# Impact of budget constraints on government performance management: The case of the Department of Forestry, Fisheries and the Environment.

# IMPACT OF BUDGET CONSTRAINTS ON GOVERNMENT PERFORMANCE MANAGEMENT: THE CASE OF THE DEPARTMENT OF FORESTRY, FISHERIES AND THE ENVIRONMENT

By

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# DECLARATION

I declare that this dissertation, entitled **IMPACT OF BUDGET CONSTRAINTS ON GOVERNMENT PERFORMANCE MANAGEMENT: THE CASE OF THE DEPARTMENT OF FORESTRY, FISHERIES, AND THE ENVIRONMENT (DFFE)** is my own work and that all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

Signature Date: 26 June 2025

(Mr KB Matshotshi)

# DEDICATION

I am grateful to my wife, Dr. Asiashu Matshotshi, for consistently being my number one supporter and intercessor throughout this journey. When I was frustrated and discouraged, she has been my pillar of strength, inspiration, and intercessor. She has brought me so much hope, constantly supporting me while I pursued my academic dream. I am grateful to my children for always giving me enough reason to work hard, even though they did not understand what I was working on. I would also like to thank my loving mother Ms Rendani Matshotshi who instilled in me the importance of education, discipline, and the drive to succeed in life.

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# ABSTRACT

This study investigates the impact of budget constraints on government performance management to improve the performance of the Department of Forestry, Fisheries and the Environment (DFFE). This was accomplished through qualitative methods of data collection and analysis, namely in-depth personal interviews. The interviews were conducted with 51 managers of various directorates within the DFFE. These participants were purposively sampled based on their positions in the DFFE, and their experiences that are relevant to the research questions. The textual data was prepared and organised in a way that was easy to work with, using a manual data analysis, themes were identified and linked to the research questions. These data were labelled and categorised to identify the key themes. The results revealed that management does not communicate the budgetary framework on time, and that there is a lack of openness and monitoring in the budgeting processes: these are the primary contributors to challenges posed by budget constraints. Another contributing factor is that the budget cuts and austerity measures, usually presented without warning, were found to negatively affect staff morale, and impacted service quality and effective financial planning. The study also included a substantial literature review to identify and evaluate key approaches already available to address the issue of budget constraints in the public sector.

This literature review helped to identify patterns and themes amongst the various contributions and explain the ways budget limitations can be overcome. Further review of the government and professional press publications on the budget gave the research a real-world context. The study recommends that the DFFE improves coordination, stakeholder engagement, and disciplined planning of the budgeting process, as important operational measures to ensure continuity despite financial constraints. The study further suggests that a more integrated and flexible approach to budgeting and resource management is required as this would improve efficiency and maintain service delivery under situations of financial constraint.



**Keywords:** budget, budget constraints, government expenditures, government performance, performance management

# TABLE OF CONTENTS



## CHAPTER ONE
## INTRODUCTION AND BACKGROUND TO THE STUDY

## CHAPTER TWO
## THEORETICAL AND LEGISLATIVE FRAMEWORK - A REVIEW OF LEGISLATION AND LITERATURE

**CHAPTER THREE**

**BUDGETING PROCESS AND PERFORMANCE**

**CHAPTER FOUR**

**RESEARCH METHODOLOGY**

## CHAPTER FIVE
## DATA ANALYSIS AND PRESENTATION OF RESULTS

## CHAPTER SIX
## CONCLUSION AND RECOMMENDATIONS

# LIST OF TABLES

# LIST OF FIGURES

# LIST OF ANNEXURES

# LIST OF ABBREVIATIONS

| | |
|---|---|
| AFS | Annual Financial Statements |
| AGSA | Auditor General South Africa |
| AO | Accounting Officer |
| APP | Annual Performance Plan |
| BRRR | Budgetary Review and Recommendation Reports |
| BSC | Balanced Scorecard |
| CFO | Chief Financial Officer |
| DAFF | Department of Forestry, Fisheries and Agriculture |
| DBCC | Development Budget Coordinating Committee |
| DFFE | Department of Forestry, Fisheries and Environment |
| DG | Director General |
| EA | Executive Authority |
| ENE | Estimates of National Expenditure |
| FFC | Financial and Fiscal Commission |
| FMS | Financial Management System |
| GRAP | Generally Recognised Accounting Practice |
| MEC | Member of the Executive Committee |
| MTBPS | Medium Term Budget Policy Statement |
| MTDF | Medium-Term Delivery Framework |
| MTEC | Medium-Term Expenditure Committee |
| MTEF | Medium-Term Expenditure Framework |
| MTSF | Medium-Term Strategic Framework |
| NA | National Assembly |
| NCOP | National Council of Provinces |
| NDP | National Development Plan |
| NPM | New Public Management |
| NPMS | New Public Management System |
| NT | National Treasury |
| PFMA | Public Finance Management Act, 1999 |
| RSA | Republic of South Africa |
| SARS | South African Revenue Services |

| | |
|---|---|
| SMART | Specific, Measurable, Realistic, Time-bound |
| SONA | State of the Nation Address |
| STATS SA | Statistics South Africa |
| VAT | Value Added Tax |
| ZBB | Zero-based budgeting |

# CHAPTER ONE
# INTRODUCTION AND BACKGROUND TO THE STUDY

## 1.1 INTRODUCTION

This chapter introduces the study and discusses key background elements of the study. It starts by presenting the problem statement, the aim and objectives of the study, and the overall significance of the study, and includes delimitation, concept clarification, and outlines of each chapter. It further introduces the issues of budget constraints and performance management.

## 1.2 BACKGROUND TO THE STUDY

Since the arrival of democracy in 1994, the South African government has been experiencing various budget challenges (van Rensburg, 2014; Fatti and Patel, 2013). These challenges include high debt (Sachs, 2021; De Villiers, Cerbone and Van Zijl, 2020) and a weak financial position (Graves, Dollery and Kortt, 2016). Budget constraints are the limits on how much money a business/government department has available to spend (Zweni, 2017). The annual budget is arguably the most important of all government documents. It aims to strike a balance between growing the economy and supporting the vulnerable, while remaining aware of the limited resources available (National Treasury, 2024). It impacts the economy at large and the everyday lives of individual South Africans. Budget speeches are critical for sharing the government's views on shaping economic policy and determining the government's priorities. In this context, the National Treasury annually invites South Africans to share their suggestions on budget priorities and identify budget shortages, revenue, and debt (National Treasury, 2024).

Like so many other countries at present, the South African government's budget remains constrained by/focused on infrastructure challenges (Rodden *et al*., 2003; Nene, 2015; Palmer *et al*., 2016; James *et al*., 2018), lower-than-expected revenue, and a high public wage bill (Mboweni, 2019; Fourie and Blom, 2022; Godongwana, 2023). These are the facts acknowledged by the State President in a recent State of

the Nation Address (SONA, 2019). For example, the President announced (SONA, 2019) that the forestry and fisheries functions that had previously been part of the DAFF were to be transferred and incorporated into the DEA. As a result, the department was renamed the DEFF. It is important to note that when this transfer was implemented, no associated budget was transferred from DAFF to DEFF. On 1st April 2021, the department was again renamed by the Minister, Ms Barbara Creecy, as the DFFE.

The DFFE, as a department within the national government sphere, is led by a Minister (Executive Authority) who is supported by the Director-General, the Executive Management (Deputy Directors-General), and Senior Management (Chief Directors and Directors). Both the Executive Management and Senior Managers are entrusted with governance issues and are responsible for successfully implementing the constitutional mandate of the DFFE and are thus also accountable to South Africa's citizens and residents for the Department's strategic performance.

The mandate and core business for the DFFE originates in the Constitution of the Republic of South Africa 1996, in particular, Chapter 2 (Bill of Rights), and Section 24, which gives all the citizens and residents of South Africa a right to a safe, healthy and unharmful environment, and to environmental protection (RSA, 1996). The Department further aims to provide leadership with respect to the protection of ecological infrastructure, and the utilisation, conservation, and management of the environment. Lastly, the DFFE aims to significantly transform its approach to environmental protection while striving to maintain a balance with the need for sustainable socio-economic development (DFFE, 2019:13).

To uphold the fundamental environmental rights outlined in the Constitution, Parliament has enacted certain essential environmental laws and regulations that direct the department's activities. The applicable legislation, regulations, and other approved policies focus on specific programmes as summarised in Table 1.1 below.

**Table 1.1: DFFE Programmes**

| No | Programme name | Purpose |
|---|---|---|
| 1. | Administration | Provide strategic leadership, management, and support services to the department. |
| 2. | Regulatory Compliance and Monitoring | Promote the development of an enabling legal regime and licensing authorisation system that will promote enforcement and compliance and ensure coordination of sector performance. |
| 3. | Oceans and Coasts | Promote, manage, and provide strategic leadership on oceans and coastal conservation. |
| 4. | Climate Change and Air Quality | Lead, promote, facilitate, inform, monitor, and review the mainstreaming of environmental sustainability, low carbon emissions, and climate resilience and air quality in South Africa's transition to sustainable development. |
| 5. | Biodiversity and Conservation | Ensure the regulation and management of biodiversity, heritage, and conservation matters in a manner that facilitates sustainable economic growth and development. |
| 6. | Environmental Programmes | Implement the expanded public works programme and green economy projects in the environmental sector. |
| 7. | Chemicals and Waste Management | Manage and ensure that chemicals and waste management policies and legislation are implemented and enforced in compliance with chemicals and waste management authorisations, directives, and agreements. |
| 8. | Forestry Management | Develop and facilitate the implementation of policies and targeted programmes to ensure the management of forests, the sustainable use and protection of land and water, and the management of agricultural risks and disasters. |
| 9. | Fisheries Management | Ensure the sustainability, utilisation, and orderly access to marine living resources through improved management and regulation. |

*Source: Adapted by the author from DFFE (2023-2024)*

The Constitution of the Republic of South Africa provides for the establishment of the national, provincial, and local government spheres of government (RSA, 1996: s.40). The DFFE operates in the national and provincial government spheres. Within the Public Service, the DFFE operates under the umbrella of the national government. Departments within these government spheres play crucial roles in governing the country and delivering public services to its citizens and residents.

In South Africa, the budgeting process is intricately linked to public service delivery plans. National departments link public service delivery plans to the budget using ENE (RSA, 2011:83). This indicates that public service delivery is linked to/enabled by the budget and can therefore be used to assess the performance of any aspect of national government.

The National Treasury mandates that the ENE plays a vital role in the annual budgeting process, as it details the projected national government's spending for the next three years (National Treasury, 2023). The Parliament of the Republic of South Africa (RSA, 2011:83) highlighted that the ENE serves as a means to connect public service delivery objectives with the allocated budget. This integration ensures that public service rendering institutions have the necessary financial resources to implement their service delivery plans effectively. By aligning public service delivery with budgetary considerations, the government aims to maximize the impact of its expenditure and deliver tangible benefits to its constituents. The ENE for 2023/2024 to 2025/2026 includes the budget allocated to the DFFE. The allocation of this budget is indicated per programme within DFFE as presented in the table below:

**Table 1.2: Medium-Term Expenditure Estimates**

| Programme | Medium-term expenditure estimates R '000 | | |
|---|---|---|---|
| | **2023/24** | **2024/25** | **2025/26** |
| 1. Administration | 1 210 609 | 1 267 611 | 1 373 461 |
| 2. Regulatory Compliance and Monitoring | 308 555 | 304 806 | 303 520 |
| 3. Oceans and Coasts | 496 788 | 519 863 | 544 745 |
| 4. Climate Change and Air Quality | 672 956 | 727 959 | 623 816 |
| 5. Biodiversity and Conservation | 2 080 993 | 1 447 968 | 1 418 149 |
| 6. Environmental Programmes | 3 257 601 | 3 393 298 | 3 520 516 |
| 7. Chemicals and Waste Management | 634 185 | 649 691 | 678 848 |
| 8. Forestry Management | 586 729 | 648 225 | 684 290 |
| 9. Fisheries Management | 625 150 | 610 869 | 630 495 |
| **TOTAL** | **9 873 566** | **9 570 290** | **9 777 840** |

*Source: National Treasury (2023)*

Table 1.2 makes it clear that the budget decreased from 2023/24 at R 9,8 billion to R9.5 billion in the 2024/25 financial year (DFFE, 2020:1 and 2023:1). Thereafter, the budget increased marginally from R9.5 billion in 2024/25, and R9.7 billion in 2025/26 (DFFE, 2020:1 and 2023:1). The 2023/24 financial year's budget for the DFFE represents about 0,48% of the total national budget, yet with the increase in intensity of the focus on environmental issues, the question remains whether or not this has had a positive or negative effect on the DFFE's ability to address the nature and extent of its public service delivery targets.

Tsheletsane and Fourie (2014:42) argued that financial management plays a critical role in South Africa's Public Service. Adequate public funds are essential if government departments are to render effective services to the public. Without sufficient financial resources, government departments may struggle to meet their objectives and be unable to deliver the desired outcomes. Thus, the National Treasury plays a vital role in its allocating of resources to government departments to support the delivery of essential services to the citizens. Graham (2011:1) supports this notion, emphasizing that the government's ability to achieve the delivery of public benefits hinges on its ability to mobilize and allocate the required financial resources, and this is done through the budget. The budget serves as a strategic instrument that allows the government to prioritize its expenditures, ensure that funds are allocated to areas that align with national priorities, and to promote efficient service delivery. Similarly, Zweni (2017: ii) has asserted that budgets are crucial tools for institutions to effectively plan and deliver their products or services. By allocating resources strategically, government departments can optimize their public service delivery efforts and ensure that public needs are met efficiently.

Budgets play a vital role in establishing/confirming public priorities and distributing resources for various organizational activities (Ramakrishnan, 1996). Tanaka (2007:148) highlighted that budgeting enables government departments to procure goods and services, as well as acquire current and capital assets. By having a well-planned budget, government departments can successfully and effectively manage their financial resources and allocate them to areas that require attention. This ensures that the necessary resources are available for public service delivery activities, such as infrastructure development, social programs, and public service provision.

However, budget cuts can significantly impact service delivery outcomes. For example, in 2018, the MTBPS resulted in a reduction of R50.3 billion in budgetary baselines for government departments. In response, departments were required to propose expenditure reduction measures, but without compromising public service delivery performance (National Treasury, 2018). This further emphasizes the need for government departments to be sufficiently aware of their spending plans so they can adjust as required and still find innovative ways to deliver public services efficiently within these reduced budgets.

In 2021, the budget for DFFE was drastically reduced by R237 million, against a previously projected increase (National Treasury, 2021). As discussed in the overview of the DFFE, the transfer of functions from DAFF to DFFE was implemented without transferring the budget to DFFE. This significantly had a serious impact on the budget allocations within the DFFE. Additionally, any budget cuts could potentially impede the department's ability to deliver its services effectively and efficiently, as well as meet the needs and expectations of the public. Adequate and stable funding is crucial for sustaining public service delivery efforts and achieving positive outcomes.

Within the South African Public Service, management in government departments is mandated by the legislative framework to continuously monitor and streamline employee performance i.e., improve efficiency and effectiveness (Sebola and Manyaka, 2012:1). This process ensures that employees are working to achieve the annual performance indicators and targets identified and set in the APP for the upcoming financial year. By aligning performance indicators with the budget and recording these in their annual reports, government departments can monitor and track their progress, identify areas that require improvement, and take corrective actions if necessary.

According to the National Treasury (2021:1), the APP that has been developed should also align with the budget process. This alignment ensures that the set objectives and targets in the APP are financially feasible and can be supported by the allocated budget. By integrating the budget and APP processes, government departments can enhance their strategic planning and financial management practices, thereby increasing the likelihood of achieving their service delivery goals. According to the PFMA, 1999: s40, the departmental accounting officers or accounting authorities are required to prepare financial statements for each financial year in accordance with generally accepted accounting practice and submit these to the AGSA within two months of the close of the financial year, for auditing (RSA, 1999).

The PFMA (1999: s40) requires that the department's AFS, strategic performance in relation to set strategic objectives, and adherence to laws and regulations must be audited and assessed by the AGSA. Submission of AFS to the AGSA must happen

within two months of the close of the financial year 31 March(RSA,1999). This information should also be made available to the public, thereby allowing citizens to ensure that the government is held accountable for its plans and activities. According to Mbete (2016:12-13), the parliamentary oversight role is crucial in this process, as it allows elected representatives to review the government's performance and take appropriate actions if necessary.

In summary, the Constitution of the Republic of South Africa establishes government structures, and the budgeting process is closely linked to its public service delivery plans. Adequate financial management and rational allocation of resources are essential for achieving effective public service delivery by government departments. Thus, budgets serve as strategic instruments for establishing priorities, allocating resources, and promoting efficient service delivery, and if budget cuts are made, this can have a detrimental impact on public service delivery outcomes. Government departments are therefore required to monitor and improve employee performance continuously, to enable them to achieve targets aligned with the budget. The alignment of APPs with the budget process enhances the effectiveness of strategic planning and associated financial management practices. And to ensure the government's performance information is valid, it must be assessed by the AGSA and made available for parliamentary oversight and public scrutiny.

## 1.3 THE PROBLEM STATEMENT

The public sector across South Africa operates within a tight budget (Mboweni, 2019; Fourie and Blom, 2022; Godongwana, 2023), and this manifests as financial limitations (Nzama, 2019; Sambo, 2022) and a lack of resources (Lukhalo and Zwane, 2022). Despite this, there is little research investigating the impact of budget constraints on government performance management in the public sector within the context of South Africa.

Recent budget statements (see, Nene, 2015; Mboweni, 2019; Godongwana, 2023) indicate a significant increase in budget expenditures for the salaries of the personnel appointed to execute the strategic and operational plan, while the expenditure budget (costs) for the goods and services, the operational costs such as travel,

accommodation and subsistence, printing and photocopying of documents remain consistently high. This increase not only affects operational budgets but also threatens the long-term sustainability of the individual departments and government operations system. This research, therefore, is intended to investigate the impact of budget constraints on government performance management in the context of efforts to improve the performance of the DFFE.

While there are several studies (Rodden *et al*., 2003; Palmer *et al*., 2016; James *et al*., 2018; Fourie and Blom, 2022) that point out the challenges of budgeting in various phases of government, there is limited qualitative research that delves deeply into the impact of budget constraints and the specific challenges they generate for personnel tasked with performing with increasingly limited resources. Therefore, this study was conducted within the context of the following key problems:

- No studies have been conducted in the South African public sector to investigate the effectiveness/impact of budget constraints on government performance management.
- Similarly, no studies have been conducted in South African public institutions with the intention of understanding the impact and challenges of working with limited financial resources and budget limitations

## 1.4 RESEARCH OBJECTIVES

### 1.4.1 Primary Objective of the Study

The aim of this study was to investigate the impact of budget constraints on the effectiveness of government performance management to improve the performance of the national Department of Forestry, Fisheries and Environment in South Africa. This study is intended to contribute towards the literature available on the budgeting processes and principles in the South African national department. The outcome provided by this study will assist the DFFE in implementing a more inclusive budgeting process by engaging operational units from the outset and strengthening the integration of planning and budgeting cycles to ensure strategic priorities are properly costed and matched with available resources. Furthermore, the results of this research

may also contribute towards the revision of the MTEF and performance-based budgeting policies as well as the monitoring and evaluation systems to accommodate the challenges of budget shifts impacting the everyday lives of individual South Africans.

### 1.4.2 Secondary Objectives of the Study

The research has the following objectives:

- To understand the budgeting process and its effect on the strategic performance of the DFFE (**SO1**).
- To develop an understanding of the strategic planning and performance target setting processes, and how they are linked to the performance of the DFFE (**SO2**).
- To determine the potential effects of the budget constraints on the performance of the DFFE, and how its strategic performance can be improved (**SO3**).
- To recommend measures that address performance management, within the context of budget constraints (**SO4**).

## 1.5 PRELIMINARY LITERATURE REVIEW

A literature review was carried out to investigate the impact of budget constraints on the performance management of the DFFE. As it provides immediate context for this introductory chapter, key elements arising from this review are presented next. These concepts, as translated into legislation and regulations, will be discussed in detail in Chapters 2 and 3.

### 1.5.1 Budget Constraint

A budget constraint is the restriction on the amount of money that an individual can spend, given the prices of products and services and their available income. (Mankiw, 2021). Since 2018, the government has implemented strategic budget reforms to help the economy recover by addressing the increasing limitations that the annual budgets have been facing over the past decade. It is against this context that the government

initiated the use of spending reviews and Zero-based budgeting (ZBB) as crucial control instruments (ZBB had also been used before 1994). The effectiveness of ZBB relies mostly on the utilization of spending reviews. The ZBB method does not replace medium-term planning but rather improves it by transitioning to evidence-based analytical budgeting instead of relying on incremental budgeting methods (Lalli, 2012:6).

Budget constraints have proven to be challenging for the various government institutions and companies over the years (Cloete and Rabie, 2023). For example, South Africa's parliament has reported that the budget cuts faced by Stats SA have greatly affected its operations, especially in that it has been unable to fill important positions; this has subsequently negatively influenced its performance. These cuts and associated notable staffing shortages have resulted in operational difficulties for Stats SA, hindering its ability to carry out its mandate efficiently (RSA, 2024). In another example, from the 2023/24 financial year, the National Department of Health had to deal with a budget reduction of R4.4 billion, from R64.5 billion in 2022/23 to R60.1 billion in 2023/2024 (Department of Health, 2023). This budget cut has sparked worries about the department's ability to sustain critical health services.

Inadequate budget allocations have negatively affected the operation of Ghana's Academic Libraries, by limiting the library's service provision, acquisition/collection policy, and selection, and inconveniencing its patrons (Asante, 2014:17). In a study conducted in Austria by Bergera, Sommersguter-Reichmann and Czypionkaa (2018:8), the authors focused on the influence of soft budget constraints and how the performance of hospitals was affected by the public debt. They found that the efficiency of the national hospital system was adversely affected by the budget constraints arising from the financial crisis in 2009. In addition, they found that reduced availability of public finances exacerbated the fiscal strain on public institutions.

### 1.5.2 Performance Management

Aguinis (2009:2) defines performance management as a constant process of finding, measuring, and improving the performance of people and teams, and making sure that performance is in line with the organization's strategic goals. Providing a slightly

different slant, Armstrong (2014:1) defines performance management as the methodical approach by which a company engages its personnel in enhancing organizational efficiency in efforts to achieve its mission and objectives.

Sebola and Manyaka (2012:96) conducted a study in South Africa focusing on the "impact of a performance management system on service delivery in the City of Johannesburg Metropolitan Municipality". The study concluded that the performance management system should be applied throughout the Municipality and cover all employees and levels of management. Tseole (2013:178-179) also conducted a study focusing on the challenges facing the implementation of performance management systems in South African municipalities. A significant recommendation was that performance information should form part of the strategic planning process, budgeting, policy analysis and evaluations, organizational assessments, and performance evaluations for managers. Performance can also be realized/improved through a continuous motivation process at the workplace. Goal setting and the achievement of goals tend to encourage a certain behaviour in employees. It can also be realized through management-by-objectives techniques that help by fostering employee participation, decision-making, and feedback (Carol and Florah, 2019:24). Performance management can dwell on institutional performance, a single worker's performance, or general processes to develop a product or a service (Kumar, Almatrooshi, Singh and Farouk, 2016:844). Dondiram (2018) mentioned that strategic planning and performance management are inextricably linked: there is not much complexity to the connection. Dondiram further stated that organizational objectives are set through strategic planning, which is informed by the entity's vision, mission, and goals. This then suggests that the planning process and the strategic plan are used as tools to deliver what is then assessed during the process of performance management.

## 1.6 SIGNIFICANCE OF THE STUDY

This study aims to fill a gap in the literature by providing a comprehensive understanding of the impact of budget constraints on the performance of the DFFE, thereby achieving a possible improvement in performance in situations where a department must operate under a constrained budget. By pursuing this research, this

study seeks to uncover the possibility that the DFFE can still improve its strategic performance and fulfil its constitutional mandate even under the current government budget constraints. Thus, the insights gained from this study can inform policies and practices in the DFFE and ultimately contribute to improved support services in the department.

This qualitative case study is essential because there is a noticeable gap in the existing literature, particularly with respect to the impact of budget constraints on the performance management of the DFFE. Previous research has primarily concentrated on the impact of austerity budgets and/or soft budgets, mostly through quantitative research methods. This study, however, seeks to address other key aspects of the processes by exploring the DFFE's understanding of the impact of budget constraints on the performance of the DFFE. The study makes use of qualitative data to gain a broader and deeper understanding of the impact of budget constraints on the performance of the government, focusing specifically on the DFFE.

The significance of this research is that it highlighted key issues that, when addressed, can bring about continuous improvements in government performance management. The research can enable the DFFE's stakeholders to understand the dynamics of performance management in an environment characterised by budget constraints. The goal of the research was to provide the DFFE with a picture of the impact of budget constraints on its performance management efforts. The research thus contributes to the body of knowledge in government performance management. To ensure uniformity, particularly across national departments, and to determine the impact of budget constraints on the performance of the DFFE, the results of the study can also be considered by the National Treasury as it attempts to assess the impact of budget constraints on the performance of government. The study thus contributes to the existing body of knowledge of funding and budget management research in South Africa.

## 1.7 DELIMITATION OF THE STUDY

This study focused on the impact of budget constraints on the performance management processes of the DFFE. It is assumed that the performance of the DFFE

is significantly affected by its own budget constraints and thus ignored the numerous other (often external) factors at play. The study was therefore quite narrow in focus and did not look at the non-budgetary external environmental factors that may affect the performance of the DFFE.

## 1.8 CONCEPT CLARIFICATION

Several crucial key terms are defined next. They are essential to this study and the analysis of the research problem. The definitions of these terms are related to the impact of budget constraints on the performance of the DFFE.

### 1.8.1 Budget

By definition, a budget is seen as a tool for planning that helps ensure services are provided effectively and efficiently while making good use of resources. According to the National Treasury (2018:1), a budget programme refers to a primary division within a department's budget, allocated to support a specific set of objectives that align with the services or functions mandated by the department's legislative and other obligations. Du (2022:422) also records that the term "budget" signifies a 'pouch' or 'purse.' The essential aspect is that the use of the contents of the 'bag' or 'portfolio', the public funds, must be accounted for to the public and is assessed by the results achieved. Guess (2015:12) describes a budget as a collection of goals, each accompanied by a 'price tag'. This perspective suggests that governments set objectives or priorities that connect public policy, budgeting, and planning related to revenue and expenditure management, thereby addressing the country's macroeconomic strategy. Faleti, Faleti and Ojeleke (2014:44-52) emphasized that the national budget is a vital instrument for resource allocation and economic management in a governmental context. Hence, budgeting can be productive and far-reaching in its impact (Suklev, Fidanoski, Simeonovski, Mateska and Zlatanoska, 2018:159-214). An institution's promptness and willingness to manage performance with respect to its budget affects its operating risks and, to a great extent, the total enterprise risk (De, Nemec and Špaček, 2019).

### 1.8.2 Organizational Performance

When an institution performs below the anticipated threshold, the root cause may often lie in the (quantity or quality of) resources utilized, the systems in place, or the processes implemented during the transformation. Acceptable organizational performance comes about from optimised operational efficiencies, institutional structures, the top management team's skills and composition, and how all these parameters work together for the performance to be realized (Kumar, Almatrooshi, Singh and Farouk, 2016:844). An outstanding organizational performance indicates that the organization is effective and efficient in its offering of goods and services (Clayton, Hendricks and Noluthando, 2015:126). Additionally, it can be added that organizational performance and strategic performance are related concepts but have different focuses. In summary, while organizational performance encompasses a broader evaluation of an organization's overall performance across various dimensions, strategic performance zooms in on assessing performance specifically related to the implementation and attainment of previously formulated strategic plans, and the achievement of strategic objectives (Clayton, Hendricks and Noluthando, 2015:126). Strategic performance evaluation is a subset of organizational performance evaluation, focusing on strategic alignment and the attainment of desired strategic outcomes (Kumar, Almatrooshi, Singh and Farouk, 2016:845).

## 1.9 OUTLINE OF DISSERTATION

This study is divided into six chapters.

**Chapter One: Introduction and Background**

This chapter introduced and discussed the background of the study. It starts by presenting the problem statement, the aim and objectives of the study, its overall significance and delimitation. This is followed by a section clarifying concepts and introduces the concepts of budget constraints and performance management. Additionally, the chapter defined key terms relevant to the research and concluded with outline of each chapter.

**Chapter Two: Theoretical Framework and Legislative Framework/Literature Review**

This chapter discussed the theoretical and legislative frameworks that underpin the study. It begins by outlining the key theoretical perspectives, namely the Theory of Constraints and Budgetary Control Theory, which are the conceptual tools for understanding the impact of budget constraints on the performance of government. It also focused on the legislative framework regarding financial management: key elements are the Constitution of the Republic of South Africa, the PFMA, and Treasury Regulations. It further discusses virement, transfer of funds, roll-overs of funds, budget adjustments, the MTEF, different types of expenditures, cost-containment measures, evolution of the public finance management system in South Africa, strategic plans and APPs, performance target, BSC, and the strategic performance and transfer of functions to the DFFE.

**Chapter Three: Budget Process and Performance/Literature Review**

This chapter looks at published literature regarding the connection between budgeting and performance in government institutions. It discusses key concepts such as budgeting (Section 3.2), purpose of budgets (Section 3.3), Zero-Based Budgeting (Section 3.4), and rolling budget (Section 3.5). Additionally, the budgeting system employed in/by the South African government, management styles addressing constrained budgets, factors affecting budgeting environments, and the link between budgeting and performance are discussed.

**Chapter Four: Research Methodology**

The chapter introduced the interpretivist concept that frames the study. This is followed by an explanation of the research paradigm and the methodological approach adopted. Thereafter, the research methods used are outlined, including the procedures for data collection, the development of the research instrument, and the sampling strategy applied to identify appropriate participants. Key components of the methodology, such as the population and sampling frame, sampling techniques, and the interviews' guiding questions, are next described in detail. The chapter also discusses the data analysis techniques employed to interpret the qualitative data, as well as the measures taken to ensure the trustworthiness, credibility, transferability, dependability, and confirmability of the data. Lastly, the ethical considerations

observed throughout the research process are presented, and this reflects the study's adherence to academic integrity and ethical research standards.

