

**BUDGET ALLOCATION AND EXPENDITURE PATTERNS OF
GOVERNMENT WITH SPECIFIC REFERENCE TO GOVERNMENT
COMMUNICATION AND INFORMATION SYSTEM (GCIS) FOR THE
PERIOD 1998 - 2001**

by

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ABBREVIATIONS

The following abbreviations are used in this dissertation:

ANC	-	African National Congress
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
Comtask	-	Communication Task Group
CSA	-	Communication Service Agency
DCEO	-	Deputy Chief Executive Officer
ENE	-	Estimates of National Expenditure
EWS	-	Early Warning System
FFC	-	Financial and Fiscal Commission
FMS	-	Financial Management System
GCF	-	Government Communicators' Forum
GCIS	-	Government Communication and Information System
GRAP	-	Generally Recognised Accounting Practise
IPFA	-	Institute for Public Finance and Auditing
MDDA	-	Media Development and Diversity Agency
MinComBud	-	Minister's Committee Budget
MLO	-	Ministerial Liaison Officer
MPCC	-	Multi-Purpose Community Centre
MTEF	-	Medium-Term Expenditure Framework
MTEC	-	Medium Term Expenditure Committee
PFMA	-	Public Finance Management Act, 1999 (Act 1 of 1999)
PPPFA	-	Preferential Procurement Policy Framework Act
SACS	-	South African Communication Services
SARS	-	South African Revenue Services

EXECUTIVE SUMMARY

Government Communication and Information System (GCIS) was formed in May 1998, to co-ordinate and provide leadership in communicating the message of government across all government functional disciplines. Initially its activities were implemented with resources of the disbanded South African Communication Services (SACS).

Key findings

- The GCIS's allocated budget was not linked to its own strategic priorities and operational plans.
- The inherited staff of SACS had limited qualification to execute its key activities.
- Budget motivations submitted for the subsequent years, were still using SACS's activities as a focal point and not the GCIS's priorities.
- There were poor systems of managing and monitoring on a month to month basis the activities of the GCIS.

Key recommendations

- A newly created entity should have a strategic and an operational plan that will inform its zero based budgeting process.
- Management involvement in the budgeting process and monitoring is critical.
- The budgeting process should be preceded by an approved strategic plan and an operational plan.

CHAPTER 1

GENERAL INTRODUCTION

1.1 INTRODUCTION

This chapter provides a background to the dissertation. A stimulus to the research is given followed by research problems and research questions which the dissertation will attempt to answer. It further indicates the objectives of the research and highlights the scope to be covered in the research.

Furthermore, it indicates the methodology to be used together with the research technique to be applied in the research. Lastly, it explains the key concepts and indicates what is being covered in all five chapters of the dissertation.

1.2 BACKGROUND TO THE STUDY

The Government Communication and Information System (GCIS) is a government department in South Africa. It was officially established on 18 May 1998. Its purpose is to ensure two-way communication between government and the public.

Central to its formation was an endeavour by government to set up a communication and information system that “is comprehensive, integrated, streamlined and structured for delivery” through all three tiers of government (*RSA. Comtask Report, 1996*).

Prior to its existence, government disseminated its messages to the public through an entity called the South African Communication Services commonly known as SACS (*RSA. Annual Report SACS, 1996*).

The GCIS was mandated by Cabinet to facilitate and co-ordinate communication across government and manage the content of the message of government to the public (*RSA. Comtask Report, 1996*). It

commenced its operational activities with resources inherited from SACS. This included its allocated budget for 1998/99 and its personnel (*Netshitenzhe J, 21 Sept 1999*).

At the end of its first financial year it underspent on its budget by R11,5m. In its successive year it was allocated a budget of R56,5m which resulted in an over spending of R3,7m (*RSA. GCIS Annual Report, 1999/00*).

1.3 **STIMULUS FOR RESEARCH**

budget is a reflection of the operational plans of an entity. Government budgets are developed by entities, to be approved through the legislative process (*Pauw JC, Woods G, Van der Linde GJA, Fourie D & Visser CB, 2002:73*). Compliance to the allocated budget is therefore both a financial and a legislative imperative.

This research was to review the performance of the GCIS in respect to its allocated budget for the periods 1998/99 through to 2000/01 financial years.

1.4 **RESEARCH PROBLEMS**

The elected government was mandated by its constituents to provide services to the general public. In order to do that, it required a budget approved through the legislative process. In terms of the Public Finance Management Act 1 of 1999, public budgets are expected to comply with the approved funds.

The GCIS being a public entity is provided a budget to implement its mandate.

The critical questions posed in this dissertation are meant to establish the reasons behind non-adherence to the approved budgets. It also seeks to determine the causes for the deviations from the authorised amounts in the budget.

1.5 **RESEARCH QUESTIONS**

Taking cognisance of the above, the research problem can be epitomised by means of the following questions:

- How was the budget developed?
- Is the non-adherence linked to the function or mandate of the entity?
- How much resources are required to ensure effective communication to the target audience?
- Did the GCIS have a strategic plan with workable a operational plan prior to the development of its budgets?
- How did it manage its monthly projections?
- What are the core products and services of GCIS in empowering the public with relevant information on government's activities?
- What are the realistic time frames for achieving the objectives?

In the light of the problem questions formulated above, it is important to formulate objectives for the research.

1.6 **STUDY OBJECTIVES**

The general objective of this research project is to:

- respond to questions posed with regard to the process followed in compiling and monitoring the budget;
- provide a theoretical overview of budgeting. It will further explain the various methods and formats of budgeting;
- explain the concept of government communication, by elucidating the mandate and priorities of the GCIS;
- explain the budgeting process of the GCIS; and
- lastly, the research will draw concluding remarks on the possible causes of under and over spending during the periods being studied. It will make recommendations of the corrective steps that should be taken.

In view of the preceding problems and study objectives, the scope of the research will now be discussed.

1.7 **SCOPE OF THE RESEARCH**

The research covers the period from the 1998/99 to the 2001/02 financial years. It should be noted that the GCIS was not allocated a budget when it commenced its operations on 18 May 1998. It was allowed to utilise the budget that had been allocated to its predecessor, SACS.

Given the fact that the budgeting process for the 1998/99 financial year commenced in 1997, this research therefore does not link the budget preparatory work of 1998/99 to the GCIS.

Observations are however made on the operation of the budget adopted by the GCIS. The GCIS developed its priorities to fit within the budget allocated to its predecessor for 1998/99 financial year. These were tabled by Minister Pahad, the Minister in the Presidency in 1998 during his Budget Vote speech in Parliament(*May 1998*).

1.8 **METHODOLOGY**

The methodology applied in researching the existing models of government budgeting is qualitative. Existing literature on public budgeting was used as reference material. Information was extracted from professional publications, books, electronic information and available government circulars.

Further sources of information were obtained from government budget documents, which include four submissions from SACS for the budget preparations of the 1998/99 financial year. National Treasury budgeting guideline circulars and manuals were used for the compilations of the GCIS budget and the monitoring thereof.

The researcher has an added advantage that she has been employed by the GCIS in the Finance and Provisioning Section since June 1999. This enabled her to acquire practical experience, which was in some instances not documented, and

an insight into the budget preparations and the monitoring during the 2000/01 financial years.

The researcher managed to interview one official who worked in the finance and budget section of the then SACS for background information on this entity. The official was the acting head of Finance in the GCIS. He was selected for the interview, as he was the only person who worked during the period under review. The rest of the other people were either new in the section or had been working within the organisation but in different sections.

1.9 **REFERENCE TECHNIQUES**

The research work applied the Harvard method of referencing the material obtained from the literature, publications and magazines. Name of the author, date citation and page number are used in the text. The list of references is drawn alphabetically.

1.10 **KEY CONCEPTS**

- A **budget** (*ref chap 2*) is a plan quantified in monetary terms prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective (*CIPFA, 1996:249*).
- An **operational plan** is derived from a broad strategic plan of an entity (*ref sec 4.6.1*). It 'serves as a concrete foundation for the execution of the functional activities' (*Gildenhuys JSH, 1997:405*). It details the activities that will be undertaken by an entity so as to achieve its broad strategy. It has clearly defined tasks, with responsible people to perform them and the related costs to be incurred.
- A **government** refers to a system by which the state governs. Cabinet is a governing institution that develops public policies

that have to be implemented by public servants (*Marais D,1989:177*). Public policies are derived from the legislative framework with is led by the ruling party.

- **Government departments** are the implementation structures of government referred to in this dissertation as entities.

1.11 **DIVISION OF CHAPTERS**

Chapter 1 covers the introduction to the research; background to the study; stimulus for research; research problems; research questions; the study objectives, scope of the research; methodology to be used in the research; reference techniques; key concepts; division of chapters; and the conclusion.

Chapter 2 covers a theoretical overview of budgeting. It focuses on the development of a budget in general and specifically with reference to South Africa. Furthermore it explains the various methods and models of budgeting.

Chapter 3 briefly explains the concept of government communication.

Chapter 4 indicates the resources of the GCIS at the time and also provides an outline of the budgeting process and the monitoring of the budget operationalisation.

Chapter 5 summarises the four chapters. It furthermore, draws concluding remarks pertaining to under and over spending in the years under review. It makes recommendations on how to correct this.

1.12 **CONCLUSION**

In this chapter a brief background to the study was given. An explanation of the stimulus of the research was provided. Furthermore, the chapter provides a research problem and research questions followed by the objectives together with the scope of the research.

The methodology, the reference techniques and the key concepts mentioned in the research were explained. Lastly, the chapter provided a breakdown of the chapters and what each chapter covers.

CHAPTER 2

THE DEVELOPMENT OF PUBLIC BUDGETING

2.1 INTRODUCTION

A budget is one of the useful tools for monitoring the implementation of a correctly costed operational plan of an entity. Historically, budgets emerged out of a need to control and monitor the projected income and the utilisation of funds by entities.

In line with the evolution of societies, budgeting processes underwent a number of changes both in terms of objectives and formats (*Rubin IS, 1990:14*). Budgeting as it is applied today is a product of this evolution.

This chapter explains a public budget; its purpose; variables that impact on an effective public budgeting. Furthermore, it provides the characteristics of public budgeting; public budgeting as a means to an end; the South African context of public budgeting. It explains the models and methods of budgeting that have evolved over time. It elaborates on the various elements of these methods and models. Lastly, it briefly explains the development of budgeting in South Africa.

2.2 WHAT IS A PUBLIC BUDGET?

A public budget is a document indicating how a public entity spends the financial resources in order to realise specific public goals (*Gildenhuys JSH, 1997:393*).

It is a compilation of the financial needs for the achievement of the objectives of an entity. 'It is a plan of activity expressed in financial terms' (*Rose A & Lawton A, 1999:169*). It becomes a legal financial plan after it has been approved through the legislative

process. The Chartered Institute of Public Finance and Accountancy(*CIPFA,1996:249*) also defines public budget as:

“a plan quantified in monetary terms prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective”.

For a public budget to exist, the budgeting process by government needs to take place. Its existence is meant to ensure the effecting of the entity’s operational plans. In a report compiled by Beardon and Yawson (*2000:1*) presented in a workshop in Ghana they explain that:

“public budget has a direct impact on the wellbeing and quality of life of all Ghanaian citizens and commitments to human rights and poverty alleviation can be tracked through the analysis of the budget and monitoring its implementation”.

