

**PUBLIC FINANCIAL MANAGEMENT REFORMS AND SERVICE DELIVERY IN THE  
NORTHERN CAPE DEPARTMENT OF HEALTH**

by

**Constance Brenda Motsitsi**

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**PROMOTER:** Prof. C.J. Hendriks

**BLOEMFONTEIN**

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**DECLARATION**

I, Constance Brenda Motsitsi, declare that the thesis that I herewith submit for the degree Philosophiae Doctor at the University of the Free State is my independent work, and that I have not previously submitted it for a qualification at another institution of higher education.

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*“For I know the plans I have for you,” declares the Lord, ‘plans to prosper you and not to harm you, plans to give you hope and a future.’” (Jeremiah 29:11)*

## **ABSTRACT**

Since becoming a democratic country in 1994, the South African government has implemented various public financial management reforms that aimed to improve financial management and enhance service delivery. However, twenty-eight years later this aim has not yet been achieved as the public sector still faces poor financial management, along with inadequate service delivery. The Northern Cape Department of Health is one of the public sector provincial government departments that has implemented multiple public financial management reforms with the aim of enhancing the provision and quality of public healthcare services to the citizens of the Northern Cape.

This study investigates the relationship between public financial management reforms and service delivery, with the aim of understanding why, despite the implementation of the reforms, a disconnect remains between these two concepts, with little or no evidence of improved service delivery. The study employed a qualitative case study research design in its quest to achieve the research aim. Data was collected from the identified sample using an interview guide, which allowed the researcher to ask relevant questions relating directly to the research phenomenon. The analysis provides a detailed understanding of the challenges that negatively affect the effective implementation of public financial management reforms, which subsequently results in poor service delivery.

The analysis shows that the public financial management reforms implemented within the Northern Cape Department of Health do not directly result in improved service delivery due to influences, interferences, and incompetency that can be linked to the “human factor”. The role of the executive authority, senior management, and middle management in the management and functional operations of the department is the key reason for the disconnect between public financial management reforms and service delivery within the department.

From the findings of the study, it is concluded that in order for public financial management reforms to be effective and enhance service delivery within the department, it has to implement drastic and necessary measures that focus on eliminating political interference, strengthening administrative leadership, and appointing skilled and competent personnel. Effective service delivery is possible but requires officials who understand the importance of fiscal discipline, quality service delivery, and strong leadership.

## KEYWORDS

- Budget implementation/execution
- Challenges/bottlenecks
- Economically/economic
- Effectiveness/effective
- Efficiency/efficient
- Government
- Northern Cape Department of Health (NCDoH)
- Public financial management reforms
- Research gap/knowledge gap
- Service delivery
- Value-for-money service delivery
- Sustainable/sustainability
- Public financial management
- Public sector
- Transformation

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### **LIST OF FREQUENTLY USED ABBREVIATIONS**

IFMIS	Integrated financial management information systems
MTEF	Medium Term Expenditure Framework
NCDoH	Northern Cape Department of Health
NPM	New public management
PFMA	Public Financial Management Act

## **CHAPTER ONE: BACKGROUND AND ORIENTATION**

### **1.1. Introduction**

Public financial management is the core of management, this is because public financial management is the heart and cornerstone of service delivery . As a result, the manner in which government spends public money will affect citizens through the public services delivered to them. Government institutions are entrusted to provide goods and services up to the point at which their supply equals the demand for the services. However, when the government is no longer able to achieve the latter, it becomes a necessity for the government to implement effective policies that initiate reforms aimed at enhancing service delivery. Public financial management reforms are aimed at improving public service delivery and assisting governments in alleviating the challenges affecting effective service delivery. Moreover, public financial management reforms are a systematic process that requires managerial leadership and personnel to be creative and innovative, and to adapt to the changes necessary for the development and improvement of the country or institution.

Public financial management reforms have evolved through the years, but their primary role remains to enhance service delivery. South Africa has implemented four phases of public financial management reforms aimed at enhancing service delivery, but these reforms have not yet yielded the expected results. There is thus a knowledge gap as to why service delivery remains poor despite the implementation of public financial management reforms in South Africa. This research study therefore focuses on the relationship between public financial management reforms and enhanced public service delivery to determine why a disconnect remains between the two concepts despite the implemented reforms.

The research study examines the causes of the gap through an empirical study conducted at the Northern Cape Department of Health (NCDoH) to explore the challenges creating the gap between public financial management reforms and service delivery, thus clarifying why public financial management reforms do not always lead to functional improvements even though these reforms are aimed at enhancing service delivery.

### **1.2. Background**

Moeti, Khalo, Mafunisa, Nsingo, and Makondo (2007:40) define public financial management as a process that “deals with the management of citizen’s money, which has been entrusted upon government.” Nyamita, Dorasamy, and Garbharran (2015:28) and Hendriks and Maposa (2020:3) assert that the nature and purpose of public financial management is to ensure that government

manages public funds and resources in a manner that will effectively, efficiently, economically, and transparently benefit and improve the lives of citizens through service delivery. The significance of public financial management lies in the public sector's ability to acquire, allocate, control, report, monitor, evaluate, and oversee public financial resources effectively and sustainably in an accountable and transparent manner that will improve and promote public service delivery (Saxena & Stone, 2020:1; Pauw, van der Linder, Fourie, & Visser, 2015:129).

Sound public financial management is dependent upon the correct policies, effective institutional skills and, more importantly, the budget as a fiscal financial policy document that is responsible for the distribution and redistribution of services to the citizens (Rao, 2013:2; Piatti-Fünfkirchen & Schneider, 2018:2). Therefore, the nature and main function of public financial management is to redistribute finances back to the citizens in the form of service delivery. Thus, public service delivery becomes the core objective for the acquisition of public finances (Nyamita *et al.*, 2015:1; Siswana, 2007:97; The World Bank, 2005:1; Moeti *et al.*, 2007:40; Piatti-Fünfkirchen and Schneider, 2018:2). This assertion supports the notion of the theory of public finance, according to which government institutions exist to fulfill and provide a particular service to citizens.

Rao (2013:1) indicates that the relationship between public finance management and service delivery is naturally intertwined and that this relationship cannot be broken, as the government budget is linked to and aimed at enhanced service delivery. Hendriks and Maposa (2020), Nyamita *et al.* (2015), and Siswana (2007:97) assert that the functioning of government is dependent upon accurate revenue and expenditure management, and that the budget plays a crucial role in warranting that quality, effective, efficient, and appropriate services are provided to the citizens in budget allocations (Siswana, 2007:97; Piatti-Fünfkirchen & Schneider, 2018:2). This argument emphasizes the importance of the public budgeting theory, which views the budget as a fiscal and financial policy document that forms the relationship between public financial management and service delivery (Rao, 2013:2). As a result, authors such as Hadden (2017a), Nyamita *et al.* (2015), and Rao (2013:2) assert that the manner in which an institution manages its public financial resources will affect service delivery.

According to Saxena and Stone (2020:1), countries may have sound systems and policies in place and yet service delivery remains inadequate due to poor public financial management. The aforementioned establishes the importance of sound public financial management, without which the provisioning of quality public services will not be achieved. Stability and sound public financial management go far beyond the mobilization and allocation of financial resources, and what essentially counts is how these funds are managed (Kioko, Marlowe, Matkin, Moody, Smith, &

Zhao, 2011:113). In the same way, the opaque management of public finances results in wasteful and fruitless expenditure and an increased risk of corruption, which leads to poor service delivery (Moeti *et al.*, 2007:40).

Chetty (2019:1) argues that when government collects its revenue from the citizens through taxes but fails to provide sufficient and appropriate services to the citizens, then no justification remains as to why the revenue was collected. This argument is supported by Ajam (2016:17), who asserts that sound public financial management is crucial for the provision of services. As a result, when a country is unable to deliver adequate services, public financial management reforms become necessary. Public financial management reforms are strategic plans aimed at changing and improving public financial management in government institutions in order to achieve optimal results and improve service delivery (Cangiano, 2017:4). These reforms are developed as strategies to assist governments in adopting such changes, thus enabling them to design effective public financial management reforms.

Moreover, public financial management reforms are implemented to help governments become more functional and operational in resolving their financial crises; improve public procurement that promotes value for money; manage financial risks; and ultimately provide quality public goods and services, by emphasizing and focusing on effectiveness and efficiency in the management and utilization of financial resources (Bett, 2018:1; Bizhan, 2019:2; Commonwealth Secretariat, 2016:1; Bandyopadhyay, 2016:1). Countries all over the world have implemented public financial management reforms to better their respective countries and the lives of citizens through quality, efficient, effective, and sustainable service delivery (Hedger & de Renzio, 2010:1; Hendriks & Maposa, 2020:46; Diamond, 2013:12; Mansur, 2016:1). However, despite all these reforms, various countries, including South Africa, continue to face budget deficits, weak economic growth rates, and poor service delivery (Hedger & de Renzio, 2010:8).

Ajam and Fourie (2016:18) confirm that South Africa has good public financial management reforms that promise a better future, yet the implementation of these reforms has been a challenge, to such an extent that service delivery is severely affected. Since the advent of democracy in 1994, the South African government has implemented various public financial management reforms to develop the country and sustain the transformation arising in the public sector (Hendriks, 2012:2; Olivier, 2016:49; Ajam & Fourie, 2016:2).

South Africa has witnessed four phases of public financial management reforms in an attempt to improve the country's financial management (Hendriks, 2012:2). The first phase took place between 1994 and 1998, with the introduction of the new fiscal classification system compatible

with Government Financial Statistics and the Medium Term Expenditure Framework (MTEF) that sets out the three-year spending plans of the national and provincial governments (International Consortium on Governmental Financial Management, 2008:2; Hendriks, 2012:2; Olivier, 2016:48). This phase was succeeded by the second phase (1999 to 2002), which introduced the Accounting Standards Board, aimed at improving and promoting effective financial management, as a response to managing the increased government expenditure that coincided with the transformation of the public sector (Ajam & Fourie, 2016:1; Commonwealth Secretariat, 2016: 12; Olivier, 2016:49).

The third phase took place between 2003 and 2006, with a focus on public-private partnerships, supply chain management, and risk management (International Consortium on Governmental Financial Management, 2008:2). This phase saw the implementation of policies and frameworks that aimed to enhance processes such as procurement management and risk management, which required managers to function and operate within an approved legal framework (Olivier, 2016:48; Commonwealth Secretariat, 2016:12; International Consortium on Governmental Financial Management, 2008:2). The last phase commenced in 2007 when the Integrated Financial Management System was introduced (Hendriks, 2012:1). This phase is still ongoing and aims to improve the quality of financial management information needed for decision-making (Commonwealth Secretariat, 2016:3). These public financial management reforms promised a unified approach for enhanced public service delivery and improved capacity (Commonwealth Secretariat, 2016:13). However, the implementation of these reforms in South Africa has been challenging, resulting in ineffective programs and poor service delivery (Olivier, 2016:48).

In the Public Financial Management Act (PFMA) consolidated Auditor-General report for 2017–2018, the Auditor-General (2018:2) stresses that “despite the progressive steps taken toward reforms and transformation in the management of public finances, public financial management remains poor and, in some areas, there is patent regress.” The Auditor-General (2018:5) further asserts in the report that there is evidence of severe flaws in the financial management of both the provincial and national government that have “not been addressed over the past few years” and that pose challenges. Despite the efforts made toward public financial management reforms in South African public institutions, these challenges continue to adversely affect public service delivery (Bandyopadhyay, 2016:2; Diamond, 2013:10).

The Departments of Health in South Africa play a crucial role in the wellbeing of citizens, as their functioning directly affects the citizens’ lives. The Constitution of South Africa (1996) stipulates that “... everyone has the right to have access to healthcare services”, and this right requires the

government to play an active role in the provision of healthcare services. To fulfill this constitutional obligation, the government's expenditure on public healthcare services represents the second-highest single sector expenditure after education on the national budget, thus aimed at promoting effective healthcare services to the citizens (National Treasury, 2020c; Copé, 2017:3). The South African government spends more of its budget allocations on the public health sector than any other African country, yet public service delivery in this sector is not commensurate with this spending (Malakoane, Heunis, Chikobvu, Kigozi, & Kruger, 2020:3). In a study conducted by Malakoane *et al.* (2020:3), it is confirmed that despite the implemented public financial reforms, public health program performance and outcomes remain poor while the burden of disease increases.

The NCDoh is one of the nine provincial health departments that the Auditor-General has been highlighting as a reference point for poor financial management in South Africa (Auditor-General, 2018:2; Malakoane *et al.*, 2020:3). Moreover, this department has been in the media countless times for the mismanagement of funds, fraud and corruption, and poor leadership, among other things. The deficiencies linked to the NCDoh relate to matters such as underspending of the budget, not adhering to key financial legislation, procurement irregularities, and instances of high, unacceptable expenditure in the provision of the healthcare services (Auditor-General, 2018:2). Service delivery in this department continues to regress, despite having implemented various public financial management reforms. As a result, for the present research study, the NCDoh has been identified as the case study through which to investigate why public financial management reforms do not always improve service delivery.

### **1.3. Research gap**

Authors such as Kanyane (2014), Vabo (2014), Zweni (2017), and Kioko *et al.* (2011) propose that public financial management reforms are central to the provision of public services. Rao (2013:1) asserts that "... sound public financial management reforms are necessary for effective service delivery performance, whereas poor public financial management systems are sufficient to result in poor service delivery performance." This view is confirmed by Hadden's (2017b:2) statements that "... sound public financial management reforms lead to improved citizen service delivery" and that "... the effectiveness of public financial management reforms are directly linked and aimed toward improved public service delivery."

However, Rao (2013:4) points out that although studies suggest that public financial management reforms are a critical element in the improvement of public service delivery, "it is still unclear as to what degree public financial management reforms contribute to these improvements." This is

confirmed by Hardley's (2014:2) assertion that despite the progress the public sector financial reforms have made and the role it has played in stabilizing developing countries, there is not much evidence on how public financial management reforms have improved service delivery. Hardley (2014:2) further suggests that there is an unexplained gap between public financial management reforms and service delivery that needs explanation, whilst Hadden (2017a:1) rightfully asks, "... if these two concepts are intertwined, why don't public finance reforms always improve service delivery?"

In a study determining the role of public financial management in enhancing and improving service delivery, Piatti-Fünfkirchen and Schneider (2018:1) indicate that while the effectiveness of public financial management reforms is vital to the provision of quality services, there is a lack of knowledge and understanding about how public financial management reforms enhance service delivery. Likewise, in a research study investigating the relevance and importance of why public financial management reforms matter, Kioko *et al.* (2011:118) make the inference that there is no clear link to why the gap between public financial management reforms and service delivery exists, and they therefore urge scholars to take advantage and continue to examine and find answers to how this gap can be understood and thereafter approached.

In a study assessing the effectiveness of public financial management on service delivery within the public sector, Welham, Krause, and Hedger (2013:1) indicate that an improvement in public financial management will have a positive impact on health service delivery. However, according to Ajam and Fourie (2016:45), this is not the reality in many countries, as governments implement financial reforms yet there is no improvement in service delivery or the lives of the citizens. A key question then is if the literature suggests that public financial management reforms should lead to better service delivery, why is this not a reality for many countries, including South Africa?

It can be concluded that the gap between public financial management reforms and service delivery "remains unexplored", creating a knowledge gap as to why public financial management reforms do not always affect service delivery and encouraging more research studies into finding knowledge about and reasons for this gap (Ajam & Fourie, 2016:10; Nyamita *et al.*, 2015:28; Piatti-Fünfkirchen & Schneider, 2018:1).

#### **1.4. Research problem and rationale for the study**

According to Olivier (2016:47), the management of public financial resources is the process through which the budget is measured against the performance of the institution, in order to improve and promote the institutional outputs and ensure efficient and effective service delivery.

Rao (2013:3), in addition, indicates that failure to implement financial reforms effectively has resulted in high budget deficits, increased government debt, and liabilities that have left governments in external and internal financial crises, which have had compounding effects on service delivery. However, the literature review indicates that sound public financial management reforms do not necessarily imply improved service delivery (Hardley, 2014:1; Hadden 2017a:1, 2017b:2; Rao, 2013:2). The literature review further points out that despite the multiple financial reforms that have taken place in South Africa, the South African government still faces challenges related to poor service delivery, which are predicted to doom the future of the country and bring forth financial instability in the country (Peterson, 2015:1; Ajam & Fourie, 2016:17; Auditor-General, 2018). Currently, there are no reliable and accurate mechanisms with which to isolate and assess the impact of public financial management reforms on service delivery. This is due to the complex and indirect relationship between public financial management systems and service delivery (Rao, 2013:1).

The problem statement for the study can thus be summarized as follows:

Since the transition into a democracy in 1994, the South African government has implemented financial management reform processes to improve the public finance management system (Ajam & Fourie, 2016:2). These reform processes included budget, procurement, and reporting reforms. However, despite these reform initiatives, public health institutions are still affected by financial management deficiencies resulting in the misappropriation of funds, overspending and underspending on budgets, procurement irregularities, and unacceptable forms of expenditure (Auditor-General, 2018:2). In addition to the financial management deficiencies, public health program performance and outcomes remain poor while the burden of disease has increased (Malakoane *et al.*, 2020:20).

There is thus a need to determine the reasons why financial management reforms do not relate to improved service delivery in the public health sector.

### **1.5. Research questions**

Considering the problem statement above, the following primary research question is posed: Why do public financial management reforms not always result in improved service delivery?

The secondary research questions are:

1. What are the elements that enhance the relationship between public financial management reforms and service delivery?

2. What are the role and importance of public financial management reforms in service delivery?
3. What is the current status of public financial management reforms in South Africa's public service, the developing world, and the rest of the world?
4. What are the systemic challenges that influence public financial management reforms and service delivery at the NCDoh?
5. Where in the value chain does the disconnect between public financial management and service delivery occur within the NCDoh?
6. How best can the implementation of public financial management reforms be improved to enhance service delivery?

#### **1.6. Research aim and objectives**

Aim of the study:

The study aimed to determine why a disconnect remains between having public financial management reforms in place and real functional improvements in service delivery.

The aim of the study was achieved through the following research objectives:

1. to analyze the elements that enhance the relationship between public financial management reforms and service delivery
2. to examine the role and importance of public financial management reforms aimed at enhanced public service delivery
3. to appraise global experiences in the implementation of public financial management reforms and service delivery
4. to explore the systemic challenges that affect public financial management reforms aimed at enhanced service delivery within the NCDoh
5. to determine where in the value chain the disconnect between public financial management reforms and public service delivery occurs within the NCDoh
6. to provide recommendations to the NCDoh and the public sector worldwide on how the implementation of public financial management reforms can enhance service delivery in the public sector.

#### **1.7. Preliminary literature review: Public financial management and service delivery**

The literature review of the research study was guided according to Figure 1 below:

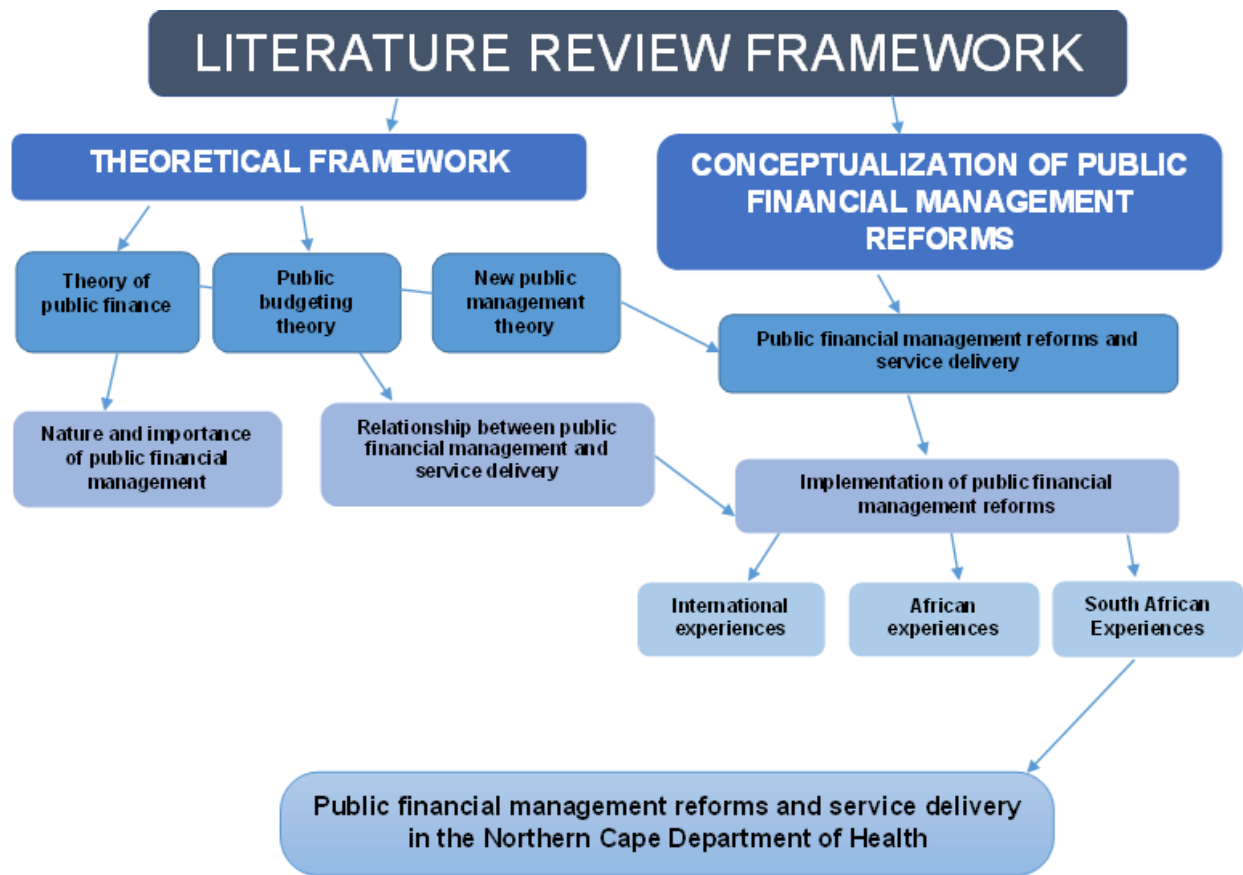


Figure 1: Literature review framework

Source: Author's synthesis of the literature

### 1.7.1. Key theories of public financial management reform and service delivery

The nature and theoretical framework of this research study are aligned to three theories, namely the theory of public finance, the public budget theory, and the new public management (NPM) theory. These three theories are equally important in the implementation of public financial management reforms for the enhancement of service delivery. Figure 2 illustrates the integration of these theories:

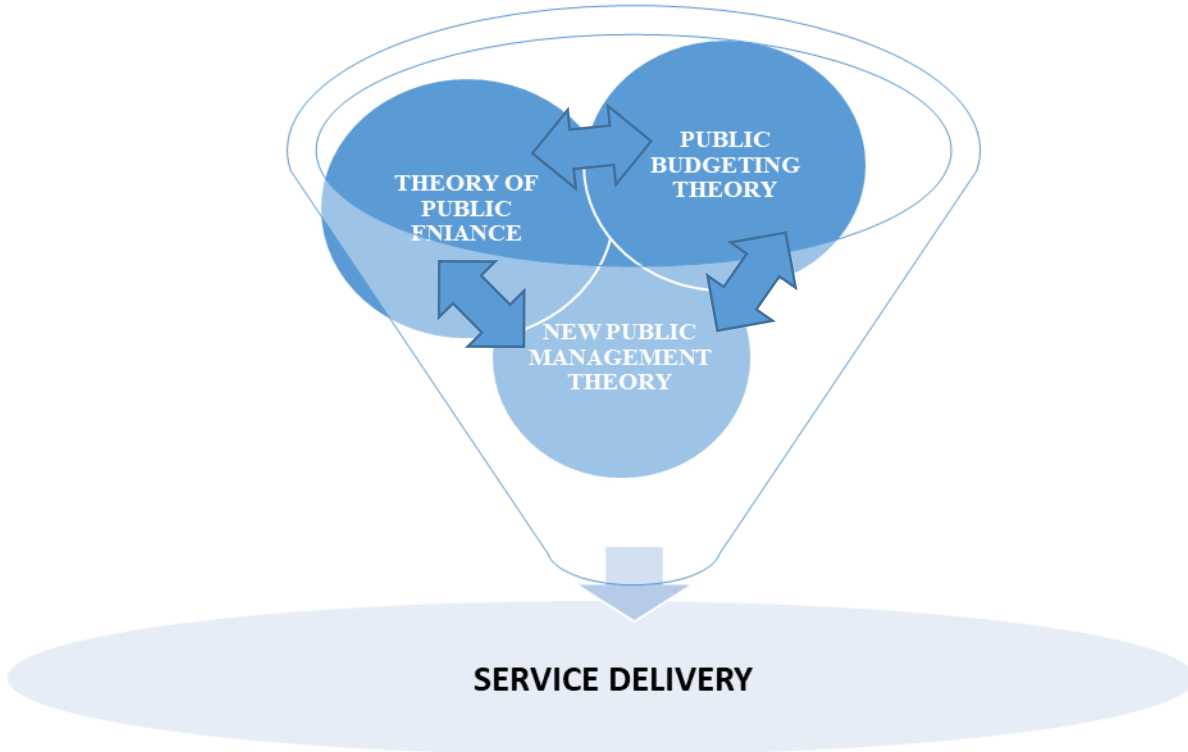


Figure 2: Theories of public financial management reforms and service delivery

Source: Author's synthesis of the literature

#### 1.7.1.1. Theory of public finance

As one of the first authors of this theory, Millan (1967:1) posits that the fundamental principle of the theory of public finance is that “every public organization [sic.] is an enterprise” in which the government exists to fulfill and provide a particular public service. The view of Millan (1967) is still commonly accepted by authors such as Pauw *et al.* (2015), who maintains that the role and responsibility of the government are to adopt methods and procedures that will best achieve maximum utility in the provision of services. According to Pauw *et al.* (2015:7) and Musgrave and Musgrave (1976:25), the “purpose of the public sector is to render services”, which requires the government’s activities and programs to be justified on the basis that they must provide services to the public at large. It is further important to note that public finances with which to enhance service delivery are collected through taxes, and this makes it relevant for the government to ensure that the lives of the citizens are improved through the services delivered.

The theory of public finance comprises a fundamental theorem that “... public enterprise should supply goods and services up to the point at which its supply equals the demand for the services” (Millan, 1967:1). This theorem is applied to the present research study. Furthermore, the theory

emphasizes that the role of government is to focus on meeting the needs of its citizens as a group, not individual needs, which is the domain of the private sector (Kareem, 2011:8). This theorem is supported by the impossibility theorem, which states that it is impossible to achieve social preferences based on individual preferences and therefore emphasizes that public goods and services should be directed toward societal preferences and not individual preferences (Pauw *et al.*, 2015:26). These two theorems emphasize an important point: that the government is entrusted with the role of providing public goods and services that are beneficial to society at large, in a manner that is equivalent to the demands and needs of its citizens.

The theory of public finance proposes that government has an obligation and duty to the entire community, and thus the strategies and programs of government should constantly be aimed at achieving maximum provision of value-for-money public services throughout the country (Motsitsi, 2018:2; Public Servants Association, 2015:3). According to Sicilia and Steccolini (2017:865), without the effective management of public finances, the government will not be able to provide adequate goods and services, which will result in the needs of the citizens not being met. The application of the theory of public finance is relevant to public financial management and service delivery, but the theory has limitations as far as financial reforms are concerned. The present research study addressed this constraint by blending the theorem of theory of public finance with the public budgeting theory and the NPM theory. Chapter Two of the study reviews the relationship that exists between public financial management and service delivery through the theory of public finance, and the public budgeting theory highlights that sound public financial management can only be achieved through effective budgeting processes.

#### *1.7.1.2. Public budgeting theory*

The security of sound public finances is dependent upon having both the correct policies in place and good institutional skills. However, equally important is that it depends on the budget as a fiscal and financial policy document that is responsible for the distribution and redistribution of public services (Rao, 2013:2). According to Zweni (2017:2), budgeting was traditionally a framework in which the government planned how and on what it would spend money. This limited the budget to expenditure only, but over time the basis of budgeting transformed into different functional roles for “allocating power, planning for control and providing impulse to the economic and social environment,” which translated into more transparent involvement by stakeholders (Zweni, 2017:2).

Functions such as the allocation of power, planning, control, and influence on the economic and social environment reflect the government’s budget processes in public administration and

management, with the result that how public budgets are managed will affect service delivery (Sicilia & Steccolini, 2017:905). Public finances are the input into the budget process and must be integrated with the aims and objectives of programs to achieve the set objectives and the provision of services (Zweni, 2017:4). Failure to implement the budget effectively and efficiently will therefore result in poor service delivery (Lu, Mohr, & Ho, 2014:20).

Three decades ago, Pinto (1981:30) argued that failure to articulate needs and resources within the boundaries of social and political integration results in public sector inefficiency and public program ineffectiveness, which weakens service delivery. This statement is still relevant, as evidenced by the assertion of Isaac, Lawal, and Okoli (2015:1) who posit that the budget is a mechanism for the coordination of an institution's resources, goals, and objectives. As a result, the principle to be followed by the present research study is that how the budget is executed will affect service delivery either positively or negatively (Lu *et al.*, 2014:20). Budgeting is a broad concept, so the study focused on the relationship between the implementation of the budget and how service delivery is affected by this. This link enabled the researcher to investigate and identify the systemic challenges faced during the budget implementation process and the effect thereof on service delivery.

#### *1.7.1.3. New public management theory*

Islam (2015:1) defines the NPM theory as an “ideology or bundle of particular management approaches and techniques, promising a better government through decentralization, empowerment, customer satisfaction and better mechanisms of public accountability.” The NPM theory is motivated by the demand for enhanced efficiency and accountability through a responsive and accountable government (Lapuenta & Van der Walle, 2019:463; Katsamunsk, 2012:70). This characterization of the NPM theory is supported by Vabo's (2014:2) description of the NPM as a theory that has created confidence in the possibility of improved accountability and effectiveness in the management of public affairs (including public financial management). The reforms established by the NPM are aimed at: enhancing the quality of public services provided, minimizing public expenditure, maximizing efficient government operations, and effective public policy implementation (Islam, 2015:2).

The NPM theory promotes transformation aimed at improving service delivery. Thus, the theory becomes the cornerstone through which transformation and reforms are channeled toward improved service delivery (Katsamunsk, 2012:80). The latter is acknowledged in Islam's (2015:4) assertion that the NPM theory aims to transform governments and assist them in keeping

up with new developments in the world. This in turn enables them to create “remedies for a broken system of government” (Miller & Dunn, 2016:3).

One of the principles promoted by the NPM theory is the achievement of value for money through the encouragement of public sector reforms (Vabo, 2014:6). The value-for-money principle is used to emphasize the quality of services that should be provided by the government following the demands of the citizens. Although the NPM theory supports the notion of service delivery through the concept of value for money, Kudo (2015:157) emphasizes that the NPM theory limits the scope of service delivery. Lapuente and Van der Walle (2020:463) point out that the NPM theory provides scope and strategy for reform but does not contextualize what constitutes efficient and effective service delivery, except for “value for money”. The limitation posed by this theory is that if the value-for-money principle is not properly defined, it is not possible to measure service delivery according to this criterion. Motsitsi (2018:19) asserts that it is not possible to assess what cannot be measured. It is thus paramount to have a clear definition and vision of what must be measured.

According to Lapuente and Van der Walle (2020:463), the application of the NPM theory requires the key elements of the theory to be used to define value for money in the context of the aim, objectives, and environment of the institution. The present research study addressed this limitation by linking the seven key elements of the NPM theory with the goals and objectives of the NCDoh (in terms of public financial management) to better understand the role and importance of public financial management reforms aimed at improved service delivery (Kudo, 2015:157). These seven elements are (Hammersrchrnid, Van de Walle, Andrews, & Mostafa, 2018; Kalimullah, Alam, & Nour, 2012; Chowdhury & Shil, 2017):

- managerialism
- decentralization
- output-oriented strategies
- implementation of performance measures/budget changes
- promotion of competition in the outsourcing of public goods and services
- promotion of private sector principles
- use of technology.

An important limitation of the NPM theory, as far as reforms are concerned, is the efforts to impose standardized reform packages. Mongkol (2011:38) points out that powerful international lobby groups are promoting a “one size fits all” standardized approach to public sector reforms despite the evidence accumulated from institutional and management theory and from an empirical study

that the outcomes of planned changes in institutions are influenced by numerous contingent factors, especially those in the institution's environment. In some contexts, the NPM may yield its promised benefits, but in others, the possibility of its contributing to reduced performance and even political instability must be recognized. This is especially true when developing countries borrow an NPM technique from developed countries. Mongkol (2011:38) confirms that developing countries need to understand the details of the technique, consider if it is appropriate to circumstances in their countries, and formulate their reforms accordingly.

Against this background, the NPM theory is vital to present research study, as it is the driver of public sector reforms aimed at improving service delivery, and further supports the aim this research study aims to achieve and the gap it aims to fill. The relationship between reforms and service delivery is evaluated and measured against the elements of the NPM theory to assess and establish how public financial management reforms can be improved to enhance service delivery and achieve value for money (Kudo, 2015:157). The aforementioned is discussed in Chapter Three of the study.

### ***1.7.2. Theoretical framework integration***

The research study integrated the above-mentioned theories in analyzing the implementation of public financial management reforms and service delivery. From these theories, an inference can be made that the study cannot be pinned to one theory alone, and neither can any one of these theories be studied in isolation. As a result, the three theories were integrated together to ensure that the study can achieve its objectives. Furthermore, the literature review of this research study is based on the principles of these theories as discussed above.

### **1.8. Contributions of the study**

The study contributes to the existing literature, theory, as well as practice. Using literature, the study provides new knowledge by understanding why public financial management reforms do not relate to improved financial management and functional improvement in service delivery. In so doing, the study contributes to new knowledge relating to the NPM theory. By identifying the main reasons for the disconnect between public financial management reforms and functional service delivery and by providing a set of recommendations, the study contributes a way in which service delivery in government institutions can be enhanced. Moreover, the study provides global, national, and case-study-specific contributions, all of which are fully discussed in Chapter Seven.

## **1.9. Research methodology**

### **1.9.1 Research design**

DeFranzo (2011:1) suggests that research allows the researcher to gain new knowledge and understanding, which makes it possible to develop innovative ideas that will either reject or confirm existing theories, in search of an answer to the research problem. Research further includes the collection of data to advance knowledge (Creswell, 2014:9). This study followed a qualitative research design. This enabled the researcher to explore and gain relevant knowledge and insight into the research problem, and allows this study to give a comprehensive understanding of the realities of implementing public financial management reforms and service delivery at the NCDoh, the case study of this research.

This research study used an exploratory case study design. A case study enabled the researcher to contextualize the research gap without manipulating any data involved in the study. The case study of NCDoh enabled the researcher to investigate the problem, framework, challenges, and complexity of public financial management reforms and service delivery in practice. The research methodology followed by the researcher is discussed in detail in Chapter Five.

#### **1.9.1. Data collection**

Data collection comprises techniques in which the researcher actively collects data required to achieve research objectives (Bhandari, 2020:2). There are different data collection methods, so it is important for the researcher to choose the most viable methods of gaining reliable and credible information to measure the variables of the research (Bhandari, 2020:5). This study used both primary and secondary qualitative data collection methods to gather all the data needed for the study.

##### *1.9.1.1. Literature review*

Literature was reviewed to build a theoretical framework that would provide an understanding of the importance and relevance of public financial management reforms and service delivery, as well as of the relationship between them. The following literature was used for the study: journal articles, e-publications, e-newspaper articles, books, legislation, and various official documents.

##### *1.9.1.2. Empirical study*

To achieve the objectives of this study it was necessary to conduct an empirical study. For this purpose, interviews were conducted with health officials in the NCDoh. An interview guide was prepared, comprising all the key questions vital to answering the research questions of this

research study. Each interview was set to take ninety minutes and was to cover the important aspects relating to the study.

## **1.9.2. Research population and sampling**

### *1.9.2.1. Research population*

Lumpur (2016:19) defines the research target population as the complete number of components that are chosen to be measured as a sample of the study. Malhotra (2010:372) describes the latter as an “institution, population, community, or any type of institution identified as the environment where the research is launched for investigation.” For the present study, the NCDoH was chosen as the institution where the empirical study would be conducted, in order to investigate and gain an understanding of the underlying public financial management reform implications and challenges the Department faces when implementing reforms and that lead to poor service delivery. The research purposely targeted this department as an important one, the functioning of which is critical to the health of citizens.

The data needed for the research study was available from senior management in the NCDoH. These staff members are involved in financial management, and specifically the financial management reforms. These are the head of the department (accounting officer), chief financial officer, seven program managers, departmental accountants, senior managers in the budget directorate, senior manager in supply chain management, risk manager, and head of internal audit. The research population of the study thus consisted of these fifteen senior management officials within the NCDoH.

### *1.9.2.2. Research sampling*

According to Lumpur (2016:20), sampling is a technique in which a specific number, cases, or elements are chosen from the target population identified. Samkange (2015:32) asserts that representatives should be chosen that will help “obtain the reliable information regarding the phenomenon of interest” through the two methods of sampling: probability and non-probability sampling. This research study makes use of non-probability sampling.

#### *i. Non-probability sampling*

Case study research designs are primarily associated with non-probability sampling, as a small group of people is intentionally and rationally chosen to provide information and insight into a real-life phenomenon (Creswell, 2014:15). There are four types of non-probability sampling: quota

sampling, purposive sampling, snowball sampling, and convenience sampling (Lumpur, 2016:23). The sample of this research study was purposely selected.

ii. **Purposive sampling**

Purposive sampling is defined as a strategy where specific individuals are purposely selected based on a criterion (Lumpur, 2016:22). The sample chosen for this research study is the entire population for the study based on the relevance, experience, and knowledge of managers with regard to public financial management reforms and service delivery, as well as the small size of the research population. The researcher therefore planned to interview fifteen staff members within the NCDoh. These were members of senior management directly involved in the management and decision-making of the entire department. They were chosen because they are the most reliable, relevant, and informed personnel in the management and implementation of public financial management reforms. As a result, they would be able to give reliable, insightful, and credible information about the challenges that prevent effective implementation of public financial management, as well as the systemic issues weakening public financial management's enhancement of service delivery within their institution.

**1.9.2.3. Recruitment strategy**

After the researcher obtained approval for the study from the head of the NCDoh, the Research Directorate of the NCDoh contacted the identified officials in the sample regarding their participation in the research study. All the identified participants had given preliminary verbal agreement to participate in the study. Once the ethics approval had been granted, the researcher visited the NCDoh (Kimberley) where she met with the Research Directorate of the NCDoh (as arranged with the director of the Research Directorate) to formally meet and recruit each identified participant and give them the informed consent form. During this meeting, interviews with each participant were scheduled at a time most convenient to them, as the interviews were conducted during the working hours of the participants.

**1.9.3. Data recording and data analysis**

**1.9.3.1. Data recording**

Smulowitz (2017:1) defines data recording as a process during which data is captured through handwritten notes and audio and video recordings. This involves serious ethical issues that the researcher must think through. Due to the nature and sensitivity of the research topic, interviews were conducted face to face and the researcher followed ethical procedures throughout the

interview process. Interviews were recorded using a recording device, and notes were taken during the interviews. Thereafter, all the interviews were transcribed for analysis.

#### *1.9.3.2. Data analysis*

Data analysis is a creative and cumbersome process of evaluating data in a structured, orderly, and meaningful manner, and if data is not analyzed using appropriate measures, it will be difficult to read, unreliable, and untrustworthy (Vosloo, 2015:355). There are various analysis tools and techniques available, but the researcher must choose the most appropriate for his/her research study (Vosloo, 2015:355). The qualitative data collected in this research study was analyzed using content analysis, thematic analysis, and the NVivo software. These techniques allowed the researcher to code and classify responses into categories that define, elaborate, and integrate the data collected into thematic patterns to make research findings and reach factual conclusions about the study.

#### **1.10. Ethical considerations**

In contemporary South Africa, public financial officials are often uncomfortable discussing the systemic issues underlying public financial management, as experienced by the Office of the Auditor-General when auditing government institutions (Auditor-General, 2018). To mitigate any concerns that may arise, the participants were informed and assured that their identities would be kept confidential and that data would be analyzed in a manner that makes it impossible to link any of the participants to a specific response. Ethical approval was obtained from the Ethics Committee of the University of the Free State (ethical approval number: UFS-HSD2021/0193/21).

#### **1.11. Conclusion**

Public financial management reforms and service delivery are intertwined, as these reforms are primarily implemented to enhance service delivery, but literature indicates that there is a gap between these two concepts, creating a disconnect in the manner in which public financial management reforms affect service delivery. The research problem is thus why public financial management reforms do not always result in enhanced service delivery.

#### **1.12. Chapter layout**

##### **Chapter One: Background and orientation**

This chapter provides the background, research problem, significance of the study, research questions and objectives, and research methods that the study will employ in achieving its aim.

## **Chapter Two: Theoretical framework of public financial management**

This chapter provides a theoretical and conceptual framework relating to public financial management. Furthermore, the chapter reviews the relationship between public financial management and service delivery. This is widely reviewed and discussed, as an investigation is made of the principles, guidelines, challenges, and functionalities of public financial management within the international and local context and of how service delivery is consequently affected by the functioning of public financial management. This is done following the theory of public finance and the public budgeting theory.

## **Chapter Three: Conceptualization of public financial management reforms and service delivery**

This chapter establishes a theoretical framework of the emergence, importance, and role of public financial management reforms. This is done through a literature review and the integration of the NPM theory and public budgeting theory. This chapter aims to explain and evaluate the role of public financial management reforms on service delivery and further reviews the implementation of public financial management and service delivery in various countries in Africa and the rest of the world.

## **Chapter Four: Implementation of public financial management reforms and service delivery**

This chapter reviews the implementation of public financial management and service delivery in South Africa since the advent of democracy, and reviews the challenges facing the South African government in the implementation of these reforms.

## **Chapter Five: Research methodology**

The chapter discusses the research methodology undertaken and applied in the collection and analysis of research data. This chapter elaborates on the sampling, target population, ethical considerations, and overall methodology aspects adopted in conducting the study.

## **Chapter Six: Data analysis and interpretation of findings**

This chapter contains an analysis and interpretation of the data collected at the NCDoh. The researcher used content analysis, thematic analysis, and the software NVivo to form patterns from the responses of the research sample.

## **Chapter Seven: Recommendations and conclusions**

This chapter aims to provide recommendations on the implementation of public financial management reforms that will enhance service delivery. Moreover, the chapter contains the concluding remarks of the study.

## CHAPTER TWO: PUBLIC FINANCIAL MANAGEMENT IN THEORY

### 2.1. Introduction

“Management is Financial Management”, and without the ability, knowledge, and skills to manage financial resources, management becomes disconnected from achieving its objectives (Pauw *et al.*, 2015:127). The decision to implement programs and activities is dependent upon the institution’s financial resources and the management of these financial resources. As a result, financial management is the core aspect in the management of any institution or department, and without sound financial management, it is impossible to achieve and manage the desired results. Financial management is therefore vital in both the public and private sectors, but it is pivotal in the public sector as it affects everyone and everything in the country, including the private sector (Nyamita *et al.*, 2015:26).

This chapter comprises a comprehensive discussion of the theoretical framework of public financial management within a universal perspective, to emphasize the importance of sound financial management for service delivery by establishing the relationship between financial management reforms and service delivery and how these two concepts are intertwined. Furthermore, the chapter discusses the budget, performance management, and governance as important elements in public financial management. The chapter ends with a review of the most common challenges faced in the management of public finances.

### 2.2. Public financial management defined

Public financial management is a complex and dynamic process with multiple procedures that require public revenue to be collected in an efficient manner and expenditure to be managed in a way that promotes value-for-money service delivery to citizens. This is achieved through a scope that includes making financial decisions, budgeting, revenue collection, financing, expenditure management, financial reporting, auditing, financial accountability, and other functions ranging from daily cash management to the formulation of long-term financial objectives, policies, and strategies in support of the strategic and operational plans (Scott, 2019:4; Nyamita *et al.*, 2015:26).

Before one can fully comprehend the depth of public financial management, it is important to first understand the meaning of public financial management and the different aspects integrated within the definition thereof. There is no universal definition of public financial management, but Pretorius and Pretorius (2009:vii) indicate that “although definitions of public financial management still differ, there is a growing recognition that public financial management covers

not just technical accounting and reporting issues, but rather the overall taxing, spending and debt management of government, which in turn influences resource allocation and income distribution.” Below are the various definitions of public financial management used as a framework to define it within the context of the present study.

*Table 1: Definitions of public financial management*

	<b>Author(s)</b>	<b>Definition</b>
1	Fung (2012)	Public financial management is a “process that incorporates decision making, planning and control of public funds in a budget, to promote best financial practices within an enterprise.”
2	Jordaan (2013:1)	“ <i>Public financial management</i> is the downstream activities of budget execution, control, accounting, reporting, monitoring, and evaluation.”
3	Moeti <i>et al.</i> (2007:40)	Public financial management is a process that “deals with the management of people’s money, which has been entrusted upon government.”
4	Piatti-Fünfkirchen and Schneider (2018:2)	Public financial management is defined as “processes through which public funds are managed to play an important role in service delivery as it sets out the framework for how public funds are used in the provisioning of services.”
5	Graham (2011:3)	Public financial management is a tool that provides decision makers with vital information that helps either prevent or control incentives for goods and services to the public.
6	Morgner and Chene (2014:2)	Public financial management is a key element within the functioning and administration that govern the purpose and activities of government through the mechanism of allocation, collection, expenditure, and accountability of public financial resources.
7	Cheruiyot (2018)	Public financial management is a process whereby government collects sufficient revenue from the economy in an effective, efficient, and appropriate manner.
8	Burger and Woods (2008)	Public financial management involves a decision-making process that ensures that scarce resources are utilized and prioritized in a manner that promotes value for money in the services provided to the citizens by the government.

Table 1 (continued)

9	Scott (2016)	Public financial management is a mix of interlinked systems, processes, and practices that include budgeting, revenue mobilization, public expenditure management, financial reporting, auditing, and a public financial management regulatory framework.
10	Pretorius and Pretorius (2009:2)	Public financial management is “the taxing, spending and debt management of government, which influences resource allocation and income distribution. The spending portion covers the budget cycle, including budget preparation, internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements.”
11	Tkachenko (2020:78)	Public financial management is a system where methods and principles are developed and adopted to promote the best management decisions, and to ensure that financial resources are distributed effectively by public authorities. This is done to ensure that citizens’ lives improve for the better.
12	Lawson (2015:1)	Laws, procedures, and processes are established by the government to enable it to effectively collect, allocate, spend, and account for public revenue.
13	Allen, Hemming, and Potter (2013:2)	Public financial management is laws, institutions, systems, and procedures that the government uses in an effective, efficient, and transparent manner in order to obtain and utilize resources.
14	Correia, Flynn, Uliana, and Wormald (2003)	Public financial management is a functional discipline that promotes effective operations within the institution through budget management.

From Table 1, it is clear that there is no common universal definition of public financial management. However, from an analysis of the different definitions, vital aspects may be identified that form a thematic pattern for defining public financial management within the context of the present study. It is thus inferred that public financial management includes the following:

- a) It is a process.
- b) It involves a budget.
- c) It encompasses planning, decision making, revenue collection, execution, expenditure management, control of public funds, and the management of financial performance.
- d) It requires decisions to be made.
- e) It exists for the citizens through the means of service delivery.
- f) It strives for value for money (economical, effective, and efficient).
- g) It requires control mechanisms such as reporting, and monitoring and evaluation.

For the purposes of this research, therefore, public financial management can be defined as follows: Public financial management is a budget-informed management process by the government that requires coherent decisions to be taken in the planning, decision-making, revenue collection, execution, management, and distribution of public funds, with the aim and purpose of providing value-for-money goods and services that will improve the lives of the citizens and the economy of the country.

From this definition, it is clear that public financial management plays a critical role in the growth and development of the entire country and, as a result, should be approached and treated with the necessary care and importance.

### **2.3. Importance of public financial management**

It is the role of government to develop the country from all angles (Scott & Enu-Kwesi, 2018:24). This can be done in a multitude of ways. As a result, governments all over the world function within different structures and procedures, but the one commonality they shared is the leadership role they must play in facilitating growth and development (Haque, Knight, & Jayasuriya, 2015:610). Financial management, therefore, is a key element in achieving this goal, as nothing can be done without money (Scott, 2019:73).

The public sector functions for various reasons and objectives, but one of the primary objectives for the existence of the public sector is to promote socio-economic and environmental welfare through fair and equitable service delivery (Scott & Enu-Kwesi, 2018:25). Nyamita *et al.* (2015:25) state that although government operations of public management and administration are vital to acquiring adequate financing, the management of these funds remains the key component in the overall functioning and growth of the public sector. Therefore, the management of these resources is at the center of government processes and effectiveness (Haque *et al.*, 2015:610). This argument is in line with Correia *et al.*'s (2003:2) definition that public financial management is a functional discipline aimed at promoting effectiveness within an institution through various functions.

Public financial management has various functions and elements, but this study focusses on three elements (listed below) emphasizing the importance of public financial management as identified by Scott (2019:73), and thus emphasizing that public financial management is important in ensuring that public money is spent interdependently to achieve the following:

- **Promotion of strategic objectives**

Allocation and expenditure of public funds should be strategically prioritized to those activities and programs that will contribute to the governmental objectives and priorities.

- **Sustainability of fiscal discipline**

Money should be spent within the limit of the available budget, and debt should be managed and kept within the levels of affordable services.

- **Delivery of value for money**

Funds must be implemented and spent efficiently and effectively as this promotes better and sustainable economic growth.

### **2.3.1 Promotion of strategic objectives**

Moeti *et al.* (2007:40) states that public finance is important and should be dealt with attentively and sensitively, as it is one of the primary pillars of public administration and citizens are dependent on the government for effective and efficient service delivery. This is because public financial management affects the economic, social, environmental, and political parameters of government, which makes the effectiveness of government activities dependent on how public funds are managed (Pauw *et al.*, 2015:79). Sound public financial practices are essential to the long-term sustainability of every country, institution, department, or municipality and are a key instrument in integrating and achieving government priorities (Goryakin, Revill, Mirelman, Sweeney, Ochalek, & Suhrate, 2017:1).

Scott's (2019:72) definition of public financial management is that public financial management "is a mixture of interlinked systems", in which government plans and activities are integrated through "budgetary processes and the mobilization of resources, public expenditure management, financial reporting, auditing, and the Public Financial Management Regulatory Framework" to promote the strategic objectives of the institution. This definition emphasizes Shaikh and Naeem's (2017:1) assertion that public financial management is important because of its many interlinked systems that have an impact on the short- and long-term sustainability and management, performance measurement, strategic planning, and decision-making that ensure that strategic objectives are met. Lawson (2015:2) contends that public financial management plays a vital role in the establishment of an effective institutional framework and that sound public financial management is the key element to achieving governmental outcomes, and further emphasizes that public financial management should be treated as a priority.

Public financial management is essential to improving the decision-making processes that lead to improved service delivery, and sound public financial management is thus important for accomplishing the strategic objectives of an institution. This assertion is supported by Lawson's (2015), Burger and Woods' (2008), and Graham's (2011) definitions of public financial management, which emphasize that service delivery can be enhanced through the decision-making processes in public management. According to Hadden (2017b:72), strategic goals within the institutions are intertwined and interdependent, and when the public financial management systems fail, other systems within the institution are inevitably affected. Consequently, the government may fail to achieve most of its strategic objectives. This assertion is supported by Scott's (2019:72) argument that when public finances are managed and implemented correctly, the government can integrate its objectives and priorities effectively. Subsequently, it becomes easier for governmental institutions to "sustain aggregate fiscal discipline; allocate public resources; prioritize essential societal needs; function efficiently through maximization and provisioning of value for money services; and warrant transparency, accountability and informative processes in the provisioning of services" when public financial management systems are in place and are effective (Lawson, 2015:2).

In addition, Piatti-Fünfkirchen and Schneider (2018:2) argue that sound public financial management is important in assisting the government to sustain and predict revenue streams, enhance efficiency and quality in service delivery, and promote good governance. Understanding public financial management is critical in assisting governments to develop strategies and policies that will improve the practice of public administration and help achieve the government's overall objectives (Allen *et al.*, 2017:3). Public institutions may differ in nature, but they all function to provide a particular service. Therefore, managers need to use financial resources in a manner that promises optimal provision of basic services and achieve proposed policies (Jordaan, 2013:1). Thus, sound public financial management is a key element for any government and is primary to the functioning of government activities, outcomes, and policies (Haque *et al.*, 2015:609).

### **2.3.1. Sustainability of fiscal discipline**

Piatti-Fünfkirchen and Schneider's (2018:2) definition claims that public financial management, as a management process, plays a central role in service delivery through the financial frameworks established to promote how public funds are to be managed in the provision of services. According to Siswana (2007:97), the management of public finances is a critical aspect in the government's operations as the quality and provision of public services is influenced by

fiscal policies. Nandelenga and Ellyne (2020:2) argue that without fiscal policies and fiscal discipline, the government will not be able to properly and effectively plan and manage public finances. Public financial management underpins the process of democratic accountability, and therefore prevents opaque financial management – which often leads to “increased corruption, misdirection of public funds and underutilization resources” – through the establishment of fiscal policies and the budget to provide boundaries and long-term effects to citizens (National Treasury, 2010:1).

Furthermore, the security of sound public finances depends upon not only the right policies and good institutional skills, but also, more importantly, the budget as a fiscal financial policy document that is responsible for the distribution and redistribution of services among citizens (Rao, 2013:2). Public finances are tabled in a budget that details the programs and activities that the government will implement in the provision of service delivery (Masakala, Omol, Wauyo, & Okumu, 2017:35). Fiscal discipline is therefore a vital element in consolidating the processes in which the government collects revenue in terms of taxes and how this revenue is managed and spent (Kumar & Ter-minassin, 2007:2). Fiscal policies prevent the government from making decisions that will impose long-term challenges, such as budget deficits, on the country’s public financial management systems and economy (Nandelenga & Ellyne, 2020:2). Furthermore, fiscal policies promote transparent and accountable taxing and spending mechanisms to restrict budget parameters and enhance the credibility and achievability of the budget as a fiscal policy in providing effective and efficient service delivery (Gaber, Gaber, & Gruevski, 2015:8).

Scott and Enu-Kwesi (2018:23) affirm this by noting that the budget is a fiscal document that plays a crucial role in radically improving and enhancing good quality services. Without effective policies, proper procedures, capable staff, and sufficient public funds, no public institution can operate effectively or provide efficient services (Prakash & Cabezon, 2008:12). Sustainable fiscal discipline is important for achieving sound public financial management and obtaining a better fiscal and financial position in government (Welham *et al.*, 2013:4; Allen *et al.*, 2017:3). Financial planning, therefore, plays a critical role in the country’s ability to provide services and strengthen economic development (Ricciuti, Savoia, & Sen, 2019:973).

Personnel become more effective at planning, allocating, and implementing available resources efficiently when fiscal discipline is sustained (Scott, 2019:74). Subsequently, this promotes economic operations that best benefit society through optimal utilization of resources and enhanced service delivery (Scott, 2019:74). Piatti-Fünfkirchen and Schneider (2018:8–9) add that sustained fiscal discipline can stimulate efficient service delivery, depending on how fiscal policies

are managed. Goryakin *et al.* (2017:1) further indicate that public financial management can ensure transparency and reliability through sustained fiscal policies. It is through sustained fiscal discipline that an institution is enabled to carry out its various policies and objectives, as well as give rise to economic development clusters (Ricciuti *et al.*, 2019:973).

Sound public financial management requires fiscal discipline and efforts to keep public revenue, expenditure, and national debt within levels that are not prohibitively expensive to service delivery (Scott, 2019:74). This requires the ability to raise revenue and implement strategic priorities that will promote the allocation and expenditure of resources to areas that make the greatest contribution to the government's objectives, in line with the allocative efficiency framework (Scott, 2016:36). Delivering value-for-money services entails efficient and effective use of resources in the implementation of the budget (Department for International Development, 2015:56). Thus, without good fiscal discipline, the government will not be able to properly and effectively plan and manage public finances (Allen *et al.*, 2017:5). Adherence to fiscal policies promotes economic growth, macro-economic stability, and sound public financial management. It is therefore essential for officials to maintain fiscal discipline (Welham *et al.*, 2013:4).

Ricciuti *et al.* (2019:973) emphasize that fiscal discipline is the foundation and heart of providing a good economy and that as a result, public financial management is dependent upon sound fiscal discipline if it is to promote economic growth. Fiscal discipline allows the government to collect sufficient revenue from taxes, efficiently allocate finances, and implement programs in a manner that delivers the best value –for-money services. This is verified by Prakash and Cabezon's (2008:11) assertion that a well-functioning public financial management system is dependent upon discipline and adherence to fiscal policies, and that a lack thereof will therefore result in budget deficits, inflation, excess use of foreign reserves, and high levels of international and domestic borrowing (Welham *et al.*, 2013:3).

### **2.3.2. Delivery of value for money services**

The National Audit Office of the United Kingdom (2020:1) defines value for money as criteria that ensure the optimal utilization of available resources in achieving the intended results. Jackson (2012:1) supports this definition by stating that value for money strikes the balance between available resources and outcomes through the three Es: economy, efficiency, and effectiveness. Jackson (2012:2) further notes that value for money is vital for managing public resources and providing the best quality services at the lowest prices. Value for money is therefore concerned with checklists, public consultations, data analysis, and benchmarking that provide managers with relevant information to aid them in the decision-making process (Prowle, Kalar, & Barrow,

2016:2). BetterEvaluation (2017:2) posits that value for money has six key aspects that enable service delivery and enhance institutional performance, namely: leadership, openness and innovation, external focus, institutional change, involvement of frontline services professionals, and value for money. These six aspects enhance the three Es and enable quality service delivery (Prowle *et al.*, 2016:5).

According to the National Audit Office of the United Kingdom (2020:2), value for money is associated with the three Es and cannot be separated from these elements, nor can these three elements be assessed separately when assessing value for money. The three Es constitute the following (Nsiah-Asare & Prempeh 2016:5; Prowle *et al.*, 2016:5; National Audit Office of the United Kingdom, 2020:1; BetterEvaluation, 2017:1):

- economy: acquiring the necessary resources to carry out an activity at the least cost and having regard for the appropriate quality
- efficiency: achieving maximum output from a given level of resources used to carry out an activity
- effectiveness: the extent to which policy objectives, operational goals, and other intended effects are achieved.

Nsiah-Asare and Prempeh (2016:2) assert that value for money plays a vital role in ensuring that citizens are provided with the best quality services at the lowest prices. Therefore, public finances must be managed in a manner that optimizes the cost-benefit analysis and delivers quality goods and services to citizens. The aforementioned supports the requirement of Moeti *et al.*'s (2007:3) definition that public financial management must enhance service delivery and improve the lives of the citizens.

Sound public financial management is important for the growth, development, and sustainability of the entire country, because government activities and service delivery are dependent upon available funds and how these funds are ultimately planned, managed, and spent (Masakala *et al.*, 2017:36). Accordingly, public financial management is important in balancing the value of maximization and subsequently helps the government achieve objectives, while stimulating development, economic growth, and value –for-money services (Goryakin *et al.*, 2017:1).

Nyamita *et al.* (2015:25) state that although operations of public management and administration are vital to acquiring adequate financing, the management of these funds remains the key component in the overall functioning and economic growth of the public sector. Therefore, the management of these resources is at the center of government processes and effectiveness (Haque *et al.*, 2015:610). The key function of public financial management is based on good

stewardship by the government of public financial affairs as representatives of the citizens. Thus, it is the role and responsibility of the government to safeguard and to effectively and efficiently utilize resources that deliver value-for-money services (Jordaan, 2013:3).

Public finances must be managed in a manner that achieves effective, efficient, and economic service delivery (Jordaan, 2013:3). This is supported by Scott and Enu-Kwesi's (2018:23) assertion that public finances play a critical role in the development of the entire country and that, subsequently, the management of these funds is at the center of government's existence and all its priorities, because the achievement of objectives underlies the productivity of economic activities that stimulate national growth and service delivery. Scott and Enu-Kwesi (2018:23) further indicate that public financial management is imperative for the survival of the public sector because without sufficient and sound management of financial resources, government institutions will fail to achieve priorities and the economy will suffer immensely.

It may therefore be inferred that the importance of public financial management lies in the public sector's ability to acquire, allocate, control, report, monitor, evaluate, and oversee public financial resources in an accountable and transparent manner that will improve service delivery and promote effective, efficient, economical, and appropriate service delivery. This implies that the way in which public money is managed affects government's priorities and achievement of objectives, effective fiscal and budgetary controls, economic growth, and, more importantly, improved service delivery.