**Chapter Five: Data Analysis and Presentation of Results**

This chapter included an analysis of data received from the 51 participants interviewed virtually and/or face-to-face. This research investigated the impact of budget constraints on government performance management within the DFFE. The analysis looks at the participants' designations and years of experience in the budgeting process to gain insight into the degree of authority their opinions hold on strategic planning, target setting, and performance management under budget constraints. The first section gives background information about the respondents, such as their roles and their knowledge of the budget processes. The parts that follow analyse key themes associated with budgeting and its impact on departmental performance and provide suggestions for mitigating budgetary challenges. The findings are analysed and presented as responses to each of the study's research questions.

**Chapter Six: Conclusion, Recommendation, and Summary**

This chapter presented the conclusions drawn from analysing the data, and the recommendations derived from the research findings. The study aimed to explore the impact of budget constraints on the performance management of the government, with a particular focus on the DFFE. The study employed semi-structured interviews, with open-ended questions as prompts/guidelines for the interviews. The interviews were conducted either virtually or in person, with a total of 51 respondents, who were asked for their perspectives on the impact of budget constraints on government's performance management efforts. The chapter starts with an overview of the research study, which is followed by the key conclusions derived from the results and data analysis presented in Chapter Five. It then addresses the study's limitations and highlights its contributions to the body of knowledge on public sector budgeting, and the specific implications they hold for the DFFE. A discussion follows on future research directions regarding the impact of budget constraints on government performance management. The chapter concludes with a summary of the thesis, draws final conclusions, and presents its recommendations.

## 1.10 SUMMARY

Chapter One is an introductory chapter that presented the thesis's topic and context. It outlined the background of the problem and clarified/contextualised the problem statement, emphasising the significance of the study and clarifying its objectives. Additionally, it discussed the research problem, the aim of the study, and the rationale for conducting the research. The adequacy of the problem statement, research objectives, and research questions were confirmed, ensuring that the findings would be valid and meaningful. The next chapter focuses on the theoretical and the legislative frameworks guiding the research, in the context of the PFMA and Treasury regulations.

# CHAPTER TWO
# THEORETICAL AND LEGISLATIVE FRAMEWORK - A REVIEW OF LEGISLATION AND LITERATURE

## 2.1 INTRODUCTION

This chapter provides a detailed discussion of the theoretical and legislative frameworks that underpin the study. It begins by outlining the key theoretical perspectives, namely the Theory of Constraints, and Budgetary Control Theory, which together provide conceptual tools for understanding the impact of budget constraints on the performance of government. It also focuses on the legislative framework regarding financial management: the Constitution of the Republic of South Africa, the PFMA, and Treasury Regulations. It further discusses virement, transfer of funds, roll-overs of funds, budget adjustments, MTEF, different types of expenditures, cost-containment measures, evolution of the public finance management system in South Africa, strategic plans and APPs, performance targets, and the BSC process. Finally, there is a discussion of the strategic performance and transfer of functions to the DFFE.

## 2.2 THEORETICAL FRAMEWORK

A theoretical framework provides context and guidance for the research. It sets the scope and parameters that are based on existing theories (Lederman, and Lederman, 2015:593–597). For this study, the theoretical framework is particularly important as it narrates the theory of constraints, the theory that is central to establishing the impact of constraints on the government's performance, and as the research is looking at government budgets in South Africa. A theoretical framework serves as a crucial foundation for making well-informed, rational, and defensible research decisions. It aids in the optimal allocation of resources, accurate outcome forecasting, assessment of effectiveness, and clear communication. These elements are vital for managing budgets and, more particularly, budget constraints. By utilizing theoretical insights, organizations can strategically and effectively allocate their limited resources. Two

relevant theories are discussed next, namely the Theory of Constraints and Budgetary Control Theory.

### 2.2.1 Theory of Constraints

The Theory of Constraints (TOC) takes a systems perspective when looking at organizations and continuous improvement. It was developed by Goldratt (1990) and focuses on identifying and managing the constraints that prevent an organization from achieving better results and higher goals. The core idea of TOC is that every organization has some limitations (whether related to resources, processes, or management), that constrain its performance. These constraints stop the system from functioning optimally. Unless managers recognize these constraints, it is not possible to coordinate mitigation efforts effectively across the organization.

The TOC approach indicates that organizations need to concentrate their efforts on addressing the constraints holding the system back from achieving its objectives. By identifying them and then specifically addressing or eliminating the most critical constraints, the whole system can increase its throughput and better accomplish its aims. The theory emphasizes the need to view businesses holistically as interdependent systems, and to drive progress by handling the constraints inhibiting the system (Zhao and Hou, 2022:4). In addition, Cox and Schleier (2013:11) asserted that the theory of constraints is a process improvement methodology that emphasizes identifying and addressing the bottlenecks. It assists management in identifying what is important by identifying individual constraints that inhibit the institution's efforts to achieve its goals. This is supported by views expressed by Dion, Shantha, Kumar, Prajwal and Sreenand (2017:5) who supported these ideas, and further outlined the four most important remedial steps this theory of constraints recognises. These are to identify the system constraint; determine how to maximize the use of that constrained element; ensuring that all other processes align with this priority and ultimately enhance the organisation's ability to address the constraint.

The above theory of constraints' four remedial steps assists organisations in identifying any issues that may affect their optimal performance. However, in a national government context, it is almost impossible to implement these steps and to have an

accurate evidence-based solution to address constraints. What is relatively easy to apply in private sector entities is far less so in the public service because of the complexity of relationships between its individual departments. Despite this complexity, if these steps are modified and applied by the individual national departments, it gives those charged with governance an opportunity to explore the constraints and develop and implement mitigation plans to address the constraints satisfactorily. However, in the context of this research, to successfully address the constraints, the DFFE would need strong and insightful leadership committed to dealing with unpleasant issues that may affect its financial performance.

### 2.2.2 Budgetary Control Theory

This theory explains the relationship between budgeting and a company's financial performance. Budgeting is used as a framework for allocating and managing revenue and expenses. Budgets help ensure that outputs and services meet objectives. Financial stability depends on maintaining adequate income levels over time. Companies must therefore implement clear budget controls and ensure the budget is followed as planned. This means that any variances must be identified and addressed. If income is low, the government or a company may need to borrow funds or (for governments) restructure taxes to ensure the income needed to cover its estimated budget is available. Budgets can also indicate how well governments are achieving their goals through resource management. It is essential for organisations to comprehend their budgeting process and prioritise issues that require attention to maintain financial stability (Otieno, 2021). Seeing that the constraints may influence many aspects of overall public service delivery and financial management, the legislation prescribed by the government will be discussed next.

## 2.3 LEGISLATION REGARDING FINANCIAL MANAGEMENT

The legislative framework governing the budgeting process in the national government of South Africa is outlined in the Constitution of the Republic of South Africa (1996) and the Public Finance Management Act (1999). According to Smith (2024:67-80), the legislation related to public service delivery and financial management is extensive and designed to promote accountability, transparency, and efficiency within public

administration. It appears that the legislation related to public service delivery and financial management is crucial for maintaining the integrity and effectiveness of public administration. It is intended to ensure that services are provided in a manner that meets public needs and that public funds are managed responsibly and transparently. The above-mentioned legislative frameworks are discussed below.

### 2.3.1 The Constitution of the Republic of South Africa, 1996

The Constitution of the Republic of South Africa, 1996 (hereinafter referred to as “The Constitution”) provides instructions on the management of public finances and the establishment of public service institutions responsible for regulating the proper and efficient handling of taxpayers' funds (RSA, 1996). Section 215(1) of the Constitution prescribes that “national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector” (RSA, 1996). In this regard, each sphere of government must ensure that its budgets contain (a) estimates of revenue and expenditure, differentiating between capital and current expenditure.

(a) proposals for financing any anticipated deficit for the period to which they apply; and
(b) an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year (RSA, 1996).

The above section of the Constitution affirms and advocates for the idea that a budget and its preparation and implementation should be open and transparent to aid financial management in the public sector; these attributes enable the easy identification of any problems arising from inadequate management of the economy and public sector debt.

Woolman and Bishop (2008) note that Section 215(1) emphasises the importance of managing the economy's finances, debts, and public sector effectively. By doing so, resources are efficiently used, and this contributes to economic stability and advancement. Folscher (2006:1-26) highlighted that Section 215(1) of the Constitution recognises the need for efficient financial control over the economy, debt, and the

public sector. This principle guarantees the efficient utilization of public resources and the implementation of fiscal policies aimed at fostering sustainable economic growth. It appears that this section of the Constitution seeks to modernize the FMS and, critically, to encourage accountability and transparency. In addition, it requires the use of an acceptable and generally recognised framework when compiling a budget to ensure that revenue and expenditure are properly classified and differentiated, as per the treasury's designated economic classifications. It is therefore mandatory that each sphere of government ensures that these legislative requirements are fully met to ensure consistency and, most importantly, uniformity in the budget compilation processes.

Furthermore, according to section 215(2)(c) of the Constitution, the budgets of each sphere of government must clearly indicate the origins of revenue and demonstrate how the planned expenses will adhere to the directives of national legislation (RSA, 1996). It is self-evident that the establishment of a legal framework is crucial to the budget process, as this enables stakeholders to operate within defined boundaries and ensure adherence to budgetary regulations and standards.

In a nutshell, Section 215 of the Constitution sets out guidelines for public financial management, emphasizing the need for efficient, effective, and transparent handling of public funds as the means to enhance accountability. Section 216(1) of the Constitution states that "*National legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing; (a) generally recognised accounting practice; (b) uniform expenditure classifications; and (c) uniform treasury norms and standards".* To this end, the PFMA was promulgated to translate these constitutional principles into specific rules and protocols governing financial management within the public sector.

### 2.3.2 Public Finance Management Act (PFMA)

The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) must be read together with the Public Finance Management Amendment Act (Act No. 29 of 1999) was promulgated to regulate financial management in the public service. This was to be achieved by ensuring that all revenue, expenditure, assets, and liabilities are

managed efficiently and effectively (RSA, 1999). The objective of this Act is to secure transparency and accountability and ensure sound management of revenue, assets, and liabilities of the institutions to which this Act applies. The PFMA is essential guidance promoting financial integrity, accountability, and efficiency within the public sector, aiming ultimately to achieve good governance and enhance public service delivery (National Treasury, 2020; Cloete and Rabie, 2023). The goal of the PFMA in the public service is thus to optimise financial management, promote accountability, and achieve maximum delivery of services by utilizing resources efficiently and effectively. In addition, this recognises that the PFMA functions as a legal framework intended to promote good governance and integrity in the management of public funds in South Africa and ultimately strengthens confidence and trust in the government's handling of financial matters. The PFMA also aims to ensure that the FMS in the public sector is modernised. It requires the public service to employ a financial management strategy that prioritizes outcomes and accountability, rather than relying on the rule-based approach of the Exchequer and Audit Act,1975, which was replaced by the PFMA 1 of 1999.

The budget plays a crucial role in allocating funding for government programs and overall service delivery objectives, and the legislative framework for the budget process is provided in the PFMA. The legislative mandate for funds allocation to national and provincial government is provided for in Section 26 of the PFMA, which requires parliament and each provincial legislature to appropriate money for each financial year for the requirements of running the state and the province, respectively (RSA, 1999).

Section 27 (1) of the PFMA requires the tabling of the annual budget in the NA by the Minister of Finance for each financial year, before the start of the relevant financial year, or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine (RSA, 1999). This responsibility includes presenting the government's planned spending and income, specifying priorities, and obtaining parliament's approval via the budget process. The annual budget must at least contain estimates of all revenue projections, current expenditure for the financial year, debt repayments and capital expenditure (RSA, 1999).

The accounting officer (AO) for national and provincial departments is required to submit measurable objectives for each main division within the department's vote to both parliament and the provincial legislature when the annual budget is introduced (RSA, 1999). He/she must provide specific goals for each major division funded within their department's allocation. These objectives are submitted to either Parliament or the provincial legislature, as appropriate. The National Treasury department may assist by organizing these submissions and consolidating them into a single document. The PFMA also emphasizes the significance of integrating essential macroeconomic forecasts into long-term budget planning, guaranteeing consistency with overarching economic objectives and predictions.

The above-mentioned legislative framework should neither complicate nor weaken financial accountability within its framework. Nevertheless, it is important to understand the historical context of the PFMA for its impact on this research study, and therefore crucial to provide background information regarding the necessity of financial management in the public sector. In addition, it is necessary to focus on Chapter Five of the PFMA as this provides the legislative framework applicable to government departments and constitutional institutions, and particularly on the appointment of the AO and their responsibilities. These two aspects are discussed below.

Section 36(1) of Chapter 5 of the PFMA requires that every department must have an AO. The AO or Accounting Authority (AA) is referred to as the head of a department (RSA,1999). This section indicates that the AO provides strategic leadership and oversight of the national department for which they are responsible. It is for this reason that the responsibilities of the AO are covered in detail in Section 38 of the PFMA.

As stipulated in Section 38(1)(i) of the PFMA, the AO is responsible for maintaining *"effective, efficient and transparent systems of financial and risk management and internal control", amongst other duties. This requires that when expenditure is incurred, such must be formally recorded, and reported, if suspected of being irregular, in order to comply with Section 38(1)(g) of the PFMA. This sub-section (g) states that the AO, "on the discovery of any unauthorised, irregular or fruitless and wasteful expenditure, must immediately report, in writing, particulars of the expenditure to the*

*relevant treasury and in the case of irregular expenditure involving the procurement of goods or services, also to the relevant tender board"* (RSA,1999).

Section 39 lists the responsibilities of AOs relating to budgetary control. Sub-sections (1) and (2) state in essence that the AO for a department is responsible for taking necessary and appropriate actions to prevent overspending of the department's vote or any main division within the vote. S/he is furthermore required to promptly report any potential under-collection of revenue, revenue shortfalls, or overspending to the EA and the relevant treasury; and to adhere to any corrective measures mandated by the relevant treasury under this Act to prevent overspending within the vote or its main divisions.

The National Treasury (2020) underscored the essential duties of AOs as outlined in Section 39 of the PFMA, emphasising that these officers must ensure departmental expenditures match the approved budget; must regularly monitor financial performance, maintain fiscal discipline, and report to Treasury any deviations or potential issues in budget execution. This promotes accountability, transparency, and effective use of public resources. Venter and Landsberg (2011) provided a comprehensive analysis of Section 39 of the PFMA, emphasizing its role in promoting effective budgetary control within the public sector. They highlighted that the responsibility of AOs is critical to ensuring that expenditures align with the approved budget, and stressed the importance of fiscal discipline, regular financial performance monitoring, and transparent reporting. Based on the above, this section highlights the importance of maintaining fiscal discipline, monitoring financial performance, and reporting on budget implementation to enhance transparency and accountability in public financial management.

The above section identified the responsibilities of the AO in ensuring that the budget is spent appropriately and within the approved budget. The South African government may, when necessary, consider using emergency funds in terms of section 16 of the PFMA. The National Treasury (2021) highlighted the need for rapid and efficient use of emergency funds during crises, stressing the importance of maintaining stringent accountability and transparency. During the COVID-19 pandemic, starting in 2020, the National Treasury issued specific guidelines for emergency procurement to ensure

that funds were used effectively and that all procurement activities remained transparent and ethical. Further information regarding what is considered an emergency and how it may be triggered is provided within the strategic and legislative framework of government and various individual legislative Acts or regulations such as the PFMA, 1999. It is important that the criteria for defining an emergency be formally set to safeguard the financial resources of the government.

The AO should therefore implement a system of internal controls that would assist him/her in achieving the objective of proper spending of the budget and that prevents any unauthorized, irregular and fruitless, and wasteful expenditure. However, before discussing these internal controls, it is essential to understand the following concepts: virement, roll-overs, budget adjustments, shifting of funds, and cost-containment measures. These are discussed next.

#### 2.3.2.1 Virement

*Section 43 of the PFMA defines a virement as a "saving in an amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote"* (RSA, 1999)*. This often happens when an organization, like a government department, realizes that it needs to adjust its spending to meet changing priorities or unexpected expenditure. Thus, the Act provides for the virement between main divisions within votes and defines the requirements that allow for this. This flexibility in budget management also requires robust controls and agile reporting processes to maintain fiscal discipline and transparency in public expenditure.*

The PFMA also provides definitions of the following key concepts:

***Main division within a vote***

Section 1 of the PFMA provides the definition of a main division within a vote, which states: "one of the main segments into which a vote is divided, and which specifies the total amount which is appropriated for the items under that segment" (RSA, 1999). This definition suggests that a main division within a vote categorizes/recognises essential segments within the budget that align with the department's significant

programs, activities, or projects. These divisions are intended to support detailed budget planning, management, and oversight. To this end, understanding the structure and responsibilities of key departments within a government organization is crucial for effective management and oversight of budgets in the public sector. This helps ensure that financial resources are utilized in an efficient and transparent manner.

***Vote***

Section 1 of the PFMA provides the definition of a vote, which states: "*one of the main segments into which an appropriation Act is divided and which specifies the total amount which is usually appropriated per department in an appropriation Act"* (RSA, 1999). Thus, a vote allocates a defined amount of funds, decided by the legislature, to a specific department or organization for the duration of one fiscal year. An understanding of the votes recognised within the context of the PFMA is crucial for effective budget management and oversight in the public sector.

Section 40 of the PFMA provides that the AO of a department, trading entity, or constitutional institution is required to maintain comprehensive and accurate records of the financial affairs of the entity, in accordance with prescribed norms and standards. Additionally, they must prepare AFS in line with generally accepted accounting practices, submit these statements to the AGSA for auditing within two months of the entity's financial year end, and provide them to the relevant treasury to facilitate the preparation of consolidated financial statements under section 8 or 19.

Arising from the requirements of section 40 above, the AO is mandated to keep sufficient and appropriate accounting records and the preparation of AFS that are valid, complete, and accurate, and in accordance with a Generally Recognised Accounting Practice (GRAP). In addition, the requirement to submit the financial statements plays a vital role that enables oversight by the AGSA, and during consolidation by the National Treasury. This section again emphasizes how crucial the role of the AO is in ensuring transparency, integrity, and efficient financial management in public entities, and aligns with the PFMA's broader goals of fostering responsible governance and prudent utilization of public funds.

#### 2.3.2.2 Transfer of Funds

The PFMA provides guidelines and sets out the requirements for the transfer of funds. The process of transferring funds involves reallocating funds between different allocations or purposes within a department's budget. The authorization of fund transfers must comply with the provisions outlined in the PFMA. Section 43 of the PFMA specifically regulates virement, which involves transferring funds from one main division or allocation to another within the same department or entity. In the process of transferring funds, the original recipient submits a monthly expenditure report (RSA,1999). Then the AO conducts an audit of expenditure, identifying, approving, paying, and recording each transfer and ensuring that each is in line with relevant legislation and policies. The receiving entity also submits audited financial statements and reports before funds are transferred to them. Transfers cannot be made without proper assurances of validity, correctness of amount, and adequate cash management arrangements. Unspent funds can be rolled over or surrendered to the National Treasury at the end of the financial year.

#### 2.3.2.3 Roll-overs of Funds

Section 30 of the PFMA and Section 6.4 of Treasury Regulations provide for the roll-over of funds. The term roll-over refers to unspent funds from a department's annual budget being carried over to the next financial year, instead of being surrendered to Treasury at the end of the fiscal year. Roll-overs require approval from relevant authorities, such as the National Treasury or the department's AO. The reasons for unspent funds and the necessity for a roll-over must be justified and documented. Additionally, funds carried over must be used for the same purpose or project as originally budgeted. Section 6.4 of Treasury Regulations further provides guidelines and procedures for the management and approval of roll-overs; to safeguard public funds and ensure they are used effectively to achieve government objectives.

Section 6.4 of the Treasury Regulations (1999:16-17) states that *“funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to the approval of the relevant treasury. Such approval will be guided by the following limitations: unspent funds may only be rolled over under specific conditions:*

*capital expenditure rollovers are allowed only to complete ongoing projects; savings on transfer payments cannot be used for other purposes; and no more than 5% of a department's non-personnel current expenditure may be rolled over".* The above section of the Treasury Regulations outlines rules governing adjustments to budgets and reallocations of funds within government departments and state entities in South Africa. These regulations specify procedures and criteria for making these adjustments, aiming to uphold transparency, accountability, and adherence to financial management principles.

#### 2.3.2.4 Additional Funds Through an Adjustment Budget

Section 6.6 of the Treasury Regulations provides for the allocation of additional funds through approval of an adjustments budget. Sub-section 6.6.1 states*: "For purposes of an adjustments budget, the following will not be considered unforeseeable and unavoidable expenditure:*

*(a) expenditure that, although known when finalising the estimates of expenditure, could not be accommodated within allocations;*
*(b) tariff adjustments and price increases; and*
*(c) extensions of existing services and the creation of new services that are not unforeseeable and unavoidable."*

Sub-section 6.6.2 of the Treasury Regulations further states that any department requesting additional funds through an adjustments budget must submit a memorandum to the relevant treasury, the Cabinet/EXCO Secretariat, and any treasury committee of the Cabinet/EXCO, by a date set by the relevant treasury. The above sections of the Treasury Regulations significantly enhance the flexibility and responsiveness of budget management in government entities, ensuring it is implemented with adequate controls and oversight.

#### 2.3.2.5 Cost-Containment of Measures

National Treasury (2024) refers to cost containment in the context of the PFMA as measures that must be taken by institutions within the public service to reduce

expenditure and eliminate non-essential spending. Cost-containment measures are part of the National Treasury's effort to help public institutions manage their finances more responsibly. The goal is to make sure that government spending is efficient and transparent and delivers real value to the public. These reductions of spending are primarily achieved with respect to the various goods and services required by the entity, including renting/hiring of venues and facilities, travel and subsistence, use of consultants, and advertisements and publications. All departments, public entities, and constitutional institutions are required to put measures in place indicating how they intend to achieve cost-containment.

### 2.3.3 Treasury Regulations

Treasury Regulations in South Africa are issued by the National Treasury under the authority of the PFMA. The regulations provide details on the implementation of the provisions of the PFMA. According to the National Treasury (2020), Treasury Regulations enhance accountability and governance by promoting and ensuring transparency, as well as the efficient management of revenue, expenditure, assets, and liabilities across departments, public entities, constitutional institutions, and local governments. Treasury Regulations (1999:16) require the AO or EA in charge of a department to comply with annual budget circulars from the relevant treasury. For each budget vote, the AO is tasked with ensuring that the budget submission includes all necessary supporting information: this holds for all institutions and public entities receiving transfer payments. Additionally, the annual budget documents presented to parliament or provincial legislatures must follow the formats specified by the National Treasury, which are published in the national Government Gazette. It is clear that this framework is designed to enhance accountability and transparency in public financial management.

### 2.3.4 Evolution of South Africa's Public Finance Management System

Research suggests that historically, the South African budgeting system lacked transparency (Tsheletsane and Fourie, 2014:42), with no clear formula for fund allocation. Additionally, the literature highlights that the budgeting process was primarily an executive responsibility, with parliament playing a limited role in its

formulation. Tsheletsane and Fourie (2014:42) further observed that parliamentary participation was merely a formality, simply approving what the executive had prepared. The secretive nature of the budgeting process hindered analysis and scrutiny of service delivery trends and severely restricted the ability to perform financial assessments, as budget documents were not generally accessible. Consequently, accountability and transparency, key elements of good governance, were compromised.

Prior to 1994, the then Department of State Expenditure and the associated function committees were responsible for determining budget allocations. These committees coordinated budget proposals and allocated funds to specific functions, such as health or education (Tsheletsane and Fourie, 2014:42). This indicates that while the executive played a central role in the budget process, particularly in allocating funds to spending departments, Parliament's role was perfunctory, especially in the appropriation of funds.

Undoubtedly, the budget process and its allocations were not characterized by any two-way, inclusive, or participatory approach. Rather, the process was highly centralized and exclusive. For instance, the function committees adopted a control-oriented approach to funds, focusing more on fund allocation than on managing those resources to enhance service delivery. Consequently, these committees were disbanded in 1995 (Mbete, 2016:14).

The description of these earlier processes reflects a traditional approach to budgeting, specifically the line-item budgeting system. The Exchequer and Audit Act of 1975 underpinned expenditure control, but its purpose was not to "manage" public finances but rather to "control" them. Furthermore, the Act was highly prescriptive, leaving no room for flexibility as it was grounded on strict rules. As noted by Clayton *et al*. (2015:126), traditional budgeting concentrated on controlling expenditures, with the primary goal being to monitor the funds spent by the government. Given the Act's objectives, it is clear that it was input- and control-oriented, rather than focusing on outcomes and management. In the case of the item-budgeting system, input-focused management and budgeting emphasize the allocation of resources, staff, and facilities to a program or ministry (Mbete, 2016:15). The OECD's perspective on the item-

budgeting system highlights that this traditional approach did not prioritize results or outcomes, which are vital in contemporary public management (Lonsdale, 2019).

The promulgation of the Constitution in 1996 ushered in a new system of governance that was based on transparency and accountability. In 1998/99, South Africa introduced the MTEF to promote a participatory approach to the budgeting process, enhance transparency and accountability, and ensure better coordination between policy and budgeting. The implementation of the PFMA further fostered effective financial management, transparency, and accountability (Faleti *et al*., 2014:44). The budgeting process became more decentralized, with all levels of government making decisions through established forums or structures. Research indicates that performance budgeting has been widely adopted globally, with countries such as Australia and New Zealand being among those that have implemented it, apparently successfully (Hyndman and Anderson, 2016:87-94). The introduction of performance budgeting in the South African Public Service was significant as it introduced a results-oriented approach, promoting the flexible management of government resources within the legal framework, while ensuring that managers remain accountable.

### 2.3.5 Public Finance

The approach to public administration is both multidimensional and multidisciplinary. It encompasses various elements, including governance, management, leadership, public policy, human resources, and public finance (Faleti, 2014:45; SC, 2024; University of Johannesburg, 2024; University of Pretoria, 2023). Once the budget has been efficiently compiled and allocated to agencies, departments are tasked with ensuring that strategic planning, financial planning and management, auditing, debt management, revenue management, and expenditure management are central to the management of public finances. The proper management of revenue and expenditure is essential for the functioning of any government. Public finances are key to achieving this, through mechanisms such as taxation (which can be regressive and/or progressive), as well as other financing methods like borrowing, to fund government initiatives and implement public policies aimed at improving the lives of citizens. This means that public finance pertains to the methods by which public institutions at the central, provincial, and local government spheres finance their activities, determine

their expenditures, and generate revenue (Black, Calitz, Steenekamp and Associates, 2015:266). Musgrave and Musgrave (1989) confirm that public finance forms the foundation of government operations, facilitating the delivery of public goods and services. Mbete (2016:14) proposed that the term "public finance" may be a misnomer for the subject matter being discussed, and that "finance" refers to the monetary flows associated with the government's fiscal or budgetary processes as they unfold.

The above suggests that public finance is a vital resource for funding government activities. Within the realm of public finance, the budget serves as a tool that reflects government policies and outlines the financial implications of implementing government programs. It is the government's responsibility to provide services to the public, and effective financial management is essential to ensuring the delivery of quality services. As a fiscal policy document, the budget must allocate and distribute services among the population. The effectiveness of public finance relies not only on sound policy but also on proper organizational structures, with the latter playing a significant role (De, Nemec and Spacek, 2019:45). Considering the factors outlined above, it is evident that the funds required to finance government programs primarily come from the government’s tax base, and that this plays a key role in enabling the government to deliver services to the public. However, other sources of government revenue, such as borrowing, also contribute to the revenue base. The country’s budget typically outlines the plan for public service delivery. As a fiscal policy document, the budget allocates funds for government projects and programs. Thus, fiscal policy serves specific functions to achieve the government's macroeconomic objectives.

### 2.3.6 Fiscal Policy

De *et al*. (2019:45) defined fiscal policy as the national government’s decisions regarding the nature, level, and composition of government expenditure, taxation, and borrowing, aimed at achieving specific objectives. Furthermore, fiscal policy represents the government's budgetary stance, focusing not only on how much revenue is raised but also on how it is raised and allocated. Mbete (2016:14) observed that fiscal policy should fulfil three main functions, namely: providing public goods and services; redistributing resources to achieve a more equitable income distribution and

promoting strong economic growth alongside low levels of unemployment and inflation (referred to as the allocation, distribution, and stabilization functions).

Black, Calitz and Steenekamp (2015:266) viewed the budget as a fiscal policy instrument, playing a pivotal role in service delivery, distribution, and redistribution, while ensuring economic stability, monitoring inflation, and reducing unemployment. In alignment with government objectives, Black *et al*. (2015:266) confirmed Natrass's (2010:1-21) identification of fiscal policy goals, which include economic growth, job creation, price stability, balance of payments, socially accepted income distribution, and poverty alleviation.

Black *et al*. (2015) further emphasized that in public administration, public finance, particularly fiscal policy, is essential for meeting government demands and expectations. The critical point is that public finance must be central to a country's economy and public expenditure. Within public finance, financial management is vital, as effective management of finances is key to achieving government goals and realizing its vision. The significance of public financial administration is often described metaphorically, for example, as being as essential to administration as oxygen is to the atmosphere. Secondly, the allocation of finance serves as the fuel that powers the machinery of administration. Succinctly, Shah (2007) describes public finance as the "lifeblood of government."

This overview analysis of public finance highlights that providing the necessary finances for governance operations, plans, and projects is crucial for achieving the government's primary objective of service delivery. Therefore, fiscal policy must ensure that services are delivered effectively to the public. Effective service delivery depends on securing adequate funding, proper budgeting, and comprehensive planning. Mwasi (2017:44) argues that public sector economics involves the study of public finance, government policies, and the industrial sector's role in the economy. This observation suggests that understanding these concepts both theoretically and practically is essential, as it addresses matters related to the national economy and public sector economics.