The next section will explain in more detail the purpose of public budgeting.

2.3 PURPOSE OF PUBLIC BUDGETING

Public budgeting is a process leading to the production of a public budget. It is guided by the government’s priorities in the delivery of services to the public.

Gildenhuys (*1997:417*) states that:

“Budgets were developed as instruments (i) for the compilation of executable programmes, (ii) to serve as meaningful documents through which programmes may be approved by the legislative authority and (iii) to serve as instruments of control of the execution of approved programmes by the administrative authority and for the revision of programmes”.

Rubin(1990:2) explains public budgets as follows:

“Public budgets provide a powerful tool of accountability to citizens who want to know how government is spending their money and establish as to whether government has generally followed their preferences.”

Rubin(1990:2) further explains that budget information should not focus on informing the few but should:

“at all times ensure government spending reports are easily accessible to every citizen of the country”.

Public budgeting is not the compilation of a wish list. For a public budget to achieve its purpose it needs to be realistically compiled with clearly defined plans to be achieved within a specified period. It should also be open to scrutiny by the public. The process followed therefore in the compilation of the public budget needs to take into cognisance the desired objectives. It needs to meet the objectives set to be achieved. It also needs to take into account the limited nature of the available resources. It is an operational plan expressed in monetary terms.

The compilation of the public budget takes place within a dynamic environment. Compilers need to take into account a number of factors when deciding on the allocations.

2.4 **VARIABLES IMPACTING ON EFFECTIVE PUBLIC BUDGETING**

In compiling a budget a number of variables that impact on the budget allocations should be taken into account.

Variables within the public sphere tend to impact on the decision made on budget allocations. Howard (1973:13) states that:

“Budgeting more than any other institutionalised administrative process raises key issues and brings into sharpest relief for the political decision makers the hard priority choices they must make in distributing limited resources”.

A number of individuals within an entity have an influence on the outcome of the budget. Moreover, the scarcity of the resources results in a number of programmes or projects competing for these limited resources.

Beardon *et al* (2000:2) states that:

“The budget is the outcome of systems and relationships, through which the varying needs and desires of a nation are heard, prioritised and funded”.

Public budgets are subject to public scrutiny thus stimulating public debates around government’s priorities. Such debates do assist government’s decision making process in respect of the final budget allocations.

It should however be stated that a consensus decision on budgets is difficult if not impossible. Gildenhuys (1979:71) states that:

“Consensus in a large modern community and government system is practically impossible and endeavours to reach consensus on public financial matters may push the direct cost beyond the point of affordability”.

Furthermore, extreme caution should be exercised on taking decisions based solely on media public debates. Such debates tend not to take into account the views of those not having access to the media. For instance, people in the rural areas – who may be in dire need of clean water - may be left out in expressing their needs, as they do not have access to the media.

Some countries especially the developed ones have very strong interest groupings, which through their organised forums exercise their muscle and make representations to government on their needs (Rubin IS, 1990:14). These needs may at times be out of sync with the priorities of government. Government has a difficult task of striking the balance with the needs of its citizen and of course its constituents.

Public budgeting is far more constrained than business or individual budgeting. It is often compelled to strike a balance in allocating resources to all areas of society that require the services of government. In some instances these services are less critical yet still essential to the public. An example of one such facility is parking which the government needs to provide for the public.

Legal obligations also compel the choices that government makes. For instance, loans made by the previous government(s) oblige the government of the day to honour those obligations (*Rubin IS, 1990:14*).

The public wants to see government policies that were enshrined in its election manifesto being implemented. Election manifestos hardly make mention of the constraints that government may have to face in getting the resources to deliver on its mandate.

In campaigning for the elections in 1994, the ANC used the slogan: “A better life for all” (*ANC Election Manifesto, 1994*) a slogan that has now proved difficult to implement. This is in part due to the limited resources and the trade offs that had to be made in deciding the allocations. Managing the varied demands of the public with the limited resources has proved difficult if not impossible to balance.

South Africa is part of the global markets. The volatility of the global market also necessarily will impact on the financial and economic decisions made in the budgeting process (*Rubin IS, 1990:10*). South Africa being one of the developing countries, the depreciation or appreciation of the dollar has an impact on its own resources. The country depends on foreign markets to develop or increase its own resources.

Despite all the constraints highlighted above, public budgeting is still expected to comply with the technical requirements of

budgeting. A proper costing of projects needs to be done; it needs to be compiled in a pre-determined format and the allocation approved needs to be used for what they were intended for.

An entity is not at liberty to move around funds once they have been approved by the legislature except through a limited virement process (*PFMA Act 1 1999 Sec 43*). It is approved on the basis of the entity's aims and objectives and also in item structured format. The Public Finance Management Act 1 of 1999 (PFMA) stipulates the maximum amount that may be spent for the specific programmes (*Pauw JC, Woods G, Van der Linde GJA, Fourie D & Visser CB, 2002:42*).

The promulgated Treasury Regulations and Procurement Regulations control the usage of the approved public funds (*Pauw JC et al 2002:44*). There are specific regulations that have to be adhered to in shifting around the approved funds.

Public budgeting is meant to realise a public budget that is approved by being voted by the legislature. The passing of the Budget Act on an annual basis is the process of promulgating it. There are certain elements that characterise public budgeting that will be highlighted in the next section.

2.5 **CHARACTERISTICS OF PUBLIC BUDGETING**

Babunakis(1976:318) identified the following characteristics of public budgeting:

- Public budgeting involves a variety of actors who often have different priorities and different levels of powers over the budget outcomes. Government has a responsibility in striking the balance in its allocation and in ensuring that everybody is satisfied with the outcome.
- In government there is a distinction between those who pay taxes and those who decide how money will be spent – the citizens and the elected politicians respectively. Public officials

can force citizens to pay taxes for servicing of the expenditure they sometimes do not want. Citizens however can vote politicians out of office if they are not satisfied with their performance.

- The budget document is important as a means of public accountability. The public needs to be able to access the document and find it easy to read. Budget documents are at times compiled in a manner that becomes difficult to hold the Government accountable, as nobody is able to understand its content.
- Public budgets are vulnerable to the environment, to the economy, to changes in public opinion, to elections, to such local contingencies as natural disasters like floods, or political disasters.
- A public outcry on a particular topical issue may compel government to immediately respond by instituting a meaningful intervention.

In such instances, Government needs to project a caring attitude and this may at times result in populist decisions that are not sensitive to the adopted budget.

The occurrence of unplanned and uncontrolled natural calamities such as an outbreak of a killer disease that threatens society, natural disasters like floods and political turmoil may also disrupt the planned and approved public budget.

- Public budgets operate within a number of constraints. Public budgets have a number of elements that are beyond the immediate control of government.

- Public budgets are not a panacea to all the problems of financial management of entities. They are a means to an end and not an end in themselves.

2.6 **PUBLIC BUDGETING AS A MEANS TO AN END**

Having stressed the importance of budgeting, it is also safe to say that budgeting is not a panacea to all the financial problems of an entity. Babunakis (1976:318) captures this fact by saying that:

“Budgeting is a means of delivering value for money against a background of aims, objectives and targets. Budgeting will only fully realise its full potential if it has the support and involvement of top management, if there are strong connections between budgets, outputs and results and if it operates within a supportive central and managerial environment”.

Howard (1973:53) states that:

“Public budgeting does not only include the budgetary procedures, techniques and strategies but also all the political power struggles and bargaining activities in which participants must engage to survive and obtain the allocations they deem desirable”.

Public budgeting entails a consideration of various variables - all-critical in arriving at a particular public budget. For instance, wrongly identified objectives may result in wrongly allocated resources. Gildenhuis (1993:393) points out that:

“The objectives of authorities are not always clear and concrete, and because most public activities have either a positive or a negative impact on the multiple objectives”.

Therefore this may prove tricky in allocating resources to the critical objective of an entity.

Budgets may not necessarily be the solution to everything that an entity is striving to achieve but may act as a support to achieving the aims and objectives of that entity. For the entity to achieve its aims, budgeting requires committed officials in the compilation, implementation and monitoring stages.

In an attempt to ensure that public budgeting is as close as possible to being a realistic tool of managing the implementation of government programmes, significant consultation precedes the adoption of a specific public budget.

The next section will cover the process of public budgeting within the South African context.

2.7 PUBLIC BUDGETING IN THE SOUTH AFRICAN CONTEXT

Public budgeting in South Africa dates as far back as 1806 (*Marais D, 1989:97*). Initially the major focus was on personnel costs. The small size of the then civil service made it possible for the budget estimate documents to reflect the names of all the officials and their respective salaries (*Marais D, 1989:98*). The compilation of these figures was on a line item format, which will be explained later (*ref. sec 2.8.1*). As personnel and demands increased the expenditure items increased beyond just personnel expenditure.

In 1871 in the Cape Colony, the budget breakdown entailed the following expenditure items: Establishment, Rent, Transport and Contingencies. The budget was input-driven and little attention was paid to the objectives to be achieved (*Marais D, 1989:98*).

The continuous desire to improve on public budgeting resulted in a number of changes being introduced. One such change was the introduction of the budgeting system called budget by objective (*Marais D, 1989:291*).

Budgeting by objectives was introduced before 1976/77 financial year by Treasury on a trial basis to five departments. Prior to this, the item budgeting system was used. Funds were allocated

to the specific items to be purchased. It did not reflect the objectives to be achieved as a result of that specific expense.

Marais (1989:291) defines budgeting by objectives as follows:

“A system built around a fourfold exposition of the total cost of a particular service. The objective of each service is explained, the source of financing is given, and the financial responsibility unit indicated i.e. the division or section of a department that is responsible for a particular service. The cost of the service is also itemised”.

Budgeting by objectives was premised on the fact that objectives of the service are explained, the source of financing is given, the financial responsibility entity is indicated and the cost of the services is itemised (Marais D, 1989:291).

A Treasury rating committee chaired by the Director-General of Finance was formed in 1980 at Treasury to evaluate the requests of the respective entities. All the requests were then weighted against other possible requests. Based on this weighting, the Committee gives an outline to Cabinet (Van Vuuren DJ, Wiehahn NE, Lombard JA & Rhodie NJ, 1983:87).

Unfortunately these reforms could not fully realise cost effectiveness. This was primarily because the system was still operating within the Apartheid policies that allocated resources on racial lines. Before 1976/77 financial year all the resource allocation was separately done for Indians, Coloureds, Whites and Africans. For instance, more than one play ground facility needed to be erected for different racial groups. This was despite the proximity of the areas, which could easily share the same facility.

The setting up of the House of Representatives for the Coloureds, House of Delegates for the Indians and the Community Councils

for the urban Blacks created some form of legislative structure for these different groups (*Marais D, 1989:294*).

In evaluating the success rate of this Committee, Van Vuuren *et al* (1983:87) indicates that:

“The success of this Committee was hampered because priorities were not indicated by Cabinet at the outset, for it was concerned only with capital expenditure and not also with the continuing projects, it lacked criteria for determining priorities and the budget did not indicate clearly the main goals of government”.