#### **2.4. Public financial management and service delivery**

This study rests on the theory of public finance and its key principle, which is that the main role of and primary reason for the existence of government institutions are to provide sufficient goods and services for the whole of society (Musgrave & Musgrave, 1976:25). This theorem is supported by the Impossibility Theorem, which emphasizes that service delivery should benefit the whole of society and not be focused on only specified groups or individuals (Pauw *et al.*, 2015). From these two theorems, the present study argues that how public money is spent affects service delivery. Thus, the key element and primary role of government is to implement fair taxing systems and spend accumulated revenue in a responsible manner that encourages the country and the whole of society to grow and flourish (Lawson, 2015:2).

The inference can be made that the main purpose of public financial management is therefore to redistribute finances back to the citizens in the form of service delivery, and public service delivery thus becomes the core objective for the acquisition of public finances, as expressed by Moeti *et*

*al.*'s (2007:8) and Piatti-Fünfkirchen and Schneider's (2018:2) definitions of public financial management. Siswana (2007:97) states that the functioning of government is dependent upon accurate revenue and expenditure management and that, as a result, public financial management is a crucial government activity in warranting that quality, effective, efficient, and appropriate services are provided to the citizens. Piatti-Fünfkirchen and Schneider (2018:2) highlight that public financial management is a key aspect through which the government implements its policies and achieves its economic and societal objectives.

Five decades ago, Sharon (1967:343) already stated that "public financial management is the heart and cornerstone of service delivery throughout all spheres of government." After many years, the statement is still valid, if not more accurate. As a result, an improvement in public financial management will have an impact on service delivery (Welham *et al.*, 2013:1). This implies that the quality and provision of public services are affected by how the government manages public finances. Government's ability to deliver value-for-money services requires effective implementation of strategies that will prioritize, enforce, and pursue thorough financial management (Scott, 2019:73).

Cheruiyot *et al.* (2017:212) indicate that poor performance in government activities and poor outcomes in service delivery are linked to poor budget processes and weak public financial management systems, and further indicate that it is through proper public financial management measures and systems that the government will be enabled to avoid financial wastages and extravagant spending, fraud and corruption, irregularities, and ultimately unnecessary expenditure. Opaque management of public finances thus results in wasteful and fruitless expenditure and increased risks of corruption, which lead to poor service delivery (Pauw *et al.*, 2015:135). The aforementioned refers to the underlying principles of public financial management that suggest that good public financial management leads to better delivery and provision of services (Masakala *et al.*, 2017:35).

The World Bank (2005:1) argues that to achieve sound public financial management and avoid ineffectiveness, government needs to implement policies and achieve developmental objectives through strategic allocation of resources, efficient service delivery, and aggregate fiscal discipline. This is verified by Piatti-Fünfkirchen and Schneider's (2018:2) assertion that public financial management, as a management process, plays an important role in service delivery as it sets out the framework for how public funds are used in the provision of services. Hadden (2017b:2) indicates that the implementation of smart public financial management strategies will lead to enhanced service delivery, which is why available funds need to be managed well in order to

provide services and achieve good governance. Consequently, without financial discipline and a well-managed financial system, public money will be wasted and service delivery will suffer.

According to Jordaan (2013:6), the core element of good governance is sound financial management, which predetermines the achievement of effective service delivery. Acquisition and accessibility of financial resources, therefore, shape the outcomes that are key to effective public administration and service delivery (Provan & Milward, 1995:9). If the government collects its revenue from the citizens but fails to provide sufficient and appropriate services, then there was no relevance to why the revenue was collected. The majority of public revenue is collected through taxes from the citizens. Therefore, these funds must improve the quality of life of the citizens through value-for-money public service delivery (Hadley, 2014:1).

Provision of value –for-money services is dependent upon effective and efficient implementation and management of available resources (Scott, 2019:71). Hence, without sufficient and sound public financial management, effective service delivery may suffer (Lawson, 2015:2). According to Kamau, Potich, and Anyango (2017:257), public financial management aims to enable the government to achieve desired outcomes in a structured manner. This implies that public financial management is the key element in improving the quality of services provided because the amount of funds available and how these funds are implemented in the budget implementation process are reflected in the quality of goods and services provisioned (Cheruiyot *et al.*, 2017:212).

Hadden (2017a:2) further states that without proper management of funds, “service delivery will be compromised”, because effective public financial management is what enhances service delivery. Management of public finances affects how available resources are spent when addressing national priorities and objectives (Kamau *et al.*, 2017:257), as well as the country’s investments and debt control measures. Therefore, how the government manages public money will affect the lives of its citizens (Hadden, 2017a:2; Cheruiyot *et al.*, 2017:212). Lawson (2015:2) further indicates that the improvement in public financial management will encourage societal development and enhance service delivery (a view that is supported by scholars such as Hadden, 2017a; Rao, 2013; Foster, 2013; and Pauw *et al.*, 2015). In addition, Cheruiyot *et al.* (2017:212) conclude their study by stating that proper implementation of public financial management systems and reforms will enable governments to achieve objectives and provide better and enhanced service delivery.

Hadden (2017a:2) provides the following measures as ways in which matured public financial management can lead to improved service delivery:

- The use of the chart of accounts is aimed at helping a government manage and allocate financial resources based on achieving public sector objectives. This ensures that public money is spent on goods and services that benefit the citizens at large and fulfil governmental objectives.
- The use of an accrual accounting systems helps acquire all financial information. This is also effective in helping managers make better decisions, through the integration of real-time information acquired.
- The treasury single account should be utilized with operative resources and debt management measures to ensure the provision for service delivery.
- Standardize the reporting mechanism in a manner that is transparent and holds officials accountable.
- Improve citizen participation, productivity, and efficiency through programmed government resource planning.

The importance of public financial management for service delivery becomes evident within the budget process (Piatti-Fünfkirchen & Schneider, 2018:2). This is because the planning and implementation process must lead to the effective and efficient achievement of objectives (Kamau *et al.*, 2017:257). This implies that how public money is managed during the execution process is measured by the outcomes of services delivered (Siswana, 2007:102). The budget processes are therefore critically significant for achieving desired results, and their management should ensure that the three Es in public administration are achieved and maintained. As a result, public budgeting theory becomes fundamental and highly significant in the objectives of the present study (Nyamita *et al.*, 2015:26).

From the above, it may be inferred that public financial management and service delivery are intertwined, and that this is a relationship that can never be broken. This relationship is formed and established by the principles and objectives of the theory of public finance and the public budgeting theory. However, for the purposes of this study, these two theories cannot be separated, as they are interdependent for enhanced service delivery in the public sector. It is the responsibility of the government to use public money on programs and projects that will most benefit society. According to Welham, Hart, Mustapha, and Hardley (2017:16), the budget is the main function in public financial management, and the manner in which the budget is managed will affect the quality and equity of services delivered.

## **2.5. Budgeting as the main function of public financial management**

The literature reviewed for this study illustrated that public financial management is a broad and dynamic topic, connected to various aspects and fields such as economics, accounting, politics, and international relations. Therefore, public financial management in practice has various interrelated functions. In the field of Public Administration, it is even more complex, as Public Administration links with other fields but ultimately brings out the most vital functions found in the theory of public finance (Nyamita *et al.*, 2015:27). These functions include decision making, budgeting, financial reporting, accounting, performance measurement, and auditing. All these functions are coordinated and integrated into the budget process. Therefore, every government must formulate a budget that will enable it to strategically plan, implement, and evaluate its policy programs and objectives (Kamau *et al.*, 2017:259).

Scott and Enu-Kwesi (2018:24) hold that the budget process determines the quality, effectiveness, efficiency, and sustainability of services provided, and must be managed to maximize efficiency, minimize costs, and improve the quality of services. This is supported by Holynskyy (2017:20), who states that the implementation of the budget processes determines the quality of services the government provides. Holynskyy (2017:20) further states that the “budget execution is the most important phase of the budget process”, because how and on what public money is spent are ultimately what affects the provision of services. Furthermore, Piatti-Fünfkirchen and Schneider (2018:9) indicate that it is through strategic budget reforms that public financial management can become an enabling factor of effective service delivery.

Consequently, proper public financial management strategies assist managers in ensuring quality and equity in the manner in which public money is spent by prioritizing governmental objectives (Kamau *et al.*, 2017:258). Cheruiyot *et al.* (2017:216) emphasize the importance of the public budgeting theory for public financial management by pointing out that it is through public budgeting theory that consensus can be reached on how public money should be allocated and on what it should be spent. The budget plan must therefore promote government programs and activities that will most benefit the whole of society (Kamau *et al.*, 2017:258), thus directly supporting the theory of public finance. The latter interlinks the two theories by promoting the concept that the public budget must fund programs and activities that are effective in assisting the government to achieve its primary goals and objectives for its citizens (Masakala *et al.*, 2017:35). Therefore, the budget must be implemented as planned in order to achieve objectives, strengthen the economy, and provide quality services (Scott, 2019:73).

### **2.5.1. The importance of a budget**

Zweni (2017:2) defines the budget as an instrument used by managers and officials to effectively and indispensably measure institutional performance and achieve results against set objectives and expectations. A budget can be regarded as a strategic statement of the goals and objectives an institution aims to achieve, accompanied by estimates of the total revenue and expenditure over a specified time set aside to help achieve such objectives (Pauw *et al.*, 2015:65). Zweni (2017:4) further highlights that a government budget is a multifunctioning instrument that ultimately makes it possible for the government to achieve its objectives. The inference can thus be made that a budget is a public financial management strategy for how the government plans to accomplish its objectives, by estimating how the funds will be used to improve service delivery (Cheruiyot *et al.*, 2017:216). Furthermore, a budget is a financial plan that identifies priority policies and objectives of the institution and then illustrates how revenue will be raised and spent to achieve these objectives (Masakala *et al.*, 2017:35).

Nyamita *et al.* (2015:26) posit that the budget is the most important instrument in the functioning of public financial management, as it provides managers with a guided framework of costs and also controls expenditure so as to not exceed revenue. As a result, all other functions flow from the effectiveness of how the budget is managed. Basheka and Phago (2014:154) also hold that a budget is the most fundamental instrument, as it not only allocates expenditure but also directs the government's decisions through the allocation of resources. A budget is further directly linked to the institutional objectives, and thus serves as a link between all government functions. All of the aforementioned implies that a budget is an instrument that integrates public financial management functions into service delivery (Kamau *et al.*, 2017:257).

The budget plays an important role in distributing financial resources (Sicilia & Steccolini, 2016:906) and should be used to coordinate government plans to collect and distribute revenue in the most effective and efficient manner (Basheka & Phago, 2014:154), by establishing which services will be provided, how the money will be spent, and how the government will generate its revenue (Pauw *et al.*, 2015:68). Jordaan (2013:128) holds that it is through the budget that a government can make provisions and strategically prioritize expenditure, promote aggregate fiscal discipline, and effectively implement government policies.

A budget is a communication instrument that specifies how the government will spend public money to achieve objectives while helping managers make informed decisions (Scott 2018b:124). Allen *et al.* (2017:1) assert that a properly planned budget enables the government to achieve and maintain financial stability. Consequently, the government can only achieve developmental

objectives if it has an effective plan that links all its revenue with their expenditure (Hirsch, 2017:3). Therefore, the government needs to table its budget transparently to allow accountability and tracking of how funds will be managed in order to ensure that desired results are achieved (Andrews, Cangiano, Cole, de Renzio, Krause, & Seligmann, 2014:2).

For that reason, a budget is a communication instrument that calculates the resources the institution needs for producing the outputs desired to achieve its objectives and meet the citizens' needs and priorities (Pauw *et al.*, 2015:64). This also supports the notion behind the public budgeting theory that managers are responsible for ensuring that the budget is planned in an achievable manner that can provide clear outcomes through service delivery (Allen *et al.*, 2017). It is therefore evident that the manner in which the budget process is managed will affect the results obtained and, as a result, the quality of the services delivered will reflect how the budget was managed following the public financial management systems of the institution (Kamau *et al.*, 2017:257).

The importance of a budget lies in its ability to provide a credible and transparent reflection of government priorities, activities, and policies. The most vital effect of the budget is to ensure that public money reaches the citizens through service delivery (Andrews *et al.*, 2014:6). This makes the public budgeting theory relevant, as it connects public financial management and service delivery and promotes the idea that how the budget is formulated and implemented should be to the benefit of the citizens through impactful service delivery (Kamau *et al.*, 2017:258). The budget is not a one-element instrument, but is composed of different stages that go through a cycle of ensuring that public financial management positively affects service delivery (Masakala *et al.*, 2017:34). Thus, service delivery can only be achieved through good budgetary processes, and public financial management is measured by the services delivered through these budgetary processes (Welham *et al.*, 2017:15).

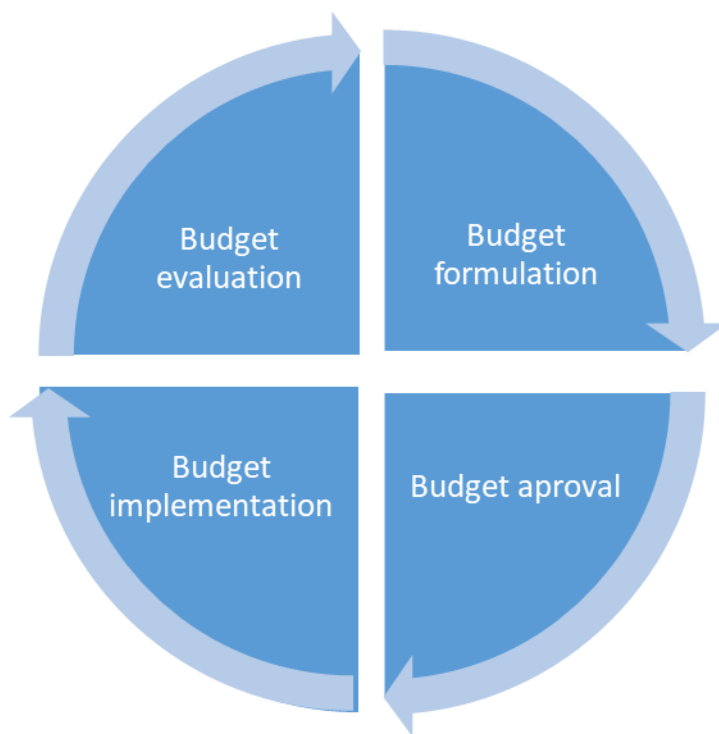
Lastly, Olivier (2016:45) incorporates the above-mentioned definitions and explanations by defining a budget as “a mechanism that measures the performance of the public institution and the performance of the accounting officers, promotes and upholds basic values and principles of public administration as reflected in Section 195 of the South Africa Constitution.” The budget, therefore, becomes an instrument against which the performance of the institution is measured.

### **2.5.2. The budget process**

To ensure that the budget achieves the necessary outcomes, it is important that the budget process be managed and monitored in a manner that prioritizes the objectives of the institution.

Scott and Enu-Kwesi (2018:24) emphasize that the budget is important because it specifies what public funds must be used, and if this strategic plan is not followed, the entire budget process becomes useless. The budget is thus a critical element in public financial management and should be treated with caution and as significant, by communicating transparently and promoting accountability in the manner in which public funds are used (Welham *et al.*, 2017:16).

Therefore, the importance and value of budget processes can be summarized by its use as a public management tool that promotes the effective and efficient management of public money (Scott, 2019:73). To ensure that the strategic plan succeeds and that money is used appropriately, there are specific stages that must be followed in the budget process. Welham *et al.* (2017:15) assert that the budget process has four main stages: budget formulation, budget approval, budget implementation, and budget evaluation. Below is a figure that illustrates these stages:



*Figure 3: Stages of the budget process*

Source: Author's synthesis of the literature

#### 2.5.2.1. *Formulation stage*

This is the stage in which the planning of the budget takes place by preparing long-term policies and plans that enable both the government and the citizens to understand the importance of public financial management (Hirsch, 2017:3). This stage is usually headed by the political executive, treasuries, and senior officials. Political executives ensure that the budget is linked to the priorities

of the government of the day, while officials ensure that these objectives are approached in a constitutional and regulated manner, by drawing up policies, strategic plans, providing guidelines, overseeing expenditure, and monitoring the fiscal standings (Pauw *et al.*, 2015:78). The formulation of the budget has the following sub-functions that help identify important aspects in this stage:

i. Setting priorities and objectives

In this stage, priorities and core objectives are identified and managers decide on the programs that will be implemented to best achieve these objectives, as the budget must reflect the vision and mission of the institution/department (The World Bank, 2020b:4). The budget becomes part of the institutional strategic plan, in which the aspirations and roadmap of the institution are drawn (Hirsch, 2017:4). The budget must therefore communicate activities that will be implemented to ensure that the identified objectives are achieved, in a manner that provides managers and policymakers with estimations and allocations of the various bases of budgeting (Pauw *et al.*, 2015:70).

The budget must promote transparency in how public funds are collected and distributed, while ensuring that there is accountability in the management of these funds (The World Bank, 2020a:4) by establishing methods that allow the government to engage directly with the citizens and ensure that all the decisions taken are in the best interest of the citizens (Scott, 2018a:124). This is the stage where objectives and priorities are identified so that a financial plan can be integrated (Masakala *et al.*, 2017:35).

ii. Decision-making

Decision-making is an important factor in budget formulation and requires the strategic application of policies (Organization for Economic Co-operation and Development (OECD), 2020:1). Budgeting requires decision makers to be transparent in how financing and expenditure management will presume. Important decisions need to be made at this point about the objectives, programs, budget funds allocation, procedures, and processes that will be followed in realizing the set goals (The World Bank, 2020b:4; OECD, 2020:1). The budget formulation should be done in a manner that ensures the whole budget process is efficient, and for this reason decision-makers need to be realistic, of sound judgment, and responsible in their budget planning (International Monetary Fund, 2020a:1). Effective implementation of the budget is influenced by the quality of the decisions taken during the formulation phase, which focuses on three main

aspects: revenue collection, expenditure, and the execution of public financial management (The World Bank, 2020b:4).

### iii. Financing

In the planning and formulation phase of the budget, it is important for the budget to reflect its financing strategies and how the estimated revenue will be collected (OECD, 2020:2). Financing plays a vital part in the budgeting process of every institution, although revenue collection differs in every institution. Before the government can estimate its expenditure, it must first estimate its revenue so that it can work on a visible plan (Kamau *et al.*, 2017:256). This must be done in a strategic manner that promotes fiscal discipline, economic growth, and sustainable provision of public services (Nyamita *et al.*, 2015:25).

Governments collect their revenue mainly from taxes and investments. However, in most countries, the government finds itself in a position where expenses exceed the revenue and therefore end up with a budget deficit, forcing the government to borrow money or find alternative means of obtaining additional funding (OECD, 2020:2). Financing is therefore important, and the government must be transparent in how the provision of services is done and must ensure that this does not have a negative impact on the citizens, the economy, and future investments. It must instead be done sustainably and efficiently, which promises a better tomorrow without compromising the lives of future generations (The World Bank, 2020a:4; International Monetary Fund, 2020a:1).

### iv. Budget preparation

After important and necessary allocation decisions have been taken and financing made available, a budget is then prepared. According to Welham *et al.* (2017:15), this entails tabling all the information into a readable document. This document should comprise economic assumptions, estimates of revenue and expenditure, challenges, macro-economic objectives, and how the budget intends to make a positive impact on the lives of the citizens (International Monetary Fund, 2020a:1). This documentation is therefore known as the “proposed budget” and is submitted to the parliament for approval (International Monetary Fund, 2020a:1).

#### 2.5.2.2. *Budget approval stage*

In most countries, the finance ministry/national treasury and the executive are the key role players in the formulation of the budget. After the completion of the budget formulation phase, the proposed budget is presented to the parliament for approval by the minister of finance (International Monetary Fund, 2020b:1). The parliament, also known as the legislature, reviews

and scrutinizes the budget, and the minister defends the budget. Upon review and amendments, the budget is approved and voted into law by the legislature and thus becomes an act (International Budget Partnership Organization, 2020).

The legislature is the key role player in this stage. Approval of the budget entails that the proposed budget is enacted into law and the estimated amounts agreed upon are transferred to respective departments so that the identified programs and projects can undergo execution (Pauw *et al.*, 2015:85).

#### 2.5.2.3. *Budget execution*

Once the budget has been approved, funds are transferred and personnel begin to implement programs. This is the process whereby goods and services are provided to the citizens and is referred to as “redistribution of funds” (International Budget Partnership Organization, 2020:7). The key features in the budget execution process are to ensure that budget figures are adhered to, that changes in the budget priorities are monitored, that challenges that arise during implementation are identified, and that risks are mitigated as they arise (International Monetary Fund, 2020b:1). There has to be a clear identification of who is responsible for what in the budget execution, and a plan of how implementation will proceed. The budget execution stage has the following sub-functions:

##### i. The authorization stage

This is where individuals who authorize payments are identified, usually the head of the department. The most important aspect of this function is to ensure that all money spent is approved according to the budget vote (International Monetary Fund, 2020b:1). As a result, any expenditure, payment, or transfer made without the appropriate authorization is in contravention of the law and is therefore regarded as financial misconduct (Siswana, 2007:208). Such expenses are known as unauthorized expenditure as they are in non-compliance with the budget votes. Pauw *et al.* (2015:50) assert that in the case where unauthorized expenditure takes place, “legislature must pass legislation to authorize it, or the responsible person must reimburse that state.”

##### ii. Expenditure management

Expenditure on programs and activities must be utilized and managed in an effective, efficient, and economical way that ensures that government objectives are met (International Monetary Fund, 2020a:1). Expenditure management refers to the expenses the government undertakes for daily operations, linked to the objectives, policies, and activities proposed in the budget. Thus,

actual spending occurs in this phase and must be done in a manner that promotes economic efficiency (Nyamita *et al.*, 2015:27).

Expenditure is an important function that ensures that desired outcomes are achieved and that principles of good governance are applied throughout execution, to obtain value-for-money products and services that are sustainable and impactful in the citizens' lives (Scott, 2018b:72). This implies that expenditure management determines the results, and this is accordingly a critical function in public financial management (Siswana, 2007:204). Furthermore, the OECD (2020:1) posits that expenditure management requires the following fiscal and financial discipline:

- control over total expenditure by spending consistent with macroeconomic structures
- allocating resources to promote expenditure policies
- provision of desired service delivery in a timely manner
- minimization of wasteful and fruitless expenditure.

(OECD, 2020:1, Siswana, 2007:202)

Therefore, expenditure management should enhance the importance and purpose of public financial management, which is “to promote strategic priorities, maintain financial discipline and deliver goods and services which are of value for money” (Scott, 2019:73). As a result, how expenditure is managed determines the quality of services provided, by linking together all the components from “budget formulation, to execution, internal and external controls, accounting and reporting, procurement and asset management, auditing and oversight” (Hirsch, 2017:3).

### iii. Financial reporting

Financial reporting is where all financial information and activities are reported during budget execution for accountability purposes (Pauw *et al.*, 2015:98). Financial reporting plays an important role not only in promoting accounting principles and standards, but also in improving the quality of information through the promotion of new strategies such as accrual accounting-based principles (Nyamita *et al.*, 2015:7). While expenditure takes place, receipts of every transaction must be recorded to ensure that managers and officials are held accountable for the utilization and management of public funds (International Monetary Fund, 2020b:1). Departments/institutions are required to submit financial reports on all expenses. These vary from monthly reports to quarterly reports and annual reports (International Budget Partnership Organization, 2020:7).

Departments are required to complete financial statements reflecting their financial status, outputs, outcomes, and overall performance (Zweni, 2017:38). Accounting officers are mandated to submit these financial statements within a specified period. These statements must explicitly

and comprehensively detail how public money was spent, and these statements are thereafter submitted to the parliament for evaluation (Pauw *et al.*, 2015:196).

#### 2.5.2.4. Evaluation stage

The evaluation stage takes place after the execution has been completed, and during this stage officials and legislatures evaluate the outputs and outcomes achieved (Welham *et al.*, 2017:3). The evaluation can be divided into the following sub-functions to ensure that the process of evaluating results complies with the law:

##### i. Auditing

Nyamita *et al.* (2015:27) explain auditing as a process in which the submitted financial statements are reviewed and audited. There are two types of auditing to be undertaken: internal and external auditing. Internal auditing is a non-statutory form of auditing but is vital for managing risks and evaluating the effectiveness of mitigation strategies, which are vital to achieving proposed objectives through a systematic disciplined approach (Zweni, 2017:2). Thus, the role of internal auditing is to provide managers with the assurance that the developed strategies are adequate to mitigate risks and improve the processes and controls of financial management within the institution (Afghanistan Public Policy Research Organization, 2017:13). Internal auditing is usually done by audit committees that facilitate internal controls over all financial matters (Pauw *et al.*, 2015:165).

External auditing is the last phase in the budget process and is done externally to the institution or department by an independent institution representing the legislature and the citizens. In South Africa, this is done by the Auditor-General. This institution is independent, reports to the legislature, and is protected by law to ensure that its reporting is done impartially and fairly. Pauw *et al.* (2015:169) name the main functions of the external auditor as: (i) evaluating and reporting on the institution's compliance with laws, policies, and established procedures of internal controls, and (ii) reporting on the performance of the department/institution against set criteria to determine and measure if resources have been used and procured in an effective, efficient, and economical manner (Zweni, 2017:38). Recommendations for better public financial management are provided in this stage (Afghanistan Public Policy Research Organization, 2017:13).

Pauw *et al.* (2015:196) give the figure below to illustrate the elements in which financial statements are evaluated, for the parliament to measure the performance of public financial management within departments/institutions:

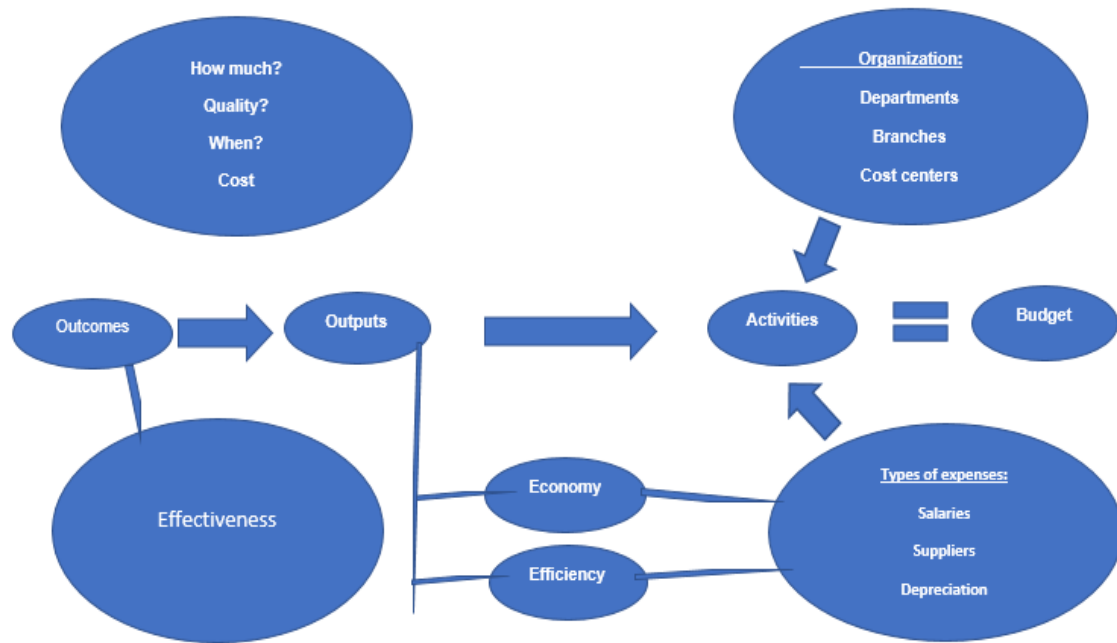


Figure 4: Framework for reporting on public financial management performance

Adapted from Pauw *et al.* (2015)

## ii. Accountability

Accountability allows the legislature to hold accounting officers accountable for how they spent public money after financial statements have been submitted and audited (Kristensen, Martin, Long, Mustapha, & Zrinski, 2019:1). This is the last step of evaluation and ensures that the role players are answerable for their decisions and behavior (Zweni, 2017:42). Proper mechanisms and procedures have to be adhered to, as this step is crucial for ensuring accountability, transparency, and responsibility to the citizens (Nyamita *et al.*, 2015:27). The people liable for losses, weak performance, and any other related misconduct must therefore be held accountable and must face whatever consequence their behavior entails. The government must ensure transparency by making available all the financial and audit reports to the public, to make it possible for the citizens to evaluate the public financial management of the government themselves (Kamau *et al.*, 2017:260).

### **2.5.3. Financial management accounting standards**

Accountability is a very important element in promoting democracy, sound financial management, and good governance practices. Public money belongs to the citizens. As a result, personnel entrusted to manage public money must account for the utilization of public funds (Pauw *et al.*, 2015:15). It is thus vital for government institutions to illustrate how they spend public money and how they progress toward achieving their aim and objectives. This is done through the use of accounting standards and performance management processes (Hendriks & Botha, 2015:103). The accounting standards are set to assist institutions to achieve their annual performance plans and targets aimed at ensuring effective financial reporting and proper evaluation of the budget for accountability (Accounting Standards Board, 2019:1). Accounting information acquired provides stakeholders with relevant data regarding the past, current, and future performance of an entity's financial position, giving them a comparable prospectus of the entity (Accounting Standards Board, 2020:2). Furthermore, reporting on performance information enables efficient, economical, effective, and transparent use of public money, while simultaneously allowing the legislature to hold accounting officers accountable for the use of public money.

Internationally, the Public Expenditure and Financial Accountability Framework was established to replicate the changing dynamics in the “public financial management reforms to provide an integrated assessment of the public financial management system against the seven pillars of public financial management performance” (Public Expenditure and Financial Accountability Program, 2016:1). This framework enables stakeholders to assess the possible impact of the institution's performance in terms of “aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery” (Public Expenditure and Financial Accountability Program, 2016:3). The framework is broad and complex but very prudent for providing countries and stakeholders with reliable data on a country's public financial management system, and it is trusted by high-ranking stakeholders to assess and measure the extent to which countries achieve desired results and accountability. Pillar six of the Public Expenditure and Financial Accountability Program Framework regulates the consistency and timeliness of financial statements against the generally accepted accounting standards in order to allow proper monitoring of the budget performance (Public Expenditure and Financial Accountability Program, 2016:14).

In South Africa, section 195 of the Constitution (1996) establishes that public administration must be done in an accountable manner to ensure transparency in the utilization and expenditure of public money. To this end, Chapter 11 of the Public Finance Management Act establishes the Accounting Standards Board to act as a juristic person that ensures that financial reporting is

done in a uniform, accountable and standardized manner to promote compliance, transparency, and accountability within public sector institutions (Accounting Standards Board, 2019). Chapter Four of the present study discusses the objectives, importance, and regulations of the Accounting Standard Board together with the integration of generally recognized accounting practices within the South African public financial management reforms.

## **2.6. Public financial management performance**

As noted above, a budget is a strategic plan of action and a key element in determining whether an institution will be able to achieve its objectives or not (National Treasury, 2007). The budget process is intertwined with performance management and should not be separated from performance management, as budget reforms enable managers to manage and measure the performance of their departments effectively (Olivier, 2016:46; Steadman, 2017). The performance of public institutions is measured through their use of public resources and service delivery, making it difficult to measure the effectiveness of public institutions (Hendriks & Botha, 2015:107). As a result, the use of public financial resources must be thoroughly planned and allocated in order to achieve outputs, and this can only be done through financial reporting mechanisms that will enable institutions to measure and improve their performance (National Treasury, 2018:3). Linking performance plans and strategic plans to the budget is therefore crucially important, because if the correct activities are not planned and budgeted for, measuring the institution's performance will be difficult (Oboladze, 2016:31).

Numerous models and procedures have been developed internationally and nationally to help institutions assess and measure the performance of their financial management functions and mechanisms (Madue, 2007:313; Hendriks & Botha, 2015:107). Among the many performance management and measurement policies and models, the Public Expenditure and Financial Accountability Secretariat developed an internationally recognized performance measurement framework known as the Performance Measurement Framework. Hendriks and Botha (2015:107) posit that this framework was established to enable stakeholders to measure a country's or institution's public financial management performance and acquire reliable and sufficient information on the performance and processes of the country/institution over time, as they are linked to the country's/institution's outcomes. The framework is used worldwide.

Since 1997, the South African government has incorporated performance management into its budget reform strategies through multiple policies and legislative frameworks that reference both the Constitution of South Africa (1996) and the PFMA (National Treasury, 2010), which prescribes that "performance agreements must be linked to the objectives identified in the Strategic Plans,

Implementation of the Annual Performance Plans and the Annual Budget” (Olivier, 2016:50). To this end, Olivier (2016:50) and Goksu (2017) assert that performance plans indicate the targets on which an institutional budget must focus to ensure that key objectives and priorities are identified and budgeted for. As a result, the budget allocations must reflect the institution’s strategic goals and annual performance plans (Steadman, 2017:3; Goksu, 2017; Savignon, Costumato, and Marchese, 2019:3).

In 2010, the National Treasury established the Framework for Strategic Plans and Annual Performance Plans, aimed at aligning the performance plans and the budget to ensure effectiveness in the management of public funds and value-for-money service delivery (National Treasury, 2010; Mokgope, 2015; Olivier, 2016:48). Annual performance plans “identify the performance indicators and targets that the institution seeks to enhance in the upcoming budget year”, and these must be aligned in all the financial reports (National Treasury, 2010). The budget, then, plays a core role in the financial management process by integrating the strategic plan with the performance plans (Oboladze, 2016:28), as the strategic plan identifies the performance plans, and the budget is allocated in accordance with these performance plans (Steadman, 2017).

The relationship between the annual performance plans and the budget is to enhance effectiveness within the operations of public sector institutions by budgeting for priority objectives (Goksu, 2017; Savignon *et al.*, 2019:4; National Treasury, 2010). The latter is crucial for service delivery, as an institution stands a better chance of enhancing its operations and service delivery if it aligns its budget and its performance plans, which further highlights Piatti-Fünfkirchen and Schneider’s (2016), Graham’s (2011), and Moeti *et al.*’s (2007) definitions of public financial management.

The Framework for Strategic Plans and Annual Performance Plans must be implemented together with the Framework for Managing Programme Performance Information to ensure that government activities have a maximum impact on citizens’ lives and the nation’s development. The South African Strategic Plan on Performance Plans has the following key concepts that ensure that spending is done responsibly and is linked to performance:

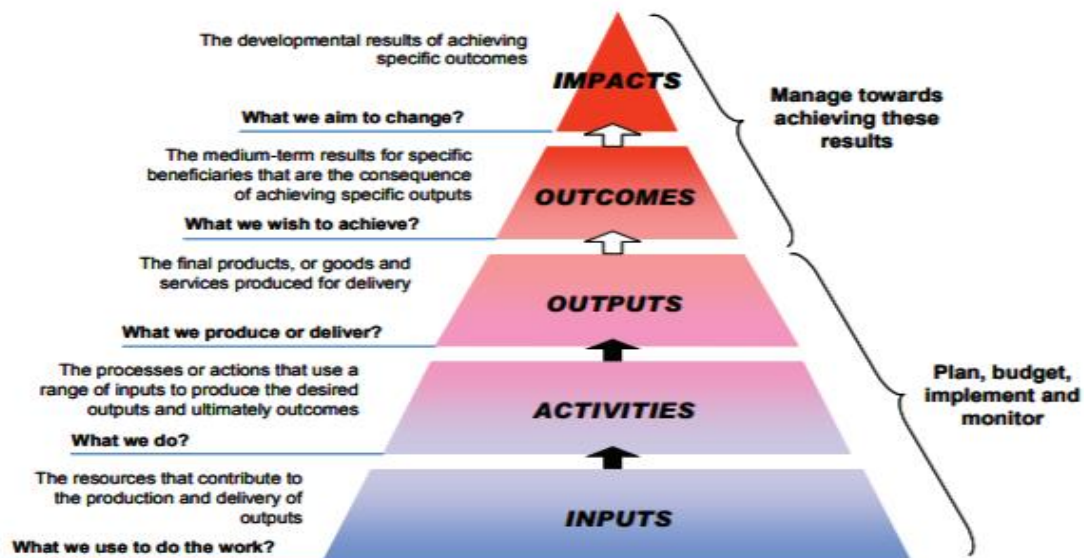


Figure 5: Strategic plans and annual performance plan

Source: National Treasury (2010:iv)

Figure 5 illustrates that the budget (inputs) must be implemented to achieve the most effective impact, and this can be done through the effective integration of key elements of the strategic plans and performance plans. These strategic and performance plans help managers and oversight institutions align their budgets to key objectives, evaluate their performance against set objectives, and alert managers of any arising risks and areas that need improvement (Mokgope, 2015; National Treasury, 2007). Thus, the strategic plans and performance plans are instruments that help institutions efficiently and effectively achieve maximum outputs from the allocated budget (National Treasury 2007; Mokgope, 2015; Goksu, 2017). The importance of this framework and its integration into the public financial management reforms are further discussed in Chapter Four of the present study (the chapter focuses on South African public financial management reforms).

## 2.7. Importance of governance in public financial management

Public financial management affects the functionality of government processes. Consequently, a weak public financial management system leaves a state vulnerable to corruption and other disruptions that result in ineffective and poor service delivery (Tkachenko, 2020:90). As a result, through its processes and procedures, proper public financial management helps alleviate and avoid wastage and extravagant spending, financial irregularities, and corruption (Chreruiyot *et al.*,

2017:212). Thus, governance is a critical part of ensuring sound public financial management in government processes.

Good governance is important in the public sector, as investors do not want to invest in a country that is not committed to good governance. Elements and principles of good governance must be understood in the public sector because their absence can destroy a country's economy and administrative system. Siswana (2007:181–182) points out that poor governance manifests when the relevant systems and structures do not function effectively or do not exist. Conversely, good governance is found where those systems and structures function as intended. Governance has key elements linked to it. These are transparency, accountability, compliance with the law, responsibility, and public participation, and they directly affect the implementation of sound public financial management.

### ***2.7.1 Transparency***

Transparency is the key element to the quality of governance in general, particularly in finance. Transparency refers to the availability of information to the general public, and to clarity about government rules, regulations, and decisions. Transparency in the public service implies that government must make provision for access to all relevant information, the strengthening of the public's right to information through the development of suitable means to gain access to information, and a degree of legal enforceability in the provision of information (Geldenhuys, 1997:75). For these reasons, broadly restrictive laws that deny access to information must provide for some independent reviews of claims that such denial is justified in the greater public interest (PFMA 1 of 1999).

### ***2.7.2. Accountability***

Accountability is the key element to ensuring good governance in a democracy, and requires personnel to constantly act in the best public interest. Officers are required to take accountability for how they spend and manage public funds as the cornerstone of democracy and in achieving government goals and objectives (Tsheletsane & Fourie, 2014:45).

### ***2.7.3. Compliance with the law***

Compliance with the law is a critical element that ensures that all the processes established to ensure transparency and accountability are adhered to. Laws also ensure that personnel and political office bearers comply with the law and apply the rules, thus controlling the management of finances by reinforcing judicial systems in ensuring that policies and structures are effective at

achieving priorities while minimizing illegal and compromising behavior (Tsheletsane & Fourie, 2014:44).

#### **2.7.4. Responsibility**

Governance entails the ability of personnel to perform given tasks. Thus, when officials are appointed to perform a particular task, governance requires them to take responsibility for their actions and projects. This implies “taking responsibility for the consequences arising from the results of one’s decisions, actions or inactions,” assert Tsheletsane and Fourie (2014:44). Responsibility requires officials who are capable of distinguishing between right and wrong and of taking decisions for which they will accept accountability (PFMA, 1 of 1999).

#### **2.7.5. Public participation**

Governance promotes a relationship between the government and the citizens, which can be achieved through public participation. This is because the role of government is to provide public goods and services. As a result, there must be a common understanding of the goals and priorities of the citizens, for which the government must provide through a strategic vision that must be enforced through the rule of law (Tsheletsane & Fourie, 2014:46).

### **2.8. Challenges in public financial management**

Public financial management has changed substantially in the last two decades, and decision makers are faced with tough, more complex, and different challenges than their predecessors, which requires new and innovative strategies (Matuma, Ireri, & Lyria, 2016:534). The overall functioning, financial reporting, budgeting practices, and technologies have changed entirely. Consequently, many countries are not coping with such changes and are therefore challenged by pressures, scandals, and an intense need for risk management and good governance (Jordaan, 2013:5).

Jordaan (2013:6) advocates that developing countries are faced with one common problem, namely weak public financial management, and further asserts that effective use of financial resources is essential for ensuring the quality of life and provision of services to citizens. Private firms and companies focus on profit, so their strategies are those that promote efficient use of money to ensure optimal returns (Lawson, 2015:9). Although the government functions according to service delivery on a non-profit basis, it should apply the same principle of optimization and focus on spending public money on quality goods and services in order to achieve its objectives (Basheka & Phango, 2014:167). It is therefore necessary for public officials, especially line managers, to understand the underlying principles of such optimization and to be able to apply

these continuously in their planning as well as strategic and operational management (Jordaan, 2013:6).

Matuma *et al.* (2016:534) mention the following as challenges hindering effective public financial management implementation: political and institutional resistance, inadequate technology, lack of human resources, and lack of personnel incentives. This view is supported by the Confederation of Asian and Pacific Accountants (2014:14), which argues that without vital supporting systems such as technological infrastructure, willingness, incentives, and capable personnel to perform functions, it will be impossible for any institution to be efficient and effective in the implementation of resources and processes. Authors such as Scott and Enu-Kwesi state that there is a lack of balance between the matters of information disclosures, on the one hand, and ensuring that the budgeting process is accomplished within the set timelines, on the other hand. This creates a constraint for effective public financial management implementation (Scott & Enu-Kwesi, 2018:25).

Though a number of challenges affect the implementation of effective public financial management, this research cannot dwell on all of these, as they differ from country to country and government to government (Basheka & Phango, 2014:167). However, from the literature and the discussions above, the following three main challenges can be identified:

- lack of human capacity
- weak governance and political influences
- poor budget implementation.

(Scott & Enu-Kwesi, 2018:25; Confederation of Asian and Pacific Accountants, 2014:14; Matuma *et al.*, 2016:534)

### **2.8.1 Lack of human capacity**

Lack of human capacity, as a result of staff shortages, unskilled staff, and lack of effective experience, is often mentioned and identified as one of the key constraints hindering effective public financial management (Basheka & Phango, 2014:167). Haque *et al.* (2015:610) observe that capacity to manage public financial management is one of the key challenges for many countries and results from aspects such as unskillful staff, an inability to fill posts with qualified personnel, lack of experienced individuals, and staff weaknesses within institutions. Governments are overwhelmed with a shortage of certain skills and capacities that are vital to the functioning of government operations and objectives (Haque *et al.*, 2015:610). Tkachenko (2020:80)

emphasizes that it is critically important to have professional specialists in the complex public financial management processes that will ensure that public finances are implemented effectively.

Haque *et al.* (2015:610) further indicate that this lack of human capacity is due to the government's failure to employ personnel with vital skills, sufficient training, and vital experience in key areas to effectively perform functions. Haque *et al.* (2015:610) also suggest that the government needs to prioritize and ensure the consideration of qualified, skilled, and capable individuals when implementing public financial management reform programs. Lack of capacity to implement public financial management processes is often the result of public financial management failures. Therefore, there is a need for government officials who can manage new technologies and innovations that are arising with the fourth industrial revolution (Tkachenko, 2020:90). Siddle (2019:1) supports this statement by asserting that the skills capacity shortage gap in implementing public financial management strategies is a serious problem in the public sector, and there is thus a need to employ and train personnel (Basheka & Phago, 2014:167).

In their study analyzing the challenges within public financial management systems, Haque *et al.* (2015:610) conclude that capacity shortage constraints affect the implementation of public financial management functioning.

### **2.8.1. Weak governance and leadership**

Haque *et al.* (2015:617) identify weak governance as one of the key constraints hampering effective public financial management and analysis, caused by the inability of officials to separate their professional powers from their broader informal social networks, and they conclude that "weak governance" indeed has an impact on the performance of public financial management, thus resulting in corruption. Basheka and Phago (2014:157) emphasize that good governance is a necessary element for an effective public sector, especially in the implementation and management of public finances, as this is the center of all government activities and existence.

Siddle (2019:1) indicates that weak governance results from:

- poor political leadership
- lack of political will to impose financial and management discipline
- elite state capture
- indifference to accountability mechanisms
- lack of consequence management
- resistance to technological capacity to implement financial management frameworks.

Siddle (2019:1) further indicates that officials and leaders often manipulate the public financial management systems (by not complying with laws and legislation) and weaken them so that they can conduct and get away with corruption. Basheka and Phago (2014:165) posit that political influence and processes need to be taken into consideration as these role players influence the public financial management processes and procedures, which ultimately affects the effectiveness of implementing public financial management processes. This has an impact on the social and economic costs and benefits of revenue collection and expenditure (Matuma *et al.*, 2016:534). Lack of good governance and leadership is one of the prominent reasons for the failure of public financial management in many countries, so political will and commitment are a critical variable for effective public financial management (Basheka & Phago, 2014:157). One of the key elements of governance is to ensure the rule of law is preserved, that government officials apply these rules correctly, and that their decisions and actions are controlled lawfully in line with their mandate.

Tsheletsane and Fourie (2014:47) indicate that leadership in South Africa is an enormous problem when they say that the “turnover rate of accounting officers, failure to implement the parliamentary committee’s reports and revolving membership of public accounts committees has resulted in many of the public financial management challenges South Africa is facing.” South Africa has sound policies that promise a better future, but political influences have led to the current financial problems, for example the “state capture” by the Guptas (Plaut, 2019:1). According to the Auditor-General's reports, there is a trend of non-compliance with the prescribed budget formats, policies, and processes, which is a sign of intended failure and unwillingness to follow guidelines. As a result, corrupt behavior continuously increases and governance weakens (Auditor-General, 2018). With such behavior, efficiency, quality, and effectiveness in service delivery as principles of good governance are compromised, even by the country's leaders who do not hold officials accountable (Tsheletsane, 2014:43).

Poor governance has led to resistance to the implementation of laws, which is reflected in the inefficiencies identified in budget implementation processes and inappropriate use of controls (Matuma *et al.*, 2016:535). Lack of participation by civil participants also results from weak governance, and has had detrimental effects on the government. According to Ugoh and Ukepere (2009:842), civil participation plays an important part in effective public financial management and without it, it will be hard for government to achieve its goals. As a result, good governance can encourage and promote citizen participation, which will benefit and strengthen public financial management processes (Matuma *et al.*, 2016:534).

### **2.8.2. Poor budget implementation**

According to Mathenge, Shavulimo, and Kiama (2017:63). poor budget implementation is a factor hindering effective public financial management in various countries such as Kenya, South Africa, and Ghana, where the actual budget is not spent on planned activities, thus creating a gap between budget planned and budget executed. This ultimately leads to high amounts of unauthorized expenditure, irregular expenditure, and fruitless and wasteful expenditure. As a result, once the budget is implemented, it is important to constantly control and monitor what is being implemented most effectively and to ensure that no one deviates from the budget mandate (Mathenge *et al.*, 2017:63).

Tkachenko (2020:81) identifies a gap between planning and implementation of the budget as a result of ineffective accountability measures, inadequate flow of information, low public awareness, and donor conditions.

Basheka and Phango (2014:155) assert that one of the major challenges faced within public financial management is the amount of public resources leakage, which is highly unacceptable. This is a direct effect of how officials manage finances during the implementation process. The trends of unacceptable expenditure are increasing, as officials care more about their own pockets than the well-being of the state. Too much money is being lost between the planning and implementation stages, and that money is not accounted for (Auditor-General, 2018). This is linked to corruption and misuse of public funds. Confederation of Asian and Pacific Accountants (2014:16) asserts that to achieve effective implementation of the budget, public financial management processes must be well managed, monitored, and reported.

Basheka and Phango (2014:164) highlight several interesting factors that ultimately challenge the budget implementation toward effective public financial management, such as:

- low budget credibility
- resistance to effective budget implementation
- lack of internal controls and audit, causing missing funds, which leads to unacceptable expenditure
- insufficient information on the budget
- lack of consequence management.

Sila (2016:54) posits that “failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affect effective budget implementation.” Another aspect that contributes to poor budget implementation is ineffective monitoring during the implementation

phase (Ugoh & Ukpere, 2009:846), where funds are not controlled and progress is not monitored. As a result, funds are mismanaged and spent on non-mandatory things, and some funds even go missing, all leading to some sort of unacceptable expenditure that occurred during budget implementation (Ugoh & Ukpere, 2009:846; Confederation of Asian and Pacific Accountants, 2014:16). As a result, poor budget implementation can be linked to poor control mechanisms, which allow corruption and mismanagement to happen (Sila, 2016:54).

Public administration takes place in an ever-changing world, and this requires government, as providers of public services, to keep up with the changes. This entails that government must be innovative, with the result that public financial management reforms are systems that have been established to assist the government in ensuring that it keeps up with the times. For example, governments have changed from using a cash-based accounting system to accrual systems that automate transactions and make it easier for governments to control, monitor, and evaluate financial transactions (Hendriks, 2017:2). Yet, despite these efforts, governments are still challenged by innovation, and this can be linked to a lack of proper infrastructure and technological developments, which ultimately leads to poor public financial management.

## **2.9. Conclusion**

According to the literature review discussed in this chapter, sound public financial management plays a critical role in achieving governmental strategic goals, and requires effective, realistic goals as well as proficiency and skills from multiple role players. Without these, any system is bound to collapse. Sound financial management practices are thus essential for the long-term sustainability of every institution (Botlhoko, 2017:33). The performance of public financial management affects the daily lives of all citizens, and because the government collects most of its revenue from taxes, it is paramount that government be able to deliver and provide services that are not only of value for money, but that also stimulate the economy. Poor public financial management consequently leads to inefficient service delivery that cannot sustain the livelihoods of citizens. It is therefore imperative that government can establish fiscal policies and strategies that will not only maintain fiscal discipline but also enhance the economy, while simultaneously improving the effectiveness of public services.

The government's failure to maintain, sustain, and effectively manage public finances will have disastrous consequences that can only be addressed through effective reforms. The next chapter contextualizes the need, importance, emergence, and implementation of public financial management reforms and their effects on service delivery.

## **CHAPTER THREE: CONCEPTUALIZATION OF PUBLIC FINANCIAL MANAGEMENT REFORMS AND SERVICE DELIVERY**

### **3.1. Introduction**

Public financial management is the center of all government operations, and if governments experience challenges in achieving their objectives, reforms become a necessity (Ajam, 2016:10). According to Robinson (2015), when the government can no longer achieve its objectives and desired outcomes, it has to re-arrange institutions and establish policies and measures that will help officials become more efficient in achieving set objectives and goals. This process constitutes reforms. The literature review has indicated that the poor performance of government can be linked to weak public financial management practices and accountability, which require adequate capabilities for managing public financial resources (Jordaan, 2013:112).

This chapter reviews the implementation of public financial management reforms in an effort to identify the reform challenges that might influence service delivery. This is done by reviewing literature that focuses on the nature, purpose, and emergence of public financial management reforms, to conceptually establish why public financial management reforms exist. In addition, this chapter reviews the importance of the reforms and the factors necessary for the effective implementation of public financial management reforms. A review of the implementation of public financial management reforms in African countries and elsewhere in the world is presented to identify factors that might have contributed to effective implementation, failed implementation, and lessons learned in the implementation of reforms, focusing on what has worked and why, and what has not worked and why.

Through a literature review, the emergence of and the need for public financial management reforms are established. The challenges faced when implementing public financial management reforms globally and the effects of these reforms on service delivery are also explored.

### **3.2. Nature and purpose of public financial management reforms**

Public financial management reforms can be defined as those incremental processes, procedures and systems an institution adopts and implements with the objective and aim to radically transform the institution to achieve improved management and financial benefits (Pretorius & Pretorius, 2009:4). Jordaan (2013:113) posits that public financial management reforms are strategically aimed at addressing problems and inefficiencies within the public financial management system, especially the budgetary process, as it reflects the government's priorities and policies. The nature

of public financial management reforms is hence to address challenges and inefficiencies experienced in the financial management of the public sector (Ajam, 2016:43).

According to Chignell (2017:1), public financial management reforms were established to address the financial crises and challenges in the 1980s through the adjustments of long-term continuous processes and procedures. Some of these reforms focused on anti-corruption strategies that have had a limited effect on technical measures and institutional developments (Jordaan, 2013:114; Chignell, 2017:1). Public financial management challenges required and still require governments to adapt approaches and methods that will enable them to overcome the inefficiencies that exist and keep rising (Tkachenko, 2020:84).

Public financial management reforms are meant to address and strengthen weaknesses and challenges that hamper the effective and efficient implementation of public financial management systems (Tkachenko, 2020:84). Furthermore, these reforms exist to assist governments in managing risks and structuring public resources for sustainable management. According to Cangiano (2017:1), public financial management reforms are also adopted to improve the functioning of the public sector through the improvement of public procurement to emphasize the importance and necessity of achieving outcomes and delivering value-for-money services (Ajam, 2016:43). From the above overview, the inference can be made that public financial management reforms are those strategies formulated and implemented to assist the government in managing and improving its financial management systems economically and efficiently, promising enhanced achievement of desired results and improved service delivery (Robinson, 2015:7).

Public financial management reforms are the key element to a strategy of improving the management of limited resources (Pretorius & Pretorius, 2009:viii). According to Morgner (2013:2), these reforms are important and must be treated as a vital element in improving the public sector, especially for developing countries that are still in the process of transitioning from post-conflict bureaucracies. According to Tkachenko (2020:89), public financial management reforms give attention to the importance of the public financial management role players and how their complex networks affect the budget processes, and connect set goals with measurable results. This implies that reforms exist to improve public financial management systems by strategically allocating resources, effectively controlling expenditure, and appropriately sustaining the economy.

Implementation of public financial management reforms promotes sound public financial management practices that allow the government to use available resources more effectively, efficiently, and economically to improve citizens' quality of life (Tambulasi, 2005:10). Rao (2013:1)

posits that this is unfortunately not the case in all countries, as public financial management reforms have had a slow return on expectations and have not been as effective as envisioned, especially in developing countries.

Public financial management reforms emerged as a strategy for improved public financial management and rectifying the inefficiencies that existed within public financial management systems resulting in poor service delivery. The reforms did not just happen. They became essential due to specific circumstances, such as a fiscal crisis created by regional affiliations in the European Union (Pretorius & Pretorius, 2009:7). However, this narrative has changed, as governments (especially in developed countries) implement reforms to achieve their aspirations of sustainable peace as well as economic growth (Pretorius & Pretorius, 2009:5). The following are considered grounds for public financial management reforms (Ajam, 2016:45; Pretorius & Pretorius, 2009:4; Lawson 2012:8):

- Socio-economic factors: These are factors such as globalization, socio-economic policies, unemployment, demographics, migration, and urbanization that are forcing governments to change their policies to better adapt to the changes that will eventually affect the public financial management and economy of the country (Pretorius & Pretorius, 2009:4; Ajam, 2016:45).
- Political factors: Many countries, including South Africa, embarked on public financial management reforms as a strategy to move away from a previous regime to a democracy. In such cases, reforms were used as a strategy to smooth out this transition. Furthermore, government ideologies, policies, and structures change over time, which necessitates public financial management reforms (Ajam, 2016:45).
- Fiscal crises: This is one of the most common triggers for public financial management reforms, as reforms emerged intending to manage public finances better and overcome the financial crises. Fiscal crises can be the result of increased inflation, high debt, and unsustainable budget deficits. For example, Canada first implemented public financial management reforms due to the fiscal challenges the country in the late 1980s. Fortunately, the reforms were effectively implemented, which led to bigger and better opportunities and developments within the Canadian state (Pretorius & Pretorius, 2009:4 Lawson 2012:8).
- Chance events: These are reforms triggered by random shocks from the international economy, political scandals, and natural disasters. COVID-19, as an example, has put many countries under financial constraint, forcing them to reconsider their public financial

management system and search for strategies not only to manage the pandemic but also to recover from the financial implications of the pandemic (Lawson, 2012:8).

- Changes in public expectations: Such changes often call for a change in the administrative measures, as these shape the reform processes and outcomes. When the public puts pressure on the government for improved service delivery, the government needs to re-evaluate its strategies, thus bettering its public financial management approaches to enhance service delivery.
- Living in an ever-changing and evolving world where new technologies are introduced frequently: New technology forces governments to adapt to keep up with the rest of the world. An example of this is the implementation of integrated financial management information systems (IFMIS) where governments moved away from paperwork administration to the computerization of all government financial transactions, to minimize corruption and maximize accountability (Pretorius & Pretorius, 2009:4; Lawson, 2012:8).
- Regional requirements: At times governments are forced to rethink their strategies due to regional requirements. For example, when the African Union introduced new approaches and methods to improve the continent, African countries needed to adjust to these policies to ensure that their own policies were in sync with those of the African Union (Lawson, 2012:8).
- Pressure from donors: This often leads to reforms as governments are expected to meet donor requirements and fulfill donor requisitions. Without donor support, some countries will not be able to sustain and finance the implementation of reforms (Pretorius & Pretorius, 2009:4; Lawson 2012:8).

The above-mentioned triggers illustrate that public financial management reforms do not just occur; their emergence is triggered by different issues and factors. Although the purpose of public financial management reforms is established, materializing these goals into a reality has proved to be more challenging than expected. As a result, public financial management remains weak and challenged by substantial inefficiencies, compromising public resources (Basheka & Phago, 2014:4).

### **3.3. Emergence of reforms**

As a measure to counteract weaknesses in the public sector, the NPM was developed and established to provide a logical framework that should be used to assist governments and relevant stakeholders to achieve desirable and realistic goals (Pretorius & Pretorius, 2009:4).

### **3.3.1. The emergence of the new public management as a reform**

For this study, NPM is defined as a theory that emerged to help public managers and governments improve the management of the public sector (Keita, 2014:8). Hammerschmid *et al.* (2018:3) assert that NPM is made up of multiple paradoxes and aspects that provide rules and procedures meant to assist the public sector structurally and effectively to move from one doctrine to another. NPM emerged as a reform strategy for developing and improving the functionality within the government administration, as governments were failing to keep up with the changing conditions in postindustrial society (Keita, 2014:8). NPM replaced the former traditional bureaucracy, and it promoted managerialism, accountability, and abiding by the law in the pursuit of service delivery by the government (Keita, 2014:8).

Mills (2018:2) asserts that NPM emerged due to financial pressures, which forced governments to improve their functioning in order to provide value-for-money services, transparency, and improved accountability. Post-public sector reforms became particularly important in the 1980s, and NPM gained relevance as an effective reform strategy for the change at which many governments were aiming (Keita, 2014:8; Rosta, 2011:1). NPM enabled transformation in the management of the public sector, particularly in the management and use of public financial resources (Keita, 2014:8). While NPM is criticized for leading some countries into failure, other countries, like New Zealand, Australia, and the United Kingdom, benefitted from the reforms by selecting which strategies to use and implementing those strategies independently and effectively according to the countries' respective political, social, and economic structures (Rosta, 2011:1).

This further allowed the government to develop and formulate ideas that were allowed to flourish independently, but failure to properly formulate and implement these reforms led some countries into turmoil (Hammerschmid *et al.*, 2018:4). The NPM as a reform strategy gave field-specific guidelines in financial management that were widely accepted and implemented worldwide.

### **3.3.2. The emergence of public financial management reforms**

Several authors, such as Rao (2013), Hadden (2017b), Lawson (2012), and Ajam (2016), agree that public financial management reforms emerged under the umbrella of NPM as a solution to public financial management challenges and the fiscal crises that occurred during the 1980s. Public financial management reforms emerged as a strategy for strengthening the rules and procedures that underpin the budget processes in countries. These reforms aimed to achieve a common goal: to improve the lives of citizens by providing quality, efficient, effective, and sustainable service delivery through better public financial management practices (Hedger and

de Renzio, 2010:1). During the late 1970s and early 1980s, economies worldwide began to stagnate, and countries were faced with daunting fiscal challenges. Thus, the reforms were established as an approach to assist governments in transforming and improving their public financial management systems and economies (Commonwealth Secretariat, 2015:1). The emergence and development of these public financial management reforms can be divided into distinctive eras, as different decades brought new knowledge and developments to the reforms.

### **3.3.3. The 1980s era**

During the 1980s, public financial management reforms were triggered by the “fiscal crises, political change, post-conflict, new technology and regional requires” (Morgner, 2013:2). The need for reforms became evident during the 1980s as strategies implemented by governments to enhance economic growth were not effective at alleviating rising challenges. Nyamita *et al.* (2015:25) assert that public sector reforms emerged as a strategy for addressing the inefficiencies and poor hierarchical structures that resulted in ineffective public sector outcomes and slow economic returns. As a result, the NPM theory emerged as the “new managerial approach” formulated to address these public sector challenges and inefficiencies (Nyamita *et al.*, 2015:25).

