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**THE NECESSITY OF FINANCIAL PRIORITY
DETERMINATION TO MEET THE CHANGING NEEDS
FOR GOODS AND SERVICES IN THE PUBLIC SECTOR**

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**THE NECESSITY OF FINANCIAL PRIORITY
DETERMINATION TO MEET THE CHANGING NEEDS
FOR GOODS AND SERVICES IN THE PUBLIC SECTOR**

BY

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Dissertation submitted in partial fulfilment for the degree

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(Department of Public Management)**

AT

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BLOEMFONTEIN

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THE NECESSITY OF FINANCIAL PRIORITY DETERMINATION TO MEET THE CHANGING NEEDS FOR GOODS AND SERVICES IN THE PUBLIC SECTOR

1. INTRODUCTION

The new Republic of South Africa has been proven to be a social welfare state because the welfare of the individual, or of groups and classes, is regarded as a collective responsibility of the community. The government represents the collective will of the community, and it takes the necessary steps to realise this collective objective.

The above statement means that the government accepts the responsibility for supplying more public services and means by which the minimum economic and social requirements for existence are guaranteed. It also implies that the government of the Republic of South Africa exists for the sake of all the citizens and not for the sake of an elite group or class. This government is now regarded as a dynamic promoter of social reform and a distributor of social services to all its citizens in order to lead them to a better quality of life.

Financial priority determination is about preferential choice concerning needs that must be met, bearing in mind that the government has limited resources at its disposal. Priority determination in the public sector is done in all spheres of government and in all the institutions of government. It is logic to research the "necessity of financial priority determination to meet the changing needs in the public sector", as every community is in a continuous state of flux as the needs of the people will keep on changing and must be reassessed continuously.

By setting national priorities and goals, the government of the Republic of South Africa makes a fundamental decision concerning the degree to which the government allocates resources in the country. This process involves systematic identification and measurement of a community's needs.

1.1 Selection of topic

"The necessity of financial priority determination to meet the changing needs for goods and services in the public sector" has been chosen as a topic because it addresses the problem facing the government of the Republic of South Africa regarding the scarcity of resources as compared to increasing and changing needs of the society.

As public sector affects the lives of all the inhabitants of the Republic of South Africa, its efficiency and effectiveness in meeting the societal needs is always questioned. There is a continuous effort to increase the efficiency and effectiveness of administrative practices. The necessity of financial priority determination is important and is increased as it improves the efficiency and effectiveness of the public sector in meeting the changing needs for goods and services.

Priority determination improves service delivery in the public sector by promoting efficient, economic and effective use of resources. Priority determination ensures that goods and services are provided in an impartial, fair and equitable manner.

1.2 Problem statement

The government makes promises to the electorate to meet their needs, but the needs of the electorate are unlimited and changing, whilst the resources are scarce and limited. The government of the Republic of South Africa faces many unsatisfied needs of the society. The government depends on the revenue collected from taxpayers to satisfy the needs of the society. Choices have to be made among competing needs for resources by weighing up the relative importance of one programme against another. The process of choosing which sector must be emphasised in the allocation of resources is

called financial prioritisation. Financial priority determination is very important in ensuring that very important and general needs are being funded.

1.3 Hypothesis formulation

The government of the Republic of South Africa and its agencies have to ensure equitable distribution of goods and services to all its citizens. Distribution of goods and services prove to be an enormous responsibility because of the scarcity of resources; especially finances. Almost every decision taken by the government and its agencies has financial implications.

Society has various needs that require to be satisfied through equitable distribution of scarce resources. All government institutions pursue predetermined goals, objectives and targets. To ensure that these predetermined goals, objectives and targets are financed, priority determination becomes a vehicle through which only pressing and very important goals, objectives and targets are financed.

Through financial priority determination, the needs of the community are responded to and the public sector becomes more accountable to the public on how it collects, distributes and expends its revenues.

1.4 Objectives

The topic of this dissertation aims at explaining the theory of financial priority determination and demonstrate on how financial priority determination could be implemented to improve service delivery in the public sector by promoting efficient, economic and effective use of resources in meeting the aspirations of the society.

1.5 Methodology

A scientific explanatory research technique is followed and data were collected from the following sources:

- ❖ consulting books, journals and government documents;
- ❖ consulting other scientifically researched public administration studies;
- ❖ consulting papers delivered by government leaders and other persons involved with public administration; and
- ❖ consulting newspapers and other sources of media.

1.6 Key-words and concepts

Priority; priority determination; financial priority determination; changing needs; change; goods and services; public sector; environment; sustainable development; criteria; resources; finance; objectives; financial planning and budgeting.

1.7 Contents of the dissertation

Explanation of the key concepts will be done especially those concepts that form part of the title of this study. Similarities with regard to definitions of concepts are spelt out.

To understand what priority determination is, it is of importance to take notice of its role and meaning in the lives of a community. Its role and meaning is emphasised on aspects of concern such as determining the nature of financial prioritisation; determining of priorities as part of financial planning of a state; identification of problems related to determination of priorities; consideration of factors to be taken into account during priority determination and benefits of priority determination.

Steps of priority determination give guidance to public sector functionaries on how to do priority determination. These steps include identification of needs; accumulation of relevant information; formulation of alternative solutions; development of criteria/yardstick against which needs can be measured; priority determination to exercise choice between alternatives to develop solution methods; contributions from the public; implementation of cost solution methods and feedback and evaluation of results.

The phases of financial priority determination are related to the steps of priority determination but are elucidating the process of prioritisation in practice. These phases include the formulation of a priority matrix; allocating a score of 1-5; reflecting the priority grading of an activity and consolidating the activities according to their various scores.

The importance of financial priority determination in financial planning and budgeting. In this part a relationship is made between the phases of financial planning and budgeting, and financial priority determination.

The impact of financial priority determination on the Reconstruction and Development Programme (RDP) is discussed by relating first to the basic principles and key programmes of the RDP as a background from which other discussions follow. An analysis of the implementation of the RDP from 1994 until March 1996 was done. Identification of sustainable development as what the RDP prescribes for priority determination was made and measures to ensure sustainable development as an identified priority of the RDP are established.

Government policies and strategies to ensure meeting of identified financial priorities and each one of them is discussed on how it would ensure sustainable development. These government policies and strategies include the RDP White Paper of 1994, The National Growth and Development

Strategy (NGDS), The Growth, Employment and Redistribution Strategy (GEAR) and the Declaration of the Presidential Jobs Summit of October 1998.

A challenge of economic growth and development facing the Free State Provincial Government is also elaborated on, which includes granting business more economic freedom; industrial development finance; technology development and innovation; enforcing laws to improve business and trade; and small and medium sized business development.

The expectations from public servants to ensure identification and implementation of determined priorities are discussed and elaborated on because without their practice public servants may not be effective in ensuring identification and implementation of determined priorities. These expectations include the basic values and guidelines emanating from community values; economic values, guiding values for ethical government; and service delivery principles of Batho Pele White Paper No. 1459/1997.

The very last part of this document is the conclusion which rounds off all the statements purported in the document.

2. EXPLANATION OF CONCEPTS

For the purpose of this study, it is of importance to explain certain concepts such as:

2.1 Priority

Thompson (1992:710) explains 'priority' as something that is regarded as more important than others or given the highest place among various things to be done. This explanation suggests that a criterion is used to determine which 'things' or 'somethings' are regarded as more important. Some form of

standard must be used to determine the more important 'things' among various others.

Erasmus & Visser (1997:100) view priority as referring to the preferential choice concerning needs that must be met, bearing in mind that the government has limited resources at its disposal. From this statement, it could be deduced that each objective executed by each department represent a top priority.

Coombs & Jenkins (1994:207) explain 'prioritising' as an account that is taken of the benefits flowing from the projects, the estimated capital costs associated with the project that need to be calculated as the annual recurring revenue costs (or benefits) flowing from the projects. As projects compete for scarce resources, they require to be prioritised by ranking them in order of importance. In many organisations, such ranking takes place as a result of the action of a project appraisal team that recommends the schemes that conform with the objectives of the organisation and should be included in the capital programme.

Coombs & Jenkins (1994:207) further point out that inclusion of a scheme in the capital programme is a two-stage process, *viz.*:

- (a) An outline appraisal that gives approval in principle for a scheme to be included within a multi-year capital programme. The need for the project is established, and an estimate of costs is developed.
- (b) A more detailed project appraisal of those projects within the capital programme. This establishes more detailed estimates, especially of revenue costs and may attempt to measure benefits from competing projects and examine in detail the financing of the project. The inclusion of a scheme in the capital programme does not mean that the scheme will automatically go ahead. Before final approval is given,

detailed specifications will be drawn up and put out to tender. The tenders should be compared with the original estimates before a final decision on proceedings with the scheme is made.

Miller (1976:112) argues that the setting of national priorities and goals is a fundamental decision made concerning the degree to which the government allocates resources in the country's economy.

The government should decide on how to allocate its limited resources among competing needs by setting priorities and goals.

2.2 Priority determination

To determine relates to finding out or establishing precisely about something (*Thompson, 1992:7*). Priority determination is thus a process of establishing precisely something that is regarded as more important than others or given the highest place among various things to be done.

2.3 Financial priority determination

According to *Gildenhuys (1997:116-118)*, financial priority determination originates from public budgets which refer to putting in order of importance the predetermined goals and objectives of the government. It also relates to a decision-making process through which priorities are set, goals and objectives are established, operating programmes are compiled and control is exercised.

Erasmus & Visser (1997:100) argue that the importance of the pre-determination of financial priorities is expressed in time, cost, quality and standard of acceptability in accordance with the nature and extent of service delivery. The relationship between the services required and those desired on the one hand and the total extent of the available resource should determine the choice of financial priorities, on the other hand. A budget

establishes the objectives to be realised within a specific period of time in order to realise the goals of the government.

Coombs & Jenkins (1994:93 & 207) support the above argument and point out that financial priority determination involves systematic identification and measurement of a community's needs and the systematic approval of existing resource allocation.

2.4 Change

Van der Waldt & Du Toit (1997:125) regard change as the move from a present situation. If change takes place, the **status quo** no longer applies and certain actions are required to bring about change. In order to create a favourable climate for change, it is important for public officials to understand the concept of change. Institutions that are continually effective are those that can adapt to changing circumstances which are necessitated by sudden environmental changes. It is expected of public officials to be able to manage change by following these steps:

- Understanding of the present situation;
- an image of the required future situation; and
- a movement of the institution from the first step to second step through a transitional period.

Changes are effective when institutions move from a present situation to a future situation of functioning. If the future situation satisfies expectations, the transition takes place without excessive cost, resistance and excessive inconvenience to the individual (*Van der Waldt & Du Toit 1997:125*).

2.5 Changing needs

Gillies (1982:471) describes a need as a lack of or desire for something required or wished for. *Fox & Meyer (1996:19)* explain change as movement that leads to a different position or direction. Planned change concentrates on the values, attitudes, relations, organisational climate, objectives and technology of the organisation.

Once a need is satisfied, it ceases to be a need, and thus needs change. The state of satisfaction is also short-lived and not permanent and this contributes to the fact that public needs change. The theory of Maslow's hierarchy of needs also applies to public administration and financial management (*Gortner, as quoted by Fox et al. 1991:113-114; Du Toit et al. 1998:30-32; ANC, 1994:7-15*).

Quinn (1980:74) further argues that Maslow's theory of needs and human motivation is based on the gratification of needs. This is proved by the fact that when a need is gratified at one particular level, the next higher need emerges. The needs are arranged in a hierarchy as follows:

- (a) Physiological;
- (b) safety;
- (c) belonging and love;
- (d) esteem; and
- (e) self-actualisation.

Physiological needs are the most basic and they include needs such as hunger, thirst and sleep. An individual dominated by these needs sees everything else to be of secondary importance and this can occur to such an extent that he no longer sees anything beyond gratification of them (*Quinn, 1980:70*). The basic needs are associated with poverty and deprivation. That is the reason why *The African National Congress (ANC 1994:7)* pledged on

meeting the basic needs of the people, such as jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care and social welfare. These basic needs can be met only through proper financial planning and management, by redistribution of resources to where they are highly needed. The government is able to provide goods and services from the returns it gets from its communities. The Reconstruction and Development Programme (RDP) in turn is based on the premise that user charges will take into account socio-economic circumstances (*ANC 1994:15*). The strategy for meeting basic needs rests on four pillars, **viz.:**

- (a) Creating opportunities for all South African citizens to develop to their full potential.
- (b) Boosting production and household income through job creation, productivity and efficiency, improving conditions of employment and creating opportunities for all to sustain themselves through productive activity.
- (c) Improving living conditions through better access to basic physical and social services, health care, and education and training for urban and rural communities.
- (d) Establishing a social security system and other safety nets to protect the poor, the disabled, the elderly and other vulnerable groups.

The next category is the safety needs, which include security, stability, protection, and the needs for order and structure. The belongingness and love needs then follow. Esteem needs are concerned with strength, achievement, mastery and competence and also include reputation, prestige and dignity. Self-actualisation is the highest category of needs and is concerned with the fulfilment of one's potential (*Quinn, 1980:74*).

The needs of the South African society have changed tremendously with the dawn of democracy that is enshrined in the **Constitution of the Republic of South Africa 108/1996** as amended. These needs are spelt out in Chapter 2 of the **Constitution Republic of South Africa 108/1996** under the Bill of Rights (sections 9-35). The dawn of democracy enabled the South African society to enjoy freedom of expression, transparency and other tenets of democracy.

The South African society has become more vocal about its needs than before and is more aware of what is happening around them. The principle of transparency that is exercised by the present government has improved the level of awareness of the society regarding service delivery. It is evident that with the repealing of the oppressive apartheid laws such as the **Groups Areas Act, 36/1966**, the needs of the South African society have increased, putting more demands on the scarce resources, which have to be equitably distributed amongst all citizens. The society also aspires for more than obtaining only the basic needs.

The changing needs do not apply only to the public or society, but also to the government. A need for transformation of the public sector from that of the apartheid regime that only served the interests of a minority group at the expense of the majority of people has been identified (*ANC 1994:2-7*).

According to *Ranking (1997:184-189; 191)* the Republic of South Africa should adopt a new system which aims at facilitating the provision of appropriate developmental social welfare services to all South Africans especially to those living in poverty, those who are vulnerable and those who have special needs. Moving away from the flaws of the old system would entail the following:

- Determine needs for development in the Republic of South Africa;
- identify the most pressing problems during the transformation process;

- clarifying the role of government in social development; and
- dealing with the implications of a developmental approach in community education.

Mbeki (1998:150) identified the changing needs as follows:

- Re-energising traditional African/Ubuntu values;
- removing the stains of slavery, colonialism, apartheid and neo-colonialism;
- adopting, adapting and integrating some desirable characteristics of other successful cultures such as work ethics, punctuality, creative individualism and competitiveness;
- achieving a modern winning strength from a diverse African culture, capable of survival and attaining excellence in the competitive world today;
- new struggle for economic development, job creation, survival in the global village and peace;
- strong, deliberate, purposeful steps against lack of discipline, lack of respect for authority and law, lack of respect for life and human rights of others and non-payment of rentals; and
- need for set national, spiritual, moral and cultural values and mindsets that will create a right climate for significant economic development and job creation.