Although this system brought in a systematic way of doing things and a way of evaluating programmes, it still posed challenges in the management of limited resources.

After 1994, the then Department of Finance - later to be known as National Treasury - introduced a number of reforms in the budgeting processes. A political process was introduced into the system of public budgeting. Cabinet starts the process by going into a Budget Lekgotla wherein it indicates the priorities of government for the coming financial year (*RSA. Financial Manual 2000*). These priorities set the basis of budget allocations for the various entities of government. Out of these allocations, entities develop their respective strategic plans and their costed operational plans (*RSA.Treasury Regulations 2000*). The policy of budgeting for separate racial groups was scrapped after the 1994 elections.

A number of structures were set up to regulate and guide the compilation of a budget in South Africa (*RSA. Financial Manual 2000*). PFMA was passed to govern public financial management. The new changes introduced will be elaborated on later in this dissertation.

2.8 FORMATS OF BUDGETING

Rabin *et al* (1983:36) defines the formats of budgeting as:

“The scheme or classification of the budget. It gives the layout of information used in the capturing of budgets”.

Furthermore, he identifies three different methods of budgeting namely, line item budgeting, programme budgeting and performance budgeting and these will now be discussed.

2.8.1 Line item budgeting

The line item budget is a financial plan of estimated expenditures expressed in terms of the kinds and quantities of objects to be purchased and the estimated revenues needed to finance them during a specified period, usually one year (*Babunakis M ,1976:8*). It is characterised by expenditures listed in broad categories. It focuses on what is to be purchased rather than what services are to be provided. It is about the nature of income and expenditure, e.g. transport and telephones.

An example of a budget drawn in line item format is taken from the 1999 GCIS programme Finance and Budgets within Programme 1 of Corporate Services (*ref Fig2-2*).

Fig. 2 -1

VOTE: 7 GCIS

SUB-PROGRAMME: FINANCE AND BUDGETS

1998/99 BUDGET BREAKDOWNS

No	Description	Budget
9010		
9410	PERSONNEL EXPENDITURE	980 000
9550	Personnel via Persal	50 000
9412	Home-owners allowance	0
9810	Service bonus	0
9720	Motor allowance	100 000
9740	Salary adjustment (01/07)	50 000
9860	Medical funds	75 000
	Pension funds	1 000
	Central Bargaining Council	
	SUB-TOTAL	1 256 000
	ADMINISTRATIVE EXPENDITURE	
4815	Subsistence and local travelling	14 000
4567	Transport air	21 000
4976	Transport private	18 000
5606	Transport GG	12 000
4779	Telephone	45 000
0029	Regional Service levy	50 000
4463	Cellular phone bills	9 000
4783	Departmental entertainment	6 400
4853	Bank charges	28 000
4872	Symposium and Courses	60 000
	TOTAL	263 400
	INVENTORIES	
4618	Photocopy costs	36 000
6671	Newspapers and magazines	2 000
4622	Printing	10 000
5767	Cleaning resources	5 000
8513	Stationery	68 800
	SUB-TOTAL	R121 800
	EQUIPMENT	
5485	Purchase of 3 Computers	121 000
6659	Purchase of code system of phones	68 000
7001	Rental of copier machine and fax	16 800
6644	Repairs of equipment	5 000

	SUB-TOTAL	R210 800
9879	LAND AND BUILDING	0
	PROFESSIONAL AND SPECIAL SERVICES	
6327	Orion services	280 000
5678	Planting services	100 000
7098	Security Services	450 000
	SUB-TOTAL	R830 000
	MISCELLANEOUS EXPENDITURE	
0279	Stabilisation Fund	50 000
	SUB-TOTAL	R50 000
	TOTAL BUDGET ALLOCATED	R2 732 000,00

The line item budget format shown in figure 2-1 above gives an indication of expenses to be incurred by this sub programme. The reader is however, not able to ascertain the objectives to be achieved with the allocated R2, 7m.

Line item budgeting has a number of positive and negative elements that can be identified. A brief account of the positive aspects of line item budgeting as listed by Babunakis (1976:36) is given below:

- ***It is understandable:***

A layman is able to go through the budget document and understand what the figures are intended for. The language used is easily understood.

- ***It makes decision-making easy:***

Management can take decisions easily as it has a uniform grouping of items. It should be indicated that those decisions might not necessarily be correct especially if it was to be solely based on the line item figures.

- ***It is effective as a financial control tool:***

Once the funds are approved, the budget is allocated accordingly. As the expenditure is realised, it is offset against its allocated item allocation.

- ***It is practical to implement:***

Most of the expenditure items are allocated special codes, which are then used to identify the expense in the system. Transfer Payment items are funds reserved to be transferred out of the entity to another structure such as a parastatal or local government. Only one transfer code is allocated to this item.

- ***It is easy to apply uniformity across entities:***

The best method of financial control in government is a single uniform system of comparing 'apples with apples'. It is able to introduce a uniform method of comparing the expenditure of government entities without compromising the uniqueness of each government entity.

However, Babunakis (1996:36) also indicates that there are shortcomings with line item budgeting.

These shortcomings will now be discussed.

- ***It does not guarantee funds that have been spent for what they were originally intended for:***

For example, expenditure items within a specific standard expenditure its allocated budget may be re-assigned during the financial year through the virement process. This means that an allocated budget of a certain expenditure item may be reduced or increased during the financial year.

- ***It does not inform the reader about the expected outputs:***

Outputs are not spelt out in the line item budget document.

The example used in figure 2-1 above does not indicate what this sub programme should achieve with the allocated funds. It makes the monitoring of the critical successes very difficult. It only reflects over-expenditure or under-expenditure and not the quality of the output.

- ***It does not necessarily facilitate good decision-making:***

Decisions based on figures of spent monies or unspent monies may be very misleading. They do not take into account the effectiveness or efficiency of the institution.

The strategic plan of the institution and the priorities of government for that specific financial year do not inform decisions of the allocations.

- ***It does not tackle policy or management issues, but deals with the purchasing decisions:***

Policies and plans of the government must inform departmental allocations. They must guide the deliverables of the entities and also the costing thereof.

- ***It is technical in its approach thus letting managers to abdicate their responsibilities:***

In this system budgeting is taken as the function of the finance practitioners. Managers tend to abdicate their responsibility and leave the task to the finance officials (*Babunakis M, 1976:8*). The strategic plans and the operational plans are never linked to the budgeting process.

The objective of public budgeting is to ensure the most cost effective allocation of the limited funds. It is evident that the line item budgeting format was not addressing this objective.

The next method called program budgeting, has taken the positive elements of the line item format and came up with an

alternative to the shortcoming of line item format budgeting. The next section will discuss program budgeting.

2.8.2 **Programme budgeting**

Savoie (1996:55) defines programme budgeting as follows:

“Programme budgeting is designed to focus on making budget decisions based on important policy questions that relate to the allocation of resources between competing activities and also to optimise the anticipated outputs in line with the defined organisational objectives”.

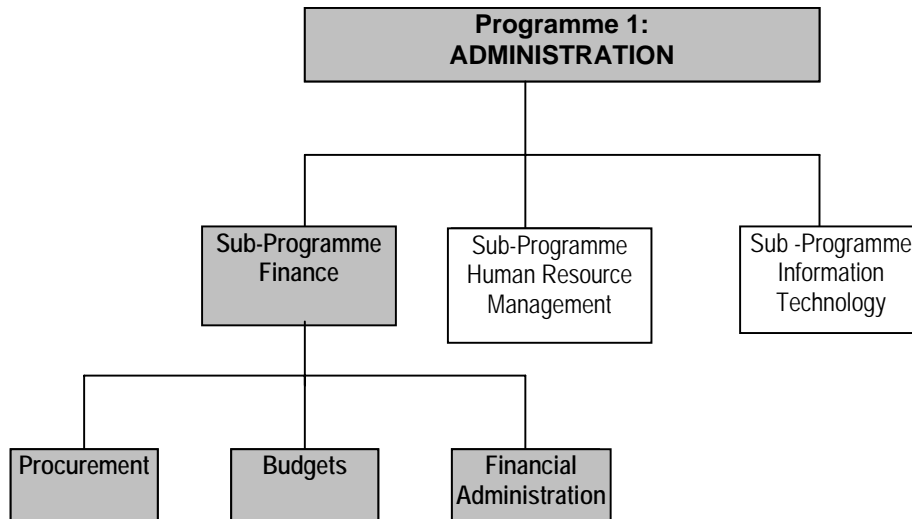
Programme budgeting was first introduced in the United States of America’s Defence Force in 1961 (*Knezevich SJ, 1973:32*). The change was driven by the desire to put in place a certain level of planning in the budgeting process.

Knezevich (1973:32) further states that the Defence Force lacked the correct criteria to use when faced with difficult choices to make budget allocation. Programme budgeting was viewed as a reform that avoided the pitfalls of performance budgeting (*Schick A, 1971:79*). It brought a new dimension in public budgeting.

Programme budgeting allows all the programmes or projects addressing the same objective to be grouped together as one Programme with various related sub programmes (*Schick A, 1971:92*). The key to grouping the activities within the programmes should be guided by how the activities to be performed are aligned to each other.

The diagram below illustrates the related sub programmes within the Programme: Administration of GCIS. It has grouped all the services linked to providing support to the line functions of a particular entity.

Fig. 2 - 2



The mandate of the entity, which is guided by government's policies, should guide the breaking down of the strategic plans into activities that guide the operations of an entity. Policy priorities of government should guide the creation of a programme (Doh JC, 1971:17).

Objectives that are clearly spelt out and that emanate from the strategic plan of an entity and the expected deliverables should form a basis of setting up programmes of an entity.

As programmes are broken down to the level of activity they then assume the line item format (ref sec 2.8.1). Expenditure items are grouped into standard items. Programme budgeting has taken the positive elements of the line item format. In addition, it introduces the spelling out of the goals and objectives of the spending entity.

Knezevich (1973:77) identifies the following advantages of programme budgeting:

- ***It captures an explicit statement of the desired outcomes (objectives) as an integral part of the budget document:***

The expected expenditure activity will necessarily be guided by the envisaged outcome. Expenditure is thus goal-oriented (my emphasis).

- ***Its exhibits are organised around major programmes of the organisation, i.e. there is a programmatic format with activities clustered around objectives:***

Activities are clustered around the related objectives of the specific spending entity and thus the key objectives of the entity (my emphasis).

- ***The expenditure and operating costs are aggregated around related programme elements or sub-categories:***
- ***The benefits as well as costs of major programmes are exhibited:***

The expected benefits to be derived out of the activities are weighed against the costs to be incurred (my emphasis).

- ***It projects new programme resource demands for a specified period:***

Better planning is assured as it enables it to make more realistic projections and outcomes (my emphasis).

- ***Data is better organised to facilitate resource allocation and decision making by executives:***

Management takes informed decisions on the allocation of resources. It is able for instance to determine which programmes are worth pursuing as all the expected benefits against the expected costs would have been weighed.

In addition, it enables the determination of whether the planned activities are correctly aligned to the objectives of the spending entity.

The researcher will now provide an example of a Programme Budget of GCIS taken from the Estimates of National Expenditure 2003 National Treasury (RSA. ENE February 2003).

