Non-profit organisations and government's pro-poor spending: the case of health and development in Gauteng

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Abstract

Globally, there is growing recognition of participatory public expenditure management (PPEM). PPEM is seen as the process whereby citizens and civil society organisations participate in the management of public expenditures. The adoption of PPEM is aimed at ensuring greater transparency, better targeting and tracking of resources, and increased overall responsiveness. The Gauteng Department of Health and Social Development (GDHSD) is committed to co-operative governance; this includes working with different spheres of government and civil society or non-profit organisations (NPOs).

NPOs are required to have a governing committee to manage funds allocated by GDHSD. The committee has the capacity to hold the NPO management accountable for the resources (financial and material) entrusted to it by the GDHSD. The effectiveness of NPOs is challenged by poor attendance of board members at meetings, poor understanding of the board's mandate and responsibilities and lack of experience amongst members.

The paradigm of PPEM is still faced with challenges to ensure that significant flows of revenue are accounted for and used effectively for growth and poverty reduction. This study is divided into three components. The first section focuses on the background, the introduction and the conceptual framework. The second part focuses on the empirical study for deriving a benchmark for the South African NPO sector. The third section highlights good practices as well as governance-related challenges. Finally, for further consideration by the GDHSD, a series of recommendations is provided, focusing on how key domestic stakeholders can better contribute to successful participatory budgeting programmes.

Keywords: Participatory public expenditure management, non-profit organisations, pro-poor spending, public finance, public financial management, early childhood development.

Disciplines: Public Management and Administration, Public Financial Management

Introduction

Globally, public participation is receiving increasing attention in the execution of public affairs, especially in developmental issues. African countries have put in place various arrangements to improve pro-poor spending discipline. Participation in public expenditure management is still a new frontier for policy making. The participation process plays a vital

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role in integrating functions of government, donors, civil society organisations, the private sector and ordinary individuals, to end mass poverty in developing countries. The main concern of public financial management is how to utilise public resources efficiently and effectively to meet the needs of the community in an equitable manner.

Participatory public expenditure management (PPEM) in this study focuses on efficient and effective delivery of social welfare services aimed at reducing poverty, a function of the Gauteng Department of Health and Social Development (GDHSD). The focus is on the role of citizen participation in public expenditure management and social accountability and outlines the importance of PPEM in improving pro-poor spending in the GDHSD.

Research methods

The concept of PPEM is still a new endeavour which is aimed at alleviating poverty in South Africa especially in the townships occupied by low-income households. The research undertaken examined the national and institutional experience based on a review of written material. In addition, structured interviews were conducted at Sebokeng and Evaton, two townships in the Emfuleni Local Municipality. Four ECD centres were visited in December 2010. Formal discussion administered by questionnaires took place. The aim was to share experiences from the NPOs managers (4) and their board members/committees (8) relating to the execution of government activities, especially on public finance. Informal interviews were also conducted with the non-board members (parents). Government allocates funds to the ECDs and it was important to establish the relationship between the non-board members (parents); NPOs managers and board members/committees with regards to the management of funds allocated to them. The interviews were also aimed to determine the role of parents in the management of the funds allocated to their centres. It also aimed at discovering the practices of managing the funds allocated to the respective centres.

Background

Poverty is an interlocking, multidimensional phenomenon. Poor people lack access to basic infrastructure (education, roads, transportation, housing and clean water). The illiteracy rate among poor people is high; they also suffer from poor health and high levels of illness (Ishikawa, 2006: 7). Meeting the abovementioned needs for the poor requires skilled personnel and institutions to provide adequate services. Ishikawa (2006: 7) points out that the state has been largely ineffective in reaching the poor, due to capacity constraints. Since the 1980s, advocacy groups all over the world have begun examining public resources after realising that their governments have not spent enough to address poverty issues (Dulger and Justice, 2007: 1).