2.6 Goods and services

According to *Niskanen (1994:16-19)* goods relate to things such as a product that could be manufactured in order to provide services to the public. Services relate to the work that could not be easily quantified and that is provided by a non-profit making organisation to the public to improve their lives, e.g. provision of electricity.

Netzer & Drennan (1997:27-28), defines public goods as collective consumption goods which all the people enjoy in common, in the sense that each individual's consumption of such a "good" leads to no subtraction from any other individual's consumption of that "good". These goods are usually provided collectively, working out some political arrangements to vote on and pay for the goods jointly, e.g. Masakhane Project (*Netzer & Drennan 1997:75-76*). Goods and services, therefore relate to the functions the government undertakes on behalf of the community.

Where social goods and services exist, no one is excluded from using them and this means there is no competition for the provision of these goods and services (*Erasmus & Visser 1997:59*). These goods and services include benefits offered by elements such as defence, streetlights and prevention of air pollution. These goods and services are experienced and enjoyed by every individual and no one should be excluded from their use.

Erasmus & Visser (1997:59) further explain that the state has certain obligations towards the community such as provision of social and collective services to meet the needs of all people irrespective of the degree to which they use collective services, because not all people can provide for their own needs through the market system, particularly if they are unemployed.

2.7 Public sector

The public sector relates to a state-controlled economy or industry (*Thompson 1992:725*). This industry and economy provides goods and services to the society. It also gets money to pay the cost of government goods and services from the revenue collected from, e.g. taxes, user charges, consumer tariffs and nominal levies (*Gildenhuys 1997:82-89*).

3. ROLE AND MEANING OF FINANCIAL PRIORITY DETERMINATION

To be able to expostulate on the necessity of financial priority determination, it is essential to elaborate on the meaning of financial priority determination. This entails the determination of the nature of financial prioritisation; determination of priorities as part of financial planning of a state; identification of problems related to determination of priorities; establishes criteria for evaluation of priorities; consideration of factors to be taken into account during priority determination; and benefits of priority determination.

3.1 Determining the nature of financial prioritisation

The process of determining financial priorities has both political and socio-economic functions. The difference between the two functions is explained in the following paragraphs:

3.1.1 Political function of priority determination

The politicians determine the policies of the country based on the general needs of the public that need to be satisfied. The government departments implement political policies and the departmental objectives should complement and support political policies. The changing demands on government and its programmes, the shifting interests that are brought to bear in policy decisions, and many different actors and personalities such as the legislature, political office-bearers, interest groups, the public and public officials are part of financial prioritisation that occurs in a highly charged political environment (*Denhardt 1991:166*). Financial priorities are of special importance to political leaders, to government officials and representatives of various interest groups. The many individual entries in the budget represent important choices in respect of public policies

of all types. Public officials should therefore know where the money comes from and where the money goes (*Denhardt 1991:166*).

3.1.2 Socio-economic function of priority determination

The executive activities carried out by public institutions are aimed at accommodating the needs of the society while at the same time economies make prioritisation necessary (*Erasmus & Visser 1997:105*).

The government function can be divided into four components, *viz.* allocation of resources, distribution of revenue, stabilisation of the economy and regulation of the economy. This function cannot be effected, unless priority determination is conducted, as the government functions reflect the needs of the community. The political will of the community is exercised and the social responsibility of government is manifested simultaneously in the functions performed by government (*Gildenhuys 1997:9-10*).

3.2 Determination of priorities as part of financial planning of a state

Once an objective is identified as a priority and earmarked for the execution by the department, the cost of financing the objective is estimated and the objective is eventually included up in the state estimate of expenditure. The process of determination of priorities is considered a planning instrument and the purpose of the planning and budgeting system is to make optimum use of scarce resources to meet the objectives of government, resulting in a responsible government expenditure that best serves the interests of the country as a whole (*Erasmus & Visser 1997:99*).

3.2.1 Priority determination forces public officials and managers to conduct financial planning which is useful for providing information regarding

the future which may be requested by other parties whose support and co-operation the institutions needs:

- (a) Bankers require information before making funds available to an organisation or institution such as information regarding the security of the funds advanced (*Lynch & Martin 1993:300*). If this information is not satisfactory, the bankers will not make funds available, e.g. cash flow problem in the Free State Provincial Government.
- (b) **Credit** – Many suppliers would not extend credit facilities without certain information such as the short-term liquidity position of the organisation or institution.
- (c) Clients may want information regarding the financial affairs of the organisation or institution before doing business.
- (d) Control requires monitoring the progress of the organisation's (institutional) plans of the organisation such as the actual performance against planned performance, re-evaluating plans in the light of performance and changing circumstances, ensuring that plans remain relevant for achieving the objectives of the organisation and taking necessary corrective action (*Correia et al. 1993:800*).

Although the above-mentioned parties may seem to apply mainly to the private sector, they also apply to the public sector. The Department of Finance, Expenditure and Economic Affairs for example in the Free State Provincial Government need the support of the bankers for example ABSA Bank to supply funds. The public institutions enter into contracts with certain institutions for credits and other companies become the clients of the government institutions.

3.3 Identification of problems related to determination of priorities

Erasmus & Visser (1997:100) elaborate on the problems related to determination of priorities as follows:

- Priorities could degenerate into a list of wishes if reality does not prevail.
- Politicians and officials have different perceptions of viewing the same problem and this could lead to lack of consensus.
- The largest portion of budget is for continuation of existing services whereas determination of priorities involves capital projects and that causes difficulty in making short or medium term decision adjustments.
- It is difficult to measure the quantity and quality of collective services against norms and/or standards since factors often change.
- It is also difficult to implement realistic and meaningful prioritisation that can be incorporated into the budget.

3.4 Determining a criteria for evaluation of priorities

When preparing a capital budget, for example purchasing of a building, a list of capital projects is compiled for a specific period. The projects are examined for their costs and necessity and are scheduled in order of priority. For the projects to be ranked, a criteria should exist according to which priorities are determined. The following criteria are used and also regarded as meaningful priority indicators (*Gildenhuys 1993:447-448*):

- 3.4.1 Highest priority, its cancellation or postponement of specific capital projects could have catastrophic consequences, such as the loss of life and property.
- 3.4.2 Essential extensions to existing infrastructure or new capital projects which cannot be cancelled or postponed without seriously affecting the public.

- 3.4.3 Desirable extensions to existing infrastructure or new capital projects which should enjoy priority on the basis of extraordinary economic and/or social advantages to the public.
- 3.4.4 Useful extensions to existing infrastructure or new capital projects that serve a useful purpose and are undertaken in the public interest and their postponement would not jeopardise the interests of the public.
- 3.4.5 Dispensable extensions to existing infrastructure or new capital projects that may be cancelled or postponed without prejudice to the public.

The above criteria could also be classified as priorities A, B, C, D and E.

3.5 **Consideration of factors to be taken into account during priority determination**

Schwella et al. (1996:18-20) elaborate on how the environment could exert influence on the organisation during priority determination. When the environment changes, management is confronted with a choice between stagnation and dynamic adjustment to survive (*Van der Waldt & Du Toit 1997:86*).

The influence exerted by the environment cannot be ignored if public officials expect successful priority determination. The environment constitutes the following factors that should be taken into consideration during priority determination:

3.5.1 **Political environment**

Political environment relates to the way in which the society is governed. Public resource managers should always be conversant

with the political component of the environment for trends and act proactively in that regard. It includes national political structures such as political parties, interest and pressure groups involved in the process of policy-making and law making. The government of the day has mechanisms to turn the political policies of the part it represents into state policy, acts, laws, directives and regulations which exercise profound influence on the public sector managers and providing direction and creating managerial parameters (*Schwella et al. 1996:19*).

The public sector managers should not in any way violate the **Constitution of the Republic of South Africa 108/1996**, policies and laws of the country during the process of priority determination.

3.5.2 The economic environment

Schwella et al. (1996:19) explains the economic environment as the method by which the society creates and distributes wealth. Through the economic system scarce resources are allocated to competing economic actors. The public sector managers should determine the structure of the economy, discern patterns of economic growth, identify inflationary trends and monitor exchange rates, balance of payments, savings and investments. Resource availability and competency and productivity of personnel have to be assessed and taken into consideration.

Haydam (1997:33) identified the following characteristics of an economic system that can be used to evaluate economic entities:

- Ownership and property rights which means that one either owns a commodity or it belongs to someone else i.e. the government, church, company or a group of people.

- The freedom of labour which involves considering the role and rights of workers such as minimum wages, working hours, equal opportunities to work.
- The degree of centralisation that explains that only a few people make decisions on production and consumption.
- Market allocation or economic planning which relates to how the economy allocates its resources and attain growth.
- Incentives: Financial rewards that aim at motivating economic production by offering both material and moral incentives or a combination of both.

Economic characteristics such as inflationary rate and needs such as housing and electricity and their variance are of primary importance to public service managers when doing priority determination.

To manage executive institutions effectively and efficiently, it is important that public managers should be familiar with the central government budgeting procedures (*Van der Waldt & Du Toit 1997:126*).

3.5.3 Social environment

The social environment includes the scanning of social indicators and a comparison of these with economic trends such as the gross domestic products. The indicators are used for measuring the quality of life necessary for social progress and development in the areas of health, security, legal aid, unemployment and education (*Van der Waldt & Du Toit 1997:125*).

3.5.4 Technological environment

Development and progress in the technological field have resulted in far-reaching changes, especially in the field of computers. These changes have to be taken into account by management when scanning technological environment. Technology enables the managers to be able to manage the information system (*Van der Waldt & Du Toit 1997:126*).

The use of computers has become invaluable during priority determination and for budgeting. The information is stored professionally and it can be retrieved when necessary.

3.5.5 Cultural environment

Schwella et al. (1996:20) aver that culture at social level comprises society's beliefs, attitudes, role definition and interaction. It includes learnt and shared behaviour, values, norms, artefacts and the behavioural patterns acceptable to groups. A democratic public administration's values include constitutionalism, which, in a democratic society provides for the rights and obligations of citizens, state and its officials, and it is expected of public officials to act constitutionally during priority determination and distribution of scarce resources. Democratic values such as representativeness, transparency, legitimacy, responsiveness and accountability; economic values which are essential for fulfilling a vital economic role of providing essential services, use scarce societal resources, economic values that encompass effectiveness, efficiency, value for money and productivity all form part of the cultural environment.

3.5.6 Legal environment

Van der Waldt & Du Toit (1997:117) claim that the legal environment includes factors such as the constitutional system, the nature of the legal system and legislation determining the form and control of government institutions. It is essential for public managers to abide by the laws and the Constitution during the processes towards distribution of scarce resources to the consumers.

3.5.7 Financial environment

Du Toit et al. (1998:24; 43) aver that the financial environment includes all factors that will enable the government to carry out its tasks by generating revenue and promulgation of acts such as **Value-Added Tax Act 89/1991**, the **Income Tax Act 36/1996** and the **Tax on Retirement Funds Act 38/1996**.

To finance a government's activities requires large sums of money. To generate the required funds and to manage them properly, requires policies in terms of which revenue for the government can be generated and to control the generated revenue. **The Constitution of the Republic of South Africa 108/1996** contains policy prescriptions regarding finances such as the National Revenue Fund; national, provincial and municipal budgets; treasury control, establishment of a financial and fiscal commission, a central bank, and matters pertaining to provincial and local government finances.

Although public officials do priority determination, they must bear in mind the available funds allocated to the different spheres of governments and departments to be able to reach their objectives. Finance is an important and a very scarce resource. It is important, therefore, to have managers who are able to generate funds within the

limited resources allocated to them to be able to obtain their objectives unlike those who request more money without having evidence of development within their departments.

3.5.8 Geographic environment

Du Toit et al. (1996:246-247) explains that the geographic environment for example relates to the size of the country or province, its topography and even its shape which can influence the boundaries, state forms and consequently, the relations between various governmental institutions in that country or province.

Geographical considerations should be taken into consideration during priority determination and distribution of scarce resources as these could be done centrally or in a decentralised manner depending on the size and topography of the particular country or province. The climate of the country or province, the presence of mineral resources, agriculture and its export capacity, for example, determines the poverty or the affluency of the country. All these factors relating to the geographic environment of the country should be taken into consideration during priority determination.

3.5.9 International environment

Schwella et al. (1996:19-20) claims that the international environment includes the prevailing economic ideas, philosophies and ideologies that form the basis for international economic structures and processes. These international economic structures that influence economic matters include the World Bank, the International Monetary Fund (IMF), national central banks and a plethora of commercial banking and finance institutions. The role of the World Bank and the IMF, for example in determining the economic policies of developing

countries including South Africa impact hugely on the resources of the country and contain specific implication for public managers.

Resource availability, economic growth, inflationary trends, monitoring of exchange rates, balance of payments, savings and investments influence the international competitiveness of a national economy.

3.5.10 Other factors which determine the state of community life

Apart from the above-mentioned influences that are exerted by the environment on the organisation during priority determination, there are factors that have a bearing on community life and thus also affect priority determination. These factors include population increases and urbanisation of the population; crises; natural disasters; war and depression and international relations.

(a) Population increases and urbanisation of the population

According to *Cloete (1994:98)* population increases and urbanisation of the population exert pressure on the existing services and this forces the government to provide more services and goals such as health services, housing, water, protection against pollution of food as well as water and air and slum clearance. Due to the new constitutional dispensation, it has become evident that people, especially blacks, have migrated from the rural areas to the urban areas, causing an increased population in the urban areas which has also resulted in informal settlements. As the Republic of South Africa is seen as the more industrialised and rich country in Southern Africa, more legal and illegal emigrants have added to the existing problem of overpopulation and strain on the available services. This forces the public manager to take these issues into

consideration during priority determination as goods and services form the basic needs from which no one should be excluded (*Craythorne 1997:386-387*).

(b) Crises, natural disasters and war depression

During priority determination, provision should be made for disaster management so that the country should not fall into a state of depression. Due to the political violence that has been experienced for example in the KwaZulu-Natal Province and Thokoza-Thembisa area in Gauteng Province, the government had to provide some relief to the victims of violence and also to control the violence through deployment of police and the army to such areas. This would not be possible, if, during priority determination, consideration of disasters and crises was not done. This also warrants change in the priority list, as prevention of destruction of life and property becomes the first priority of the government (*Cloete 1994:98; Erasmus & Visser 1997:100*).

(c) International relations

Cloete (1994:98) avers that public relations play an important role as a result of improved communication media and the Republic of South Africa apart from having diplomats stationed in other countries, has to take part in the activities of numerous international institutions such as, among others, the United Nations and International Monetary Fund. The activities of these institutions influence the national policy of each state because the states are mutually dependent upon each other for particular products and services. As a member of the Southern African Defence Council (SADC), the South African National

Defence Force (SANDF) had to take an active role to control violence that took place in Lesotho in 1998. These actions have enormous financial implications for the country and thus affect priority determination (*Smith 1999:1&3*).

3.5.11 Needs and expectations of the population

Cloete (1994:99) explains that every institution exists to satisfy the real needs and the justified expectations of the population. The public becomes aware of a need and then the public or interest groups start making representations to the authorities to satisfy the need. The needs should be general and not individual for the government to satisfy. The government is able to satisfy the population needs by making use of taxes and levies collected from the members of the society. Members of the public continue to experience needs which they ask the government to satisfy, whilst at the same time they also ask the government to lower the taxes.