The example is given below to illustrate the format of a programme budgeting. The information is not meant to address the issues of budgeting with respect to budgeting during 1998 – 2001.

“GOVERNMENT COMMUNICATION AND INFORMATION SYSTEM

Name of Programme: Government and Media Liaison

Programme Description:

Government and Media Liaison provides liaison between government communicators by convening government cluster communication forums with the view to ensuring that government communicates with a uniform voice.

It also ensures that departments develop their own communication strategies, and the media is informed on time of government's programmes.

Measurable Objectives:

To provide efficient communication strategies and services to the local and international media and government departments, develop training strategies for clients, and monitor communication to promote effective communication of government activities”.

Fig. 2 -3

Budget Estimates: Government and Media Liaison

Sub Programmes	99/00 R'000	00/01 R'000	01/02 R'000
Management	680	563	695
National Liaison	775	1654	2615
International and Media liaison	4125	4311	2349
News Service	-	-	2035
Total Budget	5 580	6 528	7 694

A notable feature of the programme budgeting format is the fact that it provides a description of the purpose of the specific programme. It also highlights the objectives to be achieved with the allocated funds. It links the input and the expected outcomes of a programme.

Despite these positive elements, it still has shortcomings that have resulted in the emergence of performance budgeting. Some of these shortcomings highlighted by Knezevich (1973:18) can be summarised as follows:

- ***It is a complex system:***

Not many spending entities are able to correctly utilise this system. It requires a certain level of skill, so as to effectively reap the benefits *(my emphasis)*.

- ***It is a time consuming process:***

Some of the benefits are also not, easily identifiable within one programme. Activities in for example communication are difficult to link to the expected outcomes as a number of factors have an impact on effective messaging *(my emphasis)*.

- ***The exercise tends to be ritualistic if management does not drive it:***

The function becomes the sole responsibility of the finance practitioners who in turn reduce the process to a mere repetitive administrative task *(my emphasis)*.

- ***It is not easy to monitor the stated objectives set out to be achieved:***

The success rate of some objectives can be realised over a longer period than the financial year being reviewed *(my emphasis)*.

The next model that is to be analysed is called performance budgeting.

2.8.3 PERFORMANCE BUDGETING

Performance budgeting extends the programme budgeting *(ref sec 2.8.2)* model by including quantitative data of performed work *(Griesemer J, 1983: 17)*. As in programme budgeting it breaks the

programme into sub programme and into line item format (*ref sec 2.8.1*).

This format of budgeting has brought in the element of measuring success or failure on performance. Griesemer(1983:17) defines Performance Budgeting as follows:

“Performance budgeting approach seeks to present a clear relationship between the input of resources and the output of services”.

Performance budgeting lays principal emphasis on the measurement of quantitative data on work performed or services rendered within the organisations units. For instance, the number of tons of waste collected by the Department of Sanitation or case workload in the Department of Welfare would assist in evaluating its performance(*Griesemer 1983:18*).

Performance data is used annually in the preparation of the budget as the basis for increasing or decreasing the number of personnel and the related operating expenses of a given department required performing the service it renders.

One of the advantages of this approach to budgeting is that an element of accountability on allocated resources is introduced in the working environment. Budgets are able to serve as a monitoring tool against the set standards or projects.

Performance monitoring assumes that the entity has a clearly defined strategic plan with measurable objectives linked to its strategic priorities. It also assumes that targets to be met within the specified time frame are spelt out. Managers are also required to enter into performance agreements to ensure that the strategic objectives of the entity are achieved (*Griesemer 1983:18-19*).

As in the programme budgeting approach, spending entities are classified into programmes. It is output-oriented. Outputs of an

entity are quantifiable thus enabling easy monitoring and evaluation.

The success of performance budgeting depends upon the capacity of the spending entity to clearly define the measuring tools and the areas to be monitored. An entity that does not have the capacity to monitor the performance may not fully realise the benefits of performance budgeting.

An example of performance budget information taken from the GCIS in the Estimates of National Expenditure (ENE) February 2003 National Treasury is given below.

(RSA. ENE February 2003).

Fig. 2 – 4

Source: Estimates of National Expenditure , National Treasury RSA, February 2003

Programme: Government and Media Liaison

Measurable Objective: To provide efficient communication strategies and services to the local and international media and government departments, develop training strategies for clients, and monitor communication in order to promote effective communication of government activities.

Sub-programme	Output	Measure/indicator	Target
Management	Strategic support to clusters of government communicators.	Cluster communicator meetings mirroring the Inter Ministerial Cabinet Committee clusters.	5 clusters meet once a month.
National Liaison	Co-ordination of government messages and communication themes.	Co-ordination forums meetings.	Fortnightly
	Informing	Production of 'Bua'	Quarterly

	government communicators and the public of government programmes.	Magazine.	
International and Medial Liaison	<p>Effective communication capacity in foreign missions.</p> <p>Proactive media promotion of South Africa.</p>	<p>Maintain the effective function of the Extranet and Government communicator's forums web page.</p> <p>Successful briefing weeks at the opening of Parliament.</p> <p>Post Cabinet briefings.</p> <p>Well-informed information officers in identified foreign missions.</p>	<p>Daily</p> <p>February and September 2 weeks at a time.</p> <p>Bi-weekly.</p> <p>Weekly liaison with key missions.</p>
News Service	<p>An electronic calendar of public events in government.</p> <p>News dissemination.</p>	<p>Number of campaigns and promotional events to market South Africa.</p> <p>Number of deadlines submitted.</p>	<p>1 Quarterly.</p> <p>3 Deadlines per day.</p>

Performance budgeting was first highlighted into the budgeting processes in South Africa after the passing of the Public Finance

Management Act 1 of 1999 (*National Treasury Guidelines 2002*). Flowing from the programme budgeting format it has built on the positive elements of both programme budgeting and line item budgeting.

To further illustrate the practical implementation of programme budgeting an example is taken from one of the GCIS's programmes: Government and Media Liaison. The example illustrates the defined measurable objectives, its description, and expected target dates and of importance, the measuring factors to be used to determine the success of the programme.

The expected outputs and the units of measuring these outputs are clearly spelt out. Units of measuring the outputs enable the monitoring and evaluation of the success of an entity. Of course, this will only be possible if the monitoring processes within the spending entity are in place. This monitoring process is achieved through managing the performance of all staff members and also through the monthly projections conducted by the GCIS.

Establishing effective monitoring tools within the entities may benefit the entity utilising performance budgeting. Collection of data is often a routine and monotonous task given to clerical officials. It is difficult to find qualified officials to interpret the collected information. Often due to these challenges, performance budgeting tends to be ineffective (*Knezevich SJ, 1973:275*).

Performance budgeting is not necessarily flawless when evaluating its effectiveness relative to the other models. According to Knezevich (1973:275) the weaknesses of performance budgeting are:

- ***Incorrect selection of performance indicators may render the whole exercise futile.***

Measured outputs that will not realise the set out objectives results in a futile activity and a waste of resources (*my emphasis*).

- ***Political principals tend not to be in favour of performance measures that would be publicised for public scrutiny:***

Political principals tend not to support the process leading to the determination of the performance measures and hence render the whole process meaningless. For instance publishing the number of housing units built in the last financial cycle may prove embarrassing for the political principal especially if the targeted number was not reached.

- ***Environmental factors under which performance takes place are not always static:***

Some of the performance measures that may have been agreed upon prior to the commencement of the financial year can be affected by some socio-political changes such as the number of students per teacher. Updated statistics of the available learners and the available resources may result in a review of what can be realistically achieved. If proper monitoring processes are in place this shortcoming can be better managed and better explained.

- ***Some of the performance measures are difficult to monitor and measure to determine the success rate of the spending entity:***

Measuring the success rate of an informed public may be an arduous task to achieve than just measuring the outputs. An entity may have achieved the number of stories it had set to put out over a specified period. This, however, may not measure the desired outcomes, which the programme seeks to achieve.

The public is not a homogenous group. Different groups within the society have their different information needs, even within the same group such as the youth. Human beings tend to selectively receive information that is of interest to them at that specific time (*my emphasis*).

- ***In certain areas, it is difficult to identify the performance measures:***

The GCIS is one entity that tends to have difficulty in identifying some of its performance measures. For instance, it is responsible for ensuring that the public is informed about government's activities.

Therefore, identifying the outputs to be met with suitable measurable objectives and performance budgeting is not always easy. For instance, we may not know for certain whether television or radio is the best medium for informing the public. We may end up focusing on an incorrect audience by merely selecting an incorrect medium of conveying the message.

Quantifying, for example, the number of leaflets or pamphlets that have been distributed in a year may not necessarily determine whether people are better informed about what government is doing.

A number of factors would have to be taken into account to determine whether the public is better informed or not. Government communication activities are guided by the activities of government. If there is no delivery from the spending entities, there will not be anything to communicate to the public.

In other words, the GCIS's activities are driven by other factors from the other entities, which it does not have any control over. Performance budgeting assumes a causal connection between outputs and outcomes.

Having looked at the three formats that have contributed in the development of public budgeting, the dissertation will also look at the methods that have also contributed to shaping public budgeting.

2.9 METHODS OF BUDGETING

Whilst formats of budgeting represent the scheme showing the classification of budget information (*ref. sec 2.8*), methods of budgeting deal with the actual compilation of budget estimates.

The formats of budgeting and methods of budgeting are inter-linked in the sense that both processes entail adopting a particular approach in collecting information for the budget estimates.

At least two different methods of budgeting exist, namely the zero-based budgeting and incremental budgeting. Both have their strengths and weaknesses.

2.9.1 **Zero-based budgeting**

Zero-based budgeting was first introduced in Georgia in 1972 and subsequently to the federal government of the USA in 1976 (*Griesemer J, 1983:8*). It essentially utilises the programme structure as a framework for making decisions.

In its pure form, zero-based budgeting prepares budget estimates starting from zero. It disregards what was allocated and spent in the previous financial year. It assumes all projects are new (*Austin LA & Cheek ML, 1979:12*). Budget from zero entails allocating resources without taking the previous year into account. It means each expenditure objective has to be justified on an annual basis.

The prioritisation process and correct allocation of resources is critical in an environment where there are limited resources to distribute (*Jones R & Pendlebury M, 1984:87*). It nevertheless becomes a futile exercise if that process stifles the efficient and effective workings of that specific entity.

Zero-based budgeting, if not correctly managed, tends to stifle the work of the spending entity. Some of the weaknesses of zero based budgeting are briefly highlighted below:

- ***It interrogates all the activities of the programme irrespective of whether they are new or not:***

It reviews and justifies all the expenditure estimates of the programme. In reality, entities do not have new projects annually. Some projects continue from previous financial years

and other expenses are of a repetitive nature such as salaries. There is no point in interrogating these activities every year.

- ***It will not be effective in all the methods of budgeting:***

It may not be able to uncover completed projects in a line item budget. For example, some of the desirable outputs may continue longer than one financial year. Building of bridges is one of the projects that stretch over a number of years. It therefore would not be an effective way of compiling a budget of such a project every year commencing from zero and disregarding the long-term effect of the project.