There is growing recognition among governments, donors and civil society, that citizens and communities have an important role to play with regard to enhancing accountability of public officials (World Bank, 2005: 2). Accountability is believed to serve as a tool to reduce corruption and leakage of funds and to improve public service delivery. The World Bank (2010: 2) indicates that over the last decade, numerous examples have emerged that demonstrate how citizens can make their voice heard and effectively engage in making the public sector more responsive and accountable. This can be accomplished through social accountability. Social accountability as an approach, serves to improve governance processes, service delivery outcomes and resource allocation decisions (World Bank, 2010: 2).

The construction of accountability relies on public participation, which is a key principle of democracy and is undoubtedly a crucial determinant of the nature of democracy (Kabemba, 2003: 2). Participation in public expenditure management by society or by civil society organisations is emerging as a major new arena for political activity and economic policy-making in developing countries at all levels of government (Heimans, 2002: 5).

Participatory Public Expenditure Management

Transparency and effective public participation in governance functions are presumed to be an important means to enhance government accountability and responsiveness, in part by remedying or preventing government failures that may result from information constraints, capacity constraints, and incentive problems (Dulger and Justice, 2007: 2). The Constitution of South Africa (1996) establishes a platform to promote ownership of resources and empowers the public to utilise resources more sustainably. Governments at all levels (national, provincial and local government) are currently supporting more active forms of citizenship (Burton, 2009: 263). These departments are challenged to ensure that significant flows of revenue are accounted for and are used effectively for growth and poverty reduction. PPEM strives to enforce accountability, which is vested in stakeholders and encompasses three basic aims – to create good governance, development and empowerment (Sirker, 2006: 6).

The emergence of PPEM is acknowledged globally as an important means of involving citizens and NPOs in public expenditure management. The role of NPOs in the lives of the poor is limited, and they depend primarily on their own informal networks (Dulger and Justice, 2007: 1). The PPEM process influences the management of public expenditures (World Bank, 2010: 6).

Social Welfare Services

The South African government is structured in three spheres (national, provincial and local). National departments are responsible for supporting policy development. In this regard, the Department of Social Development (DSD) provides social grants and subsidies to registered early childhood development (ECD) sites as well as the provision of psychosocial programmes where needed. The Department of Health provides free care to all young children, while the Office on the Rights of the Child, located in the Presidency, is responsible for monitoring the implementation of government programmes (DSD, 2009a: 9). Above all, the DSD strives to ensure the provision of comprehensive social protection services against vulnerability and poverty within the constitutional and legislative framework, and creates an enabling environment for sustainable development. The DSD further aims to deliver integrated, sustainable and quality services, in partnership with all those committed to building a caring society (DSD, 2009a: 11).

At provincial level, the Gauteng Department of Health and Social Development (GDHSD) have the responsibility to fund and implement the abovementioned programmes and to monitor service delivery. Local government has an environmental health responsibility and is involved in inspection of facilities for young children (with the exception of schools) and may operate primary health services on behalf of the province (Biersteker, 2010: 4).

Non-profit Organisations

South Africa faces a shortage of social service professionals (Department of Social Development, 2009a: 4). In order to strengthen civil society and communities, the Department has deepened the registration and maintenance of non-profit organisations (NPOs) (DSD, 2009a:18). The NPO is an associated term for civil society organisations that range from faith based organisations (FBOs) and community based organisations (CBOs), charities (welfare organisations), traditional organisations like social and sports clubs, and a host of other development and social forms of organisations, which work tirelessly on the social fabric of society (DSD, 2010: 4). NPOs act as intermediaries between citizens and governments at all levels (Heimans, 2002: 5).

There are registered and unregistered NPOs. Registered NPOs are grouped, informed by their founding documents' mission and objectives as guided by the International Classification of Non-profit Organisations (ICNPO) (DSD, 2010: 4).

In South Africa, there are 11 NPO sectors. The most popular NPO sectors are: development and housing; education and research; environmental health; human rights advocacy; religion; and social services. In Gauteng, there are 3 386 registered NPOs. The Sedibeng District Municipality (the author's residential area) has 238 registered NPOs (DSD, 2010: 10, 39). The largest proportion of NPOs falls in the social services sector. The range of social services covered in the sample includes crèches, rural development projects, youth development projects and small income generation projects (DSD, 2009b: 14–15).