Political changes and developmental problems faced by member states of the OECD during the 1980s affected the development and economies of many countries, which resulted in a review of public sector managerial approaches and a need for new ones through the NPM reforms (Pretorius & Pretorius, 2009: viii). During the 1980s, countries began to review their management practices, and it became evident that NPM practices could help mitigate the challenges they were facing (Tkachenko, 2020:85). This led to the development of public financial management reforms, which were aimed at emphasizing managerial accountability in the management of public money (Diamond, 2013:7). OECD countries then introduced the public financial management reforms, which were closely linked to their political and social heritage (Pretorius & Pretorius, 2009:27), whilst the World Bank proposed it as a strategy and approach that would aid countries with the implementation of these reforms (Tkachenko, 2020:85).

Research shows that countries such as the United Kingdom, Australia, and New Zealand implemented these public financial management reforms under the guidelines of the NPM to make government institutions more performance based and customer oriented (Jordaan, 2013:120). Rosta (2011:4) asserts that OECD countries are the innovators of public financial management reforms and have succeeded in carrying out the vision of the NPM through their different formulations and strategies of public financial management reforms. In the United States of America, reforms emerged due to public financial management shortfalls that created a serious

economic crisis, which required the government to take bold decisions. It thus implemented reforms that would create a foundation for developing and stabilizing the economy (Njenga, Omeneli, & Omete, 2014:3). These reforms were based on “enhancing banking regulations, sourcing funds, and insurance and improving transparency and accountability derivatives” (Njenga *et al.*, 2014:3).

Public financial management reforms thus gained relevance and attention after being established by New Zealand, Australia, and the United Kingdom in the 1980s, as the financial status and economies of these countries improved due to the implemented reforms (Diamond, 2013:10). The reforms implemented in these countries were effective at transforming dated public financial management systems into new, better, “flexible, responsive and efficient” systems that profoundly improved and sustained service delivery units (Cangiano, 2017:4). Public financial management reforms were thereafter implemented in Northern Europe, the United States, and developed Asian countries, resulting in more efficient financial management systems.

#### **3.3.4. *The 1990s era***

Public financial management reforms increased in popularity during the 1990s as they were oriented toward results and improved management. Australia and New Zealand are regarded as the pioneers that adopted the New Public Management (NPM) financial reforms of the 1980s (Diamond, 2013:7). Some states in the United States of America, the United Kingdom National Health System, and other OECD countries introduced variations to the NPM reforms to improve cost-effectiveness and budgetary control (Jordaan, 2013: 120). Throughout the 1990s, developing countries began to become the center of reforms as donors all over the world focused on assisting “developing countries through isolated projects” (Jordaan, 2013:120). These strategies included the introduction and adaptation of MTEFs, performance budgeting, and IFMIS (Robinson, 2015:7).

Although these public financial management reforms gained popularity in the 1990s, the results were still inconclusive as some countries had a slow response to progress and the benefits were exclusive (Lawson 2015:2). According to Roman (2008:5) and Cangiano (2017:4), crises such as economic cost crises, political and social crises, and spillover effects occurred in developing countries that did not experience the same positive results that reforms had had in developed countries. Governments began to realize that the implementation of the reforms was not as effective as perceived, especially in developing countries due to the blueprint approach countries were using. Pretorius and Pretorius (2009:37) explain this by stating that the “blueprint approach

was beset with problems” and focused on getting the basics right, thereby creating more problems for developing countries.

### **3.3.5. The 2000s era**

In the early 2000s, the concern as to why public financial management reforms had achieved limited efficacy in developing countries created distress for donors (Pretorius & Pretorius, 2009:viii). Both developing countries and donor organizations began to question why public financial management interventions to improve expenditure management had achieved limited efficiency and why reforms were not effective (Jordaan, 2013:120). The search for answers to these questions resulted in the development of other procedures and methods for improving public financial management measures, and more realistic reforms were thus implemented to enhance donor coordination and recognition of political commitment (Cangiano, 2017:4).

Tkachenko (2020:88) supports the idea that donors began to question the ineffectiveness of reforms during the 2000s era, and names the following reason for such ineffectiveness:

- The budget was approached as a political process, not a technical process, and this process required government officials to act formally. However, in many countries informal and improper behavior has replaced formal and professional standards.
- There was insufficient political commitment and participation from developing countries toward achieving substantial progress and development.
- There was a lack of donor coordination and harmonization, which is an essential need for the efficacy of these reforms.

(Tkachenko, 2020:88; Pretorius & Pretorius, 2009; Jordaan, 2013:58)

According to Mansur (2016:1), during the 2000s era, corruption increased, which led to more complicated governance challenges. In 2005, government and donor commitment to improving public financial management systems was formalized in the 2005 Paris Declaration, and targets were established to strengthen governance and improve performance and expenditure management in developing countries (Tkachenko, 2020:88). Unfortunately, this was disrupted by the 2008/9 economic recession crises that nations experienced worldwide, which resulted in increasing pressure on governments to restructure their strategies to address the public financial management challenges that persisted after this period (Roman, 2008:45). Since then, numerous reform strategies surfaced, forcing governments to transform and facilitate essential changes and processes within the public financial management systems (Chignell, 2017:1).

### **3.3.6. From 2010 and beyond**

Public financial management reforms had mixed outcomes before 2010, with developed countries being able to sustain financial discipline and grow their economies, whereas most developing countries still face numerous challenges (Mansur, 2016:12). In some developing countries, the situation keeps worsening, as reported by studies regarding the ineffectiveness of these reforms (Robinson, 2015:2). Donors and stakeholders continue to question the slow response of developing countries, as reforms have had limited effectiveness (Chignell, 2017:1). Despite more donor support that has been offered to developing countries, progress has been limited (Overseas Development Institute, 2012:2).

Since 2010, donors became more and more involved in the implementation of reforms by analyzing the reasons for ineffectiveness through studies led by large and influential organizations such as Public Expenditure and Financial Accountability, the International Monetary Fund, the World Bank, and the Commonwealth Secretariat (Overseas Development Institute, 2012:2). These measures have helped identify challenges and how to deal with them. In the past decade, there has been ubiquitous diagnostic work focused on public financial management reforms, and that work has increased sharply (Mansur, 2016:12). The recent implementation of public financial management reforms has shown strong coordination and harmonization between donors and the progress toward “reinforcement of new approaches to public financial management reforms; focusing reform approaches on the specifications of the country and strengthening approaches in a manner that determines and integrates the roles of all public financial management reform actors” (Tkachenko, 2020:88).

### **3.4. Gaps between public financial management reforms and expected outcomes**

The emergence and implementation of public financial management reforms are meant to grow, develop and stabilize economies (Jordaan, 2013:113). However, research shows that there has been limited growth, especially in developing countries, and the outcomes have been far worse than expected (Pretorius & Pretorius, 2009:40). The literature review indicates a gap between public financial management and service delivery outcomes (as suggested in Chapter One). This gap is incomprehensible as public financial management exists to ensure that government spends public money to improve citizens’ lives through enhanced service delivery.

Ajam (2016:45) reasons that public financial management reforms remain ineffective in many developing countries because they are driven by dysfunctional public financial management systems that continue to compromise service delivery and produce disastrous economic

outcomes. Mansur (2016:12) identifies the following as the reasons for the limited progress of reforms: “lack of secondary regulators; coordination failures among key actors; government capacity constraints; conflict between existing incentives and formal law; and absence of political will and commitment.” The Commonwealth Secretariat (2015:2) adds to this by stating that public financial management problems are caused by the deficiencies and problems faced within the budget process.

Pretorius and Pretorius (2009:31) further suggest that most public financial management reforms fail not because of the contents or technical aspects of the public financial management programs, but mainly because of how these public financial management reforms are implemented. As a result, these reforms need to be implemented effectively to make a difference (Morgner, 2013:5). Public financial management is an art, not an exact science, and when faced with challenges, there are no “ready to implement packages” (Pretorius & Pretorius, 2009:4). The implementation of public financial management reforms seeks consistent improvement and should not be rushed but rather implemented sustainably to work effectively, even in the future (Basheka & Phago, 2014:5).

According to Jordaan (2013, 119) implementing public financial management reforms is not a one-project process, but rather a long-term process that varies according to the specifications and procedures of countries and institutions. Ajam (2016:89) also posits that public financial management reforms should be formulated differently from country by country. This view is sustained by Pretorius and Pretorius’s (2009) assertion that the road to effective implementation of public financial management reforms is a long and ongoing process that needs reforms to be “home-grown” and/or supported by donors, to help developing countries improve their public financial management and grow their economies.

Robinson (2015:7) asserts that there is no scientific proof that a single indicator is effective for different countries, and there is no universal reform that can be applied to all countries. This implies that public financial management reforms need to be designed in a way that reflects the specific country’s priorities, capacity, and social, economic, and political dimensions (Bizhan, 2019:2). This view is supported by Diamond’s (2013:10) assertion that what is effective for one country, will not necessarily have the same effect for another country. Diamond (2013:10) further explains this by stating that “there is no off-the-shelf solution reform”, so reforms have to be implemented in a manner that is specific and that observes the country’s positioning (taking into account technology, the economy, and social positioning to create reforms) (Diamond, 2013:10).

The implementation of public financial management reforms is therefore dependent upon the financial management and administration of the government of the day (Hedger & de Renzio, 2010:6). Public financial management reforms are broad and complex, and the complications associated with these dynamics (especially in developing countries) cannot be attended to all at once (Bizhan, 2019:2). It is therefore critical that a country design and implement a reform approach and strategy that considers these aspects of its public financial management system (Hedger & de Renzio, 2010:8).

From lessons learned during the implementation of public financial management reforms worldwide, the literature review indicates that there is no special way to make reforms effective, except to establish underlying variables, qualities, and internal features of the country (Hedger & de Renzio, 2010:5). The best way to implement public financial management reforms effectively is to conceptually define what the public financial management reform is attempting to improve, and thereafter to define and develop the desirable sequence of reforms (Diamond, 2013:12). The following section identifies the key factors scholars have identified as affecting the implementation of public financial management reforms.

### **3.5. Key factors affecting the implementation of public financial management reform**

#### **3.5.1. *Institutional capacity***

Public financial management is a skill-intensive field overall. As a result, when embarking on public financial management reforms, skilled and capable workers must be employed (Commonwealth Secretariat, 2015:1). Without the necessary systems and skills, the implementation of public financial management reforms will continue to face challenges and can never be efficiently dealt with. Lack of institutional capacity has been labeled as one of the major causes of the ineffectiveness experienced in the implementation of public financial management reforms (Lawson, 2012:3; Hashim & Piatti-Fünfkirchen, 2018). Quality leadership and qualified personnel are essential in the attempt to capitalize on opportunities presented by public financial management reforms. Therefore, an institution's managerial capacity is central to addressing public financial management challenges (Overseas Development Institute, 2012:4).

Governments and donors are joining efforts in seeking the best ways to formulate and implement the best strategies from the current structures and ensure that local capacity is built in a sustainable way (Andrews, 2012:5). To achieve this, every government needs to employ expert, skilled, and trained workers, because the lack of such workers has resulted in major stumbling blocks on the road to the effective implementation of reforms (Overseas Development Institute,

2012:4). Governments are deliberately channeling their reforms toward improved administration, inspired by the significant effects of institutional management (Kioko *et al.*, 2011:119). Furthermore, institutional capacity requires technological advancements, which are in sync with international practices, and a capable team of human resources that will lead, manage, and implement public financial management reforms effectively (Commonwealth Secretariat, 2015:1). Without these, achieving enhanced service delivery will remain a challenge.

### **3.5.2. Political commitment**

The Commonwealth Secretariat (2015:3) stated that public financial management reforms are “first and foremost a political process” that consists of political costs and political benefits. As a result, insightful management and political will are critical for public financial management reforms to be effective. Effective reforms are dependent upon the sound redistribution of power and influence, accompanied by strong political commitment. According to Chignell (2017:1), strong political and technical commitment are essential to achieving expected results from reforms, which supports his assertion that “where there is no political commitment in the implementation of public financial management reforms, external pressures are likely to influence the degree of political power but can never replace it.” For example, the effectiveness of New Zealand’s reforms was driven by strong political commitment and bureaucratic support from the government (Ajam, 2016:93).

According to the Overseas Development Institute (2012:1), political commitment is essential to ensure that an independent authority fulfills a mandated framework by realizing political realities and emphasizing political benefits. Lawson (2015:12) further notes that without political will and commitment, the implementation of public financial management reforms is a lost cause and will never succeed. In a study assessing the implementation of reforms, Lawson (2012:71) found that political commitment is not just an add-on function, because without it, even good technical leadership will not be sufficient in sustaining the entire implementation process. Lawson (2012:71) then concludes his study by emphasizing that long-term political will and commitment to the implementation of public financial management reforms are more likely to lead to desired results, especially when public financial management reforms are implemented in the context of long-term and deep complexity.

In a research study determining the factors affecting public financial management reforms, the Overseas Development Institute (2012:1) confirms that political commitment is the key success factor to achieving effective implementation of public financial management reforms, and further adds that political commitment is driven by the political-economic objectives of the government.

The inference can thus be made that political will and commitment is an important factor in determining the effectiveness and failure of the public financial management reform implementation process. Furthermore, political interference and unwillingness are identified as one of the major causes of failure in public financial management reforms (Overseas Development Institute, 2012:3).

### **3.5.3. Policy space for developing appropriate reforms**

Hammersr Schmid *et al.* (2018:3) posit that policy space refers to how reforms have been shaped and designed for implementation. It is therefore important for countries appropriately to develop and design policies and reforms that are specific to their needs and capacities, otherwise the reforms will have disastrous results (Lawson, 2012:72). The use of country-specific systems is important when implementing reforms. Yet, many developing countries adopt and implement the policies of developed countries, and this has led to the ineffective implementation of public financial management reforms, because reforms cannot simply be cut and pasted among countries (Rosta, 2011:2). Policy space is therefore a critical factor that can lead to disastrous effects if not developed appropriately. The worst thing that countries can attempt is to implement inappropriate reforms that only worsen their problems, and this has been one of the key reasons for the lack of progress in many developing countries (Jordaan, 2013:119).

According to the Overseas Development Institute (2012:3), reforms need to be developed by paying special attention to the country's needs, systems, structures, and heritage. This is because no two countries have identical challenges and needs, and it is therefore illogical to apply the same remedy to cure different wounds (Rosta, 2011:2). This means that the policies implemented by a country must resonate with the country's realities and provide the required outcomes within these realities. Research indicates that the lack of policy space has derailed the implementation of public financial management reforms in many countries. Furthermore, Hedger and de Renzio (2010:6) indicate that donors have taken over the policy space, to avoid previous weaknesses encountered by governments in developing countries. This allows new ideas and strategies to be developed, instead of using "isomorphic approaches" (Hammersr Schmid *et al.*, 2018:3).

Public financial management reforms require government systems to be processed within the nature and structures of a country but allow the composition of new ideas, policies, and methods to be introduced, tested, and researched before being approved (Overseas Development Institute, 2012:3). According to Lawson (2015:3), reforms can achieve greater and better results if both the government and donors better understand and focus on the functionality and context of the public financial management systems. They should do this by interrogating both the

challenges and proposed solutions instead of a risky experimental approach. Accordingly, the following elements help improve the implementation of policies: shifting the focus from technologies to policy space. more coverage of the challenges faced in reforming public financial management systems, and sequencing reforms in a more appropriate manner (Andrews, 2010:5).

The nature and type of public financial management reforms implemented will affect the results thereof, which is why Hedger and de Renzio (2010:12) emphasize that it is vital to “focus on creating a reformed space” instead of pushing technical reforms. Furthermore, Hedger and de Renzio (2010:12) indicate that there is an increase in the need to nationalize reforms and channel them toward the core objectives of the country, emphasizing that there is no “one size fits all” reform. It is therefore critically important for every reform strategy to be tailor-made for the specific country, paying attention to the policy space (Rosta, 2011:1). This implies that public financial management needs to be implemented in a manner that best nurtures and matches the country’s structures and heritage.

#### **3.5.4. Adaptive, iterative, and inductive processes**

Learning, adaptation, and monitoring of government systems are the key elements in the effective implementation of reforms. Lack of attention to the needs of specific countries and the inability to learn from and adapt to such needs, consequently lead to inappropriately imposed blueprint solutions (Ajam, 2016:93). This factor requires the government to be willing to engage in appropriate reform processes and adapt to the approved reforms for public financial management reforms to function effectively. Consequently, unwillingness and a lack of fiscal discipline lead to ineffectiveness in the implementation of public financial management reforms (Lawson, 2015:3).

There is a wide range of evidence indicating a variety of inappropriate ideas and measures that have been implemented in conjunction with reforms. Unfortunately, officials have failed to learn from this evidence and adapt to the processes that are vital to implementing public financial management reforms effectively (Lawson, 2012:85). A country needs to manage and resolve conflicts before implementing reforms. This entails that both stakeholders and donors have to observe the country’s conflict dynamics in order to adapt to them efficiently and effectively (Overseas Development Institute, 2012:7).

Hedger and de Renzio (2010:8) suggest that there needs to be an engagement of constitutions and a dialogue approach between stakeholders to stimulate and develop strong, supportive, and inclusive reforms that make it easier for stakeholders to adapt to and replicate the reforms. Public financial management reforms must be a part of the overall strategy for the changes the reform

is trying to bring about, and all stakeholders must thus be willing to adapt to this change and iterative process, and must play a role in future processes (Commonwealth Secretariat, 2015:3). This implies that without willingness and a plan for how the reforms will be adapted and introduced, the reforms will only fail (Rosta, 2011: 6). Stakeholders, donors, and political authorities must all work together to resolve their conflicts and ensure that the process of adopting and implementing the reforms is done in an efficient manner that ensures that the implemented public financial management reforms enhance service delivery (Hammersr Schmid *et al.*, 2018:3).

### **3.6. Importance of public financial management reforms for service delivery**

Public financial management reforms can recreate an institution by changing the behavior toward greater political commitment and managerial willingness, and by promoting skills and capacity development within the public sector, which will result in improved public financial management outcomes and enhanced service delivery (Robinson, 2015:7). The objectives of public financial management reforms differ from country to country as they depend on the challenges the country is aiming to address and the aspects they want to change (Rosta, 2011:1). Thus, the objectives of the reforms are often left ambiguous, to ensure they are not too narrowly focused (following the principle of policy spacing) on particular aspects, but open to new opportunities and advances that may occur in the future (Hammersr Schmid *et al.*, 2018:3).

Public financial management reforms are vital as they have the potential to mobilize and distribute public resources that affect the transfer of power and authority within the government (Ajam, 2016:59). Furthermore, public financial management reforms radically alter the “public service bargain” by redefining the relationship between top management and managers in the public sector. Keita (2014:14) holds that public financial management reforms should be designed in isolation but support the establishment of a broader reform program or theoretical framework. As a result, more public financial management reforms are established in a manner in line with the NPM reform framework.

The NPM reforms aim to extend private sector practices to the public sector, as the private sector is considered more efficient and effective than the public sector. Since the development of the NPM theory, two notions have been distinguished in the public sector: the market notion and the management notion (Rosta, 2011:14). Furthermore, Rosta (2011:14) describes the public sector as a market that is entrusted to provide citizens with public services that are essential to their socio-economic rights. Rosta (2011:14) further explains that the management aspect is the function through which the government provides and manages public services, and through which

it ensures that those services are delivered most effectively and efficiently in a way that does not infringe on anyone's rights but still achieves the measurable objectives of the government.

As discussed in Chapter Two of the present study, the relationship between public financial management and service delivery is ultimately formed through the budget processes, and the NPM reforms further support this by noting that the efficiency and effectiveness of public financial management reforms lie in the government's ability to execute the budget effectively and efficiently. For that reason, budget reform as the instrument in which public money is utilized to provide services is fundamental into achieving government objectives and goals. The next subsection aims to describe the most popular and effective budget reforms that have been a part of public financial management reforms to promote the three Es of the NPM theory within the public sector.

### **3.6.1. Budget reforms**

According to authors such as Hadden (2017b), Ajam (2016), Scott and Enu-Kwesi (2018), and Aubrey (2012), the budget is the main function of public financial management processes. The management of public finances consists of the budget processes and procedures. Therefore, most public financial management reforms take place in the form of budget reforms. As indicated above, public financial management reforms vary in nature, and each country sequences, implements, and structures public financial management reforms following the nature of that country. This implies that a country should implement different budget reforms in its attempt at public financial management reform. Below are the six most common and critical budget reforms (Pretorius & Pretorius, 2009, supported by authors and scholars such as Symansky, 2010:12; Una & Pimenta, 2016:282; Aubrey, 2012:6; and Cavanagh, Flynn, and Moretti, 2016:2). Various types of budgets are used all over the world, but authors such as Ajam (2016), Robison (2012), Lawson (2012), and Aubrey (2012) assert that the performance-based budget is the most sophisticated type of budget, and is used by OECD countries and South Africa.

### **3.6.2. Performance-based budgeting**

Performance-based budgeting emerged as a strategy to shift government budgets from focusing on inputs to emphasizing outputs, through the introduction of different models (Pretorius & Pretorius, 2009:21). Robinson (2012:47) explains performance-based budgeting as a process through which the performance-based management system is established and integrated within the budget process. Aubrey (2012:1) indicates that performance-based budgeting exists to "strengthen the connection between the funds provided and the results achieved by ensuring that

performance information is used in resource allocation and decision-making.” Robinson (2012:42) further asserts that performance-based budgeting allows the government to utilize available resources flexibly and dynamically to achieve objectives. In simple terms, performance-based budgeting enables managers to appropriate the budget based on programs, by identifying the available resources and linking these to the programs that promise to reach desired objectives. Therefore, the budget is appropriated to achieve desired outcomes.

Performance-based budgeting has no single model and therefore requires the government to establish and incorporate performance measures within the budget processes in order effectively to implement a systematic performance review, which will enable managers to assess the impact of programs in the decision-making processes (Aubrey, 2012:6). Many of the public financial management reforms are incorporated in and linked to performance-based budgeting to enhance transparency and accountability in the spending of public money whilst promoting value-for-money service delivery through controlled expenditure (Index of Economic Freedom, 2016:8). Every budget consists of two main components: a revenue budget and an expenditure budget. For any budget to materialize, there must be revenue. As a result, revenue administration is critical in budget reforms.

### **3.6.3. Tax revenue administration**

Revenue collection plays a critical role in the public sector, as all programs, activities, and objectives of government are dependent upon sufficient revenue collection for implementation. As a result, taxation as a fiscal instrument in which government collects most of its revenue is critical in public financial management. Therefore, public funds should be managed prudently as the management of tax administration can potentially yield desired objectives (Symansky, 2010:12). This is supported by Evidence in Governance and Politics (2015:22) in its suggestion that tax revenue administration is one of the most important reforms in the public sector, as national revenue is highly dependent upon government revenue collection mechanisms to finance objectives.

Tax revenue administration reform emerged as a tool to enhance “non-voluntary compliance to increase revenue and reduce evasion” (Pretorius & Pretorius 2009:44). This reform requires both good management and political will and commitment to be fruitfully incorporated into the broader public financial management reform strategy (Pretorius & Pretorius, 2009:44). Tax revenue administration systems directly assist the government to:

- Reducing illicit financial flows.
- Reducing corruption and bribery in all forms of tax collection.

- Developing effective, accountable, and transparent institutions that can collect taxes effectively.
- Ensuring responsive, inclusive, and participatory tax collection processes.
- Ensuring public access to information regarding tax collection” (Evidence in Governance and Politics, 2015:47).

Tax revenue administration needs to be supported by strong payroll, cash, and debt management systems in order to avoid popular acts of undermining fiscal discipline within the management of both tax collection streams and the budget process, which consequently lead to an insufficient collection of revenue and to budget deficits (Asian Development Bank, 2019:3). This is because the functioning of all government activities is highly dependent upon sufficient cash flow forecasting and revenue collection (Pretorius & Pretorius, 2009:26). Every government must have a strategy that will ensure the longevity of its revenue collection streams so as to sustain its expenditure. For this reason, many governments around the world have adopted the MTEF reform to assist them in forecasting and efficiently budgeting for the current year and the ensuing two years.

#### **3.6.4. *Medium Term Expenditure Framework***

Di Francesco (2015:9) defines the MTEF as a framework that estimates government expenditure for three years to enhance the decision-making process and strategic planning by consolidating the bottom-up and top-down approaches to the enhancement of the budget process. MTEF is therefore a multi-year rolling budget closely linked to performance-based budgeting and aimed at ensuring that the government’s budget reflects the government’s priorities and objectives (National Treasury, 2018:3). MTEF emerged in the early 1990s as a “policy-based budgeting reform” strategy to link short-term and long-term government programs and budgets to a three-year framework (Pretorius & Pretorius, 2009:19).

The MTEF promotes efficacy through the performance-based budgeting by linking the capacity of inputs with the provision of the best results, then focusing on the priority programs to enhance budget appropriation in order to achieve the overall government objectives (Hashim & Piatti-Fünfkirchen, 2016:26). Ochanda (2012:3) asserts that the MTEF “balances what is avoidable against the policy priorities of the government.” This implies that MTEF can identify ineffective programs and highlight the important ones, allowing the government to invest in and appropriate money toward the relevant programs. As a result, MTEF as a reform strategy plays a critical role in the development and restructuring of the public financial management system (Ochanda,

2012:3). The MTEF helps the government plan better programs, which should promote better public procurement and supply chain management in the delivery of public goods and services to ensure that programs and activities are effective and sustainable.

### **3.6.5. Public procurement reform**

According to the OECD (2010:8), procurement is a long but fruitful process if implemented correctly. It sequences citizens' needs and these are met through contracts with the best quality but lowest cost. Pretorius and Pretorius (2009:26) indicate that "public procurement systems play an important role in stabilizing and transcending budget processes from the planning stage until the auditing is finalized", and is, therefore, a key element through which public funds are spent to ensure effective, efficient and economical goods and services are provided to the citizens. Subsequently, procurement has become an important sustainability tool used to advocate value-for-money service delivery on a national and international scale, which promotes harmonization, competition, and consolidation in the provision of goods and services globally (The World Bank, 2012:6).

According to the World Bank (2012:6), public procurement directly improves the effectiveness of businesses, investments, and the social environment through its processes. Procurement at an international level sustains the country's revenue collection and ability to obtain foreign products. Such relationships should be preserved (Confederation of Asian and Pacific Accountants, 2013:16), as they "promote transparency, accountability, rule-based systems, and good international relations" (The World Bank, 2012:7). Procurement is one of the four elements of supply chain management and forms part of the public financial management reforms introduced after 1994 in South Africa. Therefore, public procurement is closely linked to supply chain management because the legislative framework's public financial management processes require the government to procure public goods and services effectively, efficiently, and economically (Nkwanyana & Abenyegah, 2020:1).

Thus, supply chain management enables the government to position and manage resources in a manner that achieves desired results. Ambe (2012:132) posits that supply chain management integrates all government activities from beginning to end to eliminate the gap caused by traditional methods of procuring goods and services. As a result, supply chain management adds value to the acquisition of public goods and services at each stage of procurement (Ambe, 2012:133). For supply chain management processes to flow effectively and efficiently, the government needs to have the correct technological advances and information systems.

### **3.6.6. Integrated financial management information systems**

IFMIS refers to the technological advances that collect data in a reliable, relevant, and sufficient manner for reporting and recording transactions, enabling managers and decision makers to take rational decisions (Mburu & Ngahu, 2016:777). According to Robinson (2013:1), "IFMIS computerizes and atomizes the core elements in the implementation of the budget and accounting operations of government institutions." Hence, IFMIS is a comprehensive system that covers, integrates, and regularly provides critical information on budget processes, accounts, debt management, cash management, and control of public finances to all the relevant parties (Hendriks, 2012:2).

IFMIS emerged as a reform strategy under the NPM reform, intending to provide a consolidated registry of public sector revenue and expenditure management in a relevant, timely, sufficient, and informative manner (Una & Pimenta, 2016:282). IFMIS promotes efficiency, transparency, accountability, and improved reporting practices within the public sector (Combaz, 2015:1). Countries such as South Africa, New Zealand, and the United Kingdom have adopted IFMIS public financial management reforms, and although countries such as Malawi and Liberia have struggled with its implementation, effective implementation of this reforms has been fruitful in other countries such as China, Pakistan, and countries in Latin America (Hashim & Piatti-Fünfkirchen, 2016:9).

IFMIS facilitates the basics of public financial management and continuously strengthens financial aids, commitments, and expenditure, and can potentially contribute to the broader public financial management objectives (Hashim & Piatti-Fünfkirchen, 2016:9). IFMIS is therefore relevant in promoting transparency and accountability by enhancing efficiency and sustainability in generating reliable information through budget processes on a higher level (Robinson, 2013:1). As a result, Combaz (2015:1) highlights the importance of IFMIS as one of the most critical reform strategies within the public sector and enable effective financial and accounting management in the public sector.

### **3.6.7. Accrual-based accounting**

The introduction of NPM was accompanied by new elements and the elimination of former procedures. Among these was the shift from the traditional cash-based accounting systems to accrual-based accounting (Cavanagh *et al.*, 2016:2). As a result, more and more governments have begun to move away from pure cash accounting toward accrual accounting in order to improve and strengthen accountability and transparency in the management of public funds (Van

der Hoek, 2005:18). Moretti and Youngberry (2018:116) define accrual-based accounting as a system that allows the government to record not only all its transactions based on items delivered, but also orders made regardless of when these receivables will be attained. This definition is supported by Hendriks and Botha (2015:105), who state that accrual accounting recognizes a transaction when the underlying economic circumstances occur, irrespective of time related to the cash receipt and payment of the transaction. Furthermore, Zarandi, Ghafari, Arab, and Mozdabadi (2013:252) state that accrual-based accounting is more effective as it “fully reflects the overall impact of managerial action on future cash flow realizations at any given time.”

Cavanagh *et al.* (2016:3) emphasize that accrual-based accounting is associated with the following four innovations:

- recognition of economic events in flow reports
- recording all aspects of stocks, assets, and liabilities on balance sheets
- enhanced monitoring of liabilities and contingency liabilities
- the consolidation of all entities under government control.

Furthermore, accrual-based accounting provides managers and decision-makers with a complete framework and reliable information concerning the financial and economic positioning of public sector institutions (Hendriks & Botha, 2015:107). It does this by analytically detailing the total government costs in the provision of services and further helps assess the efficiency of these services (Hoxhaj, 2018:51). Zarandi *et al.* (2013:1) further describe accrual-based accounting as understandable, reliable, comparable, and relevant to meeting the objectives of the NPM theory and its elements.

Developing countries face serious challenges with the implementation of the above reforms, which results in the reforms not being as effective as they should be (Van der Hoek, 2018:33). Pretorius and Pretorius (2009:12) assert that the challenges faced by the government in the implementation of public financial management reforms are most evident when following the budget process, precisely between the planning and execution of the approved budget. As a result, the importance of budget reforms is emphasized in the elements of NPM as a broader reform. Public financial management forms specifically emerged from the financial pressures that led governments to improve their functioning in order to achieve value for money, transparency, and more accountability in the management and utilization of funds (Hammerschmid *et al.*, 2018:3).

The relationship between public financial management reforms and service delivery can be assessed by an evaluation of their relationship using elements of the NPM reform, as the origin of the establishment of public sector strategies aimed at enhanced service delivery.

### **3.7. Elements of the new public management theory**

The elements of the NPM theory are channeled toward better and improved service delivery. Although there are several elements within the NPM theory, for the purposes of the present research, the following seven NPM elements have been identified as those critical to the reforms of public financial management systems. These elements are similar to those identified by researchers and authors of NPM such as Hope (2003), Kalimullah *et al.* (2012), Hammersrchnid *et al.* (2018) and Chowdhury and Shil (2017), and comprise the following:

1. managerialism
2. decentralization
3. output-oriented strategies
4. implementation of performance measures
5. promotion of private sector principles
6. promotion of competition in the outsourcing of public goods and services
7. use of technology.

Although the elements of the NPM reform vary due to the complexity of the nature of NPM, these are key elements that constitute the overall goals and objectives of the public financial management reforms. This study adopts these seven elements to emphasize the relationship between public financial management reforms and service delivery.

#### **3.7.1. Managerialism**

NPM promotes enhanced management within the entire public sector for improved efficiency, effectiveness, and sustainability that require managers to be proactive and visible in their role as managers (Hammersrchnid *et al.*, 2018:3). This entails that managers must apply discretion and leadership in the control of institutions and be held accountable for the outputs and outcomes, rather than just blindly following political orders (Tambulasi, 2005:14). Through enhanced management strategies of public sector resources, service delivery will be improved. Improved managerialism thus allows the government to adopt new policies and procedures that will “prove effective against economic social ills” (Chowdhury & Shil, 2017:4).

Improved management requires institutional capacity, so governments must ensure that the employed staff is capable of performing their duties (Tkachenko, 2020:78). This should be done

by recruiting qualified, experienced, and trained personnel. Furthermore, governments should regularly provide training initiatives and workshops for their personnel (Ugoh & Ukpere, 2009:842). These should not only be based on existing policies and strategies but should also inspire the development of new knowledge and policies among public officials. Lack of sound management and poor institutional capacity weaken even the strongest of systems. As a result, it is vital for the public sector to continuously train personnel and managers in a manner that promotes and stimulates effective institutional capacity and enhanced management of programs and activities within every government institution (Hammerschmid *et al.*, 2018:3).

According to Capital Finance International (2019:2), having a space where citizens are continuously trained in following the specifications and requirements of the public sector operations and objectives is essential. This is a strategy used by many governments worldwide, including the United Arab Emirates (UAE), New Zealand, and Australia, where they have hubs that serve as employment pools for the public sector, and whenever a public sector department/institution has a vacancy, they draw someone from this pool (Ugoh & Ukpere, 2009:842). To do this, Hammerschmid *et al.* (2018:3) encourage governments to establish the minimum requirements for holding a post in public office, train graduates following these requirements, and utilize this pool when filling public sector vacancies.

### **3.7.2. Decentralization of power**

Decentralization breaks down the monopolistic authorities that exist in government and intends to eliminate hollow government, to ensure there is a separation of power within the operations of government (Tambulasi, 2005:10). Ozmen (2014:416) defines decentralization as the “transfer of authority and power from central government to the sub-national levels of government.” Decentralization originates from the principle of subsidiarity, which entails that no function should be performed at a higher level if a lower-level government can perform the function efficiently (The Swiss Agency for Development and Cooperation SDC, 2001:5). This means that through the processes of decentralization, the central government assigns powers and responsibilities that allow the sub-national levels of government to plan, implement, coordinate, and monitor the provision of public services within their jurisdiction (Ozmen, 2014:146).

This process recognizes the importance, existence, and relevance of sub-national levels of government by delayering the hierarchies within government, and allows managers more freedom to lead and manage processes so as to achieve efficient outputs and outcomes. Splitting power will allow institutions to work together toward a common goal in the most effective manner (Orlov, Khamidov, Poliakova, & Shylova, 2020:371; Kalimullah *et al.*, 2012:23). According to Ozmen

(2014:146) decentralization establishes a relationship between the different levels of government, which allows them to promote better accountability and cooperation with each other. Through decentralization, governments are encouraged to have different levels of power and separate authorities among these levels of government in a manner that ensures there is common ground and mutual correlation of processes within the government system (Tambulasi, 2005:10; Androniceanu, 2007:154).

There are various types of decentralization in the public sector, namely: “political decentralization, administrative decentralization, economic decentralization, and fiscal decentralization” (Swiss Agency for Development and Cooperation SDC, 2001:6). Although each type of decentralization focuses on a different aspect of the public sector, they are all aimed at achieving one goal: to transfer competencies, authority, and responsibilities from the central government to sub-national levels of government (Orlov *et al.*, 2020:374). Furthermore, fiscal decentralization promotes intergovernmental fiscal relations, in which fiscal powers, responsibilities, and decisions related to financial and budgetary matters are transferred from the central government to sub-national levels of government (Orlov *et al.*, 2020:374). Decentralization promotes desired outputs and objectives at every government level, and allows the government to achieve them (Swiss Agency for Development and Cooperation SDC, 2001:14).

### **3.7.3. Output-oriented strategies**

According to Tambulasi (2005:14), the focus on outputs encourages the government to shift its focus from inputs toward the achievement of outputs by planning and strategizing. Kalimullah *et al.* (2012:14) emphasize that public issues and government objectives should be delivered through service delivery, and that after identifying objectives, the government should therefore focus on ensuring value-for-money outputs related to these objectives.

public financial management reforms move the government’s focus from available financial resources toward implementing strategies to ensure that available resources are implemented most effectively and efficiently, resulting in enhanced service delivery (Kalimullah *et al.*, 2012:23). Through the focus on outputs, the government is better equipped to implement policies and programs that focus on quality service delivery. Therefore, it becomes easier to identify important programs and channel these as priorities. In this manner, governments can identify their objectives in budget formulation, which enables them to plan a clear implementation strategy for achieving objectives. Therefore, reforms put greater emphasis on outputs linking the management of public finances to services delivered (Androniceanu, 2007:154).

To achieve this, many governments have adopted the performance-based budgeting system, where all the government resources, activities, and programs are aimed at and aligned to achieving specified measurable objectives. The performance-based budget not only allows the government to focus on outputs, but also enables it to measure the performance of implemented activities and programs when aligned to the institutional strategic plans.

#### **3.7.4. *The adaptation of explicit standards and performance measures***

Without clear and explicit performance measures, tracking objectives and outputs is difficult. As a result, setting up SMART performance standards and measures plays a crucial role in the achievement and quality of outputs (Motsitsi, 2018:34). To function effectively, the government needs to adopt explicit standards and performance measures (Tambulasi, 2005:14). This implies that the government must identify envisioned targets and indicators to measure the progress and performance of its results against set standards. Performance measures established should reflect the standard of value-for-money services to which citizens have the right (Kalimullah *et al.*, 2012:23).

By identifying outputs, the government can create criteria and set standards for intended outputs. Thereafter, measuring the performance of reforms will allow the government to monitor and track the progress during the implementation (Motsitsi, 2018:45). This enables managers to identify and mitigate risks early, to identify and expand opportunities, as well as effectively to control the implementation process aimed at set goals and quality outputs (Motsitsi, 2018:45). This element ensures that quality services are provided to citizens, thus requiring the institutionalization of public financial management in a manner that ensures value for money.

The government needs to align its budget to performance measures, and this is often done through institutional strategic plans, where the institution identifies its programs and aligns them with the performance targets expected from each program (Androniceanu, 2007:155). The institutional strategic plan is then aligned with the budget to ensure that desired objectives are realistic and budgeted for. To ensure the budget is effective and efficient, the government has to implement strategies and approaches that will enhance service delivery, such as applying private sector management styles.

#### **3.7.5. *Adaptation of private sector management principles***

This element of the NPM reform requires the government to ensure efficiency in the management of financial resources by adopting private sector principles (Chowdhury & Shil, 2017:7). Establishing “private sector management principles” in the public sector aims to provide the basis

for a normative vision for the government while promoting enhanced service delivery (Alford & Greve, 2017:35). This is because the private sector is considered more effective and efficient at financial management than public institutions (Tambulasi, 2005:14). Managing the government according to private sector management principles will enable enhanced service delivery that is more efficient and economical (Njenga *et al.*, 2014:148). This requires the application of measures such as performance rewards and serving citizens as “customers that need to be served”, instead of “people that must be managed”. This will enhance productivity and encourage better management and, as a result, the provision of public services will be enhanced (Tambulasi, 2005:14).

Furthermore, the adaptation of private sector management principles enables the government to function more like a private company, where all the available resources are aimed at achieving institutional objectives and strategic goals (Alford & Greve, 2017:35). The introduction of public-private partnerships was introduced as part of the reforms to promote efficiency and effectiveness in the functioning of government (Njenga *et al.*, 2014:149). Public-private partnership aims at collaborating and building a relationship between the government and private companies to provide citizens with value-for-money services at the lowest prices, allowing projects to be completed fast and effectively (Chowdhury & Shil, 2017:7). The collaboration between the government and the private sector enhances effective supply chain management through improved public procurement processes (Alford & Greve, 2017:36).

### **3.7.6. Promotion of competition through public procurement**

The public sector must work toward greater public sector competition to promote enhanced service delivery (Pauw *et al.*, 2015:34). Pretorius and Pretorius (2009:3) argue that the government cannot provide all the required services to its citizens, and that some services should therefore be outsourced in a competitive way that will stimulate the economy. Tambulasi (2005:26) asserts that “rivalry is the key to lower costs and better standards” and further contends that this can be achieved through public procurement, privatization, and encouragement of investment (Androniceanu, 2007:155). Public procurement can be seen as an effective way of providing services through a range of government and non-government agencies contracted from outside the scope of the public sector (Chowdhury & Shil, 2017:7). Furthermore, public procurement will stimulate competition, which gives consumers a variety of choices at a lower cost, while increasing employment and economic growth as a whole (Chowdhury & Shil, 2017:7).

Procuring vital services will broaden the service delivery channels and reduce the barriers that exist between the public sector and the private sector (Njenga *et al.*, 2014:148). Procuring public

services from private companies enhances quality goods and services through efficient and effective means. According to Kalimullah *et al.* (2012:23), public procurement relieves the government of some of its responsibilities as it knows that goods and services will be provided more efficiently. However, outsourcing requires clear and strict procurement measures by the government, to ensure contracted institutions deliver what they have been contracted to deliver (Chowdhury & Shil, 2017:7).

The aim of public procurement was introduced as part of the public financial management reforms that will relieve the government of some of its responsibilities, such as manufacturing and provision of services through outsourcing to private companies in order to ensure that public services are delivered in a more timely, efficient, economical, and effective manner (Ambe, 2012:132). The bidding for the provision of these services will create competition and rivalry, which in the end promotes lower prices at the best value (Chowdhury & Shil, 2017:7).

### **3.7.7. Use of technology**

Government institutions perform their functions in an ever-changing world, where technology has become the center of public administration, requiring governments to keep abreast with global changes as service providers to the citizens (Tkachenko, 2020:81). Use of technological advances entails that government must be innovative and creative in the management of public finances and its engagement with citizens (Basheka & Phago, 2014:155). Through recent public financial management reforms, governments have moved toward e-governance platforms, which allow governments to work on computerized systems that are accessible to everyone at any time within and outside the country (Tkachenko, 2020:81). For example, governments have implemented integrated financial management systems, aimed at promoting transparency and accountability in the use of public money by making expenditure reporting easier and trackable.

Technological advances have led to the evolution of innovative means of development, such as the fourth industrial revolution, thus making it easier to communicate and engage with citizens (Basheka & Phago, 2014:155). The use of technology is important because as recipients of services, society plays a crucial role in the implementation strategies of services delivered by the government. As a result, the government must always be transparent, accountable, and ready to listen to members of society (Ugoh & Ukpere, 2009:842). No matter how innovative reforms may be, without the participation of society, it will be hard to achieve objectives (Hadden, 2017b:1).

### **3.8. The relationship between public financial management reforms and service delivery**

The above-mentioned elements of the NPM strengthen public financial management, and service delivery is enhanced through these measures (Njenga *et al.*, 2014:148). It is through these elements that the relationship between public financial management reforms and service delivery is established to achieve the following (Njenga *et al.*, 2015:148):

- Efficient allocation of financial resources for the acquisition of public goods and services: The relationship between public financial management reforms and service delivery enables the restructuring of financial capital for the purchase of public goods and services, through the budgetary reforms and innovations established aimed at improved efficiency. This is done by the way in which budgets are managed.
- Sustainable re-organizing of financial challenges, through the adaptation of new ideas and reprioritizing: This allows governments to enrich their policy effectiveness so as to enhance service delivery.
- Optimal public financial management of cash flow, inventory management, and the development of effective policies on dividends: This is to improve citizen participation, satisfaction, and trust in the government.
- Efficiently and sustainably managing financial crises, political change, public demands, and donor pressures: This is done by applying reforms that will positively affect the revenue savings and the economy of the country.
- Ultimately, service delivery will improve, socio-economic problems like poverty and unemployment will be alleviated, and governments will be able to achieve the Sustainable Development Goals (Ajam, 2016:53; Njenga *et al.*, 2014:148)

The above literature contextualizes the relationship between public financial management reforms and service delivery. The implementation of public financial management reforms is thus aimed at enhancing service delivery and the management of public funds within the public sector. The following section provides a conceptual framework of different countries' lessons, experiences, and challenges related to the implementation of public financial management reforms. This is done to understand where in the implementation of reforms the relationship between public financial management and service delivery could be compromised.

### **3.9. Implementation of public financial management reforms in different countries globally**

Public financial management reforms are taking place across the globe and have been widely implemented throughout the world. While public financial management reforms have had extensive effects and benefits in developed countries, they have unfortunately had adverse effects in some developing countries (Ball, 2019:1). Implementation of reforms varies across countries, and the implementation of these processes has yielded different outcomes. The following sub-sections review the implementation of reforms in different countries (developed and developing).

#### **3.9.1. *New Zealand***

When the Labor Government came into effect during the late 1980s, its main vision was to bring forth change and reform in New Zealand because the country was faced the challenge of a drastic financial crisis (Ball, 2018:1). New Zealand is one of the first countries to implement the NPM reforms and is often referred to as the innovator of such reforms (Lienert, 2012:2). In 1989, the first reforms were implemented, and within four years New Zealand had managed to turn around its financial position with a strong currency (Pretorius & Pretorius, 2009:3). The reforms focused on restructuring management and employment conditions within the public sector. As a result, many public sector officials were redeployed from state-owned enterprises and executive agencies, following the downsizing of the public sector to increase privatization and cooperation in the public sector (Ball, 2018:1). With the implementation of the Whole Government Account in 1991, New Zealand was the first country to establish detailed annual reports that allowed investors to make independent decisions (Lienert, 2012:2).

It is important to note that although these reforms were meant to promote effectiveness and efficiency in the provision of public services, New Zealand did not apply any measures or mechanisms relating to accountability and transparency to the citizens, and discouraged frontline bureaucrats from answering to citizens (Pretorius & Pretorius, 2009:4). Remarkably, New Zealand did not conduct a pilot study on these reforms, and although there was a 20% feasibility of achieving objectives, all stakeholders played their role in ensuring that the public financial management reforms were effectively implemented (Lienert, 2012:2). New Zealand was able to decrease its inflation to 5% between 1993 and 1995 and maintain a budget surplus between 1994 and 2008, although this was disrupted by the 2008/9 global financial crisis. Nonetheless, after 2012, New Zealand's economy stabilized to one of the best in the world (Ball, 2018:1).

Stakeholder engagement was encouraged by the strong political commitment and roles of the treasury, which were the key factors in the achievement and effectiveness of these reforms. In this way, the government substantially supported the reforms (Ball, 2018:1). At the beginning of the reform implementation, there was significant resistance from society combined with low public confidence, but with the effectiveness of the reforms, public confidence grew. Stakeholders, politicians, and treasury support made achieving the objectives feasible (Pretorius & Pretorius, 2009:8).

The treasury created a team that ensured that government staff was trained and equipped with the relevant skills and capacity to achieve outputs, which played an important role in the effectiveness of public financial management reforms (Lienert, 2012:2). Below is an overview of the implementation of public financial management reforms in New Zealand, specifically with regard to the NPM elements:

*Table 2: Implementation of public financial management reforms in New Zealand*

<b>NPM ELEMENT</b>	<b>How New Zealand implemented NPM elements within its public financial management reforms</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- The State Sector Act was implemented in 1988 and with this, all staff and chief executive officers signed fixed contracts aimed at enhancing management together with a performance measurement criterion, which reviewed the chief executive officers' performance over a specific period.</li> <li>- Government reforms after 2000 were focused on managerialism, discretion, and accountability, and established tight procedures to ensure personnel members and managers delivered the best results.</li> <li>- New Zealand implemented performance measures to improve management capacity. To ensure capable and skilled staff were appointed, government issued personnel with fixed-term contracts, but with this more attention was paid to attaining new skills and less to developing existing senior management already working in the public sector.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- Chief executive officers were given more power to manage the departments in terms of appointment, remuneration, and dismissal of personnel.</li> <li>- The minister and chief executive officers worked together in ensuring objectives are achieved, and the New Zealand government balanced the decentralization of power.</li> <li>- The provisioning of services was decentralized, giving the private sector ability to participate in the public sector.</li> </ul>

Table 2 (continued)

<p><b>Output-oriented strategies</b></p>	<ul style="list-style-type: none"> <li>- The Public Finance Act was implemented in 1989, clearly stating that the governmental objectives are aimed at achieving established results.</li> <li>- The Act moved from input-based reporting toward focusing on outputs-based reporting, reforming government toward an output-oriented approach.</li> <li>- After the 2009 global financial crisis, these objectives were reinforced in 2011 to guide New Zealand toward improved public financial management.</li> <li>- New Zealand implemented a strategy called the Key Results Areas, which identified short-term objectives of the government, allowing the department to identify and develop policies and activities that were in alignment with these objectives.</li> <li>- The government developed the Strategic Results Areas, a strategy identifying long-term visions of the government, enabling departments to align their outputs with the Key Results Areas to ensure that departments were focused on the results and outputs.</li> <li>- With the implementation of the Public Finance Act of 1989, New Zealand moved from cash budgeting to accrual budgeting systems, which enhanced its budgeting systems and blended well with the financial reforms implemented in the country to improve efficiency and technology within its budget processes.</li> </ul>
<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- New Zealand implemented a comprehensive performance measurement system to collect and hold data.</li> <li>- The State Service Commission of New Zealand was established to examine outputs and suggest improvements in poor areas.</li> <li>- Departments were required to submit multiple reports for performance measurement of results through the implementation of the new financial accrual systems.</li> <li>- The Public Finance Act of New Zealand promotes the application of general accounting practices as part of the overall measurement systems.</li> <li>- The Fiscal Responsibility Act was implemented in 1994 to ensure fiscal responsibility in the formulation and reporting of financial outputs.</li> <li>- Performance measures were implemented to ensure that if chief executive officers do not deliver, they can be dismissed or released from duties when their contract ends. As a result, managers knew they had to perform to the best of their ability. New Zealand further ensured that chief executive officers were paid bonuses for good performance. This was done to encourage better performance on objectives.</li> </ul>

Table 2 (continued)

<p><b>Adaptation of private-sector principles</b></p>	<ul style="list-style-type: none"> <li>- New Zealand corporatized and privatized all its state-owned enterprises.</li> <li>- Heads of state departments became chief executive officers and managed departments following private sector principles.</li> <li>- The government regularly consulted external specialists for advice on privatization and best practices thereof.</li> <li>- The public sector was restructured to be managed like the private sector: headed by chief executive officers. Private sector initiatives were implemented and through such measures, New Zealand became one of the best performing countries with the lowest corruption rate in government.</li> </ul>
<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- Corporatization and privatization promoted competition in the provision and sale of goods and services.</li> <li>- The purchase agreement between a chief executive officers and a minister allows the chief executive officers to purchase products from private companies, thereby allowing the government to promote competition among local businesses and provide value-for-money services to society at the lowest prices possible.</li> </ul>
<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- In the early 2000s, New Zealand's increased use of advanced telecommunications enabled the provision of services at the lowest prices.</li> <li>- To date, New Zealand remains one of the most developed countries in terms of technology and infrastructure development, which positively affects its public financial management.</li> </ul>

Source: Ball (2018; 2019), Lienert (2012)

The reforms implemented in New Zealand resulted in improved and efficient service delivery (Ball, 2018:1). New Zealand achieved the following positive outcomes through its reforms (Lienert, 2012:2):

- New Zealand has managed to maintain an annual net worth surplus with a triple rating in investments, and it is ranked among the best in public accounting measures. New Zealand falls among the top three governments with the least crime, and has an effective pattern of low input and high output levels in its public expenditure and service delivery.
- The gross domestic product of New Zealand increased from NZ \$105 billion to NZ \$116 billion between 2008 and 2017, and the country's accounting systems are said to be the most effective instrument in maintaining this productivity and sustainability.

### **3.9.2. United Arab Emirates**

In 2000 the UAE began to implement strategies that focused on strengthening the legislative framework and oversight of public financial resources (Alkaraan, 2018:3). This was done to establish a strong public administration system by replacing the traditional political heritage with a modern system that takes into account socio-economic factors (International Monetary Fund, 2015:5). During the early 2000s, the UAE realized the importance of public financial management reforms and started preparations for the implementation of such reforms, which were implemented to drive the principles of governance and achieve value for money in public expenditure by providing citizens with the best services at the lowest price (Mansur, 2016:119).

In 2004 the UAE adopted the NPM reform in order to enhance the economy and promote efficiency and effectiveness in the operations of government (Mansur, 2016:120). In 2005 the UAE Federal Law No. 23 developed a framework of performance measures for improved accountability, transparency, and decentralization in the implementation of public financial management reforms (International Monetary Fund, 2017:6). Personnel within the Ministry of Finance and the federal authorities of the UAE were trained in depth regarding the public financial management reform guidelines, procedures, performance-based implementation, and overall administration concerning the implementation of public financial management reforms (Alkaraan, 2018:15; Capital Finance International, 2019:1). The Ministry of Finance of the UAE established initiatives that provided relevant technical skills to members of other federal institutions together with technical guidelines for implementing the reforms in conjunction with the performance budget system (International Monetary Fund, 2017:4; Mustafa & Mansour, 2010:343).

Before 2005 the UAE budget was characterized by constant deficits, which led to the government rethinking its budget strategies and aim toward a zero-based budget with a minimal budget deficit. In 2010, the UAE achieved a three-year consecutive zero deficit (Alkaraan, 2018:17). In 2008 the UAE cabinet developed strategies for applying a medium-term zero budget for 2011 to 2013, which was implemented at the beginning of 2011 (Alkaraan, 2018:14). The UAE integrated these two budgets to maintain sound public financial management and zero budget deficits so that the country could focus on investing in social aspects such as healthcare, education, and infrastructure development (Capital Finance International: 2019:1). The following table indicates the implementation of public financial management reforms in the UAE:

Table 3: Implementation of public financial management reforms in the UAE

<b>NPM ELEMENT</b>	<b>How the UAE implemented NPM elements within its public financial management reforms</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- The UAE implemented changes in its strategies, processes, and structures to restructure the hierarchy and change the responsibilities of the Ministry of Finance and other institutions. This was done to equip role players with training and knowledge to ensure efficient use of available resources and achievement of outputs and objectives. There was also a change in the policies of recruitment to ensure that qualified candidates were employed.</li> <li>- In 2009 the UAE established the Abu Dhabi Accountability Authority together with a restructured strategy to promote compliance with the law and principles of governance, and established an international standing.</li> <li>- The UAE has established a “pool of talent from which future government leaders are recruited”. This is a combination of multiple initiatives and programs aimed at equipping individuals with the right and necessary skills and expertise. Whenever a vacancy needs to be filled, the recruitment is done from this pool someone from the pool is selected.</li> <li>- To date, the UAE uses this method to recruit public sector personnel, and it also regularly train its managers.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- The UAE granted government institutions more flexibility and authority in their management practices. This optimized government institutions and improved internal governance within the federal entities. Furthermore, the local government controls many functions.</li> <li>- The UAE government gave more power and authority to the federal institutions in order to distribute power among local governments and ensure fair decentralization.</li> </ul>

Table 3 (continued)

	<ul style="list-style-type: none"> <li>- The UAE comprehended the importance of making data available to government and other sectors in order to promote stakeholder participation. As a result, the UAE applied a multi-model database management system, which followed an accrual budgeting system that allowed it to manage and control the implementation of the budget.</li> <li>- Between 2011 and 2013, the UAE developed a 2021 vision strategy and a plan of action for achieving its objectives. This strategy had three core aspects: <ul style="list-style-type: none"> <li>• seven generic principles – principles that were to steer programs of the UAE and establish norms and standards that would apply to the strategies and strategic enablers</li> <li>• seven strategies – these identified themes that clearly defined the priorities of the UAE over the next three years</li> <li>• seven strategic enablers – activities and programs that the UAE would implement in the pursuit of achieving its objectives.</li> </ul> </li> <li>- In 2015 the federal budget increased social spending priorities by 6.5%, which ensured government budget allocation was consistent with the overall fiscal objectives. This strengthened the predictability of outputs.</li> </ul>
<p><b>Output orientated strategies</b></p>	<ul style="list-style-type: none"> <li>- In 2006 the federation developed ten categories for the federal accounts and transitioned from cash-based accounting to modified accrual, focusing on accountability, performance measures, and outputs, to obtain international recognition and sound public financial management and ultimately enhance decision making in the planning and controlling of essential financial information. The accrual-based accounting also allows personnel to measure the performance of desired results against achieved results, and helps officials focus on outputs rather than inputs.</li> </ul>
<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- In 2003 the UAE implemented its first performance-based budgeting system together with the traditional budget system. This was done to experiment with and study the difference the performance-based budget would make.</li> <li>- The UAE fully adopted the medium-term zero budget in 2013 and has since then strived toward achieving a zero budget deficit.</li> </ul>
<p><b>Adaptation of private-sector principles</b></p>	<ul style="list-style-type: none"> <li>- The UAE implemented macro prudent measures best known in the private sector. Reserves that were accumulated on oil prices were used to drive the economy, and projected investments were used to increase the real estate prices.</li> <li>- Furthermore, this economic growth was sustained by “deposits made to domestic, foreign liabilities and insurance of foreign currency which dominated the medium-term notes” (Mustafa &amp; Mansour, 2010:343). Nevertheless, domestic banks took out short-term loans to finance their lending.</li> </ul>

Table 3 (continued)

<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- After the 2008/9 financial crisis, the UAE needed to reform its strategy yet again. Between 2010 and 2011, the government proposed a political reform in which it invested \$1.6 billion in infrastructure investment to upgrade underdeveloped parts of the Emirates. This was done through enhanced procurement and supply chain management systems.</li> <li>- To manage public debt, the UAE made investments and insurances in the private sector, which brought forth competition and effectiveness in the management of public funds.</li> </ul>
<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- This was followed by the establishment of numerous initiatives that helped the government publish and introduce a way of using technology to adopt the best practices and make available important information on websites.</li> </ul>

Sources: Mustafa and Mansour (2010:343), Alkaraan (2018), International Monetary Fund (2015), Capital Finance International (2019:1)

Between 2003 and 2008, the government experienced a boom in its economy, with growth in share prices within the Dubai Financial Market. Private sector influence and competitiveness contributed to the rise of the economy (International Monetary Fund, 2017:5). Unfortunately, this boom was disrupted by the 2008/9 global financial crisis, which caused a collapse in the share prices, oil prices, and real estate prices (Alkaraan, 2018:5). Between 2006 and 2009, gross domestic product growth fell from 13% to 2.7% due to the fall of the real estate sector in Dubai. Throughout the global crises, the UAE continued to implement public financial management reform, and by 2012 the UAE achieved the following:

- moved from the forty-ninth position to the twentieth position in overall development
- rated first among Arab countries
- rated second most effective country among its peers in Western Asia
- rated fifth most sustainable country in Asia
- best financial planning public sector in the UAE for 2019 and best budgeting systems and procedures in the public sector UAE for 2019.

(Alkaraan, 2018; Capital Finance International, 2019)

The Index of Economic Freedom ranked the UAE twenty-fifth on an international scale and second regionally for its economic boom in 2016, and commended the government for its economic resilience despite the political instabilities and conflicts the country faced (Index of Economic Freedom, 2016:1; Mansur, 2016:123). The UAE has a low unemployment rate of 2.2% and its oil price increases continued to increase the country's fiscal deficit to a 1.2 budget surplus

in 2019. Also in 2019, the UAE Department of Finance received an award for the best financial planning in the public sector (UAE) (Capital Finance International, 2019). Therefore, the UAE is doing exceptionally well, and the government has achieved sound public financial management (Capital Finance International, 2019:1).

### **3.9.3. Australia**

With the global financial challenges that occurred during the early 1980s, Australia faced economic pressures that were detrimental to the government and made it difficult to fund activities, thus resulting in budget deficits and increasing the country's debt (Kauffman, 2014:3). These crises forced the Australian government to review its public sector management, transforming it into one that would be more effective in the provision of services (Pretorius & Pretorius, 2009:78). Australia thereafter implemented public financial management reforms through the elements of NPM and focused its restructuring on decentralizing power, introducing private sector mechanisms, an adaptation of budget reforms, and promoting performance measures (Chowdhury & Shil, 2017:1). NPM was the driver of this change (Kauffman, 2014:3). The new public financial management reform advances came with changes that were focused on reinforcing management. Through the decentralization of power, these reforms were aimed at efficiency, effectiveness, and holding managers accountable for outcomes, while simultaneously improving the economy and gross domestic product of the country (Chowdhury & Shil, 2017:1).

Public financial management reforms were mainly focused on the budget, and in 1999/2000 Australia changed its budgeting format from the traditional, conventional system to a unique system that comprised both cash-based accounting and accrual accounting (Kauffman, 2014:3).

With the Operation Sunlight 2009/10 reform initiative, the Australian government re-introduced program reporting, instead of output reporting; reforms that tightened outcomes statements in a manner that provides a precise purpose, target group, and expected results from government; government need to publicize all non-financial key performance indicators to enable managers to measure and assess the performance of program outputs and outcomes; and reforming of the capital budgeting framework" (Jarvie & Mercer, 2018:288).

The Australian government has taken steps to assist other countries in reforming their public financial management reforms and is trusted as a donor and stakeholder in this process (Pretorius & Pretorius, 2009:78). All stakeholders and political leaders supported these reforms, and this contributed immensely to the effectiveness of the reforms (Chowdhury & Shil, 2017:1).