From the perspective of public financial management, it is evident that public finance is integral to all government activities. This implies that public finance encompasses the methods by which public authorities, whether central, provincial, or local, finance their operations, determine their expenditures, and generate their revenue (Black *et al*., 2015:266). Sharan (2009) supports this notion by highlighting that public finance is the fundamental element of service delivery across all levels of government. The PFMA aims to modernize the country's FMS while promoting managerialism within the public sector. Consequently, public sector managers are tasked with managing their budgets efficiently to ensure accountability, responsibility, and transparency, while maintaining flexibility within a well-defined legal framework.

Furthermore, research indicates that some public finance economists go beyond focusing solely on revenue and spending. They also examine how government should operate within the economic domain and the broader societal perspectives regarding the relationship between individuals (the public) and the State. The above concern by some public finance economists presents two distinct approaches to understanding public finance: the organic view, which asserts that individuals are valued only for their contribution to achieving social goals determined by the government, and the mechanistic view, which holds that the government exists primarily to serve individual goals.

In light of these views, it is evident that the government's role and its interaction within society are pivotal when addressing issues of governance and public finance. Government goals and objectives are central to addressing societal needs such as poverty and unemployment. For instance, understanding the macroeconomic and microeconomic functions of government is vital for assessing its impact on resource allocation and income distribution (micro-analysis), the use of taxation, expenditure policies, and the monetary strategies that influence unemployment and price levels (Guess, 2015:12). To manage these economic functions, a budget is essential to allocate services, collect and distribute taxes, and address both social and economic needs. Therefore, the careful design and formulation of the budget are critical for addressing macroeconomic and microeconomic issues, and these processes are shaped by the specific budgeting system employed in each country.

In accordance with the preceding discussion, fiscal policy is situated squarely within the framework of the public sector. The accounting bodies, namely the Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Management Accountants (CIMA), play a significant role in shaping and guiding the budgetary process. This process is further explored in the subsequent sections of the study.

### 2.3.7 Budget process according to Association of Chartered Certified Accountants (ACCA)

The Association of Chartered Certified Accountants (ACCA) provides valuable guidance on how public sector finances can be managed effectively, including how national governments handle their budgeting processes (ACCA, n.d.). While ACCA does not prescribe exactly how each country should budget, it highlights key principles of good budgeting and public financial management (PFM) that governments, like South Africa's, can follow to strengthen their systems and improve outcomes.

The ACCA. (n.d.) explores a range of budgeting approaches and techniques, including:

- **Incremental Budgeting:** Adjusting the budget from the previous period to reflect changes such as inflation or expected increases in sales and costs.
- **Zero-Based Budgeting (ZBB):** Beginning the budget from a baseline of zero for each period, requiring justification for all expenditures, and thus encouraging more efficient allocation of resources.
- **Activity-Based Budgeting (ABB):** Focusing on the costs of specific activities necessary for producing goods or services; this is closely linked to Activity-Based Costing (ABC), as it provides a more accurate picture of resource use.
- **Rolling Budgets:** Continuously updating the budget by adding a new period (e.g., monthly or quarterly) at the end of each cycle enhances flexibility and enables better adaptation to changes.

ACCA endorses the adoption of MTEFs in national budgeting processes because they facilitate multi-year financial planning, reinforce the alignment between policy and

budget, strengthen fiscal discipline, and ensure that spending is aligned with strategic priorities. ACCA further recommends that budgeting processes be integrated with strategic planning, which includes setting performance targets, monitoring outputs and outcomes, and the alignment of resources to policy objectives.

In a nutshell, the principles of the ACCA align closely with South Africa's budgetary framework, which advocates for accountability and responsibility, public participation, MTEF, and performance-oriented budgeting.

### 2.3.8 Budget process According to Chartered Institute of Management Accountants (CIMA)

According to the Chartered Institute of Management Accountants (CIMA), budgeting plays a vital role in supporting strategic planning, control, and performance evaluation within organisations (CIMA, n.d.). While CIMA does not recommend a single budgeting model, it promotes the adoption of practices that ensure alignment between financial planning and organisational strategy. By observation, CIMA does not endorse the adoption of MTEFs in national budgeting processes. However, CIMA stresses the importance of linking budgets to long-term strategic objectives to ensure optimal allocation of resources. It also highlights the need for flexibility in forecasting, enabling organisations to adapt their budgets in response to changing circumstances.

CIMA. (n.d.) encourages the participation of key stakeholders in the budgeting process to enhance accuracy and ownership. Continuous monitoring through variance analysis is essential for identifying performance gaps and making timely adjustments. Additionally, it appears that CIMA supports budgeting approaches such as ZBB, which requires all expenditures to be justified from the ground up, and performance-based budgeting, where funding is tied to specific outcomes.

## 2.4 STRATEGIC AND ANNUAL PERFORMANCE PLANS

### 2.4.1 Strategic Plans

According to the National Treasury (2010), a strategic plan in the South African government context is a detailed document outlining a department's long-term goals, priorities, and strategies. It guides specific actions, resource allocation, and performance metrics, aligning initiatives with national policies for coherent government activities. It also includes mechanisms for monitoring progress to ensure accountability and continuous improvement in public service delivery.

The above suggests that a strategic plan outlines the overall direction of the government, its objective being to deliver a systematic approach to budgeting and resource allocation for a three-year period.

### 2.4.2 Annual Performance Plans

APP refers to the planning process used to implement performance management and implement the country's strategic priorities. Chapter 5 of the Treasury Regulations stipulates that each year, the AO of an institution must prepare a strategic plan for the upcoming MTEF period, which must be approved by the relevant EA (Treasury Regulations, 1991:15). The regulations further state that the *"strategic plan must form the basis for the annual reports of accounting officers as required by sections 40(1)(d) and (e) of the Act".*

Sub-section 5.2.1 of Treasury Regulations states that *"In order to facilitate the discussion of individual votes, the approved strategic plan must be tabled timeously in Parliament or the relevant provincial legislature, but not later than within 15 working days after the Minister or relevant MEC for finance has tabled the annual budget for the first year of the strategic plan".*

Chapter 5 and Sub-Section 5.2.1 referred to above provide that each year, the government's AO must create a strategic plan that outlines its objectives, priorities, and strategies for a specific period under the MTEF, typically spanning three fiscal

years. This plan is then submitted for approval to the relevant EA to ensure it aligns with broader government policies and fiscal priorities. The strategic plan functions as a roadmap guiding the institution's activities and resource allocation throughout the MTEF period, detailing how it aims to achieve its goals and address challenges effectively. It also forms the basis for budget allocations and financial planning, ensuring resources are used in accordance with strategic priorities. Once approved, the plan becomes crucial for monitoring the institution's performance and progress towards its objectives, necessitating regular reviews and updates to adapt to changing circumstances.

Sub-section 5.2.2 of Treasury Regulations states the strategic plan must amongst others cover a three-year period and align with the institution's published medium-term expenditure estimates; it must outline measurable objectives, expected outcomes, program outputs, indicators (measures), and targets for the institution's programs; it should specify the Constitutional and other legislative, functional, and policy mandates that guide the institution’s activities and should incorporate policy developments and legislative changes that shape the program spending plans for the three-year period.

The above sub-section, in essence, provides that the strategic plan serves as a holistic framework for the institution, incorporating long-term financial planning, shorter-term operational objectives, adherence to legal requirements, and adaptability to changing policy landscapes. Holzer and Callahan (2017:37) identified that the links between the strategic plan, budget plan, and performance plans and the budgets need to be closely aligned for the effective implementation of organizational goals and priorities.

There is some inherent tension between long-term planning perspectives and annual budgeting timelines. Budget program structures play an important role in linking objectives in strategic plans to operational budgets and their respective resource allocations. These program structures should reflect the entity’s core responsibilities and services while providing continuity across planning cycles (National Treasury, 2020).

Performance against key priorities can be tracked over medium to long periods through stable budget programs. Even as strategic focus may change occasionally,

underlying activities still require funding continuity. Budget structures generally don't require frequent changes but could be adapted if government policies substantially alter an agency's mandate (National Treasury, 2020; 2010:3). The MTEF is discussed next.

### 2.4.3 The Medium-Term Expenditure Framework

The MTEF was introduced during the 1998/1999 budgets as part of budget reforms aimed at addressing the fiscal issues mentioned earlier (Siswana, 2007:3). Prior to the MTEF's implementation in South Africa, there had already been ongoing discussions and debates on budget reforms, particularly at the international level. For instance, the United Nations Development Programme (UNDP) asserted that the introduction of the MTEF would enhance transparency, accountability, and results-oriented public management. Most importantly, the MTEF was seen as able to serve both as a tool for expenditure control and management (fiscal discipline) and as a planning instrument (United Nations, 2021:64). In the year 2000, South Africa implemented its first MTEF. This was intended to help the government better plan budgets and spending over multiple years, rather than just focusing on short-term annual plans. The goal was to facilitate more strategic and effective medium-term fiscal planning (Cloete and Rabie, 2023b).

The perspectives of both the South African government and the UNDP are significant, as they emphasise/reinforce key elements of governance, in particular transparency, accountability, and responsiveness. It is acknowledged that, in support of the MTEF, crucial factors such as the MTDF, government prioritization, and fiscal discipline are also required to play a fundamental role. National Treasury (2022:23) commented that the primary benefit of the MTEF lies in its ability to connect budget and policy, thus providing insight into the actual goods and services purchased with allocated funds. As previously mentioned, the connection between policy and budget is essential within the MTEF, as it facilitates the effective and efficient delivery of services. Additionally, it is important to recognize that the MTEF can also function as an early warning system, promote insightful planning and decision-making, and ensure discipline in the allocation of funds.

Studies which indicate other African countries that have implemented the MTEF include Uganda, Tanzania, Ghana, Rwanda, Cameroon, Burkina Faso, as well as Albania in Eastern Europe (Siswana, 2007:112). This demonstrates Africa's growing understanding of the benefits accruing to fiscal planning and budgeting, prioritizing outcomes over mere compliance with inputs or procedural steps. Thus, by adopting the MTEF, Ghana has been able to implement a management model focused on achieving measurable outputs and outcomes, promoting a new culture of results-oriented management rather than process management (Kithinji and Mlambo, 2016:93). These authors assert that the MTEF is designed to instil discipline in the public resource planning and management spheres. These authors also highlighted its role in enhancing governance by promoting transparency and accountability in resource utilization and fiscal planning. They emphasized that within the MTEF, prioritizing policies and budgets is now crucial as it sets the agenda for government spending in its various departments. The Framework for Strategic Plans and APPs is discussed next.

### 2.4.4 Framework for Strategic Plans and Annual Performance Plans

This framework outlines the requirements and processes for developing strategic plans and APPs in the public sector. Performance information is essential for effective management, planning, budgeting, implementation, reporting, monitoring, and evaluation (National Treasury, 2010:1-3).

#### 2.4.4.1 Strategic plans and APPs

According to the Framework for Strategic Plans and APPs (National Treasury, 2010:1-3), strategic plans are required to cover a five-year period and identify important outcomes, goals, and objectives. They are based on legislative mandates and reflect broad government strategies, whilst APPs identify indicators and targets for the upcoming budget year. APPs must be aligned with strategic plans, budgets, and reporting documents. Plans are developed through a results-based approach that integrates strategy, resources, performance measurement, and reporting to enhance decision-making, transparency, and accountability. Additionally, a Framework for Strategic Plans and APPs (National Treasury, 2010:1-3) provides the framework that

applies to all national/provincial departments and public entities that fall under the PFMA. Treasury Regulations provide the legal basis for such plans, and present the required contents and processes involved in developing the plans. Strategic plans must outline project sequencing and resource needs. Annual plans provide targets for the current year and the next two years. Institutions must also adopt quarterly reporting against core indicators and present these to executive authorities, treasuries, and committees.

The framework for strategic plans in the public services provides for setting long-term goals and strategies that span multiple years. The process defines the organization's vision, mission, and strategic objectives, and guides resource allocation and decision-making processes. These plans, approved by the governing body, analyse internal and external environments in order to prioritize strategic initiatives. APPs, on the other hand, translate strategic goals into measurable targets for the upcoming fiscal year. They outline specific activities and performance indicators, identify responsible parties, and prepare timelines. Aligned with budget allocations, these plans are approved by the AO and then used to ensure accountability in achieving established objectives.

To this end, the above discussions support the view of the researcher that both the strategic plans and APPs support effective governance, resource management, and performance monitoring within South Africa's public sector.

#### 2.4.4.2 Implementation of Strategic Plans

The Framework for Strategic Plans and APPs (National Treasury, 2010) requires that the following occurs:

- *Follow a results-based management approach focusing on outcomes, measurement, learning, and reporting both internally and externally.*
- *Adopt quarterly reporting to monitor progress using the agreed indicators, and submit reports to oversight bodies, and*

- *Ensure alignment between all planning, budgeting, implementation, and reporting documents".*

Based on the above, implementing strategic plans and frameworks for strategic plans and APPs in the South African government relies on guidance and regulations from the National Treasury. The approach focuses on achieving outcomes, measuring progress using agreed indicators, and regularly reporting to oversight bodies for accountability. Ensuring alignment across planning, budgeting, implementation, and reporting enhances efficiency and accuracy in achieving strategic goals.

#### 2.4.4.3 Review of Strategic Plans

National Treasury of South Africa (2010) and The Presidency (RSA, 2014) provided the framework and guidelines for the development and review of strategic plans within South African government departments. Pillay and Subban (2007:62-77) highlighted the importance of integrating strategic plans with performance management systems to ensure ongoing alignment. They further recommended frequent reviews to enhance accountability and transparency, emphasizing the alignment of plans with national priorities for coherent and impactful development. This implies that reviewing strategic plans within the South African government is a critical step in the process to ensure that government departments and agencies align their goals, strategies, and resources effectively to achieve desired outcomes. To this end, the link between strategic plans, budget, and APPs is discussed next.

### 2.4.5 Link Between Strategic Plans, Budget, and APPs

Based on the above discussion on strategic plans, budget, and APPs, strategic plans influence budget priorities by identifying key goals, programs, and initiatives that are in line with government policies and national priorities. They ensure that budget allocations support these strategic objectives and contribute to broader socio-economic goals outlined in national development plans. Budgets are required to conform with the priorities and objectives established in strategic plans. They allocate funds to specific programs and activities outlined in these plans, ensuring that financial resources are utilized efficiently to achieve government objectives (Khan and Hossain,

2018:835-844). APPs specify the resources needed to meet the performance targets set for the year. They direct the allocation of funds within the annual budget by outlining the financial requirements for various programs, projects, and operational activities. This alignment ensures that budget allocations correspond with the priorities outlined in strategic plans and facilitate the effective execution of government policies and initiatives.

## 2.5 TRANSFER OF FUNCTIONS OF FORESTRY AND FISHERIES TO DFFE

Section 6.5 of the Treasury Regulations and Section 42 of the PFMA provide for the transfer of functions. Sections 6.5.1 and 6.5.2 of the Treasury Regulations (1999:17), state that "where a function is to be transferred between votes during a financial year, the relevant treasury must be consulted in advance, to facilitate any request for the resulting transfer of funds voted for that function in terms of Section 33;6.5.1 of the Act. In the absence of agreement between the affected departments on the amount of funds to be transferred, the relevant treasury will determine the funds to be shifted" (RSA,1999). Section 6.5.2 of the PFMA stipulates that *"if the Minister of Public Service and Administration or a provincial Premier makes a determination regarding the transfer of a function under the Public Service Act of 1994, the request for the transfer of funds must be submitted as outlined in paragraph 6.5.1. If the Minister or Premier approves the transfer of a function after the finalization of the adjustment estimates, it must be managed on a recoverable basis*" (RSA,1999).

As previously discussed in Chapter One, in June 2019, in his State of the Nation Address (SONA), the President of the Republic of South Africa, Mr Cyril Matamela Ramaphosa, announced that the forestry and fisheries functions, then residing in the DAFF, would be transferred to and incorporated into the Department of Environmental Affairs. It is important to note that when the transfer of these functions was implemented, no budget was transferred from DAFF to the new department (Department of Environment, Forestry and Fisheries, 2021:21). On completion of the transfer, the department was renamed the DEFF. However, on 1st April 2021, the department was again renamed by the then Minister, Ms Barbara Creecy, to the DFFE.

As of April 1, 2020, Forestry Management was integrated into the Programme Structure following its transfer from DAFF to the DFFE. For the financial year 2020/21, the programme's expenditure totalled R515,925,000 (DFFE, 2021), with reports indicating underspending attributed to operational disruptions caused by COVID-19 restrictions in the plantations. Similarly, Fisheries Management was also incorporated into the Programme Structure on the same date due to its transfer from DAFF to DFFE. The expenditure for this programme during the 2020/21 financial year amounted to R472,491,000 (DFFE, 2021), which included funds allocated to the Marine Living Resources Fund and salaries for officials overseeing the management of this fund.

The 2020 transfer of forestry and fisheries functions to the DFFE brought several challenges due to the lack of supporting budget allocation. This caused a strain on the department's existing financial resources, making it harder to effectively manage the new responsibilities. Operational disruptions, particularly in forestry plantations, were also exacerbated by COVID-19 restrictions, leading to underspending in both forestry and fisheries programs. Furthermore, without new funding, the DFFE had to reallocate its existing budget to cover these added functions, diverting resources from other programs. Personnel managing these functions, such as those overseeing the Marine Living Resources Fund, were under pressure to operate within significantly limited financial constraints. Consequently, the department faced difficulties in maintaining service delivery objectives while adjusting to these expanded responsibilities.

The transfer of these functions without an additional, accompanying residual budget resulted in DFFE having to reprioritise its objectives according to their originally allocated budget (as the Department for the Environment) in an effort to ensure interruptions of service delivery for the two newly acquired programmes were kept to a minimum. According to DFFE (2021:21), their performance targets were not met due to the inherited budget constraints (DFFE, 2021:34-111). Additionally, DFFE seems to have reviewed and re-prioritised its objectives and set targets, but despite the review, there were targets that were still not achieved. This was confirmed in the DFFE’s 2021 annual report, in the performance information chapter.

### 2.5.1 Financial Performance

Fiscal performance refers to how efficiently and effectively the government manages public finances and spending (Schick, 2009). Government departments have continued to overspend their budgets significantly over the past four years (AGSA, 2023). From 2019 to 2023, the total unauthorised expenditure, as reported by the AGSA, amounted to R28.22 billion. In the 2022-23 financial year alone, unauthorised spending by departments was R4.59 billion. Irregular expenditure totalled R63.37 billion for 2022/23 (AGSA, 2023). Public entities must disclose any budget overspending as irregular expenditure since, unlike government departments, they are not able to get separate budget approval from parliament. In the last financial year, irregular spending attributed to exceeding budgets by public entities was R0.90 billion (sanews.gov.za, 2023).

AGSA keeps track of unauthorised expenditure by departments, as well as irregular expenditures across both departments and state-owned companies. This is an expenditure made without adherence to legal requirements. The amounts involved over the past few years have been substantial. *As stipulated in Section 38(1)(i) of the PFMA, amongst other responsibilities, the AO is responsible for maintaining "effective, efficient and transparent systems of financial and risk management and internal control". This indicates the critical nature of the AO – his/her duty to safeguard public monies through enforcing compliance and mitigating fiscal vulnerabilities within their departments. Section 38(1)(c)(ii) of the PFMA states that the AO "must also take effective and appropriate steps to prevent unauthorised, irregular and fruitless, and wasteful expenditure and losses resulting from criminal conduct".* (RSA,1999)

The PFMA provides the definitions of the unauthorised, irregular and fruitless, and wasteful expenditure as follows:

### 2.5.2 Irregular Expenditure

Irregular expenditure *"means an expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation".* This means that this type of expenditure occurs when the

spending of funds is done without complying with the approved budget, the rules and processes prescribed in applicable legislation such as PFMA and Treasury Regulations, including National Treasury's regulations and instruction notes. In most cases of irregular spending, the AGSA has identified procurement non-compliance (particularly the failure to conduct competitive bidding and weaknesses in contract management), as the major components of irregular expenditure in government departments. These lapses/failures to follow standard procedures contribute significantly to financial mismanagement, eroding both transparency and fiscal efficiency across multiple sectors (AGSA, 2021).

### 2.5.3 Unauthorised Expenditure

Unauthorised expenditure means *"an overspending of a vote or a main division within a vote, and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division"* (National Treasury, 2004). This means that any spending made without prior approval by the relevant delegated authority and/or when the spending exceeds the amount that was allocated for a particular purpose, or when funds are used for objectives other than what they were originally intended for, these are classified as unauthorised expenditure.

### 2.5.4 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure means *"expenditure which was made in vain and would have been avoided had reasonable care has been exercised"* (National Treasury, 2004). Thus, any money that was spent without deriving value for money is expenditure that is viewed as a waste of financial resources or is devoid of any useful outcome and could have been prevented through proper diligence. When this kind of expenditure is incurred, such must be recorded and reported accordingly in order to comply with Section 38(1)(g) of the PFMA: this states that, "*on the discovery of any unauthorised, irregular or fruitless and wasteful expenditure, the AO must immediately report, in writing, particulars of the expenditure to the relevant treasury and in the case of irregular expenditure involving the procurement of goods or services, also to the relevant tender board"* (RSA,1999).

In government, the National Treasury, through the provisions of the PFMA and Treasury regulations, assigns each Minister and AO the responsibility for financial management and control within their respective departments: this is applicable across all levels of government. Financial control is exercised through the auditing of expenditures at the national, provincial, and local levels. The primary function of the AGSA is to ensure that appropriate accounting procedures and standards are followed regarding reported expenditure and revenue. According to the Public Audit Act (RSA, 2004), the AGSA reports to the public accounts' committees, which represent the final link in the accountability chain (National Treasury, 2021:44). However, this link is weakened by two key factors: first, the reports are only available two years after the expenditures occur, and second, there are inadequate mechanisms to take decisive action for recovering fraudulent, fruitless, or unauthorized expenditures. These are perennial concerns in the Public Service, their persistence undermining fiscal accountability and good governance (National Treasury, 2021:43). By understanding and applying this section of the PFMA, AOs can nevertheless guarantee the responsible and transparent management of public funds, thereby supporting sound governance and financial accountability principles. Based on the sections quoted, the PFMA puts in place clear guidelines that, when followed, strengthen accountability, transparency, and fiscal discipline within the public financial management and budgeting processes in South Africa.

## 2.6 NATIONAL DEPARTMENT STRATEGIC PLANNING PROCESS

Organizational performance is influenced by inputs and processes that are used in a transformational process within institutions. When an organization performs below the anticipated acceptability threshold, the issue can usually be traced back to the resources used or to the systems or processes deployed in the transformation process. Organizational performance is the outcome of operational efficiencies, institutional structures, skills demonstrated by the top management team, and how all these parameters work together to realise the final outcomes (Kumar, Almatrooshi, Singh and Farouk, 2017:844).

The preparation of strategic plans is crucial as they outline the strategic objectives of the national departments. According to Chapter 5 of the Treasury Regulations (2005),

the AO of each institution is required to prepare an annual strategic plan aligned with the MTEF period for the upcoming cycle. This plan must be approved by the relevant EA. To support the annual discussions on individual votes, AOs are obligated to submit the approved strategic plan, which should be tabled in Parliament or the relevant provincial legislature, along with the institution's medium-term strategic plan and, when applicable, its APP. Parliament or the relevant provincial legislature should receive the departmental plans in good time, to allow for discussion of the department's budget vote.

National Departments prepare strategic plans as per Chapter 5 of the Treasury Regulations. In their strategic plans, these institutions must include, among other elements, their constitutional mandate and the legislative framework within which they operate, the time period the plan covers, and they must ensure consistency with the institution's published medium-term expenditure estimates. The plan should also outline realistic, achievable, and measurable objectives, expected outcomes, individual program outputs, indicators (measures), and targets for the institution's programs. "*The strategic plan must form the basis for the annual reports of accounting officers as required by sections 40(1)(d) and (e) of the Act"* (RSA,1999).

As it occurs in all other national departments, from September each year, the DFFE prepares/collects relevant information to prepare its strategic plan and finalises it, together with the budget, for presentation in parliament. This strategic plan, together with the subsequent financial performance indicators, will then be used as performance information to assess the strategic performance of the DFFE.

Performance information indicates how well an institution is meeting its strategic objectives, determining if they are in line with its policies and processes, as the available data and institutional knowledge is crucial for improving performance of the department's constitutional mandate (National Treasury, 2007:1). According to National Treasury (2007:1), performance information is essential for effective management, and encompasses planning, budgeting, implementation, monitoring, and reporting duties. It also supports accountability by allowing legislators, the public, and other stakeholders to track progress, identify areas for improvement, and gain a clearer understanding of the issues at hand.

## 2.7 STRATEGIC PERFORMANCE

In South Africa, public institutions' performance issues can be looked at from various angles and for several reasons. An outstanding organizational performance implies that the institution is efficient and effective in providing mandated goods and services (Clayton, Hendricks and Noluthando, 2015:126). The public sector's performance is also driven by organizational capability, which is determined primarily by strategic leadership, financial and human resources, process management, infrastructure, and institutional collaboration. Performance management in an organization is also a means of quantifying the efficacy and effectiveness of an action. It can also be defined as the means of establishing a working setup that allows individuals to perform at their best. It normally includes meeting goals effectively and efficiently. Performance management can focus on institutional performance, an individual worker, or a process to develop a product or a service. Performance management and organizational performance are therefore interrelated. Performance indicators are used to measure organizational performance (Kumar, Almatrooshi, Singh and Farouk, 2017:844). The main problem in measuring performance is seen in determining what should be measured and what should not.

The traditional models of performance put emphasis on parameters like financial indicators. In the new models of performance measurements, there are as yet no universally accepted indicators that 'should' be used for a particular situation. The contemporary methodologies now span financial metrics such as sales, gross margins, net profit margins, profit before interest and tax, profit after tax, return on investment, return on assets, and return on equity, sales per employee, and so on in the private sector (Carol and Florah, 2019:44). Carter et al. (1992) mentions that public sector organizations normally operate under particular social and political goals rather than simple commercial objective. Public sectors place more emphasis on controlling cost, maintaining accountability, and ensuring that resources are acquired at the lowest cost (Economy), outputs are maximized from given inputs (Efficiency), and goals are met (Effectiveness) (Carter e/ al., 1992). Moreover, Osbome & Gaebler (1993: 147) describe the rationale for performance measurement in the government as : "*what gets measured gets done ..... if you don't measure result, you can't tell success from failure; if you can't see success, you can't reward it ; if you can't reward*

*success, you are probably rewarding failure; if you can't see success, you can't learn from it; if you can't recognize failure, you can't correct it; if you can demonstrate results, you can win public support ....* "According to Carter et al. (1992), public sector uses "Input-Output Model" to measure performance. In measuring performance in both public and private sector organizations in South Africa, more emphasis has been put on financial measures than on any others (Arsalan and Nida, 2012:34). Neely (2005:1264-1277) and Marr (2012) have called for the removal of purely financial measures from all performance management frameworks. The argument behind this is that the financial parameters worked well during the industrial era, but they are out of touch with the skills and competencies that are needed in the contemporary era.

### 2.7.1 Balanced Scorecard

The BSC is now one of the newer tools being used in managing performance in the South African government (Brenda and Andre, 2012:16). It is being used to align government activities to the country's (or institution's) vision and strategy, and to improve communication and the monitoring of performance against the set goals (Brenda and Andre, 2012:7). The BSC was proposed after government dropped the use of financial measures as the preferred assessment criteria (Brenda and Andre, 2012:5). The BSC continues to undergo changes and has recently included brand value management and portfolio management, among other newer measures. The scorecard helps in integrating different levels of business performance; it is coupled with the deployment of financial and non-financial measures and the entity's adaptability to global dynamics (Brenda and Andre, 2012:10). The scorecard is however criticised for being more useful as an information system, rather than as able to serve as a strategic tool for performance measurement. Notwithstanding the criticisms it has garnered, it still gets significant support from management practitioners.

In Australia, for example, the BSC has been used to successfully measure the performance of the government (Ridwan, Harun, An and Fahmid, 2018:103). It has received criticism there as well but continues to enjoy widespread support from management practitioners. Most of those in management infer that it aids in the capture of financial and non-financial aspects of organizational performance, thereby

allowing the capturing/review of social and qualitative objectives (Ridwan, Harun, An and Fahmid, 2018:104). A BSC thus remains an acceptable and highly dependable instrument that, in the right hands, can be used in managing organizational performance in government institutions.

In Tanzania, departmental performance improvement in government is being achieved through the implementation of the New Public Management System (NPMS). This system uses the economic market model to reorganize the public service, making it more responsive to calls to recognise the roles of political and administrative relationships in pushing efficiency (Ngomuo, Sarah and Wang, 2015:17). The NPMS has helped reinvent the way the Tanzanian government works. NPMS is a combination of public and private sector values and interests. The authors of this system believe that organizations evolve through a changing life cycle that develops in response to dissimilar paradigms that need ongoing adaptation (Ngomuo, Sarah and Wang, 2015:15).

The budgeting process in South Africa follows a strategic process (World Bank, 2018:33). The process typically begins early in the year, to avoid being rushed and pressured to meet the official deadlines. The strategic planners have to coordinate inputs from several stakeholders who inform the various parts of the process. The planning requirements should therefore not be rigid but should nevertheless ensure strict measures to ensure sustainable performance and the delivery of quality services to the citizens of South Africa. The budget process is made in such a way that it is aligned to higher-level plans like the NDP and/or the Provincial Growth and Development Strategies (Cloete and Rabie, 2023a). This planning principle is critical for improving government-wide service delivery. The budgeting process emphasises the importance of incorporating activity-based costing as a fundamental component in planning and budgeting. This is being done in response to the severe austerity measures that the government has rolled out in all categories of expenditure.

The strategic planning process is normally done using a performance management software application. It includes the development of five-year and annual plans. The software enables better management of the strategic planning process by the personnel in the planning, monitoring, and evaluation departments (World Bank,

2018:52). By using the software, the entities in government, like the DFFE, have been able to reduce dependency on consultants while still ensuring compliance with legislation.