The interest in this effort is the active promotion of citizen involvement in the process of budget design and management (Heimans, 2002: 2). Civil society joins with the organs of government and legislatures to set and monitor public spending targets to ensure greater transparency, better targeting and tracking of resources, and increased overall responsiveness (Heimans, 2002: 2; World Bank, 2010: 6). The World Bank (2010: 7) indicates that the application of PPEM is likely to contribute not only to greater development effectiveness, but also to increased accountability for the use of public resources. Increased legitimacy and transparency of public spending also has the potential to improve tax collection and stimulate private business (World Bank, 2010: 7).

Early Childhood Development: A programme for participatory public expenditure management

The South African government has increasingly recognised the significance of investment in early childhood development services of different kinds to help address the rights and needs of all children. In South Africa, early childhood development (ECD) refers to "the processes by which children from birth to nine years grow and thrive, physically, mentally, emotionally, morally and socially" (Biersteker, 2010: 4). South Africa uses three significant programmes that affect young children, namely free primary health care, social assistance in the form of the Child Support Grant and the introduction of Grade R (Biersteker, 2010: 11). Servicing for young children in South Africa has in recent years received increased levels of political commitment and higher budgetary allocations than in the past, and is currently at what is possibly its highest level (Biersteker, 2010: 4). The GDHSD plays the coordinating role in this ECD programme.

Civil societies, through CBOs, FBOs and NGOs, have played a major role in the provision of ECD services over a number of decades in South Africa. Integrating the skills, experience, knowledge and systems developed by these civil society structures into the National Integrated Plan for ECD is an important element of its success. There are two important ways in which government can work in partnership with civil society. Firstly, it can do so by building capacity and resources to support the implementation of the plan, and secondly, it can play a meaningful role in the upgrading of skills. Each of the institutional arrangements and structures has a critical role to play to ensure that the National Integrated Plan for ECD can be realised. It is important to acknowledge the complexity of integrating all spheres of government as well as civil society into a seamless service delivery system (Republic of South Africa, 2007: 10).

South Africa's pubic financial management system

In South Africa, strong legal frameworks exist for utilising public finances. It is essential not to underestimate the importance of strengthening existing accountability measures internal to government and of improving the overall legal framework. Without an enabling legal and political environment, many PPEM initiatives will not be initiated, much less survive. To enhance the effects and the sustainability of civil society initiatives aimed at improving government accountability, the focus must also be on the supply side (government) and on the government's ability to respond to such demands (World Bank, 2010: 7). The basic premise for public financial management is laid down in the Constitution of South Africa (1996); the Public Finance Management Act (1 of 1999); and the Local Government: Municipal Finance Management Act (56 of 2003). The Public Finance Management Act details the responsibilities of, and the relationship between, the political and administrative heads of departments.

The Constitution of 1996 stipulates that the state guides the development of the economy and ensures the rational and efficient use of all productive capacity and national resources. Furthermore, it states that the National Assembly is responsible for review and approval of the National Plan and of the general state budget, as well as of reports of their execution. South Africa's expenditure execution system is coordinated by the National Treasury Department. The South African public financial management system is led and managed by key institutions that insist on accountability, transparency and proper use of public funds. Such institutions include the legislature and its committees; the auditor general; the public protector; members of the executive authority; members of the administrative authority; and the Reserve Bank (Nsingo, 2007: 42). These individuals and institutions are managed by practitioners who: manage resource scarcity; make budget allocations; ensure efficiency; provide advice; and control financial activities (Nsingo, 2007: 41).