Australia has gone through numerous reforms, all aimed at improving efficiency and restructuring its strategies. Whilst some of these reforms have been effective, others have been less effective.

Nonetheless, Australia has managed to uphold a sustainable public financial management system (Jarvie & Mercer, 2018:288; Pretorius & Pretorius, 2009:78). The following table indicates the implementation of public financial management reforms in Australia:

*Table 4: Implementation of public financial management reforms in Australia*

<b>NPM ELEMENT</b>	<b>How Australia has implemented NPM elements in public financial management reforms</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- Reforms were established to promote management and accountability mechanisms that would ensure that the performance of personnel is regulated, monitored, and evaluated.</li> <li>- The reforms were structured around processes that would “establish national management”, which was critical in identifying objectives and outlining results personnel needed to achieve.</li> <li>- Management structures were changed, with a decline in the number of public personnel.</li> <li>- Through human resources reforms in the public sector, skilled and experienced staff were recruited, and the Australian government frequently hosts workshops and training sessions to ensure that its staff members advance and are equipped with the right knowledge, skills, and information.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- Implementation of the NPM brought forth change in the management and structures of government enterprises.</li> <li>- These changes were decentralization, accountability, enhanced performance, and enabling authoritative change.</li> <li>- Different structures of government hold different authorities and decision-making powers.</li> </ul>
<b>Output-oriented strategies</b>	<ul style="list-style-type: none"> <li>- Australia changed its budget processes to a more output- and outcome-oriented process.</li> <li>- Operation Sunlight brought a change to the budget processes, and this was done to increase transparency and accountability of capital budgets by providing managers and personnel with the relevant information to better inform the decision-making process.</li> <li>- Accrual budgeting enabled the Australian government to be more transparent and aligned with the other financial management reforms that were implemented.</li> </ul>

Table 4 (continued)

	<ul style="list-style-type: none"> <li>- Budget reforms were formulated to focus on outputs, not inputs. Through Operation Sunlight, the government:               <ul style="list-style-type: none"> <li>• enhanced the outcomes and outputs</li> <li>• changed budget formats to enhance usability and readability</li> <li>• improved estimations through transparency and budget reporting.</li> </ul> </li> </ul>
<b>Performance measurement</b>	<ul style="list-style-type: none"> <li>- Several tools relating to performance measurement have been established in Australia. During the 1980s the Australian government rejected the traditional administration and focus on client contact. This was replaced by reforms focused on management in the 1990s, and in 2000 the integration and performance measurement phase emerged with the focus on achieving more efficiency aimed at performance management and measurement.</li> <li>- At a later stage, Australia implemented the Public Governance and Accountability Act 2013, which defined its targets and objectives. This was accompanied by key performance indicators, which systematically evaluated programs operated in collaboration with the Financial Accountability Review Board, and emphasized the sanctions made by the National Commission of Audit. This system is still used to evaluate and improve the entire budget process.</li> </ul>
<b>Adaptation of private-sector principles</b>	<ul style="list-style-type: none"> <li>- Through the Australian Public Service Act, the government emphasized and promoted commercialization.</li> <li>- The entire reform process of public financial management in Australia was focused on managing the public sector with private sector principles through the promotion of commercialization, where markets were established to increase competition among private sector providers.</li> <li>- In the attempt to promote private sector principles, the Australian government implemented the Australia Management Advisory Board (Management Improvement Advisory Committee Task Force), and thereafter the public sector has been treated like a marketplace that follows the business approach and private sector principles in contracting out the provision of services and the commercialization thereof.</li> </ul>
<b>Promotion of competition</b>	<ul style="list-style-type: none"> <li>- In 1992, Australia implemented the National Competition Policy, which brought about major reforms and changes in the Australian public sector in general.</li> <li>- This policy promoted competition among private sector companies and increased efficiency and effectiveness in the public sector.</li> <li>- It also enabled the government to negotiate lower prices and offer an improved choice of services and products to the citizens, which simultaneously continues to improve economic growth, employment, and greater efficiency in the country.</li> </ul>

Table 4 (continued)

<b>Use of technology</b>	<ul style="list-style-type: none"> <li>- The reforms were implemented as part of the budget reforms, and in 1999/2000, budgets moved from cash-based accounting to accrual-based accounting.</li> <li>- Australia made use of technological advances, which made budgets easier to formulate, implement, and evaluate.</li> </ul>
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Sources: Youngberry (2012), Chowdhury and Shil (2017), Kauffman (2014), Jarvie and Mercer (2018:288)

Australia remains stable and efficient in the management of public finances. Its effectiveness in structuring and sequencing reforms has been emulated by many countries, and its government is currently working as both a donor and stakeholder in assisting less developed countries with their reforms. Australia has played a critical role in assisting and supporting Afghanistan to implement its public financial management reforms effectively (Kauffman, 2014:3).

#### **3.9.4. Pakistan**

Pakistan is one of the countries whose public financial management has been severely challenged and affected by the global financial crises (Overseas Development Institute, 2012). This resulted in Pakistan continuously attempting to improve its financial management reform (Overseas Development Institute, 2012). Since the early 2000s, Pakistan has implemented a wide range of public financial management reforms with mixed results (Alam, 2019:1). All the reforms implemented have been aimed at improving the external audit, scrutiny measures, and management of financial services (Alam, 2019:1). Later, MTEF budgets were introduced to improve the payment processes and control of public sector cash flow, but this too has had limited success in managing and decreasing the budget spending and fiscal deficits (Muhula, 2019:8).

Furthermore, IFMIS was also implemented to achieve these objectives, but did not yield a significant increase in the timeliness of financial data. The Pakistan government passed the new Public Financial Management Act 2019 to alleviate the existing problems and remaining deficiencies within Pakistan’s public financial management system by focusing on the following:

- enhancing budget transparency
- strengthening macroeconomics and fiscal forecasting
- advancing to accrual accounting
- strengthening the role of the Auditor-General of Pakistan
- modernizing cash management to avoid over-flow and over-expenditure.

(Muhula, 2019:4; Alam, 2019:1)

Pakistan has been able to transform and improve its public financial management system, although this achievement has had limited effects (Muhula, 2019:7). The Pakistan government has recently implemented the Program for Results, a six-pillar reform strategy for 2018 to 2027 aimed at improving the reform process, addressing the inefficiencies identified, and prioritizing key elements. The World Bank (2019) notes that this strategy was brought forth by the need to improve the management of public finances and enhance service delivery, especially the provision of social services.

In addition, there is also a need for a timely, streamlined, and informative budgeting process to warrant effectiveness in the procurement of public goods and services through the promotion of citizen engagement (World Bank, 2019). The Pakistan government has recently launched a strategy known as “Pakistan 2025”, with the vision and goal to support reforms and the six pillars in detail (Pakistan Ministry of Planning and Reform, 2020:2020). Each of these pillars aims to achieve the same common objective, namely improved public financial management and effective service delivery.

Pakistan has shown improvement and dedication toward making these reforms effective. Furthermore, donors have shown support by assisting the Pakistan government and undertaking development to enhance its public financial management system (Rashid, 2017). The Department of Finance, with the support of the European Union, has funded the Public Financial Management Support Program for Pakistan, which is an action plan established to introduce and execute public financial management reforms and fiscal discipline (Rashid, 2017).

In the pursuit of implementing reforms, the NPM elements have been observed. Pakistan implemented the Public Financial Management Support Program for Pakistan to enhance the efficacy of government expenditure and expand the distribution of public services within the provincial and federal governments of Pakistan. The program supports the design of the implementation processes to enhance the consolidation of the medium-term budgeting framework. This promotes an overarching public financial management reform strategy in support of this objective (Rashid, 2017).

Table 5: Implementation of public financial management reforms in Pakistan

NPM ELEMENT	Implementation of public financial management reforms in Pakistan
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- The government implemented “The Capacity Building and Institutional Strengthening” strategy, to enable continuous training of public financial management practitioners and to ensure employed personnel possess the necessary qualifications and skills.</li> <li>- The capacity of the Public Procurement Authority is being enhanced through structured managerial practices and extensive training within all government departments to address barriers that exist.</li> <li>- Pillar three of the Public Financial Management Reform Strategy 2018–2027 supports strong managerial improvement and skills within the public sector.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- Pakistan is centralized and the national government is resistant to decentralizing the government services.</li> <li>- Budget functions are divided among the provincial and federal institutions in Pakistan. The federal institutions are focused on the accounting and audit functions, while the provincial government focuses more on budgeting and expenditure.</li> <li>- These functions had a direct bearing on the identification of the lack of decentralization as the main weakness of Pakistan by the provincial government and other donors.</li> <li>- The Pakistan government is trying to address this issue through the “Relationship of the country’s Partnership Strategy and Rationale for the use of institutions” (Rashid, 2017) reform to respond to the International Development Association (IDA 18) and management commitment.</li> <li>- Pillar six of the Public Financial Management Reform Strategy 2018–2027 promotes vertical public financial management coordination among government departments and stakeholders. The Pakistan government hopes to correlate some aspects in the functions of government throughout the entire country but is still resistant to decentralization of power and decision-making.</li> </ul>
<b>Output orientated strategies</b>	<ul style="list-style-type: none"> <li>- Through the “Relationship for the country’s Partnership Strategy and Rationale for the use of institutions” reform, the government aims to emphasize the outputs and explore all emerging technologies for the improvement, development, and achievement of the International Development Association 18’s Sustainable Development Goals and objectives.</li> <li>- The government implemented the Results Framework and output-based budgeting to track the results of output and achievement of programs. This focuses more on outputs than inputs.</li> </ul>

Table 5 (continued)

	<ul style="list-style-type: none"> <li>- The government implemented the MTEF and accrual-based accounting systems to improve the management of public finances.</li> <li>- Pillar one of the Public Financial Management Reform Strategy 2018–2027 encourages fiscal sustainability of the budget.</li> </ul>
<b>Performance measurement</b>	<ul style="list-style-type: none"> <li>- Pakistan implemented the Disbursement Linked Indicators and Verification Protocols to enable the measurement of public financial management through the establishment of eight disbursement linked indicators, which include a criterion for alleviating public financial management bottlenecks.</li> <li>- The Results Framework is aligned with the output-based budgeting to help track the progress of public financial management expenditure and efficiency.</li> <li>- Pillar five of the Public Financial Management Reform Strategy 2018–2027 encourages transparency, oversight, and accountability in the management of public finances.</li> </ul>
<b>Adaptation of private-sector principles</b>	<ul style="list-style-type: none"> <li>- The government also implemented the Program for Results Instruments to support and strengthen the institutional re-engineering of the public sector to function as a business. Therefore, Program for Results emphasizes the efficiency of the private sector and promises long-term sustainability.</li> <li>- The National Procurement and Training Plan 2017–2021 was implemented to enhance and promote privatization within the public sector.</li> <li>- Pillar four of the Public Financial Management Reform Strategy 2018–2027 supports public investment management and public-private partnerships.</li> </ul>
<b>Promotion of competition</b>	<ul style="list-style-type: none"> <li>- Program development objectives and key results indicators were implemented to improve public financial management and procurement, as well as to promote competition in the delivery of services.</li> <li>- This is done to provide the best services at the lowest prices.</li> </ul>
<b>Use of technology</b>	<ul style="list-style-type: none"> <li>- Pakistan implemented financial management and information systems to modernize the public financial management system and encourages the use of technological advances within the public financial management.</li> </ul>

Source: Alam (2019:1), World Bank (2017:1), World Bank (2019), Rashid (2017)

Pakistan has achieved substantial improvement and in the past few years. It has gained more and more donor support, which benefits Pakistan (Rashid, 2017). However, although improvements are visible, it is not possible to address all existing challenges simultaneously, and donors have therefore encouraged the implementation of reforms in Pakistan over a longer period of time (World Bank, 2019:3). As a result, the progress of these reforms and their effectiveness

will be evaluated over time through the results obtained from the six pillars of the Public Financial Management Reform Strategy 2018–2027.

### **3.9.5. Kenya**

Kenya is one of the African countries that has experienced a pattern of dire economic circumstances throughout the past few decades (Magani & Gichure, 2018:39). As a result, in that time, the country has implemented various reforms, but with little effect (Bett, 2018:1). During the 1990s the economy of Kenya collapsed with a gross domestic product growth of 0.2%. In 2005, donors began to withhold their financial aid and grants to Kenya due to the high rate of violence and the lack of political commitment (Njenga *et al.*, 2014:45; Kuria, 2009:13). In 2006, Kenya implemented the Public Financial Management Reform 2006–2011 policy to improve financial efficiency and fiscal discipline and thereby enhance sustainability and utilization of available financial resources that would substantially improve the lives of the citizens (Njenga *et al.*, 2014:53). With this reform came the establishment of other policies and programs to realize reform objectives (Kuria, 2009:10).

These reforms and strategies aimed to enhance service delivery through better management, transparent diagnostic analysis, and wide consultation within the government and with other stakeholders, including departmental partners (Bett, 2018:2; Gudmundsson, 2013:36). Things worsened for Kenya after the 2007/8 elections, which negatively affected the economy and thus limiting the efficiency of the reforms (Njenga *et al.*, 2014:53). In 2009 the inflation rate of Kenya reached 26.9% as a result of the political instability and the high budget deficit incurred by the country, mainly due to high levels of corruption and political sabotage (Gudmundsson, 2013:53). In 2010, Kenya enacted a new constitution, with a chapter focused only on public financial management (Magani & Gichure, 2018:29). This culminated in the New Public Management Act of 2012, which focused on restructuring and bringing efficiency to the management and implementation of the budget (Magani & Gichure, 2018:40).

In 2013, Kenya implemented its most recent strategy known as the Strategy for Public Financial Management Reforms in Kenya 2013–2018, which provides a framework to fast-track reforms with overarching strategies and to address aspects of the public financial management system worldwide (Ministry of Finance – Kenya, 2013). Efficiency and effectiveness in the management of public finances were supported by the implementation of the IFMIS and the re-engineering of fiscal decentralization within the country (Ministry of Finance – Kenya, 2013; Gudmundsson, 2013:36). To ensure that reforms are effectively implemented, Kenya followed a thematic approach, where its reform strategy identified seven dimensions from the preceding five years

(Bett, 2018:9). This approach was aimed at comprehensively strengthening various funding mechanisms to promote efficient and sustainable use of available financial resources (Magani & Gichure, 2018:36). The following table indicates the NPM elements in the implementation of reforms in Kenya.

*Table 6: Implementation of public financial management reforms in Kenya*

<b>NPM ELEMENT</b>	<b>Implementation of public financial management reforms in Kenya</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- The new constitution came with guidelines for the implementation of frameworks in the management of the public sector.</li> <li>- The PFMA of Kenya explicitly emphasized the roles and duties of officials in line with the management of public finances.</li> <li>- The Kenyan government implemented the Strategy for Public Financial Management Reforms in Kenya 2013–2018. Throughout this period, Kenya hosted various training activities, programs, and workshops to enhance the skills of its public sector personnel.</li> <li>- Capacity-building programs included the promotion of capabilities, functional considerations, and institutional structures for government operations.</li> <li>- Kenya further implemented facilitation programs in the management of fiscal relations.</li> <li>- Through these efforts, the skills and capacity of personnel have increased, although skills and capacities are still limited at the county level.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- With the enactment of the new constitution, Kenya was adamant in its strategy of decentralizing power, authority, decision-making, and participation within all forty-seven regions in the country.</li> <li>- Two of the elements of The Strategy of Public Financial Management Reforms in Kenya 2013–2018 are aimed at fiscal decentralization within the county.</li> <li>- The Public Financial Management Act 18 of 2012 promotes cooperation within the national and county governments, aimed at enhancing service delivery throughout the entire country.</li> <li>- Decentralization in Kenya aims to promote governance and sound institutional operations within the entire country.</li> </ul>
<b>Output orientated strategies</b>	<ul style="list-style-type: none"> <li>- The entire Strategy for Public Financial Management Reforms in Kenya 2013–2018 was aimed at improving service delivery (outputs).</li> <li>- Kenya introduced the Results-Based Management strategy, which was aimed at ensuring that the implementation process is managed to give effect to the objectives and envisioned outputs. The strategy was focused on the budgetary process in which programs are implemented.</li> </ul>

Table 6 (continued)

	<ul style="list-style-type: none"> <li>- Outputs on each program established were aimed at the three Es and enhanced service delivery. Achieving this became the priority of the government. Kenya implemented program-based budgeting, and this followed the MTEF guidelines.</li> <li>- With the implementation of budget reforms, the Kenyan government moved from cash-based accounting to accrual budgeting.</li> <li>- IFMIS programs and strategies were also aimed at ensuring that outputs are achieved.</li> </ul>
<b>Performance measurement</b>	<ul style="list-style-type: none"> <li>- Kenya established the National Auditor Office to audit, evaluate, and measure the performance of departments. Subsequently, departments were required to submit monthly, quarterly, half-yearly, and yearly financial reports and statements for audits and evaluations. These are used to measure the public financial management performance of departments.</li> <li>- Through the implementation of IFMIS, the government aimed to monitor and evaluate the budget, keep track of expenditure, and support the management and measurement of budget performance.</li> <li>- Kenya also established and managed the implementation of public expenditure reviews aimed at measuring and tracking public expenditure.</li> </ul>
<b>Adaptation of private-sector principles</b>	<ul style="list-style-type: none"> <li>- In 2005, Kenya implemented the Privatization Act of 2005.</li> <li>- Not much effectiveness was achieved through this act, but the government has incorporated the act into the PFMA, intending to enhance and promote privatization.</li> </ul>
<b>Promotion of competition</b>	<ul style="list-style-type: none"> <li>- In terms of promoting competition, in conjunction with promoting privatization, Kenya established the Public Procurement Oversight Authority to oversee all procurement processes and ensure that supply-chain-related matters are done in an effective manner that will promote efficiency in the management and delivery of services.</li> <li>- With the establishment of this authority, the government implemented the Public Procurement and Disposal Act, aimed at providing the correct and effective framework for guiding procurement procedures.</li> </ul>
<b>Use of technology</b>	<ul style="list-style-type: none"> <li>- One of the key elements of the strategy of public financial management reforms in Kenya from 2013 to 2018 was the implementation of IFMIS, through which the government aimed at using technological advances and computerized systems in managing the budget and recording all expenditures.</li> </ul>

Sources: Njenga *et al.* (2014), Bett (2008), Ministry of Finance – Kenya (2013), Kuria (2009), Magani and Gichure (2018), Gudmundsson (2013:36), Overseas Development Institute (2012), Owuor (2015)

Recent reforms brought forth improvements and enhancements in the management of public finances and service delivery, as well as donor confidence for Kenya (Owuor, 2015). The economy of Kenya has seen substantial growth and the public financial management system is stable (Njenga *et al.*, 2014:40). Kenya is still challenged in terms of achieving stable decentralization and skills capacity. In many of its regions, public sector personnel still lack the necessary skills and capacities essential for growth, thus making it difficult to implement reforms efficiently (Magani & Gichure, 2018:40). Decentralization of power due to a lack of political commitment is still a challenge in Kenya and has limited the impact of public financial management reforms thus far.

Researchers such as Njenga *et al.* (2018), Magani and Gichure (2018), and Owuor (2015) argue that it is still too early to analyze the long-term impacts of the reforms implemented in Kenya, but there is a high degree of confidence that these reforms will result in positive outcomes and have a great impact on the public financial management of Kenya (Bett, 2018:47, Gudmundsson, 2013:36; Njenga *et al.*, 2014:40).

### **3.9.6. Ghana**

The emergence of public financial management reforms in Ghana took place between 1985 and 1995 when the country moved from a protectionist-led state to a liberal state. After the political elections, which the New Development Congress won, Ghana enacted a new constitution in 1992 with several new legislative approaches to support the government's objectives (Lawson, 2012:36). Throughout the 1990s, Ghana experienced a boom-and-bust pattern within its economy, and growth was brought forth by new reforms, especially those focused on export growth based on gold and cocoa (Lawson, 2012:37). As the New Development Congress was reaching the end of its term, public expenditure drastically increased, which resulted in high budget deficits for the country, pushing the country's inflation rate to 41% (Lawson, 2012:37).

The new leading party, the New Patriotic Party, introduced a fiscal monetary policy that stimulated Ghana's economic growth to 6% in 2006 and 2007, and this increased to 7.3% in 2008 (Scott, 2018b:3). Ironically, toward the end of the administration term, Ghana also reached a high expenditure level, which resulted in a budget deficit of 13.5% of the gross domestic product (Lawson, 2012:40). The previous ruling political party (the New Development Congress) returned to power in 2009/10. Throughout these years, Ghana remained severely challenged, and this was blamed on its lack of a comprehensive public financial management reform system, poor political commitment, decentralization challenges, and high levels of corruption within the public sector

(Lawson, 2012:36). The New Development Congress reworked its approach to stabilizing the public financial management system in Ghana.

The country saw the establishment of the IFMIS systems, the Public Procurement Act, and Ghana’s Shared Growth and Development Agenda (Scott, 2018b:5). The substantial achievement was made through the legislative policies implemented, which allowed modest progress in the budget cycle. Nonetheless, there were no improvements in the quality of accounting practices, delays in financial reporting, and ineffectiveness in the implementation of budget performance and expenditure systems (Scott, 2018b:5). Although the government introduced the Oracle financial system, this too was ineffective at eradicating the public financial management problems that existed due to policy constraints. Thereafter, the government implemented the IFMIS aimed at computerizing and improving financial management as an initiative to stabilize and improve public financial management (Adzroe, 2015:17). In 2010, in eight pilot studies, the implemented reforms were found to be non-operational and unable to alleviate the persistent managerial problems (African Development Fund, 2015:3).

In 2015, Ghana launched its latest reform approach, named the “Public Financial Management Reform”, incorporating global best practices (Scott, 2018b:7). This included the adoption of the MTEF, payroll reforms, review of finance and accountancy, financial reforms, as well as fiscal decentralization strategies (African Development Fund, 2015: 3). Ghana also introduced revenue administration reforms – which comprise important components of tax collection, reduced administration cost, and management of public funds – as well as the Public Financial Management and Private Sector Competitive Support Programme 2015, which strengthened competition in the private sector (African Development Fund, 2015:2). The following table illustrates Ghana’s incorporation of public financial management reforms.

*Table 7: Implementation of public financial management reforms in Ghana*

<b>NPM ELEMENT</b>	<b>Implementation of public financial management reforms in Ghana</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- Ghana has implemented various strategies for improved public sector management. Some of these overlap with the IFMIS strategy and revenue administration reforms.</li> <li>- The government implemented the Ghana public financial management reforms approach in 2015 with a build-up of strategies that would alleviate the problems that existed in the management of the public sector generally.</li> <li>- Furthermore, Ghana implemented capacity-building initiatives and training programs. However, skills capacity remains insufficient.</li> </ul>

Table 7 (continued)

<p><b>Decentralization of power</b></p>	<ul style="list-style-type: none"> <li>- Decentralization of power, authority in public financial management, and state affairs remain a challenge, with political dynamics at the root.</li> <li>- There is an absence of overarching and accurately coordinated public financial management reform strategies.</li> <li>- There is also a widespread lack of legislative frameworks supporting the decentralization process.</li> </ul>
<p><b>Output-oriented strategies</b></p>	<ul style="list-style-type: none"> <li>- The policies and strategies of Ghana are clear on the intended outputs. Nonetheless, there has been no material proof of how the country aims to focus on outputs.</li> <li>- Ghana has fully implemented the IFMIS in advancing the public financial management systems and implemented the MTEF. In addition, the government moved to accrual-based accounting practices.</li> </ul>
<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- Ghana implemented the PFMA with supporting legislative frameworks in order to achieve effective management of public financial management performance, public expenditure, financial authority, and the review of financial reforms.</li> <li>- These reforms have not been effective, as a result of corruption and political differences within the public sector.</li> </ul>
<p><b>Adaptation of private-sector principles</b></p>	<ul style="list-style-type: none"> <li>- The private sector of Ghana is guided by strong public financial management, private sector, and competitive strategies.</li> <li>- The private sector remains one of the strongest aspects of the functioning of the entire country.</li> <li>- State-owned enterprises and the Bank Group Interventions established by the Ghana government are strong and effective for the well-being and growth of the economy.</li> <li>- Best practices in this sector have been effectively implemented, and the results have been efficient.</li> </ul>
<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- In line with private sector operations, competition among private companies and State-owned enterprises is strong.</li> <li>- Nonetheless, the electricity supply challenges faced by the country have negatively affected the competition surrounding and provision of services among competitors.</li> </ul>
<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- Ghana has achieved the full implementation of IFMIS since 2009, but the performance in this regard remains a challenge.</li> </ul>

Sources: Scott (2018b), Adzroe (2015), Lawson (2012), African Development Fund (2015)

Ghana still faces the challenges of low levels of capacity and skills, which weaken its management abilities and decentralization processes. It has also experienced difficulties in adapting to technological advances. As a result, IFMIS is not delivering expected results (African Development Fund, 2015:1). The Ghana Public Financial Management Reform Strategy was approved in 2015. The impact of this reform is yet to be seen, and researchers have raised concerns about the progress thus far (Scott, 2018b:6). Nonetheless, in recent years, Ghana has managed to fully implement fiscal decentralization formats, aids, and budget management (Scott, 2018b:7). The challenges faced by Ghana in implementing reforms are due to the unsystematic and fragmented structures of government and the government's clear failure to learn from these mistakes and adapt iterative reform designs to improve political leadership (African Development Fund, 2015). The most evident weakness identified as the reason for all these challenges is the lack of political commitment characterized by a high degree of patronage (Lawson, 2012:46; Scott, 2018b:7).

### **3.9.7. Malawi**

Public financial management reforms began in the early 1990s in Malawi, with the establishment and implementation of the Malawian Constitution of 1995 (Lawson, 2012:38). This constitution was supported by other policies that are rated among the best in the world (such as the IFMIS and MTEF budgeting) and has provided hope for transforming Malawi (The World Bank, 2017:2). However, this hope has not translated into reality, as Malawi has proved to be a perfect example of an "isomorphic mimicry", having perfect policies and the worst implementation results – best described as "worlds apart reform implementation" (The World Bank, 2017:7). Malawi has struggled to implement reforms effectively, and the nation's economic growth and development have digressed as these reforms were attempted (Durevall & Erlandsson, 2005:5).

Malawi ranks as one of the world's poorest countries, and despite its numerous reform implementations, ineffectiveness seems inevitable. Failures and weaknesses of Malawi are closely linked to a lack of capacity and to poor political commitment, weakening every other aspect, especially the ability to implement reforms effectively (Durevall & Erlandsson, 2005:7). Malawi is highly dependent upon the agricultural sector and throughout the 1990s and early 2000s, it experienced economic shocks and pressures that further deteriorated the functioning of its public financial management systems (Lawson, 2012:38). The rule of President Mutharika decreased corruption and increased donor support and confidence in Malawi between the mid- and late 2000s. This led to improved public spending, but was unsustainable and the country experienced high budget deficits and high levels of corruption in the late 2000s (Durevall &

Erlandsson, 2005:5). In 2017, Malawi was ranked as the sixth poorest country in the world, and after its “Cashgate” political scandal, Malawi has since embarked on a new public financial management reform strategy in an attempt to rescue the country from its current financial position and work toward developing (Lawson, 2012:48).

The new Malawian public financial management reform strategy is bold, and its main objective is “improving access to quality, timely and adequate public services to all Malawians” (World Bank, 2017b:8). This reform strategy is supported by a multitude of reforms aimed at providing citizens with value-for-money services, harnessing value in performance measurement, and promoting accountability and transparency in the delivery and utilization of public services. The following table illustrates the NPM elements in the implementation of public financial management reforms in Malawi.

*Table 8: Implementation of public financial management reforms in Malawi*

<b>NPM ELEMENT</b>	<b>Implementation of public financial management reforms in Malawi</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- Through the regulations and guidelines provided in the Constitution of Malawi, the roles of management are stipulated and promoted.</li> <li>- The public sector of Malawi is characterized by poor political commitment due to political patronage in the country. As a result, the management of the public sector remains the biggest challenge.</li> <li>- The new public financial management reform strategy of Malawi aims to improve the management of public finances by employing skilled and equipped officials.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- Since the enactment of the constitution, Malawi has aimed at decentralizing institutions and fiscal policies. This continues to be a challenge due to weak governance systems put in place.</li> <li>- Malawi recently established the Making Malawi Work project, which aims at decentralizing power, authority, and financial resources among all local districts within the entire country.</li> </ul>
<b>Output-oriented strategies</b>	<ul style="list-style-type: none"> <li>- The main objective and goal of the new public financial management reform strategy of Malawi is to ensure that outputs are achieved. As a result, policies implemented are output-oriented, but achieving objectives has proved to be a significant challenge.</li> <li>- Malawi implemented programme-based budgeting, aimed at identifying outputs, financing outputs, and ensuring that personnel work toward achieving outputs.</li> <li>- Malawi moved to accrual-based accounting.</li> </ul>

Table 8 (continued)

<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- The Malawian government has launched several advances aimed at bettering the performance measurement and management of the public sector.</li> <li>- The government has launched the Malawi Growth and Development Strategy III 2017–2022 in conjunction with the Making Malawi Work project, aimed at improving the management of performance within government operations by promoting governance, transparency, and accountability in managing public expenditure controls and provision across government institutions, and these policies and frameworks are supported by the constitution.</li> </ul>
<p><b>Adaptation of private-sector principles</b></p>	<p>Privatization in Malawi is relatively weak, with no set strategies or programs aimed at promoting it.</p>
<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- Due to political dynamics, competition in the public sector is limited and remains challenging, as projects are awarded according to political patronage.</li> <li>- Malawi has initiated the Public Financial Management Institutional Support Project throughout the entire country. It is aimed at strengthening the procurement systems and supply chain processes to be more effective and efficient.</li> </ul>
<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- Malawi adopted the IFMIS in its early years during the 1990s, with the aim of not only computerizing systems, but also promoting the management of public financial management in general.</li> <li>- With the support and backing of the World Bank, Malawi has initiated the Digital Malawi Project, aimed at broadening the use of technological advances and supporting online service provision. However, this has presented a challenge as most Malawian citizens do not have access to technological devices/knowledge.</li> </ul>

Sources: The World Bank (2017), Lawson (2012)

As stated above, Malawi has implemented various reforms, including public financial management reforms, which have ultimately failed and left government services ineffective. Malawi is currently implementing various public sector reforms and strategies. The impact of these cannot be stated at the present moment, but what can be highlighted is that Malawi has:

- poor technical skills in carrying out reforms, with a lack of adequate and qualified staff members
- weak political commitment
- financial constraints
- a lack of resource management

(The World Bank, 2017:13).

The effect of the implementation of these reforms in Malawi is yet to be seen.

### **3.9.8. Uganda**

Implementation of reforms in Uganda first emerged during the 1980s when the Ugandan government was challenged by a financial crisis and needed to adapt to the new political changes the country had established, which were aimed at improving the country and how the government managed the public sector (Wandera, 2017:3). Uganda has implemented various reform strategies over the decades. One of the first public financial management reform strategies implemented by Uganda was the MTEF in 1992, which aimed at enabling harmonization within the budget processes. This was followed by the enactment of the Uganda Public Finance Management Act 2015 and the implementation of output-based budgeting (Kabaniha, Aliti, Kwesiga, & Langony, 2016:2). In 2003, Uganda implemented the IFMIS, which helped track public expenditure and made reporting more efficient and effective (Kabaniha *et al.*, 2016:3).

The Ugandan government later implemented the 2011–2016 Public Financial Management Reform Strategy. This reform strategy brought forth many structural changes within the public sector (Wandera, 2017:14). The first phase of reforms in Uganda was effective and helped the government improve service delivery, efficiency, and public expenditure. However, as these reforms continued, the country experienced a regress in the progress made due to limited capacity, especially in budget execution, internet access, and usability rights (Wandera, 2017:14; Kabaniha *et al.*, 2016:3). In 2012, Uganda faced a scandal in which UGX 340 billion was lost to ghost pensioners by means of corruption, and this led to donors withdrawing their financial assistance from the country, which had detrimental effects on the public financial management reforms of the country (Munyabonera & Lwanga, 2015:17). What is more, UGX 60 billion was stolen in that financial year. The progress made within public financial management thus disappeared, and the public financial management system was destabilized (Munyabonera & Lwanga, 2015:18).

To mitigate these gaps and challenges in the implementation of public financial management reforms, the Ugandan government implemented the Public Financial Management Strategy 2014–2018 of Uganda, which promoted reform through the establishment of the “Institution of a Single Treasury Account, straight-through processing, and decentralization of the payroll” (Effective States and Institutes Development Research Center, 2016). This was followed by the enactment of the Public Financial Management Act in 2015, which legalized and coordinated all the previous reforms (Kabaniha *et al.*, 2016:3). In 2017, Uganda introduced the Public Financial Management Reform Strategy 2018–2023, which is still underway and shows improvement in the

management of public funds within the country (Effective States and Institutes Development Research Center, 2016).

One thing that stands out about Uganda is that the government always learns from previous mistakes and works toward changing and alleviating such limitations in its next strategies (Wandera, 2017:14). This is visible in the manner in which the Public Financial Management Reforms Strategy 2018–2023 was established and prepared. The introduction of the strategy informs the public that it was compiled through a SWOT analysis of the 2011–2016 Public Financial Management Reform Strategy outcomes and an evaluation of the Public Expenditure Framework for Assessment.

Therefore, these reform strategies are aimed at improving the public financial management systems where leverage has been established to achieve better accountability and service delivery. Furthermore, the current reform strategy (the Public Financial Management Reforms Strategy 2018–2023) aims to bridge the gaps found in the execution of the budget (Effective States and Institutes Development Research Center, 2016). The following table indicates the NPM elements in the public financial management reforms implemented in Ghana.

*Table 9: Implementation of public financial management reforms in Uganda*

<b>NPM ELEMENT</b>	<b>Implementation of public financial management reforms in Uganda</b>
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- In the first wave of reforms, the Ugandan government implemented various reforms and strategies to improve capacity among personnel members, as well as decrease the number of public servants. This was effectively achieved by the end of 1999.</li> <li>- The implementation of the PFMA of 2015 coordinated the management practices of all public sector role players.</li> <li>- Uganda remains challenged in capacity and expertise in the management of public finance due to political influences and corruption that exist within the country.</li> <li>- The Public Financial Management Reform Strategy 2018–2023 aims to enhance management and improve different skills in the management of public money among the personnel.</li> </ul>
<b>Decentralization of power</b>	<ul style="list-style-type: none"> <li>- The 2011–2016 Public Financial Management Reform strategy aimed at decentralizing the operations of government at the national and local levels. Although there were improvements in the decentralization of fiscal and operational functionalities, the country is still faced with several challenges, which are being addressed through the new Public Financial Management Reform Strategy 2018–2023.</li> </ul>

Table 9 (continued)

<p><b>Output-oriented strategies</b></p>	<ul style="list-style-type: none"> <li>- In 2003, Uganda implemented result-based budgeting, which aimed at identifying and working toward outputs, not inputs.</li> <li>- In the current Public Financial Management Reform Strategy 2018–2023, the government aims to focus on and improve government implementation strategies in order to achieve outputs and value-for-money service delivery.</li> <li>- The implementation of the MTEF has played a significant role in advancing the budget process in Uganda.</li> </ul>
<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- Various performance measures have been established in Uganda throughout the last thirty years, including the MTEF, results-based budgeting, treasury single account, the Public Finance Act, and the Accountability Act of 2003.</li> <li>- These measures have increased the performance and monitoring system in the expenditure and outputs of the country, as well as accountability.</li> <li>- The established measures also increased accountability and transparency in the management of public money and decreased misappropriations in the management of public budgeting.</li> </ul>
<p><b>Adaptation of private-sector principles</b></p>	<ul style="list-style-type: none"> <li>- The Ugandan government is working toward strengthening its private sector management and applying internationally recognized practices to its operations.</li> <li>- Uganda had established reforms aimed at improving public investment management. One of the major challenges in this regard is generating public sector investment.</li> </ul>
<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- One of the most challenging areas in the public financial management system is the promotion of competition and procurement. Although the country has taken good initiatives, there is political interference in the contracting of services, which deliberately undermines the implementation of public financial management reforms.</li> <li>- Such actions, unfortunately, directly affect the entire public sector reform and service delivery.</li> </ul>
<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- The implementation of IFMIS promised better efficiency, yet this has been a challenge due to limited capacity and skills in implementing it.</li> <li>- The infrastructure support of Uganda has been challenged for decades now.</li> <li>- Access to and usability of the internet and technology have proved to be a significant stumbling block to achieving reforms objectives.</li> </ul>

Sources: Munyabonera and Lwanga (2015), Wandera (2017), Effective States and Institutes Development Research Center (2016)

Uganda is in the process of implementing the Public Financial Management Reform Strategy 2018–2023. Therefore, the impact of this reform can only be determined once the execution phase has been completed. Nevertheless, through the previous reforms implemented, Uganda was able to improve its public sector expenditure and accountability, reduce ghost workers and the overall wage bill, as well as improve service delivery. Uganda unfortunately confronts fiscal decentralization issues, capacity gaps, limited infrastructure and IFMIS coverage, and inadequate technical capacities, all of which have weakened the network and computerized systems. The country, stakeholders, and donors are hoping that this reform will address these challenges and achieve the main objective of the government, which is to “enhance resource management, [and] improve planning and public investment management” so as to enhance service delivery.

### **3.10. Challenges in the implementation of reforms on a global scale**

When implementing public financial management reforms, countries face different challenges, which consequently affect their financial management systems. The following were identified in the literature review as the most common challenges faced when implementing reforms, especially in developing countries.

#### **3.10.1. Key challenges**

The following hindrances were identified through the literature reviewed:

##### *3.10.1.1. Lack of capacity*

Lack of capacity impedes the implementation of reforms. Whether it is skills-related, technical, or human resource capacity, they all have the same effects, and where more than one of these is lacking, implementation of reforms does more harm than good (Haque *et al.*, 2015:610). This creates a lack of government capacity in managing reforms, and the coordination among key features therefore fails (Diamond, 2013:7). It is thus critically important for governments to have the required skills, expertise, and capabilities to implement reforms and sustain their ongoing processes and reforms (Tkachenko, 2020:75). Capacity shortage constrains and negatively affects the implementation of public financial management reforms entirely (Haque *et al.*, 2015:620).

##### *3.10.1.2. Donor interference: Poor policy spacing*

Although donor and stakeholder involvement are important, at times these institutions put forward strategies and designs that are not in line with the realities of the country they are supporting (Hedger & de Renzio, 2010:3). Donors are too involved in the development of reform strategies,

and developing countries are afraid of changing the designs of the donors and stakeholders due to the “need for financial assistance”, and this leads to poor policy spacing, which ultimately leads to the implementation of inappropriate reforms that derails development and programs in these countries (Hedger & de Renzio, 2010:3).

Donors often seek to implement best practices without considering the differences and dynamics between countries. Lawson (2012:73) sees this as “isomorphism” and the downfall of many countries. Countries are given limited ability to change policies and are not encouraged to consult and reflect on the different types of reforms they can implement, and are therefore prevented from implementing their ideas. At times, these are vital, however, especially in the case of judgment and creating an effective policy space (Lawson, 2015:79).

#### *3.10.1.3. Lack of sophisticated judgment*

This is in line with the adaptation and formulation of policies that are in line with the country’s political and social realities. Without the ability to make a sound judgment on which policies to implement (i.e. which ones are best suited for the country), reforms will continue to fail (Hedger & de Renzio, 2010:3). Hence, the country must be able to identify its strengths and weaknesses and ensure that the policies and strategies implemented are in line with its dynamics (Lawson, 2012:72). Subsequently, a country needs capable and experienced personnel with good judgment and analysis to steer reforms. Without such personnel, countries will continue to design and implement policies and reforms that are not within their policy space, and unmatched and inappropriate policies will continue to derail improvement (Lawson, 2012:73).

#### *3.10.1.4. Lack of political commitment*

The literature on countries discussed above indicates that where political influence is not channeled toward strengthening reforms, reforms are likely to fail. Consequently, countries with a strong political commitment have shown progress and development (Botlhoko, 2017:330). For instance, in Ghana, development and progress in the public financial management systems were linked to the political party of the day. Therefore, without strong political backing and commitment to ensuring reforms and policies are adhered to, reforms are destined to fail (Jordaan, 2013:22).

Political commitment and will are the most important ingredients in the implementation of reforms. Without them, discrepancies will always be found within the management of funds, linked to corrupt and selfish tendencies. In a study analyzing the importance of political commitment in the implementation of reforms, Lawson (2012:71) concludes that “where there is no political

commitment, external pressures will always influence the degree in which reforms are implemented.”

#### *3.10.1.5. Misalignment between approved and implemented budget*

Misalignment between the approved and the implemented budget is caused by several factors, but all these factors have one origin: the government’s failure to adjust to adaptive, iterative, and inductive processes. Some reforms have proved to be too ambitious for countries to handle. This implies that in some cases, countries implement good policies, but that implementing and adapting these policies is too much of a task, so they fail in the implementation phase (Prakash & Cabezon, 2008:11). Malawi is a case study of this tragedy. The country has some of the best policies in the world, but implementing these effectively has proved to be an enormous challenge and the consequent failures have caused more damage than good in the country.

Tkachenko (2020:81) identifies the following reasons for this gap: “ineffective accountability measures; an inadequate flow of information; low public awareness; and donor conditions.” These aspects, therefore, create a misalignment between the approved budget and the actual budget, resulting in the ineffectiveness of implemented reforms (Basheka & Phago, 2014:155). Andrews (2012:13) asserts that budgets are planned and prepared better than they are executed, and that transparency and accountability are therefore lost during the implementation of the budget, due to the misalignments in the budget processes.

#### *3.10.1.6. Lack of monitoring by governments*

The literature reviewed in this chapter indicates that if a government’s monitoring and review processes are weak, this will lead to “reform design mistakes”, which automatically weaken the budget processes (Lawson, 2012:74). In many developing countries, corruption and mismanagement of funds are still very common occurrences, and at times the government is unable to trace where the money went, indicating that the monitoring and control measures implemented have loopholes that enable corruption to flourish (Andrews, 2013:15). The lack of effective performance measures and implementation of consequence management has further led to high levels of corruption in many countries.

#### *3.10.1.7. Lack of technological advances*

In countries like Uganda, Ghana, and Malawi, the use of technological advances and infrastructure development has proved to be a consistent challenge (Siddle, 2019:2). These countries are faced with a backlash and a continuous series of challenges in implementing and coping with technological advances in terms of infrastructure development, access to the internet,

citizen engagement, and institutional skills in managing these reforms. The OECD (2014:1) emphasizes that “a budget is not a standard process, as a result, the country must have the appropriate technologies and infrastructure to ensure this process is implemented effectively and sustainably.”

Without the relevant technology and infrastructure development, these reforms will fail dramatically, as public financial management reforms are centered on technological aspects. As a result, the lack of the use of technology and the poor technological developments directly incapacitate the country’s ability to adapt to the iterative developments that are an essential element and success factor in the implementation of public financial management reforms.

### ***3.10.2. Lessons learned***

From the literature review above on various countries in different parts of the world, in the implementation of reforms, the following may be conceptualized:

- a. Every country must develop reforms according to its own political and social heritage. Failure to do this has had a negative impact on the implementation of reforms.
- b. Without strong management skills and capacity in the implementation of public financial management reforms, more problems will continue to arise within the public sector. Without the necessary capacity and skills needed in the management of public financial management and the entire public sector in general, development and reforms will become stagnant. Unfortunately, without strong management, other elements and public sector functions are directly affected and weakened. Inadequate skills and knowledge will always lead to ineffective implementation of reforms.
- c. Without effective management systems, decentralization becomes a challenge. It is therefore important that a country can manage reforms at all levels of the country so that every citizen can benefit from the resources. Hence, the inability to decentralize public financial management operations will result in persistent inequalities in service delivery. The literature discussed indicates that countries with weak management systems automatically fail to decentralize important aspects related to the strengthening of their public financial management system.
- d. More countries have moved from input-oriented to output-oriented strategies, led by budget reforms. This process helps guide the implementation process and monitoring of goals against progress. As a result, countries are increasingly moving toward program-based budgeting, which allows the government to formulate the budget based on desired results. The impact of such measures is witnessed through improved service delivery. Public financial management

reforms are centered around the budget cycle, which is why countries have begun to change their budget formats to MTEF, accrual-based accounting, and program-based budgeting, all of which improve accountability and transparency in the management and monitoring of money in the public sector. Performance management allows the government to measure its progress and audit outcomes much more easily and efficiently.

- e. For the public sector to function effectively, the government must be able to adapt to the best practices of the private sector, in a manner that every cent spent delivers value-for-money services and brings about positive changes in the lives of the citizens. Consequently, more countries are starting to adopt private sector practices by managing the public sector according to private sector principles. Countries that can apply such measures are stronger in trade and have stable public financial management systems.
- f. The government will never be able to supply all public goods and services. Therefore, procurement and outsourcing of some services become essential. It is important for the government to promote competition in the provision of these services to stimulate the economy but, most importantly, it must obtain the services of best value at the lowest prices. Where procurement is challenged, poor service delivery and weak public financial management systems prevail.
- g. Government institutions function in an ever-changing environment where technological advances have been placed at the center of development. It is therefore important that government implement, adopt, and use the best and most recent technological advances to keep up with the rest of the world. More and more countries are beginning to implement recent technological advances, but where these fail, loopholes in control and service delivery are experienced.

### **3.11. Conclusion**

The purpose of public financial management reforms is to help governments better manage public finances to achieve optimum results and provide value-for-money public services. Public financial management reforms emerged as a tool and instrument to curb the challenges faced in the management of public finances. Thus, the budget, as the main function of public financial management reforms, is the key instrument in driving these reforms through formulation, implementation, and reporting that will ensure effective, efficient, and economical service delivery. Therefore, the importance of public financial management reforms lies in an institution's ability to execute the budget in a manner that best achieves its objectives. To do this, institutional capacity,

political commitment, policy space, and the adoption of iterative features are crucial factors when implementing public financial management reforms.

The above-mentioned is closely linked to the seven NPM elements that form a framework for guiding public financial management reforms. This chapter reviewed the literature on the implementation of public financial management reforms in different countries, and indicated that the countries that have effectively incorporated and implemented the seven NPM elements in their public financial management reforms have been able to maintain an effective, efficient, and economical public financial management system. The literature reviewed also identified the lessons learned from the implementation of public financial management reforms in other countries. It was observed that in most countries there is a strongly significant relationship between public financial management reforms and service delivery. The next chapter reviews and conceptualizes the implementation of public financial management reforms in South Africa.

## **CHAPTER FOUR: PUBLIC FINANCIAL MANAGEMENT REFORMS IN SOUTH AFRICA**

### **4.1. Introduction**

In this chapter, a conceptual analysis is done of the implementation of public financial reforms in South Africa. This is done to understand better the public financial management reforms the government has implemented to enhance and improve the management of public finances. The chapter begins with a discussion of the emergence of public financial management reforms in South Africa and continues with an explanation of the phases in which the implementation of public financial management reforms in South Africa have been implemented. With this, the different reforms the government has implemented are explained. Subsequently, the contemporary status quo of public financial management reforms is discussed, as are their effects on service delivery in South Africa. The main challenges affecting the implementation of these reforms are also reviewed in order to analyze the core problems and the causes of the disconnection between public financial management reforms and service delivery. Finally, the chapter contains a review of South Africa's public financial management in relation to the NPM elements so as to identify the gaps in the relationship between public financial management and service delivery.

This chapter aims to provide a comprehensive understanding of the relationship between public financial management reforms and service delivery in South Africa, which will later enable the researcher to analyze where in the implementation process the relationship between public financial management reforms and service delivery is broken.

### **4.2. Public financial management reforms in South Africa**

South Africa's public management finance reforms are guided by several policy frameworks laying out the procedures, protocols, role players, and guidelines for effective and sound public financial management (Olivier, 2016:46). On paper, these policies are almost impeccably transparent and unambiguously implementable. However, in reality, implementing them has been a great challenge, not only because of the fiscal and growth challenges the country faces, but also other systemic and leadership challenges that exist within the public sector (Ajam & Fourie, 2016:3; Tkachenko, 2020:87). Since 1994, South Africa has faced several changes and is still experiencing transformation, broadly with reference to weak financial management systems and their connection to and effect on poor service delivery in South Africa (Rao, 2013:1; Tkachenko, 2020:88). These challenges are characterized on the basis that government needs to react to the

transformation continuously arising in the public sector with effective, efficient, sustainable, and economic reforms (Ajam & Fourie, 2016:4).

South Africa has witnessed four phases in implementing public financial management reforms in an attempt to improve the country's public financial management system (Hendriks, 2012:1; Olivier, 2016:47; Ajam & Fourie, 2016:1). The first phase took place between 1994 and 1998, almost immediately after South Africa became a constitutional democracy. This phase was characterized by the introduction of reforms that would smoothen the transition to democracy. This phase was succeeded by the second phase, which lasted from 1999 to 2002 as a response by the government to manage the public expenditure that was rapidly increasing (Hendriks, 2012:2; Ajam & Fourie, 2016:1; Commonwealth Secretariat, 2016:12; Olivier, 2016:49). From 2003 to 2006, the third phase of reform was introduced, with the establishment of public-private partnerships and procurement reforms (International Consortium on Governmental Financial Management, 2008:2). The last phase commenced in 2007, with the development of an integrated financial management system (Hendriks, 2012:1).

These public financial management reforms promised a unified approach for enhanced service delivery and improved capacity (Commonwealth Secretariat, 2016: 13). However, desired objectives have not materialized, and reforms in South Africa were not as effective as anticipated (Olivier, 2016:48). Authors such as Rao (2013), Hardley (2014), and Ajam and Fourie (2016) further indicate that despite the implemented reforms, South Africa still suffers from inadequate service delivery.

### **4.3. Emergence of public financial management reforms in South Africa**

#### **4.3.1. Before 1994**

Before the transition into a democratic state, the South African government used a British colonial rule system, known as the Westminster system, to manage public finances. The Westminster system regulated public finances through the Exchequer Act of 1975, which was the central legislative framework for financial reporting and budgeting (Roman, 2008:25). The Exchequer Act was later replaced by the PFMA 1 of 1999, due to its shortfalls. Roman (2008:24) posits that the Exchequer Act "required departments to budget for one financial year; did not require the departments to be outcome-based; and no meaningful punitive measures were established to hold officials accountable." As a result, these shortfalls created difficulties for the new democratic government, and this necessitated reforms (Masipa, 2018:3).

#### **4.3.2. 1994: New democracy in South Africa**

On the 27th of April 1994, the African National Congress won the first democratic elections in South Africa, and this victory inevitably entailed public sector reforms since a transition would take place (Masipa, 2018:2). For this transition to be effective, the new government needed to formulate and implement new policies that would guide and regulate the entire transitioning process (Manuel, 2016:1). Democracy entails, inter alia, accountability for the exercise of power, especially in the management of public finances (Roman, 2008:26; Masipa, 2018:3). The Westminster system posed further challenges as it was fragmented by the de-linking of policies and budgeting, which caused a great lack of clarity regarding the budgeting processes (Manuel, 2016:1).

The advent of the new democracy came with public financial management challenges of its own, as the South African government was challenged not only by the transformation of the new government, but also by the highly fragmented bureaucracy (Pearson, Pillay, & Chipkin, 2016:3). The public financial management structures that existed then were not properly aligned with the vision of the new democracy. As a result, there was fractured coordination between public financial management structures and disarray between the Department of State Expenditure and the Department of Finance (Ledger, 2015:4; Masipa, 2018:3). The public financial management system was therefore considered flawed, broken, and ineffective, with a series of loopholes and complex laws that forced the new government to reform the public sector in order to become effective, efficient, and economical in its public financial management (Pearson *et al.*, 2016:5).

The pre-1994 public financial management systems and policies were inadequate and inefficient at managing and stabilizing the fiscal imbalances that existed (Masipa, 2018:3). The fiscal policies lacked transparency and hindered the achievement of accountability, and the budget process lacked instruments that could track resources and the progress of activities (Fölscher & Cole, 2004:109). Accountability mechanisms entrenched inefficiencies that ultimately led to the misuse and abuse of state funds, which made it clear that there was a lack of accountability (Fourie, 2002:264). The Westminster system also limited managers' ability to assess and measure the effectiveness and efficiency of the budget and its programs entirely (Roman, 2008:25). Therefore, with the new democratic dispensation, the government worked toward reforming South African financial management.

### **4.3.3. After 1994**

After the transition into a democracy, the new government of the day faced multiple challenges, including high budget deficits and a stagnant economy (Fölscher & Cole, 2004:109; Fölscher & Cole, 2006:2). It was after 1994 that the government realized the extent of work and tasks needed to truly transform South Africa, and to develop and provide value-for-money services to its masses while simultaneously addressing the imbalances of the past (Roman, 2008:26). The aforementioned led to the formulation of several reform initiatives, such as public financial reforms that were focused on enhancing accountability and financial reporting (Fourie, 2002:264). The transformation of the public sector was thereafter guided by the White Paper for Transforming the Public Sector, 1995, which was designed as a “policy framework that would guide and monitor the introduction and implementation of the new policies and legislation aimed at transforming the South African public sector” (Roman, 2008:30).

After taking office, the new government realized that it needed a change, new policies, reforms, and strategies that would help it achieve its outputs and outcomes (Pearson *et al.*, 2016:7). The public financial management reform strategy started with the merging of the old Department of Finance and Department of State Expenditure into one department, the National Treasury, as prescribed by the then newly enacted Constitution of the Republic of South Africa (Pearson *et al.*, 2016:5). After this, the public financial management reforms in the new democratic South Africa began, with a focus on budget reforms and new legislative frameworks for public financial management.

## **4.4. Implementation phases of public financial management reforms in South Africa**

The public financial management reforms in South Africa were implemented in four phases, which took place as follows:

### **4.4.1. The first phase**

The first phase was aimed at aligning the government functions and operations with the new democratic objectives. This stage focused on decentralization and implementation of new systems that would ensure every individual in the country has access to equal and quality service delivery. The government changed the public financial management system with the objectives of aligning new policies to the budget and expanding the budgetary processes to enhance the performance of public departments. The following are the key reforms that were implemented relating to public financial management enhancement in the first phase (Olivier, 2016:47).

#### *4.4.1.1. The Constitution of South Africa (1996)*

In 1996, the Constitution of South Africa (henceforth the Constitution) was implemented as the supreme law, providing a framework and guidelines for new budget processes for South Africa, aimed at promoting the ideals of democracy. The Constitution is globally acclaimed as one of the best constitutions in the world (OECD, 2018:5), and unambiguously sets out the principles and requirements for managing public resources. The Constitution provides a thorough framework of role players, key institutions, and state structures while promoting cooperative governance that guides a fair budget process through its various sections. The Constitution establishes a framework for radical change and promotes the new principles of democracy and accountability.

Section 215 of the Constitution ensures central monitoring and control of national funds through the establishment of the National Treasury. Chapter 13 of the Constitution states that all money received in the National Revenue Fund may only be withdrawn through an Act of Parliament, which directly aims at creating accountability and transparency in the management of public finances to ensure that public finances are used to the benefit of the citizens. The Constitution of South Africa is the supreme law, and any law inconsistent with it is regarded as null and void. As a result, all the public financial management reform frameworks and policies implemented must be consistent and aligned with the prescripts of the Constitutional mandates, which call for budget reforms. The Constitution thus established the foundation for public financial management and, through Constitutional provisions, other legislative frameworks regulating the South African financial management system were established.

#### *4.4.1.2. Intergovernmental Fiscal Relations Act 97 of 1997*

The government in South Africa is made up of three spheres: the national, provincial, and local sphere, each with its area of jurisdiction and competence (Constitution of South Africa, 1996). For this reason, it was necessary to detail the functions and responsibilities of each sphere, in a process aimed at decentralizing government power and functions. According to Hendriks (2014:11), to deliver value-for-money services to the entire country, more than one level of government was necessary. Each sphere of government is thus required to have sufficient financial resources to function effectively and deliver value-for-money services.

The Intergovernmental Fiscal Relations Act 97 of 1997, was implemented to assign individual and shared responsibilities to each sphere of government in terms of fiscal relations. The Act provided the legal framework for the ongoing intergovernmental financial matters, ensuring that all three spheres function distinctly, interdependently, and interrelatedly (Intergovernmental Fiscal

Relations Act 97 of 1997). The Act's framework promotes cooperation between the three spheres of government with regard to fiscal and budgetary matters. The Act further determines the processes of equitable share and revenue allocations generated nationally, while giving effect to the Budget Council and Local Government Budget Forum, and the recommendations of the Fiscal and Financial Commission (Dlomo, 2016:34). In terms of public financial management, each sphere of government is accountable and responsible for drawing up a budget reflecting all the objectives and priorities of that sphere (Intergovernmental Fiscal Relations Act 97 of 1997). This is one of the most effectively implemented reform strategies that has taken place in South Africa. Through this reform, budget reforms started to take shape.

#### *4.4.1.3. Financial and Fiscal Commission Act 99 of 1997*

The Financial and Fiscal Commission Act 99 of 1997, was established in 1997, giving effect to section 220 of the Constitution of South Africa (1996). The Financial and Fiscal Commission is a consultative body, entrusted not only with making recommendations but also with offering advice to all organs of the state within all three spheres of government (Fourie & Opperman, 2015:26). This institution supports the objectives of the Intergovernmental Fiscal Relations Act and plays a critical role in ensuring that public finances are managed in an effective, efficient, and disciplined manner within the three spheres of government. The recommendations of the Financial and Fiscal Commission must be considered before the budget can be approved. Although the government need not implement the recommendations of the Financial and Fiscal Commission, it must disclose the extent to which it considered the commission's recommendations (Fourie & Opperman, 2015:26). This reform strategy promotes effectiveness and efficiency in the budget processes that focus on enhancing optimal utilization of resources and quality service delivery.

#### **4.4.2. The second phase**

The second phase of public financial management in South Africa aimed at modernizing the financial management of public institutions, enhancing service delivery, and promoting accountability within the South African public sector. Throughout the second phase, the government focused on empowering managers and promoting accountability. It was during this phase that the government aimed at strengthening performance budgeting and reporting mechanisms through the establishment of the Accounting Standards Board and generally recognized accounting practices (Olivier, 2016:47). This stage commenced in 1999 and lasted until 2002, and the following are the key reforms that changed the public financial management dynamics in this phase:

#### 4.4.2.1. *Public Financial Management Act 1 of 1999*

After six years of democracy, the Exchequer Act was replaced by the PFMA 1 of 1999. The PFMA was established as the most important legislative framework aimed at enhancing public financial management and improving service delivery. The Act was implemented based on the constitutional requirements of prescribed uniform norms and standards in line with the required Accounting Standards. The PFMA gives effect to section 216 of the Constitution of South Africa (1996) and applies to public financial management within the national and provincial spheres of government. According to Roman (2008:48), the PFMA was implemented to promote an efficient financial administrative environment that places increased emphasis on accountability and improved service delivery. Dlomo (2016:35) posits that the Act adopts an output-focused approach and affects all government institutions in the national and provincial spheres. By emphasizing accountability, the Act has enabled a culture of performance through the employment of managers who are accountable for the utilization of allocated resources (Zonke, 2016:1).

The PFMA aims to achieve the following objectives:

- to promote effective financial management to maximize service delivery through efficient and effective use of resources
- to modernize the financial management systems
- to focus on outputs and responsibilities
- to regularly promote the provisions of important information to management.

(PFMA 1 of 1999)

The Act remains the key legislative framework for financial management at the national and provincial levels, and is regulated by the National Treasury (Ajam, 2016:160). It regulates and stipulates the roles of personnel and aligned them with a performance-driven system. Importantly, the Act makes provision for the establishment of provincial treasuries that are in charge of formulating and managing provincial budgets as well as ensuring that the National Treasury norms and standards are adhered to within the provincial departments. Section 76 of the Act makes provision for Treasury Regulations to be implemented by the National Treasury. The PFMA is the central legislative framework for reform and improvement of financial management within the South African public sector (Ajam, 2016:159) and gave effect to the budget reforms and processes that were essential for reforming the public financial management of South Africa.

#### 4.4.2.2. *Treasury Regulations*

The Treasury Regulations are issued by the National Treasury in terms of the Public Finance Management Act 1 of 1999. These regulations were implemented to simplify the PFMA provisions and enhance the implementation of the new expenditure control measures, and came into effect in June 2000. The Treasury Regulations focus on the internal controls and various management aspects within the constitutional institutions, public entities, and government departments (Dlomo, 2016:52); addresses the operational functionalities that are not detailed within the PFMA; and imposes fiscal discipline and efficiency on the government's expenditure (Republic of South Africa, 2000b). Among other things, the Treasury Regulations direct and integrate the annual reporting guidelines, which play a vital role in the implementation of any public financial management reform within South Africa.

The Treasury Regulations are regulated by the National Treasury and establish supply chain management, public-private-partnerships, government payroll deductions, strategic planning, and other public financial management related matters in the public sector, as well as the generally recognized accounting practices, where "uniform norms and standards" are established by the Accounting Standards Board and the National Treasury. Treasury Regulations are updated whenever necessary (Ajam, 2016:160) and apply to all public sector departments and entities, as well as the South African Revenue Services.