The government experiences the problem of not having enough resources, especially money, to satisfy the needs. That is why needs have to be ranked in the order of priority so that only the most pressing needs can be satisfied. This requires constant consultation with the public in order to inform the public about the reasons behind the decisions taken by the government (*Craythorne 1997:91*).

The legislature has the responsibility of ascertaining and prioritising real needs and justifiable expectations of the population. The forces, institutions and functionaries which could be involved in the ascertaining and the prioritisation of the needs and expectations of the people and which could in turn inform or communicate directly or indirectly with the legislature are (*Cloete 1996:63*):

- Political parties;
- citizens through informal contacts, demonstrations and mass action;
- pressure/interest groups or non-governmental institutions;
- tourists;
- other states;
- international institutions and functionaries;
- administrative institutions and functionaries; and
- governmental institutions.

3.5.12 Policies of political parties

The political parties base their claim to power on their respective views with regard to various policy matters, and these views could fundamentally affect the activities of the executive institutions. When a new party comes into power it will introduce policy changes (*Cloete 1994:99*). In the Republic of South Africa, when the African National Congress (ANC) came into power, the Reconstruction and Development Programme (RDP) was introduced and accepted as a policy of the government and this affected the activities of the executive institution as the focus became development which is also sustainable. The **Constitution of the Republic of South Africa 108/1996** came into force and several apartheid laws were repealed such as the **Group Areas Act 36/1966**. The ruling party could misuse the legislature to pass mal-enactments to unjustifiably benefit supporters of the ruling party and penalise members of the opposition party/parties. The stronger a political party becomes the more dangerous it becomes in wielding its power, for example, the National Party in the Republic of South Africa from 1948 to 1993 when the National Party was solely in power. Some steps could be followed to prevent partisanship, for example political parties should be replaced by non-partisan citizen

association known as voters' leagues which would (*Sono 1993:183-184*):

- Facilitate consumer awareness for example political evaluation of the issues before the electorate;
- present before the electorate the candidates who have qualified elections;
- facilitate on an equal footing the campaign activities of all candidates;
- monitor that partisan or special interest groups do not extend their influence and control to individual candidates;
- arrange competitive public debates among candidates; and
- act as an electoral commission.

3.5.13 Activities and representations of interest groups

Interest groups constitute numerous associations that have been created by members of the population with identical interests such as workers' or employees' associations and associations of traders and industrialists. These groups are continually engaged in making representations to authorities about changes to policy. Once a interest group uses its pressure on the legislature or it plays a political role, it becomes a pressure group (*Du Toit et al. 1997:164*).

The interest groups are interested in satisfying the needs of their constituencies and not the population/society as a whole. Although some of the interest groups oppose the government policies, there must always be co-operation between the government and interest groups. Public officials should bear in mind, that the interest of the whole society should be taken into consideration rather than those of the smaller group during priority determination and distribution of

scarce resources. The relation between manifest and latent interests is the central problem in interest groups. Public officials should decide as to what extent can be organised, overt interest be taken as reflecting the interests of the general population (*Du Toit et al. 1997:164*).

Craythorne (1997:408) indicates that pressure groups can have an effect on planning and decision-making because if the means by which people with a particular interest band together to give strength to, and obtain a hearing for, their views. Pressure groups are persistent and if colourful enough, they can draw the attention and sympathy of the press. As they have a value of drawing attention to a particular need or situation, public officials must bear in mind that pressure groups can make demands on resources which may not be related to their needs. Pressure groups have the ability to cut across objectives and plans established to meet perceived needs, leading to frustration and hostility of public officials. Public officials should not be diverted from the techniques of establishing needs and priorities, by the input value of the pressure groups. Pressure groups are interested in satisfying the needs of their constituencies and are generally not concerned about the needs of the society as a whole.

Interest groups with identical interests such as "workers" or employees' associations and trade unions continually make representations to various authorities to change policy such as revised legislation to improve the conditions of service of the members of the unions (*Cloete 1994:100*).

Sometimes government is taken to the Council for Conciliation, Mediation and Arbitration (CCMA) or an industrial court and once a case has been won by the employee organisation, the government is expected to pay for the demands made by the organisation. These

require changes to be made on the priority lists, to ensure that court rulings and CCMA decisions are implemented.

3.5.14 Watchdog role of the media

The media constitutes electronic press such as radio and television, and the printed press such as newspapers, magazines and pamphlets, which are institutions of society that play an important role as watchdogs over the actions of politicians and public officials. The fear of publicity has a positive effect because it prevents unethical behaviour by politicians and public officials. Media paves way for public debates, to reflect and to make a choice. Reflecting and making a choice by politicians have a direct impact on priority determination and distribution of scarce resources because these affect policy (*Du Toit et al. 1997:162-163*).

Public officials should bear in mind that media can be very sensational, but public sector organisations can never be entirely private because their actions affect a significant number of other people.

3.5.15 Research and investigations as well as the views and experience of public officials

Nowadays public institutions do research on an increasing scale and this research has an influence on policy matters and priority determination (*Cloete 1994:100*). The research conducted on the implementation of RDP led to the closure of the RDP Office by President Nelson Mandela in March 1996. The closure of the RDP Office affected policy and the RDP from then had to be implemented by the ministries through the budget rather than through an RDP fund (*Liebenberg & Stewart 1997:7*).

3.6 Benefits of priority determination

Government institutions exist for the purpose of achieving objectives set by the government of the day to ensure the welfare of the society. To achieve the government's objectives, funds must be available and the government has to generate funds because its activities require large sums of money. Through priority determination and a budget, government institutions are made operational by providing them with the available funds. Priority determination and budget also act as policies, because they are implemented and also as control measures because they are used to evaluate whether the public departments/institutions have achieved their objectives. It is in this notion that benefits of priority determination are discussed in the following paragraphs (*Erasmus & Visser 1997:100*):

3.6.1 Functioning within strategic plan of an institution

Priority determination also forces all departments and components of an organisation to function within an overall strategic plan which includes setting of objectives, identification of goals, identification of organisation's current position, the generation of alternative strategies to achieve the objectives and management control. It ensures that mechanisms are set up to ensure that strategies are effectively and efficiently translated into the operators of the organisations (*Correia et al. 1993:802*).

3.6.2 Improvement of skills of managers

Priority determination improves the skills of managers in using quantitative methods of decision-making. The quantitative methods of decision-making assist the managers by providing the final unqualified answers to a problem, provide an answer to which the management can apply judgement, provide a range of positive answers, structuring

the problem to carry out sensitivity analysis and use long-range planning through simulation and interactive models (*Correia et al. 1993:803*).

3.6.3 Priority determination enables management to make financial decisions

Priority determination enables management to alter the immediate and long-term needs of a public institution. Management is able to forecast the future and project service delivery to the future.

Priority determination enables management to make financial decisions that are either short term to satisfy current or immediate objectives or long term to satisfy current and future outlay of funds for which it expects to receive benefits over a period of time greater than one year (*Polimeni et al. 1991:705*).

3.6.4 Priority determination enables top management to determine/ predict the successfulness of financial decisions

Craythorne (1997:369) suggest that, when compiling or considering a capital budget programme, the decision-makers should ask the following questions:

- ▲ Why is the activity undertaken?
- ▲ Why the activity is proposed?
- ▲ What is the objective of the activity?
- ▲ Is it the only way of meeting that objective?
- ▲ What are the other ways of meeting the objective?
- ▲ How effective is the chosen way in attaining that objective and at what cost?
- ▲ How does it compare with other ways of meeting the objective?

△ What benefits will result from undertaking the activity?

These questions enable management to analyse the situation and predict the success of the decision.

Priority determination enables top management to determine/predict whether the organisation will be successful when making financial decisions during capital budgeting. An objective systematic analytical framework is needed to guide management in making such decisions (*Polimeni et al. 1991:705*).

3.6.5 Increasing benefits to organisation and reducing organisation's risks to unfavourable and unsound financial position

Unsound financial position among other things includes and failure to claim or to collect revenue or to control expenditure or to compile and approve an operating budget. Refusal of people to pay services, rates and taxes does not only lead local authorities to bankruptcy, but the whole country. Correct priority determination, enforces local authorities to take action to prevent such unsound financial positions (*Craythorne 1997:378*).

Priority determination and budgeting enforce public institutions to manage cashflow properly so that the institution will not be in an unsound financial position.

Priority determination enables public officials to classify projects in a way that would indicate benefits to the organisation and the customers/citizens by proper costing, converting allocation of the organisation's scarce resources into their monetary values, determining amount of each scarce resource that must be committed to the project and determining the nature of the expected benefits for the

organisation or for the society. The organisation's risks to cash flow problems or operating with a deficit are reduced (*Polimeni et al. 1991:705*).

3.6.6 Priority determination enables public institutions to strive towards attainment of the broad aim of government

The public institutions are subsystems of a system which is a government. The subsystem has its aim which contributes to the whole system. The sum total of the functions of the subsystem make up the function of the whole system. Through priority determination of each public institutions, a budget is formed which becomes part of the total government budget. The objectives of each public institution or department are prioritised to attain the main goal of the government (*Gillies 1982:138*).

The functions of departments become related to the broad aim of the government. More specific objectives pursued by the government are taken into consideration as seen from the Reconstruction and Development Programme (RDP) (*Erasmus & Visser 1997:105*).

3.6.7 Ensuring that programmes and projects benefit communities

The public officials should undertake an objective, systematic analytical framework to guide them to whether the programmes and projects benefit the communities. They should analyse how each programme contributes towards attainment of the goal of the public institution and whether each programme or project leads or contributes to a specific type of development. Public officials should establish the reason for undertaking a programme or project and weigh the benefits of a programme or project as compared to the losses (*Craythorne 1997:369*).

Feasibility of programmes or projects is closely examined to ensure that objectives will be of benefit to the communities and that the cost related to it is justified.

3.6.8 Ensuring that the best alternative is chosen

This is confirmed by the steps that are followed during priority determination which are referred to Chapter 4 (four) of this dissertation. These steps show that a decision is not taken haphazardly, as all the options are listed, evaluated, weighted and the best option is chosen. Choosing the best alternative reflects the priorities and the degree of importance public officials believe each priority carries (*Robbins 1980:66*).

Investigations of various expenditure options, alternatives, the quality of a proposed or existing service and the human resource implications results in the careful consideration of all factors that could influence the optimum application of funds (*Erasmus & Visser 1997:105*).

3.6.9 Ensuring integrated financial management system

Liebenberg & Stewart (1997:64) refer to a strategic financial management pyramid development which from the top to bottom include the following:

- ▲ Strategic positioning through financial policy making for development;
- ▲ entrepreneurial financial planning for development; and
- ▲ appropriate financial control and evaluation for development.

Although the strategic financial management pyramid seems to apply to developing countries it is no different from those in developed countries.

Priority determination ensures effective, integrated financial management system of the state functions by bringing functions of the departments (programmes), resources, responsibility structure, budgets and control mechanisms into relationship with one another (*Erasmus & Visser 1997:125*).

4. STEPS OF PRIORITY DETERMINATION

Gillies (1982:337) elaborates on the following steps of priority determination:

4.1 Identification of needs

Public officials should avoid identifying immediate needs and brush aside long-term needs, e.g. an outbreak of cholera is identified as a problem of a particular community and is corrected by establishing a clinic to treat cholera whereas the real need is a supply of clean water. The tendency to identify the symptoms of a need as a real need should be guarded against, by public officials. This tendency of dealing with the symptoms instead of the real problem is called oversimplification. Sometimes managers have the tendency to assume that the future will repeat the past when they base forecasting on past events (*Craythorne 1997:398*).

The tendency to identify immediate needs which result in "cognitive short-sightedness" goes hand in hand with expediency which result in priority determination occurring in a haphazard manner, especially under political pressure. If this happens, resources could be allocated incorrectly (*Craythorne 1997:398*).

Robbins (1980:65) calls this stage, ascertaining the needs. The stage starts by determining that a problem exists which results in an unsatisfactory condition. The public officials will decide whether a gap exists between what is desired and what is really taking place. The public officials are expected to be responsive to the needs of the society, but they should not lose objectivity in determining the gap between what is desired and what really happens. *Hanekom & Thornhill (1983:78)* state that determination of needs is done by ensuring that a clear description of the problem is made and the real problem is identified instead of its symptoms.

Communities are not self-reliant and thus depend on the government for provision of goods and services they need. It is the function of the government to ensure identification of the communities needs for goods and services. These needs should be general as the government is unable to satisfy individual needs.

Van der Waldt & Helmbold (1995:13) state that once a need is identified as general, it is given the highest priority by arranging the needs in order of their priority.

4.2 **Accumulation of relevant information**

Accumulation of relevant information is time-consuming and it warrants expertise and patients. Different methods could be used for gathering information such as surveys, interviews and meetings. If a programmed method of storing information is used, relevant information could be retrieved from a computer. The gathered information about the need should be analysed and interpreted (*Fox et al. 1991:303*).

Collection and analysis of data related to the identified needs is essential, such as who is affected by need; who can supply information; whether a similar problem occurred previously; whether certain solutions are

unacceptable to specific people; and which resources are available to meet the need (*Hanekom & Thornhill 1983:78*).

Accumulation of relevant information involves information pertaining to the needs identified such as whether the need is general or individual and that includes all the information that would support that the identified needs are crucial or not (*Gillies 1982:337*).

4.3 Formulation of alternative solutions

This step involves developing a list of the alternatives that may be viable to meet the identified needs. This step requires the public official's ability to comprehend a wide range of possible alternatives (*Robbins 1980:66*).

Hanekom & Thornhill (1983:78) also confirm that it is important to have various, if possible all, alternative solutions at hand.

Rosenbloom (1993:325) refers to this step as that of considering the means. Various means of accomplishing the objective or satisfying the need are considered, and virtually all the potential means identified, should be listed.

Du Toit et al. (1998:208) states that the existence of some choice is a prerequisite to effective decision-making. All possible alternatives should be listed and this warrants creativity on the part of the public official in order to invent new ways of doing things or interpreting old problems.

Du Toit et al. (1998:208) confirms that priority determination requires several alternatives from which to choose. The existence of a choice is a prerequisite to effective decision-making and priority determination. The greater the number of appropriate alternatives, the higher the quality of the final result (*Gillies 1982:337*).

4.4 Development of criteria/yardstick against which needs can be measured

Erasmus & Visser (1997:99) refer to this step as classification of priorities by giving each programme, derived from the needs a priority classification number in terms of the following criteria:

- △ Priority A: which is absolute priority;
- △ Priority B: which is essential priority;
- △ Priority C: which is desirable priority;
- △ Priority D: which is useful priority; and
- △ Priority E: which is expendable priority.

These priorities are not determined at random basis, but according to their importance in order to avoid irregularities in connection with the allocation of funds.

Erasmus & Visser (1997:99-102) further describe a scientific structure method of determining priorities which prevents precedents. This scientific structure method involves formulation of a structured priority matrix which includes criteria; weight scale of 1-10; activity score scale of 1-5 and weighted score of $3 = 1 \times 2$. Details on the scientific structure method are discussed under the phases of priority determination in this dissertation.

This step involves moving the situation from the present condition of threat to a more secure or promising future condition. It involves determination of standards by which the final solution will be judged often suggests methods and techniques for problem solving (*Gillies 1982:337*).