- ***It is time consuming without necessarily unearthing any wastage or shortages:***

Having indicated that compiling a budget from zero entails breaking down each and every item from the lowest level of activity and calculating the total expected expenditure for the whole year. It is not productive to go through this exercise year in and year out. For instance, a repetitive expense such as that of telephones. Also it does not interrogate how much is the acceptable amount for the desired output.

The next section covers the opposite of zero-based budgeting. It is called incremental budgeting.

2.9.2 Incremental budgeting

Incremental Budgeting is the commonly used method of budgeting in South Africa. A medium term expenditure framework (MTEF) compiles the budget over a three-year cycle, with the two outer years being projected estimates. It moves from the premise that the previous year's activities remain more or less the same for the coming year with inflation adjustments for the coming two outer years. Budgets are only adjusted for the purpose of the projected inflation increases (Coombs HM, et al 1991:83).

A budget for each year is used as a baseline for projecting for the next year. It subtracts or adds marginally from that base (*Coombs HM, et al 1991:83*).

Incremental budgeting is appropriate for recurring expenses such as the running costs like stationery, telephones and rentals. It is appropriate, provided proper mechanisms of monitoring the performance of the entity are in place. Its main weakness is its inability to enable proper decisions in respect of allocating resources to projects within the programmes of a vote.

- ***It is unable to identify whether the amount being increased is still required:***

The model takes last year's figures without determining whether the project is still relevant or not. Knezevich (1973:139) indicates that taking last year's estimates for granted as the base and modifying them by a given increment for the future period might be the easy way out, but it is wasteful, extravagant and a trap to perpetuate obsolete expenditures.

A realistic budgeting process should necessarily undergo a process of interrogating the planned activities of that particular year. Budgets are a reflection of the operational plans of a spending entity. Managers should on an annual basis review their activities and plans for the coming year.

A balance should be struck between zero-based budgeting and incremental budgeting, as they are both relevant in the planning process. Also the MTEF provides for the compilation of a budget over a three year cycle which necessarily militates against the zero based budgeting on an annual basis.

2.10 CONCLUSION

A budget is an operational plan expressed in monetary terms. Various formats and methods of budgeting have evolved over the years. Line-item budgeting, programme budgeting and

performance budgeting are three formats of budgeting, with each having its strengths and weaknesses.

South Africa has also gone through a number of changes in the budgeting process. Following the initial investigation that was commissioned by Treasury in 1979, a new form of budgeting called budgeting by objective was introduced in 1980. This was further enriched after the 1994 dispensation, by introducing zero-based budgeting and incremental budgeting. Like the other budgeting processes already discussed both have their strengths and weaknesses.

The next chapter will examine the briefly the concept of government communication. What is effective communication in respect of government?

CHAPTER 3

UNDERSTANDING THE CONCEPT GOVERNMENT COMMUNICATION

3.1 INTRODUCTION

The Constitution of the Republic of South Africa Act 108 of 1996, (sec32 (1)) provides citizens through the Bill of Rights the right to have access to information. Furthermore, it makes provision for freedom of expression (sec16 (1)), especially of the media.

Government is therefore constitutionally obligated to provide the public access to information. Significantly it has a duty to ensure that relevant information is easily accessible to the general public.

Like most government entities, providing adequate services to the public remains a challenge. This is due to the limited resources available to government.

Communication, being intangible in its nature, poses more difficult challenges in competing with other services for resources. It competes with more tangible issues like housing and health services. Decision making for politicians tends to be easy on such tangible issues.

This chapter will briefly explain the concept of communication with reference to government as the focal point of this dissertation.

3.2 DEFINITION OF COMMUNICATION

Blackburn (1971:19-20) defines communication as:

“A process by which messages are transferred from a source to one or more receivers and in a more specific sense is used synonymously with mass communication and mass media by which governments and other media

programmers are able to reach large numbers of people within society”.

Communication is about passing information or knowledge by a person(s) (the provider) to the other person(s) (the receiver) of the information. The key being that the information passed should be understood by the receiver.

3.3 **GOVERNMENT COMMUNICATION**

Government communication is responsible for co-ordinating the conveyance of the message of government to the general public. Also, it uses communication as a means to determine the needs of the public. Blackburn(1971:2) states that communication provides government with the tool to keep in contact with its constituency – the general public . Blackburn (1971:2) further states that communication systems provide governments with the ability to mobilise their populations to instil certain desires and goals.

The critical aspect in depicting the concept of communicating is the response that emerges out of transmitting the message from the provider to the receiver.

De Fleur & Larsen (1958:5) states that communication is a costly activity and a complex task to achieve. Changing the people’s mindset is a difficult and time consuming exercise.

3.3.1 **An effective message**

Effective communication entails the ability to pass the message to the receiver and it yielding a positive response from the receiver (Blackburn P, 1971:20). “Effective communication seeks to solicit a positive change in human behavioural patterns”(De Fleur et. al, 1958:5).

A positive response from the receiver is dependent on a number of factors such as the mode of transmitting the message especially when communicating on a mass scale.

Various media exist to select from. The electronic medium, the print medium and face-to-face contact are some of the modes to choose from.

The content of the message is equally important. Knowing what the audience wants to hear may yield a positive response.

3.3.2 **The receiver of the message (audience)**

In a democratic state, communication is an important tool to keep contact with the public. The state strives to have a vibrant and active public in as far as their daily lives are concerned. This can only be achieved by providing the public with easy access to information.

Wolman and Goldsmith (1992:127) state that:

“Public officials frequently seek out information on public preferences. Through a variety of means such as conversation with friends and supporters, public and private meetings with constituents and informal or formal surveys, officials attempt to assess the state of public opinion in their areas”.

How effectively communication has been achieved will be determined by the degree to which receivers of the message comply with the intent of the communicators. Compliance is overt behaviour requested and stimulated by the message.

In South Africa, government through the GCIS, communicates government-related messages to the people. To justify its existence, the GCIS needs to ensure the message solicits the desired behaviour or response from the communities. Its strategic plan together with its budget strives to ensure an informed general public.

It is the responsibility of the South African Government to communicate in a manner that will solicit a response from the general public. Through government communication the public is

kept abreast of government programmes thereby inviting the public to respond to these.

The next section will explain the budget implications in the context of communication.

3.4 BUDGET IMPLICATIONS IN THE CONTEXT OF COMMUNICATION

A budget reflects the financial plans for implementing the operational plans of an entity. It flows from the strategic plans of an entity which is translated into an operational plan. It also seeks to ensure that the expenses incurred result in the desired outputs of the business plan.

The communication environment however, presents other challenges to the approved operational plans. The desired outputs in the communication environment may be more fluid than in other disciplines of government activities.

The external environment within which the audience lives is often inclined to alter the envisaged communication programmes planned for that particular period. The sudden uprising from a specific local community may divert a pre-planned campaign for a different matter. The challenge then is to ensure that the budget in a communication environment is flexible enough to take advantage of the communication opportunities and to communicate messages that would be acceptable to the audience or to communicate government's position on a particular matter.

In a way it is also meant to effectively manage the limited resources. There is no point in communicating a particular campaign at the time when your audience wants to hear a particular issue from government. The functions of government communication have to be sensitive to these challenges.

The GCIS is a government communication structure that has been tasked to perform communication on behalf of Government in South Africa, its roles and functions will now be discussed.

3.5 **FUNCTIONS OF GOVERNMENT COMMUNICATION AND INFORMATION SYSTEM (GCIS)**

The GCIS was formally set up in May 1998 to co-ordinate and provide leadership in communicating the message of government across all functional disciplines. It offers professional advice to departments leading major communication's campaigns of government.

Its key functions as listed in its annual report of 1998/99 are as follows:

- A strategising body located in the Presidency dealing with issues of government message, communication strategy and corporate image.
- A body to integrate, co-ordinate and rationalise the work of all communications structures in government including training.
- Through a Communication Service Agency (CSA) to be responsible for the production and distribution of government media and general dissemination of information.
- Through its media liaison structures, strengthen working relations between the media and government and ensure accurate and unbiased reflection of government work and views.
- Through its Research and Policy Unit, conduct research into public opinion and process these for utilisation by government as a whole.
- The GCIS should also develop media policy for government including such issues as diversity of ownership.

- In liaison with relevant departments, it should work out strategies and implementation mechanisms to promote South Africa abroad *(RSA. GCIS Annual Report 1998/99: 2)*.

3.6 **CONCLUSION**

Communication is the passing of a message from the provider to the receiver of the message. For it to yield positive results, the tools to be used in conveying this message have to be appropriate, and also correctly targeted.

Government communication equally seeks to achieve a positive response from the public. The GCIS as the government entity responsible for communicating on behalf of government develops its strategic plan together with its budget to achieve an informed public about government matters.

Balancing the budget and managing the public's information poses a critical challenge for the GCIS.

The next chapter will examine the budgeting process with reference to the GCIS in South Africa. It will look at the budgeting process followed by this entity and further examine the expenditure patterns for the period 1998 –2001 which resulted in an under spending in the earlier years and subsequently resulted in an over spending in its allocated budget.

CHAPTER 4

BUDGETING, EXPENDITURE AND THE MONITORING PROCESS WITHIN GCIS

4.1 INTRODUCTION

The GCIS is responsible for co-ordinating the Government message to the public and vice versa. In the 1998/99 financial year it realised an under expenditure in its allocated budget and in 1999/2000 and 2000/01 financial years it incurred an over expenditure.

A budget is a financial reflection of an operational plan. Failure to adhere to it may mean the operational plan was not properly costed or there were not enough suitable personnel to implement the operational plan or both.

In addressing the budgeting problems that the GCIS experienced, the research address the following questions:

- How was the GCIS's budget developed?
- Was it aligned to its operational plan?
- Did it have enough personnel to implement its plans?

This chapter will indicate the resources of the GCIS during the period under review and it will also give an outline of the budgeting process and the monitoring of the budget operationalisation with the view to uncovering the causes of the deviations.

4.2 GCIS RESOURCES WHEN IT COMMENCED ITS OPERATIONS

The GCIS was formally given the mandate to operate as an entity in May 1998. It was a month after the commencement of 1998/99 financial year. Its operations were to be effected with the resources of the disbanded South African Communication

Services (SACS). This included its approved budget for the 1998/99 financial year, personnel and the equipment.

4.2.1 **Staff establishment**

Integration took place with what was left of the SACS personnel. Most of SACS professional communicators had taken severance packages or taken early retirement. Out of the approved establishment of 585 people, only 299 people remained in the employ of SACS when the GCIS took over in May 1998. Most of those remaining were responsible for maintenance, clerical and cleaning services (*RSA. GCIS Annual Report 1998/99*).

One of the priorities that the GCIS had to embark on was to conduct an audit and upgrade the equipment which, according to the Netshitenzhe report (*May 1999*) to the Portfolio Committee on Communication had not been replaced over a number of years. Furthermore, during its first year the GCIS was engaged in the programme of appointing qualified officials at all the critical levels of its structure. Notably, it took longer to fully capacitate its finance section.

The next aspect, which will be elaborated on more in this chapter, is the budget. The chapter will not cover the process of the compilation of this specific budget as it was beyond the scope of this research. It will however cover its implementation.

It will further highlight the final expenditure for the 1997/8 financial year of the SACS.