#### 4.4.2.3. *Public-private partnerships*

The Treasury Regulations make provision for the creation of public-private partnerships. The National Treasury (2018:153) defines a public-private partnership as "a contract between public sector institutions and a private party, where a private party performs a function that is usually provided for by the public sector and/or uses state property in terms of the [public-private partnership] agreement." The notion of public-private partnership is further prescribed in the PFMA and regulated by the National Treasury as a service delivery model, and all the institutions and entities that choose to make use of a public-private partnership should first obtain approval from the National Treasury (National Treasury, 2018:153). Public-private partnership is a procurement choice, which makes use of long-term contracts between a private company and a public institution, where the provision of public services and the risks related to it are ultimately transferred from the public institution to the private party (National Treasury, 2003). The private party usually carries all the costs involved in providing the services and is thereafter paid based on the outputs it has provided (Gqoli, 2018:7). Public-private partnership is a public financial

management reform strategy aimed at ensuring that goods and services provided to citizens are affordable and of value for money, and service delivery is enhanced (Gqoli, 2018:9).

#### *4.4.2.4. Budget reforms*

To materialize the objectives of the new democracy, the government started with a transformation process in which financial management reforms took center stage through budget reforms. The new constitution made provisions that required new strategies and budget processes. Traditionally, South Africa used a line budget item system, a system that disregarded all the activities for which the government did not budget (Khalo & Fourie, 2006:138). In 1997, the budget process in South Africa changed, and the government adopted the performance-based budgeting system. This was followed by the introduction of the MTEF, a process that “allowed the government to present the budget in the context of a 3-year basis, [and] integrated it with the objectives of the Growth, Employment and Redistribution strategy” (Olivier, 2016:47). The later implementation of the PFMA coincides with the MTEF, which is a rolling budget for three years. The MTEF was first implemented in 1999 and consisted of a budget for the fiscal years 1999/2000, 2000/1, and 2001/2. The new budget process helped departments and provinces plan with greater certainty due to the rolling out of the budget for the two following years, for which the budget makes provision (Fourie, 2002:225).

The new budget planning and programming framework encouraged the government to set its priorities and provide stakeholders with a forecast of how outcomes would be achieved (Ajam, 2016:147). This new budget process involved various role players in the formulation of the budget and provided technical advice to political representatives (Olivier, 2016:51). The budgeting process was reformed from a reserved process to a more transparent process that involves a high level of communication and engagement (Khalo & Fourie, 2006:137). Budget reforms in South Africa were accompanied by strong legal frameworks and although these policies are taking time to be effective, there is still a great need for robust political support, decision-making processes, and capable human resource management teams to implement these policies and frameworks effectively (Olivier, 2016:47).

Since 1997, the South African government has incorporated performance management in its budget reform strategies through multiple policies and legislative frameworks that are in line with the prescripts of both the Constitution (1996) and the PFMA (National Treasury, 2010). Performance agreements are linked to the objectives identified in the strategic plans, implementation of the annual performance plans, and the annual budget of the institution (Olivier, 2016:50). To this end, Olivier (2016:50) asserts, performance plans indicate the targets on which

an institutional budget must focus to ensure that key objectives and priorities are identified and budgeted for. This assertion is supported by Goksu (2017). Therefore, the budget allocations must reflect an institution's strategic goals and annual performance plans (Steadman, 2017:3; Goksu, 2017; Savignon *et al.*, 2019:30).

In 2010, the National Treasury established The Framework for Strategic Plans and Annual Performance Plans, aimed at aligning the performance plans and the budget to ensure effectiveness in the management of public funds and value-for-money service delivery (National Treasury, 2010; Mokgope, 2015; Olivier, 2016:48). Annual Performance Plans “identify the performance indicators and targets that the institution seeks to enhance in the upcoming budget year”, and these must be aligned in all the financial reports (National Treasury, 2010). The budget then plays a core role in the financial management process by integrating the strategic plan with the performance plans (Oboladze, 2016:28), as the strategic plan identifies the performance plans, and the budget is allocated under these plans (Steadman, 2017:2). The relationship between the annual performance plans and the budget is to enhance effectiveness within the operations of public sector institutions by budgeting for priority objectives (Goksu, 2017; Savignon *et al.*, 2019:4; National Treasury, 2010).

The above-mentioned is crucial for service delivery, because an institution stands a better chance of enhancing its operations and service delivery by aligning the budget with the performance plans, which further highlights Piatti-Fünfkirchen and Schneider's (2016), Graham's (2011), and Moeti *et al.*'s (2007) definitions of public financial management (Moeti *et al.*, 2007:3). The Framework for Strategic Plans and Annual Performance Plans must be implemented together with the Framework for Managing Programme Performance Information to ensure that government activities have the maximum impact on citizens' lives and the country.

The strategic and performance planning processes help managers and oversight institutions align their budgets with key objectives, evaluate performance against set objectives, and alert managers of any arising risks and areas that need improvement (Hendriks & Botha, 2015; Mokgope, 2015; National Treasury, 2007). Thus, the strategic plans and performance plans are tools that help the institution efficiently and effectively achieve maximum outputs from the allocated budget (National Treasury, 2007; Mokgope, 2015; Goksu, 2017). The integration of this framework into the public financial management system is vital for sound financial management, because the budget processes are informed by the performance information available through the budget's relationship of linking the strategic plans and performance plans with the available public financial resources (Savignon *et al.*, 2019:32).

#### *4.4.2.5. Medium Term Expenditure Framework*

The MTEF was first implemented in 1998 to improve public financial management and help the government distribute expenditure effectively and predictably for sustainable development and efficiency (OECD, 2018:9). This reform was part of the budget reforms package aimed at forecasting and integrating the programs of the national and provincial governments into the budget process for the two subsequent fiscal years. Furthermore, the MTEF has been the key innovator in the implementation and reporting of public financial management in South Africa (Roman, 2008:52). Dlomo (2016:49) identifies MTEF as “part of the expenditure control measures as it controls expenditure projections for the two outer years.” Thus, the MTEF helps limit expenditure according to the available national revenue so as to meet fiscal targets and prevent deficits.

The MTEF helps create a fiscal space that allows the reprioritization of programs and policy alignment with the budget. Furthermore, the MTEF functions at the center of the budget process and financial reforms in South Africa, and links the inputs to the outputs of the national and provincial departments, which aim for efficiency, transparency, and effective service delivery (Dlomo, 2016:52). South Africa ranks among the top countries that have managed to implement the MTEF effectively.

#### *4.4.2.6. Annual Appropriation Act*

The Annual Appropriation Act gives relevance to section 213(2) of the Constitution (1996) and seeks to appropriate public funds from the National Revenue Fund fairly and justly, and formally proposes the conditions for spending this money (Appropriation Act 7 of 2020). Public institutions draw up their budgets and public money is appropriated through this Act. The Act must comply with all other legal frameworks such as the Fiscal Framework and Revenue Proposals, the Constitution, the PFMA, and the Money Bills Amendment Procedure and Related Matters Act 9 of 2009 (National Treasury, 2020a). The annual Appropriation Act also gives effect to the provisions made in the Division of Revenue Act and must be aligned with the MTEF. The minister of finance annually allocates funds to different public-owned entities and government departments through the Annual Division of Revenue Act (discussed below).

#### *4.4.2.7. Annual Division of Revenue Act*

The Annual Division of Revenue Act is an Act of Parliament implemented annually by the National Treasury since the financial year 1998/99, and reflects the government’s annual budget allocations in line with the MTEF. The Act gives relevance to section 214 of the Constitution and

makes provision for equitable division of revenue raised nationally. The Division of Revenue Act is introduced each year to adhere to relevant legal frameworks such as the Constitution, the Intergovernmental Fiscal Relations, PFMA, and Financial and Fiscal Commission and forms part of the budget process.

#### *4.4.2.8. Accounting Standards Board*

The Accounting Standards Board was established in 2002 as a board aimed to protect the interests of citizens and guide public financial management and other performance information within the public sector (Accounting Standards Board, 2012). The Accounting Standards Board consists of independent experts entrusted

to set Standards of Generally Recognized Accounting Practice (Standards of GRAP) for financial reporting within the public sector domain, prepare and publish directives and guidelines concerning the standards set out in the Standards of GRAP; recommend to the Minister of Finance effective dates of implementation of standards for the different categories of institutions to which the standard applies; and perform any other function incidental to advance financial reporting in the public sector. (Fourie & Opperman, 2015:582; see also Olivier, 2016:47)

The Accounting Standards Board “approves all standards to be issued as standards of GRAP for the preparation of annual financial statements of all spheres of government; issues; and distributes recommended practices on its authority, in accordance to the necessity and practicality following a process of consultation with stakeholders” (National Treasury, 2020b:1). The Accounting Standards Board therefore “sets out the objectives and operating procedures and explains the scope and authority of the Standards of GRAP (Accounting Standards Board, 2011:4). Above all, the Board aims to promote transparency, accountability, and effective public financial management systems through the Standards of GRAP” (Olivier, 2016:47), in order to enable an effective financial reporting system and efficient accounting principles that are uniform across all spheres and departments of government (Fourie & Opperman, 2015:582). The Standards of Generally Recognized Accounting Practice enable various stakeholders and the public to evaluate all crucial information relating to public finances and operations (Accounting Standards Board, 2011:2).

The Accounting Standard Board plays a vital role in financial reporting by guiding those who prepare public financial statements in the following ways:

- explaining the accounting treatment of transactions
- explaining the accounting measurement of transactions

- explaining the presentation and disclosure requirements of transactions in the annual financial statements

(Fourie & Opperman, 2015:582).

#### **4.4.3. The third phase**

The third phase of financial reforms introduced a robust approach, which aimed at focusing on performance measurement and service delivery through established performance measurement indicators. This approach integrated the legislative frameworks, strategies, and policies and allowed the government to develop suitable performance measures in line with its strategic plans. Supply chain and procurement were some of the key focus areas during this phase (Olivier, 2016:47). The third phase took place between 2003 and 2007, and the key public financial management reforms implemented in this phase are as follows.

##### **4.4.3.1. Supply chain management policy**

The Supply Chain Management Framework was approved by the cabinet in 2003 to transform public procurement and provision of public services (Republic of South Africa, 2003). This framework falls under the Treasury Regulations and gives effect to Section 76(4) develop of the PFMA, which requires the National Treasury to perform “determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.”. The Supply Chain Management Framework was adopted to serve as an integral part of reforming public financial management and introducing internally accepted best practices while simultaneously aiming to achieve the objectives of the Preferential Procurement Policy Framework Act (Nkwe, Singh, & Karodia, 2015:97). The Supply Chain Management Framework has the following objectives:

- a. to introduce a systematic approach to appointing private companies for the procurement of goods and services
- b. to provide a common understanding and interpretation of the preferential procurement policy
- c. to promote consistent application of best practices throughout government.

(Nkwe *et al.*, 2015).

The Supply Chain Management Framework focuses on addressing the challenges and inconsistencies that were created by historical imbalances and is a key mechanism in enabling the government to implement objectives of the Preferential Procurement Policy Framework Act (National Treasury, 2015:2). When applied correctly, supply chain management practices lead to:

- value-for-money service delivery when procuring goods and services
- economic growth and improved infrastructure
- lower costs for the provision of goods and services and better infrastructure
- improved innovation
- savings for government budgets as the state will save on costs.

(National Treasury, 2015)

In particular, supply chain management processes promote competition within the public sector and aims to achieve all the objectives above efficiently and effectively. Government is not able to personally provide all the public goods and services and therefore needs to procure some services from private companies through the appropriate supply chain management processes. As a result, supply chain management plays a critical role in ensuring such services are provided within the approved budget.

#### *4.4.3.2. Preferential Procurement Policy Framework Act 5 of 2000*

The White Paper on Public Sector Procurement Reform was introduced in 1997, with the aim and purpose of reforming and mapping down the tender process and abolishing the existing tender boards (Van Rooyen, 2015:1). Through this White Paper, the Preferential Procurement Policy Framework Act 5 of 2000 was established, giving effect to section 217(2) of the Constitution (Van Rooyen, 2015:2). The Act with its regulations must therefore be followed by all public institutions, and failure to do so is a legal offense.

The Act provides personnel with guidelines and processes for public procurement and must be implemented in line with the Broad-based Black Economic Empowerment Act 23 of 2003 (Van Rooyen, 2015:1). In 2017, the National Treasury established the Procurement Policy Regulations to further reform and guide the implementation of procurement procedures within public institutions (Preferential Procurement Policy Framework Act 5 of 2000). This legislation further regulates aspects related to a preferential procurement points system, scoring, responsibilities, and functions mandatory in the process of adjudication of tenders (Nkwe *et al.*, 2015:92).

#### **4.4.4. The fourth phase**

The fourth phase mainly focused on improving transparency within the public sector institutions, building capacity, and linking the strategic plans to the budget, through enhanced information technology mechanisms and bettering the evaluation and monitoring mechanisms. The major reform that took place to ensure the latter was the integrated financial management information systems reform, which was set to be completed by 2011. However, this has not materialized, so

the fourth phase is still ongoing, with several adjustments and challenges faced by the government.

The fourth and last phase of the public financial management reforms in South Africa commenced with the implementation of the IFMIS. The IFMIS was introduced in 2007 to be fully implemented in 2011, but this goal has not been realized (Hendriks, 2012:2). This reform was aimed at improving the integrity and effectiveness of expenditure management, performance reporting, and overall improved service delivery while ensuring a higher degree of quality information, of tracking, and of the linkage of policy objectives to budget allocations (Mburu & Ngahu, 2016:778). The implementation of the IFMIS in South Africa was divided into three phases that required optimization among all the dimensions and functionalities of IFMIS to be effective (Hendriks, 2012:3; Hashim & Piatti-Fünfikirchen, 2018:1):

#### *3.4.4.1 Phase 1: Master's Systems Plan*

This phase was concerned with the authorization that culminates in the Master's Systems Plan with a comprehensive scope, functions, and objectives of the program. Hendriks (2012:3) and Hashim and Piatti-Fünfikirchen (2018: 4) identify this stage as the diagnostic stage.

#### *3.4.4.2 Phase 2: Capacity and architecture*

In the second phase, the lifecycle of the software system was developed (Hashim and Piatti-Fünfikirchen, 2018:2). Through the State Information Technology Agency the government prepared the asset register and software necessary to identify the most critical elements in the implementation of the budget and then prepare for the deliveries of the third phase (Hendriks, 2012:3).

#### *3.4.4.3 Phase 3: Development and implementation*

The third phase saw the implementation of all the IFMIS preparations that were made in phase 2 and commenced with the development and implementation of the software of the system (Hendriks, 2012:3). This phase focused on the coverage and utilization of the IFMIS (Hashim & Piatti-Fünfikirchen, 2018:6). The IFMIS is a critical element and an ultimate enabler to increase the usefulness and proficiency of public financial management (Hadden, 2017a) and to adapt "modern public expenditure management practices" for the provision of accurate and timely information for public financial management (Mburu & Ngahu, 2016:778). The execution and steering of IFMIS have faced several risks and challenges, far beyond the failing functionality and technological risks it has imposed. It has proved to be more complex than envisioned (Hendriks, 2012:6).

These challenges are characterized by a lack of capacity and inadequate training, inadequate information and communication technologies and infrastructure development, and the misalignment between procurement procedures, human resource management, and the payroll (personnel salary system) (Olivier, 2016:4). These challenges have led to a disconnect in aligning phases two and three of the reform process.

#### 4.5. Implementation of public financial management reforms in South Africa

Since 1997, the South African government has implemented various strategies aimed at developing and broadening the skills and capacity of public officials. However, according to Ocran (2020:1), South Africa’s public financial management still has flaws and inefficiencies. Table 10 below shows the reforms implemented.

*Table 10: Implementation of public financial management reforms in South Africa*

NPM ELEMENT	Implementation of public financial management reforms in South Africa
<b>Managerialism</b>	<ul style="list-style-type: none"> <li>- Government introduced several legislative frameworks, policies, and strategies such as the PFMA, Preferential Procurement Policy Framework Act, Treasury Regulations, and supply chain management prescripts, aimed at improving managerialism within the country.</li> <li>- The Constitution of South Africa, together with other legislation such as the PFMA, establishes the roles of various role players in the public sector.</li> <li>- Through the provisions made by the Constitution, additional legislative frameworks and policies were established to explicitly explain the responsibility of every role player, in order to improve managerialism within the public sector.</li> <li>- The government established several councils, forums (Budget Council and Local Government Budget Forum), Chapter 9 institutions, and other regulatory bodies and commissions aimed at enhancing the managerialism of role players in the public sector.</li> <li>- The National Treasury implemented policies, training programs, and practice notes aimed at enhancing managerialism, such as practice Note 8, which promotes managerialism in the supply chain management processes.</li> <li>- Together with the National School of Government, the National Treasury hosts training and workshops aimed at educating, training, and enhancing the skills of public sector officials.</li> </ul>

Table 10 (continued)

<p><b>Decentralization of power</b></p>	<ul style="list-style-type: none"> <li>- Chapter 3 of the Constitution of South Africa establishes the three spheres of government.</li> <li>- These three spheres of government decentralize government power, and the fiscal powers of each sphere are established by the Intergovernmental Fiscal Relations Act.</li> <li>- The Constitution makes provisions for three branches of government (legislative, judiciary, and executive) aimed at decentralizing power and ensuring no branch has absolute power. As a result, power within the South African government is decentralized.</li> </ul>
<p><b>Output-oriented strategies</b></p>	<ul style="list-style-type: none"> <li>- With the implementation of the PFMA, budget reforms in South Africa took a new form, as these reforms changed the budget processes from input-oriented to output-oriented.</li> <li>- The PFMA was established in 1999 when the MTEF was introduced. The latter aimed at allocating resources in alignment with the performance plans and the strategic plans of public institutions.</li> <li>- As a result, the annual budget of South Africa should be aligned with desired outputs and outcomes.</li> </ul>
<p><b>Performance measurement</b></p>	<ul style="list-style-type: none"> <li>- Since the implementation of the PFMA and supporting legislative frameworks, the South African government has used performance-based budgeting, which aims to allocate available resources toward desired goals.</li> <li>- Performance measurement strategies are intertwined with budget processes.</li> <li>- The National Treasury has implemented multiple performance measures such as the Framework for Strategic Plans, the annual performance plans, and the Framework for Managing Programme Performance Information.</li> </ul>
<p><b>Adaptation of private-sector principles</b></p>	<ul style="list-style-type: none"> <li>- Regulation 16 of the National Treasury Regulations makes provision for public-private partnerships, which aim to stimulate and encourage cooperation between the private sector and the public sector.</li> <li>- Due to market failure, government works with private sector companies to provide essential public goods and services.</li> <li>- State-owned enterprises were established as partly or wholly state-owned institutions that ensure that goods and services are managed following private sector principles.</li> </ul>
<p><b>Promotion of competition</b></p>	<ul style="list-style-type: none"> <li>- To justify past imbalances, the new democratic government implemented black economic empowerment, which later developed into broad-based black economic empowerment, aimed at allowing previously disadvantaged communities to participate in the mainstream economy. Several treasury regulations relating to supply chain management and procurement processes have been established to ensure fairness and promote competition in terms of government procurement processes.</li> </ul>

Table 10 (continued)

<p><b>Use of technology</b></p>	<ul style="list-style-type: none"> <li>- The government has effectively moved to accrual-based accounting but is still confronted with several challenges.</li> <li>- In 2009, the South African government launched its fourth phase of the public financial management reforms, which focused on IFMIS. Unfortunately, this phase was not effective and efficient as the government did not deliver the anticipated results.</li> <li>- The South African government is still trying to develop its infrastructure and other important systems needed to help the country develop and grow its economy.</li> </ul>
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Source: Fourie and Opperman (2015:26), Ajam (2016:148), Tsheletsane and Fourie (2014:49)

#### **4.6. Contemporary status of public financial management reforms and service delivery in South Africa**

Since the implementation of the fourth reform phase started, South Africa has shown little improvement in public financial management; is currently rated as a junk state with high debt, low economic growth rate, and low investor confidence; and faces the triple challenge of poverty, inequality, and unemployment (Ocran, 2020:1). Public financial management in South Africa faces systemic challenges that have adversely affected service delivery, despite the measures, reforms, and strategies implemented by the government to overcome these challenges (Auditor-General, 2018; Tsheletsane & Fourie, 2014:45). In the 2017/18 Auditor-General's report, the Auditor-General indicated that public financial management reforms have not yet achieved desired results, and that the misappropriation of funds instead keeps increasing and the state of public financial management within government departments keeps worsening (Auditor-General, 2019). Consequently, these public financial management challenges have negatively affected the provision of public services.

According to Pearson *et al.* (2016:23), the ineffective mechanisms for auditing internal operational efficiency makes it difficult for reforms to be effective. This statement is supported by the Auditor-General, in his emphasis on weak internal controls that do not function as they should, thus leading to financial misconduct and persistent lack of accountability and financial mismanagement (Auditor-General, 2018). Financial management within the public sector remains challenging as the financial health of both national and provincial departments is alarming, characterized by billions of rands in unacceptable expenditure, high budget deficits, poor credit control, and over-expenditure of the available budget, all negatively affecting the provision of service delivery

(Auditor-General, 2019). Reforms aimed at alleviating these challenges are stagnant and do not have the desired results (Auditor-General, 2018).

Although NPM reforms have had positive impacts on public financial management through the promotion of managerialism and decentralization in South Africa, it has also created long-term patronage networks, which have unfavorably and unconsciously imitated the governance logistics from the pre-democratic era (Pearson *et al.*, 2016:26). Furthermore, Pearson *et al.* (2016:24) highlights that poor public financial management has led to incremental budget practices, which has weakened the government's ability to provide value for money services. As a result, the government remains challenged in its coordination of programs among the different government departments due to a fragmented system of awarding contracts, which affects the provision of public services.

Over the past decade, South Africa has witnessed the effects of poor public financial management that could be related to both poor administration processes and financial management systems, characterized by corruption, lack of accountability, misuse of public funds, the state capture, and public entities depending on government to bail them out of debts. These effects have resulted in recession, South Africa being assigned junk status, a loss of investor confidence, political instability, poor service delivery, and being governed by more than five finance ministers in less than ten years (Baloyi & Beyers, 2019:464). Corruption in South Africa has increased annually throughout the last decade and is characterized by a lack of political will and no accountability for the misappropriation of public funds.

Since the current president (Cyril Ramaphosa) took office as the new president in December 2017, there have been efforts to reform financial accountability with, for instance, the Capture Commission. Value added tax increased to 15% so that government could collect more revenue and provide more satisfactory public goods and services (Baloyi & Beyers, 2019:464). The current administration has made several attempts to find new and effective investments through the establishment of new strategies aimed at raising more public revenue, for example the new South African Infrastructure Fund. However, these attempts have not been effective, and service delivery protests are on the rise (Lagardien, 2020:1). Literature researched indicates that as of 1 January 2021, the following issues related to poor financial management and service delivery are prevalent:

- high national debt
- high amount of unacceptable expenditure
- corruption

- inability to pay creditors
- poor infrastructure and maintenance
- rising COVID-19 cases, which require the government to borrow more and increase taxes
- poor service delivery
- non-compliance with the relevant legislature
- low-quality performance reports
- poor financial health within public entities

(Auditor-General, 2018, 2019; Baloyi & Beyers, 2019:464; Lagardien, 2020:1).

These issues have led to multiple challenges, making it difficult to manage and utilize available resources properly and to reform the public financial management system. The greatest challenges South Africa faces are poor economic growth, high levels of corruption, and poor service delivery (Lagardien, 2020:1).

#### **4.7. Major challenges affecting public financial management in South Africa**

The next section aims at discussing the major challenges affecting the effective implementation of public financial management reforms in South Africa, following the literature review and the opinions of researchers and other authors.

##### **4.7.1. *Lack of ethics and high levels of corruption***

According to a proverb attributed to Aristotle, an individual cannot regard his/her well-being separately from others, but unfortunately, this has become South Africa's reality. For the past decade, South Africa has confronted high and increasing levels of corruption, with personnel at the center of the allegations and scandals arising that jeopardize public sector ethics and functionality (Reddy, 2017:1). As a result, public sector ethics are in the spotlight, not just nationally but internationally as well, with an immensely negative effect on the country's economy (Kuwana, 2017:1). The large decrease in norms and values has blurred the lines between public good and "own personal good", as more and more personnel and politicians tend to abandon ethical considerations and rather choose to empower and enrich themselves in every possible way (Lagardien, 2020:1). Consequently, the country's economy is experiencing a budget deficit, the imbalances between the rich and poor keep growing, and the public continues to receive poor service delivery (Walsh, 2020:1). Cronyism, maladministration, and bribery continue to dominate the public sector ethics and once people attain a position of power, they take undue advantage of the influence, power, and status they hold (Lagardien, 2020:1).

Kuwana (2017:1) asserts that the sad realities of South Africa’s economy directly result from the evident corruption and poor ethics within the public sector and to change this, the government will have to “build foundation pillars that promote an ethical value system.” Kuwana (2017:1) further urges an effective ethical value system where public money is respected and used effectively, efficiently, and as intended. To this may be added the view of Lagardien (2020:1), who posits that “social good is above the individual good in so far as individuals make up a society and their actions attain the goods of the society.” The latter emphasizes the importance of public servants who understand the purpose of public money and the importance of upholding good ethical values that serve society. According to Reddy (2017:1), lack of ethics and corruption have widened the gap of inequality in South Africa. Poor leadership in addressing and managing this is further damaging the functionality of the South African government.

Lack of ethics consequently affects several vital aspects within the operations of any institution, including leadership, and where there is weak leadership, there cannot be progress. Walsh (2020:1) asserts that poor leadership is the reason for the growing corruption and poor governance in South Africa, and that the consequences of such a wide gap are seen in the news headlines of the day. This behavior keeps growing as a direct result of the lack of consequence management (Reddy, 2017:1). In his 2017 report, the Auditor-General, Mr. Makwetu, firmly stated that “corruption occurs when officials are given sole power to make consequential decisions without adequate oversight or control.” He then highlighted this as the corruption formula developed by Robert Klitgaard in 1998 and further gave the figure below to illustrate this formula:



Figure 6: Corruption formula

Source: Auditor-General (2017:4)

Based on the figure above, the late Auditor-General asserted that “if an official has the sole power to make consequential decisions without oversight or control over accountability, corruption flourishes” (Auditor-General, 2017) Therefore, corruption in South Africa flourishes when there is absolute power, poor oversight of officials, and a lack of accountability (Auditor-General, 2017:4). This means that a lack of consequence management results in high corruption.

#### **4.7.2. Lack of monitoring and evaluation**

Tsheletsane and Fourie (2014:45) indicate that oversight bodies and legislative frameworks governing public financial management are often ignored by public officials. This is verified by the Auditor-General, who has indicated that year after year, personnel and accounting officers choose not to implement corrective measures and recommendations of oversight institutions (Auditor-General, 2019). According to Zonke (2016:4), the public accounts committees like the Standing Committee on Public Accounts and the Provincial Public Accounts Committee are highly challenged by oversight inefficiency and ineffectiveness resulting mainly from political influences.

Zonke (2016:4) asserts that while heads of department and directors general are appointed to their senior status through political affiliation with the leading party, members of the public accounts committees are often junior members of these political parties. This is a discrepancy that makes it difficult for junior members of the political party to discipline and stand against their senior members, and to force them to take accountability. This assertion is supported by Maiketso (2015:21), who in his study emphasizes that South Africa is highly challenged by a lack of monitoring and evaluation due to senior managers' strong reluctance to perform their prescribed duties effectively and efficiently.

Furthermore, only a few of the monitoring and evaluation policies and resources are implemented in public institutions, thus weakening governance (Nxumalo, 2016:3). These governance weaknesses have led to systematic and institutional weaknesses in the financial management of public resources, thus making it difficult to provide public services and improve the quality thereof (Nxumalo, 2016:6). Consequently, the lack of monitoring and evaluation makes it difficult to track the progress, hurdles, and efficiency of reforms.

#### **4.7.3. Lack of political will and leadership**

Political will affects the implementation and monitoring of every policy and program and thus plays a vital role in the effectiveness of reforms. The adverse effects of these have been widely discussed in Chapter Three of this thesis.

According to Naidoo (2016:106), political influence has often disrupted the internal procedures within departments, has prevented the dissemination of crucial information to the citizens, and has allowed the politicians to get away with corruption. The lack of political will leads to institutions failing to ensure they employ qualified personnel in managerial positions, especially in the reforming of the public sector (Maiketso, 2015:22). For the past decade, especially in the last five years, the public sector has suffered the loss of billions of rands related to unauthorized, irregular,

and fruitless and wasteful expenditure that is not accounted for, as seen annually in the Auditor-General's reports (Auditor-General, 2017; 2018; 2019; 2020). Unfortunately for South Africa, officials who transgress are often not held accountable for the financial misappropriations in their respective departments, showing a lack of political will to advance objectives (Zonke, 2016:4). Section 56 of the PFMA states that heads of department and directors general are personally accountable for ensuring that correct procedures are followed in all financial transactions and activities undertaken by the department. However, despite this, mismanagement of funds remains high and unaccounted for within departments.

Failure to hold officials accountable is a result of deliberate non-compliance with legislation and protocols, where some departments disregard procedures. As a result, supply chain procedures and awarding of contracts are politically influenced and service delivery is adversely affected (Auditor-General, 2019). According to Maduku, Osehi, and Enaifoghe (2018:11), the immense lack of political will in South Africa affects almost every aspect of the country and is the reason behind corruption and the misappropriation of public funds. As a result of the latter, the management of public financial reforms remains highly challenged.

By not following proper procedures, refusing to hold officials accountable, and resisting implementation of the recommendations and advice of oversight bodies and the Auditor-General, the heads of department and directors general continually demonstrate low willingness to achieve set objectives (Zonke 2016:5; Auditor-General, 2018, 2019). The late Auditor-General Kimi Makwethu stated that until the personnel are held accountable by political office bearers, corruption will continue to penetrate the public sector and public financial management reforms will remain ineffective (Auditor-General, 2019).

#### **4.7.4. *Lack of consequence management***

Consequence management and accountability are core elements of the South African Constitution. Therefore, the government has implemented several mechanisms, legislative frameworks, and role players to uphold this (South African Local Government Association, 2019:4). Nonetheless, the implementation of these efforts remains poor as a direct result of non-compliance with legislation due to a lack of consequence management. Lack of consequence management is the direct result of a lack of leadership, which leads to poor performance and the mismanagement of funds (Soopal, 2020:1). Several legislative frameworks have been implemented to ensure that action is taken against those who violate prescribed regulations, waste money, and act in an unethical manner (Sebola 2017:58). South Africa has one of the most highly rated constitutions in the world, along with several other policies that should make it

possible for government to achieve its objectives and maintain discipline effectively. Yet, South Africa continues to witness deliberate non-compliance with these policies, and no action is taken against personnel and politicians involved (Mbandlwa, Dorasamy, & Fagbedebe, 2020:2498).

The PFMA assertively states that “failing to uphold the laws is unethical” and a person guilty of this should face consequences. However, personnel and politicians are hardly ever held accountable (Sebola, 2017:3). When there are no consequences for unethical behavior, personnel find little reason to act ethically and serve the citizens instead of their own pockets. Mbandlwa *et al.* (2020:2499) assert that if personnel are not held responsible and accountable for their actions, ethical standards will continue being compromised, which would consequently affect society through poor quality service delivery. In other words, a lack of consequences only promotes corruption and unethical behavior (Sebola, 2017:4). According to the Auditor-General, there is a consistent and deliberate lack of consequence management for those who intentionally disregard the legislation and are found guilty of unethical behavior, which promotes fraud and corruption within the public sector (Auditor-General, 2017:112). This is unfortunate, as accountability and consequence management remain the cornerstone of a democracy (South African Local Government Association, 2019:4).

The inference may be made that the lack of good leadership, ethics, and consequence management affect each other, are South Africa’s worst problems, and are the major reasons for the contemporary status quo of public financial management in South Africa.

#### **4.7.5. High levels of unacceptable expenditure**

For the past five years, the office of the Auditor-General has issued warnings about the poor financial health and increasing levels of unacceptable expenditure in South African public institutions (Auditor-General, 2017). The National Treasury (2014) defines these forms of expenditure as follows:

- “Unauthorized expenditure – expenditure outside the approved main vote division”. The National Treasury asserts that unauthorized expenditure is easy to track but difficult to trace.
- Irregular expenditure – this is expenditure incurred by the department not in accordance with any approved legislation or prescript except unauthorized expenditure.
- Fruitless and wasteful expenditure – “expenditure that was made in vain and could have been avoided had reasonable care been taken.”

Unacceptable forms of expenditure include irregular expenditure, fruitless and wasteful expenditure, and unauthorized expenditure. The established legislative frameworks make it clear

that these three types of expenditure must be accounted for, yet the implementation thereof hardly takes place (Soopal, 2020:1). When such expenditure occurs, Parliament may approve or refuse the transaction that led to the expenditure. If Parliament approves such expenditure, then additional funds can be made available, or it can be funded from either the current budget or as a first charge against the next year's budget. Section 86 of the PFMA asserts that the accounting officer, an accounting authority, or any other person included in section 66(2 and 3) may be imprisoned for a maximum of five years or held liable to pay a stipulated fine if he or she "willfully or in a grossly negligent way fails to comply with a provision of" established legislative frameworks (PFMA, 1999). However, due to the lack of proper consequence management, poor service delivery prevails in South Africa (Rena & Mothupe, 2018:395).

An analysis of reports by the Auditor-General from the 2015/16 financial years to the 2019/20 financial years shows the high levels of unacceptable expenditure (Table 11).

*Table 11: Unacceptable forms of expenditure for the past five financial years in South Africa*

<b>Financial year</b>	<b>Irregular expenditure in rand</b>	<b>Unauthorized expenditure in rand</b>	<b>Fruitless and wasteful expenditure in rand</b>
<b>2015/16</b>	46,363 billion	925 million	1,366 billion
<b>2016/17</b>	46,6 billion	1,467 billion	1,023 billion
<b>2017/18</b>	5,4 billion	2,125 billion	2,5 billion
<b>2018/19</b>	42,8 billion	1,37 billion	849 million (223 auditees)
<b>2019/20</b>	54,34 billion	18,12 billion	2,39 billion

Source: Auditor-General (2016; 2017; 2018; 2019; 2020)

Although irregular expenditure does not necessarily represent wastage or mean that fraud was committed, this should be confirmed through investigations done by the accounting officer or accounting authority (PFMA, 1999). However, losses could already have arisen or may still arise if follow-up investigations are not undertaken (Auditor-General, 2017:15). The lack of proper investigations into these expenditures results in scenarios where some expenditures are never investigated and accounted for. Table 11 indicates the annual unacceptable expenditure for the past three financial years, which makes it evident that the amounts involved are crippling the government's ability to fulfill important mandates, deliver value-for-money services, and develop the country. This unacceptable expenditure has resulted in increased budget deficits, higher government debt, and deteriorating quality of service delivery in South Africa, because the revenue collected becomes insufficient for scheduled activities (Baloyi & Beyers, 2019:468).

#### **4.7.6. Lack of skills and capacity**

Chapter Three of this study discussed the importance of employing personnel with the right skills and capacities for the achievement of reforms. This entails that managerial leadership and personnel should be skillful and knowledgeable. This is important, especially in the governance and public financial management systems, for achieving government objectives and responsibilities, particularly in the implementation of policies (Siswana, 2007:95). Tsheletsane and Fourie (2014:45) indicate that the South African government is “in need of strategies that will help recruit, develop and retain competent leaders and managers in the public sector,” as it currently lacks the right skills and capacity to implement its strategies and reforms effectively. According to Petterson (2016:1), the ongoing lack of adequate, effective, and necessary skills in the South African public sector is a critical barrier to the implementation of reforms and strategies, making it difficult for the public sector to deliver value-for-money goods and services. Dlanga (2020:1) posits that the limited number of qualified, skilled, and experienced financial management personnel at lower levels will continue to be a derailing factor for service delivery, and emphasizes that it is an issue the government must address and to which it must find solutions.

Inadequacies caused by lack of skills and capacity have resulted in serious financial constraints, and financial misappropriations and have critically burdened the economic structures, all affecting the provision of quality service delivery (Dlanga, 2020:1). Furthermore, the most vital posts are filled based on political affiliations and not skills, which has detrimental effects on the management of public finances, which then affects service delivery (Petterson, 2016:1). Although South Africa has good policies, a lack of capable staff makes it easy for corruption to flourish and difficult to implement policies effectively and efficiently. This is evident in Kanyane’s (2014) assertion that it is hard to commit corruption where compact financial systems and skilled personnel are employed. This statement is supported by Mantzaris (2014:90), who states that lack of implementation in terms of efficient, effective, and honest financial management is the result of a lack of capacity, skills, and accountability by leadership.

Therefore, it is evident that leadership accompanied by vital skills and competencies plays a vital part in enhancing sound financial management. South Africa needs personnel who will realize the importance of public financial management and strive to make the needed difference (Tkachenko, 2020:87).

#### **4.7.7. High national debt**

The combination the above-mentioned challenges leads to one serious challenge, namely high national debt. High government debt on its own is not a problem if managed well and repaid. However, budget deficits and high debt become a problem when the government struggles to grow its economy and increase its revenue, which consequently affects the country's investment prospects (Arize, Kallianotis, Malindretos, Liu, & Panayides, 2014:98). Meyer and Mothibi (2021:2) hold that "if a country is rated below the investment grade, investors are likely to withdraw funds" as this affects most of the economic activities within the country. As a result, a country is rated with a negative investment outlook. The ratings of sovereign credit ratings agencies have come to hold great significance. Meyer and Mothibi (2021:2) also assert that likewise, good credit ratings help "stimulate investment and promote economic growth" within the country and are beneficial if managed well.

This is unfortunately not the case for the South African government, as the country has been receiving a negative rating for years and has high government debt, a stagnant economy, high unemployment, and insufficient revenue collection (Arize *et al.*, 2014:98). Year in and year out, the government borrows large amounts of money to fulfill its mandates. Mothibi (2019:325) rightfully highlights that South Africa's debt is noteworthy as it ranks among the highest in the world, attracting negative attention from important stakeholders and investors. On 26 February 2020, just a few weeks before the COVID-19 pandemic was declared a national state of disaster in South Africa on 15 March 2020, the government had projected the national debt to increase from 65.6% of gross domestic product to 71.6% of gross domestic product by 2022/23 (National Treasury, 2020a).

However, with the disruptions caused by the COVID-19 pandemic, the South African debt projection increased to 81.8% of gross domestic product for the financial year 2020/21, as the pandemic forced the government to borrow more money and simultaneously halt economic activities for a couple of months, which slowed down the economy (National Treasury, 2020a). This further widened the gap between government revenue collection and expenditure, incapacitating government to pay off its current debt as it needs more revenue to cover its expenses (Meyer & Mothibi, 2021:325). The following table shows the gap between the government's total revenue and expenditure:

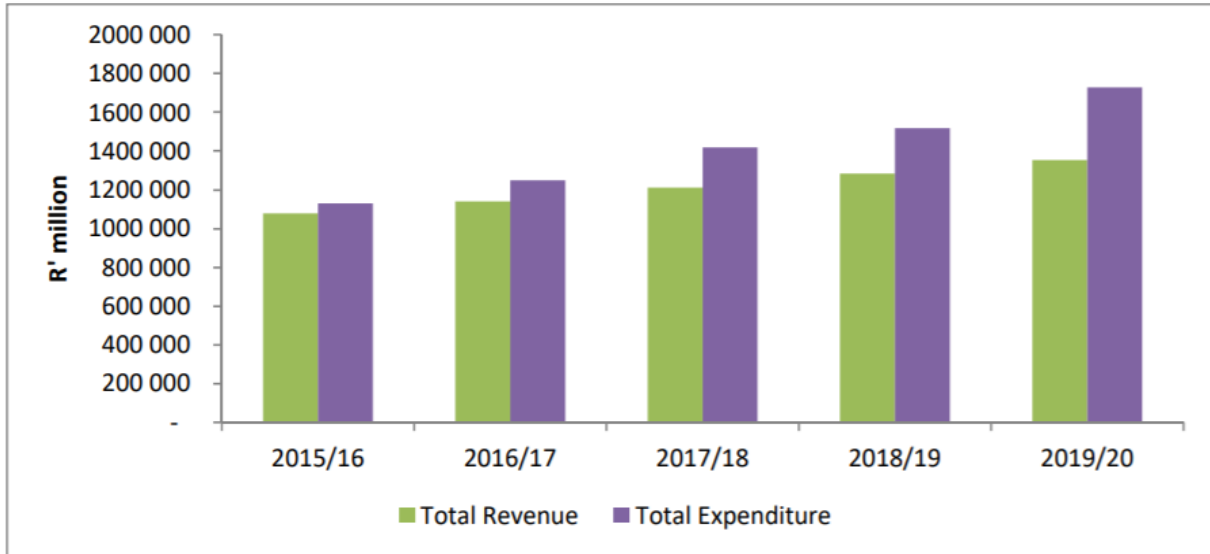


Figure 7: Government total revenue and total expenditure from the financial years 2015/16–2019/20

Source: National Treasury (2020a)

As seen in figure 7 above, the gap between total revenue and expenditure keeps growing every year, prompting the government to borrow more. The eruption of COVID-19 further widened this gap, making South Africa vulnerable to its high national debt (National Treasury, 2020a). Just a few days before the government declared the national lockdown in South Africa, both the agencies Moody’s and Fitch declared South Africa a junk state (National Treasury, 2020b). Being rated a junk state means that government loses the trust and confidence of investors, renowned financial institutions, and important stakeholders, which further threatened the country’s financial stability (Arize *et al.*, 2014:99). The reviews maintained a negative outlook and further reduced the country’s ratings from “BB+” to “BB”. Both Moody’s and Fitch further declared the country’s long-term foreign and local currency debt remains at “BB-” and “BB” in May 2020 (National Treasury, 2020b). Table 12 below illustrates South Africa’s review by credit rating agencies Moody’s, Fitch, R&I, and S&P before the COVID-19 pandemic:

Table 12: South Africa's credit ratings

Rating agency	Latest credit rating action	Action	Long-term foreign currency rating	Long-term local currency rating	Outlook
R&I	24 March 2019	Ratings affirmed	BBB	BBB+	Negative
S&P	22 November 2019	Ratings affirmed	BB	BB+	Negative
Fitch	18 December 2019	Ratings affirmed	BB+	BB+	Negative
Moody's	27 March 2020	Ratings affirmed	Ba1	Ba1	Negative

Source: National Treasury (2020a)

This outlook worsened in the second half of the year as they “downgraded the sovereign’s credit ratings to ‘Ba2’ and ‘BB2’, maintaining a negative outlook” (National Treasury, 2020b). This is not economical for South Africa, as these sovereign credit ratings influence investors’ confidence in a country, as well as the country’s ability to obtain loans from capital markets (Meyer & Mothibi, 2021:3). The following table illustrates South Africa’s national debt in the last five financial years:

Table 13: South Africa's national debt 2015/16–2019/20

DEBT, R'million	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Domestic Debt</b>	1 819 303	2 020 089	2 271 878	2 496 976	2 874 118
<b>Foreign debt</b>	199 607	212 754	217 811	291 314	387 225
<b>Gross loan debt</b>	<b>2 018 910</b>	<b>2 232 843</b>	<b>2 489 689</b>	<b>2 788 290</b>	<b>3 261 343</b>
<b>Less: National Revenue Fund Bank</b>	214 060	216 768	224 629	243 231	260 280
<b>Net loan debt</b>	<b>1 804 850</b>	<b>2 016 075</b>	<b>2 265 060</b>	<b>2 545 059</b>	<b>3 001 063</b>
<b>As a percentage of gross domestic product:</b>					
<b>Gross loan</b>	48,9%	50,6%	52,7%	56,6%	63,3%
<b>Debt net loan debt</b>	43,7%	45,7%	48,0%	51,7%	58,2%

Source: National Treasury (2020a)

South Africa’s national “gross loan debt is projected to rise from R3.95 trillion to R5.23 trillion by 2023/24” and for South Africa to pay off this debt, it is going to need effective strategies. This is thus the reality and crisis the South African government faces: high government debt and low economic growth, which make it difficult for the country to develop and grow. It is against this background that the public financial management reforms in South Africa should take center stage and the link between reforms and service delivery must be further investigated.

#### **4.8. Conclusion**

Since 1994, the South African government has gone through several public financial management reforms, supported by policies and strategies. The implementation of these reforms in South Africa has not been as effective as envisioned. Consequently, service delivery has been adversely affected as corruption and lack of accountability have infiltrated the South African public sector. In 2015, the International Budget Partnership ranked South Africa third for having the most transparent and open budget out of 102 countries. South Africa was also ranked one of the top four countries with “quality budget transparency; public participation in the budget process; and institutional oversight” (Arize *et al.*, 2014:99). Despite these achievements, implementation of reforms remains ineffective and service delivery in a dire position. For the government to achieve all its goals and objectives, it is therefore necessary for the government to address its inadequacies and implement public financial management reforms with great caution (Ajam, 2016:154).

Various researchers and other authors have indicated that corruption, lack of ethics, poor consequence management, high levels of unacceptable expenditure, lack of leadership, lack of skills, and poor monitoring and oversight are the major reasons for the gap between public financial management and service delivery in South African public institutions. The reasons for these can be verified through proper empirical research.

## **CHAPTER FIVE: RESEARCH METHODOLOGY**

### **5.1. Introduction**

Research is a process of searching for knowledge that requires the researcher to understand and apply appropriate research methods that help discover important information on the chosen topic. This chapter of the research study focuses on the research methods deployed in the study to collect, analyze, and present data and research findings. The purpose of the research was to determine where in the value chain the disconnect in the relationship between public financial management reforms and service delivery occurred. Thus, the study used various tools to ensure the research findings are credible, valid, and ethical. The researcher chose research methods, approaches, and a research design that enabled the credible investigation of the research problem and the acquiring of information, knowledge, solutions, and answers about why a disconnect remains between having financial management reform systems in place and real functional improvements in service delivery despite the various reforms implemented by the government.

This chapter discusses the research methodology undertaken to complete this study by illustrating the relevance of the research approach chosen for the study. It takes into consideration the research assumptions and research philosophy followed in the undertaking of the study. This is followed by a discussion of the research design chosen (including an explanation of the choice of qualitative research design and case study design) as well as a discussion on data collection methods deployed in the study. Thereafter, a comprehensive discussion of the target population and research sampling of the study is provided, which is followed by a discussion of the techniques used to analyze all the data collected. The chapter then discusses the ethical procedures undertaken in the study to ensure that the study was conducted ethically. The chapter ends with a discussion of the research limitations and the reliability of the research findings.

### **5.2. Research methodology**

Research requires the researcher to develop innovative ideas that will answer the research questions and further advance or confirm prevailing theories. Goundar (2012:2) asserts that research is a process of searching for answers and new valuable information on a certain topic through the use of logical and systematic methods. The research methodology aims to inform the reader about:

Why a research study has been undertaken, how the research problem has been defined, in what way and why the hypothesis has been formulated, what data have been collected, and what particular method has been adopted, why particular technique of analyzing data has been used

and a host of similar other questions are usually answered when we talk of research methodology concerning a research problem or study. (Goundar, 2012:2)

Likewise, the research methodology of this study informs the reader of the research methods, approach, and design used throughout the study and why.

### **5.2.1. Research approach**

According to Saunders, Lewis, and Thornhill (2015:124), all research is based on a system of beliefs and assumptions relating to the development of knowledge that the research is aimed at providing. Therefore, each stage of a study is intentionally or unintentionally based on some form of assumption. Furthermore, Saunders *et al.* (2015:124) posit that there are three research assumptions on which every study is based, namely the epistemological assumption (based on human knowledge), the ontological assumption (based on realistic experiences), and the axiological assumption (based on the values of the research).

Chapters Two and Three of the study followed the epistemological assumption of the present study, where a theoretical framework was established regarding the relationship between public financial management reforms and service delivery. The epistemological approach of the present study enabled the researcher to present the elements, factors, and principles globally accepted as legitimate and that form the relationship between public financial management reforms and service delivery. This was necessary to prove and give relevance to the human knowledge aspects about which the study talks.

The ontological approach of the present study can be seen in the empirical part thereof, as the study focused on investigating the realities experienced in the implementation of public financial management reforms and service delivery at the NCDoh. Through the use of the epistemological and ontological assumptions, the researcher was able to integrate the theoretical framework established with the realities experienced by the personnel when implementing public financial management reforms and service delivery, in line with the pragmatic research philosophy.

### **5.2.2. Pragmatic research philosophy**

According to Goundar (2012:3), research philosophy refers to a system or framework established through academic and scientific values, ideas, and assumptions. Saunders *et al.* (2015:124) refers to research philosophies “as a system of beliefs and assumptions about the development of knowledge.” The literature identifies five types of research philosophies: critical realism, postmodernism, positivism, interpretivism, and pragmatism (Saunders *et al.*, 2015:124; Goundar, 2012:2). Following the epistemological and ontological assumptions discussed above, the present

study followed the pragmatic research philosophy by placing the research problem at the center of the study to ensure that both the literature review and empirical component can provide credible and reliable information about the research phenomenon through the use of various data collection and analysis methods chosen for the study.

The use of the pragmatic philosophy, through the use of various research methods and techniques following the research design of the study, enabled the researcher to determine the reasons for and causes of why financial management reforms do not translate into improved service delivery within the NCDoh.

### **5.3. Research design**

The research design refers to the research methods, techniques, and approach the researcher intends to utilize in obtaining relevant and necessary information to achieve study objectives (Creswell, 2014:89). Goundar (2012:2) asserts that research design refers to an undertaking of methods, procedures, and techniques that are designed in an unbiased, reliable, and valid manner to help the researcher achieve research objectives. Whichever research method is used must be proved to be valid, reliable, unbiased, systematic, and objective-driven. This study followed a qualitative research design that enabled the researcher to investigate the research phenomenon properly, discover new knowledge, and gather all crucial information while gaining a better understanding of and insight into the research problem by observing and engaging with the research sample through a case study research design.

#### **5.3.1. Qualitative research design**

Haradhan (2018:2) defines a qualitative research design as a study that seeks to provide insight into the interviewee's experiences concerning the research phenomenon under investigation. Thus, a qualitative study aims to investigate and explore new knowledge and insight that will enable the researcher to articulate a detailed understanding of the whys and hows related to the research phenomenon from the people working directly with the research problem in question (Maree, 2015:343). The researcher followed a qualitative research design in collecting and analyzing both the primary and secondary data for this research study. Using a qualitative research design enabled the researcher to gain theoretical understanding as well as insight into the experiences, opinions, and challenges experienced by the interviewees, and about why and how the relationship between public financial management reforms and service delivery becomes disconnected in the implementation of public sector programs. This type of research could only

be obtained by targeting the public sector program managers in a public institution as a case study.

### **5.3.2. Case study design**

Haradhan (2018:11) defines a case study as an in-depth approach to investigating multiple perspectives, views, and observations from different people based on a particular system, program, institution, policy, etc. According to Zefeiti (2015:2), using a case study research design enables the researcher to explore individual experiences and perspectives on the research phenomenon. In the present study, the researcher thus gained in-depth information and understanding relating to a real-life situation, allowing the researcher to contextualize and analyze the research problem clearly through an analysis of the theoretical framework and real-life issues. The NCDoh was used as the case study aimed at helping the researcher gain a better understanding of why a gap remains between public financial management reforms and service delivery despite the constant reforms, interventions, and policies implemented in the public sector. The use of the case study enabled the researcher to accurately conceptualize and analyze the research gap between public financial management reforms and service delivery without manipulating any data.

## **5.4. Data collection**

Data collection describes the techniques with which the researcher actively collects the data required to achieve research objectives (Bhandari, 2020:2). Qualitative data can be collected through various methods, so the researcher must choose the most viable methods of gaining the most reliable and credible information to measure the variables of the research (Bhandari, 2020:5). The present study used a literature review and conducted interviews to collect reliable, relevant, and accurate data. The data collection methods used in this study included the following:

### **5.4.1. Literature review**

Literature was reviewed to build a theoretical framework that will provide an understanding of the importance, relevance, and relationship between public financial management reforms and service delivery. The literature reviewed was analyzed to further provided a conceptual framework for the implementation of reforms in international and African countries, making it possible to review common lessons, challenges, and aspects that cause the gap between public financial management reforms and service delivery within the public sector across countries on a global perspective. The literature reviewed in collecting data for this study includes the following:

#### *5.4.1.1. Journal articles and books*

The researcher reviewed various academic journals, articles, and books. In addition, newspaper articles, other forms of internet articles, public sector reports, various government publications, media statements, e-news, government interviews, and various published academic theses, dissertations, and books were consulted to conceptualize the importance of and critical elements related to the relationship between public financial management reforms and service delivery. This literature review helped the researcher form a strong and valid theoretical framework for the study.

#### *5.4.1.2. Legislation*

The researcher reviewed different government legislative frameworks and policies to support the established conceptual framework concerning the relationship between public financial management reforms and service delivery. Different legislative frameworks were reviewed with the purpose of understanding and analyzing the principles, guidelines, and legislative frameworks that govern the relationship between public financial management reforms and service delivery. The study reviewed international, African, and South African legislative frameworks and policies of the following countries: New Zealand, Australia, Pakistan, the UAE, Malawi, Ghana, Kenya, Uganda, and South Africa. This further enabled the researcher to compare similarities, differences, lessons, strengths, and weaknesses in the implementation of public financial reforms in different countries, allowing the researcher to establish a credible and reliable contextual framework of the relationship between public financial management reforms and service delivery across different countries.

Chapter Four of the study focused on the implementation of public financial management reforms in South Africa. This type of literature included (but was not limited to) the Constitution of South Africa (1996), the Public Finance Management Act, the Annual Appropriation Act, the Annual Division of Revenue Act, and the Treasury Regulations on different issues related to the Public Finance Management Act, procurement policies, supply chain management frameworks, performance management policies, and more.

#### *5.4.1.3. Official documents*

The study further reviewed various government publications, reports, circulars, and guiding documents that enabled the researcher to accurately analyze the implementation of public financial management reforms in the NCDoh. Moreover, this data allowed the researcher thoroughly to understand the implementation of public financial management reforms in the

Department. The following types of documents were reviewed: Auditor-General's reports, National Treasury reports, government speeches (from a global perspective), government reports on public financial management reforms, NCDoh annual performance reports (various), and the National Treasury practice notes.

#### **5.4.2. Empirical study**

To achieve the objectives of this study, it was necessary to conduct an empirical study, which is sometimes referred to as a field study. For this part of the study, the researcher conducted semi-structured interviews with the program managers and relevant top financial management officials at the NCDoh with the intention to compare the established theoretical framework to the realities experienced by program managers when implementing public financial management reforms. Interviews were conducted to collect this data.

Whitehead and Whitehead (2015:115) assert that interviews are the key method in collecting qualitative research data, as they allow the researcher to engage with interviewees and directly ask them the relevant questions related to the research phenomenon. Through the use of interviews, the researcher gained deeper insight, meaning, and understanding of the "why, how, and what" of the gap between public financial management reforms and service delivery. This study made use of semi-structured interviews to investigate and examine the implementation of public financial management reforms within the NCDoh and how service delivery has been affected. After an extensive study and review of the literature, an interview guide was prepared for the semi-structured interviews. The interview guide was prepared before the interviews so as to capture the key aspects of the study, but the interviews were not restricted to the interview guide as interviewees were able to express their perspectives and experiences related to the research phenomena.

Using semi-structured interviews allowed the researcher to converse with the respondents openly and encourage them to participate freely and express themselves in a manner that relates to the realities of the research phenomenon. These interviews further enabled the researcher to discover the challenges and weaknesses experienced by program managers and public finance management officials in the implementation of reforms at the NCDoh. This information was then compared to the literature review to analyze and find answers to the research problem. Each interview took approximately 90 to 120 minutes, allowing the researcher to gain a thorough understanding of the practical realities experienced within the NCDoh.

## 5.5. Research population and sampling

### 5.5.1. Research population

Research population refers to the target population the research study uses to launch its investigation. This refers to an “organization, population, community, or any type of institution identified as the environment chosen to be measured as a sample of the study” (Lumpur, 2016:19). For this study, the NCDoH was chosen as the institution where the empirical study was to be conducted, allowing the researcher to investigate and gain an understanding of the underlying public financial management reform implications and challenges leading to poor service delivery when implementing reforms. Below is a map of the Northern Cape:



*Figure 8: Map of the Northern Cape*

The study purposely targeted the NCDoH because it is an important department whose functioning is critical to the health of the citizens. The department is situated in Kimberley in the Northern Cape, a vast province occupying close to a third of the country’s land. Nonetheless, the Northern Cape has the smallest population when compared to all the other provinces, which has led to the province receiving the least amount of equitable share from the nationally raised revenue, resulting in budget constraints.

The NCDoH has been accused of many financial malpractices and is severely challenged by poor service delivery. These allegations are annually pointed out by the Auditor-General’s reports. Despite the implemented public financial management reforms, the Department’s financial health continues to deteriorate, which has resulted in the Department failing to provide value-for-money services. The department was therefore chosen as the case study of this research study, as it

would allow the researcher to investigate the challenges that lead to a gap between public financial management reforms and service delivery despite the many measures the government continually implements to improve this relationship.

The research population of the study consisted of fifteen senior management officials within the NCDoh. The study targeted the institution’s program managers and financial management officials working directly with the implementation of public financial management reforms and service delivery. These individuals were targeted as they were the only people within the institution who could provide valid, reliable, and accurate information relating to the challenges faced that affect programs in a manner that adversely affects service delivery when implementing public financial management reforms.

### **5.5.2. Research sampling**

According to Etikan, Musa, and Alkassim (2015:2), qualitative sampling refers to people, cases, or variants identified and deemed as relevant to the study to ensure that the information collected is rich, meaningful, and relevant. There are two types of sampling: Probability sampling and non-probability sampling. The present study made use of non-probability sampling by identifying program managers and officials who directly work with the implementation of public financial management reforms and have insight into and knowledge of all the information regarding the research problem. There are three types of non-probability sampling: purposive sampling, convenience sampling, and snowballing. The research sample consisted of adults between the ages of thirty-five and sixty-five, with over five years of working experience in the public sector, and who are well informed regarding the public financial management reforms and service delivery within the NCDoh. The following individuals formed part of the purposive research sample:

*Table 14: Research sample*

<b>Senior management</b>	<b>Public financial management related officials</b>
Head of department (program 1)	Supply chain management senior manager
Chief financial officer	Chief internal auditor
Program manager 2	Risk manager
Program manager 3	Financial accounting manager
Program manager 4	Budget manager
Program manager 5	Human resource manager
Program manager 6	Project coordinator/budget
Program manager 7	

### 5.5.3. Research demographics

The following table shows the demographic information of the research sample:

Table 15: Research demographics

	Male	Female
Frequency	11	3

### 5.5.4. Recruitment strategy

After identifying the research target and research sample, the researcher wrote a letter to the head of department of the NCDoh (see Annexure A) requesting permission to conduct research at the Department. After obtaining approval from the head of the NCDoh, the research directorate of the NCDoh contacted the identified individuals in the sample regarding their participation in the study, and all the participants preliminarily and verbally agreed to participate in the study. Once the study was approved by the University of the Free State Ethics Committee (Economics and Management Sciences), the researcher was provided with the contact details of all these individuals. The researcher then contacted all the identified individuals to set up the interviews. All interviews were scheduled at the interviewees' convenience, during their working hours, following and adhering to all COVID-19 protocols.

## 5.6. Data recording and data analysis

Data was collected, recorded, and analyzed following a qualitative research design.

### 5.6.1. Data recording

Smulowitz (2017:1) defines research data recording as a process in which data is captured through handwritten notes, audio, or video recordings, and notes that this involves significant ethical issues through which the researcher must think. All gathered data must be recorded in an ethically approved manner that does not violate anyone's rights. Interviews were therefore recorded using a recording device, and notes were taken during the interviews. Thereafter, all the interviews were transcribed for analysis. All participants were informed about the recording of interviews and only one of the fourteen interviewed participants asked the researcher not to record the interview. However, this participant afforded the researcher enough time to transcribe the responses during the interview. All interviews were recorded using code names instead of real names, to uphold the ethical standards of the study.

### **5.6.2. Data analysis**

Data analysis is a creative and cumbersome process of evaluating and analyzing data in a structured, orderly, and meaningful manner, and if data is not analyzed using appropriate measures, it will be difficult to read, unreliable, and untrustworthy (Vosloo, 2015:355). There are various analysis tools and techniques available, but the researcher must choose the most appropriate tool and technique for his/her research study (Vosloo, 2015:355). The qualitative data collected in the present study was analyzed using content analysis and the software NVivo (Dollah, Abduh, & Rosmaladewi, 2017). This enabled the researcher to outline the common problems and thematically pattern trends in order to achieve the study objectives.