4.5 Priority determination to exercise a choice between alternatives to develop solution methods

Rosenbloom (1993:328) relates to this step as "choosing the best alternative". Once all potential means of achieving the end/needs are identified, choosing amongst them becomes necessary. Choosing is done to maximise efficiency, economy and effectiveness. Although it is difficult to evaluate effectiveness, but the three values serve as a guide.

Hanekom & Thornhill (1983:78) emphasise that each alternative solution should be evaluated to ensure that a solution is realistic, and will successfully meet the identified needs. The final judgement of decision-makers should be fallible when selecting the best alternative and compromise should be exercised by all parties involved.

Robbins (1980:66) relates to evaluation of alternatives so that their strengths and weaknesses become evident as they are compared against the criteria and weights established. The alternative with more strengths and less weaknesses is considered the best. Public officials should bear in mind that "best" is subjective and should take the following into consideration:

- △ That the alternative chosen is important to their decision;
- △ the weight is assigned to each alternative to establish its strengths and weaknesses; and
- △ the decision reflect the priorities and the degree of importance the decision-makers believe, each priority carries.

Choosing involves the selection of one alternative from the several examined that is characterised by considerable vacillation. The alternative selected is considered as a solution method or a course of action (*Du Toit et al. 1998:208; Correia et al. 1993:780*).

4.6 Contributions from the public

Du Toit et al. (1998:208) support the idea of including the views of others, from which a quality decision could be made. Creative thinking could be facilitated if people are grouped together to come with the solution of solving a problem.

Fox et al. (1991:55) refer to this step as "democratic participation" by employees and the public served. Getting contributions from the public is in line with the values of consultation, responsiveness and representation. Public officials should always bear in mind that people who are likely to be affected by the goods and services delivered by the government and its agenda, should have a say on how these goods and services should be delivered.

Consultation with the public should be done by public officials/managers throughout the steps of priority determination. The solution method reached should be announced to the public and the public should be given opportunity to submit views. Sometimes feedback from the public is negative, but if the government has followed the steps of priority determination well to ensure sound decision-making there is no need for concern (*Gillies 1982:337*).

4.7 Implementation of cost solution methods

According to *Hanekom & Thornhill (1983:78)* the implementation of a cost solution method is done by ensuring that responsibilities are allocated and periodic and progress reports are made. The solution method or best alternative should be linked to a budget which points out the costs involved in implementing the decision.

The budget of the solution method will also serve to co-ordinate various programmes being implemented as they will reflect in the overall budget of the

organisation. The budget also provides standards of performance and require that visible progress is made before finances are granted for a particular project. For implementation purposes, decisions about standards of performance, responsible persons and time schedules have to be made (*Fox et al. 1991:54*).

The solution method reached, should be implemented in order to meet/satisfy the need identified as a priority. Before its implementation, financial implications should be determined. Creativity implications should be determined. Creativity is also an important skill to invent new ways of doing things, or new ways of interpreting old problems (*Craythorne 1993:63*).

4.8 Feedback and evaluation of results

Progress is evaluated against the stated objectives and by reaching the standards as set out in budgets and programmes. This will be an indication that objectives will be reached. It is also important to evaluate against the realisation of opportunities and/or alleviation of identified problems (*Fox et al. 1991:54*).

Du Toit et al. (1998:208) regard this step as the most neglected by public officials because public officials avoid going back to the community to give account on which of the objectives have been met. Progress and final reports reflect failure or the successfulness of the decision taken. The quality of a decision is often determined by how well that decision is marketed to the community, is implemented, monitored and adjusted.

Gillies (1982:337) explains that the communities or recipients of services will give feedback on the decision implemented and the implementers of the decision will also give feedback on the results of the implemented priorities. Evaluation is conducted in terms of the set standards. It is also imperative to

adhere to the determined priorities despite negative feedback and public officials should be committed to their decisions.

5. PHASES OF FINANCIAL PRIORITY DETERMINATION

Erasmus & Visser (1997:100) identified the following phases that should be followed when determining priorities in practice:

5.1 Formulation of a priority matrix

The priority matrix of a department is derived from the objectives of that department. An account of the criteria is discussed under paragraph 3.4 on determining a criteria for evaluation of priorities. In this priority matrix, needs are prioritised or classified according to the order of priority, e.g.:

- ▲ Priority A;
- ▲ Priority B;
- ▲ Priority C;
- ▲ Priority D; and
- ▲ Priority E (*Gildenhuys, 1993:447-448*).

Robbins (1993:66) refers to the list of criteria that should now be prioritised, by placing the most important criteria highest in the list and other criteria cascade down according to their order of importance. Each criterion needs to be weighted to indicate their order of importance, using a scale of 1-10 and 10 being the highest in the scale.

This is attained by diagonally reducing all activities of a department. Each department has its own priority matrix that is based on the objectives of the department and on a strategic plan. A scale of 1-10 is used and 10 representing the most important criteria. To obtain optimum results, it is essential to use the full spectrum of the ten-point scale.

5.2 **Allocating a score of 1-5**

In this phase, there has been a reduction of the highest score from 10 to 5, which means the criteria is becoming more difficult for needs to be in the priority list.

For each activity performed by a department, a score of 1-5 is allocated, based on the contribution of each activity to the objectives or criteria (*Robbins 1993:66*).

5.3 **Reflecting the priority grading of an activity**

This score reflects the priority grading of an activity.

The priority grading of each activity is determined by multiplying the score obtained in paragraph 5.1 by a score calculated in paragraph 5.2 to achieve a third score (*Erasmus & Visser 1997:100*).

5.4 **Consolidating the activities according to their various scores**

The way in which decisions about activities are made is linked to a certain body where information is formulated. This allows for more effective use of limited capital.

Fox et al. (1991:290) identify decision matrices that are used to assist the public managers in making a choice from among competing alternatives. Managers generate various decision criteria which would influence the final decision. The criteria are listed and weights are allocated to poor criteria. The decision criteria are placed on a priority scale. The product of priority and weight will eventually determine the relative value of the criteria towards the choice of alternatives.

The activity with the highest score is placed first on the consolidated priority grading with the rest arranged in descending numerical order. If all activities fall outside the limits of available funds, the lowering of the standard of service of certain higher order priorities must be considered in order to include lower order priorities (*Fox et al. 1991:290*).

6. IMPORTANCE OF FINANCIAL PRIORITY DETERMINATION IN FINANCIAL PLANNING AND BUDGETING

Financial planning and budgeting are part of financial management. Financial management became more important due to increasing size and complexity of public institutions and the scarcity of resources. Financial planning and budgeting ensure optimal use of financial resources especially in an environment characterised by constant change and the increasing needs and requirements of the community. It is thus essential to manage the available resources carefully to ensure that funds are used effectively and that the objectives of the public sector are achieved (*Van der Waldt & Du Toit 1997:301*). Funds made available for a specific purpose must be used for that purpose. Financial planning and budgeting succeed only when proper financial priority determination is done. To ensure optimal use of financial resources, activities, programmes or projects should be prioritised before they can be financed.

As almost all decisions taken in an institution or organisation have financial implications, public managers should have sound knowledge to control budgets, make cost-benefit analyses and estimates in planning, control inventory and use sources of financing optimally. Financial planning and budgeting go together with financial control, because it is important to ensure that the implementation of the budget is done to attain the goals of the government. Financial control is the only means that ensure resources are used for a specific purpose.

6.1 How a budget sets planning guidelines to develop operating programmes

A budget is a policy statement and it is also a set of planning guidelines whereby an operating programme is developed.

Henley et al. (1989:79-99) elaborates on the guidelines for financial management in which departments set out their major expenditure programmes and break them into activities or services suitable for budgeting and accounting. These guidelines cover such areas as:

- ▲ Planning on the basis of expenditure programmes and activities which have developed from the needs/objectives of the community.
- ▲ Identifying the individual manager who will have responsibility for programmes and activities. This ensures accountability and to enforce financial control.
- ▲ Budgeting is a pre-requisite for a financial schedule that is attached to the activities so that the financial implications are determined.
- ▲ Development of adequate financial reporting mechanisms to prevent misappropriation of funds and control cash flow.
- ▲ Adoption of procedures for a rolling review of programme effectiveness. Programmes should attain their objectives and if they lack effectiveness the overall objective of the institution is lost.
- ▲ The adoption of a programme of internal auditing to facilitate financial control, prevent and control misappropriation of funds.

6.2 Phases of financial planning and budgeting

Gildenhuys (1993:405) points out that this planning process comprises three main phases. Firstly, the identification of an objective structure consisting of a main objective, various sub-objectives and the aim of an authority; secondly, the compilation of an operating programme for the realisation of objectives;

thirdly, compiling an operating programme for the realisation of objectives; and this operating programme should have projects and tasks scheduled in terms of the work to be performed with resources allocated.

Liebenberg & Stewart (1997:71) argue that, if a budget is to serve as an operating programme it should contain at least four components, **viz.** an objective structure, an activity schedule, a resource schedule and financial schedule:

6.2.1 An objective structure

This objective structure should consist of a primary objective and sub-objectives, which their realised sum should accomplish the main goal of the organisation or government. The process will cascade from a paramount goal to a main objective and to sub-objectives that are more concrete in nature and they should have time schedules.

Gildenhuys (1993:538) further argues that real targets as related to each sub-objective should be identified for a specific fiscal year and their accomplishment at the end of each year represent the annual instalment of the relevant continuous sub-objective.

As public institutions have many objectives, they need to be arranged in the order of priority to ensure that only very important ones would be included in the priority list (*Erasmus & Visser 1997:100*).

6.2.2 An activities schedule

After constructing the objective structure and the annual concrete targets, the activities to be executed for accomplishing the targets should be identified. Each sub-objective and its target have their distinctive activities. The nature and scope of the distinctive activities

should be clearly established because they determine the resources to be obtained from the budget. The activities should be programmed in order of priority (*Gildenhuys 1993:539*).

One activity could be able to satisfy more than one objective. It is important to group activities into programmes. Programmes should also be prioritised so that only the most essential programmes are financed.

6.2.3 **A resource schedule**

The nature and extent of the activities to be executed will determine the nature and extent of the resources required. The resources required are **inter alia** personnel, stock, machinery, finance and equipment should be determined. The nature and extent of the activities will also determine the nature of knowledge, expertise and skills of the human resources required. A physical budget of inventory for the various resources should be accomplished before the costs of these resources can be estimated (*Gildenhuys 1993:539; Liebenberg & Stewart 1997:71*).

As a result of the scarcity of resources, caution should be taken during allocation of resources so that it is done economically and the resources are allocated only to those activities or programmes that rank high on the priority list.

6.2.4 **Financial schedule**

Gildenhuys (1993:539) explains that the physical resources budget (inventory) is a prerequisite for compiling the financial schedule. This entails calculation of the costs of the resources possible and it represents the monetary values of all the resources.

The government has limited resources at its disposal. Finance is a very scarce resource especially in the public sector. The available funds should be distributed to the programmes and projects that emanate from the planning and budgeting exercise. As the programmes and projects compete for scarce resources, they need to be prioritised by ranking them in order of importance. The programmes or projects that rank high will be part of the priority list and they will be financed. This usually causes frustration to the public manager who has planned so well for his/her department but due to financial constraints, his/her budget is cut down and some of the projects or programmes have to be postponed. This also calls for another skill, i.e. entrepreneurship, where a public manager is given an option to raise funds from the allocated funds. Those managers who are able to take calculated risks could do this (*Craythorne 1997:90*).

7. IMPACT OF FINANCIAL PRIORITY DETERMINATION ON THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

The Reconstruction and Development Programme was a pre-election policy of the African National Congress (ANC) which directly started in 1993 when Cosatu presented its proposal for a Reconstruction Accord. The document was refined several times until in June 1993 when the Tripartite Alliance (African National Congress, South African Communist Party and Congress of South African Trade Union) adopted it. The RDP became the major contribution of the Tripartite Alliance in the ANC's conference on Reconstruction and Strategy in January 1994. The Government of National Unity (GNU) as the government adopted the RDP as policy after the elections. The RDP is based on the six principles from which the programmes were identified (*Liebenberg & Stewart 1997:4-8*).

7.1 Six basic principles of the RDP

The African National Congress (1994:4-6) elaborates on the six basic principles of the RDP which when combined make up a political and economic philosophy as follows:

7.1.1 An integrated and sustainable programme

An integrated and sustainable programme by bringing together strategies to harness all the resources of the country. The RDP aims at correcting the legacy of the Apartheid regime which divided resources according to colour, race and geographic position. This was a very expensive method of ruling the country, which ensured separate development and entities. This actually hampered development especially of the Black people and resources were concentratedly directed to the minority group. The ANC government aimed at removing all barriers that prevent bringing together the resources and distributing them accordingly. From this point of view, the government would economise, and the money derived from this effort would be used to finance the RDP (ANC 1994:4-6).

The RDP aimed at bringing together strategies to harness all the resources of the country in a coherent and purposeful effort that can be sustained into the future. These strategies should be implemented by all three spheres of government, parastatals and organisations within civil society working within the framework of the RDP.

7.1.2 A people driven process

The ANC's focus regarding the principle of a people driven process, meant active participation of all the people to ensure that the RDP is a success. *Liebenberg (1997:125)* explains participation as "... an active



process in which the participant takes interactive, and takes action that is stimulated by their own thinking once deliberation and over which they can exert effective control.”

Participation goes beyond provision of labour and contributions for development projects, but is seen as a means of empowering people by developing their skills and abilities so that they can make their own decisions in terms of their development (*Liebenberg 1997:125*).

It also involves empowerment which is a process that makes power available so that the individual can access and use resources to achieve certain development goals. Once people participate and are empowered, they are able to develop. Development should be sustainable, and this means it is based on beneficial attainment of access to and the mobilisation of resources by the poor in order to address their basic needs (*Liebenberg 1997:125-126*).

The RDP focuses on the people's most immediate needs and also on their efforts to drive the process of meeting their needs regardless of race, gender, rural, urban, rich or poor. The society is expected to participate actively in shaping its future and many forums are developed throughout the country (*ANC 1994:4*).

7.1.3 Peace and security for all

Every country depends on its security forces, police and judicial system for peace and security. That theory was different in the Republic of South Africa, because these parties were used to suppress and oppress the majority in the country, until the country was in a state of anarchy because, the oppressed defied the security forces and police. The aim of the RDP is to integrate the security forces, police and

judicial system to the society and these parties should behave, and be seen as people that bring peace and security for all (ANC 1994:4).

The RDP focuses on removing the security forces, police and judicial system from rendering service of the apartheid's racist ideology by establishing security forces and the judicial system that reflect the national and gender character of the democratic country (ANC 1994:4)

7.1.4 Nation building

The people of the Republic of South Africa, have not been one society for a long time, due to economic and land division which resulted into two societies, those of the "first world" and those of the "third world". The aim of the RDP is to bridge the gap by ensuring economic development which will be initiated by participation and empowerment of the people. The people of the Republic of South Africa could unite and build a rainbow nation; and one society. This would lead to co-operation among different groups that could lead to sustainable development of the society (Cloete & Mokgoro 1995:33).

The RDP also focuses on building the country and avoiding division of the society into the "first world" and a "third world". It also aims at building the Southern African region so that it can play an effective role within the world community (ANC 1994:4).

7.1.5 Linking reconstruction and development

Liebenberg & Stewart (1997:186-187) define reconstruction as determination to provide an alternative view of rebuilding the country and bringing about change. They further define development as the intention and aspiration to confront the issues of South Africa as a country with a mixed capitalist economic system, a country with the

world of the developed, privileged sector and that of the underdeveloped, impoverished and hungry.