### 2.7.2 Performance Targets

Carol and Florah (2019:24) define performance management as a process aimed at measuring and regulating employee outputs to enhance organizational effectiveness, while appropriately rewarding employees for their contributions. Performance improvements can also be realized through a continuous motivation process at the workplace. Goal setting and achievement of the goals tend to bring about a certain behaviour or mindset in employees. Performance improvements can also be realized through management-by-objectives approaches that foster employee participation, decision-making, and feedback. When workers recognise that they are all working towards a certain goal, they will tend to direct their efforts towards attaining it even when the circumstances are difficult.

Performance management in some countries, like Turkey, has been addressed through a results-based management approach. This approach is found to be reliable in measuring performance since it focuses on staff improvement, retention, and motivation. It is beneficial in that it allows employees to come up with their own goals and objectives.

Good performance management helps boost productivity (Carol and Florah, 2019:20). Productivity comes from obtaining the desired quality and quantity of expected results. Productivity is, however, not desired by everyone; this stems from the fact that it often results in budget cuts and a downsizing of the structure of an organization. In South Africa, there was a change from a Performance Personnel Management System to an Employee Performance Management System. The Department of Public Service and Administration (DPSA) offers guidance on how this system should be executed. The National School of Government offers training for South African public servants so that they are better able to comprehend the purpose and effect of the new performance management system, amongst a variety of other courses.

For any government department to achieve its strategic goals, and in particular to satisfy the AGSA of its financial prudence, they use the BSC system to assess their departmental performance. Kaplan and Norton (1992:70-71), who described how companies used the BSC, argued (Kaplan and Bower, 1999:1-3) that, while the BSC was originally designed for use in the private sector, it holds even greater potential to enhance the management of public sector organizations. The BSC has been subject to ongoing use in research into performance management framework for the public sector (Adams, Muir and Hoque, 2014; Goh, 2012; Northcott and Taulapapa, 2012; Gadenne and Sharma, 2009; Greatbanks and Tapp, 2007; Perera, Harrison and Poole, 1997; Chan, 2004), being improved along the way to include developments in performance management systems, including data warehouses and executive information systems. Since 1992, the BSC has evolved from a performance measurement tool into a comprehensive system for measuring strategic implementation and management (Friedag and Schmidt, 2011). However, the BSC in the public sector may now be different from the BSC used in the private sector. In the public sector, the stakeholder usually replaces the client, and the perspective order is changed in the strategy map, so the financial perspective is generally located at the bottom of the card rather than at the top (Scholey and Schobel, 2016). This recognises that the BSC approach has a financial perspective that contains all the various parameters that measure the finances of the government and its employees. Government departments give themselves a particular percentage that must be achieved in the financial perspective section and aim to achieve it. Andrews (2014) observed that public sector departments may develop and set their own standards and indicators, while Boyne (2010:215) supported this assertion, recognising that performance management in the public sector includes target-setting and measuring performance. Similarly, Hood, Rothstein and Baldwin (2001) also supported the assertion that performance management should include the setting of standards. To this end, public sector performance management is assessed against the targets they set and the performance they achieve. Any government institution needs budgetary controls if it intends to meet the agreed targets for its expenditure: actual performance figures are then compared to the agreed targets. Through the variances, management can identify performance indicators, and it becomes easier to make necessary changes like budget reduction, change of plans, and modification of tasks.

## 2.8 SUMMARY

The critical thrust of this study was to determine the impact of budget constraints on government performance. This was guided by the four key research questions and the literature presented in this chapter that focused on the legislative framework within which the national government in South Africa operates. Understanding the legislative requirements in South Africa is crucial, particularly in managing public finances. This chapter has briefly touched on key legislative frameworks and entities that influence the budget process and strategic planning. This overview was intended to provide a clear understanding of the legislative framework governing public finance management, reporting, responsibility, and accountability in the RSA.

Whilst there has been much research and discussion around soft budgets and/or austerity budgets, the literature shows that there is minimal published research on how budget constraints specifically affect the strategic performance of a national government. The main purpose of this chapter was to explore the legislation pertaining to public administration, and examine the existing literature investigating responses to the impact of budget constraints. The next chapter focuses on the budget process and performance.

# CHAPTER THREE
# BUDGETING PROCESS AND PERFORMANCE

## 3.1 INTRODUCTION

This chapter is a continuation of the literature review, looking specifically at the literature addressing the connection between budgeting and performance in government institutions. It discusses some basic concepts, such as budgeting (Section 3.2), purpose of budgets (Section 3.3), ZBB (Section 3.4), and rolling budget (Section 3.5). Thereafter, the discussion addresses the budgeting system employed in the South African government**,** management styles appropriate to addressing constrained budgets, factors affecting the budgeting environment, and the link between budgeting and performance.

## 3.2 THE CONCEPT OF BUDGETING

According to Drury (2018), a budget is a comprehensive financial plan that outlines, in numerical terms, how resources will be obtained and allocated over a defined timeframe. Horngren Hongren, Datar and Rajan (2014) define budgeting as the process that involves developing a thorough financial plan for a defined period, which integrates both the financial and operational activities of the organisation to ensure alignment and effective resource management.

By definition, a budget is a planning instrument aimed at ensuring the effective and efficient delivery of services, with the economical use of resources. Wildavsky (1992) and Du (2022: 422) observe that the term "budget" originates from the French word *"bougette*," meaning a small bag, leather pouch, or purse, or a portfolio. The key point they make, though, is that the bag or portfolio carries public finances and that the bearer must be accountable to the public for the outcomes it delivers. In relation to present-day situations, Guess (2015:12) defines a budget as a set of goals, each with an associated price tag. This definition highlights the role of government budgets, the need to establish objectives or priorities that link policy, budgeting, and planning,

particularly in managing revenue and expenditure, while simultaneously addressing the macroeconomic strategy of a country.

Consequently, this information is essential for ensuring transparency and fiscal accountability, especially in terms of parliamentary oversight, with the SCOPA being the prime oversight committee. In line with this analysis, Budlender (2019:4) described a budget as a document or collection of documents that outlines the government's financial position, and includes details on revenue, expenditure, activities, purposes, and objectives. A budget that lacks information on any of revenue, expenditure, activities, or goals fails to present a comprehensive fiscal policy, as it then lacks essential details on expenditure trends, which could hinder effective parliamentary oversight.

Budlender (2019:4) further argued that a budget is inherently forward-looking, being based on projected revenues and expenditures, and anticipated achievements. The inclusion of expected achievements is particularly significant as it enables both the public and the government to understand the intended outcomes of the underlying projects or programs. A key aspect of a budget, as a formal government policy framework, lies in its credibility, the quality/veracity of its content, and the clarity with which information is presented.

As indicated above, a budget could also be regarded as a planning tool within an organisation, especially with respect to the financial aspects of the organisation’s activities. Some theoretical management accounting literature, such as that by Drury (2018) and Hongren *et al*. (2014), regards the budget as process-oriented, combining many functions, including planning, coordinating, communicating, controlling, and evaluating. The above processes are also apparent in the South African public sector. Accordingly, the International Federation of Accountants (2016:47) summarises the budget process as one in which the legislature authorizes public sector spending within approved limits, while simultaneously serving as a core tool for planning, controlling, and evaluating financial activities. It ensures resources are allocated to meet objectives and acts as a management tool for achieving goals. Linking annual budgets to a medium-term framework enhances effectiveness, particularly when combined with an integrated accounting system. Continuous monitoring of revenue

and expenditure is vital for informed decision-making and validating necessary adjustments.

In government budgeting is critical as it underpins the funding and execution of government projects and programs, facilitating the achievement of departmental objectives, including service delivery targets. Financial decisions within this process must be informed by complementary systems such as accounting, financial reporting, expenditure monitoring, and verified adherence to fiscal accountability principles. Moreover, the successful implementation of a budget is largely contingent upon the efficiency and robustness of the budgeting system in place within an organisation or country.

Budgets play a vital role in establishing public priorities and distributing resources for various organizational activities. Tanaka (2007:148) highlighted that a budget allocation enables government departments to procure goods and services, as well as acquire current and capital assets. By having a well-planned budget, government departments can successfully and effectively manage their financial resources and allocate them to areas that require attention. Since the advent of democracy, the South African government has been experiencing various budget challenges (van Rensburg, 2014; Fatti and Patel, 2013). These challenges include high debt (Sachs, 2021; De Villiers *et al*., 2020) and a weak financial position (Graves *et al*., 2016). Budget constraints refer to the limitations on how much money a business and governments can spend (Zweni, 2017).

As discussed in Chapter One, prior research has primarily concentrated on austerity budgets and/or soft budgets (some in publicly listed companies), and most have made use of quantitative research methods. For example, Bergera *et al*. (2018:8) found that in Austria, the decline in efficiency of the nationwide hospital network was brought about by budget constraints resulting from the 2009 financial crisis.

Dondiram (2018) examined the link between strategic planning and performance management and found that they are inextricably linked. Although researchers have discussed budgeting constraints and performance management, they have not investigated the possible relationship between budgeting constraints and the (often)

poor performance of SA government departments. Hence, this study seeks to address this aspect of the budgeting processes by exploring the impact of budget constraints on the performance of DFFE.

Thus, this chapter discusses the budgeting process, the budgeting systems employed in South African government departments, the purpose of budgets, various budgeting systems, and the link between budget constraints and performance.

### 3.2.1 Budgeting Process

In South Africa, government budgeting plays a vital role in facilitating the planning and management of financial resources to support the implementation of various programs. The budget process comprises four key stages: budget preparation, authorisation, execution, and accountability/review. This process is followed by the setting of economic and fiscal targets and later followed by the preparation of individual budgets by the various government departments and agencies. The National Treasury then facilitates budget hearings, and submission of the proposed expenditure programs is made by the agency heads.

The South African budget process starts with the National Treasury preparing guidelines and requesting departmental submissions before the Minister of Finance presents the (consolidated) budget to the public. The budget process goes through four stages: 1, formulation, 2. legislative approval, 3. implementation, and 4. auditing. The legislative approval process allows parliament to verify spending against national priorities (Parliament, 2025). Parliament then conducts debates and public consultations before finally voting on the Fiscal Framework and Division of Revenue Bill and the Appropriation Bill (Parliament, 2025).

The PFMA enables the government to use amounts equivalent to the previous year's allocation funds for essential services when budget delays occur. The AGSA, together with Parliament's oversight committees, maintains accountability through the Budgetary Review and Recommendations Reports **(**BRRRs), which enable performance evaluations and amendments (National Treasury, 2025). The South African public sector budgeting process enables/encourages strategic communication,

together with sound financial management and effective public service delivery by requiring collaboration, aligning departmental activities with organizational goals, setting clear expectations.

The national government budgets are subsequently submitted to the Development Budget Coordinating Committee for review and approval, after which they are presented to the National Assembly(NA) for final approval (Guess, 2015:31). The national budget of South Africa goes through this four-step process before, during, and after each fiscal year (Bhorat and Van der Westhuizen, 2013:522-541). The figure 3.1 below depicts the four-step budget process.

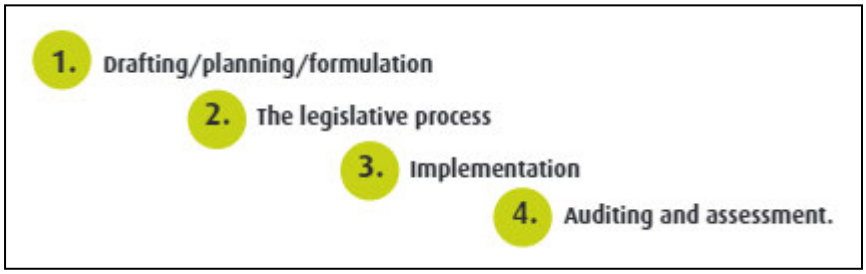


**Figure 3.1: Four-Step Budget Process**

*Source: Researcher's own representation of regulations*

***Drafting/Planning/Formulation:*** The official budget planning process starts with the State of the Nation address, where the President outlines national priorities and provides indicative expenditure amounts. Based on the Treasury guidelines, each government department then drafts its own budget proposals. This involves negotiations as departments assess their previous spending and propose adjustments. The National Treasury also considers any unspent funds from previous budgets that departments are requesting to roll over. Once all departmental budgets have been submitted, the National Treasury consolidates them into a single draft national budget. Parliament provides oversight of the planning through various committees. The Portfolio Committee on Planning, Monitoring and Evaluation assesses government department's budget and performance and outcomes. Parliament can also propose changes to future resource allocation. Each October, the Minister of Finance delivers the MTBPS, providing Parliament with insight into the planned budget policy for the upcoming three years. This enables Parliament to contribute to and influence medium-term planning effectively.

***Legislative process:*** In February, the finance minister presents the budget to Parliament. Committees review the finances and individual departmental plans. Parliament debates and approves the budget four months into the fiscal year. A mid-year adjustment allows changes.

***Implementation:*** Once departments receive approved funding to implement projects, their performance and expenditure are monitored by portfolio committees of the NA and, to some extent, by the NCOP.

***Auditing and assessment:*** After the financial year has ended, the AGSA audits spending and results. Parliament examines audit reports to evaluate each department's work.

### 3.2.2 Budgeting Principles

#### 3.2.1.1 Budget Principles

The budget (its preparation and promulgation) must conform to certain fundamental principles if it is to become an effective legal process. Once passed into law, it becomes a fiscal management tool and ensures that financial resources are used effectively.

Himme (2019:14) outlines the following principles for budgeting:

a) Publicity: The key stages of the budget process—executive recommendations, legislative review and approval, and budget execution—should be made accessible to the public.
b) Clarity: The budget must be presented in a way that is easily understood by all citizens.
c) Comprehensiveness: The budget should include all expenditures and all revenues on a gross basis, covering all governmental activities, without exception.
d) Accuracy: Budget estimates should be as precise as possible, avoiding inflated expenditure estimates or the creation of hidden reserves by underreporting revenues.

e) Periodicity: Appropriations should be authorized for a specific time period. Any unspent appropriations at the end of this period should generally either expire or be re-appropriated with a detailed breakdown of the amount and its intended use.

The principles outlined above suggest that a budget should embody democratic values and incorporate key elements of good governance, including accountability, transparency, participation, and responsiveness.

### 3.2.3 Budgeting Process in National Departments

The DFFE is mandated to give effect to the rights of citizens, including the enjoyment of a healthy environment that safeguards their well-being and is preserved/used conservatively for the benefit of both present and future generations. In this regard, the department takes a leading role in promoting sustainability in environmental management, conservation, and environmental protection, benefiting both South Africans and the global community (National Treasury, 2022:593). To fulfil its constitutional obligations, the DFFE needs an adequate budget. “A budget is a key statement of government policy with a financial plan. Financial choices are made about competing priorities to ensure fiscal sustainability, allocative efficiency, and value for money through this process (RSA, 2022:10).

As stated in Section 215(1) of the Constitution, the budgeting and associated processes of the national, provincial, and local government spheres must enhance transparency, accountability, and the efficient financial management of the economy, debt, and public sector; this is to be achieved through the identification and implementation of appropriate methods. This requirement supports and endorses the requirement that a budget and its processes should be transparent in order to promote sound financial management in the public sector in general. This is done to ensure that any risks arising from poor economic management and/or uncontrolled public sector debt are easily detected and mitigated.

For budgeting purposes, national departments and their associated entities have been organised by function across three spheres of government, namely national, provincial, and local government, and their respective public entities. This structure

facilitates more effective comparisons between budget allocations and service delivery trends. The budget is therefore designed to be comprehensive, covering the entire public service to achieve its objectives. In this context, national departments, such as the DFFE, submit their budgets through their department's AO (National Treasury, 2022). These are accompanied by a signed letter confirming that the submission reflects the department’s strategic direction, referring to any budget baseline changes resulting from discussions within its executive management. The submission must be thorough, detailing all proposed expenditure for appropriation under a specific vote, including transfers to institutions and other government spheres within the budget vote (National Treasury, 2022: i).

The South African government operates under a set of rules and regulations that guide the budgeting processes of departments, such as the DFFE. Recently, efforts have been made to reduce spending by implementing baseline cuts across various sectors, which, if continued, could negatively affect service delivery. Budgetary constraints have intensified over the past decade, prompting the government to introduce a new strategic budget reform aimed at steering the fiscal framework toward recovery. In this context, spending reviews and ZBB have been identified as essential tools for developing the government’s fiscal strategy. ZBB is implemented through spending reviews as a primary budgeting tool. Rather than replacing medium-term budgeting processes, ZBB complements them by incorporating evidence-based analytical budgeting and moving away from the traditional incremental approach (Lalli, 2012:6).

The President of the Republic of South Africa outlines expenditure priorities during his State of the Nation Address, which serves as a guideline for departments to prepare draft budget proposals for submission to the National Treasury. This process involves negotiations, during which departments refine their spending plans to bring them into alignment with these directives. Furthermore, departments are required to account for any unspent funds carried over from the preceding fiscal year (National Treasury, 2020).

In October, the tabling of the MTBPS gives further guidance on budgetary priorities and constraints over the medium term (The Guide to Budget, n.d.). National Treasury regulations prescribe that each institution of state must be headed by a senior

management level financial officer (National Treasury, 1999:7). In terms of Chapter 2 of the Treasury Regulations the CFO holds the general responsibility to support the AO in fulfilling the obligations outlined in Part 2 of Chapter 5 of the PFMA, and endorsed by the annual Division of Revenue Act. These responsibilities encompass ensuring the institution's effective financial management, implementing robust budgeting and budgetary control practices, maintaining internal controls, and producing financial reports promptly. This suggests that the CFO's pivotal responsibility includes promoting financial accountability, transparency, and effective resource management within the institution. By fulfilling these duties effectively, the CFO strengthens the institution's governance framework and supports its mission and goals.

The national budget in South Africa takes about five months to generate (Alam *et al*., 2021:6). The permanent secretaries of the parliamentary committees meet to review the previous budget and propose improvements to reflect the government’s evolving initiatives and position. Calculations/projections of the available revenue are made so that it becomes clear what is available for allocation and to which sector, based on the available revenue. Other measures include forecasting the additional spending that was budgeted in the previous budget. The estimates are then read in the NA, where the members are allowed to propose and vote on adjustments before the budget is adopted and signed into law by the President (Alam *et al*., 2021:16).

Research conducted by Otley (1999:363-382) and Hansen, Otley, and Van der Stede (2003:95-116) on budgetary and management control practices found that budgets helped in creating and sustaining competitive advantages by way of their enabling forecasting, coordination, communication, and planning functions, among others. Eko (2018:336) investigated the relationships between public participation in budgetary processes and performance. The study found that it is necessary to have input on the budget process from all the stakeholders in a sector so that the budget itself is effective.

In a study on the influence of budget management practices in public universities in South Africa, it was established that the financial performance of higher learning institutions was greatly influenced by the rigour of their budget management practices

(Mwasi, 2017:8). The conclusion was that effective budgetary control has a noteworthy effect on the financial performance of all entities.

### 3.2.4 Budgeting Systems and Administration in South Africa

#### 3.2.4.1 Budgeting System Employed in South Africa

The South African government makes use of an MTEF together with performance-based budgeting to manage resource allocation across a rolling three-year time frame (a result-oriented planning approach) (de Jong, 2025:125). The system promotes transparency, accountability, and strategic planning through the allocation of funds in support of priority areas that produce measurable results (National Treasury, 2025:2). The system enables departments to connect their yearly budget allocations with longer-term strategic policy objectives, instead of making (sometimes impulsive) short-term choices. Through reviews and updates to the MTEF, the government can better adapt to economic changes while maintaining responsible financial management. This should enable it to achieve developmental targets, including reducing inequality, enhancing service delivery, and promoting inclusive growth.

#### 3.2.4.2 Policy Prioritisation and Budgeting

Establishing a connection between government policies and budgeting is essential, particularly within the framework of the MTEF and performance-based budgeting. Aligning public policy with budgeting facilitates long-term strategic planning, enhancing service delivery while promoting transparency and accountability through mechanisms such as reporting, monitoring, and evaluation. Achieving this integration is the rationale for South Africa's adoption of the MTEF. By linking policy to budget, the public sector can mitigate issues such as overspending, underspending, and fruitless and wasteful expenditure.

#### 3.2.4.3 Policy and Budget Connection

According to the United Nations (2013:58), the effective coordination between budget and policy is essential for achieving long-term policy objectives for several reasons:

a) It facilitates the establishment of a comprehensive set of goals and priorities by ensuring that policy proposals align with predefined financial parameters.
b) A strategic framework can serve as a guiding tool for policy development within line ministries, involving all ministers responsible for implementing sectoral policies.
c) The budget functions as a coordinating mechanism, influencing sectoral activities and providing an annual opportunity to establish political and strategic directions.
d) Coordination enables the budget to define and prioritize government objectives effectively.
e) Aligning policy and budget aids in determining the relative levels of expenditure allocated to various programs.

Policy-budget coordination plays a crucial role in mitigating various risks, including social risks (such as inadequate service delivery), economic risks (such as overspending or underspending), and political risks (such as the failure to implement government priorities, vision, and mission). To promote policy integration and coherence, Pillay and Subban (2007:59) examined the MTEF planning process at the Cabinet level.

According to Pillay and Subban (2007), this process begins with the Cabinet identifying strategic priorities and reviewing the previous year's progress. Between February and June, departmental business plans, MTEF proposals, and strategic plans are formulated. During this period, director-general clusters finalize their work programs and priorities, which are subsequently submitted for Cabinet approval. By mid-year (July), the Cabinet evaluates the reports on progress with priorities and action plans from the directors-general clusters. From July to December, data on service delivery is collected to assess the impact of these initiatives, culminating in the preparation of departmental annual progress review reports that are submitted to the President's office. Pillay and Subban (as cited in United Nations Development Programme, 2018:59) emphasized that an integrated national planning cycle is fundamentally aligned with the three-year MTSF. They also highlighted the importance of policy integration and coherence, particularly within the MTDF, as it ensures that sectoral policy priorities are aligned with available fiscal resources for service delivery. This

alignment is vital if the government is to organize its programs effectively and address macroeconomic issues that impact the population.

#### 3.2.4.4 Budget as a System

A budget is founded on specific principles that serve as a framework to ensure that it is effectively developed by an institution while also fostering public ownership. Consequently, accountability and transparency are integral to the budgeting process. The budgeting system encompasses not only the implementation of a budget but also the associated processes, institutional structures, competing norms and values, and stakeholders and their interrelationships, all of which contribute to producing desired outputs (Himme, 2019:14). Moreover, there is a clear interconnectedness among these components, which is essential for achieving the desired outputs. As a system, budgeting consists of interrelated units, with budgetary relationships playing a critical role, particularly within complex systems (Himme, 2019:14). These observations highlight the intricate link between a budget and its systems, especially when addressing budgetary reforms and the inherent complexities of budgeting itself. This interconnectedness underpins the process of delivering outputs and outcomes aligned with government priorities.

#### 3.2.4.5 Budgeting Process Role Players

According to Sintomer, Hercber and Röcke (2014), an effective budgeting system requires a participatory and inclusive approach. This entails identifying the key stakeholders involved in the budgeting process, an action that ensures transparency. Once the relevant role players have been identified, the budgeting process must operate within a legal framework that supports and strengthens the budgetary systems. Under the Constitution, as Haruna and Vyas-Doorgapersad (2016:34) highlight, there is a diverse range of structures involved in the budgeting process, in South Africa. The key role players include the national parliament and provincial legislatures, parliamentary committees, the Cabinet and its committees, the National Treasury, the Financial and Fiscal Commission, and intergovernmental forums.

#### 3.2.4.6 Financial and Fiscal Commission (FFC)

The Constitution of the Republic of South Africa (1996) formally establishes the FFC in Sections 220 and 221, and the Fiscal and Financial Commission Act of 1997 was subsequently enacted. The Commission operates independently (under Sections 2 and 3(1) of the Act). The FFC is tasked with making recommendations and providing advice to state organs at the national, provincial, and local levels of government on financial and fiscal matters (RSA, 1997:4). As a consultative and advisory body, the Commission plays an integral role in the budgeting process. It offers guidance on issues such as the equitable distribution of government revenue across different levels of government, fiscal allocations, taxation, borrowing, and the criteria for determining these matters (Haruna and Vyas-Doorgapersad, 2016:34). Therefore, the Commission must be effectively integrated into the budgeting process to ensure the proper management of both expenditure allocations and revenue across all levels of government, as efficient revenue and expenditure management is fundamental to effective governance.

#### 3.2.4.7 Budget Council

The Budget Council plays a key role in fostering communication between different levels of government, particularly given the unique nature of provinces. Socio-economic and political factors significantly influence the budgeting process and must be considered within the context of public administration. Additionally, the council promotes prudent management of public finances and encourages the development of a culture of monitoring and evaluation within the public sector (National Treasury, 2021:43).

#### 3.2.4.8 Ministers' Committee on the Budget

The Minister’s committee on the budget plays a key role in the budget process by supporting budget prioritisation and policy review. Among its responsibilities, the committee assesses the outputs of the MTEC, reviews reports on the MTEF, and makes recommendations to the Cabinet regarding the division of revenue and the allocation of the national share among departments (National Treasury, 2022:50).

Essentially, the committee is also tasked with planning and expenditure management. Effective management of expenditure is crucial for ensuring good governance in the public sector, as poor expenditure management can hinder the achievement of the government's vision, mission, and objectives, which in turn could pose risks, particularly concerning the electorate if its expectations are effectively left unfulfilled (National Treasury, 2021:43).

#### 3.2.4.9 Medium-Term Expenditure Framework Committee

The Medium-Term Expenditure Framework Committee is tasked with assessing whether departmental spending plans align with government objectives and are both economical and equitable. Crucially, it also aids in identifying spending patterns within departments, thereby helping to pinpoint potential areas of spending risk. Failure to identify, analyse, and understand this expenditure patterns could make it challenging to detect potential threats to the government's available resources (National Treasury, 2021:43).

## 3.3 PURPOSE OF BUDGETS

A budget is a thorough and quantitative financial plan that defines the allocation of resources for a certain period, usually a fiscal year (Melnichuk, 2015:95). It serves as both a planning and management tool, allowing organisations, especially departments of the government such as the DFFE, to achieve their strategic goals while working within their available resources. Budgeting plays a vital role in determining how organisations plan and manage their resources. As noted by Drury (2018), it helps organisations set clear goals and outline the steps needed to achieve them, making it a key part of the planning process. Beyond planning, budgeting also supports coordination by helping different departments work together toward shared objectives.

Horngren *et al*. (2014) highlighted that budgeting encourages communication across the organisation by ensuring that everyone understands what is expected and what resources are available. It also serves as a source of motivation, as clearly defined targets can inspire employees and managers to perform at their best. Another important function of budgeting is control. By comparing actual results with what was

planned, organisations can quickly identify issues and take corrective action. Finally, budgeting provides a solid basis for evaluating performance by offering measurable standards that help assess how well managers and teams are doing (Drury, 2018; Horngren *et al.,* 2014).

From these perspectives, it becomes clear that the South African public sector has, to some extent, adopted elements of management accounting. Although management accounting is often associated with the private sector, its tools, such as budgeting, performance monitoring, and cost management, are increasingly being used in public institutions. For example, public sector practices like programme-based budgeting and the use of performance indicators show a move towards more strategic and results-driven financial management. This suggests that the public sector is recognising the value of these approaches in improving planning, resource use, and service delivery.

Budgets help to prioritise tasks, manage risks, and ensure responsibility by establishing clear financial targets and spending restrictions (Nguyen, 2024:116). According to Matsoso, Nyathi and Nakpodia (2021:554), budgets for public sector institutions also reflect government policy priorities and operational mandates. As a result, an efficient budgeting process is more than just a financial exercise; it is also an important instrument that promotes institutional performance, transparency, and service delivery.

### 3.3.1 Planning

The main purpose of budgeting is to serve organizations through planning by enabling them to predict requirements and distribute funds to support their strategic goals (Harrison and Todes, 2024:42). The DFFE in South Africa's public sector needs budgeting as a tool to direct its limited resources toward national environmental management priorities. Budgeting enables proactive decision-making, reduces waste, and strengthens program effectiveness, thereby enhancing institutional legitimacy (Morrison, 2022:31). Through this process, departments gain the ability to anticipate future uncertainties and make strategic decisions among multiple competing demands.

The national budget planning process of South Africa demonstrates a structured approach that aligns with strategic long-term planning objectives. Musgrave and Musgrave (1989) and National Treasury (2020) observe that the public sector makes use of both capital and operational budgeting. In the South African government context, capital budgeting involves the planning and allocation of financial resources for long-term investments such as the development of infrastructure, construction of government buildings and road networks, and the acquisition of essential equipment. These projects typically span several years and require significant budgetary commitments, often aligned with national development plans and the MTEF. Conversely, operational budgeting relates to the management of short-term, recurring expenses necessary for the daily functioning of government departments and agencies. This includes expenditure on personnel salaries, utilities, office supplies, and the delivery of public programmes and services. Operational budgets are generally prepared on an annual basis to ensure efficient use of resources and effective service delivery.

The President delivers the SONA to establish national priorities, and this then directs departmental planning activities (RSA, 2019, n.p.). The National Treasury reviews budget proposals submitted by government departments before consolidating them into a unified document. According to the Parliament (2019, n.p.), the draft budget emerges from Parliament after debate, which leads to potential refinements before the Appropriation and Division of Revenue Bills are finalised for adoption. The bills determine the distribution of funds between the national, provincial, and local government levels. The entire process operates within the MTEF, which thus provides three-year budget continuity and strategic planning and accountability features. Through the MTEF budget allocations, which connect to policy targets, departments can control uncertainty and maintain consistent operational stability and service delivery.