#### *5.6.2.1. Content analysis*

Erlingsson and Brysiewicz (2017:4) define content analysis as a systematic process of “transforming a large number of texts into a highly organized and concise summary of key results”, thus analyzing “raw data into the form of categories as themes”. Content analysis was used to code and analyze all data collected. There are two forms of content analysis: rationale analysis and thematic analysis (Erlingsson & Brysiewicz, 2017:4).

##### *i. Rationale analysis*

This study used rationale analysis to analyze the relationship between public financial management and service delivery by presenting the logical relationship model between the two concepts that underlines how effective implementation of public financial management reforms can enhance service delivery. Klenke (2016:104) encourages the use of a computerized software system in content analysis, as this enables the researcher to work thoroughly through the data collected. Klenke (2016) further adds that the use of the NVivo software can help the researcher identify potential gaps in the literature, and it provides an auto-code functionality that themes the data collectively.

##### *ii. Thematic analysis*

Thematic analysis encodes the interview responses to examine, analyze, and quantify data, and to tally information that creates a codebook of all themes generated from all the responses (Patton, 2015). This type of analysis is also known as “conceptual analysis” and categorizes texts into themes according to the occurrence of selected terms within the texts (Klenke, 2016). This method of analysis begins with identifying texts and coding them into manageable contexts and categories and further reducing them into categories consisting of words, phrases, and patterns that relate to the research problem (Patton, 2015). Interviews were coded into categories that

defined, elaborated, and integrated the data collected through the use of inductive and deductive coding.

Inductive coding was used to find themes, trends, and clusters that generated new concepts and findings from the research data collected throughout the study. Deductive coding was used to analyze the collected data following the theoretical framework established, enabling the researcher to assess the extent to which the collected data was aligned with the theory that already exists. Through the use of inductive and deductive coding, it was possible to identify patterns and themes that provided credible and reliable information with which to answer the primary research question: “Why do public financial management reforms not always result in improved service delivery?”

#### 5.6.2.2. *NVivo software*

Welsh (2002:1) defines the NVivo software as a computerized system that analyses qualitative research data and enables the researcher to make sense of the themes identified using the software. The software codes thematic patterns enabling effective analysis of all unstructured texts, audio and video recordings, interviews, and social media (Kent State University, 2020:1). The NVivo software therefore enabled the statistical packaging and arranging of the qualitative data into themes and patterns to develop a clear interpretation of all the data collected (University of Cape Town, 2020:1). The NVivo software enabled the researcher to analyze the collected data through themes and patterns, which enabled research findings to be reliable and valid. This was compared to the content analysis for the sake of the validity and reliability of research findings.

### **5.7. Ethical considerations**

In contemporary South Africa, public financial officials are often uncomfortable discussing the systemic issues underlying public financial management, as experienced by the Office of the Auditor-General when auditing government institutions (Auditor-General, 2018). Nonetheless, the participants were assured that this research study posed no threats or risks to the reputation of or themselves. Before commencing the interviews at the NCDoh, ethical approval was the Department received from the University of the Free State and the NCDoh. Furthermore, the researcher followed all the necessary precautions and requirements relating to COVID-19 while conducting the interviews. Participants were given an informed consent form with all the information regarding the research objectives of this study and their participation in it.

De Vos, Strydom, Fouche, and Delpont (2014:58) emphasize that the reputation of all interviewed individuals must always be protected. To ensure the protection of each participant, the identities

of all the participants were kept confidential and the respondents were numbered systematically from one to fifteen to make it impossible to link any of the participants to a specific response. Participation in the research study was voluntary, and the respondents were informed in writing about the objectives of the study before they could participate in the study. They were also informed that they could withdraw their consent before the end of their respective interviews.

The study posed no threat or risk to the reputation of the Department or its personnel members, as the study sought only to discuss matters related to the implementation of public financial management reforms within the Department. To mitigate any concerns, the participants were informed and assured in the consent form that all the interview questions only aimed at achieving the research objectives of this study – which focuses on the problems and challenges participants experience with the public financial management reforms and service delivery – and that the researcher had no intention of indulging in matters outside the identified research scope. Due to the implications of COVID-19, the researcher ensured that the COVID-19 protocols were followed and adhered to during each interview. The following measures/precautions were taken:

- i. Masks were worn.
- ii. The researcher had sanitizer for interviewees to use (the Department also had sanitizer stationed throughout the Department).
- iii. The researcher and participant sat 1.5 meters apart during the interview to observe physical distancing, and no physical contact such as shaking of hands took place between the researcher and any of the participants.
- iv. The participants and the researcher all abided by the COVID-19 regulations and protocols implemented within the NCDoh.

### **5.8. Research credibility**

Research credibility promotes the “essence of a trustworthy research with credible information” (Creswell, 2014). Therefore, each research study must be credible. According to Hendriks (2014:128), research data must meet the criteria of reliability and validity to ensure that research data is credible.

Reliability is an indication of whether the chosen techniques would produce the same results if applied repeatedly. The results of the present study are reliable as there was a pattern of repetitions in the responses. Furthermore, NCDoh official documents were analyzed and compared to the responses received from the research respondents to ensure alignment between the policy documents and the responses received, assuring reliability in the responses of the

interviewed individuals. Lastly, the results of this study support the research findings of prior research studies.

Validity is an indication of whether or not the measurement of a phenomenon is true. Thus, the interview guide should be compiled in a manner that relates directly to the aim of the research. This study used the triangulation technique to ensure validity by constantly comparing the empirical data to the literature reviewed in order to validate the interviewees' responses. Secondly, the researcher always compared the responses of the interviewees so as to cross-check the validity of and similarities in their responses.

Moreover, the interview guide was prepared using a question guide that was based on the literature reviewed to ensure that key aspects are identified to promote research reliability and validity. The research question guide was prepared using simple and unambiguous language that would be easy to understand. The interview question guide was then submitted to the study promoter and the University of the Free State Research Committee for evaluation and further validation for relevance.

## **5.9. Research limitations**

Public financial management is a dynamic and complex field. It was thus important for the study to focus on the relationship between public financial management reforms and service delivery. Chapter Two of the study thus discussed public financial management and its relation to service delivery regarding the theory of public finance and the public budget theory. The study continued with discussions of the public financial management reforms related to the NPM theory and elements concerning service delivery in Chapter Three. This enabled the researcher to understand and discuss the public financial management reforms and their role in enhancing service delivery within the limits of the research aim. The interviews were then conducted using the prepared and approved interview guide. This enabled the researcher to limit her questions to those of relevance to the research study.

This study also discussed global and African experiences in the implementation of reforms. This was limited to four non-African and four African countries that have implemented reforms following the NPM elements. Furthermore, Chapter Four of the study was limited to the public financial management reforms implemented in South Africa after 1994. It is noteworthy to point out that the study does not include the complications/implications of COVID-19 for public financial management reforms. As a result, the impacts of COVID-19 on public financial management reforms would require further investigation in future research.

Moreover, the research sample was limited to the top management and those senior officials who hold financial management positions within the NCDoh. The latter ensured that only the relevant personnel at the NCDoh with reliable and credible knowledge were interviewed. Lastly, this study focused on the relationship between public financial management reforms and enhanced service delivery, as set out in the research problem of the study.

#### **5.10. Conclusion**

Chapter Five provided the research methodology and the research design of the study, focusing on the research philosophy and research approach. The research methodology is aimed at ensuring that the correct, relevant, and appropriate methods and techniques were applied in this study. The chapter gave an extensive description of how the research data was collected, recorded, and analyzed. The discussion of the research methods included the research sample and the population chosen and interviewed for the study. Qualitative research methods were followed throughout the study with the rationale of obtaining in-depth knowledge of and insight into the research phenomenon. The chapter then discussed the ethical considerations applicable to the study, followed by the research credibility, which focused on the reliability and validity of the research study.

Finally, the chapter concluded with a discussion of the research limitations. The next chapter presents and analyzes the research findings obtained at the NCDoh to find out why a gap remains between public financial management reforms and service delivery despite the reforms implemented.

## **CHAPTER SIX: ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS**

### **6.1. Introduction**

This chapter analyzes and presents the findings of the empirical study conducted at the NCDoh. The chapter sets out the findings against the research questions, aim, and objectives established in Chapter One by analyzing the empirical data collected from the interviews. This was done to achieve the aim of the study, which is to determine why a disconnect remains between having financial management reform systems in place and real functional improvements in service delivery within the Department. The research findings were informed by the literature reviewed and the responses obtained from the interviews conducted with the sample of the study.

Before the commencement of the study, the researcher obtained ethical clearance from the Research Ethics Committee of the University of the Free State and approval from the Accounting Officer of the Department to conduct the research at the Department. Furthermore, the researcher contacted all the interviewees before the commencement of the study to ensure that they understood the context, aim, and relevance of the research study. This chapter analyzes the responses obtained from the interviews conducted with the research sample from the Department. All interviewees freely engaged in the research and their responses were unambiguous. Where it was needed, the researcher asked for clarity, and participants voluntarily provided such clarification.

A brief overview of the Department is given below, and this is followed by a discussion of the findings of the empirical data related to the public financial management reforms and service delivery within the Department. To present a clear, reliable, and trustworthy analysis, the researcher reviewed the following official documents of the Department from the 2015/16 financial year to the 2020/21 financial year (henceforth “financial years under review”): annual reports, reports of the Auditor-General, the departmental strategic plans, annual performance plans, and department annual reports. The responses of the interviewees were analyzed against the background of the reviewed documents.

### **6.2. Approval for the empirical study**

A formal letter requesting approval to conduct empirical research at the Department was sent and approved by the head of the department (accounting officer), allowing the researcher to interview the identified sample for the study. In addition, each interviewee was contacted individually for permission, and all the interviewees approved the researcher’s request and voluntarily participated in the study.

### **6.3. Interviews**

The sample identified in Chapter One comprised fifteen individuals. However, after several attempts to confirm an appointment, which included personal visits to the Department and a proposal for an online interview, one interviewee was not available for the interview. There were therefore fourteen research participants (93.3% of the initially projected sample). Twelve of the interviews were conducted face to face basis and two were conducted online (due to COVID-19 restrictions) using the Microsoft Teams online platform.

### **6.4. Overview of the Department's public financial management status quo**

The overview of the Department's financial management status was retrieved from the following departmental documents:

- the departmental annual performance reports 2015/16–2020/21
- the departmental financial statements 2015/16–2020/21
- the departmental annual performance plans and strategic plans 2015/16–2020/21
- the reports of the Auditor-General 2015/16–2020/21.

The Northern Cape is a vast province that covers approximately 30.5% of South African land, and has the smallest population of 1.145 million (2%) of all nine provinces (Statistics South Africa, 2021). The province is considered a rural province as many of its towns and cities are rural and still developing. The Department's head office is situated in Kimberley, the capital of the Northern Cape, and the Department is tasked with the responsibility of providing effective public healthcare services to the citizens of the Northern Cape.

The South African government uses the per capita system for equitable revenue-sharing. This formula advantages the provinces with a large population and disadvantages those with a low population density. This means that the Northern Cape departments receive minimal equitable shares despite the vastness of the province. The latter makes it difficult, costly, and complex to deliver effective and efficient services to every person in the province as the distance between healthcare facilities can be up to 200 km (Hendriks, 2014:47).

- The vision of the Department:

The vision of the Department is to achieve “a modern health system delivering quality care to a growing province” (NCDoh, 2016; 2017; 2018; 2019; 2020; 2021).

- The mission of the Department:

“The Department aims to provide better health care, better access, and better value to the citizens of the Northern Cape, through community-wide, modern and individually focused initiatives to maximize wellness and prevent illness” (NCDoH, 2016; 2017; 2018; 2019; 2020; 2021). The Department strives to provide improved value-for-money healthcare services that are accessible to all the citizens within the province. A review of the departmental annual performance plans, strategic plans, and annual performance reports from the financial years 2015/16 to 2020/21 indicates that the budget of the Department is set toward achieving the pre-determined objectives of the Department, which are accordingly aimed at promoting enhanced service delivery. The budget of the Department is aligned with the departmental annual performance plans and the strategic plan, which both identify the priorities and key activities of the Department toward providing value-for-money healthcare service delivery through better leadership and financial management. Table 16 indicates the population dependency of citizens in the Northern Cape on the Department for healthcare services and the percentage shortfalls in revenue available.

*Table 16: Population dependency on the Department*

<b>Financial year</b>	<b>Population dependency rate</b>
<b>2015/16</b>	Not provided
<b>2016/17</b>	85%
<b>2017/18</b>	85%
<b>2018/19</b>	84%
<b>2019/20</b>	85%
<b>2020/21</b>	85%

Source: NCDoH (2016; 2017; 2018; 2019; 2020; 2021)

As indicated in Table 16 above, an average of 85% of the population is dependent upon the Department for primary healthcare services. With a dependency rate consistently this high, it is crucial that the Department effectively and efficiently manage its budget in such a manner that healthcare services will reach every person in the province dependent on the Department for primary healthcare.

Budgeting plays a critical role in the funding of services, and without it the achievement of objectives would be impossible. It is therefore important for any department to utilize all its financial resources effectively in a manner that will enable it to deliver value-for-money services. Table 17 indicates the total appropriated budget of the Department versus the actual spending,

as reflected in the Department's annual performance reports from 2015/16 to 2020/21. The last column of the table indicates the total amount of money underspent by the Department in the years under review. It is important to note that when a department underspends on its budget, it means that there are services people were promised but of which they were deprived.

*Table 17: Appropriated budget, actual expenditure, and under expenditure table*

<b>Financial year</b>	<b>Appropriated budget ('000)</b>	<b>Amount spent ('000)</b>	<b>Amount underspent ('000)</b>
<b>2015/16</b>	4 228 733	4 168 265	60 468
<b>2016/17</b>	4 494 185	4 369 137	125 048
<b>2017/18</b>	4 630 292	4 567 352	62 940
<b>2018/19</b>	4 854 311	4 837 479	16 832
<b>2019/20</b>	5 230 191	5 183 452	46 739
<b>2020/21</b>	5 616 038	5 537 620	78 418

Source: NCDoH (2016; 2017; 2018; 2019; 2020; 2021)

From table 17, it is evident that the Department is experiencing a challenge in spending all its allocated money. This may create the impression that the Department has no budget pressures, as it fails to spend all its allocated budget year in and year out, despite the vastness of the province and high dependency rate. Although the Department has constantly underspent on its budget for the financial years under review, it is important to note that there are programs within the Department that consistently overspend on their budget year after year.

The Department has been trying to develop an effective patient debt collection strategy and better debt control mechanisms aimed at increasing revenue collection (NCDoH, 2020). However, these efforts have not been effective as the outstanding debt of the Department remains high (NCDoH, 2020).

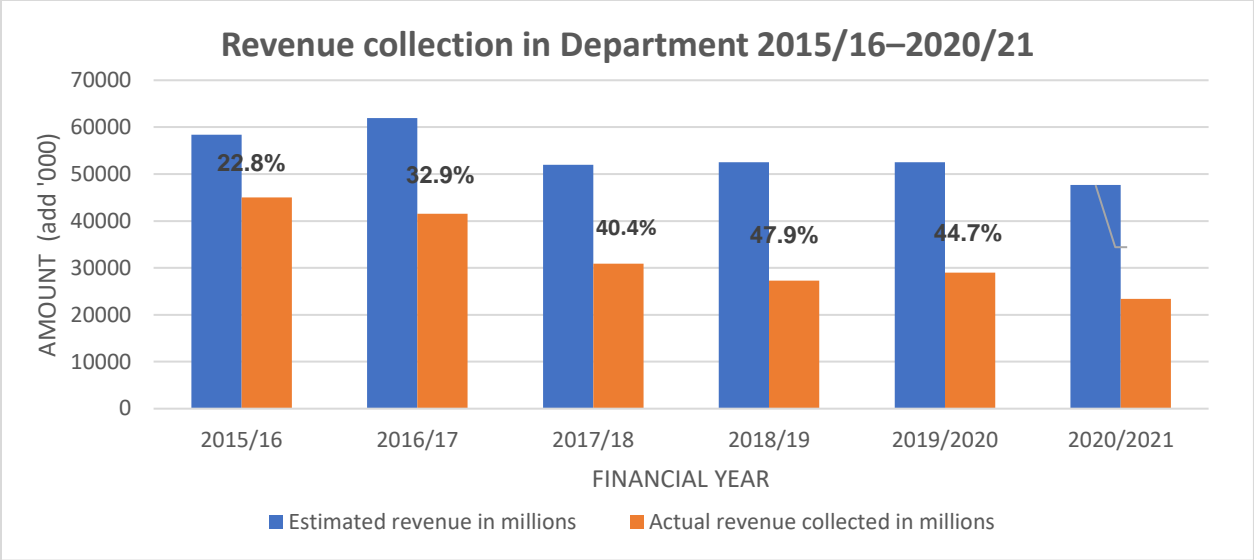


Figure 9: Revenue collection by the Department 2015/16–2020/21

Source: NCDoh (2016; 2017; 2018; 2019; 2020; 2021)

Figure 9 indicates the estimated revenue collection versus the actual revenue collected by the Department, and the percentage difference between these two amounts. From Figure 9, it is evident that there is a constant decrease in revenue collection by the Department and that in the 2020/21 financial year the Department collected only 48% of its estimated revenue. In the Department’s annual reports for the years under review, the Department has repeatedly emphasized that “efforts (will be made) toward strengthening revenue collection”, but in reality this is not taking place and the Department continuously fails at achieving this objective.

The Department annual performance reports for the past six financial years further indicate that the Department has continuously failed to collect all revenue as planned and that systems, policies, and risk management strategies developed and established within the Department have not been effective in promoting reforms. This ineffectiveness has affected the performance of the Department in achieving its set objectives. Figure 10 illustrates the Department’s performance against the targets identified in the annual performance plans despite the reforms and strategies the Department has developed and implemented in the last six financial years.

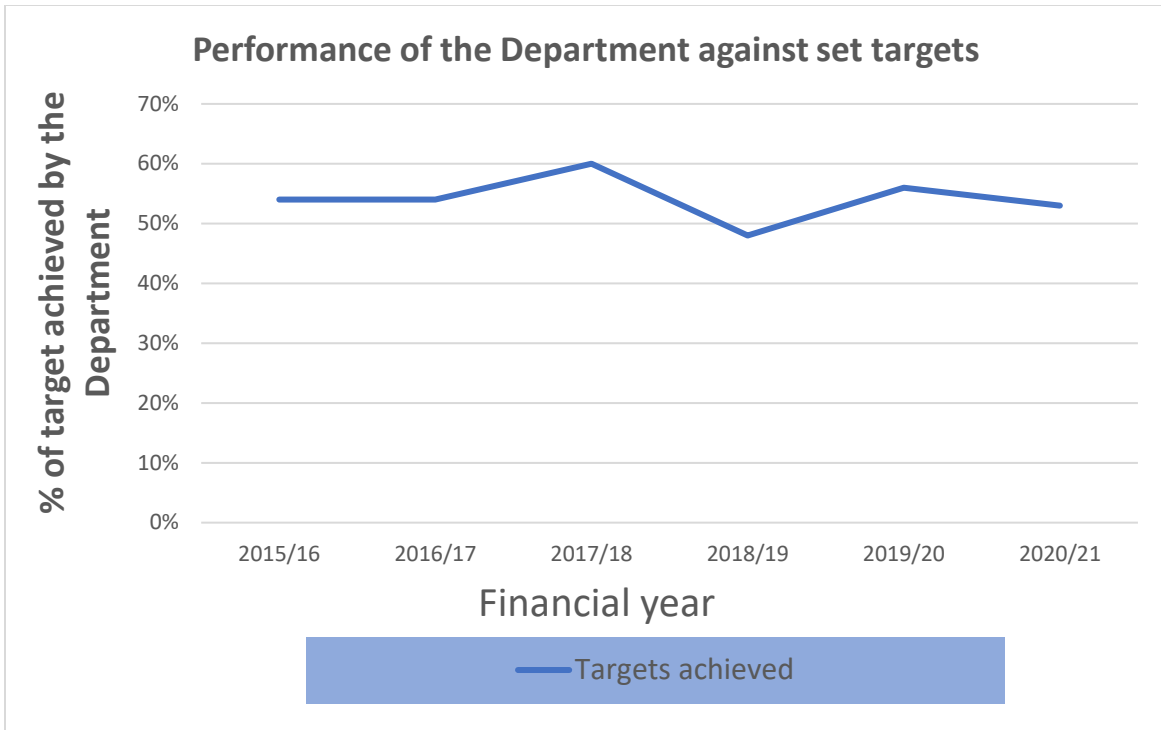


Figure 10: Departmental performance from 2015/16–2020/21

Source: NCDoH (2016; 2017; 2018; 2019; 2020; 2021)

Figure 10 shows that the Department is not performing as expected, as the Department’s performance for the years under review is at an average of 54.1%. Within this time frame, the highest performance recorded was in the financial year 2017/18 at 60%, and the lowest performance was 48% during the subsequent financial year, 2018/19. The inference can be made that the Department is struggling to achieve its objectives, which directly affects service delivery and the lives of the citizens dependent on it for primary healthcare services.

### 6.5. Public financial management reforms and service delivery in the Department

For the years under review, the departmental annual reports indicate that public financial management reforms are a priority within the Department (NCDoH, 2016; 2017; 2018; 2019; 2020; 2021). The department recognizes its need to develop and implement reforms and strategies that will be effective and efficient in order to improve service delivery. Moreover, over the years, the Department has developed reforms aimed at stimulating better financial management that will enhance service delivery, but these have proved insufficient as the Department’s service delivery remains challenged as a result of poor management and lack of proper systems being put in place (Auditor-General, 2020). In its annual performance reports for the years under review, the Department acknowledges that the risk management strategies it has

implemented, which are aimed at alleviating and managing risks, have not been as effective as planned (NCDoH, 2021).

For the period over review, the office of the Auditor-General has been warning against poor financial management within the Department, related to the poor implementation of reforms, high level of unacceptable expenditures, mismanagement of public funds, lack of compliance, and bad ethical behavior within the Department, all of which have placed the Department under severe budget constraints and led to poor service delivery (Auditor-General, 2019). Moreover, the Department has received “Qualified Audit Outcomes” consecutively for the years under review, with the opinion that the financial health of the Department is unstable and in danger of collapsing (Auditor-General, 2019). For the past decade, the Auditor-General has warned that should the Department not improve its management of public finances, service delivery will continue to derail, and the poor will suffer as the burden of disease increases among the citizens.

However, in the Department’s annual performance reports for the years under review, the departmental management has indicated that key policies have been established to promote public financial management reforms and service delivery, such as the service deliverables, Medium Term Strategic Framework, Stock Visibility System, LOGIS procurement system, IFMIS technologies, etc. Furthermore, in its 2020/21 Annual Performance Report, the Department indicated that it has established new policies that are in circulation, and emphasized that these policies aim to support the reforms implemented to enhance financial management and service delivery (NCDoH, 2021). This indicates that the Department recognizes the role and importance of public financial management reforms in enhanced service delivery.

The reviewed strategic plans and annual performance plans of the Department indicate that the Department has implemented various public financial management reforms as well as service delivery reforms that simultaneously aim to enhance service delivery (NCDoH, 2016; 2017; 2018; 2019; 2020; 2021) The reviewed departmental documents further showed that reforms are interrelated and strategically aligned with the budget, as programs are set based on institutional strategic goals. Furthermore, the Department has established a Human Resource Plan that is integrated within the MTEF and the service deliverables (NCDoH, 2021), and that is aimed at ensuring that the budget achieves strategic goals and performance plans. The reviewed NCDoH annual performance reports (2016–2021) reveal that year after year the Department establishes new policies, aimed at steering reforms and eliminating the challenges that are emerge and exist within the institution. The Department’s annual report (NCDoH, 2019) indicates that ineffective information and communication technologies systems play a critical role in the ineffectiveness of

public financial management reforms. The failing systems and lack of competent personnel in this field highlight the need for improved information and communication technologies systems that support the implementation of reforms (NCDoH, 2020).

## **6.6. Analysis and presentation of empirical data**

The following section presents the analysis of the responses from the interviews conducted with the sample. To ensure that the interviews remained aligned with the aim and objectives of the study, an interview guide was formulated following the research questions stated in Chapter One (see Appendix A). Each research question had sub-questions that enabled the researcher to pursue deeper knowledge of and insight into the research phenomenon. Hence, the presentation and analysis of results follow the logic and structure of the research interview guide. The analysis is themed using the research questions as the headings, and the sub-questions are highlighted in bold within the research question to which they relate.

### **6.6.1. Research question 1: *What are the elements that enhance the relationship between public financial management and service delivery?***

This research question achieves research objective 1, which aimed to determine the elements that enhance the relationship between public financial management and service delivery. The literature indicated that public financial management is important because it enables the government to develop the country from all angles (Scott & Enu-Kwesi, 2018:24). Public financial management reforms play various roles and have diverse objectives. As a result, it was important to establish what the elements that enhance the relationship between public financial management reforms and service delivery are. It was necessary first to determine if there is a relationship between public financial management and service delivery in the departmental programs of the Department and then to determine the effectiveness of this relationship before asking what the elements are that enhance the relationship between these two concepts. Interviewees were asked the following three questions:

- Is there a relationship between public financial management and service delivery within the departmental programs?
- How would you describe the implementation of public financial management aimed at enhanced service delivery within the Department?
- Which elements enhance the relationship between public financial management and service delivery?

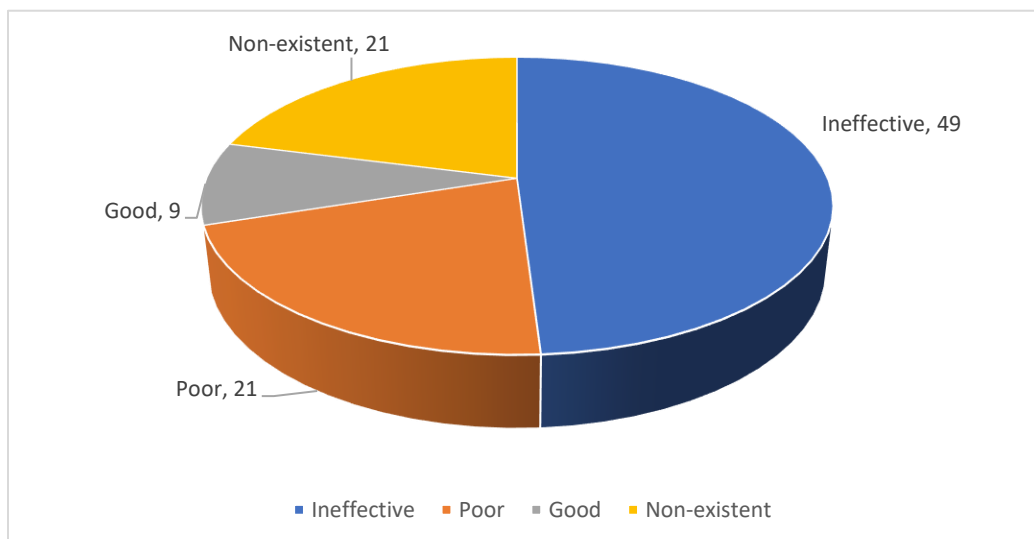
These three questions aimed to answer research question 1 and simultaneously achieve research objective 1 of the study. The responses to each of these questions are analyzed below.

*6.6.1.1. Question 1.1: Is there a relationship between public financial management and service delivery within the departmental programs?*

Without any hesitation, the fourteen interviewees indicated that there is a definite relationship between public financial management and service delivery. Furthermore, the interviewees indicated that this relationship is established through the budget objectives, which focus on achieving the institutional aim and objectives. There is a direct link and synchronization among the interviewees' responses, which may be analyzed as follows: The relationship between public financial management and service delivery within the Department is realized through the budget process, as the budget is formulated and aimed toward achieving public service deliverables of the Department. Once the interviewees had indicated that there is a strong and significant relationship between public financial management and service delivery, the second question was asked to determine their opinions and views on the relationship between these two concepts.

*6.6.1.2. Question 1.2: How would you describe the implementation of public financial management aimed at enhanced service delivery within the Department?*

Figure 11 indicates the coding of responses received from the interviewees and is followed by the analysis of these responses.



*Figure 11: Implementation of public financial management aimed at enhanced service delivery*

Interviewees 2, 4, 6, 7, 8, 11, and 13 used the word “ineffective” to describe the relationship between these two concepts within the Department. Interviewees 2 and 13 indicated that the Department struggles to achieve its objectives, resulting in poor service delivery due to poor financial management. Interviewee 7 indicated that the implementation of public financial management policies and processes is ineffective due to corruption and insufficient budget allocations for the Department. Interviewees 8 and 11 both elaborated on the lack of compliance and how this has created the gap between these two concepts in the Department, leading to ineffectiveness and poor service delivery. Interviewee 6 related his response to the Auditor-General’s reports on the mismanagement of public resources in the Department and emphasized that the ineffectiveness of this relationship is due to the manipulations and abuses from the executive authority in the administration and management of the departmental public finances.

Interviewees 3, 10, and 14 used the word “poor” to describe the relationship between public financial management and service delivery within the Department. All three interviewees explained their answers by referring to the Auditor-General’s reports, highlighting that the high levels of unacceptable expenditure and lack of compliance have led to the poor financial management and challenges the Department experiences. Interviewee 10 further indicated that if policies and legislative frameworks were followed, this relationship would be more effective. Furthermore, Interviewee 3 elaborated that poor public financial management is the reason that the service delivery objectives are not achieved.

Conversely, Interviewees 5, 9, and 12 explained that the relationship between these two aspects exists on paper but not in reality, as public financial management policies and processes are sabotaged during the implementation process and thereafter negatively affect the provision and quality of services rendered and the functionality of the Department. Against these views, Interviewee 1 indicated that the relationship between these two concepts is good but can be improved through better financial management and skills development. Interviewee 1 posited that the Department is working hard to achieve the best results possible and was confident that over time, this relationship would improve and yield even better results. This assertion was contrary to the rest of the responses received.

In analyzing the responses from all fourteen Interviewees, it was found that there is a gap creating a disconnect between public financial management and service delivery within the Department, and that this disconnect results in a correlation between poor public financial management and poor service delivery. It was therefore appropriate to ask all the interviewees the third question in the interview guide:

6.6.1.3. *Question 1.3: Which elements enhance the relationship between public financial management and service delivery?*

The following table was formulated using content analysis and the NVivo software to theme the answers received from all the interviewees and indicate the elements they said would best enhance the relationship between public financial management and service delivery within the Department. The elements identified by the interviewees were similar and related to each other. Table 18 summarizes the interviewees' responses.

*Table 18: Elements that enhance the relationship between public financial management and service delivery*

<b>THEME/ELEMENT</b>	<b>SUB-THEME</b>	<b>CATEGORIES</b>
<b>Serving the citizens</b>	1. Accessibility	Providing accessible services to all citizens
	2. Quality services	Providing value for money services to the citizens
	3. Customer care	Serving the citizens as mandated by the legislature
<b>Effective leadership</b>	1. Strong leaders	Competent leaders that will ensure compliance, decentralization, and accountability
	2. Political will/commitment	Strong oversight over leaders/no interference from political office bearers
<b>Skilled, competent, and experienced personnel</b>	1. Right attitude	Disciplined personnel
	2. Talent management	<ul style="list-style-type: none"> <li>– Making the right placements</li> <li>– Finding the right human capital</li> <li>– Training</li> </ul>
	3. Skills development	Skills and competency development
<b>Fiscal discipline</b>	1. Effective budget processes	Sufficient budget
	2. Compliance	Compliance with budget processes and legislative frameworks
	3. Public ethics	<ul style="list-style-type: none"> <li>– Applying the Batho Pele principles</li> <li>– Need for ethical public officials</li> </ul>

6.6.1.4. *Analysis of the elements that enhance the relationship between public financial management and service delivery within the Department.*

Question 1.1 indicated that there is a definite relationship between public financial management and service delivery that is formed within the budget process, as the budget is aimed toward improved service delivery. Subsequently, the second question posed to the interviewees indicated that this relationship is ineffective, creating a gap between public financial management goals and the achieved results. It was thus important to establish the elements that enhance the relationship between public financial management and service delivery, so as to understand the elements that are important and should be given priority as the basis for an effective foundation for enhancing this relationship.

i. Theme 1: Serving the citizens

Nine of the fourteen interviewees indicated that enhancing the relationship between public financial management and service delivery is reliant and dependent on personnel who strive to serve the citizens by managing public finances in a way that will achieve set objectives and improve the lives of the citizens within the province. Interviewees 2, 7, 9, 11, and 12 all said that personnel need to work toward ensuring that the people are provided with the basic public services to which they are constitutionally entitled. These responses highlighted a common factor: “putting the citizens first”, which ultimately promotes managing finances in a manner that serves the citizens in the most effective, efficient, economical, and appropriate manner as mandated by the PFMA and supported by the theory of public finance used in the present study.

Interviewee 6 stated:

We exist to serve the citizens and when we fail to deliver quality goods, then it means we have failed in doing our job. It is time people realized that the public money we work with daily belongs to the citizens, as it is collected from them. Therefore, we must be responsible in ensuring that this money is used strategically towards the objectives set by the institution.

This assertion again highlights an important element of the theory of public finance, namely the notion that public finances must be used to benefit and serve the citizens.

Interviewee 6’s assertion was supported by Interviewee 1’s response that the quality of services provided to the citizens is the government’s business of the day and therefore the most important element. Interviewee 13’s assertion added to the latter by emphasizing that the government has to ensure that the budget priorities are set out to ensure that citizens have access to quality goods and services. Moreover, Interviewee 1 stated that it is the government’s responsibility to

implement programs to the best of its ability in order to ensure that it serves and better the lives of the citizens. The validity of this response can be verified by the earlier assertions of Jordaan (2013:3), Nsiah-Asare and Prempeh (2016:2), and Haque *et al.* (2015:610), who all posit that it is important that public funds be managed and implemented in a manner that achieves effective, efficient, and economical service delivery and improves the lives of citizens. Interviewee 13 explained that ensuring citizens can access the services is of paramount importance and emphasized that managing public finances in a way that promotes maximum accessibility to public healthcare services is the most important element and the vision of the Department.

The above-mentioned was closely linked to Interviewee 5's assertion that "customer care is the government's mandate, and thus personnel in the public sector need to take care of the citizens." Interviewee 5 emphasized that elements that enhance the relationship between public financial management and service delivery are customer care and fiscal discipline. Interviewee 5 continued to explain that the Department exists to provide public healthcare services and to do this effectively, there is a need for a customer care system and financial discipline that will ensure public finances are managed effectively and ultimately improves the lives of the citizens through service delivery.

Interviewee 14 stated that the budget is what ultimately enhances the relationship between public financial management and service delivery. However, the most important element in ensuring the effectiveness of this relationship is ensuring that personnel follow the correct prescripts and processes, and that they spend public money appropriately to guarantee that it improves the lives of the citizens through quality, accessible, and impactful service delivery. This assertion supported Interviewee 8, who stated that "working in the best interest of the citizens" is the most important element in enhancing the relationship between these two concepts. Interviewee 14 emphasized that if public officials, as citizens' representatives, could put the needs of the citizens first instead of their own pockets, then public financial management activities will enhance service delivery to the citizens.

ii. Theme 2: Effective leadership

All 14 interviewees identified effective leadership in both administration and executive authority as one of the most important elements in enhancing the relationship between public financial management and service delivery.

Interviewee 3 indicated that steering the institution in the direction of enhanced service delivery needs strong and effective leadership and an improved work ethic. The interviewee added that

political and administrative leadership are of paramount importance and that there is thus a need for both leadership and political will to support and commit to improving service delivery. Interviewee 6 indicated that policies are just frameworks, so it is important to make the right investments in the right places by employing leaders that can recognize, pursue, and implement the right processes within the Department. Interviewee 14 emphasized that sustainable leadership is an important element for every department, as these are the people accountable for the management of public finances and the results thereof.

Interviewee 2 said that the most important element in the relationship between public financial management and service delivery is having a stable leadership that is serious about efficiency and effectiveness, and further emphasized the need to separate administrative leadership from political leadership in the functioning of the Department. Interviewee 9 posited that “effective leadership is a necessity, as without effective leaders that are serious about achieving objectives, any institution will continue to produce the mediocre results that we are currently producing”. The interviewee believed that lack of political leadership is the cause of the dysfunctions faced by the administrative leadership of the Department.

During the interviews, eight other interviewees suggested that the poor leadership within the Department has resulted in challenges experienced in the implementation of programs, referring to lack of political will, lack of commitment, poor accountability, and undue political interferences from political office bearers and, more frequently, the executive authority. In their respective answers, the interviewees indicated that effective leadership would promote better compliance with legislative prescripts, better decentralization, coordination, accountability, and sustainability in the provision of public healthcare services.

Moreover, Interviewee 11 indicated that effective leadership is a critical element in the achievement of the departmental priorities and highlighted that this is an element the Department desperately needs as the Department is currently “challenged with high[ly] corrupt, discouraged officials and leaders who are not fully committed to improving the lives of the citizens they are employed to serve”. Interviewee 11 went on to further explain how the appointment of new leaders in the Department is praised as “change-seeking”, yet the effective change never materializes. Instead, the same leaders are later reshuffled or suspended due to the same acts as the leaders before them. In conclusion, the finding from this question is that administrative and political leadership is a critical element in enhancing the relationship between public financial management and service delivery.

iii. Theme 3: Skilled, competent, and experienced personnel

During the interviews, nine of the fourteen interviewees identified the retention of skilled, competent, and experienced personnel as an important element in enhancing the relationship between public financial management and service delivery. The inclusion of this element is in line with the literature reviewed, which indicated that “the ability to deliver value for money service delivery is dependent upon sound financial management” (Pauw *et al.*, 2015; see also Jordaan, 2013).

Interviewee 3 asserted that having skilled personnel with the right attitude in the right positions is an important element or aspect of ensuring that public financial management enhances service delivery. The interviewee explained this by emphasizing that service delivery can ultimately improve when leadership deploys personnel who understand the “heart of the public sector, the citizen’s needs and the necessities towards achieving objectives.” This highlights the need for skilled, competent, and capable public officials. Interviewee 14’s stated that without capable personnel who can carry out their roles and responsibilities, the gap between public financial management and service delivery will continue to grow.

Interviewee 14 also indicated that managing public funds is at the center of all government activities. Therefore, it is the role and responsibility of the government to appoint personnel who will safeguard and efficiently utilize resources in the most effective and economical way. This view is supported by Jordaan (2013:3) and Haque *et al.* (2015:610), as discussed in Chapter Two of this study. Interviewee 6 posited that “without the right human capital with the necessary experience and capable of understanding the mandate of public healthcare, the management of public finances and the implementation of programs will remain challenged, thus negatively affecting service delivery.” Interviewee 6 further indicated that it is important to make investments in the right places and that human capital is a critical investment for any institution.

Interviewee 9 indicated that it is important to appoint officials based on merit and efficiency. The latter corroborates Nyamita *et al.*’s (2015:25) assertion that the primary function of public financial management is effective stewardship and effective skills in the management of public finances. Furthermore, Interviewee 13 indicated that without skilled and competent management, government institutions will fail in achieving priorities and growing the economy, as a result of which the citizens will suffer immensely. This again highlights the importance of retaining government officials who are capable of managing public finances effectually.

Interviewee 3's response resonated with that of Interviewee 5, as they both indicated that having personnel with the right attitude and with merit is important, because a bad character corrupts everything. This shows a deep concern for how the Department needs personnel who are committed to implementing "sound governance and serve the citizens with pride and honesty" (Interviewee 3). Interviewee 7 added that one should not and cannot expect effectiveness and enhanced service delivery in a department where there are a skill mix and personnel who are incapable of performing tasks they are expected to perform. Moreover, Interviewee 7 emphasized that "talent management" is the key element in promoting public financial management that enhances service delivery, and added that it is by retaining the right people that the vision of the Department can be achieved.

Interviewee 7 unambiguously highlighted that without skilled, competent, and experienced personnel members who can implement programs as planned, the desired objectives will never materialize, a view supported by Jordaan (2013), Hadden (2017a), and Nyamita *et al.* (2015). This is specifically important because even if public financial management processes and leadership are effective and the budget is sufficient, without competent and efficient personnel who can carry out tasks and manage finances effectively, service delivery will fail. This response was closely linked to Interviewee 5's answer that hiring on merit and placement of personnel in the right positions is an important element in ensuring that public financial management enhances service delivery effectively.

#### iv. Theme 4: Fiscal discipline

Five of the interviewees indicated that the budget is the most critical element in enhancing the relationship between public financial management and service delivery, giving relevance to the promotion of strategic objectives. Chapter Two of the study established that a budget promotes strategic prioritization of objectives by strategically allocating and managing expenditures in a manner that enables the government to formulate and implement programs that will best promote their objectives and priorities (Scott, 2019:73). This assertion was supported by Interviewee 5, who indicated that formulating the budget toward the achievement of outputs is an important element as this prioritizes the citizens' needs, which is in essence the role of government.

Interviewee 1 asserted that the budget is aligned with not just the vision and mission statement of the Department, but also with the priorities of the government of the day. The answers of Interviewees 5, 10, and 12 further supported this sentiment, as they were of the view that the budget is formulated following the strategic objectives of the government of the day and the public sector healthcare deliverables. Interviewee 6 said the following: "The budget is funded based on

the indicator and target inputs linked to the budget processes of the Department, enabling the financial expenditure to broaden the economy in the sense of driving the economy and enhancing service delivery.” Interviewee 6 continued to explain that the strategic plan, annual performance plan, programs, and activities of the Department are set to report back on the budget. This fiscal discipline is critical.

Consequently, the management of finances plays a critical role in providing citizens with quality, value-for-money goods and services that enable the government to improve their lives. The answer of Interviewee 6 resonated with the definition of public financial management adopted by this study in Chapter Two: Public financial management is a budget-informed management process by the government that requires coherent decisions to be taken in the planning, decision-making, revenue collection, execution, management and distribution of public funds, with the aim and purpose of providing value-for-money goods and services that will improve the lives of the citizens and the economy of the country.

Interviewee 10 indicated that the relationship between public financial management and service delivery is enhanced through the mandatory budget processes that work toward achieving improved public service deliverables. The literature reviewed indicates that the aforementioned can only be achieved through an integrated budget process that interlinks the institutional systems that influence the short- and long-term sustainability and management, performance measurement, strategic planning, and decision-making that ensure that strategic objectives are met (Burger & Woods, 2008:1; Graham, 2011; Shaikh & Naeem, 2017:1; Scott, 2019:73).

Interviewee 10 further observed that programs are set in terms of the constitutional Bill of Rights. As a result, the Department is bound by law to manage public funds effectively and efficiently, which is in line with the basic human right to free primary healthcare services. Interviewee 12 indicated that public healthcare cannot derive from the private sector, so public services need to be provided by the government through taxes. Unfortunately, the government lacks the fiscal discipline to implement reforms, which leaves about 85% of the Northern Cape population, who is dependent on the government for basic healthcare services, disappointed.

Interviewee 12 further asserted that “we need a budget that is sufficient to achieve set objectives as, without this, we will continue delivering mediocre services to the citizens. Therefore, the budget is important in ensuring that public money is spent effectively, and the best services are delivered to the citizens.” This response verifies the literature reviewed, which indicates that it is important for managers to use financial resources in a manner that promises optimal provision of basic services by ensuring that public funds are managed in a manner that promotes the

achievement of the government's strategic objectives (Jordaan, 2013:1; Hadden, 2017b:72; Scott & Enu-Kwesi, 2018:25).

Interviewee 1 indicated that having a "sufficient budget and personnel who is able to spend the budget as legislated (fiscal discipline) is important for the relationship between public financial management and service delivery, as, without a viable budget or the ability to implement it appropriately, service delivery will continue being mediocre." This assertion resonates with Piatti-Fünfkirchen and Schneider's (2018:8–9) assertion that the sustainability of fiscal discipline may stimulate efficient service delivery, depending on how fiscal policies are implemented and managed. Interviewee 10 asserted that there is a need for personnel who are ethical and will comply with the legislative frameworks as established, and added that the lack of compliance when implementing the budget only widens the gap between the two concepts. This assertion is verified by Scott (2019:74), who states that when fiscal discipline is sustained, personnel become effective in their planning, allocation, implementation, and management of public funds. Interviewee 14 indicated that fiscal discipline is a critical element in consolidating the processes in which the government collects revenue and how this revenue is managed and spent to prevent opaque public financial management and poor service delivery.

The above-mentioned was also highlighted in Interviewee 8's responses, who indicated that it is important to sustain the provision of quality services and that this can be achieved by first adhering to the policies and processes that play a critical role in guiding the ethics and management of public money. Interviewee 8 further indicated that lack of fiscal discipline creates gaps in the approved budget, depriving the citizens of what they are entitled to and further deteriorating the financial health of not just the Department, but of the government as a whole. The last two assertions support Rao's (2013:2), Scott's (2019:74), and Ricciuti *et al.* (2019:973) claims that failure to spend the budget according to the approved budget has detrimental effects not only on the service delivery, but on the country as a whole.

Interviewee 4 indicated that the Department incurs high levels of irregular expenditure due to a lack of fiscal discipline and adherence to fiscal policies and processes. To ensure public financial management enhances service delivery, there needs to be accountability, responsiveness, and fiscal discipline. This statement emphasizes the National Treasury's (2018:4) earlier assertion that without fiscal discipline, opaque management of public sector resources will further increase and lead to "increased corruption, misdirection of public funds and underutilization of available resources." This can further be verified through Prakash and Cabezon's (2008:11) assertion that a well-functioning public financial management system is dependent upon adherence to and

discipline of fiscal policies. Hence, a lack of fiscal discipline will result in budget deficits, inflation, excess use of foreign reserves, and high levels of international and domestic borrowing (Welham *et al.*, 2013:3).

Interviewee 13 identified fiscal discipline as an important aspect in the promotion of accountability, responsiveness, transparency, and ethical behavior in the implementation of the budget. This resonated with Interviewee 2's answer that responsiveness and accountability in the management of public funds are the most important elements in public financial management, as they advocate enhanced service delivery through improved and disciplined budget processes. Interviewee 2 justified this statement by positing that "sound governance is dependent upon accountability and without such, failure is imminent." Therefore, we need ethical and disciplined officials in the management of public money. Interviewee 5 indicated that the most important elements in enhancing the relationship between public financial management and service delivery are: the Batho Pele principles, accountability, public sector ethics, and customer care. The interviewee further elaborated on these elements as follows:

- Batho Pele principles should be implemented effectively and not just regarded as principles decorating the workplace wall. If these principles were followed, personnel would understand the importance of their roles in society.
- Accountability leaves personnel with no other choice but to effectively perform their duties as they will be held responsible for the results thereof. Accountability leaves no room for corruption, laziness, agent ineffectiveness.
- Public sector ethics are crucial in the public sector, and without such discipline and accountability the unethical tends to thrive, depriving the citizens of what belongs to them.

The literature reviewed and the empirical study both showed that fiscal discipline plays a significant role in improving public financial management aimed at enhanced service delivery. This can further be verified through The World Bank's (2017:1) argument that the government needs to implement policies and achieve developmental objectives through aggregate fiscal discipline. Therefore, fiscal discipline is a vital element in enhancing the relationship between public financial management and service delivery.

To this end, the following elements have been identified as findings from this question: serving the citizens, leadership, skilled and competent personnel, and fiscal discipline are the elements that would best enhance the relationship between public financial management and service delivery, as identified by the literature review in Chapter Two and by the interviewees. After a careful analysis of the literature reviewed and the interviews conducted, the study found that

although the Department is aware of the important elements enhancing the relationship between public financial management and service delivery, this relationship is not effectively managed and promoted through relevant initiatives within the Department. In agreement with the findings made by the Auditor-General (2019), no evidence was found of the steps the Department is taking to address the challenges affecting the effective implementation of these elements or the promotion thereof.

The ineffectiveness in the themes identified above continues to challenge the relationship between the two concepts under study. As a result, the residents of the Northern Cape suffer the most as they are at the receiving end of poor service delivery due to poor financial management by the Department. An inference can be made that the relationship between public financial management and service delivery is distorted, as public funds must be managed so as to achieve enhanced service delivery, and the Department is failing in this regard. The NCDoh should thus implement initiatives and strategies that will promote the identified elements in a manner that will better stimulate and enhance the relationship between public financial management and service delivery.

#### ***6.6.2 Research question 2: What are the role and importance of public financial management reforms aimed at enhanced public service delivery?***

The following questions were posed to interviewees as part of research question 2 and intended to achieve research objective 2, which aimed to examine and understand the role and importance of public financial management has in the enhancement of service delivery within the Department. The responses of the interviewees for the next two sub-questions are provided in combination due to the integration of and similarities among the interviewees' responses.

##### ***6.6.2.1 Question 2.1: What is the role of public financial management reforms in enhanced service delivery? and Question 2.2 What is the importance of public financial management reforms in enhanced service delivery?***

All fourteen responses to this question were unanimous in indicating that the role of public financial management reforms is to improve service delivery within the Department through the establishment of strategies and initiatives that improve the management of functions, processes, and operations concerning public finances. This indisputably indicated that the role of public financial management reforms in the Department is to enhance service delivery. In explaining the role of public financial management reforms in enhanced service delivery, the interviewees integrated the importance of public financial management and service delivery into their answers.

Interviewee 14 stated the following:

public financial management reforms are established to improve service delivery through the deployment of new strategies and processes that aim to help personnel better manage and spend public money. As a result, if public money is appropriately managed, the Department will become more effective and efficient in delivering quality goods and services.

This assertion resonated with that of Interviewee 3, who argued that the role of reforms is to improve how the institution is managed in achieving its objectives and that the importance of the reforms thus lies in the Department's ability to transform, improve, and deliver quality services.

Interviewee 8 highlighted that the role of public financial management reforms is to strive toward improving service delivery, and indicated that this role is lost in the implementation of reforms due to the small degree of compliance with the established legislative frameworks. Interviewees 1, 2, 6, 10, 12, and 13's answers were similar as they indicated that how public finances are managed affects the quality of services delivered to the citizens. Therefore, they said, the role and importance of reforms are to establish processes and systems that will assist personnel in enhancing service delivery. These responses intertwined the role and importance of public financial management as those strategies and initiatives aimed at bettering the functioning of the Department and rendering the best value-for-money services.

Interviewee 5's assertion was similarly in support of this argument as the interviewee indicated that after the problems the country has been through, the role of the reforms is to assist the Department in transforming its systems and processes. Interviewee 5 further indicated that reforms are important in assisting the Department in alleviating its challenges and achieving the departmental objectives, which are aimed at enhancing service delivery. This response supported Tkachenko's (2020:84) proclamation that public financial management reforms are meant to address and strengthen weaknesses and challenges that hamper the effective and efficient implementation of public financial management reforms.

Moreover, the literature reviewed indicated that effective service delivery can be achieved through the implementation of budget reforms, because the instrument in which public money is utilized to provide services is fundamental in achieving government objectives and goals (Ajam, 2016:43), corroborating the input of Interviewee 5. Interviewees 11 and 13's assertions were similar to the aforementioned response as they indicated that the importance of reforms is to enable processes that will help personnel to better manage public finances. These responses are linked to Cangiano's (2017:1) assertion that public financial management reforms are also adopted to

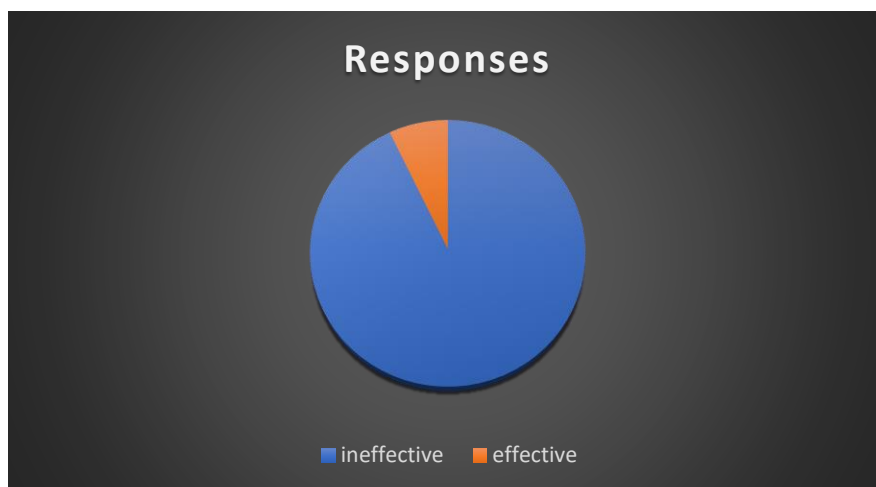
improve the functioning of the public sector by improving public processes that emphasize the importance and necessity of achieving outcomes and delivering value-for-money services.

Furthermore, for decades now, esteemed scholars and stakeholders who have worked with public financial management reforms – such as Mills (2018:2), Pretorius and Pretorius (2009:viii), Jordaan (2013:120), The World Bank (2012:6), the Commonwealth Secretariat (2015:1) and others – have all agreed that public financial management reforms are effective in enabling transformation in the management of the public sector, particularly in the management and use of public financial resources through the evolving budget reforms. This literature review aligned with Interviewee 9's assertion that public financial management reforms are important in improving the functioning of the departmental operations in a manner that enhances those operations and thus assists personnel in achieving the departmental vision and mission.

To summarize, then, although the role of public financial management reforms has evolved throughout the decades, the role and importance of public financial management reforms are intertwined and aimed at enhancing service delivery through the use of effective budget reforms and processes within the Department. After the interviewees had established the role and importance of the public financial management reforms in enhanced service delivery, it was important for the researcher to establish the effectiveness of the public financial management reforms on service delivery. Subsequently, the next question asked to the interviewees was:

*6.6.2.2 Question 2.3: How effective are the implemented public financial management reforms in enhancing serviced delivery?*

Figure 12 indicates the responses to question 2.3.



*Figure 12: Effectiveness of implemented public financial management reforms in enhancing service delivery*

From Figure 12, it is evident that the management of the Department views the public financial management reforms implemented in the Department as ineffective. Thirteen of the fourteen interviewees indicated that the implemented public financial management reforms are ineffective at enhancing service delivery within the Department. One interviewee said that reforms are effective but could improve. The reasons for the ineffectiveness of reforms, according to the first thirteen aforementioned interviewees, were categorically different as interviewees expressed their own beliefs about the reasons leading to the ineffectiveness of the reforms in enhancing service delivery.

Interviewee 1 posited that “reforms are effective, but to a certain extent as we are faced with challenges that do not allow us (as the Department) to be as effective as envisioned.” Interviewee 1 justified this statement by indicating that some of the challenges are beyond the control of the management, which disrupts the implementation of reforms and departmental programs, leading to a disconnect between the envisioned strategic goals and achieved results. Interviewee 5 comprehensively argued:

On paper, reforms promise improved service delivery, but in reality, these reforms do not meet these expectations, as there can be no refocus without making proper preparations. Although we can agree that the primary role and importance of reforms is to enhance service delivery, there is, unfortunately, a mismatch between policymakers and implementors.

Interviewee 5 indicated that reforms are unable to perform their role of enhancing service delivery as these reforms are difficult to implement in reality. Interviewees 1, 5, 7, and 13 asserted that policymakers have become the pedestal on which policies are formulated with the expectation to prosper without considering the dissenting voices of the implementers regarding the limitations and gaps posed by these policies in the implementation process. Data analysis indicates that there is a wave of updating prescripts without analyzing the adverse effects of these on the running and implementation of reforms. For example, Interviewee 5 said, “The government annually introduces programs they refer to as ‘unfunded mandates’, which makes it difficult for us to effectively implement planned programs and reforms that are meant to enhance serviced delivery.”

This assertion highlights that public financial management reforms are ineffective due to the mismatch between the different policies. For example, the PFMA states that service providers must be paid within thirty days, yet the contracts drawn up by the service providers and signed by the Department often have a different timeline to that of the PFMA, leading to the accumulation of interest charged to the Department (Interviewee 5). In support of this assertion, the literature

review indicates that without the ability to make a sound judgment on the correct policies that are best suited for the country or institution, reforms will continue to fail and further weaken the achievement of objectives (Hedger & de Renzio, 2010:3). Interviewees 1, 2, 6, 7, and 11 verified the aforementioned assertion, as their respective responses argued that the introduction of “unfunded mandates”, for instance, poses a challenge in the implementation of the appropriated budget, by shifting the focus from the reforms and strategies established. On analysis, these assertions are considered valid and credible as they indicate that inappropriate policies lead to failed reforms and derailed improvement within the Department, a statement repeatedly highlighted by Lawson (2012:73; 2017:79) in Chapter Three of the present study.

Similarly, Interviewee 11 expressed that “what the government fails to recognize with these ‘unfunded mandates’ is that the Department ends up having to fund them and unfortunately this affects the budget and funding of critical programs, forcing us to amend the budget.” Interviewee 11 further explained that the Department annually experiences a budget deficit, which has led to the perpetual accumulation of debt, prolonging the implementation of programs and negatively affecting the effectiveness of reforms and the provision of value-for-money services. In the same vein, the literature reviewed in Chapter Three of this study indicated that the misalignment between the approved and implemented budget creates a diversion from set objectives and thus disenables the government from providing critical services it has promised to citizens (Andrews, 2012:13; Basheka & Phago, 2014:155; Tkachenko, 2020:81).

Interviewee 10 acknowledged that there is a worrying gap between public financial management reform and service delivery, and further mentioned that this is a concern for the executive authority as each year the Department achieves just above 50% of its objectives, as illustrated earlier in this chapter. Thus, although programs are aimed at promoting reforms and service delivery, the interviewee indicated that due to the mismanagement of funds, the Department is unfortunately not capable of effectively implementing reforms in a manner that steers improved service delivery. Seven of the fourteen interviewees named the misalignment between the approved and implemented budget as the reason for the ineffectiveness of public financial management reforms at enhancing service delivery, a reason proven by the literature reviewed in Chapter Three as detrimental to any country, institution, or government in the implementation of reforms.

Interviewees 3, 4, and 8’s responses contradicted those of Interviewees 1, 2, 5, 6, 7, 10, and 11. The former emphasized that the policies and reforms implemented are perfect and would enhance service delivery if they were adhered to and followed as prescribed. Interviewee 8’s assertion was that the problem is not the reforms but how the reforms are implemented. Interviewee 8 further

suggested that the Department has a culture of disregarding the prescribed processes and policies, and asserted that this is the sole reason for the ineffectiveness of reforms. This view was supported by the assertions made by Interviewee 3, who indicated that reforms are implemented, but that this is done outside the inherent requirements. Thus, public financial management reforms are implemented without reference to their end goal and therefore become ineffective.

Interviewee 4 supported this argument by stating that there are too many processes involved in the implementation of public financial management reforms, but these are ignored and stagnancies are thus caused that result in poor service delivery. This assertion was affirmed in Chapter Three by Pretorius and Pretorius (2009:31), who state that at times, public financial management reforms fail in their role to enhance service delivery because programs and strategies are not implemented following the established requirements, which thus creates a gap between the established goals and the achieved results. Interviewee 12 pointed out that the reforms are poorly implemented due to interferences from the executive authority. The interviewee further argued that these interferences negatively affect the implementation of reforms because the executive authority at times uses its power to make personnel disregard policies and follow its instructions. In support of this argument, the literature reviewed in Chapter Three explicitly states that without the political will and commitment to drive reforms, reforms will never be effective in achieving their role and objectives (Overseas Development Institute, 2012:1; Ajam, 2016:93; Chignell, 2017:1).

The analysis made from the above is that the role of public financial management reforms is to enhance service delivery within the Department. Thus, the reforms are important in order to enable processes that will assist personnel in fulfilling this role. However, although public financial management reforms are aimed at service delivery, the implementation of these reforms is ineffective due to the various reasons given by the interviewees. One of the most important aspects revealed by the interviewees is that the reforms are not implemented as they should be within the Department, and this is why the role and objective of public financial management reforms in enhancing service delivery are not achieved within the Department.

These findings support the views in the Auditor-General's reports for the years under review, which repeatedly indicate that the reforms in the Department are ineffective and thus negatively affect the achievement of objectives within the Department. Reforms in the Department are ineffective because they fail to achieve their primary objective, which is to enhance service delivery. In simple terms, this means that the Department is failing to achieve its vision, mission, and institutional objectives. This inference is verified by Interviewee 11's statement above that for

a number of years, the Department has only managed to achieve around 54% of the desired results, despite having spent most of its budget.

Moreover, from the financial year 2015/16 up until 2020/21, the Department has indicated that the public financial management reforms remain a priority, but the present research has not found evidence to prove this repeated statement in the Department's annual reports. Research question 2 aimed to examine the role and importance of public financial management reforms in enhancing public service delivery. Through the interviews conducted with the sample, it was found that the Department understands the role and importance of reforms, as all the interviewees indicated that public financial management reforms are crucial for enhanced service delivery and that if the Department were to implement these reforms as established, then service delivery would improve, and the Department would subsequently flourish and achieve its objectives and strategic plans. These responses are verified by the departmental documents reviewed. An analysis of the responses showed that the reforms aimed at service delivery within the Department are ineffective for the following three reasons:

- the misalignment between the approved budget and the implemented budget
- the Department's inability to implement reforms following the prescribed policies
- the negative, undue interferences from the executive authority in the Department.