South Africa is a well-functioning democracy, and has an excellent Constitution that includes rights to basic services. There is also reasonable economic growth and fiscal space that has allowed large increases in pro-poor spending on, for example, social grants, health, education and housing. In addition to this, there is a sound decentralisation framework with an advanced inter-governmental fiscal framework which allocates funds both on the basis of population and poverty. It also provides conditional grants and there is the option of sub-national borrowing. Despite all these achievements, the pace and quality of service delivery to poor people continues to be a major challenge (Van den Brink, 2007: 49).

African countries have put in place various arrangements to improve budgetary discipline. For example, a more ambitious and comprehensive scheme used to ensure consistency in budgetary discipline is the Medium-Term Expenditure Framework (MTEF), which has been embraced in several African countries (United Nations [UN], 2005: 57). MTEF is linked to policymaking, planning and budgeting, thereby allowing expenditure to be driven by policy priorities and disciplined by budgetary realities (UN, 2005: 57).

MTEF includes improved macroeconomic stability through fiscal discipline; better intra- and inter-sectoral resource allocation; effective prioritisation of expenditure on the basis of clearly articulated socioeconomic programmes; greater budgetary predictability; more efficient use of public finances; improved accountability for the outcomes of expenditure; and greater credibility in budgetary decision-making (UN, 2005: 57). Introduction of the MTEF enhances the participation of civil society in public financial management in South Africa (UN, 2005: 57).

Early Childhood Development Funding

These services are locally-based and there are no large provider networks. In 2000, some 83% of ECD service centres were community-based, including those run from homes (Biersteker, 2010: 10). The funding model used by GDHSD is to subsidise NPOs to provide services. Other government departments contract NGOs to provide specific services, training, materials development and, in particular, research. Corporate and donor funding also support NGOs for direct service provision to young children, as well as grants for training, capacity building and resourcing (Biersteker, 2010: 10). Additionally, the government receives support from some donors to address imbalances in ECD provision (UNESCO International Bureau of Education [IBE], 2006: 5).

International initiatives to strengthen fiscal transparency

Many international initiatives have been taken to ensure that countries abide by internationally recognised standards of good fiscal practice. These are designed to enhance the prudent, efficient and accountable management of public expenditures. One such initiative is the International Monetary Fund (IMF)'s Code of Good Practices on fiscal transparency, which comprises four key elements:

- The responsibilities of government should be clear and publicly disclosed.
- Comprehensive and reliable information on fiscal activities should be made available to the public.
- The process of preparing, executing and reporting on the budget should be open and widely publicised.
- Independent arrangements and procedures must exist to confirm the integrity of the information made available to the public (UN, 2005: 63).

However, several African countries have made progress in introducing greater transparency in their fiscal systems (UN, 2005: 63). In Botswana, an open and systematic procedure for consulting stakeholders is used to ensure that all relevant interests and views are considered when formulating effective, equitable and transparent policy and legislation (UN, 2005: 63). In Angola, the Public Expenditure Management and Financial Accountability Review (PEMFAR) is applied to enhance effective use of public funds.

Participatory public expenditure management and non-profit organisations

Safeguarding public money is a complex endeavour. It requires technical expertise and it is often a politically-charged and even delicate issue to address. Globally, countries are increasingly adopting the process in an effort to ensure greater accountability and transparency. It also aims to target and track resources, and increase overall responsiveness (World Bank, 2010: 6). Investing in measures aimed at increasing the accountability of public expenditure management for the benefit of civil society makes good economic sense for governments (World Bank, 2010: 7). The importance of PPEM is evident in public participation in the integration of functions, approaches and institutional arrangements.

Participatory Public Expenditure Management Approaches

Efficiency in the management of the PPEM system is important for enabling the public sector to mobilise the resources required for economic development. It also engenders confidence and trust in public financial management, which is an important component of good governance (UN, 2005: 63). Advocates of popular participation in the budget process argue that participatory activities in governance empower citizens and promote public learning (Heimans, 2002: 8).