Liebenberg & Stewart (1997:186-187) refer to development as addressing basic needs of the family, access to vital services, health and pleasant environment. It signifies the need for skills and knowledge to be used as a source of power by the individual or community.

The RDP integrates growth, development, reconstruction and redistribution into a unified programmes through infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunication, transport, health, education and training for all the people. The programme will meet all the basic needs and open previously suppressed economic and human potential in urban and rural areas. This linking of reconstruction and development could succeed only if peace and security is achieved (ANC 1994:4).

7.1.6 Democratising of South Africa

The RDP requires fundamental changes in the way policy is made and that programmes are implemented and people should participate in decision-making that affect their lives. Transformation of both the state and civil society will bring about democracy.

From the six basic principles on which the political and economic philosophy of the new South Africa is based, identification of priorities was made possible. These priorities were converted into programmes to reach the main goal of the ANC led government, for example to implement a programme (RDP) that is achievable, sustainable and meets the objectives of freedom

and an improved standard of living and quality of life for all South Africans within a peaceful and stable society (ANC 1994:4).

7.2 Key programmes of the Reconstruction and Development Programme (RDP)

The five key programmes are:

7.2.1 Meeting basic needs

The first priority is to begin to meet the basic needs of people such as jobs, land, housing, water, electricity, telecommunications, transport, a clean and salubrious environment, nutrition, health care and social welfare. The people should be involved in the decision-making affecting the programmes aimed at meeting their needs (ANC 1994:8).

7.2.2 Developing the human resources

The RDP will empower the communities through an education and training programme from primary to tertiary level; from childcare to advanced scientific and technological training. The RDP focuses more on women, youth, the disabled and it emphasises on affirmative action. It also focuses on arts, culture, sport and recreation (ANC 1994:9-10).

7.2.3 Building the economy

The economy has strengths and weaknesses. The weaknesses of the economy are, among others, racial and gender inequalities in ownership, employment and skills; repressive labour practices; neglect of training; isolation from the world economy and excessive concentration of economic power. In building the economy, programmes such as linking reconstruction and development; industry,

trade and commerce; resource-based industries, upgrading infrastructure; labour and workers rights and Southern Africa receive attention (ANC 1994:1).

7.2.4 Democratising the state and society

Without thorough democratisation the resources and potential of the Republic of South Africa and people will not be available for a coherent programme of reconstruction and development (ANC 1994:11).

7.2.5 Implementing the Reconstruction and Development Programme (RDP)

The RDP raises many challenges in its implementation because it involves processes and forms of participation by organisations outside government. The RDP structure in government at national, provincial and local level is necessary. Rationalisation of existing systems, improvement of the capacity of the financial sector to mobilise more resources, reallocation of existing funds, improved and reformed tax system and raising of new funds in a number of areas will create funds that will fund the RDP (ANC 1994:12).

7.3 Analysis of the implementation of the Reconstruction and Development Programme (RDP) from 1994 until March 1996

When considering the programmes of the RDP, it becomes clear how broad and complex they are and this means they would require a lot of resources in terms of human, finance and skills to make them happen. The broadness of the programmes and lack of understanding of the RDP by the civil society made it difficult to implement the RDP. The RDP met enormous challenges such as corruption and mismanagement of resources, and each key programme needed policies to be developed and transformation of the state

and civil society. This took a lot of time and work (*Fitzgerald et al. 1997:47-48*).

The **RDP White Paper 1994** which aimed at operationalising the RDP, lacked a detailed budget and did not specify proposals for the relations of Non-governmental organisations (NGOs) and Community-based organisation (CBOs) to government. The White Paper clearly stated that the delivery of the RDP would be through ordinary line-function ministries (*Liebenberg & Stewart 1997:16*).

The RDP fund was established to initiate certain projects, through the line-function ministries. The RDP allocation for 1994/1995 was R2,5 billion, in 1995/1996 R5 billion and 1996/1997 R7,5 billion. Of the available funds in 1994/1995 only one third was spent and 68 % was rolled over from the two tax years. About 20 % of the RDP money allocated in 1995/1996 were not spent. The president disbanded the RDP office on 28 March 1996 (*Liebenberg & Stewart 1997:17*).

7.4 What the Reconstruction and Development Programme (RDP) prescribes for priority determination

The RDP prescribes sustainable development for priority determination which has been the focus of the RDP. Sustainable development is a process whereby the society (people) has the capacity to manage limited resources (environment) to fulfil present and future needs (development) indefinitely (*Cloete & Mokgoro 1995:29-30*). This means that an interrelationship exists among the people, environment and development. Sustainable development means different things to different people; for example in first world countries, it means protecting the quality of life already attained while in third world countries, it means protecting life itself. Poverty, instability and environment degradation is vast in most third world countries (*Cloete & Mokgoro 1995:30*).

To be able to reach sustainable development, although very difficult to achieve, public managers should rank programmes or projects which indicate signs of sustainable development highest in their priority lists. The public sector manager should have the knowledge to identify sustainable development which should indicate promotion of self-reliance and self-sufficiency; through a process that is participatory, equitable and sustainable.

Cloete & Mokgoro (1995:31) elaborate on the factors, development requires the following:

- ▲ Economic growth is the indispensable material base for better life.
- ▲ Capacity building through the cultivation of skills, institutions and incentives that enable the societies to sustain improvements and to cope with fresh challenges.
- ▲ Equity by fair distribution of the fruits of economic expansion.
- ▲ Authenticity by recognising the distinctive qualities of the Republic of South Africa which should be expressed in its own institutions and practices.
- ▲ Empowerment by the expansion of opportunities for individuals, as well as communities, to participate and make their influence felt in economic and political transactions.

According to *Fitzgerald et al. (1997:230)* the projects designed for community development should have the following objectives:

- ▲ Enabling each community to take lead in controlling development initiatives.
- ▲ Integrating the acquisition of material needs satisfies with growing awareness of non-material needs and processes such as gaining a framework for community decision-making and prioritisation.
- ▲ On-going conflict handling, negotiation skills, and problem-solving workshops.

- ▲ Increasing self-reliance by incremental community take-over of projects processes and responsibilities.

Max-Neef (1991:19) points out three frameworks which, when they are intelligently used and with skills, contribute to development; such as integrative negotiations; conflict resolution and human scale development. These skills could contribute to sustainable development and dehumanisation of the people of the Republic of South Africa.

The central challenge of sustainable development is one of human resource capacity building and institutional strengthening for the management of sustainable development (*Munslow & Fitzgerald 1994:229*).

Human resource development (HRD) is the process of increasing the knowledge, the skills and the capacities of all the people in a society. In economic terms, human resource development is the accumulation of human capital and its effective investment in the development of an economy. In political terms, it prepares for adult participation in political processes, particularly as citizens in a democracy. From the social and cultural perspective, HRD helps people to lead fuller and richer lives, less bound by tradition. All in all HRD unlocks the door to modernisation (*Fitzgerald et al. 1997:278-279*).

The development of the people should be achieved within the guidelines of environmental sustainability which is interrelated with the social, economic and political structures of the society. Sustainable development requires steady progress towards improvement in human conditions; reduction of poverty, ignorance, and disease; and expansion of well-being and opportunities for all. Sustainable development also affects the enhancement of people's capacities to adapt successfully to different circumstances (*Cloete & Mokgoro 1995:33*).

According to *Cloete & Mokgoro (1995:33)*, technology and money play the following important part in development:

- ▲ People's determination to make things better for themselves;
- ▲ the accountability of those in power to those they propose to assist in development; and
- ▲ people's willingness and ability to change their management and administrative patterns, their educational systems, and most important their political systems.

It can be concluded, therefore that sustainable development should be the primary agenda of the government.

7.5 Measures to ensure sustainable development as an identified priority of the RDP

Cloete & Mokgoro (1995:36-37) explain that priority determination to ensure sustainable development, requires major changes in the economic, political and social structures of the Republic of South Africa. The following actions could attain this:

- ▲ Incorporation of population and environment concerns into national planning from the beginning to the end. Areas of acute population pressures on the environment should be identified and receive special attention by improving environmental conditions at local levels especially among the poorest of the population. The ANC led government had paid special attention to the informal settlement and the rural to improve their environment conditions by provision of low-cost houses, electrification, installation of telephones, roads and street construction and provision of land and a supply of clean water (*Cloete & Mokgoro 1995:36*).
- ▲ Ensuring that significant changes in natural resources are monitored and anticipated and the information should be fed back into development plans

and related to planning of spatial distribution of population (*Fitzgerald et al. 1997:95*).

- ▲ Use of land and water and spatial planning should bring balanced distribution of population through incentives for industrial location and for resettlement and development of intermediate-sized towns, keeping in view the population carrying capacities of the government.
- ▲ Design of public works including food-for-work programmes should be such that they can be implemented in areas of environmental stress, with a view to providing employment and simultaneously improving the environment (*Fitzgerald et al. 1997:391*).
- ▲ Increase of public understanding of the significance of population planning and environmental improvement for the Republic of South Africa should be done by the government and voluntary organisations in the following manner:
 - ❖ enabling local communities to exercise greater control over discussions affecting their own welfare; and
 - ❖ recognising and enhancing the role of women in environmental and population matters (*Fitzgerald et al. 1997:94 & 391*).
- ▲ Active participation of private enterprise and industry in the work of government and NGOs should be aimed at improving and relieving population and environmental stress (*Fitzgerald et al. 1997:408*).
- ▲ Fostering initiative for enhanced policy analysis and planning by a systematised evaluation of the multiple dynamic interactions between population and environment; establishing measures to implement the policy discussions throughout government/non-government systems, private sectors and the development of local expertise to monitor, evaluate and communicate the complex inter-relationship between population, environment and sustainable development.

A great deal of improvement is needed at the implementation level of programmes and projects to sustain the benefits of development for broader society. Efficiency and effectiveness are top priorities in the development

programmes and projects. The programmes and projects should be able to produce results and benefits that are valued high to ensure on-going supply of contributions to ensure that programmes/projects continue to produce results. Emphasis should be placed on the fact that an important link exists between human-centred development opportunities and sustainable development.

8. GOVERNMENT POLICIES AND STRATEGIES TO ENSURE THE ACHIEVEMENT OF IDENTIFIED FINANCIAL PRIORITIES IN THE PUBLIC SECTOR

The RDP although proved to be such a good government policy which emphasised on a macro-economic policy which does not advocate deficit spending but on redirecting government spending, became difficult to implement as envisaged by the ANC. Strategies had to be put into place to ensure efficient and effective implementation of the RDP such as the **RDP White Paper of 1994**, the **National Growth and Development Strategy (NGDS)**, the **Growth, Employment and Redistribution Strategy (GEAR)** and the **Declaration of the Presidential Job Summit**.

8.1 RDP White Paper of 1994

A number of submissions were made within the RDP White Paper process, revealing the terrain of the immediate post-election policy debate. The RDP Green Paper was produced initially as a contribution to the policy discussion on the RDP with the aim of providing a ten-year, long-term vision and was drafted by the Central Economic Advisory Services (CEAS) along with the Development Bank of South Africa (DBSA). The Green Paper viewed the RDP as being concerned with growth and development, thereby creating the conditions for economic growth and redistribution. The National Institute for Economic Policy (NIEP) emphasised on development through redistribution and restructuring whereas for CEAS, growth would precede redistribution.

The difference in emphasis caused delays and failure of implementation of the RDP (*Fitzgerald et al. 1997:44-47*).

The institutional weakness of the RDP office was clearly displayed by poor communication of the funding criteria and projects format to line departments and provinces. The RDP office failed to educate old and new guard public servants to prioritise development criteria rather than merely following rules and procedures (*Fitzgerald et al. 1997:48*).

Chaos reigned in the provinces where real structures of government delivery in major line departments were supposed to take place due to failed appropriate RDP financial, institutional and delivery mechanisms.

Throughout the White Paper, the delivery as stated in the RDP is via the ordinary line-function ministries. Although the White Paper attempted to operationalise the RDP, it obviously lacked a detailed budget proposal and also specific proposals for the relations of NGOs and CBOs to government (*Liebenberg & Stewart 1997:7*).

8.2 The National Growth and Development Strategy (NGDS)

The National Growth and Development Strategy was established in 1996 with the aim of providing a policy framework elaborated into long-term perspective. However the co-ordination of the emerging NGDS proved to be loose and flexible, and it ceased to be a formal programme by the end of 1996 (*Liebenberg & Stewart 1997:8-9*).

8.3 The Growth, Employment and Redistribution Strategy (GEAR)

The GEAR was seen as the ANC's reinterpretation of policy in response to pressure from the international economy and was commissioned as a macro-economic strategy (GEAR) in December 1995 and released by Minister

Trevor Manuel in June 1996. Although a top-down approach, the GEAR appears to be flexible and adaptive covering a five-year period to the year 2000. It was planned that it would be followed by rural and urban development strategy. It was a governmental attempt to set time scales, budgets, line functions and co-ordination structures to achieve the RDP goals that require co-operation between national departments and other spheres of government. The paradigm shift displayed by the ANC lead government is described as a pragmatic and pro-active response to international and domestic economic constraints (*Liebenberg & Stewart 1997:11-12*).

8.3.1 The two core strategies contained in GEAR

The "High Road" which the Republic of South Africa decided to follow through the macro-economic framework (GEAR) aims at improving South African economy by ensuring (*ANC 1997:19*):

- ▲ a competitive and fast-growing economy which creates enough jobs for all work-seekers;
- ▲ a redistribution of income and opportunities in favour of the poor;
- ▲ a society in which sound health, education and other services are available to all; and
- ▲ an environment in which homes are secure and places of work are productive.

The above are the same goals that underlie the RDP. GEAR sets out the key economic plans for achieving the above goals (*ANC 1997:19*).

GEAR consist of the following two core strategies, **viz.:**

(a) **Growth through exports and investments**

This core strategy strives to create the desired growth by changing the economy to increase the amount of goods and

services that are exported, especially in the non-gold sector. This would warrant a good and stable domestic environment to encourage domestic and foreign investments in South Africa.

(b) **Redistribution through jobs and the budget**

GEAR strives to redistribute the wealth of the Republic of South Africa by ensuring that more people have access to jobs and participate in economic activity. Reforming the budget to ensure that essential services like water, housing, education, social services and health are provided to all the people.

These two core strategies complement each other as they both contribute to development of human potential, job creation, provision of goods and services and the promotion of economy.

8.3.2 **Features of the two strategies**

The *GEAR Strategy of the Republic of South Africa (1997:20-22)* elaborates on the features of the two core strategies which can be summarised as follows:

(a) **Fiscal policy**

The fiscal policy relates to how the government collects its revenue and how it spends this money. The fiscal policy involves factors such as sharpened focus on budget reform, reduction in the fiscal deficit, and public service restructuring.

(b) **Monetary policy**

Monetary policy relates to the instruments or methods that the government uses to influence the value of the currency and prices in order to ensure stability in the financial markets. The instruments and methods include keeping the inflation rate low; maintaining a stable competitive exchange rate by keeping the value of the Rand high and the gradual relaxation of exchange controls.