This analysis verifies the research problem of the study as a gap remains between public financial management reforms and service delivery, despite having financial management reform systems in place. This situation adversely affects the achievement of objectives in the Department.

### ***6.6.3 Research question 3: What is the current status of public financial management reforms in South Africa's public service, the developing world, and the rest of the world?***

This research question achieves research objective 3, which is to appraise global experiences on the implementation of reforms. Chapter Three of this study analyzed the implementation of public financial management reforms internationally and in African countries through a literature review, while Chapter Four reviewed and analyzed the implementation of reforms within South Africa using the seven NPM elements. These NPM elements are managerialism, decentralization, output-oriented strategies, performance measures, application of private-sector principles, and the effectiveness of technological advances. It was thus important for the study also to investigate and examine the effectiveness of these seven NPM elements within the NCDoh. The responses are tabled in Table 19. Interviewees rated the effectiveness of the NPM elements within the Department on a scale of zero to ten (zero being poor and ten being excellent).

The interviewees qualified their ratings shown in Table 19 as follows:

Table 19: Implementation of the NPM elements in the NCDoH:

Interviewee no.	Managerialism	Decentralization	Output-oriented strategies	Performance measures	Outsourcing	Private sector principles	Use of technology
Interviewee 1	6	5	8	6	7	7	5
Interviewee 2	2	4	2	2	2	N/A	2
Interviewee 3	3	0	8	3	4	0	4
Interviewee 4	6	0	8	4	N/A	N/A	3
Interviewee 5	5	3	5	3	4	2	5
Interviewee 6	1	1	3	2	2	6	1
Interviewee 7	4	4	4	8	3	7	6
Interviewee 8	5	6	5	5	4	3	3
Interviewee 9	1	1	1	1	1	1	1
Interviewee 10	6	2	6	6	4	5	4
Interviewee 11	3	2	7	3	2	2	7
Interviewee 12	5	3	2	4	1	1	3
Interviewee 13	4	4	8	6	1	1	2
Interviewee 14	2	3	3	1	2	4	3
<b>AVERAGE</b>	<b>3.7</b>	<b>2.7</b>	<b>5</b>	<b>3.8</b>	<b>2.6</b>	<b>2.7</b>	<b>3.5</b>

6.6.3.1 Question 3.1.1: Rate and explain the management in the Department.

Interviewees indicated that the management in the Department is poor because leadership is challenged. The answers given to this question referred back to the explanations discussed under

challenge 1 in research question 2. The average rating of the management within the Department was four on a scale of zero to ten.

*6.6.3.2 Question 3.1.2: Rate and explain the extent to which decentralization is promoted within the Department.*

Interviewees indicated that decentralization is poor, especially because seven signatures are required before any financial transaction can be approved. However, five interviewees indicated that although seven signatures are needed, some of these can be overridden. The average rating of decentralization was three on a scale of zero to ten.

*6.6.3.3 Question 3.1.3: To what extent are the departmental strategies output-oriented?*

All the interviewees agreed that the budget is formulated using an output-based approach and rated this element more than five. Nonetheless, Interviewees 2, 6, 7, 9, 12, and 13 indicated that although the budget is called “output-based”, it is not implemented in this manner, and thus rated this element below five. The average rating of the output-based budgeting was five on a scale of zero to ten, due to the budget not being implemented as envisioned.

*6.6.3.4 Question 3.1.4: How would you rate the implementation of performance measures within the Department?*

The majority of the interviewees indicated that there are established performance measures within the Department, but that these are just on paper and not applied in reality. Interviewees 1, 10, and 13 indicated that the performance measures are effective. The average rating of the implementation of performance measures was four on a scale of zero to ten.

*6.6.3.5 Question 3.1.5: Please rate the implementation of outsourcing of public goods and services within your department, and explain your rating.*

Except for Interviewee 1, all the interviewees indicated that the outsourcing of public services in the Department is bad, especially because “this is where the most corruption takes place, in the tender processes” (Interviewee 4). The average rating of the implementation/promotion of outsourcing was three on a scale of zero to ten.

*6.6.3.6 Question 3.1.6: Please rate the implementation/adaptation of private-sector principles by the Department in the implementation of the budget, and explain your rating.*

Interviewees 1, 6, and 7 indicated that the private sector principles and competition are above average, while interviewees 2, 3, 4, 9, and 13 indicated that such principles are non-existent as

this is the public sector, not the private sector. The average rating of the adaptation of private sector principles was three on a scale of zero to ten.

*6.6.3.7 Question 3.1.7: How is the technology used to ensure there is transparency in the implementation of the budget?*

Thirteen of the fourteen interviewees indicated that technology advancement within the Department is bad, with only Interviewee 11 indicating that the newly implemented technological systems and advances within the institution are effective. This was astonishing as the other interviewees and the departmental annual reports both indicate that the Department is struggling in terms of technology and developments related to it. The average rating of technology advancement within the Department was four on a scale of zero to ten.

The analysis showed that although all elements of the NPM are integrated with the public financial management reforms within the Department, these are not effectively implemented due to internal challenges such as the lack of information and communication technology experts and competent information technology personnel, lack of proper technological equipment, poor infrastructure, and poor information and communication technology systems in the Department. This implies that the Department is failing at implementing these elements due to challenges and issues that could be alleviated and prevented. Thus, the ineffectiveness of the use of the NPM elements is due to the failures of the Department itself. The next questions posed to the interviewees aimed to evaluate the effectiveness of the factors affecting the implementation of public financial management reforms and service delivery (factors discussed in Chapter Three of this study).

*6.6.3.8 Question 3.2.1: How competent are the personnel in your directorate in implementing public financial management reforms aimed at enhanced service delivery?*

All the interviewees said that the Department has a limited number of skilled, experienced, and competent personnel who are capable of implementing the public financial management reforms effectively and efficiently as most personnel are employed based on political affiliations and not their skills and competencies. As a result, this shortage of competent personnel creates a gap in the implementation of public financial management reforms aimed at enhanced service delivery.

*6.6.3.9 Question 3.2.2: Would you say that the Department has the needed political will to effectively implement public financial management reforms and enhance service delivery?*





All the responses indicated that the Department does not have the required political will and political support and commitment. The respondents stated that politicians are the primary reason

why public financial management reforms fail, which subsequently leads to poor service delivery and financial mismanagement within the Department.

*6.6.3.10 Question 3.2.3: Is the policy spacing of the public financial management reforms implemented in the Department efficient and appropriate to achieve set objectives?*

The data analysis indicated that policy spacing within the Department is effective. Interviewee 2 further noted that the “policies implemented in South Africa and the NCDoh would be effective if proper mechanisms and processes were followed, emphasizing that there is nothing wrong with the policies implemented within the Department.” Contrary to this, four respondents indicated that the policies within the Department contradict each other, thus creating challenges in the budget processes, which subsequently lead to the ineffectiveness and inefficiency of public financial management and poor service delivery. One interviewee indicated that the policy spacing is effective but could improve. Table 20 shows the coded responses from the interviewees regarding Question 3.2.

*Table 20: Key factors affecting the implementation of public financial management reforms*

<b>Key factors affecting implementation</b>	<b>Department rating</b>
Skilled and competent personnel	
Political commitment	
Policy space for developing appropriate reforms	
Adaptive, iterative, and inductive processes	

Code:




<b>Strong</b>	<b>Intermediate</b>	<b>Weak</b>
		

Table 20 shows that according to the interviewees, policy spacing is the only key factor affecting the implementation of public financial management reforms. Ten of the fourteen interviewees posited that the policies implemented within the Department are sound and could be very effective if they were implemented as prescribed and not manipulated by politicians. Surprisingly, all fourteen interviewees indicated that poor leadership, lack of skills, and interferences from political office bearers, who are also the executive authority, are the reasons for most of the failures with

which the Department is faced. Coincidentally, all these aspects relate to the key factors that are important for the effective implementation of reforms. At this point, the research shows that the key factors that have been identified as critical for the effective implementation of reforms form part of the leading reasons for the ineffective status of reforms within the Department.

According to Jordaan (2013), without integrating the NPM elements in the public financial management reforms, service delivery becomes challenged. Therefore, the gap between public financial management reforms and service delivery is created when these NPM elements are not effectively coordinated. NPM elements are therefore essential in the implementation of public financial management reforms and cannot be ignored or left out, but most importantly, they must be implemented simultaneously. Furthermore, a similar pattern among different countries indicates that where management is weak, other elements are easily and highly affected.

#### ***6.6.4 Research question 4: What are the systemic challenges that influence public financial management reforms and service delivery at the Northern Cape Department of Health?***

This research question achieves research objective 4. Five sub-questions were asked with the aim of comprehensively understanding the challenges experienced in the implementation of public financial management reforms and service delivery.

##### ***6.6.4.1 Question 4.1: What are the systemic challenges affecting public financial management reforms aimed at enhanced service delivery within the Department?***

The researcher investigated and examined the systemic challenges the management experiences that affect the public financial management reforms and adversely affect service delivery. Through the use of the software NVivo, the following thematic table was formulated (based on the responses of the interviewees) to help the researcher classify and analyze patterns in responses. This enabled the researcher to identify the themes and sub-themes as the challenges affecting the effectiveness of public financial management reforms aimed at enhanced service delivery in the NCDoh.

Table 21: Systematic challenges identified by the interviewees

<b>THEME/CHALLENGE</b>	<b>SUB-THEME</b>	<b>CATEGORY</b>
<b>1. Poor leadership</b>	<ol style="list-style-type: none"> <li>1. Unfilled management positions</li> <li>2. Culture of instability</li> <li>3. Fear of undue political interference</li> </ol>	<ol style="list-style-type: none"> <li>a. Poor management</li> <li>b. Too many “acting” managers</li> <li>a. Culture of suspension and changing managers</li> <li>a. Managers follow political and unethical mandates</li> <li>b. Lack of shared culture and vision among leadership</li> <li>c. Poor service delivery</li> </ol>
<b>2. Political interference from executive authority/ political office bearers</b>	<ol style="list-style-type: none"> <li>1. Interference in recruitment and retention</li> <li>2. Corruption</li> </ol>	<ol style="list-style-type: none"> <li>a. Interference by the political office-bearers in the administration processes</li> <li>b. Rule by fear</li> <li>a. Unauthorized expenditure</li> <li>b. Irregular expenditure</li> </ol>
<b>3. Lack of skills, capacity, and competencies</b>	<ol style="list-style-type: none"> <li>1. Rural province</li> <li>2. Many are incapable and unskilled citizens</li> <li>3. Skills mix</li> </ol>	<ol style="list-style-type: none"> <li>a. Difficulty in retaining skilled personnel in the province</li> <li>b. Personnel are appointed based on political affiliations and not skills</li> <li>Mediocre competencies</li> <li>Need for talent management</li> </ol>
<b>4. Lack of accountability</b>	<ol style="list-style-type: none"> <li>1. Need for consequence management</li> <li>2. Lack of compliance</li> </ol>	<ol style="list-style-type: none"> <li>a. Free-for-all environment</li> <li>b. Poor work performance condoned by lack of accountability</li> <li>c. Negligence leads to lawsuits</li> <li>a. Supply chain management processes disregarded</li> <li>b. Poor implementation of plans – deviations from prescribed policies and legislative frameworks</li> </ol>

Table 21 (continued)

<p><b>5. Challenges in the budget</b></p>	<p>1. Vertical imbalance inequitable share and allocation of grants – poor alignment between policies and the budget</p> <p>2. Accruals</p> <p>3. Corruption</p>	<p>a. Vastness of the province not considered</p> <p>b. System burdened with unfunded mandates</p> <p>c. Robust service delivery programs with insufficient budget</p> <p>Interest charges</p> <p>Unacceptable forms of expenditure</p>
<p><b>6. Poor internal control systems</b></p>	<p>1. Auditor-General’s reports are not considered</p> <p>2. Discrepancies in supply chain management</p> <p>3. Poor oversight management</p> <p>4. Poor monitoring and control mechanism</p>	<p>Processes not followed</p> <p>Weak systems, not followed for the reason of committing criminal acts</p>

i. Challenge 1: Poor leadership

All fourteen interviewees identified poor leadership as a systemic challenge hindering the effective implementation of public financial management reforms. Leadership is a critical aspect in every institution, as leaders are appointed to steer the institution toward the achievement of objectives and set goals. According to the interviewees, poor leadership is caused by the following factors:

- Culture of instability

Interviewees 1, 2, 3, 4, 6, 8, 10, and 11 indicated that there is no stability within the leadership and management role of the Department, as leaders are changed frequently, leading to instability in leadership and affecting the functioning of the Department. Interviewee 3 argued that the Department lacks a shared vision and culture as there is division among the top managers and poor integration of programs during the implementation stage, resulting from poor leadership. Interviewee 2 indicated that the Department has many vacant middle management posts and no one acting in these positions. This was verified by an analysis of the Department’s documents that proved that there have been five heads of department, four different members of the Executive Council, and multiple unfilled program manager posts that have been vacant for the last five financial years. Subsequently, five of the program managers are currently in “acting

capacity” and not permanently employed in those positions. For a provincial department not to have a permanent head of department, but rather a culture of instability in leadership positions for five consecutive financial years, is worrying for the effectiveness of the institution.

Additionally, the analysis from the Department’s Annual Performance Report 2017/18 and 2018/19 confirmed that there are various unfilled middle management posts (NCDoH, 2018; 2019). This specifically raises concern about who then manages these critical functions that are a bridge between top management and junior management within the Department if these posts are unfilled, because without sound and proper leadership, it becomes difficult for any institution or department to be effective. The aforementioned is supported by Jordaan (2013) who asserts that without strong management skills and capacity in the implementation of public financial management reforms, more problems will continue to arise within the public sector.

Moreover, the management and leadership of the Department have been unsustainable as the Department has had more than five accounting officers over the past six financial years (NCDoH, 2016; 2017; 2018; 2019; 2020; 2021). The Department has been functioning without a permanent head of department from July 2020 to date (Swanepoel, 2022). The acting head of department was arrested and suspended following multiple corruption and fraud charges in August 2021 but remains a full employee within the Department until the court proceedings are concluded. The current acting head of department has been holding the position to date, with the top and middle management positions remaining vacant and others occupied by acting officials (Brandt, 2022). This instability in leadership and vacant positions of crucial functions and role players in the Department therefore affect the effectiveness and efficiency of the Department.

- Poor leadership for fear of undue political interference

All fourteen interviewees indicated that the departmental administrative leadership is controlled and led by politicians who manipulate the top management by “instilling fear” in them. Interviewee 9 stated:

We are forced to do whatever we are told by the high-ranking political office bearers (which includes the executive authority, premier, and other members of the Executive [Council] members within the province) and the [head of department] never intervenes as these executive authorities have a lot of influence, so we are forced to follow these instructions and therefore unable to implement the budget and programs as planned on paper.

Interviewee 4 asserted, “We are managers on paper but puppets in reality, but we are being managed by the politicians in higher seats.” These two statements were corroborated by all

fourteen interviewees who respectively alluded to the fear of undue political interference as one of the challenges to sound leadership.

Interviewee 5 indicated that there is a need to redefine leadership as there is more of a dictatorship role than a management role in the Department's leadership, and that those who follow unethical verbal instructions are promoted while ethical personnel are fired or even killed for following policies and disregarding verbal instructions. This assertion substantiates the reviewed literature, which showed that without the needed political commitment to ensure that leaders follow the established prescripts, effective implementation of reforms becomes a challenge (Jordaan, 2013:22).

From the assertions, the conclusion is drawn that leadership is a critical element for the efficiency and effectiveness of any department or institution, both in the public and private sector, and without sound leadership, the functioning of the institution will be constantly challenged. The aforementioned is in line with Walsh's (2020;1) assertion that poor leadership in addressing and managing finances further damages the functionality of the South African government. The responses discussed above prove that poor leadership is a serious challenge affecting the efficiency and effectiveness of the public financial management reforms within the Department.

ii. Challenge 2: Interference from the executive authority

The analysis found that thirteen of the fourteen interviewees mentioned interference from (mainly) the executive authority as the dominant reason for failing reforms. Interviewee 5 indicated that political interference from the executive authority is the main reason for the ineffectiveness challenging the Department, and this was supported by Interviewees 7, 9, and 10, who all posited that reforms fail due to such interference, which weakens the systems. Subsequently, thirteen of the fourteen interviewees indicated that what happens in the Department is not politicians intervening to ensure that the government is managed effectively, but interference in the daily operations of the Department, which consequently disrupts the functioning of the Department. In the same vein, the literature reviewed in Chapter Three of this study indicated that public administration and politics should never collide, because when program managers do not manage their programs but are influenced by the political office bearers to disregard policies, then policies are left unprotected and reforms become vulnerable and difficult to implement effectively (Maiketso, 2015:22; Naidoo, 2016:106; Maduku *et al.*, 2018:11).

Interviewee 3 indicated that "there are too many interferences from the executive authority in the administration of the Department, resulting in poor service delivery", while Interviewee 4 boldly

stated that the executive authority controls almost everything and almost every decision in the Department. This view was supported by many interviewees who explained that the leaders have no choice but to bow to the politicians who are not even skilled or experienced to effectively manage the healthcare system, as they have limited knowledge about the dynamics and complexities thereof. Responses from Interviewees 2, 6, 7, 9, and 10 suggested that the executive authority overrides the administrative mandate so to such an extent that the working environment has become hostile and divided into those who support corrupt acts and those who want to serve the citizens. Thus, personnel are unable to perform their functions effectively and efficiently as a result of the fear they have of the executive authority.

Interviewee 6 argued that bureaucracies are overpowering the system, as there is too much hunger for power and not enough political will and commitment to improving the lives of citizens, resulting in the ineffectiveness of public financial management reforms. These responses supported the literature reviewed, which indicated that political commitment is an important factor in the effectiveness of reforms, and without sufficient political will and commitment in steering reforms, reforms will fail (Lawson, 2015:12). Furthermore, Lawson (2015:17) highlighted that the public sector is an institution that dictates all the policies in the public sector, so political dynamics play a crucial role as they influence the implementation of reform and manipulate the processes. Given all the responses, the data analysis showed that personnel have become subjected to undue interference. As a result, instead of focusing on deliverables, they are influenced by the executive authority, whose selfish motivations pose a real challenge to implementing public financial management reforms.

This finding is supported by the literature reviewed in Chapter Two, stating that the influences from the political executives often disrupt the internal procedures within departments and allows the executive authority to influence the administration (Naidoo, 2016:106). The data analysis showed the importance of reducing undue interference within the Department, as this is crippling the government's ability to deliver public goods and services. This confirms Jordaan's (2013:22) assertion that "where there is no political commitment, external pressures will influence the degree to which reforms are implemented."

Therefore, from the above, the study found that the interferences from the executive authority within the institution derail and challenge the implementation of financial management reforms within the Department, thus adversely affecting service delivery. This inference supports the literature reviewed in Chapter Three, which indicated that political will is a crucial factor for the

effective implementation of reforms and that without it, reforms will remain ineffective (Chignell, 2017:1).

iii. Challenge 3: Lack of skilled and competent personnel

Having skilled and competent personnel is crucial for the functioning of any institution. The literature reviewed in Chapter Three indicated that having skilled and competent personnel is an important factor for the effective implementation of public financial management reforms (Dlanga, 2020:1). In line with the aforementioned, all fourteen interviewees identified the lack of skilled and competent personnel as a systemic challenge leading to the ineffective implementation of public financial management reforms and that results in poor service delivery. Thus, without the needed skills and competencies, public financial management reforms often fail. The analysis of the responses from the management of the Department shows that there is a severe lack of skills and competencies within the Department, causing challenges in the implementation of reforms. Responses indicated the following three reasons (sub-themes) for the lack of skills and competent personnel within the Department:

- Flawed and corrupt retention and recruitment processes

The analysis showed that thirteen of the fourteen interviewees expressed the view that the interferences from the executive authority have resulted in the flawed and corrupt process of retention and recruitment, as personnel are appointed based on their political affiliations and not merit. Interviewee 6 alluded to this by stating, “Recruitment is not about skills, competencies or expertise but about who you know in this Department!” This statement was supported by Interviewees 4 and 5’s responses, which highlighted that the recruitment and retention processes are too corrupt, and that program managers are unable to even appoint anyone within their programs, as officials are appointed based on political affiliations and not merit.

The interviewees further indicated that most times when recommendations are made to the executive authority on the best candidates, these are rejected and replaced. Data analysis shows that the Human Resource Department is instructed to appoint whoever the executive authority recommends due to kickbacks, nepotism, and other means of corruption involved in the appointments of public officials. Interviewee 4 strongly argued that the appointed personnel become the “political trustees” in the Department as their loyalty is toward their political leaders and not the roles and duties of the job title they hold. This was supported by Interviewees 3, 9, and 10 who also indicated that personnel are appointed by the executive authority without considering the skills needed for the respective positions.

In line with these responses, the literature review indicated that employing personnel based on merit is fundamental for the effective implementation of public financial management reforms and that the inadequacies caused by lack of skills and capacity have resulted in serious financial constraints, affecting the provision of quality service delivery (Dlanga, 2020:1). Furthermore, Maiketso (2015:22) is of the view that the lack of sound leadership from the executive authority to appoint the right personnel in the right positions, especially managerial positions, hampers every chance of reforming the public sector. Interviewee 7 posited that “about 50% of the Department personnel is unskilled, as personnel is appointed based on the mandates of the executive authority, from cleaners to managers.” Furthermore, Interviewee 11 emphasized that a high number of personnel within the Department are not qualified for the positions they hold, which is a challenge to the effectiveness of the institution.

Interviewee 14 asserted that the interferences from the executive authority in the recruitment process have resulted in the appointment of unqualified and unskilled personnel. Consequently, the skilled personnel that remain in the Department have lost the morale to work and be effective in their duties, resulting in a lack of passion to serve the citizens. The above illustrates that undue political interferences again serve as a critical challenge in the retention and recruitment of skilled and competent personnel for the Department.

- Poor training, lack of skills development, and lack of morale within the Department

Interviewee 2 said that “there is poor training and skills development within the Department.” This was verified by Interviewee 7, who was of the view that there is a lack of desire from personnel members to develop and achieve targets. Additionally, there are poor training initiatives within the Department. Interviewees 1, 5, and 7 indicated that training is not taken seriously but seen as a vacation, resulting in poor development of capabilities, which in turn limits the effectiveness of reforms toward objectives. Interviewees 2, 3, 7, 10, and 14 indicated that there is a need for a skills audit and talent management that will place the right people in the right positions within the Department.

- Urbanization

Interviewees 1, 4, 7, 6, and 14 indicated that a contributing factor to the Department not having qualified and experienced personnel is that experienced people flock to urbanized areas for better opportunities. This was verified through the document analysis of the Department’s annual performance reports, which indicated that it is difficult to retain the required skills and competencies in the Department due to the Northern Cape being a rural province. All five of the

above-mentioned interviewees emphasized that even when they try to recruit the best people in their programs with permission from the executive authority, their requests are often rejected by expert individuals who indicate that they cannot relocate to a rural province such as the Northern Cape.

This is an issue that has been repeatedly discussed and highlighted in news, as even the hospitals within the province are experiencing a serious shortage and are in need of skilled and experienced doctors, specialists, and other critical skills necessary for the effective implementation of any reform and delivery of quality healthcare services. Interviewee 14 added that the bad status quo of the Department unfortunately does not work in the Department's favor when trying to recruit skilled individuals, and highlighted that should the Department become effective, these individuals would slowly reconsider their decision as everyone wants to be part of effectiveness, but no one wants to be part of a failing institution.

The conclusion drawn from the interviewees under this subheading was that obtaining skills and competencies are a great challenge within the Department, but influences from the executive authority contribute to this challenge as managers and the Human Resource Department have no control over who is selected for employment. Without capable personnel to implement programs, objectives will remain unachievable. From the literature reviewed in Chapter Four and the responses from all the interviewees, the study found that the lack of skilled and competent personnel is not just a challenge in the Northern Cape, but in South Africa as a whole.

#### iv. Challenge 4: Lack of accountability and responsiveness

Accountability plays an important role in governance and public financial management, so for reforms to be effective, there is a need for strong accountability (Ajam, 2016:46). A total of twelve of the fourteen Interviewees indicated that there is a lack of accountability in the Department that has resulted in inefficiencies, as personnel abuse the system. This has led to corruption and an unethical culture, resulting in a lack of accountability. The literature review in Chapter Two of this study indicated that accountability is the key element in ensuring sound governance in a democracy, thus necessitating personnel to always act in the public's best interest (Tsheletsane & Fourie, 2014: 45). Accordingly, accountability is significant in achieving sound governance and responsiveness and without it, sound governance becomes compromised (Kamau *et al.*, 2017:260).

Interviewee 6 emphasized that there is a deliberate transgression of laws and no consequence management. As a result, the institution lacks a culture of ethics, and the net effect is felt by the

taxpayers who pay for services that are not delivered. Interviewee 6 went on to emphasize that when there are no consequences, there is no reason to adhere to prescripts, especially when a person benefits from corrupt acts. Interviewees 2, 5, 14, 8, and 11 similarly highlighted that the lack of accountability has led to a loss of responsibility, as even when personnel members are found guilty of financial misconduct, they are dismissed and later hired again at another public department, leaving no real sense of making personnel take accountability for their wrongdoings, which resulted in direct sabotage of ethics to enrich themselves. Interviewee 13 summarized this as “a free-for-all environment”.

Furthermore, interviewees indicate that ethical personnel have turned a blind eye to all the corruption and wrongdoings, as they are killed when they act as whistleblowers. Whistleblowing exists on paper but is a life-threatening act in reality. There is a lack of personnel morale, as the personnel no longer care and have lost respect for policies and administration processes. Moreover, the working environment has turned into a hostile one, as personnel are highly harassed and thus perform their duties in fear. This behavior has discouraged good morals as personnel are motivated by salaries and not effectiveness. This lack of morale affects the effectiveness of the implementation of programs and reforms.

The assertions above are directly supported by Mbandlwa *et al.*'s (2020:2498) statement that when there are no consequences for unethical behavior, personnel find no reason to act ethically and to serve the citizens instead of themselves. This is therefore a direct violation of the PFMA, which stipulates that all financial misconduct must be accounted for (PFMA, 1999). The Auditor-General's reports on the Department for the years under review suggest that the ineffectiveness of public financial management reforms in the Department emanate from a lack of accountability and responsiveness within the institution, and warn that if this behavior continues, the Department's functioning and ability to deliver quality goods and services to its citizens will continue to weaken. The Auditor-General's comments were supported by Interviewee 9 who posited that there is a deliberate refusal to hold personnel accountable for their actions, which is the reason why the financial status of the Department is poor and why the Department is unresponsive.

Interviewee 13 specified that there is a shift of blame within the Department as everyone wants to blame something else rather than admit to the real problem of corruption. Hence, perpetrators are usually suspended or moved to other positions, rather than dealing with the root causes of the high levels of corruption in the Department. This was further validated by Interviewee 1, who stated that the reason corruption flourishes in the Department is that unethical behavior and

corruption are condoned instead of being punished. These responses are in line with the literature reviewed, which highlighted that lack of consequences only promotes corruption and unethical behavior (Sebola, 2017:4).

The departmental Auditor-General’s reports for the financial years under review and the responses from interviewees have all highlighted that there is resilience toward dealing with a lack of accountability, despite management being aware of such transgressions. To obtain more clarity and validation regarding the consequence management within the Department, the official documents of the Department were reviewed to determine how perpetrators are dealt with by management. The following table indicates cases that were opened against personnel based on corruption and the results thereof.

*Table 22: Financial misconduct and resolutions within the Department during the financial years under review*

<b>Year of financial misconduct</b>	<b>Number of charges related to financial misconduct</b>	<b>Resolutions</b>
2015	6 officials were charged related to financial misconduct.	<ul style="list-style-type: none"> <li>• 2 dismissals</li> <li>• 1 resignation</li> <li>• 2 matters were in court at the end of the 2014/15 financial year</li> <li>• 1 dismissal but re-appointed after appeal</li> </ul>
2016	9 officials were charged with various types of financial misconduct.	<ul style="list-style-type: none"> <li>• 1 settlement agreement</li> <li>• 1 1-month suspension without salary</li> <li>• 7 final written warnings</li> <li>• no criminal cases opened</li> </ul>
2017	15 officials were charged with various types of financial misconduct.	<ul style="list-style-type: none"> <li>• 1 dismissal</li> <li>• 2 found not guilty</li> <li>• 12 final written warnings</li> <li>• 1 criminal case</li> </ul>
2018	6 officials were charged with various types of financial misconduct.	<ul style="list-style-type: none"> <li>• 1 matter withdrawn</li> <li>• 3 final written warnings</li> <li>• 1 written warning</li> <li>• 1 resignation</li> <li>• no criminal cases</li> </ul>
2019	15 Officials were charged with various types of financial misconduct.	<ul style="list-style-type: none"> <li>• 14 matters withdrawn</li> <li>• 1 final written warning</li> <li>• no criminal cases</li> </ul>
2020	243 officials were charged with failure to comply with e-disclosure.	<ul style="list-style-type: none"> <li>• All issued with final written warnings</li> <li>• Some have lodged appeals</li> </ul>
2021	In 2020/21 the general manager of medical services was acting head of department. He was arrested in March 2021 and charged with alleged PFMA transgressions during an earlier appointment as acting head of department, circa 10 years earlier.	The appointment as acting head of department was not extended by the premier beyond March 2021

Source: NCDoh (2021)

Table 22 shows that although the Department charges officials for misconduct, these cases usually end up in written warnings, with a few dismissals or resignations. Criminal cases are hardly opened, even against those with undisputed evidence of financial misconduct. The latter supports Interviewee 12's assertion:

when there is no way out, an official gets charged and even when found guilty, the worst punishment is a dismissal, and the perpetrator goes on to work in another institution and commits the very same criminal activities due to lack of accountability that exists within the entire public sector of South Africa.

This assertion supports the literature viewed in Chapter Four, which showed that there is a consistent and deliberate lack of consequence management for those who intentionally disregard the legislation and are found guilty of unethical behavior, which further promotes fraud and corruption within the public sector (Auditor-General, 2017:112).

The situation described above has negatively affected the implementation of public financial management reforms and the provision of public goods and services in the Department, as the literature reviewed indicates that fiscal discipline is a critical aspect of achieving sound financial management. Thus, without sound accountability for public financial management, the government is unable to effectively plan and manage public finances, subsequently encouraging corruption and financial mismanagement (Nandelenga & Ellyne, 2020:2).

Through the review of the official documents of the Department together with the Auditor-General's reports, it was found that there is a serious lack of accountability within the Department and that this is the main reason for poor governance within the Department. It was found that if there were harsher punishment and an effective consequence management system against corruption, financial misconduct would decrease. Furthermore, the lack of accountability is due to poor governance attributed to poor leadership and lack of political will within the Department. The study thus supports the views of the Auditor-General for the years under review which indicates that there is a lack of accountability within the Department that continues to increase despite the recommendations and warnings made by the Auditor-General.

- Lack of compliance

Nine of the fourteen interviewees identified a lack of compliance with the budget and prescribed legislative frameworks as one of the reasons for the mismanagement of public funds. Interviewees indicated that the level of compliance within the Department is poor due to a lack of accountability and widespread unethical behavior. Interviewee 9 stressed that legislative frameworks are not taken seriously, and emphasized that if processes and legislative frameworks were adhered to,

the Department would witness a great change and more effectiveness. Seven interviewees stated that the PFMA, treasury instructions, and supply chain management processes are poorly implemented and at times deliberately disregarded due to political instructions. The aforementioned again stresses the impediment created by the interference from the executive authorities within the administrative operations of the Department.

Interviewee 4 indicated that there are too many discrepancies within the budget processes, where money is released too frequently, without approval from the heads of unit. Interviewee 4 added that “there are times where a ‘program budget’ gets depleted without the program manager being aware of it. As a result, I doubt there is a program manager who can confidently account for their entire budget.” Interviewee 4’s assertion highlights that there is money that simply goes missing from programs’ budgets/accounts without the knowledge of the program managers. After this comment, all four program managers were asked if they had the same experience, and all of them confirmed that they did. Interviewees further indicated that this is a result of corruption and manipulation of the budget by several executive authorities.

Interviewees 1, 2, and 10 said that public financial management reforms fail because the established legislative frameworks and policies are not followed and the budget is not implemented as guided by the legislative frameworks, creating a gap between desired results and achieved outputs. The Auditor-General’s reports on the Department for the years under review have continually emphasized the Department’s increasing lack of compliance with the important legislative frameworks and policies, which threatens the effectiveness of the Department’s ability to enhance service delivery. However, these reports have had no effect as the Department continues to ignore and disregard policies even though lack of compliance is a serious deterrent to the development and effectiveness of the Department.

Interviewees indicated that the lack of compliance emanates from the desire to engage in corruption. This is the result of financial resources that are misused, yet the burden of disease continues to grow. Interviewees suggested that lack of compliance and corruption are the prominent reasons for the high levels of irregular expenditure the Department experiences year after year. Interviewee 7 further indicated that there is a need for a tracking tool that will force the Department to implement recommendations and track progress toward the recommendations of the Auditor-General. From the responses received, it was found that lack of compliance is a challenge affecting the implementation of public financial management reforms, as policies and critical processes are ignored. This lack of compliance results from a lack of accountability and from poor leadership within the Department.

v. Challenge 5: Challenges in the budget

All fourteen interviewees indicated that the mismanagement of the budget has played a major role in the ineffectiveness of public financial management. Interviewees stated that the various challenges within the budget have negatively affected service delivery within the Department. This is a factor admitted by the Department in its annual reports for the past five financial years, which indicate that challenges in the management of the budget have led to unacceptable forms of expenditure (unauthorized expenditure, irregular expenditure, and fruitless and wasteful expenditure). The Auditor-General's reports on the Department (2016/17–2020/21) support this, as the reports indicate that the Department is flawed in the processes of managing the budget, which has adversely affected the provision of public services in the Department. The responses of the interviewees were categorized into the following three subcategories:

- Imbalances in the equitable share

The South African government makes use of an equitable share formula to share the nationally raised revenue equitably between the different provinces (National Treasury, 2020c). Interviewees were of the view that this method was “unfair and inconsiderate” of the vastness of the province. According to Interviewee 1, this type of budget allocation system is biased against the Department, as it does not take into consideration the vastness of the province, which poses a challenge for the Department to effectively distribute services across the entire province with a limited budget. Interviewees 14 and 5 referred to this as a “make-do system” where the Department has the challenge of low population density over a large geographical area but with limited funds, and managers are left with financial shortfalls that make it impossible to achieve objectives. Interviewee 3 said, “There is a problem of vastness within the province, we need an extra budget to reach everyone and added that the socio-economic factors of the province are not considered in the budget allocation as more than 70% of the population is dependent on the Department for basic healthcare services.”

Interviewees 4 and 11 highlighted that government programs are not aligned with each other, healthcare delivery objectives are too dynamic and complex, there is a lack of additional allocation of conditional grants to fully support the implementation of programs, and there is no equitable share allocated to the Department to support reforms and government objectives. Interviewee 5 posited that the Department is subjected to an insufficient budget due to the equitable share allocation, challenging its effectiveness in effectively providing all the services it needs to provide.

These arguments highlight that although the province may have the lowest population, it is a large province and the Department thus needs more money from the government as it needs to reach every person within the province. Furthermore, interviewees emphasized that the government needs to accept and consider this fact when allocating the equitable share, or the Department will continue having debt flowing from the budget, leaving the Department with constant accruals. These interviewees believed there are horizontal imbalances in the allocation of the equitable share and that the government should consider factors other than population when distributing the equitable share among provinces and among departments within a province.

Against these claims, the data in the Department's annual performance reports as shown in Table 17 indicates that the Department underspends annually on its budget, thus forfeiting millions of rands that could have been used for the provision of services and implementation of programs through the establishment of proper budgeting mechanisms. Moreover, the Department experienced millions of rands in unacceptable expenditure year after year, which could have covered these claimed shortfalls had the Department adhered to its budget as appropriated.

- Unfunded mandates

Interviewees 2, 4, 6, 7, 11, and 12 said that unfunded mandates create a misalignment between the approved budget and the implemented budget, thus contributing to the high amounts of unauthorized expenditure the Department incurs annually. This view is supported by the literature review, which indicated that the misalignment between the planned budget and the implemented budget creates a gap that leads to the ineffectiveness of implemented reforms (Basheka & Phago, 2014:155). Interviewee 14 noted that the budget is over-committed, ignored, and burdened, resulting in cash flow problems that further worsen the financial position of the Department. Interviewee 2 further indicated that the unfunded mandates create a gap between the budget and outputs, as the budget is not implemented toward achieving the stipulated objectives.

From the responses given by the interviewees, it was found that unfunded mandates create challenges in the implementation of the appropriated budget as they are not initially budgeted for but must be implemented. Thus, these mandates create a disconnect in the budget implementation process as managers are forced to deviate from the planned budget to accommodate these unfunded mandates.

- Increasing accruals

Interviewees 2, 6, 11, 13, and 14 indicated that for years now, the Department has been start its financial years with accruals, which is an increasing trend. This partially results from the high

amounts of unacceptable expenditure, which directly affects the budget for the ensuing years. Interviewee 2 stated that service providers are not paid on time, which leads to long accruals and high and unnecessary interest, which further leads to fruitless and wasteful expenditure and a bad reputation for the Department. It was thus found that the Department is in an unstable position. This finding was verified by Interviewee 8, who indicated that “the Department is forever in a chaotic position”, and further emphasized by Interviewee 11, who stated that “the Department operates within a survival mode, which is a slowly sinking ship.” Interviewees indicated that accruals are a result of non-compliance with relevant legislative frameworks, ignorance, delays in paying service providers, unethical behavior, and an “I-do-not-care attitude” from public officials, all of which challenge the effective implementation of the budget.

- Corruption that creates many unacceptable forms of expenditure

The NCDoh is characterized by high levels of corruption, which the Auditor-General has been flagging for years (Auditor-General, 2018) In the financial year 2019/20, the Department reported no unauthorized expenditure, an increase in fruitless and wasteful expenditure from the previous year, and a decrease in irregular expenditure from the previous financial year. During the 2019/20 financial year, the head of department was suspended following fraud and corruption charges laid against him by the Hawks (Hlakotsa, 2021). In August 2021, the same head of department and chief financial officer were arrested on other fraud and corruption charges related to non-compliance with the legislature in the procurement of personal protective equipment for the Department. Such occurrences result in the unauthorized expenditure, irregular expenditure, and fruitless and wasteful expenditure experienced by the Department (Hlakotsa, 2021).

Interviewee 4 indicated that “the national government is aware that corruption is the root cause for the mismanagement of public funds committed for selfish gains, but they just choose to ignore this.” Interviewee 14 posited that personnel often follow instructions from politicians and not the established process, leading to high levels of irregular and unauthorized expenditure. Furthermore, Interviewee 2 added that the lack of consequence management encourages such corrupt behavior. This assertion was supported by Interviewee 8, who asserted that personnel operate in fear of losing their jobs and that the leaders to whom they must report are the ones ordering the acts of corruption and misuse of the budget. These assertions are supported by the Auditor-General’s reports for the financial years under review, which emphasize that corruption plays a significant role in the mismanagement of funds, irregular expenditure, unauthorized expenditure, and fruitless and wasteful expenditure.

This is supported by the literature review, which indicated that unacceptable forms of expenditure flourish due to poor financial management and corruption (Auditor-General, 2019). Furthermore, the literature reviewed indicated that unauthorized and irregular expenditure are crippling the government's ability to fulfill important mandates and deliver value-for-money services to its citizens, as financial resources become insufficient for scheduled activities (Baloyi & Beyers, 2019:468).

Media outlooks illustrate that it would be difficult – almost impossible – to revive the financial health of the NCDoh as the Department started its 2022/23 financial year with an overdraft of R100 455 million and with R590 189 million debt from the previous financial year (Swanepoel, 2022). Furthermore, the Department currently has claims amounting to over R1.890 billion against it, with a current total of R8,664 billion in irregular expenditure resulting from fraud and corruption in the awarding of tenders (Swanepoel, 2022). Most of these cases remain uninvestigated, further crippling the financial health of the Department as the public financial management reforms within the Department remain ineffective and challenged.

It was therefore found that these challenges affect not only the budget, but also the implementation of public financial management reforms. Moreover, the literature reviewed in Chapter Two of this study indicated that poor budget implementation is a factor hindering effective public financial management, thus creating a gap between budget planned and budget executed, which ultimately leads to high amounts of unauthorized expenditure, irregular expenditure, and fruitless and wasteful expenditure (Mathenge *et al.*, 2017:63). It may be inferred from the data analysis that the lack of accountability within the Department promotes corruption and poor ethics in the management of public finances. Therefore, it was found that the poor implementation of the budget within this department affects the effective and efficient implementation of public financial management reforms, and has had adverse effects on service delivery.

vi. Challenge 6: Weak internal controls

Ten interviewees identified weak internal control systems as a systemic challenge that negatively affects the effective implementation of reforms aimed at improved service delivery. Interviewee 6 posited that there is a lack of proper control systems and no proper monitoring and evaluation system to ensure that money is spent as approved in the Appropriation Act. Interviewees 13 and 14 indicated that the internal controls systems do not consider the recommendations of the Auditor-General. Interviewee 8 strongly advocated that “without internal controls, failure is imminent and that there is a lack of integrating systems effectively and efficiently due to the failing

reporting systems that are isolated from the financial systems.” This leads to overspending and poor financial reporting as a result of the lack of internal controls within the Department.

The above-mentioned was supported by assertions that indicated that the Department is forever operating under pressure as a result of the chaotic environment it is in. What is more, interviewees said that there are poor monitoring and control systems for preventing wrongdoing by the personnel. Interviewees posited that there is a lack of support from the national government and oversight bodies in dealing with challenges the Department faces, thus making it difficult to establish strong internal control systems. The aforementioned corroborates Pearson *et al.*'s (2016:23) assertion that the ineffective mechanisms for auditing internal operational efficiency make it difficult for reforms to be effective. The literature reviewed further indicated that the lack of monitoring and evaluation makes it difficult to track the progress and efficiency of reforms (Nxumalo, 2016:6).

Furthermore, the Consolidated Auditor-General Report 2017/18 emphasized that internal controls are weak and do not function as they should, thus leading to financial misconduct and persistent lack of accountability and financial mismanagement (Auditor-General, 2018). This was supported by Interviewee 9, who indicated that the executive authority overrides the internal control systems and further detailed this reasoning by suggesting that the current chief financial officer is facing corruption charges because he was instructed not to follow systems, and out of fear of losing his job he followed the given instructions. Interviewees 4 and 11 gave a similar detailed example and indicated that there is no tracking of records because meetings are not recorded as they take place and there is deliberate sabotage, which initially leads to the lack of correspondence between the approved plans and the implemented actions.

*6.6.4.2 Question 4.2: What are the internal factors affecting the implementation of public financial management programs aimed at enhanced service delivery within the Department?*

The responses received indicated that the above-mentioned challenges affect each other. Thus, without sound political will and commitment, leadership is compromised. Subsequently, poor leadership results in a lack of accountability and poor internal control systems, which leads to budget deficiencies. Furthermore, the shortcomings in the budget increase corruption and the number of instances of unacceptable expenditure. All the responses to question 4.2 linked the challenges under question 4.1 with factors adversely affecting the effective implementation of public financial management reforms and thus of service delivery.

Interviewees 3, 7, 11, and 14 added negligence of personnel as a factor specifically affecting the effective implementation of the budget. These interviewees highlighted that the Department is often sued for the negligence of its personnel, which leads to budget constraints. This argument was upheld by the emphasis that the money the Department spends in court and settling out of court is never budgeted for. Thus, the implementation of programs and reforms is affected, and this adversely affects the provision of services by the Department. Hence, it was found that the Department indeed faces many legal charges from its patients each year, resulting from the negligence of personnel, which further cripples the Department's financial stability, implementation of programs and reforms, and service delivery.

*6.6.4.3 Question 4.3: What are the external factors affecting the implementation of public financial management programs aimed at enhanced service delivery within the Department?*

Of the fourteen interviewees, eleven indicated that the bad reputation of the Department in terms of public financial management negatively affects its ability to provide services effectively and efficiently. These interviewees posited that the Department has a negative reputation for not paying service providers. As a result, service providers are unwilling to work with the Department because they often have to take the Department to court to get their money for the services they have provided. Furthermore, interviewees indicated that not paying service providers on time leads to accumulated interest and ultimately to fruitless and wasteful expenditure. This fruitless and wasteful expenditure deprives the citizens of the important services they have been promised.

Interviewees 1, said, "the socio-economic factors of the province negatively affect the functionality of the Department", and this was echoed by Interviewees 8 and 14. Interviewee 1 explained that the ineffectiveness of other departments in the province automatically affects the Department's functionality and gave the following example:

When the Department of Water and Sanitation is unable to provide the citizens with clean water, the effects of the dirty water citizens consume then becomes the burden of the Department of Health. When citizens drink and drive on the roads, leading to high road accidents, the burden automatically falls upon the Department of Health to attend to such injuries. Furthermore, when poverty and unemployment increase, the consequences related to health becomes the Department's burden. These are external factors largely affecting the functioning and implementation of reforms within the Department.

The answers provided by Interviewees 8 and 14 resonated with that of Interviewee 1's comprehensive explanation. Interviewee 8 further highlighted that the COVID-19 pandemic has

proven that if departments co-operate with each other, more can be achieved as collaboration has proved to bring about more effectiveness. Interviewee 8 further elaborated that alcohol restrictions lightened the burden on healthcare facilities during the year 2020, as hospitals admitted fewer patients related to road accidents and alcohol-related injuries, thus emphasizing the need for a responsive and responsible community. These assertions are valid as they prove that the functioning of other departments and responsible citizens positively contributed to the Department's functioning in its entirety, and it may be concluded that external socio-economic factors will affect health departments.

The next question (4.4) was concerned with understanding the reasons for the consistent and high amounts of unacceptable expenditure within the Department. To this, the interviewees indicated the following challenges: poor leadership, undue political interference from the executive authority, lack of skills and competencies to perform the task effectively, lack of compliance, unethical behavior, and corruption. These are the same issues about which the Auditor-General has been warning the Department in its reports for the financial years under review. The following are the sub-questions asked about the different types of unacceptable expenditure:

*6.6.4.4 Question 4.4.1: What are the reasons for the consistent and high amounts of unauthorized expenditure experienced by the Department?*

Responses to this question were categorized into two aspects: corruption and unfunded mandates. All of the interviewees indicated that the large amounts of unauthorized expenditure incurred by the Department are the direct result of corruption. Interviewee 11 indicated that corruption is the key factor for all the unauthorized expenditure incurred by the Department. This assertion was supported by Interviewees 2, 3, 5, 6, 9, and 14 who similarly indicated that most of the unauthorized expenditure incurred by the Department is the result of corrupt behavior. Interviewee 14 further added that "money is usually spent, to find there is no record of it." Interviewee 4 made a similar statement and indicated that most of the program managers within the Department have expenditures in their budget for which they cannot account, not because they are ignorant, but as a result of corruption, where money from the program budgets is removed without the knowledge or approval of the program managers.

Furthermore, Interviewee 7 highlighted that unauthorized expenditure is caused not only by corruption but also by unfunded mandates. This assertion was similar to several other responses and closely linked to the response of Interviewee 1, who said that in most cases, program managers are forced to spend money on unfunded mandates, which subsequently leads to unauthorized expenditure as these mandates had not originally been budgeted for. Moreover,

Interviewee 12 posited that “besides corruption, unfunded mandates force us to spend outside the approved budget, thus contributing to the unauthorized expenditure incurred.” The office of the Auditor-General has warned against the financial misconduct at the NCDoh, and has stated that the Department’s financial matters call for great concern and are one of the reasons for the unauthorized expenditure (Auditor-General 2019).

*6.6.4.5 Question 4.4.2: What are the reasons for the consistent and high amounts of irregular expenditure experienced by the Department?*

All the responses indicated that irregular expenditure experienced in the Department is the result of corruption, sabotage, non-compliance with prescripts, fraud and corruption related to tenders, and non-compliance with prescribed supply chain management processes. Interviewee 7 said, “It is very sad to witness recklessness in the Department’s expenditure. Personnel members do not follow the simplest processes of obtaining three quotations, even when they are repeatedly asked to do so.” Similarly, all interviewees stated that irregular expenditure is the result of deliberate actions associated with corruption, financial mismanagement, and lack of accountability. The Auditor-General’s reports on the Department for the years under review have also indicated that the irregular expenditure incurred by the Department is indeed mainly from a lack of compliance with supply chain management processes and tender-related problems.

*6.6.4.6 Question 4.4.3: What are the reasons for the consistent and high amounts of fruitless and wasteful expenditure experienced by the Department?*

While Interviewees 1, 3, 8, and 11 maintained that fruitless and wasteful expenditure is also the result of corruption, the rest of the interviewees said that most of the fruitless and wasteful expenditure incurred results from the interest charged to the Department by creditors. Interviewee 2 explained that “service providers are never paid in time by the Department and thus, the Department is continuously charged unnecessary interest by almost all their service providers.” Interviewee 14 correspondingly indicated that service providers take the Department to court to be paid and expressed frustration: “It’s not like the Department has no money to pay these service providers, but they wait until they are taken to court to pay services providers what’s due to them, and unfortunately this comes with unnecessary legal fees, wasted time, and a lot of accumulated interest.” The rest of the responses were similar to this argument as interviewees emphasized that interest charged by service providers contributes to most of the fruitless and wasteful expenditure incurred by the Department.

Interviewee 7 mentioned the relevance of the effects of corruption and accumulated interest on fruitless and wasteful expenditure, but emphasized the wastage of the Department, which contributes to this type of expenditure. Interviewee 7 gave the following example and explanation: “The Department has a habit of buying too much medication that expires before reaching patients. As a result, such medication is disposed of, creating a great loss for the Department.” The Auditor-General’s reports and annual reports of the Department confirm that the interest due to service providers who are not paid within thirty days contributes to the fruitless and wasteful expenditure the Department experiences. The following table shows the unacceptable expenditure of the NCDoh. These statistics are derived from the Departmental Auditor-General’s reports 2015/16–2020/21, as well as the Department annual reports 2015/16–2020/21.

*Table 23: Unacceptable forms of expenditure within the Department for the years under review*

	<b>Unauthorized expenditure</b>	<b>Irregular expenditure</b>	<b>Fruitless and wasteful expenditure</b>
<b>2015/16</b>	<b>R92.790 million</b> 2.43% increase from the previous year	<b>R805.906 million</b> 33% increase from the previous year	<b>R4.392 million</b> 29.3% decrease from previous years
<b>2016/17</b>	<b>R51.576 million</b> 44.4% decrease from the previous year	<b>R574.183 million</b> 71.2% decrease from the previous year	<b>R10.537 million</b> 58.4% increase from the previous year
<b>2017/18</b>	<b>R100.296 million</b> 48.5% increase from the previous year	<b>R412.379 million</b> 28.1% decrease from the previous year	<b>R5.270 million</b> 49.9% decrease from the previous year
<b>2018/19</b>	<b>R1 261 million</b>	<b>R714.939 million</b> 42.3% increase from the previous year	<b>R5.376 million</b> 1.9% increase from the previous year
<b>2019/20</b>	<b>No unauthorised expenditure recorded</b>	<b>R299.120 million</b> 58.1% decrease from the previous year	<b>R7.382 million</b> 27.1% increase from the previous year
<b>2020/21</b>	<b>R253.793 million</b>	<b>R512.649 million</b> 41.6% increase from the previous year	<b>R4.817 million</b> 34% decrease from the previous year

Source: Auditor-General (2016; 2017; 2018; 2019; 2020; 2021),  
NCDoh (2016; 2017; 2018; 2019; 2020; 2021)

From the table above, it is evident that the amounts of unacceptable expenditure in the Department are high, especially the irregular expenditure. Fruitless and wasteful expenditure has been fluctuating, having reached its lowest level of R4.817 million during the 2020/21 financial year. In 2019/20, the Department recorded no unauthorized expenditure, followed by a peak of R253.793 million in the financial year 2020/21.

*6.6.4.7 Question 4.4.4: To what extent are the recommendations of the Auditor-General considered?*

All fourteen interviewees indicated that recommendations of the Auditor-General are not considered as everyone is aware of the matters reported, even before the report is available. As a result, the report only confirms what everyone knows. Interviewee 14 indicated that the Auditor-General's recommendations are not implemented, although officials know it will help enhance the public financial management reforms. Interviewee 7 asserted that the Auditor-General's reports add no value to the Department as they warn about the same issues each year, with no changes or implementation of preventative measures from the Department. According to the interviewee, this is done with the deliberate intention of continuing with corrupt behavior.

In a similar vein, Interviewee 2 mentioned that the recommendations are not considered at all, as personnel continue to do wrong, well aware that there will be no consequences for their actions. Several responses were aligned to the latter assertion as interviewees indicated that the Auditor-General's reports are purposely ignored for corrupt reasons. As a result, the challenges in the Department unfortunately continue to worsen.

*6.6.4.8 Question 4.4.5: What valuable lesson have you learned from the public financial management reforms challenges the Department has suffered?*

Interviewees 2, 3, 4, 7, 9, 11, and 14 indicated that where there is no leadership, failure is imminent. These responses highlighted that the most important element in every institution is strong leadership and without it, it will be difficult for any institution to be effective. Interviewees 2 and 14 highlighted that sound leadership will promote the needed stability within the Department. Interviewees 5, 3, and 10 indicated that the lack of accountability corrupts the system. Interviewee 5 emphasized that lack of accountability promotes unethical behavior and that as long as there is no accountability for such behavior, corruption will continue to flourish within the Department and the public sector in general.

Interviewees 1 and 6 asserted that where there is no coordination and cooperation among divisions within the Department, it is more difficult to effectively implement reforms. Interviewee 1

emphasized the need for all the departments within the province to co-operate as their performance affects the entire province. Interviewee 6 also highlighted that cooperation between the different programs and divisions in the Department is vital for the achievement of the Departmental goals and objectives. Interviewee 8, meanwhile, maintained that the interference from the political office bearers in the administration and management of the Department is like cancer within the public sector.

The study thus found that poor leadership, undue interference from the executive authority, lack of skills and competencies, challenges in the budget, lack of accountability, and weak control systems are the biggest internal challenges experienced in the implementation of public financial management reforms within the Department. Furthermore, a pattern was established indicating that these challenges are interconnected. This suggests that these challenges mutually affect one another, thus leading to the gap between public financial management reforms and service delivery identified in this study. Consequently, the bad reputation of the Department and socio-economic problems faced by the Northern Cape contribute to the challenges affecting the effectiveness of the Department when implementing public financial management reforms. Moreover, the Department does not heed the recommendations of the Auditor-General, which further worsens the financial stability of the Department.

#### ***6.6.5 Research question 5: Where in the value chain does the disconnect between public financial management reforms and service delivery occur within the NCDoh?***

This research question achieves research objective 5. In order to obtain an informed understanding of the gap between public financial management reforms and service delivery within the Department, the interviewees were asked the following question:

##### ***6.6.5.1 Question 5: Where in the value chain does the disconnect between public financial management reforms and service delivery occur within the Department?***

All fourteen interviewees said that the disconnect between public financial management and service delivery occurs in the implementation phase of the budget and reform programs within the NCDoh. Two factors were identified by the interviewees as the causes of this disconnect between public financial management reforms and service delivery: the behavior and conduct of officials (human factor) and the misalignment between policies and the budget.

i. Personnel in the public sector: Human factor

The majority of the interviewees (ten of the fourteen) indicated that the connection between public financial management and service delivery is lost in the implementation phase of the budget when expenditure takes place. Interviewees emphasized that the “human factor” is what causes a disconnect between public financial management reforms and service delivery in this process. Interviewee 2 indicated that the gap between public financial management reforms and service delivery is created by personnel who deliberately choose to disregard the misuse of the budget implementation processes. This argument is supported by Interviewee 3’s response, which indicated that lack of compliance by personnel is what leads to the inefficiencies experienced in the implementation of public financial management reforms. Interviewee 4 indicated that personnel appointed on a political basis are not skilled and competent enough to perform their duties, so their efforts toward effective implementation of programs fail.

Interviewees 6, 7, 8, 9, 10, 12, 13, and 14 bluntly stated that the “human factor” is the reason for this disconnect. Interviewee 8 indicated that the disconnect between public financial management reforms and service delivery happens at the ground level where the personnel members entrusted to take care of public finances become involved in the finances during the implementation stage. Interviewees 13 and 14 indicated that the policies are effective and the budget is available, but the personnel are the problem, as they fail to ensure that value-for-money services are delivered to citizens. The latter was in line with Interviewee’s 10 assertion that “the personnel entrusted to implement programs are the ones jeopardizing service delivery with their corrupt behavior.”

Similarly, Interviewee 9 asserted that the budget is not managed as it should be, as there are many discrepancies in the budget processes (resulting from corruption and unethical behavior) that compromise the achievement of objectives and create the disconnect between public financial management reforms and service delivery. This assertion was in line with the literature reviewed, which stated that the budget is the tool in which the desired results are linked to the available resources and if not performed effectively, reforms will fail and the desired results will not be achieved (Piatti-Fünfkirchen & Schneider, 2018:2).

Furthermore, Interviewees 12, 13, and 14 posited that the disconnect between these two concepts is created by personnel who do not follow the prescripts and budget processes that have been established. Interviewee 14 similarly stated that “instructions from the political office bearers, and more often the executive authority, are often against the processes of the established prescripts”, and that this lack of compliance and lack of accountability only encourage corrupt behavior, which is counterproductive to the achievement of set objectives. These responses signified the

importance of fiscal discipline, ethical behavior, accountability, and political commitment within public departments (see Jordaan, 2013; Hadden, 2017b).

The aspects mentioned by the interviewees are connected to the ethical conduct and abilities of public officials, further emphasizing that their behavior and attitude in the implementation of programs is a serious challenge within the Department that leads to the disconnect in the relationship between public financial management reforms and service delivery. These assertions support Prakash and Cabezon's (2008:12) emphasis that without effective policies, proper procedures, capable personnel, and sufficient public funds, no public institution can operate effectively or provide efficient services.

All the above-mentioned characteristics indicate that the inefficiencies caused by the human factor in the implementation process lead to the ineffectiveness of the public financial management reforms, confirming Hedger and de Renzio's (2010:6) assertion that the effectiveness of public financial management reforms is dependent upon the needed skills and competencies, effective leadership, and sound financial management from the government of the day. Without all this, reforms are destined to fail.

ii. Misalignment between the budget and policies

Interviewees 1, 5, 10, and 11 indicated that the disconnect between public financial management reforms and service delivery is created by the misalignment between policies and the budget. These interviewees brought up the topic of unfunded mandates, as they believed that these mandates cause deviations from the set priorities of the appropriated budget, therefore creating a gap between the reforms and the services provided. This was made clear by Interviewee 1, who posited that the disconnect occurs due to the complexity of service delivery programs, as the unfunded mandates are not aligned with the public financial management reforms. This causes a problem in the implementation of programs because the Department and program managers are forced to readjust their budgets to make funds available for the unfunded mandates.

The above-mentioned was supported by Interviewee 5, who mentioned that the mismatch between policies and deviations caused by unfunded mandates and corruption is the root of this disconnect. Interviewee 10 added that the disjuncture between policies and the implementation of the budget is the main reason why public financial management reforms hardly ever achieve the desired results in the Department. Interviewee 5 further observed that the "policies implemented within the Department do not talk to each other, thus making it difficult to realize

objectives – leading to perpetual accumulation of debt, which only prolongs the implementation of programs and adversely affects the provisioning [sic.] of public services.”

Interviewee 1 further indicated that the budget deficits negatively affect service delivery and do not allow the Department to deliver the desired results. This was supported by Interviewee 5, who posited that the mismatch between policies and the budget makes it difficult to effectively implement programs as planned. This argument was in turn upheld by Interviewee 11, who explained that the policies within the Department are not aligned, which makes it difficult to realize objectives, thus leading to perpetual accumulation of debt that prolongs the implementation of programs. All of this adversely affects service delivery. In support of this view, the literature reviewed in chapter three of this study indicated that policy spacing is a crucial aspect in the implementation of reforms, and if policies are not formulated or implemented correctly, it is more likely to worsen the problems within a department.

Consequently, the effectiveness of public financial management reforms is derailed (Jordaan, 2013:119). Moreover, without sufficient financial resources, implementing programs effectively becomes difficult. In this regard, the literature reviewed indicated that South Africa’s policies are often hailed as some of the best in the world, and its budget processes are acclaimed on an international scale (Ajam, 2016:148). However, Interviewees 1, 5, 10, and 11 all indicated that poor leadership (due to political interference) and lack of skills have posed a challenge in the functioning of the Department. They also said that the corruption, lack of compliance with important budget processes, and unethical behavior play a critical role in the budget challenges experienced by the institution. Therefore, a pattern was found between these responses and the responses of the ten interviewees who indicated that the human factor is what causes the disconnect between public financial management reforms and service delivery.