The PPEM system reflects the state's progress towards achieving its developmental targets. In South Africa, these targets are based on the electoral mandate the government received in 2004 (Fowler, 2007: 26). The state's developmental agenda uses the Medium Term Strategic Framework (MTSF) to achieve its developmental goals. The MTSF is the tool to bring coherence to the state's developmental agenda and includes the expansion of the economy, eradicating poverty, meeting basic needs, nation building, deepening democracy and creating a better world and a better Africa (Fowler, 2007: 26).

Integrated Financial Management System

Democratic principles involve relationships of accountability between three sets of actors, namely, policy makers/politicians; clients; and service providers (NPOs). The challenge for this relationship to succeed is to improve the organisational capacity of the state at all levels. The actors work together to meet the developmental goals, and to succeed in meeting the common objectives that have been set by policy makers. In these relationships, all actors must be accountable to one another (Van den Brink, 2007: 49). Involving civil society, business and government employees in monitoring the probity of PPEM can be an effective and often cost-efficient complement to official, institutional anti-corruption measures (Foster, 2002: 23). A brief descriptive role for partnership in public finance is provided below.

The *public sector* steers the implementation of public policy and is required to evaluate its effectiveness on a continuous basis. The sector engages with the public in the decision-making process and accepts new responsibilities that arise because community needs are variable and by no means constant. This new public service must seize the opportunity to help make South Africa a leader in participatory government within the confines of a developmental state (Fowler, 2007: 28). *Legislatures* have a critical role to play at all stages of the PPEM process (Heimans, 2002: 28). Their functions include the formulation of spending priorities for specific sectors or policy areas before the budget is submitted to the sector; analysis of the budget submitted by various departments; and tracking and performance evaluation to determine the effectiveness and efficiency of public spending (Heimans, 2002: 29).

It is said that *civil participation* in public expenditure management promises to improve social and economic outcomes while increasing confidence in public institutions (Heimans, 2002: 1).Various mechanisms are used to ensure accountability. These include citizen report cards; empowering communities to exercise decision-making in service delivery planning and implementation; introducing payment or co-payment for service vouchers; information and transparency; constitutional guarantees; and recourse to the law (Van den Brink, 2007: 49). In this particular study, the 'public' relates to the board members (parents of the learners) at the Early Childhood Development (ECD) centres. Each ECD centre has such a committee. At primary and high schools (junior, intermediate and senior phase) there are school governing bodies (SGBs). The SGBs and ECD committees represent the needs of the learners and those of their parents.

Findings

Financial management is an important part of planning and implementation. The most critical aspect of this process is that the plan needs to clearly articulate what each department is expected to contribute. The starting point is the identification of one outcome/output and should then move to the role of the departments. The World Bank's framework for PPEM recommends a model in which civil society organisations influence resource allocation in four broad phases of the budget cycle: formulation, analysis, expenditure tracking, and evaluation (Dulger and Justice, 2007: 2). Allocating a more pro-poor budget is only the first stage in making government expenditure a tool of poverty reduction (Foster et al, 2002: 22). The following findings are based on theoretical and empirical surveys conducted in Sebokeng and Evaton. The aim of the study was to ascertain the effectiveness of the systems in place to monitor public funds in the NPOs.

Institutional Arrangements for Non-Profit Organisations

As indicated above, NPOs serve as a link between the state and beneficiaries. Details on how stakeholders execute public funds are discussed below. NPOs are organised like the three spheres of government, since they are mandated by the constitution towards pro-poor service delivery. Each of the four centres/sites visited comprises caregivers, educators and support staff (UNESCO IBE, 2006). There are also board members/committees in each centre. The governing body is selected at the annual general meeting attended by parents. The centres are allocated funds to implement government services and the committee plays a role to ensure that these public funds are used appropriately. The committee consists of at least three members, who serve as signatories at the bank. Respondents at each of the four sites indicated that they have an approved strategic plan that assists them to formulate clear goals and objectives, map the way forward as far as expenditure is concerned, and to monitor and evaluate these plans.