### 3.3.2 Control

Budgeting establishes financial criteria for comparing actual performance against the plan/ideal, and thus aids in control. According to Mungai, Maina and Kungu (2021:82), through methodically contrasting actual outcomes against budgeted figures,

organisations can identify anomalies, investigate causes, and implement corrective measures. In government departments like the DFFE, budgetary control is important since it guarantees the responsible use of public funds, supports productivity, and stops overspending or resource misallocation. It offers clear budget constraints to control discretionary spending and enhance financial discipline throughout operational divisions and programs (Zweni, 2022: n.p.). As stated by Hepworth (2024:579), regular budget monitoring enhances internal responsibility and enhances external control by letting stakeholders (including Parliament, auditors, and the public) compare financial performance with authorised plans. Budgetary control thus becomes very important for making sure that there is integrity in the organisation and that trust is maintained within public institutions in a context where financial resources are usually constrained. Perhaps it is worth acknowledging that it is the way employees respond to the directives of the budget that makes it a good or bad budget.

According to the National Treasury (2020), monthly variance analysis, which involves comparing actual expenditures or revenues against budgeted amounts, is a common practice in the public sector. This analysis allows government departments to monitor financial performance regularly, detect deviations early, and implement corrective measures to ensure budgetary compliance. Such practices enhance financial control, transparency, and accountability within public institutions. In South Africa, government departments routinely submit monthly financial reports as part of their monitoring and reporting obligations.

### 3.3.3 Communication

The budget process enables all management levels to work together through defined expectations, recognised resource constraints, and common goals, which strengthens both institutional coherence and decision-making (Hopkins and Booth, 2021:135; Nguyen, 2024:116). Khumalo (2018) points out that the budget communication process in South African government departments follows a structured flow and that this ensures effective financial management and accountability. Within a department, communication about the budget begins with the DG, who, as the AO, oversees the implementation of the approved budget and communicates budget directives to the finance division. The finance division manages the financial resources and coordinates

with the budgeting unit to develop detailed budget plans aligned with the department's strategic priorities.

Van der Waldt (2014) explains that the departments' monitoring and evaluation (M&E) units receive budget information and track expenditure against targets, thus enabling them to provide critical feedback on budget performance and risks. Externally, departments submit budget proposals and expenditure reports to the National Treasury, which in turn evaluates financial management compliance and alignment with the MTEF. Cloete and Rabie (2023) indicate that parliamentary committees, such as the Portfolio Committee on Finance, provide oversight by reviewing budget execution and ensuring transparency and accountability in public spending. This multi-level communication process ensures that budgets are effectively planned, monitored, and controlled within the departments, and aligned with national fiscal policies and governance frameworks.

### 3.3.4 Co-ordination

The process of budgeting enables multiple departments and sections, as well as activities within an organisation, to work together effectively. The DFFE and similar organisations achieve unified operations toward common targets through budgetary integration of diverse plans and financial requirements. The budgeting process connects programs and projects, so they are developed together in a way that optimises institutional effectiveness (Beste and Klakegg, 2022:374).

Kohzad (2024:15) contends that the budget serves as a tool to resolve resource conflicts by determining financial priorities, and it balances short-term operational requirements with long-term strategic objectives. Public sector organisations require effective budgeting coordination because they handle multiple mandates and are subject to/challenged by complex stakeholder relationships and interconnected programs (Kohzad, 2024:15). The researcher believes that the coordination of budgeting processes can lead to better synergies between units and effort reduction while optimising resource utilisation: this is important for enhancing government performance under budget constraints.

Budgeting, therefore, plays a crucial role in helping the South African public sector (including the DFFE) to manage its finances appropriately. It helps these organisations plan, work together harmoniously, share clear information, keep spending on track, and evaluate their performance to ensure their actions support broader national goals. Budgets cover both big, long-term projects (like building infrastructure) and everyday expenses (like salaries and utilities). This balance is guided by frameworks such as the MTEF, which helps departments plan consistently and spend responsibly over several years. In short, budgeting is more than just numbers; it is a key part of running government departments effectively, helping them serve the public better while staying financially accountable.

## 3.4 ZERO-BASED BUDGETING

### 3.4.1 A Fresh Start in a World of Limitations

In contrast to traditional incremental budgeting, which modifies figures from previous years, ZBB introduces an unusual financial planning system in that it requires every budgeting cycle to begin at zero (Moses, 2022:53). Regardless of previous allocations, every department, unit, or project under ZBB is required to justify each and every request. The South African government has introduced the ZBB approach alongside the more common incremental budgeting approach in 2020 (National Treasury, 2020). Strenuous and continuous effort is necessary to address the implementation challenges associated with ZBB and to facilitate its broader adoption across a wider range of government departments. However, this approach reduces/eliminates unnecessary or non-performing expenses while promoting efficiency, innovation, and prioritisation of critical services—an increasingly crucial strategy in settings where resources are limited (Allen and Clifton, 2024:850).

ZBB can be challenging, though, since it necessitates a thorough examination of each activity and a strong commitment from leadership and technical teams to reconsider roles and spending trends (Khan, 2024:206). ZBB enhances the conventional incremental budgeting approach (still widely used in the South African public sector), rather than replacing it. Because it is predictable and easy to administer, incremental budgeting is still useful, particularly for fixed costs and ongoing programs. With the

addition of ZBB to the incremental budgeting approach, the government can maintain continuity while simultaneously reviewing and reprioritising expenditures as needed. Essentially, incremental budgeting promotes operational stability while ZBB assists the government in achieving efficiency and adaptability, thereby finding a balance between innovation and continuity in public finance.

### 3.4.2 Efficiency, Accountability, and a Request for Explanation

ZBB's emphasis on accountability is among its most potent features. It requires departments to defend every budget item, no matter how minor, rather than assuming that last year's spending was justified; and it thus has the potential to revolutionise government institutions, where historical allocations frequently fail to identify inefficiencies (Sia, 2024:54). To ensure that funds are allocated to initiatives that yield results and are in line with strategic goals, ZBB encourages all departments to carefully consider their priorities. Although there is an emotional cost to the process in that teams that have been working on a project for many years may find it discouraging to have to make the case, essentially, for their continued existence (Fam and Fam, 2024:845). Nevertheless, ZBB can foster a culture of introspection, purpose, and performance when carried out fairly and transparently, changing not just budgeting procedures but also how businesses define their worth.

## 3.5 ROLLING BUDGET

As previously discussed in Section 2.3.2.3 of Chapter Two of this study, Section 30 of the PFMA and Section 6.4 of Treasury Regulations provide for the roll-over of funds. The roll-over refers to unspent funds from a department's annual budget being carried over to the next financial year, instead of being surrendered at the end of the fiscal year. Roll-overs require approval from authorities such as the National Treasury and/or the department's AO. The reasons for the unspent funds and the necessity for a rollover must be justified and documented.

### 3.5.1 Changing in Real Time

One thing that does not stay constant is a rolling budget, often known as a continuous budget. Rather than letting an annual budget sit unchanged and unresponsive to changing circumstances, this method calls for frequent, usually quarterly or occasionally monthly budget updates (Winterstein and Harrelson, 2024:170). Rolling budgets offer a feeling of flexibility in uncertain and dynamic settings, such as those experienced by most departments in the twenty-first century. The organisation does not wait a whole year to react/adjust when political, environmental, or economic conditions change; its budget can be changed in real time to re-allocate resources and refocus efforts as required (Bhimani, Sivabalan, Soonawalla and Wakefield, 2024:509). The rolling budget enables governments to be more responsive and flexible with decision-making and lowers the likelihood of large-scale budgetary mistakes.

### 3.5.2 Planning Without Rigidity: A Balance of Structure and Adaptability

Rolling budgets encourage a fair perspective by opting for structure while simultaneously recognising that not everything can be forecast. In the public sector, where the need to satisfy public expectations competes with the reality of budget limits, this is very necessary; and in departments like the DFFE, dealing with problems like climate change, biodiversity, and community involvement calls for a financial strategy that can change with changing priorities (Armstrong and Stedman, 2024:68). Furthermore, a rolling budget lets managers respond to new developments, be it policy changes, natural disasters, or funding re-allocations, without feeling trapped in obsolete financial plans (Chakwizira, 2022:127). Although it requires more frequent updates and increases the administrative workload, the rolling budgeting approach fosters a culture of continuous strategic assessment.

## 3.6 BUDGET-CONSTRAINED MANAGEMENT STYLES

### 3.6.1 Leading with Less: The Reality of Hard Choices

Leadership shifts when resources are scarce. Managers in a budget-limited setting frequently find themselves making difficult decisions about which projects to cut back on, which teams to downsize, and which initiatives to abandon completely (Hervie, 2024:84). For departments that run in high-impact areas with far-reaching social and environmental repercussions, this can be quite upsetting. Ningrum and Lotta (2024:31) contend that management under budget constraints is a technical approach; it is a lived experience of negotiating expectations, addressing scarcity, and stress. Leaders must balance the statistics with the actual consequences these changes hold for communities, workers, and ecosystems: for this, they require both reason and heart to guide their choices.

### 3.6.2 Emotional Intelligence, Prioritisation, and Efficiency

Such a management approach (navigating constrained resources) usually results in increased efficiency and more acute prioritisation. It pushes leaders to be creative with what they have and to concentrate on what matters: however, this strategy calls for great emotional intelligence as well (Lawani, Arias Abad, Craig, Hare and Cameron, 2024:90). Baker (2024: n.p.) believes that it calls for managers to assist demoralised employees, convey the difficult choices with compassion to those impacted, and to look for means to inspire teams despite the limited resources. Importantly, budget-constrained settings expose the fundamental nature of the leadership. The key question is whether leaders can remain open-minded, inspire others with a compelling vision despite the limited resources, and unite their teams around a shared (but diminished) goal in the face of adversity. For the DFFE, such management is about keeping performance and morale under real limits, not only about balancing the books.

The literature consistently underscores that budget constraints present a considerable challenge to effective management and organisational performance, particularly within public sector institutions. According to Pollitt and Bouckaert (2017), constrained financial resources often force departments to make trade-offs between maintaining

operational efficiency and achieving long-term strategic goals. In contexts such as the DFFE, such constraints may hinder service delivery, slow down the adoption of innovative practices, or lead to the loss of experienced personnel, all of which can adversely affect performance outcomes.

Van Dooren, Bouckaert and Halligan (2015) further argue that budget limitations reduce flexibility and impair long-term planning, making it more difficult for institutions to respond to shifting policy priorities or emerging service needs. However, these authors also highlight a potential benefit—budget constraints can promote efficiency by compelling decision-makers to prioritise high-impact activities and minimise unnecessary expenditures. Similarly, Andrews and Boyne (2010) suggest that austerity does not inevitably result in poor performance; instead, effective leadership, strategic planning, and the use of performance-based budgeting can help mitigate the negative effects of financial pressures.

From an African public sector perspective, Hope (2014) cautions that the effectiveness of budgeting under constraints is often compromised by weak financial management systems, limited institutional accountability, and political interference. These factors compound the difficulty of achieving improved performance under fiscal limitations. Overall, the literature suggests that the impact of budget constraints is not merely a function of reduced resources but is heavily influenced by the quality of financial governance and the institutional capacity to adapt and respond strategically.

## 3.7 BUDGETS AND MOTIVATION

### 3.7.1 The Emotional Side of Numbers

Most people see budgeting as a routine administrative process, yet financial spreadsheets contain deep emotional elements such as budget distributions, which directly affect employee workplace emotions (Karwa, 2025:120). The author is of the opinion that team members experience appreciation when their projects receive funding. In contrast, Shoukry, Abd El-Halem and El-Saied Mortada (2024:386) argue that unexplained resource reductions create frustration and burnout and sometimes lead to resentment among employees. Some departments' workforces maintain their

motivation through environmental protection and public service passions, because they need their work efforts to be acknowledged and supported. Budgets function as financial instruments yet simultaneously serve as tools that create workplace morale and significance (Nezhad, Ahmadirad and Mohammadi, 2024:23).

### 3.7.2 Recognition, Trust, and Performance

Budget constraints do not need to destroy motivation since leaders can maintain employee engagement through transparent budget decisions and employee involvement, and by non-monetary recognition of their work (McDaniel, 2025:61). A budget that is properly explained to employees will increase their workplace satisfaction because it demonstrates that the organisation has both a financial strategy and an objective during difficult times (Shoukry *et al*., 2024:386). The implementation of poor budgeting practices, including sudden cuts and unclear priorities, along with a lack of follow-through, will damage both trust and performance levels. The solution depends on proper communication and inclusion practices. As stated by Ningrum and Lotta (2024:31), employee involvement in budgeting decisions and the knowledge that their feedback counts lead to better commitment levels even when resources are limited. Motivation for departments depends on building trust and respect, as well as a shared vision, in addition to financial resources, because their performance stems from their passion for their work.

## 3.8 FACTORS AFFECTING BUDGETING

Examining the literature on the factors influencing budgeting is vital to this study for several important reasons. Primarily, it provides insight into the intricate setting in which public sector budgeting takes place, especially within government departments such as the DFFE, which must operate amid various political, economic, social, technological, and legal forces. These elements directly impact how budgets are formulated and managed, influencing policy execution, service delivery, and overall organisational effectiveness. Recognising these factors is important because it grounds the research in a practical and evolving governance context.

### 3.8.1 Political Change

In the public sector, political change has a significant impact on budgeting. In most cases, government budgets directly reflect the priorities, beliefs, and promises of the ruling party, while political leadership change can result in new policies, resource allocation changes, and even sudden redirection of long-standing initiatives (Algra-Maschio, Thomas and Thomson, 2025: n.p.). These changes can leave departments in a state of uncertainty since they must adjust to evolving mandates and occasionally conflicting objectives. Politically motivated budget changes might also not always reflect operational reality or real resource requirements, thereby creating discrepancies between policy ambition and practical delivery (Wardiyanto, Setijaningrum, Samad and Kandar, 2025: n.p.). This has the possibility of interfering with long-term planning and compromising the continuity of vital community-based and environmental initiatives. Levy, Hirsch, Naidoo, and Nxele (2021:114) state that political instability or regular reshuffles can also slow down the budget approval process, which would negatively impact procurement, hiring, and implementation schedules, thereby compromising institutional performance.

### 3.8.2 Social Transformation

Government budgeting procedures are, in most cases, pressured by the need for social change, including addressing the effects of changing demographics, shifting community values, and evolving societal expectations (Abbasov, 2025:32). Public services departments, such as the DFFE, are expected to facilitate change as society evolves. Thus, increased public awareness of environmental sustainability, climate change, and community empowerment might call for new programs, improved outreach, and more inclusive planning, situations that usually call for a realignment of current budgets (Ahmad and Islam, 2024:47). Furthermore, shifting rural dynamics, accelerating urbanisation, and migration patterns can tax infrastructure and call for quick budget changes. Thus, the budgeting process runs the danger of leaving vulnerable areas increasingly underserved or failing to address rising social tensions if it does not actively keep up with these changes (Ahmad and Islam, 2024:47). The budgeting process, therefore, must be flexible and responsive to the lived reality of the people it is mandated to serve. Ignoring social dynamics could make government

performance irrelevant and alienate the government from the actual people it is intended to serve.

### 3.8.3 Economic Development

Economic changes such as inflation, recession, or fiscal policy adjustments directly and significantly affect budgeting procedures in both the public and private sectors (Fourie, 2024:823). Recent fiscal tightening and budget cuts in South Africa have been in reaction to a stressed economy, growing debt levels, and the need to improve income flows. In the 2018 budget speech, the VAT rate was raised from 14% to 15% (effective from April 1, 2018), the first such adjustment since 1993. This is a particularly notable example of the state's response to pressures of fiscal consolidation and revenue shortfalls (SARS, 2018:1). The Minister of Finance tabled a budget framework on 12 March 2025 with a proposed VAT increase of 0.5 percentage points in 2025-2026 and 0.5 percentage points in 2026/2027 financial years. Although the declaration was later withdrawn by the Minister of Finance and suspended through a settlement agreement reached by political parties (and formalised as a High Court order), the National Treasury’s intention remained to identify mechanisms to address the R75 billion budget shortfall. These increases in VAT seek to raise government income that remains under continuous constraints: the government is especially challenged in the areas of social services, infrastructure, and debt servicing. Such policies, on the other hand, raise the cost of living and of running a business, which in turn could drive government agencies, businesses, and families to reduce their consumption patterns to match their increasingly constrained budgets. The VAT increase if implemented could result in extra costs for vendors and companies producing exempt or non-taxable supplies that cannot be offset by means of input tax claims, therefore limiting their financial planning and operational budgets.

### 3.8.4 Technological Development

In the budgeting arena, technological development presents both an opportunity and a challenge. Digital tools and automated systems, on the one hand, can help to make budgeting more accurate, open, and efficient (Ruiz, 2024:173). They provide opportunities for enhanced data management, improved forecasting, and simplified

monitoring and assessment. For a department like the DFFE, technology can support accountability, enhance communication between units, and facilitate real-time tracking of funds. Conversely, keeping up with technological advancements usually calls for considerable financial commitment, whether in hardware, software, or staff training. In the public sector, where innovation has to be balanced with fiscal responsibility, budgeting for such changes is not always clear-cut (Vakkuri and Grossi, 2024:302). Furthermore, the accelerating rate of technological development can make today's best systems obsolete tomorrow, causing unplanned costs or transitional disturbances. Poorly planned technological improvements could exhaust limited resources and cause new operational issues instead of resolving them.

### 3.8.5 Legal Change

Changes in the law, including new rules and changes to current laws, or changes in compliance criteria, can greatly affect government department budgeting procedures (Vorster and Nwosu, 2024). Legal requirements sometimes specify what programmes have to be given top priority, how money is to be distributed, and what processes have to be followed during procurement or spending (Allen and Clifton, 2024:849). Changes in environmental legislation, labour laws, or financial rules could create new responsibilities, calling for budget reallocations or the creation of completely new financial strategies.

### 3.8.6 Financial and Non-financial Performance Measures

Financial performance measures consist of numerical indicators that evaluate an organisation's financial condition, operational efficiency, and resource management capabilities. Examples of these metrics include return on investment (ROI), budget utilization rates, cost-effectiveness ratios, and differences between projected and actual spending. These measures assist stakeholders in determining how well financial resources are being deployed to meet strategic goals (Drury, 2018).

Non-financial performance measures focus on assessing results that are not directly related to monetary values, including factors like the quality of services provided, satisfaction levels of stakeholders, environmental effects, employee involvement, and

enhancements in internal processes (Kaplan and Norton, 1996). Non-financial indicators are particularly important in departments like the DFFE, where the outcomes are often long-term, developmental, and community focused.

## 3.9 SUMMARY

The concept of a budget has been reviewed in this chapter, including the interrelationship between budget constraints and performance. The chapter began with an examination of the fundamental goals of budgeting, planning, control, communication, and coordination, and thereafter showed how these activities combine/interact to promote institutional efficiency.

Several budgeting techniques were discussed, including rolling budgets and ZBB, and the need for flexibility and justification in resource allocation was emphasised. This, in turn, underlined the need for flexibility in and justification of resource distribution. While the relationship between budgets and motivation showed how financial planning influences staff morale and organisational culture, the discussion of budget-constrained management styles exposed the emotional and strategic weight of leading an organisation when resources are limited.

The chapter concluded by examining the external political, social, economic, technological, and legal factors that shape and contest various aspects of the budgeting process. All things considered, the chapter emphasised that budgeting is a dynamic, emotionally charged, highly strategic tool that really shapes how the departments carry out their mandates under always-changing circumstances.

# CHAPTER FOUR
# RESEARCH METHODOLOGY

## 4.1 INTRODUCTION

In the previous chapter, the literature regarding the guidelines on the funding system in use by the government of South Africa was discussed, with specific reference to the allocation, utilisation, management, and reporting of such funds. This chapter begins by introducing the interpretivist research design that frames the study; this is followed by an explanation of the research paradigm and the methodological approach adopted. Thereafter, the research methods used are outlined, and the procedures for data collection, the development of the research instrument, and the sampling strategy applied to identify participants are explained.

Key components of the methodology (the population and sampling frame, the sampling techniques, and the interview guiding questions) are described in detail. The chapter then presents a discussion of the data analysis techniques employed to interpret the qualitative data, as well as the measures taken to ensure trustworthiness, credibility, transferability, dependability, and confirmability of the data's interpretation. Lastly, the ethical considerations observed throughout the research process are presented: these reflect the study's adherence to academic integrity and ethical research standards.

## 4.2 INTERPRETIVIST RESEARCH DESIGN

A research design, according to Jonah (2015:102), is an action plan or technique that demonstrates the approach that the researcher will take to answer a clearly defined research question or problem. The investigation thus begins by establishing a philosophical base.

An interpretive paradigm was adopted for this study because it aimed to generate knowledge/expand understanding by recording and analysing individuals' perceptions and interpretations of their workplace realities, in order to comprehend the research

subject and answer the research question. An interpretive methodology or approach appeared best suited to support research within the chosen paradigm.

Methodology refers to the wide research plan structured to carry out a study, and includes applying relevant methods in conjunction with the defined research strategy (Abraham and Husam, 2020:40). Furthermore, methodology refers to the systematic and theoretical analysis of the methods applied within a particular area of study (Igwenagu, 2016:1). A qualitative methodology was preferred for this investigation. As defined by Rahi (2017:2), a qualitative method is used to obtain thorough/deep information on a specific and usually narrowly defined study subject. This approach suggests that data is better collected from interviews. According to Williman (2206:212) “qualitative data are data that cannot be measured and/or counted, and are expressed in words rather than numbers. Therefore, these kinds of data are descriptive in character, and rarely go beyond the normal and ordinal levels of measurement”, which the quantitative method ignores.

For this study, an interpretivist research paradigm was used due to the researcher’s belief that participants play an active role in creating their workplace realities. Creswell and Poth (2018) link interpretivism to qualitative research methods like interviews, observations, and narrative analysis. These approaches enable researchers to deeply explore how participants experience and interpret their lives, uncovering the personal meanings they attach to their experiences. Interpretivists believe that reality is accessed through social constructions and that it is subjective (Alharahsheh and Pius, 2020). As stated by Nicotera (2019), the interpretivist paradigm posits that social reality exists internally through human interaction. From this perspective, language and personal interpretations are crucial in society and vital for understanding the meaning of data gathered about a phenomenon (Curry, 2020; Bevir and Hall, 2020; Jakubik, 2021). According to Kennedy (2019), the interpretivist paradigm is well-suited to the qualitative research approach. Therefore, it is through the interpretivist paradigm that this study explores the impact of budget constraints on government performance management as experienced by the staff of the DFFE.

## 4.3 RESEARCH PARADIGM

A research paradigm refers to a set of beliefs and perspectives about the world and the appropriate ways to investigate and comprehend it, and this guides the interpretive framework (Bauer, 2017:14). According to Taber (2013), a research paradigm is intended to define the various approaches used in social science research. Bauer (2017:14) further states that a research paradigm is a set of beliefs and perspectives about the world, and the methods by which it should be understood and explored. It is this set of beliefs that guides the interpretive framework.

Olsen, Lodwick and Dunlop (2015:1) stated that a research paradigm is a coherent and comprehensive collection of scientific and academic ideas, principles, and assumptions that creates a structured framework that in turn provides the foundation for interpreting and understanding the world within a specific area of study. Gephardt (2014:245-268) distinguished three conceptually diverse research paradigms: interpretivism, positivism, and critical postmodernism.

## 4.4 RESEARCH METHODS

The strategies and techniques of investigation range from recording initial broad assumptions to describing the specific methods used for gathering, analysing, and interpreting data. There are three research methods: qualitative, quantitative, and mixed methodologies (Austin and Sutton, 2014). According to Creswell and Poth (2018), qualitative data collection methods aim to capture detailed, non-numerical information about individuals' experiences and viewpoints, and the environments they inhabit. These approaches are intended to delve into the underlying reasons for human behaviour and social events, striving to uncover not only what occurs but also the reasons and processes behind it. Thus, qualitative research looks at reality through the eyes of individuals living it; the reality is subjective, and participants construct numerous worlds based on their perceptions of their experiences.

Qualitative research is primarily exploratory in nature (Grover, 2015:2). It seeks to comprehend the underlying causes, opinions, and motivations giving rise to a phenomenon. It provides valuable insights into the subject matter or assists in the

development of concepts or hypotheses for a possible subsequent quantitative study. Qualitative data may be acquired through the use of unstructured or semi-structured questionnaires. Typical approaches for gathering information involve group discussions, one-on-one interviews, and direct participation in the lives of the subjects being observed (Cohen, Manion and Morrison, 2013). Oftentimes, the sample size is small, and respondents are selected to meet predetermined criteria. In this study, a qualitative research method will be adopted.

In this study, data was collected from 51 participants who were employed as senior management and middle management in the DFFE, who were presumed to have first-hand understanding and knowledge of the budget process, strategic planning, and performance management. Data was collected using a semi-structured interview method, where all participants were asked the same open-ended questions in one-on-one interviews.

## 4.5 POPULATION AND SAMPLING FRAME

This subsection addresses the population, the sampling method, and the research sample.

### 4.5.1 Population

Degu and Yigzaw (2006), Banerjee and Chaudhury (2010), and Lengerer, Schroedter, Boehle and Wolf (2012) all define the research population as the complete group of items/people about whom the researcher aims to draw conclusions. Depending on the issue under investigation, a population is made up of humans, objects, sets of measurements, or traits (Jowah, 2015:123). The term "population" refers to the entire set of individuals, elements, or units that a researcher aims to study or analyse (Alvi, 2016:35). This definition is consistent with common practices in research methodology, where the population serves as the target group for sampling and data collection in a study.

According to Asiamah, Mensah and Oteng (2017:23), the population can be categorized into three groups: the generic population, the targeted population, and the

accessible population. The word "generic population" denotes the total number of people, objects, or services impacted by the research question, irrespective of any distinctive qualities' individuals might display. A target population is a large and diverse group of individuals from which a smaller sample is then selected for the study. Employees from several Directorates within the DFFE were the target respondents of the study. The population comprised 150 senior managers and 746 middle managers. All were invited to share their perceptions of the impact of budget constraints on government performance management in the context of being required to improve the performance of the DFFE.

The population for this study consisted of senior management and middle management, staff members who deal with budget preparation and oversight, strategic planning, and performance management (Table 4.1). The population of the study was intentionally selected, and the sample was chosen based on each participant's knowledge, experience, and understanding of the subject. Invitation letters were sent to all participants, and consent forms were completed and returned, confirming their intention to participate in the study.

### 4.5.2 Sampling Techniques

Sampling is the practice of selecting some elements from a population to serve as representatives of the entire population. The researcher was able to draw conclusions about a group by using responses from a sample of group members, rather than by surveying the entire population. Sampling strategies were of necessity maximally cost-effective as the researcher had limited access to research funding.

An important component of the qualitative research approach is the determination and selection of an appropriate sample for the study, so that data may be collected from a specific group (Lopez and Whitehead, 2013:9). There are two main categories of sampling: probability sampling and non-probability sampling (Lopez and Whitehead, 2013). In qualitative research, probability sampling is most typically used to engage the population with characteristics that appeal to a wide range of people (Lopez and Whitehead, 2013:9). The sample for this research study was chosen based on the researcher's subjective opinion, which was in turn based on personal work-related

interactions with most of the participants. As a result, non-probability techniques allow for the use of population samples that have an unlimited number of elements.

Non-probability sampling is advantageous for doing exploratory research, as it allows for the generation of novel hypotheses that may be subsequently evaluated. For this study, non-probability sampling was used as it facilitated a more detailed examination of a specific case or phenomenon. This method also enabled the researcher to focus on individuals who were known to possess relevant characteristics or insights, and thus was able to offer rich, nuanced data. This was deemed acceptable because the objective was not to generalise or extrapolate conclusions to a broader population, but to gain a deeper understanding of individual experiences and perspectives.

A purposive sampling technique was used because it enabled the researcher to select participants who were known to be familiar with the criteria of the study: they were knowledgeable about both the budget process and strategic planning. The sampling criteria were pre-determined to ensure consistency with respect to the research problem statement, the study objectives, and knowledge of the key areas related to the research questions. Palinkas *et al*. (2015) define purposive sampling as a method frequently employed in qualitative research, and which involves finding and choosing cases that are rich in information about the topic of interest. According to Etikan *et al*. (2016), purposive sampling is a method where the researcher selects study participants from the population using their own discretion.

This study employed the purposive sampling technique, a widely used non-probability sampling method/technique. The reason for this is that, with limited research funds available, the researcher had to approach individuals who were readily accessible to him, rather than employing a random sampling method that encompassed the total population and thus would have required substantially more resources to accomplish. The purposive sampling technique was therefore deemed most appropriate. A subset of 51 participants comprised the study's sample. Jowah (2015:126) suggests that researchers should select a subset of the population, analyse that subset, and then utilize the findings to make conclusions about the entire population.

**Table 4.1: Population and sampling**

| No. | Participants | Population | Sample | Reason for inclusion |
|---|---|---|---|---|
| 1. | Senior & Top Management | 150 | 41 | Participants were purposively selected based on their expertise in strategic planning, the budget process, and performance management. A total of 41 respondents were ultimately engaged, notwithstanding the unavailability or reluctance of some senior management personnel to participate. |
| 2. | Middle Management | 746 | 10 | Participants were selected based on their knowledge and experience in operationalising the budget, strategic plans, and performance management. A total of 10 respondents were engaged, as many potential participants were either unavailable or perceived themselves to lack sufficient understanding of the budget process, strategic planning, and performance management. |
| **Total number of population and sample size** | | **896** | **51** | |

## 4.6 DATA COLLECTION

According to Creswell and Poth (2016), researchers select qualitative data collection methods based on the requirements of their qualitative study. Leedy and Ormrod (2013:15) assert that data collection involves systematically gathering, organizing, and measuring information about a particular phenomenon through a structured approach, thus enabling researchers to answer research questions, test hypotheses or theories, and assess findings. Guest *et al*. (2013) define data collection methods as the strategies and processes employed to obtain information relevant to a research study. Gill *et al*. (2008) refer to data collection as the process of collecting information from various relevant sources before attempting to address the research problem. This process enables researchers to address certain critical questions, test hypotheses, and assess the results.