(c) **Trade and industrial policy**

According to *GEAR Strategy of the Republic of South Africa (1997:11-12)* trade and industrial policy are measures that are available to government to either help or limit trade between countries. GEAR strives to provide a conducive environment for trade by gradually removing the barriers that limit trade between South Africa and other countries. GEAR also provides for measures that will support the development of industries which will encourage new investments in manufacturing. GEAR seeks to encourage production of non-gold exports to improve Gross Domestic Product (GDP) by the year 2000. GEAR strives to provide incentives to encourage the development of Small, Medium and Macro-enterprises (SMMEs) by providing financial assistance, advice and training for small and micro-enterprises.

(d) **Public investment and asset restructuring**

Asset restructuring concerns the way the government companies or corporations are managed, controlled, regulated and owned. Public investment in infrastructure involves the construction of roads, electrification, sanitary facilities, hospitals,

schools, water, pipelines, railways and harbours. Asset restructuring involves the total sale of assets, a partial sale of assets while the government still holds a small but strategic share and also involves the way assets are managed, controlled and regulated (*GEAR Strategy of the Republic of South Africa 1997:15-16*).

(e) Labour market reform

According to *ANC (1997:22)* labour market reform is concerned with such issues as relations between employers and employees, wages and training. GEAR identifies the need for structured flexibility within the labour market that will be facilitated by a labour market policy that will support growth path that will create jobs for the unemployed. Training, development of skills and improving productivity are important aspects of GEAR.

(f) National social agreement

National social agreement relates to the activities of government, business and labour that impact heavily on economic development. GEAR aims at ensuring that co-operation between government, business and labour is established and maintained although it is not an easy task (*ANC 1997:22*).

The GEAR strategy, however, has been a matter of contention due to the real differences that existed over the question of macro-economic policy and its potential effects. Cosatu has staged several demonstrations which indicated that it did not support the GEAR strategy. It becomes clear that not all parties did endorse the GEAR

strategy. The aspirations, intentions and real apprehensions of all key social constituencies with regard to the GEAR strategy were taken into consideration and understanding and respect of such concerns was developed. The constituencies in the **National Economic, Development and Labour Council (NEDLAC)**, such as organised business, communities, labour and the national government; engaged in discussions and resolved to act in concert to create jobs, stable and fair industrial relations, respect for workers rights and sustainable growth and development which culminated to the **Declaration of the Presidential Jobs Summit on 30 October 1998.**

8.4 Declaration of the Presidential Jobs Summit, October 1998

The discussions that took place between the NEDLAC parties and within the political arena regarding the macro-economic policy and employment creation for the South Africans did not focus on achieving endorsement of GEAR by all parties, but to reach agreement on how the country could achieve real growth, development, redistribution and employment creation. Through the open, frank and sincere discussions which took place in preparation for the Jobs Summit, parties agreed that an appropriate macro-economic policy should reinforce the structural transformation contained in the RDP and thereby promote:

- Elimination of poverty, reduction of inequality and a redistribution of resources;
- an increase in per capita GDP through higher levels of investment, growth and development; and
- the maximum potential net job creation within an employment generating growth path (*ANC 1994:79*).

The Jobs Summit addresses adjustments that are necessary to ensure that the GEAR projections on growth, interest rates and employment which could

not be met in the time frames that were set out, are according to the changed circumstances. The agreements, commitments and statements of intent relate to other areas than the macro-economy alone. The Jobs Summit plans to take the first major steps to effective corrective measures to address the current situation in the Republic of South Africa. These statements of interests, agreements and commitments include the following among others (NEDLAC 1998:4):

- Industrial policy measures and programmes to address employment and increased investment, new programmes to further strengthen SMMEs and for the tourism sector;
- agreement to enhance delivery of housing and increase rental housing that will have a significant employment effect;
- human resource development in the form of training, education and targeted programmes for youth, women and the disabled will be done in the context of job creation programmes that will develop infrastructure and contribute to sustainable employment;
- operation of the labour market that will include job security, productivity and employment of the youth, women and the disabled;
- establishment of the special employment programmes that are being implemented and the new programmes that are proposed;
- establishment of job creation in the integrated provincial projects; and
- matters on financing the Jobs Summit have been dealt with in detail which include fiscal allocation for job creations, funding by the Social Development Investments (SDIs), Umsobomvu fund, funding of the government employees pensions funds, solidarity tax, tax systems and others.

9. A CHALLENGE OF ECONOMIC GROWTH AND DEVELOPMENT FACING THE FREE STATE PROVINCIAL GOVERNMENT
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The challenge facing the Free State Province is to be on the "high road" to long-term economic growth and development. The Free State Department of

Finance, Expenditure and Economic Affairs has developed an appropriate, systematic and understandable approach that is based on the theory of national and international leading economists. The Free State Provincial Government has identified the economic challenges the province is facing which have contributed to the decline of the **Gross Geographic Product (GGP)** to 0,4 % that has been caused by a negative growth rate of 4 % per year in mining. The identified challenges are as follows (*Free State Department of Finance, Expenditure and Economic Affairs 1998:2-3*):

- ◆ The Free State's small base of manufacturers contribute 14 % of the GGP.
- ◆ No relevant trade links exist with neighbouring and foreign countries.
- ◆ The economy of the province depends mostly on agriculture and mining which are influenced by outside factors.
- ◆ Secondary sectors like manufacturing are relatively underdeveloped.
- ◆ Growth of different regions of the Free State is uneven.

Taking all the identified challenges into consideration, the Free State Province had to plan on how to meet the challenges by building the economy to ensure sustainable economic growth and development.

9.1 Identified financial priorities to bring about change towards a sustainable economic growth and development in the Free State Province

The province needs a long lasting high level of economic growth that will improve the basic standards of living of the people and could be attained by bringing about real change in the structure of the economy. This would be necessitated by the co-operation of government, labour and business to manage the changes that are imminent (*Free State Department of Finance, Expenditure and Economic Affairs 1998:3*). The identified financial priorities are as follows:

9.1.1 Granting business more economic freedom

The South African Reserve Bank has granted permission to the Harmony Gold Refinery in Virginia to sell approximately a third of its gold production directly to private individuals and jewellery manufacturers. The direct buying facility will be available to all private individuals and/or companies both at home and abroad. New doors will be opened to smaller businesses to enter to valued-adding ventures and to locate manufacturing plants in the Goldfields regions. A number of jewellery related investments have been secured and will be implemented in this region within the near future (*Free State Department of Finance, Expenditure and Economic Affairs 1998:4*).

This move taken by the Free State Government will improve the economy of the province and of South Africa as new ventures are opened, creating sustainable jobs for the people. Processing of the raw material produced by the country within the country is good rather than exporting the raw material and buy processed goods back at a more expensive price. The process of exporting raw material increases the economy of the countries that buy the raw material, as refining it creates sustainable jobs for their people and selling the refined and processed material at alarmingly high cost boosts the economy of such countries.

9.1.2 Industrial development finance

The **Industrial Development Corporation (IDC)** had introduced a new low interest scheme to encourage independent participants to be active in industry. The scheme makes finance available to manufacturers at a low interest rate to gain fixed assets that will improve their international competitiveness following changes in the tariff policy. Finance for the acquisition of fixed assets to promote new investment directed at

exports (*Free State Department of Finance, Expenditure and Economic Affairs 1998:4*).

9.1.3 Technology development and innovation

The production methods used in the province should be updated to meet the international standards by making use of the latest technological development to enable the province to be competitive in the world economy. Companies are now able to acquire advance technology through direct buying and through joint venture with foreign companies. Technology leads to a even wider spread of technology, effective and efficient use of resources, greater product differentiation, high value-adding and ability to respond effectively to changes in the market conditions (*Free State Department of Finance, Expenditure and Economic Affairs 1998:4*).

The Free State Provincial Government is supportive of projects, businesses that are actively involved in technology development in the province.

9.1.4 Enforcing laws to improve business and trade

The Free State Government aims at removing laws and harmful business practices that prevent commerce and small business development.

9.1.5 Small and medium sized business development

Promotion of small, medium and micro enterprises (SMMEs) is a key element of the government's strategy for employment creation and income generation. The Free State Development Corporation (FDC) implements policies outlined in the **White Paper On Small Business**

Promotion through provision of loans, non-financial support and aftercare services to SMMEs with the aim of creating sustainable jobs in the province (*Free State Department of Finance, Expenditure and Economic Affairs 1998:4*).

9.1.6 **Economic diversification**

The Chem City project in Sasolburg is designed to be a vehicle for the production of downstream chemicals on a long-term basis. Chem City will allow entrepreneurs to add value by changing Sasolburg's raw material into end-use products. Approximately 500 factories aimed at manufacturing the raw material into refined products will be in operation when this project is implemented (*Free State Department of Finance, Expenditure and Economic Affairs 1998:5*).

9.1.7 **Attracting foreign direct investment**

The Free State province has embarked on a detailed Investor Targeting Strategy which identified areas that are likely to be successful in attracting direct foreign investment such as cost of doing business in the province; convenience of doing business in the province or country such as living, banking, transport and communication infrastructure; capability of the infrastructure to fulfil the project's needs; and concessions or incentives offered for establishment of business and exports (*Free State Department of Finance, Expenditure and Economic Affairs 1998:6*).

People at the grassroot levels want to see the creation of jobs and improvement of the economy. Such challenges as documented by the Department of Finance, Expenditure and Economic Affairs in the Free State Province should be seen taking-off as such good plans are not easily implemented due to lack of capacity. After the Economic Growth and

Development document was distributed to people at the launching of Batho Pele project by the Free State Government in November 1998 the province became headlines in the media due to the cash flow crisis. Once again human resource development becomes the first priority of the government to ensure sustainable economic development because the cash flow problem in the Free State Province is due to lack of human resource capacity at the implementation level.

<p>10. EXPECTATIONS FROM PUBLIC SERVANTS TO ENSURE IDENTIFICATION AND IMPLEMENTATION OF DETERMINED PRIORITIES</p>
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For the public officials to be able to implement the determined financial priorities there are certain values which the public officials should have learnt and internalised. These basic values are enshrined in the **Constitution of the Republic of South Africa 108/1996, White Paper on Transforming Public Service Delivery No. 1459/1997 and Code of Conduct No. 1060/1994**. It should be noted what is meant by basic values being learnt and internalised. Learning means that the public officials have not only memorised the basic values but also knowledge of them has caused a relatively permanent change in the behaviour of public officials. Having internalised the basic values means that the public officials spontaneously practice these basic values automatically and sub-consciously and they have become part of their daily lives or their way of living. If this could happen, the public sector would be the best place to ensure the welfare of the society.

The Code of Conduct for Public Servants guides the functioning of public servant during service delivery from an ethical point of view both in their individual conduct and in their relationship with others. In addition to the above, public officials should take an oath when they commence employment to make them accountable for their actions as individuals or in their relationship with others. Professions such as medicine, nursing, law among others, practice taking of an oath at the completion of the training course to

ethically and legally bind the individual. For those professions or vocations in which oath taking is not applicable, signing of contracts can be used which legally oblige the individual to be accountable for his/her actions as an individual or in concert with other members (*Cloete 1994:78-79; Public Service Regulations 1999:23*).

10.1 The basic values and guidelines emanating from community values

The public sector is not in isolation and it is also affected by what is happening in the communities it serves as community values are transmitted from the communities to the public sector. Public servants are expected to uphold and abide by the basic values that are presented by that particular society or community. These basic values include religious doctrines; fairness and reasonableness, thoroughness; probity; and balanced decisions.

10.1.1 Religious doctrines and value systems

The Oath of Office or Solemn Affirmations prescribed by the **Constitution of the Republic of South Africa 108/1996** for the President, Executive Deputy Presidents, ministers, members of the National Assembly and the senate, premiers of the provinces, members of provincial executive councils, judges of the Supreme Courts and other functionaries, indicate that public officials are expected to maintain high ethical standards while serving in such offices. These guidelines serve as basis for the code of conduct for all public functionaries such as the elected political office-bearers as well as appointed officials (*Cloete 1994:78-79*).

10.1.2 Fairness and reasonableness

Cloete (1994:79-80) avers that as the public institutions and officials have an obligation to promote the welfare of the community, they are expected always to be fair and reasonable in their dealing with each citizen regardless of race, gender, language or religion. Public authorities should always act within the letter of the law and should be above unethical conduct. Fairness and reasonableness should be practised during priority determination and during distribution of scarce resources to meet the needs of the society.

In the South African context, priority should be placed to the society that was previously excluded from the resources, although maintenance of the existing resources is also essential. It is still fair and reasonable to provide services to the poorest of the poor, as no one should be excluded from goods and services (*Craythorne 1997:81-88*).

10.1.3 Thoroughness

The practice of public officials should be characterised by thoroughness which involves maintenance of high standard of work, good quality and without wasting time (*Cloete 1994:80*).

Thoroughness warrants commitment from the public functionaries. Lack of capacity which is characteristic of most of the public functionaries leads to lack of thoroughness, lowering of standards and poor quality of service. Priority determination is part of budgeting and planning, and it needs people with relevant skills to produce a plan that would be implemented in order to meet the needs of the society (*Erasmus & Visser 1997:100*). If financial priority determination is not done with thoroughness and commitment, resources such as money,

time, material and personnel are wasted and the society is left without having its needs satisfied.

10.1.4 **Probity**

According to *Thompson (1992:712)* probity originates from a Latin word 'probus' which means 'good'. Probity means uprightness and honesty which is the stance that is expected from political office-bearers and public officials.

The public functionaries (political office-bearers and public officials) should not have ulterior motives when performing their duties and should not use authority to obtain inadmissible gains. The conduct of these public functionaries must be such that they can stand any test of public scrutiny. Probity is a valuable element for determining the needs of the society, prioritising them and for distribution of resources (*Cloete 1994:80*).

10.1.5 **Balanced decisions**

Craythorne (1997:95) argues that before a policy can be determined, the issues giving rise to the exercise have to be recognised. Ignoring or avoiding issues will create dissatisfactory grievances and conflict. Recognition of public issues, therefore, is a matter of sound political judgement coupled with good communications with the local communities.

Once an issue has been recognised, there is usually a planning stage before a decision is taken. Planning involves the following steps (*Craythorne 1997:96*):

- ▲ Identifying the real issue by means of analysis. This stage is essential so as to avoid treating the symptoms of an issue rather than the real issue itself, for example building a clinic to treat an outbreak of cholera instead of providing clean water supply.
- ▲ Identifying the various alternative solutions to find the 'optimum' or best solution. The solution should be practical, feasible and likely to solve the problem satisfactorily and within the means available.
- ▲ Taking of decision(s) follow which involves actual setting or making of a policy. Once a policy has been made and adopted, resources will be allocated and implementation of a policy takes place.

Cloete (1994:80) confirms that if all issues or aspects of the matter are taken into consideration, the decision taken becomes balanced. Balanced decisions ensure that everybody receive fair and equal treatment.

10.2 Economic values

Public authorities decide which activities to undertake to satisfy the unending list of public needs. After that, the public authorities have to find the money to pay for the needs that should be satisfied. Public institutions obtain their revenue from the money paid to citizens, whose ability of paying is limited and ability of public institutions to provide goods and services is also limited. These factors prevent the public authorities from satisfying all the needs of the society in full. This forces the public authorities to set priorities and these priorities determine what work has to be done, and in what order due to limited resources. By using the available resources wisely and correctly, each need can be satisfied according to its urgency (priority) and its necessity (*Cloete 1994:81*).