4.2.2 **Budget for the 1998/99 financial year**

The SACS's approved budget for 1998/99 formed the commencing allocation of the newly formed GCIS.

Fig. 4 -1

GCIS Annual Report 1998/99

	VOTED/ACTUAL 1997/98 R'000		BUDGET REQUEST 1998/99 ESTIMATE R'000			VOTED/ACTUAL 1998/99 R'000		
	Voted	Actual	'98/99	99/00	00/01	Voted	Actual	%
Personnel	36,064	22,664	44,120	44,235	44,329	25,730	22 636	88%
Operational	9,839	3,327	26,467	27,516	31,214	34,524	26 064	75%
Total	45,903	25,991	70,587	71,751	75,543	60,254	48,700	81%
(Over) Under	19,912					11 554		

According to the figures given in the GCIS's annual report, at the end of the financial year of 1998/99 an under expenditure of approximately R11,5m was realised. There was an under spending in the personnel allocation of about R3m and an under spending in operational expenditure of R8, 4m.

It is also worth noting that from the figures above, the GCIS had made a request for R70,5m compared to the final R60,2m that was granted. Should their initial request been acceded to, their under spending would have been more. This budget was benchmarked on the budget of SACS, as it was the budget they inherited when they commenced their operations in May 1998.

4.3 **COMPILATION OF THE BUDGET**

Budgeting by objective was introduced in South Africa in 1976/77 financial year (Marais D, 1989:98). Cabinet approved the Medium Term Expenditure Framework (MTEF) on 23 January 1997 (RSA. National Treasury Circular m3/12/25/1246/97). This required entities to compile their budget estimates over a three-year period. SACS's budget covered the period 1998/99 to 2000/01.

The MTEF allows for the approval of the budget for year one and the provisional allocation for the two outer years. Usually the two outer years use year one as the baseline with the necessary adjustments added.

Compilation of budget estimates commences a year before the new financial year begins. For the 1998/99 financial years, the compilation commenced around March 1997. The approved budget of SACS for the 1998/99 became the initial budget of the GCIS.

4.3.1 Issuing of budget compilation guidelines circular for 1998/99

A circular was issued to entities around March 1997 by the then Department of State Expenditure for the 1998/99 financial year. Entities were provided with a framework for making budget estimates. The following areas were to be covered by each entity in their submissions:

- Identify key activities of the department.
- Define the goals of the department and its mission.
- Indicate the rationale for all activities.
- Indicate the discarded activities and the established new activities.
- Show the costing of activities based on the most economic, efficient and effective way of providing the service.
- Prioritise the activities.
- Determine the alternative planning options for a vote as a whole and the implications thereof (*Manual for the financial planning and budgeting system of the State, 1999:1-2*).

From the guidelines listed above it is evident that entities were expected to develop their anticipated operational plans. These could emerge from the proper strategic planning process with clearly worked out operational plans.

It is worth noting that from the guidelines provided, provision was not made for entities, which had been advised to suspend their activities whilst there was a review of their work. SACS made their submissions with no indication of it wrapping up its work to allow for a new entity being established.

4.3.2 **Submissions for the 1998/99 budget estimates**

The information gathered on how SACS compiled its submission is based on an interview with Frik Nieman who was the acting finance manager during 1998/99 financial year (*Nieman F, 5 Dec 2003*). According to Nieman the circular from the National Treasury was received around April 1997. It detailed the format of budget submissions and the information that should be provided by entities (*ref sec 4.3*). The current year's allocation would be used as a baseline in distributing the funds for the following year.

Together with the guidelines as provided by National Treasury, an internal memo is sent to the various programmes. The internal memo provides each unit with its own allocated baseline budget. The units are then requested to submit their budgets together with the information required by the National Treasury guidelines.

These submissions are then forwarded to the Head of Finance who in turn consolidates all the information into one submission for the entity. It is then sent to the CEO for his final approval. Once the CEO signs the submissions they are then forwarded to the National Treasury. The budget estimates were as follows:

Fig. 4 - 2

	BUDGET ESTIMATES REQUESTS		
	1998/99		
	R'000		
	98/99	99/00	00/01
Personnel	44 120	44 235	44 329
Operational	26 467	27 516	31 214
Total	70 587	71 751	75 543

Once Cabinet approves the budget recommendations as submitted by National Treasury the budget is then forwarded to Parliament for final approval. After the Budget Speech at the beginning of each year, the Appropriation Bill is then passed by Parliament. The public budget becomes binding on all public entities.

4.3.3 Motivations submitted by the various sub programmes

As indicated earlier, the various sections were expected to submit their budget requests together with information (*ref sec 4.2*) that served to provide a motivation as to why each unit requires the funds.

The researcher went through the submissions of the Research Unit; Production Unit; Training Services Unit and Media Liaison unit (*RSA. Unnumbered, GCIS Internal memorandums*). Of all the submissions none gave information as guided by National Treasury especially on the projects to be discarded. This was of interest, particularly as most of the submissions made reference to the new entity that was to replace the SACS, namely the GCIS.

In general most sections requested additional funds over and above the baseline allocation given to them. The reasons given for wanting additional funds was the anticipated new GCIS that

was to be formed with “new demands expected and the upgrading of equipment” (*RSA.GCIS Internal Memo: Dreyer M, 17 June 1997*).

The two extracts selected from the various submissions the researcher went through are mentioned below. According to the Production section submission(*RSA.internal memo: Radio and Video units: 19 June 1997*) the following motivation for more funds:

“ Expenditure already incurred or planned for in the current financial year (Year 0) will be wasted as this formed part of long term planning to maintain full in-house production capacity. Production personnel currently employed by the SACS in these sections will become effectively redundant. Production will have to be outsourced, with expected delays and expenditure”.

The second extract is from the motivation of the Provincial and Local Liaison responsible for the liaison work at the Regional Offices of SACS(*RSA. undated, Submission from SACS Provincial and Local Liaison*) it states that:

“If the budget is restricted as envisaged, to considerably less than half the amount projected for the performance of the above-mentioned tasks, the performance of some of the tasks would not be possible. The policymakers should decide which of those tasks should be left undone, because it would imply that, either

- The support to the recommended GCIS co-ordinating structures (inter-departmental and inter-provincial) would not be possible; or
- The ‘line’ function of the GCIS/CSA (providing a cost-effective, co-ordinated communication and information service to the population and to the departments and provinces serving them) would have to be scrapped”.

The financial report of SACS for the 97/98 financial year reported an under spending of about 35%. The 1997/98 allocations were 9% less than the previous financial year. Most of the publications that were produced by SACS had been discontinued. The final allocation approved for 1998/99 was R60,2 million. This was R9,5 million less than what was requested (*RSA. SACS Annual Report 1997*).

At the end of the 1998/99 financial year GCIS had realized an under spending of R11,5m. Of this, R3million was from personnel and R8,4 million from operational savings.

It is evident that the allocated budget was not fully utilized. The question to be posed at this point is how the expenditure process was monitored during the financial year.

4.4 EXPENDITURE MONITORING PRIOR TO THE PASSING OF THE PFMA

Once the budget is approved by Parliament, entities are ready to spend the funds in accordance with their plans. The budget was broken down into standard items per programmes and sub programmes. It is then loaded accordingly into the Financial Management System (FMS) programme in the computer. This enables transactions to be recorded and monthly expenditure reports to be generated.

According to Nieman(*Dec 2003*), to ensure sections do not exceed their allocated budgets, the finance section of SACS used a special computer software package that enabled them to download the expenditure reports. These reports were then forwarded to the programme managers to enable them to do their monthly projections and to adjust their projections to the actuals for the current month (*Interview Nieman F, 2003/12/03*).

The process that was followed during the 1998/99 for expenditure monitoring was clearly not enforceable nor was it

effective enough to prevent or contain the under spending that was reported at the end of that financial year.

The information discussed so far in respect of the budget compilation and the expenditure monitoring, clearly indicates the glaring discrepancies from an effective public budgeting process. For instance, the motivations provided on the funds were clearly not in sync with what was taking place in SACS during that time. SACS was in the process of rounding up its activities during the 97/98 period that was at the time when these motivations were written.

Furthermore, the monthly monitoring system during the 1998/99 was seen as a ritual from the Finance section and as a result it was never enforced. There was no mention of management intervention to the apparent discrepancies in the expenditure deviations to the projections.

The next section will reflect on the influence of the Public Finance Management Act 1 of 1999 on the public budgeting process in South Africa. The Act effectively came into effect in 1999 when the GCIS was to compile its 2000/01 financial year budget.

4.5 PUBLIC FINANCE MANAGEMENT ACT 1 OF 1999

The Public Finance Management Act 1 of 1999 introduced a legislative framework so as to better manage the public finances and introduced a few critical elements in public budgeting.

It introduced a law that required public entities to have strategic plans that preceded the development of operational plans. It required a three-year budget submission together with enforceable monthly expenditure monitoring (*Section 40 (4)*). Another requirement was that each entity was to submit to National Treasury its monthly projections.

The following are a few extracts from this Act which are of relevance to this dissertation:

“The Accounting Officer must ensure an effective, efficient and transparent system of financial and risk management and internal control. The Accounting Officer must also ensure appropriate procurement and provisioning system which is fair equitable, transparent, competitive and cost effective” *(RSA.PFMA 1999: Sec 38)*.

Relating to the budgetary controls, the Act provides in Sec 39 that the Accounting Officer must ensure that:

“expenditure of that department is in accordance with the vote of the department and the main divisions within the vote must also ensure that effective and appropriate steps are taken to prevent unauthorised expenditure”.

Treasury Regulations of the Act further provide detailed guidelines on what the strategic plan of an entity should detail in its content. It states that the strategic plan must:

- a) Cover a period of three years and be consistent with the institution's input to the MTEF;
- b) Include the programme objectives and outcomes identified by the executive for the forthcoming budget;
- c) Include the key performance measures and key indicators of the service delivery improvement programme for assessing the institution's performance in delivering the desired outcomes and objectives;
- d) Be updated annually on a rolling basis; and
- e) For departments, include the requirements of Part III B of the Public Service Regulations, 1999 and form the basis for the annual reports of accounting officers in terms of Section 40(1)(d) and (e) of the Act.

The Public Finance Management Act 1 of 1999 together with the Treasury Regulations forms the basis for the improvement of public budgeting in South Africa. It introduced the element of

strategic planning to budgeting, accountability of management and tighter controls to expenditure monitoring. The next section will examine the budget compilation and monitoring of GCIS for the 1999/00 to 2001/2002

4.6 GCIS SUBMISSIONS FOR 1999/00 – 2001/02 BUDGET

The Public Finance Management Act 1 of 1999 has introduced a more structured way of managing public funds in South Africa. As required by the Act, the GCIS developed its own five-year strategic plan. The next sub section will detail the process it followed in developing its Strategic Plan.

4.6.1 GCIS strategic planning process

The GCIS management team convened two consultative conferences - May 1998 and October 1998 – inviting inputs from all government communicators. This was to lead to the development of the strategic plan that was to guide the work of the department over the next five years.