According to Rowley (2012), interviews serve as a key qualitative data collection technique, aimed at eliciting in-depth information or gaining a comprehensive understanding of the research topic. Nowell *et al*. (2017:8) define interviews as "sessions in which pre-association and hidden sources of sensations are investigated in general through a very close, unstructured question guide provided by a trained

interviewer". The primary purpose of this strategy is to get a comprehensive understanding of the respondent's behaviour and to identify more fundamental issues underlying the respondent's attitude. In this study, semi-structured interviews were employed because they allowed the researcher to gather new insights arising from unanticipated responses to open-ended questions. This is in line with Kothari's (2014:38) view that open-ended questions allow for personal comments from participants regarding their thoughts and attitudes, as opposed to closed responses that provide standardized answers. Given the qualitative character of the research, a semi-structured interview was deemed to be an appropriate choice. In this study, interviews served as the sole method of data collection. Interviews were conducted from September 2023 through March 2024. Appointments were made with the participants using the Microsoft Outlook calendar.

Open-ended interview questions were developed by the researcher to facilitate in-depth responses. Participants were requested to complete an informed consent form (Annexure 2), which was provided in advance. As part of the informed consent process the researcher also explained the purpose of the study, outlined the ethical considerations, stressed participants' rights, and confirmed that ethical clearance had been obtained from the researcher's university (Tshwane University of Technology), and that a permission to conduct a study (Annexure 4) had also been obtained from the EA of the DFFE to conduct the study within the DFFE. Participants were given sufficient time to respond to each interview question.

Although semi-structured interviews are among the most widely used qualitative data collection methods and are typically conducted face-to-face, this was not always feasible due to the geographic dispersion of participants, as the DFFE has offices and duties throughout the country. Most interviews were conducted virtually via Microsoft Teams, whilst a few interviews for participants with internet connectivity challenges were conducted in person in respondents' offices within DFFE premises located in Arcadia, Pretoria. Participants also provided informed consent for the sessions to be recorded using the platform's built-in recording function. These recordings facilitated accurate transcription and supported rigorous analysis. In cases where virtual interviews were not possible, face-to-face interviews were conducted and recorded using a digital audio recorder, following prior consent from participants.

Qualitative interviews can take various forms, including unstructured, semi-structured, and structured formats. In an unstructured interview, the researcher may begin with an open-ended question, while a semi-structured interview involves the researcher using a list of topics and questions to ensure key areas are addressed. In both instances, the researcher needs to guide the conversation. Interviews are useful to 'learn what another person knows about a topic, to discover and record what that person has experienced, what he or she thinks or feels about it, and what significance or meaning it might have' (Mears 2017, p.183, as cited in Coleman, 2019). For this reason, interviews were used to learn about budget constraints on strategic performance in the Department of Forestry, Fisheries and the Environment. Data collection took place from September 2023 through March 2024.

The purpose of this study was to assess the influence of the budget process, strategic planning process, and performance management within the DFFE. Using a qualitative approach with semi-structured interviews, the researcher was able to ask participants their views on the topic and, where appropriate, to pose probing questions that encouraged them to elaborate on their responses. The semi-structured nature of the interviews also enabled the researcher to adjust the order of questions when useful information was being provided 'off script'/ necessary to maintain the flow of the interview.

The questions were carefully researched and prepared by the researcher to ensure that each one was related to the study question and addressed the research objectives. The questions were presented to three participants to test whether they were understood as the researcher had intended. These interviews were conducted face-to-face, and the respondents answered all the questions. However, these responses did not form part of the data set from the final interviews.

The interviews were guided by a literature review and the research questions discussed in Chapter One of the study, which are as follows:

1. To understand the budgeting process and its effect on the strategic performance of DFFE.

2. To develop an understanding of the strategic planning and performance target setting processes, and how they are linked to the performance of the DFFE.
3. To determine the potential effects of the budget constraints on the performance of the DFFE, and how its strategic performance can be improved.
4. To recommend measures that address performance management within the context of budget constraints.

For a detailed overview of the interview procedures, refer to Annexure 3, which includes the interview questions that were used for data collection. The interview questions were asked during virtual interviews or face-to-face meetings with the participants, and their responses were provided within the anticipated time, thus achieving a 100% response rate. To support the rigour and trustworthiness of the data collected, this study employed document analysis as another method of qualitative data collection.

## 4.7 DATA ANALYSIS TECHNIQUE

Laphi (2013:570) emphasized that "data must be analysed in such a way that the study objectives are met". In line with the study's research objectives and qualitative research approach, interview responses were collected to tell a story. This study analysed the interview responses through thematic analysis (Castleberry & Nolen, 2018). Thematic analysis relies on identifiable themes and patterns of behaviour and ideas of participants (Aronson,1995:1). As suggested by Braun and Clarke (2006:2), thematic analysis provides an accessible and flexible approach to analysing qualitative data. Following O'Connor and Gibson (2003), respective steps for data analysis were implemented: 1. Organising the data, 2. Finding and organising, 3. Building overarching themes in the data,4. Ensuring dependability of the data, and 5. Finding possible and plausible explanations of the findings.

The researcher transcribed and engaged in a process of familiarisation with the data to develop a comprehensive understanding of its content and context. This required reading the interview transcripts until it was possible to identify themes, whereafter categories of responses were sorted, created, and analysed to uncover patterns that reflected key aspects of the research questions. The themes were derived inductively

from the data, allowing insights to emerge organically from participants' responses. The researcher asked follow-up questions during the interviews to confirm the participants' responses for accuracy and dependability. Each theme was clearly named and defined in alignment with the study's research objectives. Direct quotations from participants were included to substantiate the findings and were systematically linked to the research questions, relevant literature, and the theoretical framework.

## 4.8 RIGOUR AND TRUSTWORTHINESS

There are four key concepts that are used in qualitative research to assess the trustworthiness of the results of a study. These key concepts (in no particular order) are dependability, credibility, confirmability, and transferability, as endorsed by Korstjens and Moser (2018). These four concepts are discussed further below.

*Dependability* – Dependability can be achieved by establishing a clear audit trail that records the data collection methods and procedures employed and ensures that the analysis is consistent and well-documented (Polit & Black, 2012, Hanson *et al*., 2019; Enworo, 2023). Usually, an external review or inquiry audit helps guarantee dependability. In this study, dependability was ensured by focusing on ethical considerations, such as the researcher's accountability and the trust established with participants.

*Credibility* – Credibility demonstrates the truth of data and respondents' views and their interpretation (Polit & Beck,2012; Cope, 2014; Haq *et al,*2023). According to Merriam (1998), credibility in qualitative research is similar to internal validity. In this study, credibility was established by comparing preliminary findings and interpretations with the raw data. In addition, credibility of qualitative data was ensured by conducting multiple reviews during the data collection process to confirm the data's relevance and veracity.

*Confirmability* – Confirmability of qualitative data is ensured when the data is thoroughly checked and rechecked during both the data collection and analysis stages, to ensure that the findings can be replicated by future researchers (Polit & Beck, 2012; Haq *et al.*, 2023). In this study, to achieve and reinforce confirmability,

verbatim statements from participants were used, which helped eliminate the possibility of bias and manipulation.

*Transferability* – Transferability is about transferring findings from one study to the other (Lincoln & Guba,1985; Haq *et al*., 2023). In this study, transferability was assessed through the detailed description of the findings, allowing others who wish to apply the results to do so.

## 4.9 ETHICAL CONSIDERATION

Ethical considerations are a fundamental aspect of research and should always be a primary focus in any study (Khan, 2014). Research ethics ensures the protection of participants' rights and well-being (Arifin, 2018). Adhering to established ethical standards in research guarantees that the findings are both valid and reliable (Campbell and Cowton, 2015). This process is not just an administrative exercise but something that is vital and which can significantly impact the outcome of the research. Tshwane University of Technology (TUT) requires researchers to adhere to key ethical principles, including minimising the risk of harm, obtaining informed consent, and safeguarding the anonymity and confidentiality of participants, their data, and all other individuals involved.

This study was carried out in full compliance with the TUT's Research and Ethics Committee guidelines, ensuring the protection of participants' rights and well-being through best practices. The research proposal, methodology, and research questions were carefully reviewed to eliminate any potential risks or unwarranted benefits prior to the data collection and analysis phases. Regarding the research's validity and design, the Research and Ethics Committee requested clarification on how the specific research questions would be applied, which was provided and satisfactorily received. Consequently, the ethics committee confirmed (Annexure 1) that the methods used were directly relevant to addressing the research questions.

Every participant's identity was kept confidential, and their involvement in this study was completely optional; no one experienced any harm because of their decision to participate or to abstain. Prior to gathering data, the participants were required to give

informed consent, which clearly indicated that they had the option to either participate or withdraw before their responses were documented. To avoid inaccuracies and data distortion, ethics were also considered. It was also done to ensure fairness, trust, and accountability to the participants. The researcher considered the following ethical considerations:

- Privacy – The researcher ensured that information collected from respondents was kept private. He did not share any issues raised by respondents with their colleagues, with all material pertinent to the research documented plainly in the search report.
- Voluntary participation – The researcher ensured that the respondents who participated in the study did so voluntarily. The researcher did not force respondents to participate; instead, the researcher requested permission to involve respondents and only engaged with them if they expressed interest and consented.
- Consent – Before conducting the research, the researcher obtained permission from the Department's EA to conduct the study in the DFFE. The researcher also took that opportunity to ask the executives for permission to interview them.
- Secrecy – To protect privacy and confidentiality, the researcher created an interview schedule with open-ended questions. The interview schedule was designed in such a way that responders' responses could not be recognized/linked to them individually. The researcher made certain that no respondents' names or addresses were requested, thus making good on the assurance of anonymity. There was no ranking of participants, and no one was discriminated against due to gender or colour; every participant was treated with respect. In addition, throughout the data analysis step, the researcher guaranteed that no identities or other distinguishing information was recorded. The data analysis included only information pertinent to the research.

## 4.10 SUMMARY

This chapter provided the research methodology that was used in the study. The rationale for using a qualitative research method for data collection and analysis was explained and justified. The research design and paradigm, research study sample,

ethical procedures, and procedures followed during data collection were also explained, along with details about the sampling process. The chapter that follows focuses on the details of the data collection and its analysis.

# CHAPTER FIVE
# DATA ANALYSIS AND PRESENTATION OF RESULTS

## 5.1 INTRODUCTION

This chapter presents an analysis of data collected from 51 participants interviewed virtually and/or in person. This research investigates the impact of budget constraints on government performance management within the DFFE. The analysis looks at the participants' designations and years of experience in the budgeting process to gain insight into the degree of authority their opinions hold on strategic planning, target setting, and performance management under budget constraints. The first section gives background information about the respondents, such as their roles and their knowledge of the budget processes. The parts that follow analyse key themes associated with budgeting and its impact on departmental performance and provide suggestions for mitigating budgetary challenges. The findings are analysed and presented as responses to each of the study's research questions.

## 5.2 PRIMARY DATA ANALYSIS

Data analysis in qualitative research is the process of carefully reviewing, interpreting, and organising textual or observational data to determine patterns, themes, and interpretations (Ngulube, 2015:681). This study identified significant themes linked to budget reduction management, showing participants' opinions on financial planning, prioritisation, and strategic decision-making at various management levels.

### 5.2.1 Background Information of Respondents

#### 5.2.1.1 Designation of Participants

Participants in the study came from three levels of management at the DFFE: top management, senior management, and middle management. Senior management (37 participants, 72.5%) provided the most responses, followed by middle management (11 participants, 21.6%) and top management (3 participants, 5.9%). The study's

distribution indicates that the majority of insights on budget constraints and performance management came from those who are significantly involved in strategic decision-making and financial oversight.

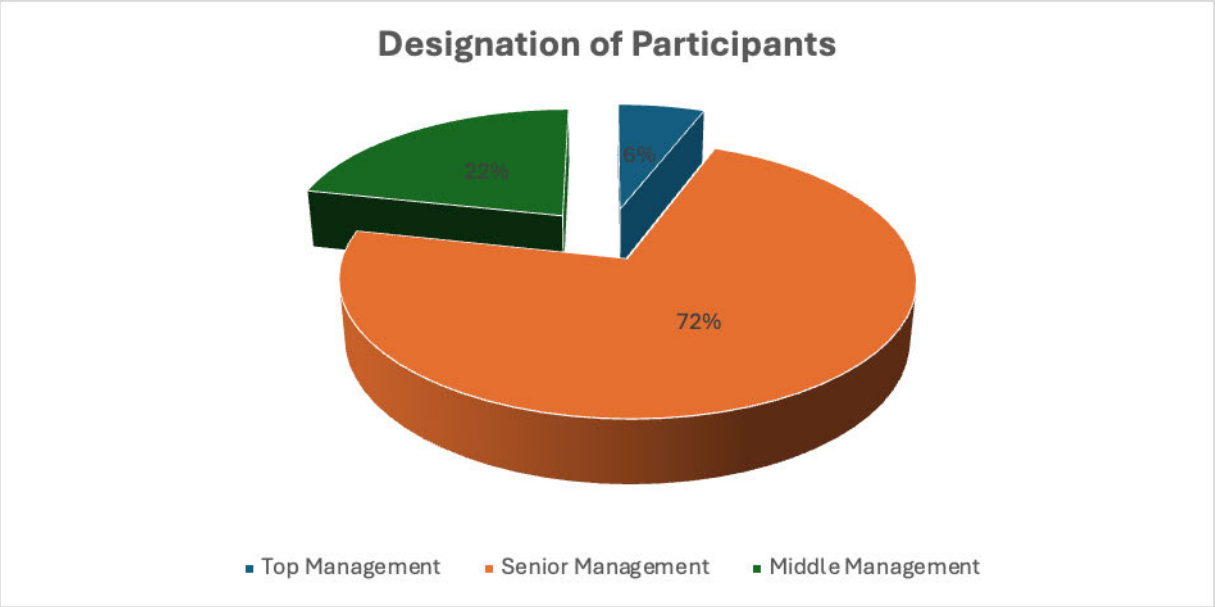


**Figure 5.1: Designation of Participants**

The distribution in Figure 5.1 indicates that knowledge of the control of finances and strategic decision-making primarily comes from those most involved in the fundamental aspects of management and performance. This is consistent with Mvubu and Hlongwane's (2023:157) view of senior leadership's pivotal role in maintaining successful budget allocation and policy implementation within government departments. According to Phetla (2017: n.p.), senior management's engagement in monitoring and evaluation plays an essential role in tracking the effective use of financial resources, which was reflected in the study's findings. Senior management participants emphasised the importance of greater effort in financial planning and strategic decision-making, since budget restrictions had a direct impact on performance targets and service delivery.

The findings also show how budget cuts affect performance, with operational inefficiencies detected at many levels of the organisation. Senior management reported that delays in communicating budget reductions impair planning and performance, resulting in uncertainty and inefficiencies, as Mukwevho, Radzuma and Roos (2024:9643) observed in their research on South African public sector

management. To overcome these problems, senior management emphasised the necessity of increasing communication, making timely decisions, and forecasting financial data. The findings are consistent with Kirkman *et al.* (2023:63), who emphasised the need for adaptive governance and strategic planning in managing constrained resources successfully. Furthermore, middle and senior management recommended project prioritisation and rearrangement of work assignments to reduce the impact of budget cuts on service delivery. These strategies are consistent with the literature's emphasis on strengthening internal procedures and capacity-building to maintain performance despite fiscal constraints (Kirkman *et al*., 2023:64).

#### 5.2.1.2 Years of Experience in the Budget Process

Participants in this study had varied levels of budgeting experience, which is taken to indicate their degree of understanding of the DFFE's financial processes and limits. 74.5% (38 participants) had more than 5 years of experience, indicating a thorough understanding of the department's budgetary processes and financial constraints. This is in line with the findings of Mvubu and Hlongwane (2024:173), who argued that significant experience with budget processes is required to comprehend the complicated nature of public sector financial management and make good decisions. Those with more than five years of experience were able to offer useful insights into how budget limits affect performance management and strategic planning, demonstrating their ability to navigate financial constraints and participate in important decision-making processes. This is consistent with Hoschke *et al*. (2024:103798), who emphasised the value of experience and skill in managing complex financial problems in organisational contexts.

As indicated in Figure 5.2, of the less experienced participants, five participants (9.8%) had 4 to 5 years of experience, while four participants (7.8%) had 2 to 3 years. Notably, two participants (3.9%) had less than two years of experience, and one person (2.0%) had never participated in the budgeting process. This distribution provides a detailed breakdown of the respondents' experience levels, including information about their professional backgrounds and expertise. The presence of less experienced people in the budgeting procedure may indicate problems with completely understanding the complex processes of financial planning and decision-making. It might, however,

indicate foresight in that these are the next generation of senior manager, at the start of their training. Nevertheless, this lack of experience may have an impact on their capacity to engage effectively in strategic decisions as well as contribute to the control of finances, according to Chambon *et al*. (2025:3), who emphasised the relevance of experience in guaranteeing meaningful engagement in management processes. The small percentage of participants with little or no expertise in the budgeting process highlights the challenge that organisations may encounter when engaging individuals in high-level financial planning, especially because budget restrictions are a major concern. In general, the participants' different experience levels represent varying degrees of competency and ability to properly handle the department's financial resources.

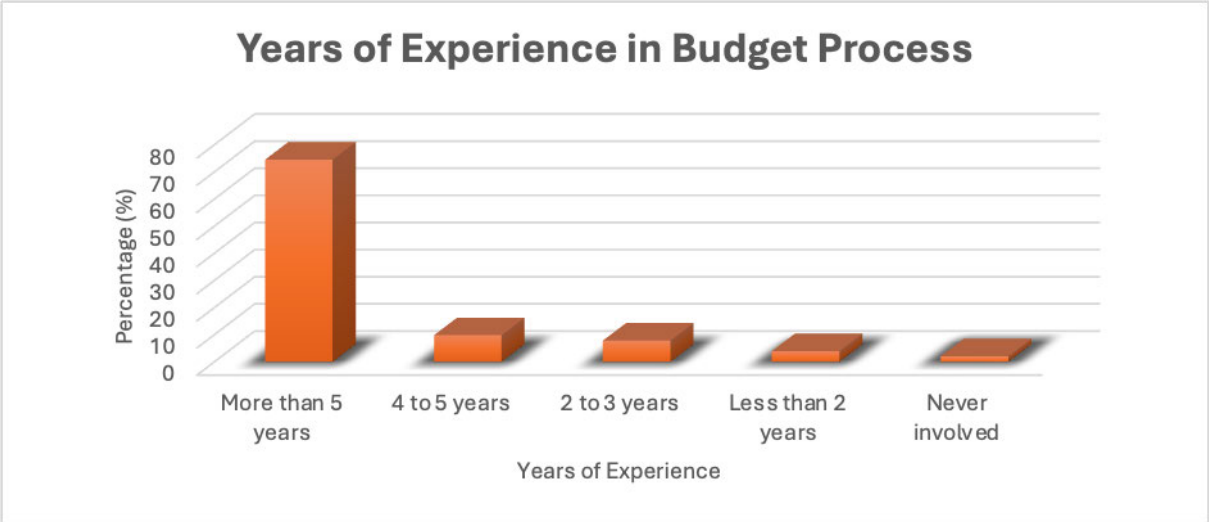


**Figure 5.2: Years of Experience in Budget Process**

### 5.2.2 Presentation of Results: Themes

Themes in qualitative research represent ongoing patterns of meaning that arise from data analysis and indicate essential thoughts, concepts, or insights that assist in explaining an occurrence (Ravindran, 2019:43). According to Castleberry and Nolen (2018:812), themes give an organised approach to interpreting participants' viewpoints, allowing researchers to categorise and make sense of complex data. Themes in this study included financial planning, strategic prioritisation, stakeholder engagement, and cost-cutting techniques, emphasising the essential areas of focus in budget reduction management.

#### 5.2.2.1 Theme 1: Budgeting Process and Its Effects on Strategic Performance

When asked about their awareness of the budget process in the DFFE and its impact on DFFE's strategic performance, the following comments neatly summarise participants' views.

**Participant 1:**

> *"I got a sense that branches were not fully involved in the budget itself. We were simply told how much we had to work with, without real input. The budgeting process feels top-down, and by the time it reaches us, decisions have already been made. This affects how we align our operational plans with strategic goals."*

**Participant 13:**

> *"It starts with a 5-year plan and the MTEF allocations, which then you break it down into the yearly financial allocations. And then, yeah, we are now using the zero-budgeting approach. You need adequate resources to deliver on your performance plan. So, if you don't have an adequate budget, you'll not be able to deliver on any key money of the department."*

**Participant 16:**

> *"Well, it's just a process by which finances are allocated to deliver on a specific objective that you are responsible for … There is a bit of a problem just that I suppose in terms of actual allocation because for me, you put up a plan, but you're never sure what your allocation is at the time that you put up a plan."*

Participant 16 explained that while preparation and compliance are critical, the process can feel imbalanced.

> "*So, we always find it weird, but in terms of compliance, we put up a plan, and we've been very fortunate in that we do get to an allocation that covers what our, what our planning was … But the process is a little bit lopsided because you first need to get your allocation before you break it down into a particular cost and, you know, into an area where you want to spend those finances."*

**Participant 49:**

> *"Our budget process is closely aligned with the annual performance plan [APP] and a longer-term five-year perspective. It involves two distinct budget categories: smaller projects under [R]500,000 and larger projects over [R]1,000,000, both requiring approval from the Director-General (DG) and alignment with national priorities … the department currently has 9 branches that they need to work on.*"

This shows a complex structure in which the budget must support a diverse range of departmental functions and priorities. Participant 49 also mentioned the impact of financial constraints on their unit's ability to perform, citing deferred maintenance and capital project delays as important concerns. They emphasised,

> *"In my area, we get to have a lot of deferred maintenance where we cannot perform maintenance ... and some of the capital projects ... cannot be achieved."*

This highlights how budgetary constraints may hinder strategic effectiveness by delaying critical actions.

**Participant 23:**

> *"You are allocated ENE allocations over the 3 years to indicate in terms of how much money we can expect in the 3 years coming ... once we have that, then it gives us the basis for planning for the short term and medium term.*"

This demonstrates the role of systematic allocation of budgetary resources following the MTEF timeframe in allowing departments to plan properly. Regarding the impact of budgeting on strategic performance, the participant further noted:

> *"With the budget, it gives you the basis for planning for APP in terms of what you can do because, obviously, with limited resources, then, it also limits you in terms of what you can prioritise and what you can plan."*

This demonstrates how budgetary constraints influence strategic choices and drive efficiency initiatives.

**Participant 27:**
Regarding the budget process, the participant stated:

> *"My understanding is that based on our plans and our projects, then, we will get access to a budget, which then assist us to implement our plans."*

This demonstrates how budgeting in the department is strongly related to strategic objectives, as access to finances impacts whether projects may be undertaken. Furthermore, the participant emphasised that:

> *"Our strategic objectives or how we perform, it's it relies entirely on the budget. Without a budget, we will not be able to implement then our performance targets."*

This emphasises the importance of financial availability in reaching performance targets and successfully delivering services.

The participants' responses show significant concerns about the top-down character of the budgeting process and its impact on strategic success. Many participants voiced dissatisfaction with the absence of direct engagement in budget preparation, with financial allocations being made at higher levels and then made obligatory on branches. According to Ho (2018:748), a centralised budgeting process typically inhibits flexibility and responsiveness, making it difficult for operational units to align financial resources with strategic goals. This restricted participation has an impact on operational units' capacity to successfully link strategic goals with budgetary resources.

The budgeting process is structured to incorporate the MTEF and the ZBB approaches, which provides a formal mechanism for resource distribution. However, issues such as delayed allocations, uncertainty in financial planning, and a misalignment between strategic planning and budget approvals were repeatedly

mentioned. This is consistent with the Department of Environment, Forestry, and Fisheries' own results (2020:20), which show that budget approval delays affect the implementation of strategic goals, resulting in inefficiencies and project postponements.

Participants also emphasised that insufficient money causes deferred maintenance, delayed capital projects, and limited operational flexibility, eventually restricting the department's ability to meet its objectives. According to Treasury (2012:56), financial limits and misalignment between resource allocation and strategic objectives generate operational issues, especially in departments that require constant funding to achieve long-term goals.

Furthermore, the interviews demonstrated that, while the budgeting process is intended to support long-term planning through frameworks such as the APP and five-year financial projections, the reality of budget constraints forces departments to prioritise projects based on their limited resources rather than strategic necessity. Some participants stated that, while their units were able to secure allocations for planned activities, the sequencing of budget approvals—with allocations established before particular cost breakdowns—creates inefficiencies in financial management. This finding aligns with the observations of Branch *et al*. (2006:1650), who argued that rigid budget structures limit adaptability, making it challenging for departments to respond effectively to emerging needs and changing priorities. The dependency on budget availability to carry out strategy objectives was a constant issue, emphasising how financial constraints directly affect service delivery capacity and overall departmental performance. According to Ho (2018:750), financial constraints might lead to reactive rather than proactive management practices, requiring departments to decrease expenses rather than proactively spend funds. This shows that a more participatory and responsive budgeting approach may improve strategic alignment and operational efficiency. Organisations can use such approaches to improve the effectiveness of their financial planning and ensure that budget allocations correspond more closely to real operational needs (Treasury, 2012:65).

#### 5.2.2.2 Theme 2: Strategic Planning and Performance Target Setting

When asked about strategic planning and performance target setting, the participants had the following responses.

**Participant 2:**

> *"Performance targets guide strategic planning, but unrealistic goals due to poor budget forecasting create challenges."* They added, *"Departments are sometimes forced to revise targets multiple times, which affects consistency and long-term planning."*

**Participant 13** outlined the strategic planning process:

> *"It starts a year before the financial year end, where then you get to bring together your annual performance plans and targets informed by the key manager of the department."*

They also explained the relationship between performance plans and budgets:

> *"You look at the budget available against the plan that you have. And that's when you know in the next financial year ... you would have to present the annual performance plan in different committees in parliament for them to adopt the plan."*

Participant 49 explained that the department applies the SMART principle (Specific, Measurable, Attainable, Relevant, and Timely) during the strategic planning process to guarantee that the plans generated are realistic and effective. They emphasised:

**Participant 49:**

> *“It must be simple, and then it must be measured, and it should also be attainable,”* showing their adherence to clear, achievable goals.

They also outlined the hierarchical process for formulating strategies, which starts at the chief directorate level and progresses down to the branch level, with final approval from the minister. Concerning performance targets, the participant stated:

> *“Setting your targets should be manageable and attainable.”*

They underlined the importance of using available financial and human resources to determine target feasibility and to make sure the department only sets goals that are attainable and practical.

**Participant 23:**

> *"Midyear, we will be asked to come up with the plans for the next 3 to 5 years ... but normally, we'll get our MTEF allocation after we've planned, meaning that we'll have to readjust our strategic plans to fit with the budget."*

This demonstrates a discrepancy between strategy planning and budget finalisation, necessitating changes to the strategic plans after they have been made.

In their role in strategic planning, the participant mentioned:

> *"I'm managing a team of officials who are responsible for supporting municipalities in terms of improving waste management ... once we have that as a team, we'll go and present it at the branch at the chief directorate level."*

This shows a bottom-up approach to planning that aligns unit priorities with departmental goals.

Regarding performance targets, the participant emphasised:

> *"Before you come up with the target, it also helps to do a little bit of homework ... based on previous experiences in terms of how long it took you to get there."*

This demonstrates a reliance on historical data and the SMART principle to establish reasonable goals.

**Participant 18:**

> *"[There is] a process that is undertaken ... there's an MTSF, which is a 5-year planning process. And then annually, then there's a strategic planning process, which then brings up annual plans and how you'll be able to respond."*

This highlights the long-term and short-term planning structures guiding the department's activities. The participant also linked planning to government mandates, emphasising that strategies must align with the ruling party's policies and objectives. Furthermore, the participant noted that:

> *"We as the entire branch ... are involved in setting performance targets to ensure they are realistic and SMART."*

This emphasises the participative approach to target formulation within the participant's branch.

**Participant 30:**

> *"Looks at our mandate and determines how we are able to achieve that mandate with the resources at our disposal."*

This answer emphasises the integration of financial, human, and technological resources into planning. Additionally, the participant mentioned that:

> *"Lacking the resources would result in having to adjust your strategic plan accordingly."*

This suggests that, when money is insufficient, strategic modifications are required to ensure that key operations remain prioritised despite financial constraints. In terms of defining performance goals, the participant emphasised the relevance of experience in determining whether a target will be met, stating:

> *"When you have that sort of experience in terms of what to expect for the next few weeks or next quarter or next month when you're running short of resources ... you need to adjust the way things are done in your unit."*

This demonstrates the need for planning and adaptability in sustaining performance despite prospective problems. The participant reinforced the necessity of structured goal setting for effective performance management, adding:

*"If you're not planning, if you fail to plan, you're planning to fail."*

According to the participants' responses, budget forecasting has a significant impact on strategic planning, which frequently results in strategic plans which set unrealistic expectations and need to be changed after the fact. According to Coveney and Cokins (2017:41), poor budget forecasting can cause instability in long-term planning, prompting organisations to continually adjust their goals to align with budgetary reality. Participant 2's statement, that departments change targets several times owing to poor budget forecasting, exemplifies the difficulties of maintaining consistency in long-term planning. Similarly, participant 23's statement, that strategic plans are developed before MTEF allocations are finalised, demonstrates a misalignment that causes departments to change their plans once funding is confirmed. This is consistent with the findings of Antonius *et al*. (2024:725), which emphasised the importance of integrating strategy planning with realistic budget predictions to avoid frequent goal modifications and to preserve operational stability.

The responses provided by the participants show that the DFFE's strategic planning process is reactive rather than proactive, making it difficult for departments to create consistent and attainable performance goals. Participant 49's response, which emphasised the use of the SMART principle to develop practical and impactful plans, demonstrates an attempt to address these problems by ensuring that the department's aims are clear, measurable, and achievable within available resources. According to Nguyen (2024:120), incorporating the SMART principle into budget planning improves financial discipline and ensures that strategic goals remain feasible within economic restrictions. Despite the incorporation of SMART principles into the department's planning, financial uncertainty continues to impede the implementation of these plans, as several participants noted.