It is important to consider the economic values during priority determination and implementation of programmes and projects. These economic values include economy, effectiveness, efficiency and productivity.

10.2.1 Economy

According to *Du Toit et al. (1998:115)*, economy is a term that is associated with the cost element of an activity and the relationship of contributions and results. Economy ensures that initial costs are minimised. *Cloete (1994:81)* states that economy refers to the frugality with which resources have been used. Economy requires that the contributions such as materials and equipment should be obtained at the lowest prices and used without waste. In most cases, revenue (resources) could be inadequate that provision is made in policy for needs to be satisfied only in one part.

The public manager should consider a policy to be well executed when its administrative costs and loss through mistakes, fraud, or waste are minimal (*Rosenbloom 1986:367*).

10.2.2 Effectiveness

Effectiveness refers to the extent to which overall goals are achieved as indicated in the original programme of action, i.e. when priorities were set (*Du Toit et al. 1998:115; Cloete 1994:82*).

In the managerial perspective on policy evaluation effectiveness focuses on the process of implementation of the policy. The questions mostly asked to determine the effectiveness of a public institution, are the following (*Rosenbloom 1986:365*):

- ▲ Is the administering institution effectively or rationally organised?

- ▲ Is the behaviour of the public administrators involved predictable?
- ▲ Are patterns of authority and responsibility clear?
- ▲ Is feedback within the institution sufficient?
- ▲ Is communication adequate?
- ▲ Are there enough resources being devoted to the policy?

The above questions ask whether the organisation, or the effort to implement the policy, follows the notions of effective management with regard to structure, personnel, budgeting and decision-making. The managerial emphasis on effectiveness favours policies with clear, identifiable goals so that formal organisational arrangements and guidelines can be formulated towards their achievements. When a policy has clearer goals, it is easy to develop meaningful indicators of performance with regard to its achievement. It is difficult to have effective implementation processes unless there are clear objectives and indicators of performance (*Rosenbloom 1993:365*).

Rosenbloom (1993:366) identified the following three common techniques that can be used to evaluate the effectiveness of policy implementation:

- ▲ Site visits by teams of high ranking administrators and other experts in the public institution to assess operations at various installations. The team picks up impressionistic data about how programmes are being run, whether specific guidelines are followed, whether there are competent staff and whether or not clients are pleased with the services. The members of the Implementation Committee of the Free State Provincial Government visit the sites where projects are implemented to evaluate the effectiveness of policy implementation.
- ▲ Process measures, such as the number of claims processed, pupils matriculated, arrests made or decline of infant mortality rate, are often a useful gauge of activity on a yearly or monthly basis.

- △ Comparison with professional standards is used in certain fields where standards have been established independently by engineers, educators, health professionals or otherwise. The professional standards are used as criteria against which the effectiveness of a programme/project can be measured.

10.2.3 Efficiency

According to *Cloete (1994:82)* efficiency means satisfying the most essential needs of the community to the greatest possible extent in qualitative and quantitative terms using the limited resources that are available for this purpose.

Du Toit et al. (1998:116) explain efficiency as referring to the optimal use of scarce resources in attaining policy and programme objectives. Efficiency ensures that maximum results are achieved at the minimum level of initial costs, which is sufficient to be effective. It is thus expected of public managers to use scarce resources wisely and without waste. Efficiency implies a definite standard which applies equally to every activity which can be met through resolute effort.

In the public sector, efficiency is neglected because there is no definite criterion such as profit used in the private sector, as there is no exact criterion to measure it (*Cloete 1994:82*).

10.2.4 Cost effectiveness

Cost effectiveness combines concern with efficiency, economy and effectiveness. The central question of cost effectiveness is, given that a policy achieves a certain level of success, could another means achieve the same, or a higher level at the same or less costs? If for instance the policy is to have clean streets, will it be cost effective to

use mechanical streets sweepers to replace human labour?
(*Rosenbloom 1986:367*)

The managerial evaluation of public policy from the perspective of cost effectiveness can become quite complicated. The public authorities are likely to favour the approach that achieves the best result per unit of cost.

10.2.5 Productivity

Fox & Meyer (1995:102) define productivity as the role of production in terms of the delivery of goods and services following the resources consumed, and the workload and its impact. *Schwella et al. (1996:157)* point out that a mistake is often made of using results (benefits to individuals and society) instead of outputs (products of a programme) in quantifying productivity. Greater productivity results from improved morale resulting from job redesign and enrichment; reorganisation and work simplification. Employee productivity depends on individual's ability and effort. Employees also need the opportunity to perform well and clear objectives for which to strive for. Staff development should be the top priority of the public institutions to ensure productivity.

Objectives when set should be simple, feasible, attainable and clear in order to facilitate productivity. Productivity is an economic measure of efficiency which summarises the value of results relative to the value of the contributions used to create them. Productivity is also an overall indicator of how well an institution uses all its resources, such as labour, capital, materials and energy to create all of its services and products. It determines a public institution's ability to survive and people's standards of living in a particular country (*Du Toit et al. 1998:116*).

Cloete & Mokgoro (1995:118) emphasise that issues such as reconstruction of the public service, representativeness, responsiveness, accountability, ethical conduct, equity and participation should be central to any effort on productivity improvement. Productivity can never be improved without taking the above-mentioned issues into consideration, combined together with comprehensive programmes of staff development, recruitment and training.

The public sector has to position itself to perform an effective development role which is visible to the lay man and be seen as addressing his needs. Public sector managers should understand the needs and problems of the society and should have the capacity and ability to solve them through proper financial priority determination and distribution of scarce resources (*Cloete & Mokgoro 1995:120*).

The purpose of productivity improvement effort is to obtain improved yield from existing resources. Poor economic performance and mismanagement at the government institutions have increased the cost of providing public services. That is why the new government of the Republic of South Africa has prioritised institutional restructuring of public sector and the establishment of a progressive programme of staff development. Productivity improvements are aimed at (*Cloete & Mokgoro 1995:121*):

- ▲ Increasing efficiency;
- ▲ increasing the effectiveness of programmes and services;
- ▲ increasing responsiveness of services to public needs;
- ▲ decreasing the cost of services whilst maintaining their quality;
- ▲ decreasing the time required to provide services;
- ▲ improving the impact of services and programmes on target populations; and

- ▲ improving the quality of worklife and thereby reducing organisational dysfunctions.

10.3 Guiding values for ethical governance

A government needs a strong, stable and secure society in order to prosper and to ensure the well-being of the public. Development, values and trends in the society have a direct impact on public institutions. Ethics in the public sector is about the application of moral standards in the course of duty. Four values of ethical government are identified as constitutionalism and democratic values, such as representation; responsiveness and responsibility; legitimacy; accountability and transparency.

10.3.1 Constitutionalism

Du Toit et al. (1998:112) see constitutionalism as a requirement that all actions by public managers should be in accordance with their country's constitution. The **Constitution of the Republic of South Africa 108/1996** contains a number of overall directives for all South Africans and public institutions. The **Constitution of the Republic of South Africa 108/1996** (section 2) provides as follows:

"This constitution is the supreme law of the Republic of South Africa; law or conduct inconsistent with it is invalid, and the obligations imposed by it must be fulfilled".

The **Constitution of the Republic of South Africa 108/1996** (section 195) provides for the basic values, rights and obligation of all citizens, the state and all public officials. It attempts to protect human rights (sections 7, 9, 32 & 33), entrench democratic principles for governance and ensure ethical conduct in public institution in section 195.

According to the **Constitution of the Republic of South Africa 108/1996** (Section 182), the judiciary system and the office of the public protector enforce citizens' rights against the state and its administration. Public managers and other officials should practice the provisions of the Constitution when dealing with the rights of citizens as clients of public institution.

10.3.2 Democratic values

The objective of democracy is to create conditions under which each individual will be able to achieve the greatest possible wellbeing. Public institutions should be organised in such a manner that they will allow transparency, consultation and maintenance of discipline and proper conduct. Democratic values include representation; responsiveness; responsibility; legitimacy and accountability.

10.3.2.1 Representation

Du Toit et al. (1998:113) explains representation as meaning that public institutions should reflect the composition of the population in management positions and in occupational groups. Representation as a value requires that public managers and institutions represent their clients and beneficiaries. Public institutions should have empathy with those they serve and view problems from their perspective.

Rosenbloom (1993:244) believes that representation is related to responsiveness because it is assumed that a representative government will be manifested by high representivity of the majority group in the legislature in order to influence public policy formulation. The quest for representation in the public sector is

manifested in a concern with equal employment opportunity and affirmative action.

It is believed that equal opportunities contribute to distribution and social justice. The groups that are affected by representation in the Republic of South Africa are, Blacks, women, disabled and youth (*The Constitution of the Republic of South Africa 108/1996, section 9*).

With regard to the political perspective, view of policy as appropriately executed within the parameters of the policy actually having impact on target, if it affords representation to those individuals and interests most affected by it. Representation as a value to judge the working of public policy can be better conveyed when considering it from two perspectives that are common in public administration:

(a) **Participation in decision about implementation**

Those that will likely be affected by the implementation of a policy should be given a voice in deciding how it should be implemented. From the perspective of the political approach, a policy that does not allow participation of those most affected by the programme, may be judged as undesirable because it does not provide a measure of self-regulation (*Rosenbloom 1993:373*).

(b) **Representation of demographic constituency interests**

The political perspective is also concerned that implementation of policy by public institutions should be in the interests of demographic groups in legislative

constituencies such as rural people, economically disadvantaged people, women, disabled and youth (*The Constitution of the Republic of South Africa 108/1996, sections 7, 9 & 12*).

Representation should be considered before and during financial priority determination to ensure that people who will receive the goods and services have been consulted to ensure implementation of programmes according to their will and preference (*Rosenbloom 1993:373*).

10.3.2.2 **Responsiveness and responsibility**

Responsiveness rests on the belief that government must answer to the will of the people which is expressed through elected officials. Responsiveness expects that public institutions and managers should be sensitive to the needs of the society. Communication on continuous basis, between public managers and the public, effects responsiveness (*Du Toit et al. 1998:113*).

Public managers have the responsibility and obligation to carry out the tasks to the best of their abilities and according to legislation and regulations. Responsibility includes competency, accountability, responsiveness and fairness (*Du Toit et al. 1998:113*).

Rosenbloom (1993:241-244) states that the quest for responsiveness underlies the idea that public employees should not use their positions to subvert the general political goals being pursued by the elected component of the government and the political community as a whole. Concern with responsiveness reflects the view that public administration is not simply politically neutral, but rather considered in terms of the political choices facing

the nation. The most outstanding effort to assure responsiveness is reliance on the use of political patronage in recruiting, selecting and promoting public employees. Use of political patronage ensures responsiveness of the public administrators to the public. Public administrators should be sympathetic to the government's policies, and thus become responsive to elected officials/political office-bearers' political programmes and ultimately the public. The powers that have been given to members of the executive council to appoint, dismiss, reassign, or promote public administrators are in line with the patronage system. Patronage-based personnel actions are against the constitutional employees' right to freedom of association, but a public administrator should bear in mind that even the Supreme Court's patronage decisions do not take politics out of the public service completely (*Rosenbloom 1993:214-244*).

It can be deduced that public administrators have a responsibility to implement the policy of the government of the day irrespective of their freedom of association (*The Constitution of the Republic of South Africa 108/1996, section 18*). Although emphasised in many cases that public officials should be politically neutral, it becomes difficult that a person can implement a policy he/she does not support to the best of his/her ability. Public officials should focus on the needs of the society, do priority determination according to the needs and distribute resources to where they are needed most whilst still maintaining the existing resources (*The Constitution of the Republic of South Africa 108/1996, section 18*).

10.3.2.3 Legitimacy

Gildenhuys (1991:12) relates legitimacy to be a moral acceptability of institutions, organisations, structures, laws and regulations. The

government and its officials (elected and appointed) as expected to act legally and morally correct.

Du Toit et al. (1998:114) state that for public managers to have legitimacy, they should use their professional status and their organisational position in such a manner that their actions should enhance the acceptance of decisions and programmes by the community who they serve. Legitimacy has to do with the following (*Du Toit et al. 1998:114*):

- △ The extent to which people/public identify themselves with the personnel of institutions and to what extent can such persons be trusted to advance the interests of the public;
- △ the extent to which public identified itself with the aims and values of public policy in the conviction that it expresses their own ideals; and
- △ the extent to which the public identify with public institutions and structures in the conviction that these serve their interests, aspirations and rights.

Rosenbloom (1993:482) explains that legitimacy in the context of constitutionalism is thought of as the population's belief that public administrators have a right to help formulating public policy and to exercise political authority and discretion. It promotes that governmental legitimacy, including that involving the exercise of administrative power, rest upon the consent of the governed.

According to the managerial approach, the legitimacy of public administrators' authority is derived from their political neutral technical competence, their specialised expertise, and their rationality and law-bound quality of their processes (*Rosenbloom 1993:482*).

The political approach seeks to base administrative legitimacy on the representativeness, responsiveness, and accountability of public administrator and institutions.

Legitimacy should be adhered to during priority determination and during distribution of scarce resources because it ensures equal and fair treatment of all people (*Erasmus & Visser 1997:100*).

10.3.3.4 **Accountability**

According to *Fox et al. (1991:124)* accountability is a statutory obligation resting upon the executive to provide the legislature and the public at large with all necessary information to determine how legislative directives have been or have not been executed, and how executive actions have been executed.

Schwella et al. (1996:164) see every political representative and public official being subject to public accountability by ensuring that the government and its agents are responsible for addressing previously set objectives and they account to the public by being committed individually and collectively to accepting public responsibility for their action or inactions.

Both political representatives and public officials are held responsible for the public funds placed under their control. In democratic government, responsibility means that political representatives and public officials should account to the tax payers and the public at large for the way in which taxes and other public funds have been collected, kept safe and expended (*Schwella et al. 1996:164*).

Rosenbloom (1993:520) addresses perspectives on accountability as follows:

- ▲ First the managerial approach emphasises that authority and responsibility must clearly be defined.
- ▲ Second, emphasis on the need for strict subordination and strict obeying of directives and commands from authorities.
- ▲ Third, ensuring a limited span of control for effective management.
- ▲ Fourth, encouraging subordinates to be loyal to the organisation and their superiors through socialisation, occupational specialisation and material dependency.
- ▲ Fifth, enforcing formal disciplinary systems to enforce accountability and ordination.
- ▲ Sixth, emphasis on internal audits as a controlling mechanism.

All these steps followed by the managerial approach ensure accountability to superiors and thus protect managerial values and they are not concerned about being accountable to the public.

The political perspective ensures accountability through legislative oversight, budgetary control, rotation in office, representation and public participation, informing the public and legislature of misconduct by public administrators, transparency and openness and elimination of conflict of interest between political leader and public officials.

Accountability promotes adherence to the stipulations of the constitution and the law (*Rosenbloom 1993:533*).

10.4 Service delivery principles of Batho Pele White Paper No. 1459/1997

The problem of improving the delivery of public services cannot be achieved only by the introduction of service delivery programmes alone. The public service should change from the culture where clients or customers were not important to the new culture where they see themselves as servants of the citizens of South Africa.

The introduction of the eight principles of **Batho Pele White Paper No. 1459** (/1997:15) was aimed at transforming service delivery in the Republic of South Africa. These eight principles include, transparency and openness, consultation, setting service standards, increasing access, ensuring courtesy, providing more and better information, remedying mistakes and failures and getting the best value for money and people's standards of living in a particular country (*Du Toit et al. 1998:116*).