Its first Corporate Strategy was developed late in 1999. This was to form the strategy that was to be amended on an annual basis. It identified five key strategic objectives. They are:

- Providing leadership to government communications;
- Keeping the public informed on government delivery of its mandate;
- Developing strategies for the better utilisation of advances in information and communication technologies in communicating and in the management of the GCIS;
- Increasing the resources and capacity available to the GCIS; and
- Addressing the ongoing transformation of the GCIS by paying attention to gender representivity at management level, the

recruitment of workers with disabilities and running programmes on HIV/AIDS. (RSA.GCIS Coporate Strategy,2001:04)

Flowing from this, all its Programmes were to develop their business plans and provide their respective performance indicators. Below is an example of the submissions as provided by the GCIS's Programme 3: Government and Media Liaison (*ref fig 2.4*).

Fig. 4 – 3 (GCIS Annual Report 2001/02)

PROGRAMME 3: GOVERNMENT AND MEDIA LIAISON

Sub programme	Output	Service Delivery Indicator
National Liaison	Manage, convene and provide strategic direction to the communication clusters; <ul style="list-style-type: none"> • Assessment reports of the communication environment; • co-ordinated media monitoring; reports. • Planned the schedule for the cluster meetings. • Identified cluster programmes. 	Communication cluster meetings convened Managed and provided strategic direction to communication clusters.
Media Relations	<ul style="list-style-type: none"> • Parliamentary Briefing Week/State of the Nation Address. • Cabinet Press Conference convened. 	Parliamentary briefings Number of Cabinet Press and media conferences organised.
Research Unit	<ul style="list-style-type: none"> • Conducting communication research on behalf of GCIS and other government role players to promote effective communication. 	Number of Communication research conducted.
Electronic Information Resource	<ul style="list-style-type: none"> • Provide advice and support to government departments and provinces regarding web site publishing to contribute towards 	Contribution towards increased government web presence and towards improved professionalism of government

	increased government web presence and towards improved professionalism of government web sites.	websites.
Provincial and Local Liaison	<ul style="list-style-type: none"> • Meeting identified public needs for government communication and information. 	<ul style="list-style-type: none"> • Identification of the most suitable venue in each remaining district in conjunction with national, provincial and local role players and prioritisation of their roll out. • Compilation of an agreed roll out plan for the first 20 MPCCs on the list. • Initiation and management of the launch of the approved 20 MPCC's according to the roll-out plan.

The broad priorities of the GCIS were broken down into small related activities. They were then grouped into programmes and sub programmes with clearly defined outputs and performance indicators.

4.6.2 **Budget submission for 1999/2000 MTEF**

Once the Strategic Plan was adopted, all the programmes were given their allocated budgets by the GCIS management. They were to go and develop their own operational plans using the allocations as their baseline. Operational plans were to be in line with the approved Corporate Strategy.

In the event programmes require more than the baseline amount that was provided, a motivation was to be provided as to why they required the additional funds. These motivations were to be

discussed through the GCIS management structure. Should the motivations be approved, they would then form the basis of the GCIS's consolidated motivation to National Treasury for additional funds over and above the allocated global figure.

The incremental approach on both periods was used to develop the budget estimates (*ref sec 2.9*). The allocation of the previous year was used as the basis for developing the figures for the coming year.

According to the SACS annual report of 1998, in its Sub directorate: Editorial Services, it noted that 33 publications were produced (*RSA. SACS Annual Report 1985:5*). When the GCIS commenced its activities all these publications were discontinued. Nowhere in the submission is it indicated how the allocated budget of these publications was to be utilised or re-assigned.

The GCIS was given a baseline, which was based on the SACS baseline. A baseline which was in itself already not well aligned, as most of its activities had been discontinued whilst the Communication Task Team was investigating its activities (*RSA. 1996 Comtask Report*).

Cabinet approves the priorities of Government on an annual basis. Budgets are then guided by these priorities. Government resources are divided in terms of these priorities (*RSA. Manual on Financial Planning and Budgeting system of the State: 1999:2-1*). The GCIS's priorities were aligned to the approved Cabinet priorities.

Decisions as to whether additional funds should be approved for entities are guided by these priorities. Apart from the baseline allocation given to the GCIS, additional funds were requested. The next sub-section will deal with the process of handling the requests for additional funds with specific reference to the case of the GCIS.

4.6.3 Processing of departmental submissions

In making submissions to Cabinet, the management of each department was invited to make an oral presentation to the Medium Term Expenditure Committee (MTEC) chaired by the Director General of National Treasury (*RSA. 1999 Treasury Guidelines*).

Once this process is completed, Cabinet makes the recommendations to Parliament for the final approval through the enactment of the Appropriation Bill.

A summary of the funds requested by the GCIS for the period under review and the amounts that were finally voted is shown below:

Fig. 4 - 4 (GCIS Budget Estimates 1999/2000)

	APPROVED BUDGET & ACTUAL EXPENDITURE 1998/99 R'000		BUDGET ESTIMATE REQUEST 1999/00 R'000			MTEF 1999/00 R'000		
	Voted	Actual	'99/00	00/01	01/02	99/00	00/01	01/02
Personnel	25,730	22,636	38,646	40,192	41,800	37,000	38,425	40,254
Operational	34,524	26,052	20,600	21,424	22,281	19,536	23,013	79,959
Total	60,254	48,700	59,246	61,616	64,081	56,536	60,438	120,213
(Over) Under	11,566					Voted	Projections	

Fig. 4-5 (GCIS Budget Estimates 2000/2001)

	VOTED/ACTUAL 1999/00 R'000		BUDGET ESTIMATE REQUEST 2000/01 R'000			VOTED 2000/01 R'000		
	Voted	Actual	'00/01	'01/02	02/03	00/01	01/02	02/03
Personnel	37,000	31,430	37,674	39,181	40,748	37,674	39,195	41,042
Operational	19,536	28,844	33,639	34,985	36,384	18,013	20,117	23,633
Total	56,536	60,274	71,313	73,538	75,744	55,687	59,312	64,675
(Over) Under		(3,738)						

Fig. 4-6 (GCIS Budget Estimates 2001/2002)

	VOTED/ACTUAL 2000/01 R'000		BUDGET REQUEST 2001/02 R'000	ESTIMATE		VOTED/ACTUAL 2001/02 R'000	
	Voted	Actual	½	02/03	03/04	2001/02	Actual
Personnel	38,425	39,239	41,000	42,000		40,254	42,395
Operational	23,013	26,353	32,580	31,580		29,959	30,426
New program			173,985	255,748	-	50,000	49,896
Total	61,438	65,592	247 565	329 328		120,213	122,717
(Over) Under		(4,154)				(2,504)	(2,1%)

It will be noted that in all the three years namely 1998/99;1999/00 and 2000/01, the GCIS was submitting a budget that requested an additional allocation. This was in spite of the actuals of the previous year. For instance in their 1999/2000 submission, the GCIS requested R59,2m and R56,5m was approved. At the end of that financial year they realised an over expenditure of R3,7m.

For 2000/01 financial year, the GCIS requested R71,3m. A budget allocation of R55,6m was approved. With the additional funds approved during the adjustment estimate the final allocation for the financial year added up to R61,4m. At the end of that financial year it realised an over expenditure of R4,1m.

From the variance it is evident there was a problem in the determination of the budget requests submitted. It is acceptable to have a small margin of variance in the projections versus the actuals. It could either be that the expenditure monitoring was not effective or the operational plan costing was not properly done. Since there was already a baseline from previous entity, the

respective operational plans tended to flow from the already existing allocation.

The next section will discuss how GCIS monitored the expenditure on a month to month basis.

4.6.4 GCIS expenditure monitoring during period 1998/99 - 2000/01

The PFMA (*Sec 40(4)*) provides that before the commencement of each financial year, entities must provide National Treasury with the breakdown on a month-to-month basis their anticipated revenue and the expenditure thereof.

By the 15th of each month entities are expected to submit to National Treasury the updated figures after adjusting the projections with the actual figures of that specific month (*PFMA 1999, Sec 40(4)*).

The finance section provides on a monthly basis the programme managers with monthly expenditure reports so that they can adjust their monthly projections. These projections are collated into a consolidated GCIS report that is submitted to National Treasury by the 15th of each month.

Where there are variances from the projections, sections are required to provide explanations for these variances. During the 1998/99 investigations, the researcher could not find any records indicating explanations for the variances. During the 1999/00 financial year, monthly projections are done on a spreadsheet with adjustments made on the column of that actual month. Most of the variances continued throughout the financial year without any visible corrective intervention.

Attributing this solely to the capacity within the GCIS may not be entirely accurate given what has been indicated earlier on the preparation of the budget submissions. It was also evident during that period that the entity was going through a major

transformation programme that does not seem to have been considered in the budget preparations.

Some form of zero based budgeting at some point in the preparation of the GCIS budget should have been done, given that this was a new organisation. Most if not all the activities of the disbanded SACS were discontinued. To use SACS's baseline as a starting point was a serious flaw in the budget process.

4.7 **CONCLUSION**

The GCIS inherited a budget that was developed for SACS in 1998/99. This resulted in inaccurate projections resulting in an under spending of approximately R11,5m. The following years which were to be guided by the enacted Public Finance Management Act 1 of 1999 introduced a more structured format of public budgeting. The structured format of public budgeting unfortunately did not prevent the over spending that was realised in the successive years that 1999/00 and 2000/01.

The challenge was the compilation of the figures and the monitoring of the implementation. A strategic plan was developed for the GCIS in 1999 for a period of five years. The budgets were however developed using the baseline of SACS from the previous years, which was not entirely reflective of the operational plans of the new entity. The operational plans were not accurately costed due to the limited skills in the costing of the activities within the entity.

Expenditure monitoring which is prescribed by the Act was complied with. As it is evident from the documentation, it was more of a technical exercise. The variances were not dealt with at managerial level resulting in a repetitive under spending for the years 1999/00 and 2000/01.

The next chapter will summarise these discrepancies in the budget preparations and budget expenditure monitoring process and come up with possible recommendations in these areas.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

A budget mirrors the operational plans of an entity. Government operational plans translate the government policies into public services and these are implemented within the limited available resources.

Raising funds by government poses huge challenges as it impacts on the public income. Public funds are raised through taxes and borrowing funds from the money markets. More government revenue means raising taxes collected from the public. Borrowing comes with expected interest payable on those loans.

Chapter two explained what public budgeting entails. It reflected on the various public budgeting formats and methods that have evolved over a period of time. It further highlighted the development of public budgeting in South Africa. Chapter three briefly explained the theoretical concept of communication.

The GCIS budgeting happened within the guidelines of public budgeting in South Africa during the period under review. This chapter highlights some of the critical areas that were not appreciated when the GCIS undertook its budgeting process and the monitoring thereof.

It is also appropriate in the closing remarks of this dissertation to respond to questions posed in chapter one of this dissertation.

5.2 GCIS BUDGET PREPARATIONS

The annual circulars provided by the then Department of State Expenditure guided the budget preparations for the periods

under review (*Manual for the financial planning and budgeting system of the State 1999:1-2*). It is however significant to note that the circular for the preparation of the 1998/99 budget was issued in March 1997 (*ref sec 4.3.1*). The PFMA of 1999 had not yet come into effect.