Moreover, interviewees indicated that the mismanagement of funds is due to human behavior in the implementation process of the budget, thus drawing the conclusion that how public financial management reforms are implemented by personnel systemically creates the disconnect that exists between public financial management reforms and service delivery within the Department. The data analysis revealed a pattern showing that the interference from the executive authority within the Department is the main reason for the “human factor problems” experienced by the institution, and that it results in the disconnect between public financial management reforms and service delivery.

**6.6.6 Research question 6: How best can the implementation of public financial management reforms be improved to enhance service delivery within the department?**

This research question aimed to achieve research objective 6, which was to determine how the Department can improve the implementation of public financial management reforms to enhance service delivery. Interviewees were asked the following question:

*6.6.6.1 Question 6: How best can the implementation of public financial management reforms be improved to enhance service delivery within the Department?*

The responses given by the interviewees were related to the systemic challenges identified in research question 4. Deductive coding was thus used to categorize those identified challenges into gaps that need to be addressed within the Department in order to effectively implement public financial management reforms for enhanced service delivery. These recommendations are not those of the researcher, but of the interviewees.

i. Addressing the gaps in the leadership of the Department

Interviewees expressed the view that there is an urgent need for leadership deeply committed to ensuring that the Department fully embodies accountability, consequence management, ethics, fiscal discipline, and good morals. The interviewees emphasized that the Department needs to appoint leaders who will establish and pursue a culture of effectiveness within the Department, promote effective service delivery within the Department and stand up against political executives who consistently interfere in the administrative functions of the Department. Interviewee 7 asserted that there is a need in the Department for leaders who will prioritize the citizens of the province and remember that they exist to serve the citizens and not their own pockets. This should, according to the interviewee, develop talent management and build skills capacity within the Department.

The above-mentioned is supported by the literature reviewed, which indicated that leadership and sound management play a critical role in enabling institutions to achieve their desired results (Chowdhury & Shil, 2017:4). Furthermore, the literature reviewed indicates that without sound and effective leadership and management, it will be difficult to achieve the desired results of reforms (Hammersr Schmid *et al.*, 2018:3). This assertion was supported by the interviewees, who stated that poor leadership within the Department is a challenge to the effectiveness and efficiency of public financial management reforms in the Department. This reality indicates the

weaknesses and frustrations experienced by the leadership within the Department as a result of the interference of political office bearers (Interviewee 13).

Moreover, Interviewees 2 and 14 asserted that the Department needs to appoint personnel in the vacant posts, especially in the middle and top management of the Department. Since no institution can be effective without sound management, they said, these gaps create challenges in the Development of the institution and thus affect the effectiveness of reforms. Interviewee 14 further posited that “in filling these positions, it is important to appoint leaders without fear, and [such appointments] will thus enforce the principles of accountability and promote truthfulness within the Department.” Such management is necessary for promoting the institutional capacity and effective implementation of reforms and value-for-money service delivery.

ii. Addressing the gaps in skills and competencies within the Department

Data analysis revealed that the Department is challenged by a lack of essential and appropriate skills, competencies, and experienced personnel. Because the appointment of officials is done based on political affiliations, this creates the problem of lack of skills and competencies, thus creating ineffectiveness in the implementation of public financial management reforms. The Department desperately needs to implement new retention and recruitment strategies that will promote skills and capacities within the Department (Interviewee 3). “The establishment of a strong leadership system will enable the recruitment and appointment based on merit, thus promoting the implementation of reforms and enhanced service delivery,” said Interviewee 14. Moreover, the interviewees identified a problem of “skills mix within the Department”. Interviewee 10 posited that the Department needs to implement strategies and reforms that will ensure that new and current personnel are appropriately placed in positions within the Department to manage this.

Interviewee 4 highlighted that the executive authority is entrusted to ensure that the Department promotes the political mandate of the government of the day, and should therefore not interfere in the administration and management of the Department as this weakens and disrupts administrative leadership in performing their duties effectively. Interviewee 4 continued to state that putting a stop to undue interference will promote efficiency in the functioning of the Department and help alleviate the many problems that exist.

Interviewee 11 encouraged talent management within the Department, as this will further inspire institutional capacity and the improvement of skills and competencies within the Department. Furthermore, Interviewee 4 indicated that the majority of the personnel members are corrupt and

unethical, resulting in the mismanagement of public funds that leads to unacceptable forms of expenditure. Interviewee 5 encouraged the Department to engage in workshops, activities, and reforms that will encourage ethical behavior, good morals, accountability, and fiscal discipline in the management of public funds and the delivery of value-for-money public services. Interviewee 5 further highlighted that the achievement of the aforementioned is dependent upon the establishment of change management within the institution, which will promote passion, morale, and determination for achieving effectiveness.

iii. Addressing the gaps caused by undue interference from political office bearers within the Department

Interviewees indicated that the interferences from the members of the executive authority create the main challenges in the functionality of the Department. Furthermore, interviewees identified poor leadership, lack of skills and competencies, poor internal control systems, and the poor implementation of the budget as the consequences of interference from the executive authority. They suggested separating political functions from administrative functions to ensure that the unethical influence and fear experienced by the personnel are removed. In line with this, Interviewee 12 indicated that there is a need to remove all the corrupt political office bearers from office, as they rule to enrich themselves through unethical means rather than promoting effectiveness in the functioning of the Department. Similarly, Interviewee 10 asserted that there is a need to limit the influence the executive members have in the departments to ensure administrative leadership is not influenced.

Sound leadership and strong political commitment enhance effectiveness and enable active accountability and consequence management that ensures that those who continue to ignore the critical prescripts are brought to book and punished for their actions, thus simultaneously minimizing corruption within the Department.

iv. Addressing the gaps experienced in the implementation of the budget

The interviewees indicated that several discrepancies occur during the implementation of the budget, and that these lead to the mismanagement of public funds and large amounts of unacceptable expenditure. Interviewees 1, 3, 4, 6, 11, 13, and 14 mentioned that the challenges in the budget are caused by the imbalances within the equitable share, lack of compliance, high accruals, and corruption. Interviewee 14 added that addressing and alleviating the challenges in the implementation of the budget require sound leadership and political commitment to promoting reforms, accountability, and effective management of public funds within the institution before

anything else. Interviewees 3 and 8 asserted that the lack of compliance, large amounts of accruals, and the mismanagement of the budget are all closely linked to the lack of consequence management as well as poor leadership and the resulting lack of accountability within the Department, all of which have spillover effects on the budget implementation.

Similarly, Interviewee 9 posited that the lack of compliance with prescribed legislative frameworks results in high amounts of irregular and unauthorized expenditure within the Department, highlighting the need for strong leadership that will hold personnel accountable and ensure that each public official adheres to all the legislative frameworks, budget processes, and reforms as prescribed. Interviewees 2, 5, 11, and 13 noted that accruals often result from the interest accumulated by the Department in delaying paying service providers, which constitutes non-compliance with the PFMA as it stipulates, "All service providers must be paid within 30 days." Failure to follow this prescript thus results in the accumulation of interest that only contributes to the consistent fruitless and wasteful expenditure (Interviewees 2, 5, 11, 13).

v. Addressing the gaps in the internal control systems within the Department

Interviewees 3, 5, 9, 12, and 13 stated that there is a lack of internal control systems within the institution and that this enables corruption to flourish. Additionally, Interviewees 2 and 4 emphasized a need to establish performance measures that will promote sound public financial management systems in order to effectively report, track, evaluate, and monitor all financial records and processes. Moreover, Interviewees 8 and 14 suggested that the Department needs to build strong internal control systems that will ensure policies are fully implemented and fully respond to the public financial management processes and prescripts, as without these, corruption, mismanagement of the budget, and ignorance of critical aspects will continue to grow, destabilizing the financial health of the Department.

The aspects above were identified by the interviewees as gaps that need to be addressed to improve the implementation of public financial management reforms in order to enhance service delivery. Furthermore, all these aspects directly link with the challenges identified under research question 4 above, as challenges that create problems in the effectiveness of the public financial management reforms and that lead to poor service delivery within the Department. The researcher believes that if these gaps were effectively addressed and managed, the implementation of public financial management reforms in the Department would significantly improve, and service delivery would be enhanced.

## **CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS**

### **7.1. Introduction**

This chapter provides the summary, recommendations, and conclusions of the study. The chapter begins with the research findings that summarize the literature findings of the study, focusing on the literature reviewed in Chapters One, Two, Three, and Four of the study. The chapter then continues with the general findings related to the empirical study conducted at the NCDoh. This is followed by a discussion on the answering of the research questions, which is linked to the achievement of the research objectives of the study. The chapter then provides recommendations for improving public financial management reforms for the achievement of enhanced service delivery. The contributions made by the study follow, which are divided into three parts: international contributions, South African contributions, and contributions to the NCDoh. Finally, the chapter ends with the concluding remarks for the study and recommendations for future research studies.

### **7.2. Summary of the research findings**

#### **7.2.1. Literature findings**

Chapter One of the study introduced the study by providing literature on the background of the relationship between public financial management reforms and service delivery. The background and orientation of the study indicated that these two concepts are intertwined as public financial management reforms are implemented to enhance service delivery. However, the literature review also showed that there is an unexplained gap creating a disconnect between these two concepts, which weakens the provision of value-for-money services. (Jordaan, 2013; Ajam, 2016; Hadden, 2017a, 2017b). Scholars such as Jordaan (2013), Ajam (2016), and Hadden (2017a) therefore encouraged research that would investigate the reasons for this gap. In light of this, the research problem of this study aimed to investigate the reasons why financial management reforms do not always result in improved service delivery within the public sector.

Chapter Two of the study provided a theoretical framework and an extensive discussion on public financial management and service delivery. The chapter presented the link between public financial management and service delivery using the theory of public financial management and the theory of public budgeting. The chapter found that the relationship between public financial management and service delivery is formed through the budget, which is the main instrument in public financial management. Hence, Chapter Two established that the relationship between

public financial management and service delivery can never be separated from each other as the public sector exists to provide services through sound financial management.

Moreover, the literature reviewed showed that a budget is an important tool in setting the performance management indicators for measuring the performance and efficiency of public financial management reforms, and thus the budget is an important tool for providing critical performance information that is subsequently used for measuring the achievement of the institutional objectives. As a result, budget management is critical and affects the public financial management processes. The aforementioned supports the public budgeting theory, according to which if an institution fails to manage its budget effectively and efficiently, the provision of services will be poor and citizens will suffer. Therefore, when government fails to provide effective services, the implementation of public financial management reforms becomes necessary.

Public financial management reforms refer to the strategies and policies implemented to help develop and enhance service delivery within countries and public institutions and departments (Tkachenko, 2020:89). During the late 1980s, the NPM theory developed as a strategy aimed at guiding the implementation of public sector reforms. This theory provides elements that have been widely accepted by countries all over the world as essential for the effective implementation of reforms (Hammersr Schmid *et al.*, 2018:4). Moreover, this research study emphasized that the integration of these elements in the implementation of public financial management reforms enhances service delivery, which leads to real, functional improvements within a country or institution.

Chapter Three reviewed the implementation of public financial management reforms in eight countries, which included four non-African countries and four African countries. These countries were selected because they have all implemented public financial management reforms in line with the NPM reform guidelines, which made them relevant for this study. The literature reviewed on these eight countries showed an important pattern, namely that the implementation of reforms is effective in countries that have efficiently integrated the seven elements of the NPM in the implementation of reforms (Hope, 2003; Kalimullah *et al.*, 2012; Jordaan, 2013:3; Hammersr Schmid *et al.*, 2018; Chowdhury & Shil, 2017). These seven NPM elements are:

1. managerialism
2. decentralization
3. output-oriented strategies
4. implementation of performance measures in budget processes
5. promotion of competition in the outsourcing of public goods and services

6. promotion of private sector principles
7. use of technology.

The NPM reforms have played a significant role in the efficacy of public financial management reforms aimed at enhanced service delivery. New Zealand, Australia, and the UAE are thriving and reaping the benefits of the effective implementation of public financial management reforms, while Pakistan has steadily improved over the past few years since aligning the implementation of its public financial management reforms with the NPM elements. The literature reviewed for African countries indicated that the implementation of public financial management reforms on the continent remains limited, as Africa remains the poorest continent in the world, with many of its countries battling with the triple challenge of poverty, unemployment, and inequality as well as the burden of disease and disastrous living conditions. The African countries reviewed were Kenya, Ghana, Malawi, and Uganda, as they have implemented public financial management reforms following the NPM theory. The implementation of these reforms has been challenged, however, thus resulting in ineffectiveness.

Over the past few decades, the African countries reviewed have had the support of international donors, who aimed to assist them with their public financial management reforms. However, these efforts have not been effective and efficient due to the poor implementation of the NPM elements within these reforms, usually due to poor management, political instability, and poor decentralization, all of which directly affect the service delivery in decentralized areas. The situation is worsened by poor developments in technology and infrastructure, which are essential, especially in a world that is rapidly changing due to the Fourth Industrial Revolution.

Moreover, the literature reviewed in Chapter Four found that since the advent of democracy in 1994, the South African government has implemented various reforms and policies, some of which are considered to be the best in the world. South Africa has gained the support of many international donors who believe that the country has the potential to grow and develop extensively through effective service delivery. The literature indicates that the South African government reforms have integrated all seven elements of the NPM through multiple policies and reforms established since the beginning of democracy. The inclusion of these seven elements contributes significantly to why the South African policies and budget processes are regarded as some of the best in the world. However, these reforms fail at the implementation stage as they produce ineffective results. The literature reviewed further indicated that the South African public financial management reforms fail due to poor integration of the four above-mentioned key aspects in the implementation of public financial management reforms.

Lack of leadership and political will, weak internal control systems, and lack of skills and capacity were thus identified as the key challenges experienced by the South African government (Dlanga, 2020:1). The literature review chapters concluded by arguing that the government must address all the inadequacies that lead to the inefficiencies experienced in the public financial management reforms aimed at enhanced service delivery. Hence, it was found from the literature review that the lack of integration of the NPM elements in the implementation of public financial management has largely contributed to the ineffectiveness of the public financial management, but this was insufficient to answer what happens in the implementation process to cause a disconnect between public financial management reforms and service delivery. The empirical study was then conducted at the NCDoh to examine the reasons why public financial management reforms do not always lead to real functional improvements.

### **7.2.2. General findings**

The study found that public financial management and service delivery are intertwined within the NCDoh, and this relationship is formed through the departmental budget because it reflects the priorities and activities of the government. As a result, the manner in which officials manage public funds will affect the quality and effectiveness of public services rendered. The aforementioned corroborated the theory of public finance, indicating that the Department exists to render services through the implementation of the different programs and activities aimed at improving the lives of the citizens through service delivery. Moreover, the empirical relationship between these two concepts is ineffective and poor, and it exists on paper but not in reality due to the challenges experienced within the NCDoh.

The relationship between public financial management reforms and service delivery is strained by aspects such as lack of political commitment, poor leadership, and lack of skills within the functioning of the administrative processes, all of which have left management feeling frustrated, helpless, and demotivated about achieving departmental objectives, thus resulting in the ineffectiveness experienced by the Department. The study found that the interference from the executive authority are the dominant reason for the ineffectiveness experienced within the Department. Moreover, the analysis showed that the political office bearers are so powerful that no one goes against them as they can either have personnel fired, conspire to get them in trouble with the law, or even have them killed. The latter was brought up by several interviewees who said that personnel have been killed in the past for whistleblowing or for refusing to follow the instructions of executives. As a result, most personnel follow the instructions of the executive authority and related political office bearers out of fear.

Additionally, the study found that the administrative management of the NCDoH experienced challenges in following the processes and procedures according to legislative frameworks, as they are instructed to do otherwise by those in political power. This has subsequently led to the ineffectiveness of public financial management, the failed implementation of programs, and the poor service delivery within the Department. The lines between the roles of political office bearers and administrative officials are not only blurred within the Department but often lead to inefficiency in the administration of the Department.

The study also found that within the NCDoH, personnel are very often appointed based on political affiliations and not merit. Political interference and patronage networks therefore contribute to the Department's challenges, especially when administrative staff are drawn from the ranks of political parties and families, and do not possess the necessary qualifications and expertise. As a result, the Department has a high number of unskilled and incapable personnel in critical positions, thus creating a challenge to the institution's ability to effectively implement programs. Interferences from the executive authority are thus the key contributing factor to the poor leadership, poor internal monitoring systems, and budget challenges affecting the effective implementation of public financial management reforms and resulting in the poor delivery of public services within the NCDoH. These intra- and inter-party political issues thus negatively affect public administration in the Department and the provision of quality health services.

The study further found that apart from these internal challenges, the socio-economic factors affecting the country and the province directly affect the implementation of public financial management reforms. The unemployment rates, crime levels, and development of the country often affect more than one department. Consequently, when the government is affected by critical socio-economic factors, the service delivery departments, such as the Department of Health, are affected, in turn affecting service delivery. Moreover, the research found that the citizens' behavior and how citizens care for their health on a day-to-day basis directly affect the functioning of the Department. This is because when citizens do not take care of their health, the burden for treatment is later carried by the Department of Health, thus increasing pressure on the Department. Therefore, the study identified the need for self-care and healthy living among the citizens, as this would lessen the pressure on the government and high demand for primary healthcare services from it. This will enable the government to broaden the provision of essential services with fewer financial constraints.

The department annually registers high amounts of unacceptable expenditure, as described in the Auditor-General's reports. The study found that unauthorized expenditure and irregular

expenditure are largely caused by corrupt behavior, while fruitless and wasteful expenditure mostly accumulates from the various interest charges against the Department, resulting mainly from the delays in paying service providers. Delays in payments are the result of non-compliance with the prescribed legislative frameworks, as legislation stipulates that service providers must be paid within thirty days. Subsequently, the failure to pay suppliers on time has resulted in many service providers being reluctant to work with the Department, an external challenge the Department is currently experiencing that is also flagged in the Auditor-General's reports for the years under review. This stems from a lack of accountability and the condoning of the act, because if the Public Financial Management Act 1 of 1999 were followed, these high amounts of unacceptable expenditure would have been avoided.

Furthermore, the study found that the Department does not value and heed the recommendations of the Auditor-General, as these recommendations are knowingly avoided and given no consideration. The mismanagement of funds thus seems to be an intentional action within the Department, done to commit corruption. This is a problem that the Auditor-General's reports have been flagging for years, and is a factor that further derails the financial improvement of the Department. This finding supports those of the Auditor-General (2018), as the financial health of the NCDoh continues to deteriorate due to poor financial management.

During the concluding stage of this study (April 2022), the NCDoh was yet again put under administration under section 100(1)(b) of the South African Constitution (1996) due to reasons such as poor leadership, mismanagement of funds, and dysfunctions in the management and administration of the Department (Brandt, 2022). This was no surprise as the financial management in the Department is ineffective and its financial health has been steadily declining over the last decade (Auditor-General, 2019). Moreover, the functionality of the Department is in a dire state as the lack of equipment, vehicles, infrastructure, and skilled staff, as well as backlogs, a decline in healthcare service provision facilities, and the shortage of essential services have placed the Department on the verge of collapsing (Mochoari, 2022). The Department has patently and consistently ignored the recommendations made by the Auditor-General, as there has been no proof of any rectification plans formulated or implemented by the Department.

### **7.3. Realization of research questions and objectives**

The research questions of the study were directly aimed at achieving the research objectives. Thus, through the questions asked during the interviews, the researcher was able to answer the research questions and achieve the research objectives of the study as these were intertwined

throughout the entire study. The following is a summary of the answering of the research questions and achieving of the research objectives.

### **7.3.1. *The primary question and primary objective***

**Primary research question: Why do public financial management reforms not always result in improved service delivery?**

**Primary research objective: to determine why a disconnect remains between having financial management reform systems in place and real functional improvements in service delivery.**

The study found that the disconnect between public financial management reforms and service delivery is mainly caused by human weaknesses, inefficiencies and incapacities resulting from poor leadership and a lack of political commitment in the implementation of public financial management reforms. This results mainly from political interference by the executive authority in the management and administration of the Department, as it influences the most vital aspects related to the functioning of the Department. Thus, when operational functions are ineffective, critical aspects of the functioning of the Department are negatively affected.

The organizations caused by poor leadership create a disconnect between public financial management reforms and service delivery. Without sound leadership, failure is imminent, and this is therefore the key reason for the ineffectiveness of reforms in the NCDoh. Consequently, public financial management reforms do not always result in improved service delivery.

### **7.3.2. *Secondary questions and objectives***

*7.3.2.1 Research question 1: What are the elements that enhance the relationship between public financial management reforms and service delivery?*

*Objective 1: to determine the elements that enhance the relationship between public financial management reforms and service delivery.*

The study found that there is a relationship between public financial management reforms and service delivery as these two concepts are intertwined according to the theory of public finance, which indicates that public money must be used for the benefit of the citizens as it belongs to the citizens. Moreover, this belief is enhanced through the public budgeting theory, which emphasizes how the budget allocations must benefit the citizens through effective and efficient service delivery. Through the empirical study conducted at the NCDoh, the study found that the

relationship between public financial management reforms and service delivery can be enhanced through the following elements:

- Serving the citizens: Put the needs of the citizens first and provide them with value-for-money public services.
- Effective leadership: Effective leadership is an essential element for ensuring that public funds are managed in an effective, efficient, and economical manner that ensures there is compliance with important legislative frameworks and processes.
- Employing personnel with the right skills, competencies, and experience in the correct position: Appointing effective personnel enables the institution to achieve its objectives through the effective implementation of public financial management reforms. Without the right personnel in the right places, the institution will not be able to implement programs as envisioned and desired.
- Fiscal discipline: Fiscal discipline promotes strategic prioritization of objectives by ensuring the budget is formulated and implemented according to programs that best promote the objectives and priorities of government, and thus ensures that personnel complies with the established processes.

*7.3.2.2 Research question 2: What is the role and importance of public financial management reforms in enhanced public service delivery by the NCDoH?*

*Research objective 2: to determine the role and importance of public financial management reforms in enhanced public service delivery by the NCDoH.*

The research found that the role of public financial management reforms is to enhance service delivery, and these reforms are important for enabling processes that will assist personnel in fulfilling this role. The study found that public financial management reforms promote accountability, responsiveness, compliance, and effectiveness within an institution, which subsequently promotes improved service delivery. When public financial management reforms fail to promote the aforementioned aspects, service delivery becomes ineffective. Moreover, a lack of accountability has posed challenges such as poor ethical behavior and non-compliance with important prescripts within the institution, which has negatively affected service delivery. The study thus found that the role and importance of public financial management reforms fail because public financial management reforms are not implemented as they should be within this department.

The study found that the role and importance of public financial management are intertwined and aim to enhance service delivery. Unfortunately, when the role and importance of these reforms

within the NCDoh are not realized, it leads to a failure to enhance service delivery and the Department remains ineffective due to the following:

- misalignment between the approved budget and the implemented budget
- poor implementation of public financial management reforms, which leads to poor service delivery
- interference from political office bearers within the Department, which disrupts the implementation of reforms, thus further derailing the achievement of effective and efficient reforms.

*7.3.2.3 Research question 3: What is the current status of public financial management reforms in South Africa's public service, the developing world, and the rest of the world?*

*Research objective 3: to appraise global experiences of the implementation of public financial management reforms and public service delivery.*

Public financial management reforms were initially implemented to help countries to develop and manage their public financial management challenges. However, this has evolved over the years as public financial management reforms are now widely used and often implemented to improve public financial management and enhance the provision of public services. Using the NPM elements, the study compared the implementation of public financial management reforms in different countries and found the following: The literature review found that in countries outside Africa, public financial management reforms are more effective due to better alignment and integration of the NPM guidelines and elements. Moreover, the literature indicated that underdeveloped and developing African countries struggle with implementing reforms as their reforms lack proper integration of the NPM elements, thus resulting in the ineffectiveness of the reforms.

The research found that public financial management reforms in South Africa follow the guidelines of the NPM elements, but that these are not properly integrated, thus leading to ineffective implementation and poor service delivery in South Africa. Through the empirical study conducted at the NCDoh, the study found that public financial management reforms implemented in the NCDoh are not aligned with the NPM elements and lack effectiveness. The study confirmed that public financial management reforms are likely to be effective in countries that properly integrate and implement the NPM elements in their public financial management reforms, as has been proven by prior studies in the analysis of the different countries and institutions. The study further found that the developed countries considered implement public financial management reforms more effectively. As a result, reforms in such countries have led to enhanced service delivery. In

contrast, the failure to effectively implement public financial management reforms in developing and underdeveloped African countries, including South Africa, have resulted in limited development and limited real, functional improvement.

*7.3.2.4 Research question 4: What are the systemic challenges that influence public financial management reforms and service delivery at the NCDoH?*

*Research objective 4: to explore the systemic challenges that affect public financial management reforms aimed at enhanced service delivery within the NCDoH.*

The empirical study found that the following aspects are the key challenges negatively affecting the effectiveness of the implementation of public financial management reforms aimed at improved service delivery:

- poor leadership
- interference from the executive authority
- lack of the necessary skills and competencies
- poor internal control systems
- challenges experienced in the budget implementation process.

Furthermore, the research analysis showed that the interference of the executive authority in the management and administrative functioning of the Department are the dominant challenge affecting the effectiveness of public financial management reforms within the Department, thus creating a disconnect in the implementation of public financial management reforms and affecting service delivery within the NCDoH. Furthermore, the interference by political office bearers and patronage networks lead to the recruitment of administrative staff who do not possess the required competencies and expertise, often resulting in ineffective and inefficient administration. Consequently, the departmental provision of health services is negatively affected by intra- and inter-party political issues.

The challenges experienced in the NCDoH persist without a course of action to resolve them. Additionally, the Auditor-General's recommendations are not taken into consideration due to the lack of accountability, responsiveness, and responsibility within the Department. Hence, these challenges create inefficiencies in the implementation of public financial management reforms, which in turn create gaps in the relationship between public financial management and service delivery.

*7.3.2.5 Research question 5: Where in the value chain does the disconnect between public financial management reforms and service delivery occur within the NCDoH?*

*Research objective 5: to determine where in the value chain the disconnect between public financial management reforms and service delivery occurs within the NCDoH.*

This research question was answered and the objective reached, as all the interviewees indicated that the disconnect between public financial management and service delivery occurs in the implementation process of the budget and reform programs. The interviewees identified two key aspects causing the disconnect between public financial management reforms and service delivery:

- the personnel in the public sector (human factor)
- the misalignment between the approved budget and the implemented budget.

The research found that the inefficacy of human capabilities is the reason for the disconnect between public financial management reforms and service delivery during the implementation phase of the budget and reform programs. The empirical study found that the NCDoH has sound policies and systems, but that these policies fail during the implementation stage as a result of the undue interference of the executive authority. This interference significantly contributes to the lack of compliance, poor accountability, and lack of leadership within the Department. Thus, the empirical study found that the disconnect between public financial management reforms and service delivery mainly results from the interference and influence of the executive authority's and related political office bearers' direct contribution to the lack of political will, poor leadership, and the retention of unskilled and incompetent staff members within the NCDoH.

Additionally, the study found that the implementation of unfunded mandates widens the gap between public financial management reforms and service delivery within the NCDoH. The study found that unfunded mandates embarked upon by the Department causes deviations from the budget and the set priorities, as these mandates are misaligned with the public financial management reforms and strategies set by the Department.

*7.3.2.6 Research question 6: How best can the implementation of public financial management reforms be improved to enhance service delivery?*

*Research objective 6: to provide recommendations to the NCDoh and the public sector worldwide on how the implementation of public financial management reforms can enhance service delivery in the public sector.*

The study found that the implementation of public financial management reforms can be improved by addressing the gaps created by the challenges experienced in the implementation of public financial management reforms aimed at enhanced service delivery. The interviewees recommended that the following gaps in the implementation of public financial management reforms within the NCDoh need to be addressed:

- gaps in the leadership of the NCDoh (this will require a total transformation in leadership positions and skills)
- gaps caused by the interferences of the executive authority within the Department
- gaps in skills and competencies within the Department
- gaps in budget implementation
- gaps in the internal control systems (this needs to be addressed to improve the implementation of public financial management reforms).

The study found that if these gaps were addressed effectively and efficiently within the NCDoh, then public financial management reforms would lead to improved service delivery within the Department. Therefore, the study makes the following recommendations, aimed at improving and promoting the effectiveness of public financial management reforms aimed at enhanced service delivery.

## **7.4. RECOMMENDATIONS**

### ***7.4.1. Recommendation 1: New public management elements***

The study confirmed that the NPM elements (management, decentralization, output-oriented strategies, implementation of performance measures in budget processes, promotion of competition in the outsourcing of public goods and services, promotion of private-sector principles, and the use of technology) must be effectively integrated into the formulation and implementation of public financial management reforms to achieve effectiveness and efficiency in the public sector. Furthermore, the study revealed that the efficiency and effectiveness of public financial management reforms in developed countries are directly linked to these NPM elements. The study thus recommends the following:

- a. Public financial management reforms should be reformulated so as to integrate and emphasize the seven NPM elements during the implementation phase, as these elements have been proven to promote the achievement of effective and improved service delivery.
- b. Currently, the NCDoH does not consider the sixth NPM element, which is to promote private sector principles within the Department. The reason for this, according to the interviewees, is that the public sector cannot focus on private sector principles. The study recommends that this element be prioritised, because although the public sector and private sector are different, the application of private sector principles would help the Department. It could start by first engaging in public-private partnerships and then exploring private sector principles that would work best for the Department.
- c. The NCDoH needs to formulate a viable plan of action that will ensure that all seven NPM elements are not just policies on paper but are prioritised in the implementation of public financial management reforms to ensure the achievement of value-for-money service delivery.
- d. More importantly, these NPM reforms must be implemented according to the different departments in the South Africa public sector and their unique circumstances. The government must not implement a one-size-fits-all approach across the provinces and the different departments.

The above-mentioned will further promote efficiency and the achievement of institutional (departmental) objectives that will simultaneously improve service delivery within the public sector.

#### **7.4.2. Recommendation 2: Political commitment**

The literature indicated that without political commitment, the achievement of objectives will forever remain a challenge as political will and commitment play a vital role in the effectiveness of public financial management reforms. In this regard, the study found that interference from the political office bearers, especially the executive authority, is the key challenge within the NCDoH. The study recommends that the government of the day give attention to the influence, interference, and behavior of political office bearers and limit the power of these branches in the micromanagement and administration of departments. This is because political interference directly affects the provision of services and reflects negatively on the government of the day. To change the narrative of the lack of political commitment in the implementation of reforms, the government of the day and the parliament must intervene by implementing policies that limit the powers and influence that the executive authority has in the administration and management of the departments, thus restricting their powers to oversight functions.

This strategy must incorporate and ensure the establishment of sound leadership within the Department. Moreover, the Department must establish a strong internal control system that can promptly identify, monitor, and report any maladministration within the Department. The government, oversight institutions, and departmental leadership have to work together and stand up against corruption, dictatorship, and bullying from undue interference. There is a need for governance within the Department to be totally reformed so as to apply appropriate disciplinary measures and systems that promote the enhancement of the governance principles and promote better financial management. Thus, the inefficiencies caused by politicians need to be addressed on a national scale as departmental management and leaders currently fear these politicians. Moreover, the national government should promote good governance as this will promote accountability and alleviate corruption.

#### ***7.4.3. Recommendation 3: Strengthening leadership without fear***

The literature review detailed that without sound leadership, failure is imminent. Accordingly, the study found that the negative interference from the executive authority has weakened the departmental leadership, which has negatively affected the implementation of public financial management reforms aimed at improving service delivery within the NCDoh. At the conclusion of the study, the NCDoh was yet again put under administration following the guidelines of the Treasury Regulations, resulting from poor leadership and maladministration in the use of public financial resources.

There is thus an urgent need for restructuring, retention, and skills development that will help enhance sound leadership and address the challenges emanating from poor leadership. Additionally, the study recommends that the oversight institutions strictly intervene and hold the accounting officer accountable for any misconduct that occurs due to failure to comply with the appropriate legislative frameworks, as stipulated in section 83 of the PFMA. This will encourage and ensure the role and importance of public financial management reforms is fulfilled and its importance recognized. Promoting accountability will increase responsiveness, compliance, and effectiveness in the management and administration of the Department. This is the most effective way for ensuring that officials comply with legislative frameworks and processes, further discouraging the occurrences of corruption and unethical behavior within the public sector.

The principle should be enforced that accounting officers should require requests not in line with prescripts to be done in writing. Furthermore, the study revealed that there is a lack of cooperation between program managers in the top management of the Department as they manage their programs as separate entities of the Department. This weakens the functioning of the

Department. There is thus a need for reforms that will ensure and promote cooperation and solidarity among the management and leadership within the NCDoH, as such cooperation and integration of programs. This will enhance service delivery and enable the program managers to effectively work together in achieving the departmental objectives and the providing value-for-money service delivery. If the leadership dynamics in the Department were addressed, then change management toward effectiveness would improve and service delivery would be enhanced.

#### ***7.4.4. Recommendation 4: Strengthening of internal control systems***

There is a need for internal control systems that will effectively track, record, and monitor the implementation of public financial management reforms within the NCDoH. The study recommends a re-evaluation of the existing internal controls within the NCDoH as these have proved to be ineffective and insufficient in preventing and managing the challenges within the Department.

The Department is in urgent need of internal control systems that are effective, able to detect corruption and inefficiencies, and track the progress of all programs. It is therefore recommended that the risk management team of the Department must conduct a SWOT analysis and formulate an internal control reform strategy that focuses on the aspects identified and highlighted in that analysis. This will ensure that the strategies formulated relate to the strengths, weaknesses, threats, and opportunities currently experienced in the implementation of public financial management reforms. Moreover, there is a need for internal control systems that will identify, implement, monitor, and track the progress of the rectification plans addressing the recommendations made by the Auditor-General. Consequently, it is necessary for senior management to ensure that disciplinary measures are taken against mismanagement, non-compliance with prescribed legislature, corruption, and fraud in the management of state funds, and that these measures are implemented as established in the PFMA to promote sound financial health within the Department.

#### ***7.4.5. Recommendation 5: Reforms in the retention and recruitment system***

The NCDoH needs to establish new and effective retention and recruitment systems that will ensure that the personnel employed are skilled and competent for their positions. The current retention systems give the executive authority the power to influence the recruitment process. The recruitment systems that exist within the NCDoH need to be strengthened to give the Human Resources Department more flexibility and power to recruit skilled and competent personnel for

the Department. However, this approach must be strictly monitored to ensure that the objective of the process is met. Furthermore, the existing system must be strengthened and implemented without any fear or intimidation, enabling the Department to attract the right personnel to the NCDoH.

The study found that experienced and competent people prefer to work in urban locations that are better developed than the Northern Cape. This is an external factor outside the control of the NCDoH that results in the inability to attract skilled and competent people with the needed expertise to the Department. Thus, all the provincial departments, municipalities, and community members will have to work together to develop the province. Nonetheless, should the Department be effective in its delivery of public services, it will attract more of the desired people to the Department, since the current bad reputation makes people even more reluctant to work in the Department. Moreover, nine of the interviewees indicated that should they be offered better opportunities outside the NCDoH and the public sector, they would leave the Department and the public sector altogether, further indicating the reluctance and lack of morale in the Department. There is thus a need to address this reluctance so as to ensure that the Department does not continue to lose skills and competent public officials.

#### ***7.4.6. Recommendation 6: Review the unfunded mandates***

The study found that the unfunded mandates negatively affect the implementation of important programs and reforms within the Department. The department needs to ensure that effective measures are taken to accommodate any additional costs the Department would incur due to unfunded mandates. Doing so would ensure that the budget does not deviate from the objectives of the Department and reforms that are aimed at enhancing service delivery, and the departmental aims and goals would be achieved. The department should therefore move away from implementing unfunded mandates and focus on the programs and activities that have been budgeted for. This recommendation requires that the government look into the cases and dynamics of each department, as a one-size-fits-all approach is not effective or fair for all provinces.

#### ***7.4.7. Recommendation 7: Change management***

The NCDoH has been on a downward spiral characterized by poor financial management, non-compliance, and poor ethics resulting from poor leadership and a lack of political will. This calls for urgent change management to improve the management within the Department and enhance effective, efficient, and economical service delivery. Leadership needs to steadily address the

lack of compliance and the unethical behavior within the Department, as this is crippling the Department's financial stability and further increasing the burden of disease on the citizens. Thus, change management will assist with the implementation of new processes, systems, and reforms. To achieve this, the Department will need strong leaders, strong political commitment, and capable staff with the right attitude toward serving the citizens effectively and efficiently.

Change management should be steered toward encouraging a new culture that promotes ethical behavior and efficiency at all costs, as this will positively influence the behavior of personnel toward serving the citizens. This can only be done if and when the Department attains strong leadership and eliminates interference from the executive authority and other political office bearers. Thus, this aspect is dependent upon strong leadership, political will, and commitment. If achieved, it will better promote accountability, responsiveness, and good governance that takes into consideration the opinions and views of policy implementers.

#### ***7.4.8. Recommendation 8: Cooperation between governmental departments in the province***

There is a serious need for cooperation among the provincial departments, as the effects of one department often negatively affect the functioning of another. For example, the failures of the Department of Water and Sanitation negatively affect the NCDoh, as the NCDoh is forced to provide the needed primary healthcare to citizens affected by contaminated water. Thus, there is a need for reforms that will ensure that the provincial departments work together to ensure that the province functions as a unit aimed at improving the overall well-being of the citizens of the Northern Cape.

The government can do better through cooperation, and it has proved that it is capable of performing better. The COVID-19 pandemic united government departments, and this momentum that needs to be kept going to achieve more efficiency and effectiveness. Effective cooperation from government institutions will improve the quality of service delivery in the public sector. The government is capable of performing better than it is, so each department must implement its own unique reforms that will enable it to co-operate with other departments at the national and provincial level. It is important for each department to operate effectively on its own, but it is also vital that it takes cognizance of the other departments it directly and indirectly affects.

#### ***7.4.9. Recommendation 9: Need to promote self-care among individual citizens***

It is said that health is wealth, and citizens thus need to prioritize their health and take better care of themselves. Health is a critical aspect of an individual's well-being and citizens therefore need to take better care of themselves to prevent avoidable self-inflicted sicknesses and diseases such as lung diseases

caused by smoking and motor accidents due to drinking and driving. This will help lessen the burden of dependence on the Department. Citizens need to realize that “health is everyone’s business” and that everybody needs to start taking better care of themselves. As long as citizens do not proactively take care of themselves and realize that their health is the wealth of the country, then there is still a long way to go before the country can achieve respectability.

**7.4.10. Recommendation 10: Increased budget allocations/revenue generation by the Department**

South Africa uses the population density formula to allocate the equitable shares from the National Revenue Fund. The effect of this formula is that the provinces with a high population density are in a more advantageous position than provinces with a lower population density, and internal factors affecting specific departments and provinces are not considered. The study thus urges the government to consider aspects such as the vastness of the province and the costs involved in distributing services effectively in such a large province.

The NCDoh is negatively affected by many underlying issues that are not considered in the budget allocations. Hence, the study recommends that the budgeting system be revisited. In the division of revenue, the government needs to evaluate and consider such dynamics, because they often contribute to the challenges the departments in the Northern Cape experience, leading to budget constraints. Accordingly, the vastness of the province needs to be taken into consideration in the equitable share, as the Department needs to reach everyone in the Northern Cape, and this is a costly exercise.

**7.4.11. Recommendation 11: Implementation of the Auditor-General’s recommendations**

There is a need to establish a new policy that forces departments to work with the office of the Auditor-General in formulating, implementing, and monitoring the rectification plans to address the recommendations made by the Auditor-General. This policy must be mandatory, as this will promote improvement and rectifications in the departments. The legislative authorities must be strict and hold accounting officers accountable should these rectification plans not be implemented by the Department. This will promote better financial health within all the government departments of South Africa. Subsequently, the recommendations of the Auditor-General will not be made in vain.

## **7.5. Research contributions**

### **7.5.1. Global contributions**

The literature on public financial management reforms is limited, and as a result, researchers such as Hadden (2017a), Jordaan (2013), and Ajam (2016) have urged researchers to do investigations and contribute to new literature related to the implementation of public financial management reforms. In light of this, the present study has contributed to the literature with new knowledge of public financial management reforms, which can be used henceforth by researchers, other authors, and relevant stakeholders in work relating to the implementation of public financial management reforms and service delivery.

The study found evidence that there is a definite relationship between public financial management and service delivery, as these two concepts are intertwined in the budget process. The study demonstrated this relationship through the combination of the public finance theory and the public budgeting theory, by highlighting that the role of government is to provide citizens with value-for-money goods and services through the effective use of the public budgeting processes. In future research, these two theories can thus be used together when studying public financial management. Moreover, this research study provided empirical proof that public financial management and service delivery are intertwined, but also showed that this relationship is strained by the challenges posed and experienced by the personnel within the Department. The latter relates to poor political commitment, poor leadership, and lack of skilled and competent personnel and thus leads to the disconnect between public financial management reforms and service delivery in the implementation process.

The empirical study conducted found that the elements of NPM are important for the effective implementation of public financial management reforms and that the effective integration of the elements in the implementation of public financial management encourages service delivery. Moreover, the study compared the implementation of public financial management reforms that used the NPM elements. This is the first study to compare reforms across developed, developing, and under-developed countries. This comparison provides a framework in which public financial management reforms can be studied and analyzed in different countries throughout the world. Henceforth, this framework can be used and referred to by researchers worldwide.

Taken together, the NPM elements, the literature review, and the empirical study highlighted and proved that political will, institutional capacity, policy spacing, and adaptation of iterative and inductive processes are critical aspects in the implementation of public financial management

reforms. If integrated and implemented effectively, these public financial management reforms will enhance service delivery within public institutions.

### **7.5.2. South African contributions**

Through the empirical study conducted at the NCDoH, the South African government can be made aware of the challenges posed by the undue interference in the administration and functionality of the Department and the dysfunctions this interference causes at the NCDoH. In response, the government must interfere by neutralizing the influence and power of the executive authority and other political office bearers within the administration of the NCDoH and other departments in the country. The interference from the political office-bearers is a challenge faced by many departments in the country, so the approach to fixing this needs to be implemented holistically throughout the country.

Although the analysis in this study indicated that the NCDoH is under no evident budget constraints – as the Department annually underspends on its budget – the national government, specifically the National Treasury, should be made aware of the underlying challenges the departments experience in budget allocations. The NCDoH management can thus share the analysis of this study with the National Treasury to express its concerns and find ways to not only mitigate the related challenges but also proactively formulate strategies that will best assess and address the risks and challenges experienced by the departments concerning the current budgeting system.

Chapter Four of the study can provide the South African government with a consolidated assessment that reviews the effects of the elements of NPM. This can be used as a starting point in evaluating and reconsidering the reforms in the country aimed at improved service delivery. The chapter also explained the contemporary status quo of financial management in South Africa, which can thus provide the South African government with a fresh perspective and review of the current situation. The analysis of the study can be used by the government in reforming and evaluating the public financial management reforms in government departments, as the analysis highlights the aspects that challenge the government most. This can be used as the starting point in improving the public financial management reforms within the country.

The South African government is provided with a framework that can enable it to examine the implementation of reforms enhancing the elements of NPM. The country should strengthen its reforms accordingly with the aim and objective of enhancing service delivery and by refocusing on the NPM elements in the implementation of reforms, but this must be done by specifically

looking at the status quo and unique cases of the South African public sector. Moreover, from the study conducted at the NCDoH, the South African government can continue to examine the implementation of reforms in government departments across the country. This will enable the government to accurately evaluate reforms and thus find fitting solutions that will best improve the implementation of reforms and enhance service delivery.

### ***7.5.3. Contributions to the Northern Cape Department of Health***

The NCDoH benefits the most from this research study, as the analysis allows the Department to closely evaluate its public financial management reforms without any biased opinions or pressure from the top management of the Department. The study is specifically focused on the NCDoH, so it can be used as a framework to establish the aspects the departmental management should prioritize to improve the management of the Department and the implementation of public financial management reforms aimed at improved service delivery.

The Department is provided with an analysis that consolidates the challenges that negatively affect the implementation of reforms within the Department. For years now, the Department has indicated that its reforms are failing to achieve the desired results, but no proper research has been conducted by the Department to find out the reasons for the ineffectiveness of reforms. This research study has subsequently provided the management with a thorough analysis and a reflection of the management's unfiltered opinions regarding the challenges resulting in the ineffective implementation of public financial management reforms aimed at enhanced service delivery. This study further enables the Department to re-evaluate its reforms and reformulate strategies that focus on departmental needs and challenges. The recommendations provided about addressing the existing gaps (research question 6 and research objective 6 of the study) provide the NCDoH with the most vital aspects on which it should focus when improving the implementation of public financial management reforms. Focusing on these aspects will improve efficiency and effectiveness, which in turn will enable value-for-money service delivery within the Department.

The study identified where in the value chain the relationship between public financial management reforms and service delivery is broken within the Department. It is therefore up to the government and the management of the NCDoH to work on these aspects so that it can effectively implement service delivery. The study identified also the human factor in NCDoH personnel's behavior as the key reason for the disconnect in the relationship between public financial management reforms and service delivery.

With this study as a starting point, the NCDoH can further investigate the damages and challenges caused by the interference of the executive authority within the Department. Moreover, the NCDoH can further this study's analysis by conducting more research into these findings so as to enable the national government and political heads to realize the damage caused by such interference in the functioning of the Department's administration, as well as the subsequent negative effects on the implementation of public financial management reforms aimed at enhanced service delivery. Moreover, the findings and analysis of the study can help the NCDoH in the management and strengthening of reforms aimed at addressing the gaps that lead to the disconnect between public financial management reforms and service delivery.

## **7.6. Conclusions**

The government exists to serve the citizens, which is why public money should be used to serve and improve the lives of the citizens. Hence, the budget is the key element forming the relationship between public financial management and service delivery. This relationship must therefore never be broken as public money must strive toward improving service delivery. The role and importance of public financial management reforms are to enhance service delivery through multiple strategies and actions aimed at improving effectiveness and efficiency in the public sector. Lack of political will and commitment within the NCDoH is the key challenge in the Department, negatively affecting the other aspects of the administration and implementation of public financial management reforms. The undue negative interference within the Department affects the skills and development, leadership, internal control systems, and budget implementation processes of the Department and contributes to the challenges experienced by the NCDoH in the implementation of public financial reforms, ultimately leading to the disconnect between public financial management reforms and service delivery.

Citizens need to start taking better care of themselves. It is undeniable that the NCDoH as a government institution is responsible for providing citizens with quality healthcare services, but the citizens also have the responsibility to take better care of themselves. For example, the reduction in drinking and driving during 2020–2021 put less pressure on the hospitals' trauma and accident staff, budget, and administration overall. The dysfunctions within the other provincial departments additionally affect the functioning of the budget and implementation of the NCDoH. There is a need to bring about awareness and cooperation within the Department. Interviewees indicated that the public financial management reforms and policies are good and can be effective, so the challenges experienced within the Department are the main reason for the ineffectiveness of the reforms.

The ineffective implementation occurs when the NPM elements are not properly integrated with the implementation of the public financial management reforms and service delivery. NPM elements are therefore essential in the implementation of public financial management reforms and cannot be ignored or left out. Most importantly, however, they must be simultaneously implemented. Furthermore, a pattern among the reviewed countries indicated that where leadership is weak, other elements are highly and easily affected. The study discovered another pattern: reforms are effective in countries where public financial management is stable and where the key elements of NPM are strong and present; reforms are ineffective when these factors are not in sync and are inefficiently implemented. Thus, without the integration and effective implementation of the new public financial management elements, reforms are unlikely to achieve the desired results.

Furthermore, while the study acknowledges that an insufficient budget and equitable share challenges affect the implementation of reforms, these two aspects do not create the disconnect between public financial management reforms and service delivery. This conclusion is drawn from the fact that the NCDoh underspends on its budget annually, and that it records high amounts of fruitless and wasteful expenditure, irregular expenditure, and unauthorized expenditure, mostly caused by corruption (NCDoh, 2016, 2017, 2018, 2019, 2020, 2021; Auditor-General, 2016, 2017, 2018, 2019, 2020, 2021). This thus shows that there is no tangible proof of the budget constraints the Department claims. In contrast, the research study found that the disconnect between public financial management reforms and service delivery is created by the discrepancies in the behavior of the officials entrusted with managing the public finances effectively, efficiently, economically, and appropriately, since they override the systems and processes for personal gain or out of fear of politicians.

The data analysis found that it is the Department's responsibility to ensure that all its contracts with service providers are in line with the national legislative frameworks and thus ensure that personnel adhere to these prescripts at all times.

The research concludes that instituting harsher punishment for corruption will help establish an ethical culture in the Department as personnel members have lost their ethics. The fear of punishment will force personnel to follow protocols and principles and to ignore instructions from the executive authority. There is a need for a new integrated public financial management reform strategy within the NCDoh, which should focus on the holistic challenges facing the Department. Interference from the executive authority needs to be minimized, and the administrative

leadership within the Department strengthened. Failure to do this will widen the gap between public financial management and service delivery within the NCDoH.

The study finds that the connection between public financial management and service delivery is lost in the implementation phase of the budget when expenditure takes place. The “human factor” resulting mainly from political inferences, poor leadership and unskilled personnel is what causes a disconnect between public financial management reforms and service delivery within the NCDoH. The final assertion of this study is that without sound leadership, failure is bound to happen. Thus, the NCDoH needs to work on strengthening the leadership within the Department – both at the political and the administrative level – for better efficiency and effectiveness in the management of reforms. This will result in real, functional improvements that promote enhanced service delivery within the NCDoH.

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## APPENDIX A: ETHICAL CLEARANCE



### GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

03-May-2021

Dear Ms Constance Motsitsi

#### Application Approved

Research Project Title:

**PUBLIC FINANCIAL MANAGEMENT REFORMS AND SERVICE DELIVERY IN THE  
NORTHERN CAPE DEPARTMENT OF HEALTH**

Ethical Clearance number:

**UFS-HSD2021/0193/21**

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

**Dr Adri Du Plessis**

**Chairperson: General/Human Research Ethics Committee**

Digitally signed  
**Adri du Plessis**  
by Adri du  
Plessis  
Date: 2021.05.03  
16:28:47 +02'00'

205 Nelson Mandela  
Drive  
Park West  
Bloemfontein 9301  
South Africa

P.O. Box 339  
Bloemfontein 9300  
Tel: +27 (0)51 401  
9337  
[duplessisA@ufs.ac.za](mailto:duplessisA@ufs.ac.za)  
[www.ufs.ac.za](http://www.ufs.ac.za)



## APPENDIX B: GATEKEEPERS' LETTER



DEPARTMENT OF HEALTH  
LEFAPHA LA BOPHELO BO BOTLE  
DEPARTEMENT VAN GESONDHEID  
ISEBE LEZEMPILO

### OFFICE OF THE HOD

Executive Offices  
Northern Cape Department of Health  
Private Bag X5049  
KIMBERLEY, 8300  
Tel: 053 830 2134  
Email: [BMashute@ncpg.gov.za](mailto:BMashute@ncpg.gov.za)

Enquiries:  
Diphetisiso:  
Imibuzo:  
Mavrae :

Mr. B Mashute

Date:  
Leshupelo:  
Umbha:  
Datum:

19 August 2020

Reference:  
Tshupelo:  
Isalathiso:  
Verwysing:

NC\_2020\_08\_PROV.

Miss. Constance Brenda Motsitsi  
University of the Free State  
Faculty of Economic and management Science  
PO Box 339  
Bloemfontein  
9300



**Project Title: Public Financial Management Reforms and Services Delivery: The Department of Health Northern Cape.**

Dear Miss. Motsitsi

The application for gate-keeper's permission to conduct the above-mentioned research study at the Northern Cape Provincial Department Offices has been receive and reviewed by the Northern Cape Department of Health.

Decision: Approval is granted to conduct this research study at Northern Cape Department of Health Provincial Offices.

The reference number for this research project is NC\_2020\_08\_PROV, and please use this reference with all your communication with the Research Coordinator.

**Please note the following:**

1. The researcher must **first obtain full ethical approval and provide a copy of the letter to Mr. B Mashute, before the commencement** of this research
2. This approval is valid for a period of one year from the date of approval.

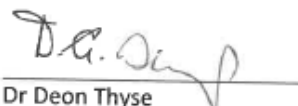


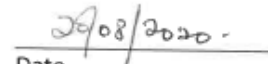
We are committed to achieving our vision through a decentralized, accountable, accessible and constantly improving health care system within available resources. Our caring, multi-skilled, effective personnel will use evidence-based, informative health care and maturing partnerships for the benefit of our clients and patients.

3. The researcher must request annual renewal of this approval and submit annual progress report to the Provincial Health Research Coordinator (BMashute@ncpg.gov.za)
4. The researcher is requested to make all the necessary arrangement with office of the Head of Department, before visiting the Departmental Offices, to ensure that the provision of healthcare services is not affected when this project is conducted.

**Please note the following conditions:**

1. This research project must be conducted at no cost to the Northern Cape Department of Health.
2. The approval is limited to the research proposal as submitted on the application.
3. There must be no modification or amendments on the research project.
4. The Research Unit may monitor this research project at any time.
5. At the completion of this research project, a copy of the final report must be submitted to the Research Unit.
6. The Northern Cape Department of Health Senior Management must be briefed on the outcome of the study prior publishing.

  
Dr Deon Thyse  
Acting Head of Department  
Northern Cape Province  
Department of Health

  
Date

## APPENDIX C: RESEARCH INFORMATION LEAFLET



### APPENDIX B - RESEARCH STUDY INFORMATION LEAFLET AND CONSENT FORM

#### DATE

*March/April 2021*

#### TITLE OF THE RESEARCH PROJECT

*Public Financial Management Reforms and Service delivery in the Northern Cape Department of Health.*

#### PRINCIPAL INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

*Constance Motsitsi* \*\*\*\*\*

#### FACULTY AND DEPARTMENT:

*Name of Faculty: Economic and Management Sciences*

*Name of Department: Public Administration and Management*

#### STUDYLEADER(S) NAME AND CONTACT NUMBER:

*Prof Chris Hendriks*

#### WHAT IS THE AIM / PURPOSE OF THE STUDY?

The study aims to determine why there remains a disconnect between having financial management reform systems in place and real functional improvements in service delivery. This will be done by determining where in the value chain is the disconnection between PFM reforms and public service delivery, through an empirical study at the Northern Cape Department of Health.

#### WHO IS DOING THE RESEARCH?

My Name is Constance Motsitsi. I am a Ph.D. student at the University of the Free State and the principal researcher for this research study. The research study forms part of my Ph.D. thesis I will submit to the university as a requirement to obtaining my doctoral degree.

#### HAS THE STUDY RECEIVED ETHICAL APPROVAL?

No. The study has not yet received ethical clearance, but I would like to put a disclaimer forward that the interviews will not be conducted before such clearance is provided to the researcher by the University.

Approval number: \*\*\*\*\*



Department of Public Administration &  
Management  
Departement Openbare Administrasie &  
Bestuur  
T: +27 (0)51 401 2435  
F: +27 (0)51 401 3947  
E: [MasiloaneM@ufs.ac.za](mailto:MasiloaneM@ufs.ac.za)

205 Nelson Mandela Drive/Rylyaan  
Park West/Parkwes  
Bloemfontein 9301  
South Africa/Suid-Afrika

PO Box/Posbus 339  
Bloemfontein 9300  
South Africa/Suid-Afrika  
[www.ufs.ac.za](http://www.ufs.ac.za)



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UNIVERSITEIT VAN DIE VRYSTAAT  
YUNIVESITHI YA FREISTATA

### **WHY ARE YOU INVITED TO TAKE PART IN THIS RESEARCH PROJECT?**

The research problem identifies that there is a gap between the implementation of PFM reforms and service delivery, as a result this research study aims to understand what causes this gap and this can only be done by obtaining the relevant information from managers within the department in order to achieve effective, valid and reliable information that will help explain and alleviate this unnatural gap between the two concepts. For this purpose, it will be needed to evaluate the reform initiatives which can only be done by engaging the programme managers, chief financial officer, and responsibility managers in a practical environment. The Northern Cape Department of Health has been chosen as the most suitable target population to help achieve the latter, as a department that has implemented various of the PFM reforms introduced by the government of South Africa since the advent of democracy.

Therefore, with the approval of the HOD, the researcher has chosen to interview 15 individuals from the above-mentioned group, as they are the most informed, experienced and capable persons to answering the research related questions. Your contribution in the research study will add high value to the study and help alleviate the challenges faced in the implementation of PFM reforms.

### **WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?**

Participants will be engaged in a form of one on one in-depth interviews. The researcher will ask participants questions relating to the research study and will be asked to answer in the most truthful and honest manner, that will ensure research objectives are truthfully achieved. A recording device will be used during the interviews and the researcher will simultaneously transcribe the responses. Each interview is estimated to take 60 minutes, depending on engagement between the manager and researcher.

### **WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?**

There is no direct benefit for participants who participate in the study. However, indirectly the research findings will simultaneously provide the Northern Cape Department of Health, the South African public sector and global scholars with answers to why a gap exists between PFM reforms and service delivery and how this gap can be alleviated effectively. The researcher will further provide the Northern Cape Department of Health with the research results and recommendations that will help it alleviate the challenges the department faces in the implementation of PFM reforms, that consequently affect service delivery in a negative manner.

### **WHAT IS THE ANTICIPATED INCONVENIENCE OF TAKING PART IN THIS STUDY?**

Firstly, the nature of this research is based on financial management, which may be worrisome to other participants. In dealing with this, every participant is assured that this study is a low risk in nature and the researcher will in no way explore any public financial management issues outside the scope of this research study. The questions asked will mainly relate to the implementation of PFM reforms and service delivery within the department. Therefore, each participant can be assured that the nature of this research study poses no threat or risk to either the department's or participant's reputation.

### **WILL WHAT I SAY BE KEPT CONFIDENTIAL?**

The identity of participants will be kept strictly confidential, and no name or personal details of any interviewee will be mentioned or revealed indefinitely. This study will be done in such a manner that the



Department of Health (its staff, reputation and image) is not negatively affected. Participants will be recorded and assigned an alphabetical code, as a result, no one will be able to link your response to your identity to ensure confidentiality.

*Please note: a report of the study may be submitted for publication, but individual participants will not be identifiable in such a report. Also, please keep in mind that it is sometimes impossible to make an absolute guarantee of confidentiality/anonymity e.g. through your consent form, your participation in the research study will be known (to parties such as the UFS research ethics committee), but as the researcher I will do my best to ensure that your responses are never linked to your identity.*

#### **HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?**

Hard copies with all the responses will be stored by the researcher for a period of five years in a locked cupboard at the researcher's home, for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. After the duration of 5 years has lapsed, the hard copy documents will be destroyed, and the soft copy deleted from the computer.

#### **WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?**

There will be no direct incentives, payments or rewards linked to your participation in this research study. Nonetheless, the NCDOH will benefit through the research analysis and findings.

#### **HOW WILL THE PARTICIPANT BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?**

After the study has been concluded, the researcher will send a copy of the findings and recommendations to the HOD and research division, who will then accordingly send these to the participants. Should the participant like to be informed of the final research findings by the researcher, they can contact the researcher 6 months after the interviews, requesting this information. The researcher will give each participant her business card with her contact details.



Department of Public Administration &  
Management  
Departement Openbare Administrasie &  
Bestuur  
T: +27 (0)51 401 2435  
F: +27 (0)51 401 3947  
E: [MasiloaneM@ufs.ac.za](mailto:MasiloaneM@ufs.ac.za)

205 Nelson Mandela Drive/Ryalaan  
Park West/Parkwes  
Bloemfontein 9301  
South Africa/Suid-Afrika

PO Box/Posbus 339  
Bloemfontein 9300  
South Africa/Suid-Afrika  
[www.ufs.ac.za](http://www.ufs.ac.za)



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YUNIVESITHI YA FREISTATA



## CONSENT TO PARTICIPATE IN THIS STUDY

I, \_\_\_\_\_ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet. I have had sufficient opportunity to ask questions and am prepared to participate in the study. I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable). I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I agree to the recording of the *insert specific data collection method*.

I have received a signed copy of the informed consent agreement.

Full Name of Participant: \_\_\_\_\_

Signature of Participant: \_\_\_\_\_ Date: \_\_\_\_\_

Full Name(s) of Researcher(s): \_\_\_\_\_

Signature of Researcher: \_\_\_\_\_ Date: \_\_\_\_\_

\*\*\*Thank you for your participation in this research study\*\*\*



## APPENDIX E: PROOF OF TEXT EDITING

### Elri Marais Language Practitioner

28 Marvanne  
193 Innes road  
Morningside  
Durban

Phone: 084 4545 381

Email: transedit@emarais.co.za

18 July 2022

TO WHOM IT MAY CONCERN

I hereby confirm that I performed text editing on the thesis of Ms Motsitsi ("Public financial management reforms and service delivery in the Northern Cape Department of Health"). I attended to the following:

1. grammatical accuracy and spelling
2. stylistic consistency
3. general logic and argumentation
4. technical correctness of references and quotations.

I did not judge the argument in itself, and I also did not check the sources for correct quotations and arguments. Furthermore, I did not check the factual correctness of arguments.

I hold an M.A. degree in language practice from the University of the Free State.

Yours faithfully