The responses also show that resource restrictions influence how departments create and change their strategic objectives. As Naji *et al*. (2024:20) pointed out, financial

constraints frequently push departments to adjust strategic goals in favour of resource availability over long-term priorities. For example, participant 30's response, that departments must change their strategic plans based on available resources, emphasises the importance of flexibility in planning. Similarly, participant 18's response, which emphasised strategic congruence with government mandates and ruling party goals, demonstrates the external forces that influence target setting. This finding is consistent with Tseole's (2013:40) observation that political influences and governmental requirements have a major impact on public institution performance management systems. This shows that, while strategic planning frameworks exist, external financial and political issues complicate implementation.

Furthermore, participant 23's response, emphasising the importance of historical data and past performance in defining realistic targets, highlights the usefulness of experience in moderating the effects of budget uncertainties. Naji *et al*. (2024:23) emphasised that using past financial data improves the accuracy of budget predictions, minimising the need for reactive modifications. Finally, these responses together emphasise the importance of better budget forecasting, earlier budgetary commitments, and greater adaptability in strategic planning to guarantee that departments accomplish their goals more effectively. According to Nguyen (2024:126), enhancing budget accuracy and incorporating financial data into strategic planning procedures can greatly improve decision-making and long-term goal achievement.

#### 5.2.2.3 Theme 3: Budget Constraints and Their Impact on Performance Management

When asked about the budget constraints and their impact on performance management, the participants gave the following responses.

**Participant 37:**

> *"Without a budget to drive our work, what we would all be doing is just sending emails up and down to colleagues but not being able to action our targets."*

This illustrates how budget constraints can reduce operational effectiveness. The participant also emphasised how budget limits affect compliance-related operations, stating that:

> *"We require quite a strong budget to be able to service the department's legal obligations, that is notices and regulations and change of regulations, et cetera, to be published in national media."*

This remark implies that financial constraints may compromise regulatory compliance.

**Participant 43:**

The participant acknowledged the existence of budget cuts and elaborated on their impact by stating:

> *"Some of the activities that we were implementing, we have to reprioritize them, and some of those, they affect communities because we deal with the whole issues of awareness."*

This demonstrates how budget constraints have led to a reduction in community engagement activities, affecting departmental effectiveness.

Regarding modifications to targets, the participant stated:

> *"We requested to take the targets through the midterm review, which means we had to force to make changes and carry over some of the work to the next financial year, which impacts on the issues of delivery."*

This shows that budget constraints delay activities, influencing long-term performance outcomes.

**Participant 12:**

> *"Budget cuts, it does affect the target ... it affects the number of people that you are serving."*

This implies that financial constraints result in a reduction in service delivery scope rather than a total halt of operations. Furthermore, the participant noted that:

> *"It has never happened in the middle in such a way that we have to change your targets during the course of the year."*

This suggests that targets are usually planned ahead of time rather than implemented in response to budgetary adjustments.

**Participant 33:**

> *"The budget cuts, first and foremost, I think they were not applicable or unique to us as a department."*

This shows that funding limits are a systematic issue that affects several departments. Additionally, the participant stated that:

> *"Most of the time, there would be this indication that you are expected to do more with less. But it's practically impossible if that less talks to the financial resources."*

This demonstrates the harmful effect of financial constraints on operational efficiency.

**Participant 41:**

> *"We have been asked to cut our budget by 10%, operational budget specifically so that we can align with the broader cost containment measures of the Treasury from the entire department."*

This suggests that budget cuts are an ongoing issue hurting operational capabilities. They elaborated that:

> *"We had to reduce sizes of delegations attending meetings and prioritise attendance at critical international engagements.*"

The statement highlights how financial limits necessitate considerable adjustments to maintain performance levels.

**Participant 15:**

This participant was not affected by budget cuts and consequently, their targets remained unchanged.

> *"We were able to still meet our targets."*

However, in circumstances where adjustments were required, the participant outlined an organised procedure:

> *"You just sit down with your immediate supervisor ... then start engaging the strategy management directorate to sort of review our performance targets."*

This demonstrates a hierarchical way of dealing with budgetary performance adjustments.

The participants' responses further demonstrate that budget constraints have a substantial impact on performance management because they limit operational capacity, service delivery, and regulatory compliance. As Velayati, Karunia and Sutrisno (2024:17) pointed out, budget constraints frequently lead to operational inefficiencies, requiring departments to prioritise certain operations above others. For example, participant 37's statement, that *"without a budget, the department would just exchange emails rather than achieve goals"*, demonstrates how financial constraints may limit operational performance. This statement, together with the acknowledgement that budget limitations have an impact on legal obligations such as publishing regulations, demonstrates that budgetary limits affect not only service delivery but also the department's capacity to meet legislative requirements. This is consistent with the findings of Fry, Clifford-Holmes and Palmer (2024:775), who argued that financial constraints in governance structures have a major impact on regulatory compliance and the ability to implement policies successfully.

The results also show that funding constraints drive departments to reprioritise activities, frequently at the expense of community-focused projects. Participant 43's statement, that *"budget cuts have resulted in the reprioritisation of activities, affecting community awareness programs*," highlights the broader social impact of financial

constraints. Furthermore, their statement that *"some work had to be carried over to the next financial year"* demonstrates how budget limits cause delays in service delivery, ultimately harming long-term performance results. According to Seamount (2024:30), delayed service delivery owing to financial constraints harms the sustainability and success of public sector programs, especially those that focus on community engagement and awareness.

Participant 12's response, that *"budget reductions affect the number of people served rather than stopping operations entirely,"* implies that departments strive to maintain some degree of service despite financial constraints. However, participant 12's remark that *"targets are typically adjusted in advance rather than mid-year"* indicates a degree of predictability in budgetary modifications, which may allow for some level of strategic planning. This discovery is consistent with Erizaputri and Bechauf's (2025:n.p.) argument that early budgetary changes improve resource allocation efficiency and reduce disruptions to service delivery.

Participant 33 emphasises the systemic nature of budget restrictions, stating that *"budget cuts are not unique to a single department but rather a widespread issue affecting multiple government sectors".* Their statement that *"departments are often expected to do more with less, despite the impracticality of this expectation"* exemplifies the gap between financial aspirations and operational reality. Mpala (2025:78) emphasises that systemic budget restrictions affect numerous sectors, putting an additional responsibility on agencies to satisfy expectations with limited resources. Similarly, participant 41's statement, which outlined a mandated 10% operational budget reduction, confirms the notion that cost-cutting measures necessitate severe trade-offs, such as limiting delegations to international events to retain vital services.

Participant 15's response provides a contrasting perspective, demonstrating that not all units have experienced budget cuts. Their claim that targets have stayed unchanged for the past five years due to stable funding implies that budget constraints may not be evenly dispersed across all sectors of the department. This supports the findings of Seamount (2024:36), which showed that while certain departments face severe budget constraints, others receive consistent financing due to policy priorities

and institutional budgeting frameworks. Furthermore, their depiction of a structured hierarchical procedure for revising targets as needed demonstrates a more formalised approach to performance management in specific units. These responses demonstrate the widespread impact of budget constraints on government agencies, including operational efficiency, community outreach, compliance, and strategic planning.

These responses demonstrate the widespread impact of financial constraints on government organisations, including the effectiveness of operations, community outreach, compliance, and strategic planning. While certain changes are planned, the responses indicate that budget constraints frequently cause departments to postpone or scale back efforts, negatively affecting long-term service delivery and performance results. As Fry, Clifford-Holmes and Palmer (2024:779) pointed out, financial volatility in government institutions impairs long-term planning efforts, necessitating adaptive management solutions to reduce service disruptions.

#### 5.2.2.4 Theme 4: Improving Strategic Performance Amid Budget Constraints

When addressing strategies to increase strategic performance despite budget constraints, participants gave the following responses.

**Participant 16:**
Participant 16 noted that their branch has a multifaceted function in regulatory compliance and industry monitoring.

> *"So, where we fit in as a branch, we [are] obviously transversal within regulatory compliance and sector monitoring."*

They emphasised the need to make sure their work helps the improvement of other units' work.

> *"I need to ensure that my work also enhances the state of their particular aspect of the work that they do."*

They also stressed the need to remain relevant throughout the programmes.

> *“I need to ensure that I remain relevant throughout the programmes.”*

**Participant 9:**

> *"Alternatives would be to look at how you can then raise money through probably donor funding, sponsors ... how you can automate some of the business processes."*

They also emphasised utilising technology, claiming that:

> *"Now we are mostly on Teams, as opposed to travel."*

These initiatives show efforts to improve efficiency and keep services running despite budget restrictions.

**Participant 19:**

When asked how to improve performance despite budget limits, the participant stressed prioritisation:

> *"The alternative is just to reprioritise. I think that's the main thing."*

Additionally, they suggested planning within available resources.

> *"I always advocate for units to prioritise and do what's within their means and plan according to your staff personnel."*

This shows that aligning strategic objectives with realistic availability of resources may help in maintaining performance despite financial constraints.

**Participant 34:**

The participant emphasised the necessity of realistic goal setting, adding that:

*"It's very important to have a realistic performance target ... because if you are underperforming year after year, there's something wrong."*

This highlights the importance of aligning strategy performance goals with real capabilities and available resources.

**Participant 4:**
To adjust to budget cuts, the participant described a prioritisation approach:

*"We had to meet, in a strategic planning meeting ... we also were given the opportunity to prioritize, to see which ones of the performance indicators, we have to, then prioritise."*

This highlights the importance of strategic reprioritisation when dealing with budget constraints. However, the participant highlighted project delays and terminations:

*"Some of the projects here, we had to terminate and remove. And so, yeah, so that also affected service delivery."*

The participants' responses demonstrate that enhancing strategic performance under budget constraints requires adaptability, prioritisation, and innovation. According to Vigfússon *et al*. (2025:40), organisations experiencing budget constraints should prioritise flexibility and proactive planning to maintain their operational effectiveness and strategic goals.

Participant 16's response, which emphasised their branch's cross-functional involvement in regulatory compliance and sector monitoring, emphasises the necessity of ensuring that work contributes to overall organisational goals despite funding constraints. Their remark on the importance of remaining relevant throughout programs implies that ongoing involvement and alignment with strategic goals are critical for maintaining performance in resource-constrained environments. This is consistent with the findings of Purnomo *et al*. (2024:107112), who argued that institutions must include budgetary constraints in their long-term planning to ensure ongoing performance.

Participant 9's response identifies alternative finance and technical solutions as major measures for mitigating budget constraints. Their suggestion to look into donor money and sponsorships, as well as the automation of corporate procedures, displays a proactive approach to obtaining new resources and increasing efficiency. Furthermore, the fact that Microsoft Teams platform is now being used for meetings instead of travel demonstrates how digital solutions can assist in cutting operational expenses while preserving productivity. Similarly, Zhang *et al*. (2024:121785) argued that financial resilience methods, such as automation and external finance, improve an organisation's ability to endure fiscal challenges.

Participant 19's statement emphasises the need to prioritise when functioning within financial limits. Their argument that reprioritisation is the fundamental technique implies that departments should examine and focus on critical tasks while reducing non-critical services. Furthermore, their advice to plan within available resources and human capacity emphasises the need to connect strategic objectives with realistic operational capabilities. This is consistent with Portilla-Cabrera, Cifuentes-Ossa and Selvaraj (2024:105993), who discovered that effective policy-oriented adaptation strategies rely on rigorous prioritisation and resource allocation.

Similarly, Participant 34 emphasised the importance of setting realistic performance targets. Their assertion that recurrent underperformance indicates a deeper problem implies that departments should set attainable targets that reflect their capacity rather than overcommitting to unrealistic expectations. This viewpoint is consistent with Khan and Emon (2024:58), who suggested that institutions must establish achievable goals to avoid inefficiencies induced by misaligned expectations and restricted resources.

The response from Participant 4 sheds more light on strategic adjustments in reaction to budget cuts. Their explanation of prioritisation during strategic planning meetings exemplifies a methodical approach to determining the most important performance metrics. However, their admission that certain projects had to be cancelled illustrates the trade-offs in managing financial constraints, demonstrating that while prioritisation is effective, it can still result in decreased service delivery. Hossen (2024:53) emphasised that budgetary constraints impose trade-offs, in which prioritisation may sustain basic operations at the expense of long-term development projects.

These comments collectively suggest that departments should negotiate financial constraints through strategic reprioritisation, technological adaptation, alternative funding, and the setting of achievable goals. The responses emphasise that departments deal with budget restrictions by strategic reprioritisation, technology adaptability, alternative funding, and setting realistic goals. While these measures can assist in maintaining performance, the responses also show that budgetary constraints frequently result in unpleasant decisions, such as project delays and terminations, which undermine service delivery. As Tribe (2024:33) pointed out, long-term budgetary constraints frequently result in lower program performance and greater demands on institutional capacity.

#### 5.2.2.5 Theme 5: Existence of Guidelines and Areas for Improvement

When addressing targets for performance, the participants provided the following responses.

**Participant 27:**

> *"When you are determining your target, it's always wise to just be specific in terms of what you will be doing and, also, you know, consider the amount of time that you have to implement your target. I think the SMART principle then here plays a huge role."*

This response emphasises that the department uses established methods, such as the SMART principle, to set reasonable and attainable performance goals. However, the participant also mentioned:

> *"There are certain new changes within the industry that I'm in, which we cannot implement because, you know, the fact that we do not have a huge budget, then it means that you know, your human capacity is limited."*

This shows that, while technological advances persist, financial limits prevent the full implementation of strategic reforms.

**Participant 37:**

> *"We set attainable, realistic, measurable, and achievable targets based on the availability of both financial and HR resources at the time as well as in communications technical resources."*

This emphasises the need for guidelines in defining performance expectations. The participant also identified alignment as an important focus for growth, indicating that:

> *"The planning process allows for that stakeholder engagement ... ensuring that, right through the line, those targets are attainable, that we don't disconnect from those targets in any step of the way."*

This indicates a need for better coordination between the planning and implementation processes.

**Participant 41:**

The participant acknowledged compliance with financial requirements, stating:

> *"At the end of the financial year, there would be a reconciliation process of the allocated budget used per branch per program to determine the level of expenditure within the guidelines of the FMA and National Treasury regulations."*

While this demonstrates a disciplined financial governance system, they also stated that bureaucratic constraints prevented recruitment processes, notably in filling vacancies, reducing the productivity of their unit.

**Participant 4:**

When asked if there were guidelines for budget cuts, the participant replied that:

> *"Not that I know of, none."*

This implies an absence in the department's formalised procedures for dealing with budget cuts.

**Participant 6:**

When asked if there were any guidelines to help navigate budget cuts, the participant replied:

> *"No. Not that I know of."*

This shows a shortage of formal methods for properly managing financial constraints. Furthermore, the respondent expressed scepticism about the validity of any possible guideline, saying:

> *"No idea because I don't know if it exists."*

This demonstrates a lack of clarity on financial management standards amid budget cuts, which may influence decision-making at multiple levels.

**Participant 34:**

When questioned about the current guidelines for budget cuts, the participant replied that:

> *"There is no guideline that shows what should be done."*

The participant further stated that:

> *"It just comes as a letter. The letter is not broken down. I interpret it this way, my colleague interprets it the other way, and we end up doing different things."*

This indicates a lack of systematic communication and clarity in the implementation of budget cuts, resulting in variations in execution.

**Participant 19:**

The participant implied that established rules for strategic planning and budgeting exist, but acknowledged challenges to implementation due to limitations of resources:

*"The ideal situation is as you are planning, doing your strategic plan ... you would say, this is what I want to do. This is how much I have, but there isn't nothing one can do cause that's all we have."*

However, they recognised that government processes and staffing limits restrict effective implementation.

*"Maybe if we had adequate people, whether at any level, maybe the processes could be implemented effectively."*

This shows that enhanced adherence to existing frameworks, as well as better resource allocation, are required.

**Participant 15:**
When asked if there were guidelines for budget cuts, the participant confirmed:

*"Yes"* and stated that *"National Treasury is the custodian".*

They also agreed that the guideline provided enough guidance. However, when asked about areas for improvement, the respondent answered:

*"I can't think of any area so far as well."*

This shows that, while guidelines exist, the participant sees no obvious gaps.

The results demonstrate that, while organised standards exist for defining performance targets and financial governance, there are still gaps in the clarity and implementation of budget reduction measures. As stated by Moolman (2021:26), the South African public sector has built financial governance structures, but their efficiency is frequently constrained by administrative deficiencies and inconsistent enforcement.

Participant 27's reference to the SMART principles emphasises that the process of setting performance objectives adheres to defined rules, assuring that goals are

precise, quantifiable, achievable, realistic, and time-bound. However, their note about budget constraints restricting human potential implies that, while these recommendations exist, resource scarcity prevents their full execution. This is consistent with Fayomi and Akanazu (2024:17), who claimed that resource restrictions frequently inhibit strategic goal setting, resulting in a gap between planning and implementation. This demonstrates a disconnect between strategic planning and operational readiness.

Participant 37's statement about setting realistic aims based on financial and human resource availability emphasises the significance of matching goals to available resources. Their comment about the need for enhanced stakeholder engagement to ensure that targets stay relevant throughout implementation identifies an area for improvement in coordination and execution. Stanimirovic (2022:81) agreed that budget openness and broad stakeholder participation improve the performance of financial management.

Participant 41's response displays a strong commitment to financial governance, as evidenced by the reconciliation of allotted budgets within the context of the PFMA and National Treasury rules. However, their mention of bureaucratic limits on recruitment indicates that, while financial processes are well-defined, administrative delays have an impact on operational efficiency. This finding is consistent with Theletsane's (2014:65) observation that legislative oversight systems enhance financial responsibility while also introducing procedural constraints that interfere with decision-making.

Participants 4, 6, and 34 indicated a lack of awareness of formalised rules for addressing budget cuts. Participants 4 and 6 expressly said that they were unaware of any such rules, while participant 34 noted that budget cut directives are ambiguous, resulting in inconsistent interpretations and implementations across different units. This indicates a lack of systematic communication and transparency in addressing budget constraints. Van Wyk (2003:21) discovered that variations in financial governance frameworks increase uncertainty and lower compliance in public sector financial management.

Participant 19 confirmed the existence of strategic planning and budgeting frameworks but cited implementation issues owing to staffing constraints. Their statement that having more workers at all levels could increase adherence to these frameworks implies that resource restrictions, rather than a lack of standards, are the fundamental impediment to successful implementation. This agrees with Berman e*t al*. (2021:95), who pointed out that understaffing in public sector organisations has a negative impact on compliance with financial governance regulations.

Participant 15 offered a different perspective, noting that the National Treasury gives what they consider to be clear and adequate criteria for budget cuts. Their response suggests that perceived gaps in financial standards may be the result of inconsistent intra-departmental communication rather than a lack of formal procedures. This perspective is consistent with Khmara and Touchton (2024:492), who discovered that institutional fragmentation, rather than policy weaknesses, frequently contributes to inefficiencies in budgetary processes.

The responses indicate that, while performance and financial governance criteria exist, there are still gaps in the clarity and execution of budget cut processes. Inconsistent communication and bureaucratic constraints limit their effectiveness, indicating a need for increased transparency, clearer documentation, and more efficient use of resources to support strategic planning and financial decision-making. According to Bravo *et al*. (2024:8559), addressing the gap between the development and execution of policies is important for guaranteeing long-term public sector governance.

#### 5.2.2.6 Theme 6: Impact of Budget Cuts on Unit/Branch Performance and Service Delivery

**Participant 49:**

The participant described various ways in which budget cuts harmed their unit's performance and service delivery. Key challenges included project delays, initiative cancellations, and the difficulty of travelling for on-site inspections.

> *“If you cannot see what you're working with, it becomes a bit difficult, mostly needs to be on-site.”*

This is a good illustration of how limited budgets may block effective service delivery, especially for departments that require fieldwork or on-site evaluations. These limitations have resulted in fewer project implementations, less travel for inspections, and strained resources, all of which impair the department's ability to function fully.

**Participant 18:**

> *"If you've planned for maybe five in-person stakeholder engagements, then now you need to have maybe visual engagements where possible and then less. The impact extends to both national and international engagements, restricting participation and potentially affecting service delivery. The shift to virtual engagements has introduced challenges in securing comprehensive stakeholder input, thereby affecting the overall effectiveness of policy development and project implementation.*"

**Participant 7:**

Budget cuts have required revisions to performance goals. The participant highlighted:

> *"We initially started off on 95% compliance with our service standard. And as we progressed over the years, we've reduced that from 95% to 90%."*

This decision was motivated by an increase in workload, which was not matched by an increase in capacity, highlighting how budget constraints push departments to rethink their performance goals. The lowering of performance targets emphasises the trade-off between financial constraints and service efficiencies.

**Participant 14:**

Concerning budget cuts, the participant mentioned:

> *"I don't believe it has affected us ... because we are in compliance, it's definitely an essential service like the police."*

This shows that, while the unit has maintained its performance, issues may develop in the future. However, the respondent did warn that:

*"In the future, there will be delays."*

This implies an impending issue with service delivery due to ongoing financial constraints.

**Participant 26:**
The participant stated that:

*"I've never experienced budget cuts in my unit. I always spend everything that has been allocated to me."*

This shows that some units can work within their allocations without experiencing major disruptions. The participant further explained:

*"We just extend our plans forward instead of cutting the services to the people."*

This means that rather than discontinuing services, the department adjusts timeframes to accommodate financial cuts.

**Participant 44:**
The participant acknowledged that budget cuts caused service delivery delays:

*"Yes, some services had to be cancelled whilst others were postponed as we could not secure alternative funding through the donors."*

Furthermore, they emphasised certain affected services:

*"Few of our key targets were on the wetland conservation projects which are linked to the mandate of the Department."*

This demonstrates how budget constraints disrupt critical environmental programs.

The responses of participants highlight several common themes about how budget cuts have impacted unit performance and service delivery. The most noticeable

implications include project delays, reduced travel for on-site inspections, and changes in performance expectations. Budget constraints have pushed units to change their operational plans, often at the expense of efficiency and effectiveness.

Participants 49 and 44 both stated that budget cuts led to the suspension or cancellation of important initiatives. Participant 49 stated that the inability to do site visits makes it difficult to execute tasks successfully, noting, *"If you cannot see what you are working with, it becomes a bit difficult."* Similarly, participant 44 admitted that several services, particularly those relating to wetland conservation, had to be cancelled due to a lack of alternative funding. This suggests that funding constraints significantly impede departments that require physical examinations, inspections, or fieldwork, resulting in delays and inefficiencies in service delivery. This is consistent with the findings of Zweni (2022:45), who claimed that budgetary constraints in South African municipalities have significantly contributed to delays in service delivery and compromised institutional capability.

Budget cuts have an impact on stakeholder participation, in addition to project execution. Participant 18 stated that instead of holding five scheduled in-person encounters, their unit had to switch to virtual meetings. While this modification allows for continued participation, it also limits the ability to gather complete stakeholder input. The inability to hold in-person meetings could compromise decision-making quality and limit prospects for meaningful cooperation. Hamilton *et al*. (2021:102246) claimed that virtual interactions, while cost-effective, frequently restrict the engagement of stakeholders in governance systems, resulting in less comprehensive decision-making. This shows that while virtual encounters can save money, they may not always be as productive as in-person contacts, especially for topics that require in-depth thought or negotiation.

One significant impact of budget cuts is the change in performance expectations. Participant 7 stated that their unit initially maintained a 95% compliance rate but had to cut it to 90% owing to increased workloads and insufficient resources. This demonstrates the trade-off between financial constraints and service efficiency, in which performance standards are reduced to meet resource limits. Garren *et al.* (2021:104631) observed a similar pattern, stating that budget constraints frequently

require institutions to decrease performance requirements, lowering total service quality. The fall in performance targets indicates that departments are striving to maintain past service levels while meeting increased demands with fewer resources.

In contrast, other participants reported that budget cuts had a limited or delayed impact on their jobs. Participant 14 stated that their compliance unit has not been adversely affected because it is considered an essential service. However, they warned that delays in the future will be unavoidable. This response implies that, while certain functions may initially struggle with budget constraints, continued financial constraints will eventually result in operational inefficiencies. Similarly, participant 26 stated that they had not personally experienced budget cuts in their unit because they always used their entire assigned budget. However, they recognised that instead of eliminating services, they had to lengthen project schedules, showing that budget restrictions continue to have an impact on service delivery, albeit in a less immediate manner.

The responses indicate that budget cuts pose major operational issues, especially to agencies that rely on actual site visits and direct interaction. While some units have managed to adapt through virtual engagements and revised timeframes, the long-term effects include decreased service efficiency, lower performance standards, and probable delays in important tasks. While vital services have not yet been significantly damaged, the findings suggest that extended financial constraints would likely result in higher inefficiencies and limitations in service delivery across several agencies. This is consistent with Hamulangu's (2024:12) observation that financial governance flaws in public sector institutions frequently result in performance reduction and prolonged service delays. According to İncekara (2022:131712), optimising service delivery through process reengineering and resource optimisation might help overcome budget constraints.

#### 5.2.2.7 Theme 7: Recommendations for Managing Budget Cuts

**Participant 13:**

> *"More engagement, not only at senior management but bringing in middle management as well. These are the core face of service delivery."*

**Participant 49:**

The participant shared great suggestions on how to manage budget cuts more successfully. The participant proposed that to lessen the impact of cuts:

> "*The department needs to look deeper into the projects which are being implemented ... and the benefits of a certain project that it will bring to the organisation and socially as well."*

This recommendation advocates for a more analytical approach to project selection and prioritisation, intending to pursue only those that have clear, tangible benefits. The participant also mentioned that:

> "*Limiting the number of projects executed due to funding constraints is necessary,"* acknowledging that *"not all the projects can be executed."*

This realistic approach would allow the department to focus on the most important and beneficial programs while aligning them with available financial resources.

**Participant 23:**

The participant recommended that:

> *"If we had the analysis right before the beginning of the year in terms of looking at the possible cuts, then we can plan before the year starts in terms of how to be more efficient."*

This shows that proactive financial planning is an important method for overcoming budget limits.

**Participant 27:**

When it comes to solutions, the participant suggested:

> *"It still goes back to how we plan, so that then you will not be impacted by budget cuts in a way that then affects the service delivery."*

This shows that improved planning can reduce the negative consequences of budget constraints. In addition, they suggested *"Prioritising your activities according to what you have*" as a key indicator, emphasising the need for adaptive resource allocation to maintain efficiency under budgetary constraints.

**Participant 18:**

The participant proposed a proactive approach, noting:

> *"You need to come up with strategies to work around the budget. Additionally, exploring cost-effective ways to engage stakeholders and leveraging digital tools could be beneficial."*

This includes exploring different channels of involvement and making the best use of available resources. The emphasis on adaptation and strategic realignment contributes to achieving fundamental objectives despite budget constraints.

**Participant 7:**

To successfully manage financial constraints, the participant proposed improvements to task expectations and resource allocation:

> *"Given the fact that over that period, we didn't grow in terms of capacity, we obviously needed to adjust the performance target."*

This suggests that realistic goal formulation and strategic resource allocation are both essential for reducing the effects of financial constraints. Furthermore, seeking extensions when necessary, ensures that deliveries stay feasible despite financial constraints.

**Participant 14:**

The participant suggested a shift in work arrangements:

> *"In COVID, we've learned people can work from home. So, for me, the first issue is relocation of staff."*

This suggests cost-cutting techniques, including decentralised staffing. Furthermore, the participant questioned the effectiveness of current travel arrangements:

> *"It doesn't make sense to have all your people in Pretoria. So, you have officials flying to different provinces when they could be based there."*

This demonstrates that there is potential for minimising travel costs and improving efficiency by restructuring the deployment of staff around the country. Overall, Participant 14's responses highlight the need for a more open budget allocation procedure, strategic realignments to deal with financial limits, and inventive strategies to maintain performance despite budgetary limitations and distance constraints.

**Participant 26:**

To successfully deal with budget cuts, participant 26 suggested:

> *"We must go through a review process; it doesn't necessarily mean that it translates to us stopping to deliver the services."*

This emphasises the significance of constant examination and strategic modifications. Additionally, the participant mentioned:

> *"If you don't have the necessary skill set, then you have what we call the personal development plan ... to ensure delivery of the DFFE plan."*

This emphasises the need for capacity building as a strategy for maintaining performance despite budget restrictions.

**Participant 14:**

To properly handle budget cuts, participant 44 proposed the following:

> *"Perhaps when there are budget cuts, there has to be proper communication and guidance on how activities can be prioritised as some branches are often underspending."*

This guideline emphasises the importance of proactive financial planning and open communication to prevent the negative effects of budget limits.

**Participant 30:**

When discussing budget constraints, the participant emphasised the importance of financial planning and adaptive measures. They emphasised the significance of creating systems and processes to support line functions.

> *"We developed systems and processes for line function to assist them in better managing their projects."*

This represents a shift towards internal effectiveness as a strategy for offsetting budget cuts. Additionally, the participant emphasised the importance of ongoing training and assistance, stating:

> *"The only way to do that is to give them continuous guidance."*

This demonstrates that sustained capacity-building activities may improve compliance with financial policies and promote effective budget utilisation.

**Participant 37:**

Participant 37 did not make specific recommendations for handling budget reduction but did suggest indirect efficiency techniques such as digital engagement and strategic resource alignment. Their emphasis on stakeholder involvement in planning implies that collaborative decision-making may alleviate budget constraints. Furthermore, their consideration of performance tracking suggests that rigorous monitoring techniques could ensure that available funds are spent more effectively to fulfil strategic objectives.

**Participant 43:**

Participant 43 emphasised the necessity of communicating about budget cuts early in the process.

*"So, this issue of communicating the budget cuts to the line function or the staff members very late is affecting the delivery of our work. It's affecting the performance of the department."*

This implies that strengthening the time frame and clarity of budget-related communications may help to offset the negative impact of budget constraints. Additionally, the participant stated:

*"They don't even provide you with measures or something to say if you work with communities, these are the incentives or the platforms or the arrangements that you can indicate to them."*

This emphasises the importance of establishing contingency plans to support affected stakeholders amid budget constraints. Participant 43's comments show that budget constraints have a major impact on strategic performance, target setting, and service delivery. One significant piece of advice based on their findings is the need for proactive planning, clear communication, and well-defined guidelines to effectively navigate financial constraints.