When the newly appointed CEO of the GCIS was making his presentation to the Parliamentary Portfolio Committee on Finance in September 1999, he indicated that when SACS's budget was approved, all its major activities in respect of the production of publications had been stopped (*Presentation to Portfolio Committee Netshitenzhe J, Sept 1999*).

The GCIS budget for the 1998/99 financial year was therefore inherited from SACS with no operational plan attached to it. Given that the GCIS was a completely new structure, adopting an already crafted budget was likely to result in discrepancies in the actuals against the budget.

From the information provided by Nieman (*ref sec 4.4*) the GCIS used the allocation to SACS in the previous year as its baseline. It used an incremental budgeting method. By definition incremental budgeting moves from the premise that the previous year's activities still remain more or less the same for the coming year (*ref sec 2.9.2*). The information provided indicates that the GCIS was a completely new entity with a new mandate and tasks.

A newly formed entity such as the GCIS should at least have performed a zero based budgeting exercise in its 1999/00 budgeting process. This would have assisted in determining its baseline allocation. The incremental approach continued throughout the period under review, and this had an effect in the allocation of the budget of the GCIS.

Nieman in his interview (*Dec 2003*) further pointed out that when the GCIS was formed most of the finance officials had resigned (*ref sec 4.4*). This further exacerbated the problems of budget

compilations. As indicated earlier, a budget is a reflection of the plans of an entity.

This necessarily means the operational plans are guided by the strategic plans of the entity. Incremental budgeting may therefore not necessarily result in an accurate budget more so its strategic plan is new for that specific entity.

5.3 **BUDGET SUBMISSIONS**

The Treasury circulars (*Manual for the financial planning and budgeting system of the State 1999:1-2*) provided departments with guidelines on information to be submitted in motivating for additional funds. Most of the motivations read as part of the research seem to have assumed that the status quo in terms of the products by the previous entity (SACS) would remain the same under the newly formed entity the GCIS.

In the National Treasury guidelines, departments are requested to reflect on what would happen if their respective budgets were to be reduced, and which projects they would be able to postpone or cancel.

In the motivations submitted by the various sections within the GCIS no mention was made of the projects that were to be discarded or discontinued. It is therefore understandable that the GCIS recorded an under spending during the 1998/99 financial year.

A number of projects that had previously been budgeted for by SACS had been discontinued (*Presentation to Portfolio Committee Netshitenzhe J, Sept 1999*). The allocated funds for these projects were still within the inherited budget and there was no indication of a process undertaken to reassign these funds.

Knezevich (1973:139) points out that taking the estimates for the previous year for granted as the base and only adjusting them with a projection for inflation increase for the future period may

result in wasteful extravagant expenditure and a trap to perpetuate obsolete expenditure. It becomes more difficult the base year was also not properly costed. The current research finding confirms Knezevich's remarks on incremental budgeting. The budget for the 1999/00 was developed using SACS's allocation for the previous year as the base. The GCIS developed its five-year strategic plan in 1999. This strategic plan was informed by the already approved budget of R56,5m. The approved activities bore no relation to the budget. This resulted in an over expenditure of R3,7m at the end of the 1999/00 financial year (*ref Fig 4-3*).

Apart from the incorrect basis of budget allocation, the GCIS had poor systems of managing the expenditure on a month-to-month basis. This obviously had an effect in managing the anticipated over or under expenditure. One of its functions as indicated in its annual plan is that of production and distribution of government media and general dissemination of information. Information dissemination is prompted by a need for that specific information (*Blackburn P,1971:20*). This may not correspond to the pre-determined budget at that particular time. Communication budget requires creative flexibility in order to ensure effective communication with limited resources.

5.4 **MANAGEMENT OF THE EXPENDITURE**

During the 1998/99 financial year the GCIS hardly performed any of its mandated activities. That year focused on the transformation of the organisation that they inherited – the South African Communication Services (SACS). It is no wonder then that a limited amount of its operational allocation was expended. At the end of that financial year it underspent by R19m of its allocation. (*ref fig 4.4*)

The GCIS was engaged in the programme of appointing qualified officials at all the critical levels of its structure. Notably, it took longer to fully capacitate its finance section (*ref sec 4.2.1*).

The existing officials had to also adapt to the new requirements of the PFMA, which were introducing a completely new work ethos in the management of public funds. From the available records, there was no indication as to whether the transformation programme itself was costed. The budget was utilised without any costed operational plan.

Expenditure monitoring was left to junior officials in the finance section (*ref sec 4.5*). Expenditure reports were printed and given to the respective sections. There was no management forum wherein the expenditure report of the organisation was discussed (*ref sec 4.5*).

Most of the professional communicators had left the organisation. The newly formed GCIS started with literally very few people with limited capacity to drive its programmes. Its focus was to play a co-ordinating role, with departmental communication structures taking the lead.

5.5 ABSORBING SACS RESOURCES TO START A NEW ENTITY

Phasing out SACS programmes was easier than absorbing its remaining personnel and focusing them towards the new mandate of GCIS.

All the publications SACS was producing on an annual basis were discontinued. The officials who were producing those publications had to be reassigned to a newly developed GCIS strategic plan (*Presentation to Portfolio Committee Netshitenzhe J, Sept 1999*).

The GCIS was envisaged as a system that would provide leadership in respect of communicating. It was not necessarily seen as the direct communicator with the public. Different from SACS, it was not seen as the structure that would be producing

publications on behalf of government as a whole (RSA. *Comtask Report 1997*).

Line function entities were to be the implementers of their respective communication strategies. The GCIS was to provide professional advice and not necessarily produce communication material. The GCIS was assigned a task of deploying the existing staff of SACS who at the time had been given a guarantee that none of them were to lose their jobs. This clearly was a task impossible to achieve without compromising other challenges of the newly created organisation.

The majority of the remaining personnel of SACS were support staff with limited professional communication expertise. GCIS therefore found itself with a number of people who could not be retrenched and were not yet on a pensionable age. Its role and tasks therefore took longer to roll out.

5.6 THE MANDATE OF THE GCIS

The mandate of the GCIS together with its transformation process proved a huge and difficult task to roll out, especially when it also related to proper budgeting. This was not acknowledged from the onset.

The setting up of a fully operational finance team was only prioritised late in the transformation programme. Government Communication and Information System was seen as a system, with its core function being to provide leadership to government communication structures and co-ordinate the communication work across government.

Translating this mandate into reality posed challenges, which impacted on the performance of its budget. Co-ordinating structures, which were poorly resourced both in terms of funds and personnel, made this co-ordination a huge challenge.

5.7 **TRANSFORMATION OF GOVERNMENT COMMUNICATION**

The Cabinet took a decision in 1996 to transform government structures of communication. This transformation was to be centrally driven by the GCIS. For the GCIS to realise its impact, it needed to have communication structures that are effective not only within itself but on all communication structures of government departments.

Transformation of communication at line function entity level did not move at the pace of the central structure of the GCIS. A number of government entities, still view communication as least significant in their list of priorities. For the GCIS to be able to play this critical role there is a need for this transformation to cascade to the line functions entity level.

In the Comtask report a report published by the Communication Task Team appointed by Cabinet in 1996 to investigate communication structures in government - it was stated, “very few entities appreciate the relevance of communication in its core functions. The communication function is very often not properly resourced and at the bottom of the list of departmental priorities” (*RSA. Comtask report 1996:18*).

A system only works well if all its elements are well aligned towards the set out goals. The GCIS strategic plan was premised on departmental communication structures being there and effective to take leadership. The products and the communication programmes should be informed by what government is doing.

5.8 **CHALLENGES TO AN EFFECTIVE COMMUNICATION BUDGET**

Determining effective communication campaigns still poses challenges, especially where implementation is to happen at the lead department with the GCIS providing professional advice

services. Communication campaigns that involve more than one line function entity pose further challenges for GCIS.

In terms of its mandate, it is expected also to co-ordinate the communication campaigns that cut across a number of functional disciplines. The budget for such campaigns is spread over a number of the affected entities. Co-ordinating such campaigns in terms of expenditure has not been easy to manage. The period under review focused in the main on transformation and re-organising the new entity. Budgeting and costing its plans was not given the necessary attention in the whole process. It is no wonder that no products were identified as mediums for disseminating information to the public.

There is a huge capacity gap in as far as knowing how to budget for public communication programme. Selecting effective media to use within specific periods, co-ordinating campaigns that take place within departments and creating some synergy has not been an easy process to manage. Determining the effective performance indicators has also not been easy.

For government to effectively address this issue there is a need for some co-ordinated approach to budget for government communication programmes across government. The possible approach would be to develop this budget per interdepartmental cluster.

Co-ordinated planning both in terms of communication operational plans together with their respective budgets would enable improved management of both the message and the financial resources of communication programmes.

Transversal campaigns are effective only when a dynamic link exists between the GCIS and the relevant line function entity affected by that specific campaign. The GCIS may take the lead but it requires the relevant departments to be consistent in

driving whatever message in their daily interaction with the public – in particular the targeted audience.

A uniform government message is an imperative in ensuring effective communication with the public and this was the challenge that faced the GCIS. It has taken the GCIS a number of years to convince line function entities of the need to have a budget for communication let alone properly staffed structures within their entities.

5.9 **CONCLUSION**

A budget is an operational plan expressed in monetary terms. Various formats and methods of budgeting have evolved over the years. Line-item budgeting, programme budgeting and performance budgeting are three formats of budgeting. Each has its strengths and weaknesses. Two methods of budgeting entail incremental budgeting and zero based budgeting.

South Africa has also gone through a number of changes in the budgeting processes. Following the initial investigation that was commissioned by Treasury in 1979, a new form of budgeting called budgeting by objective was introduced in 1980. This was further enriched after the 1994 dispensation.

Communication is the passing of a message from the provider to the receiver of the message. For it to yield positive results, the tools to be used in conveying this message have to be appropriate, and also correctly targeted.

Government communication equally seeks to achieve a positive response from the public. The GCIS as the government entity responsible for co-ordination of the government message dissemination. It develops its strategic plan together with its budget to achieve an informed public.

The GCIS was formed in May 1998, out of the disbanding of the activities of the then SACS. This included the inheriting of SACS's

approved 1998/99 budget. At the end of that financial year, it realised an under spending of approximately R11,5m.

The following years which were to be guided by the enacted Public Finance Management Act 1 of 1999 introduced a more structured format of public budgeting. The structured format of public budgeting unfortunately did not prevent the over spending that was realised in the successive years that 1999/00 and 2000/01.

A strategic plan was developed for the GCIS for a period of five years. The budgets were however developed using the baseline of SACS from the previous years, which was not entirely reflective of the business plans of the new organisation. The business plans were not accurately costed due to the lack of skills in the costing of the activities.

Expenditure monitoring which is prescribed by the Act was complied with. From the documentation, it appears to have been more of a technical exercise. The variances were not dealt with at managerial level resulting in a repetitive under spending for the years 1999/00 and 2000/01.

A central structure to co-ordinate the government message is an imperative. It will however be effective only when the necessary links among departmental communication structures are in existence and effective.

Budgets that are not supported by qualified officials to drive the implementation of the operational plans become useless if not wasteful. A budget needs to be informed by the strategic plan of an entity. It should be managed throughout its implementation.

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