10.4.1 Transparency

Schwella et al. (1996:16) states that transparency concerns itself with the extent to which the functioning of public sector organisations and the actions of public sector managers are open to public scrutiny. Transparency requires open, honest and visible information to the public. Secrecy is not acceptable where transparency is required.

According to the **Batho Pele White Paper No. 1459** (1997:20) openness and transparency are the hallmarks of a democratic government and are fundamental to public service transformation process. The key aspect of openness and transparency is that the public should know more about the way national, provincial and municipal departments are run, how well they perform; the resources they consume and who are in-charge. The mechanism for achieving this openness and transparency will be by issuing of an annual reports to citizens which are published by each national and provincial department.

According to the **Constitution of the Republic of South Africa 108/1996** (Section 23), it is stated that "every person shall have the right of access to all information held by the state or any of its organs at any level of government in so far as such information is required for the exercise or protection of any of his or her rights." It is further stated that

provision shall be made for freedom of information so that there can be open and accountable administration at all levels of government. Transparency and openness should be the rule to secure public accountability. The public managers should take into account the provisions made in **Draft Code of Conduct for Members of the Public Service** (Government Gazette Notice 1060 of 1999) summarised to place an emphasis on transparency such as follows:

- ▲ Foster the unity of the South African nation in his/her official actions;
- ▲ be open and fully accountable to the public;
- ▲ be committed to the development and upliftment of all South African citizens;
- ▲ be honest in dealing with public funds and use state property economically and only for official purposes;
- ▲ not take part in and endeavour to expose maladministration, corruption and any other act which constitute an offence or which is prejudicial to the state;
- ▲ not use his/her position in the public service to promote or prejudice the interests of any political party; and
- ▲ recognise every citizens right of access to all information in so far as such information is required for the exercise of any citizens rights;

According to *Du Toit et al.* (1997:146) transparency is a political concept which forms part of the philosophy of openness in government, and which became well known during the Codesa negotiations in 1990-1992. Transparency in government is synonymous with democracy and also implies:

- ▲ Participation in decision-making;
- ▲ involvement of citizens;

- ▲ access to information;
- ▲ accountability
- ▲ answerability; and
- ▲ political responsibility.

Consequences of no transparency include misgovernment and maladministration; unaccountability and irresponsiveness; ignorance and apathy on the part of citizens; corruption; and low economy, efficiency and effectiveness.

10.4.2 Consultation

According to the **Batho Pele White Paper No. 1459** (1997:20) citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered. By consulting citizens, the public is given the opportunity of influencing decisions about public services, by providing objective evidence which will determine service delivery priorities.

Consultation fosters a more participative and co-operative relationship between the providers and users of public services. Different methods can be used such as surveys, interviews and meetings with representatives bodies. Effort should be made to consult with those that have been previously disadvantaged and who find it difficult to have their voices heard. Consultation should reveal where resources and effort should be focused to meet the public's most pressing needs.

10.4.3 Setting service standards

Gillies (1982:97) defines a standard as a descriptive statement of desired level of performance against which the quality of structure,

process or outcomes can be judged. A public service standard is a descriptive statement of desired level of performance against which to evaluate public service rendered to the client, citizens and the society as a whole. According to **Batho Pele White Paper No. 1459** (1997:18), citizens should be told what level and quality of public service they will receive so that they are aware of what to expect.

There are a number of terms which should be defined in order to elucidate the relation of public service standards to other planning and control devices such as an objectives, criterion a norm and quality assurance (*Gillies 1982:97-98*):

- (a) An objective is a concrete statement of intention or desire, an external goal toward which effort is relevant indicator of quality of the public services rendered/delivered.
- (b) A criterion is the value for description of a variable believed to be relevant indicator of quality of service delivery.
- (c) A norm is the current level of performance of a particular criterion or indicator as determined by a descriptive study of the population in question.
- (d) Quality assurance is the process of establishing desirable standards of service delivery and planning and providing goods and services that satisfy those standards.

One method of quality assurance in the public service, is the performance audit procedure in which the service delivery outcomes are measured against performance standards to determine the efficiency of providing goods and services in eliminating the problems/needs of the citizens. The nursing profession had been using

standards for quite a long time to measure and gauge performance. When standards are used as a target or mark to be aimed at, a standard is a planning tool. All the departments of the Free State Provincial Government were ordered by the Executive Council to produce a record of envisaged deliverables for 1998/1999. The deliverables were the targets each department aimed at and they were used as planning tools (*Free State Executive Council Policy Workshop Report 1 of May 1998*).

When standards are used as a criterion against which to evaluate performance, a standard is a control device (*Gillies 1982:97*). The Executive Council of the Free State Provincial Government ordered all the departments to perform a delivery audit through which respective departments produced documents in which an audit of deliverables attained, deliverables not attained, reasons for not attaining deliverables and the constraints/delays experienced were determined. This was used as a criterion against which to evaluate performance of various departments and the province **per se** (*Free State Executive Council Policy Workshop Report 4 of September 1998*).

The purpose of using service delivery standards is to (*Batho Pele White Paper No. 1459 1997:18*):

- ▲ Improve the quality of service delivery;
- ▲ decrease the cost of service delivery; and
- ▲ provide a basis for determining negligence, non-delivery, mismanagement and corruption.

Standards must be precise, and measurable, so that the user can judge for themselves whether or not they are receiving what was promised. Service standards must be set at a level which is demanding but realistic. The Minister/MEC/executing authority must

approve these standards before they are adopted. They should result from strategic planning and consultation exercise. Once approved, service standards must be published and displayed at the point of delivery and communicated widely. Performance against standards should be regularly measured and the results, published at least once a year. As the standards are met, they should be raised year by year to improve performance (*Batho Pele White Paper No. 1459/1997:18*).

In order to guide practice, a standard must be understood by the functionaries in many settings. To be useful in judging quality of care, the standard must describe behaviours that are overt and measurable. In order to motivate the public officials to improve performance, the standard must be capable of achievement through expenditure of reasonable amounts of effort.

10.4.4 Increasing access

According to the **Batho Pele White Paper No. 1459** (1997:18) access means that all citizens should have equal access to the services to which they are entitled. The interests of the previously disadvantaged groups should be promoted by ensuring that services are being accessible for those who have not previously received them, i.e. women, disabled, rural and youth.

The barriers created by the lack of transport, communication, lack of infrastructure and other geographic factors should be redressed. Setting of mobile units and outsourcing services could eliminate the constraints posed by the above-mentioned.

10.4.5 Ensuring courtesy

Citizens should be treated with courtesy and consideration. The stipulations set out in the Code of Conduct for public servants issued by the Public Service Commission should be adhered to. The staff that deals with customers must regularly be monitored and if their performance falls below the specified standards with regard to courtesy it should not be tolerated. Customer care and service delivery should be included to all future training programmes. Senior officials should also be good role models with regard to courtesy. These standards should cover the following (*Batho Pele White Paper No. 1459 1997:20*):

- ▲ Greeting and addressing customers;
- ▲ the identification of staff by name when dealing with customers, whether in person, on the telephone or in writing;
- ▲ the polite style and tone of written communications;
- ▲ simplification and customer-friendliness of forms;
- ▲ the maximum length of time within which responses must be made to enquiries should be limited;
- ▲ the conduct of interviews in a customer-friendly manner;
- ▲ complaints should be dealt with fairly;
- ▲ dealing with people who have special needs, such as the elderly or infirm in a respectful manner;
- ▲ being gender sensitive in all dealings; and
- ▲ respect the fact that the Republic of South Africa has eleven official languages.

10.4.6 Providing more and better information

Information about the services that are provided by the public sector should be full, accurate and up-to-date when given to the customers.

Extra effort should be taken to ensure that information is received by those who need it and those who were previously excluded. Written information should be free of jargon and it should be supported by graphical material to make it easier to understand. The name and the contact number for obtaining further information and advice should be provided. Written and oral communication should complement each other (*Batho Pele White Paper No. 1459/1997:19*).

10.4.7 Correcting mistakes and failures

The Batho Pele principle of redress requires a new approach of handling complaints. Complaints from the customers are often seen as time consuming and complaint procedures are lengthy and bureaucratic if they exist. Many departments have no complaint procedures in order to identify systematic problems. Members of the public do not bother using the channels of lodging a complaint because they have no confidence in their effectiveness. The level of dissatisfaction that exist about service delivery in the public is often underestimated by public officials, due to few or no complaints received (*Batho Pele White Paper No. 1459/1997:22*).

The following principles should be adhered to when dealing with complaints:

^ Accessibility

The complaint system should be well-publicised and easy to use. Too much formality should be avoided, such as acknowledging only those complaints that are in writing. Telephone, face-to-face mechanism of lodging a complaint should be welcomed and an open door system should be used (*Batho Pele White Paper No. 1459/1997:22*).

^ **Speed**

The longer it takes to respond to a complaint, the more dissatisfied the customer will be. An immediate apology with full explanation is often what the customer expects. Where a delay is unavoidable, the complainant should be kept informed of progress and when the result is likely to be expected (*Batho Pele White Paper No. 1459/1997:22*).

^ **Fairness**

Impartiality and favouritism should be avoided irrespective of gender, race, age and education. Independent avenues should be provided if the complainant is dissatisfied with the response they receive at first (*Batho Pele White Paper No. 1459/1997:22*).

^ **Confidentiality**

The complainants confidentiality should be protected so as to encourage people to lodge complaints in future, especially if the complaint is about a senior official or authority (*Batho Pele White Paper No. 1459/1997:22*).

^ **Responsiveness**

The response to a complaint is very important and the individual's feeling should be taken into consideration. If the service is below promised standards, the response should be immediate. Those officials that deal directly with the public should be given a mandate to take action to put things right (*Batho Pele White Paper No. 1459/1997:22*).

▲ Review

The complaint system should be reviewed to ensure that it suits the need of the society. Mechanism for feedback on suggestions for change should be established (*Batho Pele White Paper No. 1459/1997:22*).

▲ Training

After the complaint system has been reviewed and has been published throughout the organisation, members of staff should be trained on how to handle complaints following the procedure (*Batho Pele White Paper No. 1459/1997:22*).

10.4.8 Getting the best possible value for money

Public services should be provided economically, efficiently and effectively in order to give citizens the best possible value for money. Productivity is also another economic value which is an overall indicator of how well an institution uses all its resources, such as labour, capital, material and energy to create all of its services and products (*Du Toit et al. 1998:116*).

Getting the best value for money also warrants simplification of procedures and elimination of waste and inefficiency. *Mashalaba (1999:11)* commented on the address made by Minister Trevor Manuel at Messrs Deloitte and Touche in Pretoria, regarding the New Public Finance Management Act that will be implemented by the year 2003. The Act will establish a framework for dealing with corruption and wastage in the public sector.

Mashalaba (1999:11) elaborated on the key elements of the New Public Finance Management Act which Trevor Manuel (the Minister of Finance) specified as follows:-

- ❖ Formulating a framework for the management of cash and the establishment of appropriate and effective cash management and banking arrangement.
- ❖ Establishing a system of internal audit under the control and direction of an audit committee.
- ❖ Devising a system for properly evaluating all major capital projects prior to a final decision on such projects.
- ❖ Submitting to Parliament measurable objectives for each main division within their department's vote for the annual budget.
- ❖ Preventing unauthorised and fruitless expenditure, ensuring that expenditure is according to the vote, preventing overspending and reporting on overspending.
- ❖ Complying with measures imposed by the Treasury to prevent overspending.
- ❖ Managing available working capital efficiently and economically, setting all contractual obligations and paying all money owing within the prescribed or agreed period.
- ❖ Obtaining assurances regarding effective, efficient and transparent financial management and internal control systems from entities to which funds are to be transferred.
- ❖ Preparing financial statements for each financial year in accordance with generally recognised accounting practice.
- ❖ Preparing annual reports and financial statements that fairly represents the state of affairs of the department, its business, financial results and performance against its objectives and financial position.
- ❖ Providing the Treasury with a monthly breakdown of revenue and expenditure.

- ❖ Ensuring the “articulation and cascading” of responsibility, authority and performance expectations to all levels of management.
- ❖ Reporting on the collections of revenue due to shortfall in budgeted revenue.

After the New Public Finance Management Act has come into effect, it will offer government agencies an opportunity to manage their assets and liabilities prudently. There will be professionalism in regards to financial management, outcome-based management, integration of financial services and introduction of accelerated accrual systems which are key to achieving efficiency. The society of the Republic of South Africa will receive the best value for money.

11. CONCLUSION

The legislature of the Republic of South Africa is elected on the basis that it will deliver certain goods and services to the electorate. Financial priority determination ensures that resource allocations are directed towards achieving the results that the government promised the electorate. Through priority determination, state funds are directed according to policy priorities and expected results.

This paper points out that in the face of limited resources and the massive demand for public goods and services, it is inevitable that the government cannot hope to meet all the aspirations of the electorate. Instead the government has to choose which sectors must be emphasised in the allocation of resources, indicate from which sectors resources should be withdrawn and redeployed and the order in which these things should be done. This process of choosing which sectors must be emphasised is called financial priority determination.

Financial priority determination has been found to be the most difficult part of financial planning and management because it warrants certain expertise from the public officials which this paper addresses in the form of required steps and phases to determine financial priorities. Without the understanding of the phases and steps, priority determination becomes impossible as they determine the criteria used to make decisions.

As a result of the changing and increasing needs of the population, the Republic of South Africa experiences severe budget constraints which create the incentive for financial prioritisation, and this forces the departments to evaluate whether their existing policy objectives are still valid, how they have changed and what effect the policy objectives have on programmes. The constraints of the macro-economic policy framework with increasingly lowered deficit targets have also increased the need for prioritisation.

It is imperative to consider all the factors that have a bearing on financial priority determination, such as the general environment in which financial priority determination is done; factors that determine the state of community life; needs and expectations of population; policies of the political parties; and research and experiences of public officials. When such factors are taken into account, the process of financial priority determination becomes fair and right.

The impact of financial priority determination on the RDP is important because the public sector strives towards reaching the priorities of the RDP. It has been important to reflect on the basic principles and the key programmes of the RDP from which sustainable development has been identified as the RDP priority. Measures have been identified to ensure meeting of sustainable development as an identified RDP priority. Through these measures, sustainable development would be attained.

The government policies and strategies to ensure meeting of identified financial priorities in the public sector are tools and instruments through which the public officials could ensure implementation of financial priorities. South Africa is characterised by severe inequalities and poverty of the majority of its inhabitants. Sustainable development is the means through which the society will be relieved of severe poverty although it would be difficult to bridge the inequality gap.

Reference has been made to the challenge of economic growth and development facing the Free State Provincial Government to show how this province plans on ensuring economic growth and development.

Public officials implement the policy priorities of the government and they have to be guided by basic values and principles to meet the goals of the government. These basic values and principles become the expectations from the public officials in their endeavour to determine financial priorities and in the process of implementing the priorities.

This document spells out how financial priority determination is linked with the delivery of public goods and services. If allocation and use of resources is done in an **ad hoc** manner, without priority determination that could lead to poor public sector performance and the needs of the public would remain unsatisfied. It can be summarised by saying that financial priority determination allows for more effective use of limited resources.

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