to make the world a 'better place'.