Allocation of Funds and Procurement

A budget is allocated for every registered NPO and they are required to have a bank account where funds are transferred on a monthly basis. A cheque book is issued to each centre/site, which is used to procure goods and services according to the planned activities. The signatories are required to monitor expenditure and raise funds for the site in order to meet the institution's monthly requirements. Such requirements include food and non-food (stationery, toiletries) items. The respondents indicated that there are strict measures in place to ensure that only allocated funds are spent. In this regard, budget formulation, review and analysis are important to decide how resources are to be allocated (Sirker, 2006: 14). The legislative framework on public finance encourages NPOs to establish an effective purchasing system and an effective contracting or tendering system that complies with the requirements of procurement legislation, and is open and fair.

Period of Registration

The PPEM process in the four sites visited is still in its infant stage. Respondents at the sites indicated that they have been registered with the GDHSD for less than year.

Capacity for Implementation

There are several aspects of implementation for which capacity still needs to be developed once the project has moved beyond the pilot stage. Significant investments were required for learner support material; teacher training; increases in the number of educators at national and provincial levels; and improvements to physical infrastructure (Biersteker, 2010: 37). The stakeholders indicated that the GDHSD provides the necessary training to enable them to use public funds effectively.

Accountability and Financial Management (Internal Finance Controls)

Respondents at the sites indicated that they have a budget for their undertakings. There is also a designated finance person who advises them on the appropriate use of public funds. Guidelines are issued and centres have to comply with these. Authorisation procedures are in place to prepare, sign and issue cheques.

Reporting

The GDHSD requires that entities registered in terms of the NPO Act should submit two reports; an annual narrative report and the annual financial report. An annual narrative report provides a description of the NPO's main activities during the preceding 12 months, its main achievements, details of important meetings and any changes to the constitution. The annual financial report that is completed by a registered accounting officer or auditor. The annual financial report provides basic information on income and accounting details. This must be accompanied by the most recent annual financial statements (DSD, 2009b: 20). Such reports must be submitted together within nine (9) months of the organisation's financial year end.

Annual reporting is an important vehicle through which the NPO makes itself transparent and accountable to beneficiaries, donors, other stakeholders and members of the public, as set out in the CGP (DSD, 2009b: 20). NPOs registered with the GDHSD are expected to provide complete financial statements that include the following:

- A statement detailing revenue and expenditure
- Details of assets and liabilities
- A statement of changes in equity
- A statement of cash flow

- Notes to the financial statement

In accordance with the NPO Act, the financial statements are required to be approved and signed by an accounting officer (DSD, 2009b: 26). The public sector uses an internal audit to verify whether government transactions and activities are in compliance with the law, as well as with the internal control checks and balances and the procurement regulations (World Bank, 2010: 58). These financial statements are then audited by an independent auditor or suitably qualified accountant (DSD, 2009b: 27). The key issues to be examined in assessing the quality of the pro-poor spending process are:

- degree of discipline,
- control of corruption,
- efficiency in revenue mobilisation and extent of transparency,
- accountability and
- control in the tax system (UN, 2005: 56).

Challenges

Public financial management make use of institutional framework, systems, and procedures to govern the preparation, execution, and reporting of the budget. Weaknesses in PPEM systems can undermine budgetary planning, execution and reporting. It also reduces fiscal transparency and results in leakage of scarce public resources.

The reform of the public sector and the transition to the democratic era had brought opportunities for South Africans at large. Despite these developments, civil society has not fully utilised these new resources consistently enough (Wildeman, 2007: 52). The PPEM process is also confronted with problems related to weak internal controls within the expenditure cycle. For example, there is ineffective budget management that undermines the ability to redirect spending towards the poor. This stems from political reluctance to recognise the need for tough choices and for budget discipline (Foster, Fozzard, Naschold and Conway, 2002: viii).

Several critical factors and enabling conditions influence the opportunity for civil society engagement in the budget process as well as the likely success of such initiatives (World Bank, 2010: 27). The accountability initiatives are not equally feasible or applicable to committee members. Furthermore, suitably qualified financial professionals are not readily available and NPOs face challenges to access such people to audit their reports. Respondents also indicated that hiring the services of these professionals is expensive.

Recommendations

Van den Brink (2007: 51) reveals the international evidence that service delivery can improve dramatically if we empower poor people to monitor and discipline service provision. Involvement of the voice of the poor in public expenditure management will also strengthen incentives for service providers to serve these communities.

Prioritisation and Allocation of Public Resources

African countries need to increase the efficiency of their resource mobilisation in order to finance their ambitious economic development programmes. The author's experience (public service and academic experience) reveals that the notion of expenditure management has not reached the peak of demand-driven outcomes. There is an imbalance of funds allocated to institutions. There is also a tendency to focus on spending funds allocated instead of the objectives planned for.

Therefore, politically-determined visions and directions for development play the role of

prioritising the efficient distribution of scarce public resources among competing policies and programmes. Line ministries are responsible for deciding which policies and programmes to pursue and for providing individual costing, output and outcome information. The efficient distribution of public resources depends on the standardisation of information, or information and accounting systems. Other requirements will be discussed below (Ishikawa, 2006: 26).

Participatory Public Expenditure Management Cycle

A first critical area is to establish a coherent and well-integrated approach to strategic planning and budgeting. The PPEM cycle is not integrated; some phases are left out during the process and as a result, institutions tend to forget the intentions of the budget (Allen and Last, 2007: 170). Serving the poor more effectively through public expenditure requires a medium-term process for budget allocation (to plan changes in strategic priorities), and a public expenditure management capacity (to ensure they are executed) (Foster et al, 2002: x). Reforms should include strengthening the relationship between the planning and budgeting cycles. Strengthening these areas is of critical importance to the effective and efficient utilisation of funds. Finally, the MTEF should become a comprehensive document covering all sources of revenue and all public sector expenditures.

Capacity Building

A second important area is to build capacity in budget execution and reporting to ensure the efficient, effective and transparent use of public resources. Such reforms should initially focus on upgrading the classification of expenditures and revenues and the accounting, internal control, and fiscal reporting systems. Nevertheless, on budget execution, frequently encountered problems such as spending arrears and weak control of expenditure commitments need to be contained.

Special attention should be paid to tracking poverty-reducing public spending to ensure that it reaches the intended recipients. Techniques such as the use of Public Expenditure Tracking Surveys (PETS) and audit reports can help identify persistent weaknesses in the expenditure chain (Allen and Last, 2007: 171). Furthermore, governments should work more closely with civil society to leverage additional knowledge and capacity.

Budget Orientation

Trends of under-expenditure are witnessed in South Africa. Institutions should take initial steps to give the budget a results orientation (Allen and Last, 2007: 171). Budget orientation may enable institutions to plan for required activities and items. This will allow them to achieve economic and social outcomes. In this regard, a poverty policy needs to be informed by good analysis, and this analysis needs to be reflected in expenditure priorities and budget allocations (Foster et al, 2002: ix). Budget orientation can contribute to evidence-based planning and performance management in institutions. Policy-makers and planners are then able to review how effectively NGOs/government expenditure meets the needs of the poor.

Fiscal Discipline

Fiscal discipline aims to enhance efficient resource allocation and effective management of public funds. This requires a budgetary system that determines sustainable total expenditure over a period of several fiscal years.

Conclusion

The paradigm of PPEM has the potential to improve the effectiveness of nationally driven development strategies. Achieving broadened involvement by the society is complex and difficult but progress has been made to enhance PPEM systems in South Africa. The NPO sector has played an important role in including welfare programmes in government plans, although this trend was stronger previously than it is at present. PPEM creates possibilities to give communities access to decision making. Furthermore, the success of PPEM application requires goodwill and active co-operation from all partners if it is to be successful. Successful pro-poor spending depends in large part on the efficiency, integrity, and effectiveness with which the state raises, manages, and expends public resources. PPEM extends over the full budget cycle, from initial formulation through final audit and evaluation.

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