**Participant 12:**

To avoid budget cuts, participant 12 proposed:

*"Where possible, we'll reduce on the travelling, to save cost. We do online meetings."*

This demonstrates an effort to maximise available resources. However, the participant recognised the limitations of such measures, arguing that:

*"Some of the training that you do, you need to be there physically."*

This emphasises the importance of balancing cost-efficiency and service performance.

**Participant 33:**

To address budget limits, participant 33 proposed a structured consultation approach, arguing that:

> *"There is a consultative process at a higher level, mostly top management. Then when it comes down to the SMS level, it's an implementation of what needs to be done."*

This emphasises that important stakeholders should be included in financial decisions to achieve alignment and efficiency. The participant also mentioned that:

> *"It doesn't mean we are dishonouring the commitments, but there will be a change in the implementation plan."*

This emphasises the significance of retaining organisational integrity while working under fiscal constraints.

**Participant 41:**

When looking into possible alternatives, participant 41 proposed that:

> *"We probably going to need to do a review process at the end of this year to see if we need to make any changes due to the budget cuts."*

This shows that flexible financial planning is necessary for limiting the budget constraints. Furthermore, the participant emphasised the need for more flexible budget allocation procedures to suit variable foreign commitments, which necessitate varying levels of financial resources based on South Africa's diplomatic and multilateral duties.

**Participant 9:**

To achieve strategy performance despite budget reduction, participant 9 proposed prioritisation, arguing that:

*"The first measure, as we do the budget process, is to firstly ensure that the critical targets of the department are funded."*

Furthermore, the participant proposed removing redundancy, explaining that:

*"You look at issues around duplication of functions, how you can eliminate duplication, how you can look at collaborations with other departments and entities who are in the same line of work."*

Another significant idea was to promote cost-effectiveness and sustainability in government operations by leveraging existing initiatives:

*"You can share projects, or you can leverage on existing projects that are already in progress as opposed to starting new ones from scratch."*

**Participant 19:**

To mitigate the impact of cuts to budgets, participant 19 proposed prioritisation and realistic planning:

*"Working according to your resources, prioritizing your activities according to what you have."*

The participant also highlighted that freezing specific processes can be a method to handle restrictions.

*"[C]ertain things or certain processes, they will be frozen. And I think that's part of prioritising to say this is the only thing that we will focus on."*

These comments emphasise the need for adaptive planning in order to sustain strategic performance when operating under financial constraints.

**Participant 34:**

Concerning recommendations, participant 34 noted that:

*"These across-the-board budget cuts don't work. This one-size-fits-all is not a good way of implementing the budget cuts."*

The participant emphasised that:

*"If you are not going to take care of your employees, then you're going to experience low morale and low performance."*

Participant 34 argued that budget cuts should be more nuanced and targeted, ensuring that key areas such as human capital development and stakeholder interactions continue to get funding.

**Participant 4:**

To reduce the impact of budget cuts, participant 4 suggested:

*"It's best that budget cuts are announced or being implemented when the financial year begins, and everyone knows, and you put your strategy plans that align to what you are given, at the beginning of the financial year, rather than when you are almost in the middle of implementing some of the projects, then you hear you need to prioritise this and you have to remove this."*

To avoid disruptions and keep employees motivated, the participant emphasised the importance of earlier notification and organised budget planning.

Participants' responses offer a complete set of ideas for managing budget reduction, with recurring themes emphasising proactive planning, prioritisation, stakeholder engagement, and strategy realignment. Several participants emphasised the need for better communication about funding limits. Participant 43 voiced frustration with the delayed communication of budget cuts, claiming that late budget cut announcements have a detrimental impact on performance. This shows that early and effective communication is critical for minimising disruptions and allowing departments to change their plans accordingly. According to Kavishe *et al*. (2023:1098490), timely and clear communication is important for limiting the negative impact of budget

restrictions, since it allows businesses to successfully modify their strategy while maintaining operational stability.

Participant 44 emphasised the need for structured financial planning and transparency, stating that greater guidance on prioritisation might prevent underspending in some branches while maintaining vital services. Mulesa *et al*. (2024:2) argued that well-structured financial planning and transparency are vital in ensuring that limited resources are properly allocated to essential services while avoiding financial mismanagement.

A common theme emerging from the responses is the importance of strategic prioritisation. Participants 9 and 19 both advised prioritising essential activities and reducing unnecessary functions. Participant 9 emphasised the need for departmental coordination in order to reduce duplication, while participant 19 suggested freezing non-essential processes to free up resources for important areas. This demonstrates the need for targeted resource allocation and efficiency-driven decision-making in maintaining performance under financial constraints. According to Hanzawa *et al*. (2024:106162), having strategies for prioritising spending is fundamental for maximising limited resources, especially when budgetary constraints exist, by making sure that the most important activities receive financing. Participant 49 also advised a more scientific approach to project selection, prioritising only those with considerable organisational and social benefits. Their acknowledgement that *"not all projects can be executed"* emphasises the importance of allocating cash to the most significant initiatives rather than spreading resources too thin. Das *et al*. (2024:106359) argued that judicious project selection, especially when resources are scarce, is critical for preserving both organisational and social advantages.

Several participants also highlighted proactive financial planning as an important strategy. Participant 23 suggested that doing a financial analysis before the start of the year would allow for better planning for future budget cuts. Participant 27 agreed, noting that planning guarantees that service delivery is not affected. This emphasises the importance of foresight in budget management, allowing departments to change expectations and activities in line with available resources. As Parker (2024:326) emphasised, proactive financial planning is important for minimising service

disruptions and ensuring that companies remain adaptive to fluctuating financial conditions. Participant 41 affirmed this by recommending an annual assessment procedure to determine whether changes are required due to budget constraints. This suggests that ongoing evaluation and adaptability have significance for operational effectiveness. Similarly, Wang (2024:1) contended that continuing assessments and flexibility to budgetary changes can greatly enhance an organisation's ability to remain resilient and efficient.

Another notable element is the emphasis on cost-cutting methods, notably in travel and staff deployment. Participants 12 and 14 both proposed decreasing travel expenses by relying more on virtual meetings. Participant 14 also advocated for staff to be relocated in order to reduce the need for costly site visits. They questioned the effectiveness of having personnel based in Pretoria but regularly travelling to other provinces, suggesting that a decentralised workforce could be more sustainable. Bennett *et al*. (2024:305) argued that decreasing travel expenses through internet-based communication and decentralised processes is an effective way to conserve resources and ensure financial sustainability in public sector operations. These suggestions emphasise the significance of reconsidering logistics and administrative costs to maximise available budgets.

Capacity building and personnel management have also emerged as important factors. Participant 26 emphasised the importance of ongoing skill development to maintain efficient service delivery despite funding restrictions. They emphasised the importance of personal development programs in providing staff with the required skills to overcome budget constraints. As Faisal (2024:3) stressed, ongoing personnel training and development are important for preserving service quality and organisational resilience during times of financial difficulty. Participant 34 cautioned against sweeping, across-the-board budget cuts, claiming that such actions could harm employee morale and productivity. Their advice emphasises the importance of a sophisticated approach that safeguards vital services and sustains employee motivation. According to Cottrell (2021:130), indiscriminate budget cuts frequently result in demotivated employees and worse organisational productivity, stressing the importance of targeted, strategic budgetary changes.

The participants' recommendations emphasised innovation and adaptation. Participant 18 emphasised the importance of using alternative engagement strategies and strategic resource allocation to effectively overcome budget constraints. Similarly, participant 30 spoke on the creation of internal systems and processes to improve project management efficiency. Their emphasis on ongoing training and mentoring is founded in the belief that providing employees with improved access to tools and more in-depth knowledge could improve financial discipline and operational resilience. McIntire and Dobermann (2023:100712) suggested that encouraging innovation through internal systems and continual training is necessary for enhancing operational resilience, especially during budget cuts.

Some participants concentrated on the structural components of budget management. Participant 33 proposed that financial decision-making be more participatory, incorporating important stakeholders to achieve alignment with strategic goals. They acknowledged that, while budget constraints may necessitate changes to implementation plans, obligations should nonetheless be honoured. This emphasises the need to maintain organisational integrity and openness even when financial circumstances dictate change. Hossain *et al*. (2024:107736) reinforced this viewpoint, stating that participatory financial decision-making increases stakeholder buy-in and alignment with strategic objectives, hence increasing overall decision-making quality during times of financial difficulty.

Participant 41 emphasised the importance of budget flexibility, especially in light of South Africa's foreign commitments. They emphasised that varied financial resources are necessary based on diplomatic commitments, implying that a strict budget framework may not always be effective. This is consistent with participant 4's proposal that budget cuts be communicated at the start of the fiscal year rather than during project implementation, as sudden reductions interrupt project performance and harm morale. According to Olorunyomi *et al*. (2024:28), flexibility in budget management, especially with regard to external commitments, is important for reconciling national and international obligations while maintaining organisational success.

The responses indicate that for budget cuts to be effective, they must be accompanied by a combination of strategic prioritisation, early and effective communication, financial

foresight, capacity building, and innovative cost-cutting strategies. The focus on adaptability — whether through project selection, labour deployment, or financial planning — runs through all the recommendations, ensuring that important services continue to function despite budget constraints. According to Khan *et al*. (2024:50), the ability to adapt to changing financial situations and regularly review priorities is extremely important to the long-term sustainability of public sector operations and services.

- **Data Saturation**

Guest, Namey and Chen (2020) explained that data saturation occurs when additional data collection no longer yields new information or themes related to the research questions. Data saturation was reached when the researcher could no longer extract further meaningful insights, information, or themes from the remaining responses. Once the participants started providing similar answers, the researcher was assured that the collected data sufficiently captured the essence of the phenomenon being investigated for this study. Data saturation was observed after interviewing 41 participants; a further five interviews were conducted, and these did not yield any new insight or themes related to the research questions. (Daher,2023). Consequently, the researcher stopped collecting further information from the targeted population of both senior and middle management because of the repetitive data from the participants.

## 5.3 FINDINGS AND DISCUSSIONS

### 5.3.1 Findings

The findings across all seven areas highlight the crucial relationship between budgeting, strategic planning, performance management, and service delivery within the department. The budgeting process has a substantial impact on strategic success, with participants emphasising the importance of early planning, disciplined decision-making, and collaboration across management levels to ensure financial resources correspond with organisational goals. Participants emphasised that budget availability has a direct impact on planning strategy and setting performance targets and that

budget constraints frequently necessitate revisions to key performance metrics and operational objectives.

Budget constraints and their effect on performance management surfaced as a major concern, with participants observing that financial constraints reduce staff capacity, impede long-term planning, and reduce operational efficiency. However, various ways to increase strategic performance in the face of budget restrictions have been found, including proactive financial planning, project prioritisation, the use of digital solutions, and resource optimisation. These solutions indicate a larger requirement for flexibility and adaptability in financial decision-making.

Despite the existence of budget management guidelines, participants identified gaps and opportunities for development, particularly in communication, transparency, and monitoring methods. Many people said that current frameworks lacked clarity and discipline, making it impossible to negotiate budget constraints successfully. Furthermore, participants noted that budget cuts frequently result in delays, a decrease of service quality, and poorer worker morale. To mitigate the effects, better coordination, organised financial planning, and stakeholder participation are required.

Recommendations for managing budget cuts included prioritisation, adaptive resource allocation, increased communication, and strategic workforce planning. Participants proposed that early disclosure of budget limits, realistic objective setting, and alternative cost-cutting techniques, such as digital engagement and decentralised personnel, might assist in maintaining performance despite budgetary constraints.

### 5.3.2 Discussions

The discussion emphasises the importance of budgeting in determining strategic planning, performance management, and service delivery within the department. Financial resources undoubtedly play an important role in deciding operational goals, with budget availability having a direct impact on target formulation and long-term planning. Budget restrictions have surfaced as a significant concern, affecting personnel capacity, efficiency, and overall service delivery. Participants emphasised that financial constraints frequently necessitate revisions to important performance

indicators and operational objectives, emphasising the importance of flexibility in financial decision-making.

Despite existing budget management frameworks, problems in communication, openness, and monitoring were observed, making it difficult to effectively manage budget constraints. Budget cuts were found to contribute to delays, poor service quality, and low employee morale, emphasising the significance of systematic financial planning. However, several techniques have been developed to address these difficulties, including proactive financial planning, prioritising critical projects, using digital solutions, and optimising available resources.

To manage budget restrictions while retaining performance, participants emphasised the importance of early financial disclosure, realistic goal setting, and inventive cost-cutting techniques. Improved coordination, stakeholder engagement, and disciplined personnel planning were also cited as important for maintaining operational continuity despite financial constraints. The findings indicate that a more integrated and flexible approach to budgeting and resource management is required to improve efficiency and maintain service delivery under financial constraints.

## 5.4 SUMMARY FINDINGS AND DISCUSSIONS FROM PRIMARY DATA

Participants voiced serious concerns about the centralised budgeting method, which limits their participation in budget formulation. This top-down approach limits flexibility and makes it difficult for departments to connect their financial resources with their strategic objectives. While the budgeting process is structured, there are challenges such as delayed allocations and an inconsistency between strategic planning and budget approval, which leads to inefficiencies and project delays. Insufficient financing often leads to neglected maintenance, delayed capital projects, and limited operational flexibility, making it difficult for departments to accomplish their goals.

Budget forecasting has a considerable impact on strategic planning. Inaccurate forecasts, made based on outdated information, result in false expectations being set and necessitate frequent target adjustments. The findings reveal that departments change their goals based on the resources at their disposal, resulting in

a misalignment between long-term strategy and fiscal reality. The lack of connection between strategy and budget forecasting leads to frequent adjustments of strategic plans, which reduces consistency and stability.

Financial restrictions have been proven to have a significant impact on performance management because they limit operational capacity, service delivery, and regulatory compliance. These budget constraints require departments to prioritise specific operations, frequently at the expense of community-focused projects. Budget cuts have also caused service delivery delays, which have an impact on long-term performance outcomes. While some departments can adjust, others are facing severe budget cuts that compromise their capacity to meet strategic objectives.

The findings also found that, to improve strategic performance despite budget constraints, departments must prioritise flexibility, adaptation, and innovation. Departments can overcome financial constraints by seeking other financing sources, utilising technology, and reprioritising critical duties. However, these efforts frequently include trade-offs, such as project delays or cancellations, which can have an impact on overall service delivery. Prioritising feasible goals and defining realistic targets are important for sustaining operational effectiveness in a resource-constrained environment.

The findings show that, while guidelines for performance and financial governance exist, there are gaps in the explanation and implementation of budget reduction initiatives. Budgetary constraints and administrative inefficiencies prevent complete implementation of these rules. Due to resource constraints, there is a gap between strategic planning and operational readiness. Stakeholder involvement needs to improve to ensure relevance throughout implementation.

Budget constraints have resulted in considerable project delays, fewer on-site inspections, and modifications of performance standards. Some units adapted by switching to virtual meetings, which has resulted in reduced stakeholder participation. Budget constraints have also resulted in performance expectations being reduced to account for resource constraints. However, some units were able to adapt by extending project timelines rather than discontinuing services.

To effectively manage budget cuts, participants suggested early planning, improved communication, and prioritising important tasks. Strategic resource allocation and cutting needless expenses, including travel, are also significant. Developing internal procedures, continuing training, and raising employee morale were emphasised as important for sustaining service quality while operating within budgetary constraints. Furthermore, establishing flexible and participative budget management techniques was cited as being vital for responding to both internal and external demands.

## 5.5 SECONDARY DATA ANALYSIS

This study also incorporated a document analysis to examine how budget constraints affect performance management within the DFFE. Relevant documents were selected for their insight into the relationship between limited resources and organisational performance. Emphasis was placed on the implementation of DFFE's performance management systems, highlighting the significance of budgetary factors in shaping outcomes.

This section presents a document analysis drawing on publicly available strategic documents, including Annual Reports, AGSA Reports, APPs, Portfolio Committee briefings, and performance reviews from the Department of Planning, Monitoring and Evaluation (DPME). The objective is to examine the extent to which budget management and strategic planning processes have influenced the performance of the DFFE over the period 2019 to 2024.

### 5.5.1 Departmental Strategic and Financial Performance

Figure 5.3 provides a detailed overview of the desktop analysis, illustrating a comparison between the appropriated budget, expenditure percentages, and corresponding audit outcomes.

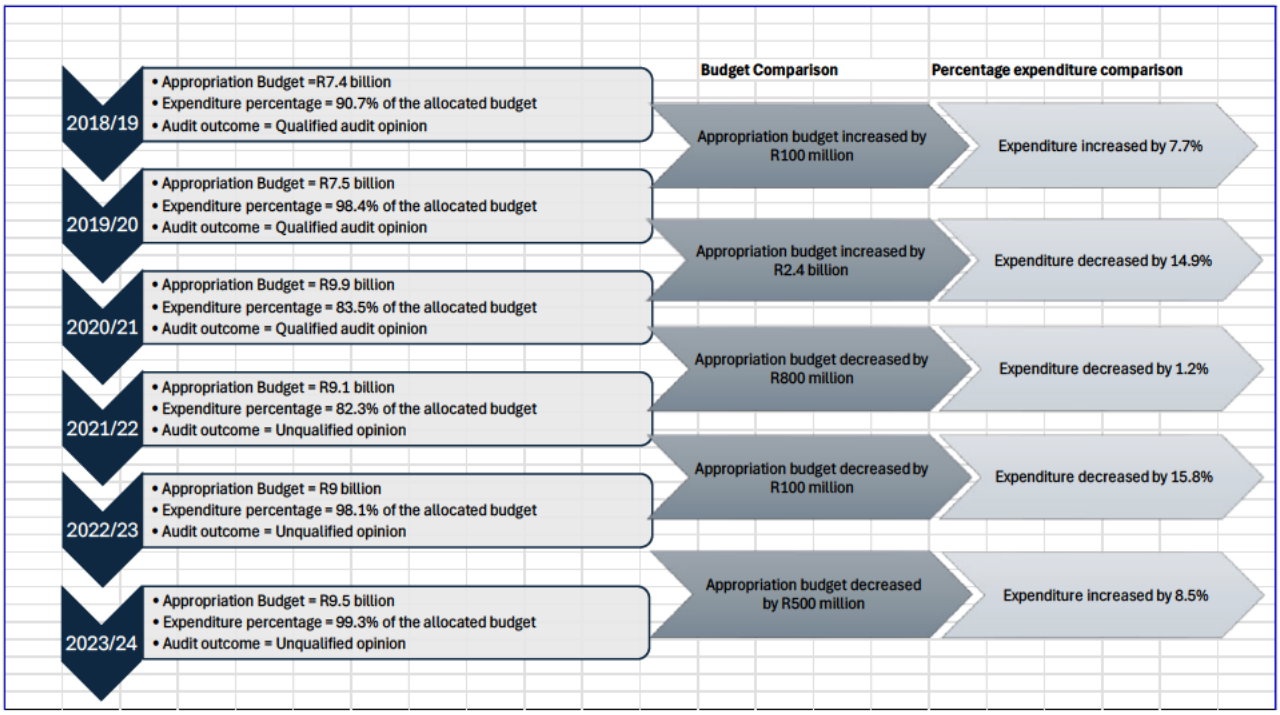


**Figure 5.3: Budget, expenditure, and audit outcome comparison**

*Source: Adapted by the author from DFFE (2018-2024)*

Figure: 5.3 indicates that the performance of the DFFE in fulfilling its constitutional mandate. The 2018/19 annual report showed that 90.7% of the budget was spent, with a qualified audit outcome. A qualified audit opinion indicates that there are specific, but not persistent, misstatements in the financial statements or that certain processes or transactions were not adequately accounted for. Similarly, in 2019/20 and 2020/21, the Department spent 98.4% and 83.5%, respectively, but received qualified audit outcomes. These outcomes were primarily due to material issues in the financial statement disclosures, rather than unmet performance targets aligned with the Department's strategic plan.

In 2021/22 and 2022/23, the Department spent 82.3% and 98.1%, respectively, and received unqualified audit outcomes, suggesting that the Department had addressed the AGSA's recommendations and complied with the PFMA in some respects. The 2023/24 budget was set at R8.95 billion, a R100 million increase from 2018/19. However, while the appropriated budget increased by R2.4 billion in 2020/21, expenditure decreased by 14.9%, potentially impacting the achievement of strategic objectives. In 2021/22 and 2022/23, the budget decreased by R800 million and R100

million, respectively, and expenditure further declined, with a significant reduction of 15.8% in 2022/23, which could jeopardize service delivery.

In 2020/21, the Department experienced a 20% budget cut due to the pandemic, forcing it to reassess its financial priorities. Despite these challenges, cost-saving measures, such as reducing travel and accommodation, helped free up resources for critical issues. The Department also faced significant budget cuts in 2023/24, amounting to R2.5 billion over the MTEF, with no expected increases in the coming years due to ongoing economic pressures.

### 5.5.2 Budget Constraints and Budget Cuts

South African government spending continues to exceed revenue, a problem exacerbated by the 2020 recession caused by the COVID-19 pandemic (De, Nemec and Špaček, 2019). The revenue-expenditure gap significantly widened in 2020/21, increasing the budget by approximately 12.3% of GDP (Van, 2021). To address this, substantial adjustments were made in government spending, a trend that persisted through 2021/22.

In response to COVID-19, billions of Rand were redirected to relief efforts, with the Department of Forestry, Fisheries, and the Environment (DFFE) experiencing a 16% reduction in its 2020/21 budget (DFFE, 2020; AGSA, 2021). Other departments received additional funding, while some faced large cuts to support the pandemic response and mitigate a drop in tax revenues. The South African economy contracted by 7.2% in 2020, the largest fall in nearly a century, and lost R300 billion in tax revenue in 2021 (Mohale, 2021; Du, 2022).

By 2021, South Africa’s gross debt was expected to reach 80.3% of GDP, rising to 88.9% by 2026 (Du, 2022). Slow or negative economic growth, high unemployment, poverty, and inequality persist due to delays in implementing growth-boosting reforms (Du, 2022). The concept of a budget constraint, as discussed by Dallago (2007), outlines an organization's available options based on its resources, with a "hard" constraint limiting choices to the real resources on hand.

The DFFE faced R2.2 billion in budget cuts over the MTEF, with significant reductions in employee compensation, goods and services, and transfers and subsidies (National Treasury, 2021). To manage these cuts, the Department reduced spending on non-core items such as travel and advertising and implemented a freeze on salary increases. The baseline budget was reduced by 7-10% annually from 2021 to 2024, forcing the Department to prioritize critical activities. Concerns were raised about the potential impact on regulatory monitoring, biodiversity conservation, and entities like SANParks, which could affect the tourism-driven biodiversity economy (DFFE, 2021).

### 5.5.3 Possible Reasons for the Cuts

The National Treasury oversees the national budget process and decides on overall spending ceilings for each department based on economic forecasts and fiscal targets. If revenue shortfalls are projected or spending needs to be reduced, the Treasury will instruct departments to prepare for budget cuts. There are several reasons for the imposition of budget cuts at the national government level in South Africa. If tax revenues come in lower than expected, budgets may need to be reduced to account for the drop in available funds. Departments sometimes spend more than their approved budgets, requiring cuts to bring expenditures back within allowed limits. Changing priorities can also lead to budget cuts as funds are reallocated to new programs deemed more important by the government.

In response to the national emergency posed by the COVID-19 pandemic, the National Treasury enforced mandatory budget reductions across government departments in 2020. In addition to these compulsory cuts, departments were requested to voluntarily surrender portions of their appropriated budgets. For the DFFE, this resulted in reductions of R262 million in 2020/21, R287.4 million in 2021/22, and R299.6 million in 2022/23, which adversely impacted core functions such as Environmental Programmes, Biodiversity and Conservation, and Oceans and Coasts, including its public entities.

Subsequently, on 23 November 2023, the National Treasury announced further compulsory budget reductions for the MTEF period: R829.4 million in 2024/25, R854.9 million in 2025/26, and R886 million in 2026/27 (DFFE, 2023). As outlined in the

allocation letter dated 29 January 2024, the preliminary MTEF budget adjustments for DFFE included a total decrease of R1.9 billion in 2024/25, composed of baseline reallocations, reductions, and selective increases, including transfers to public entities.

**Table 5.1: Budget cuts per component**

| # | Component | Amount |
|---|---|---|
| | | |
| 1. | Compensation of employees | R614.7 million |
| 2. | Foreign governments and international organisations | R13.9 million |
| 3. | Non-profit institutions | R13.3 million |
| 4. | Provinces and municipalities | R1.1 million |
| 5. | Goods and services | R3.6 billion |

*Source: Adapted by the author from DFFE (2024)*

According to the final allocation letter issued by the National Treasury to DFFE in 2024, MTEF allocations are as follows: R7.7 billion in 2024/25, R8.9 billion in 2025/26, and R9.3 billion in 2026/27.

Based on the recent budget reductions (Table 5.1), these cuts have compelled the DFFE to reassess how it can prioritize its spending, particularly for goods and services, within its reduced budget. These reductions could significantly hinder the DFFE's ability to fulfil its constitutional mandate of delivering services to the citizens of South Africa. Moreover, there are concerns about reputational damage as the DFFE may not be able to meet contractual obligations or settle claims due to budget constraints resulting from these enforced cuts. Furthermore, public confidence in the DFFE is at risk. Therefore, perhaps the National Treasury should consider a consultative process that allows government departments to either volunteer or submit their commitments and contractual obligations for assessment before implementing mandatory budget reductions.

## 5.6 SECONDARY DATA THEMES

### 5.6.1 Alignment with Research Objective (SO1): Understanding the Budgeting Process and Its Effect on Strategic Performance

The DFFE's budgeting process reflects annual allocations from the National Treasury, but the department has consistently faced constraints due to under-expenditure,

irregular expenditure, and misalignment between allocated funds and actual performance delivery. For instance, in the 2020/21 financial year, although the department received R10.1 billion, only R8.3 billion was spent (National Treasury, 2021). This gap demonstrates inefficiencies in budget execution and indicates that budget shortfalls or financial mismanagement hinder the delivery of strategic objectives, such as environmental protection and green economy expansion.

The department's shift from receiving qualified audit outcomes (2019–2020) to unqualified audits (2021–2024) reflects an improvement in financial governance. These improvements correlate with enhanced oversight and compliance, which are crucial for sustainable performance. Thus, SO1 is supported by evidence that a well-managed budget is essential for the strategic functioning and delivery of DFFE's mandate.

### 5.6.2 Alignment with Research Objective (SO2): Understanding the Strategic Planning Process and Performance Targets

The DFFE follows a structured strategic planning process, which includes the formulation of five-year Strategic Plans and APPs. Strategic objectives, such as implementing the Forestry Masterplan and expanding the Ten Million Trees Programme, are directly linked to performance indicators and targets set out in these documents.

Evidence from the Portfolio Committee and DPME reviews shows that these plans are partially implemented, with some milestones achieved (e.g., planting 1,800 hectares of new trees, creating over 4,000 work opportunities), and others lagging due to administrative or financial constraints (DFFE, 2024). The alignment of resources, targets, and reporting mechanisms demonstrates how strategic planning translates into measurable outcomes.

### 5.6.3 Alignment with Research Objective (SO3): Determining the Effects of Budget Constraints on Strategic Performance

The effect of budget constraints is evident in delayed or partially implemented projects. Irregular expenditure amounting to R2.5 billion in 2019/20 and decreasing to R109 million by 2023/24 highlights the ongoing challenges in financial control (AGSA, 2024). Additionally, fruitless and wasteful expenditures, though reduced over time, continue to pose a risk to financial sustainability.

These financial inefficiencies result in compromised strategic outputs, such as delays in forestry development, inadequate service delivery in rural communities, and the stalling of environmental compliance efforts. The analysis indicates that budget constraints, if not addressed, can severely undermine the department's strategic goals. However, improved audit outcomes suggest a foundation upon which the department can strengthen its performance through better financial discipline, planning integration, and performance monitoring.

## 5.7 SUMMARY OF THE FINDINGS FROM SECONDARY DATA

The secondary data findings of this study indicate that the targets set by the DFFE in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) are not aligned with the budget, presenting a challenge to the implementation of the performance management system (DFFE, 2021:3). This alignment ensures that the available financial resources support the achievement of targets. However, the DFFE's inability to align targets with the budget has resulted in the department failing to meet some of its set targets due to insufficient budgetary support, particularly when they are linked to financial resources like construction projects or infrastructure upgrades. Failing to meet targets reflects a failure in performance management.

The integration of target-setting with the budgeting process is essential for achieving strategic alignment. However, Carlson (2014:14) noted that budgeting remains an ineffective process in many organisations, posing a significant challenge for institutions such as the DFFE in aligning targets with available financial resources.

This often reflects a disjointed approach, where strategic planning and budgeting are conducted in isolation, resulting in misalignment between goals and resource allocation. To address this, strategic planning and budgeting processes must be conducted concurrently and cohesively.

The BSC offers a structured framework that facilitates such integration through its four interrelated perspectives—financial, customer, internal processes, and learning and growth. These perspectives promote alignment by linking strategic objectives with performance measurement and resource planning (Sharma and Gadenne, 2018:198). The BSC underscores the importance of both financial and non-financial indicators in ensuring organisational coherence, including the alignment of budgetary targets.

Organisational success in achieving defined goals and performance targets depends significantly on the alignment between strategy and budget. While not all targets are financially driven, many require budgetary support for effective implementation (AGSA, 2018:94). Strategic and financial planning should therefore be informed by inclusive stakeholder engagement at the executive level. The BSC's multi-dimensional approach facilitates the integration of diverse departmental functions and portfolios, enabling more effective planning and implementation.

The second finding identified is the provision of incomplete information in strategic documents and reports within the DFFE (DFFE, 2023). The successful implementation of performance management in any organization relies on the provision of complete, concise, and sufficient information in strategic documents such as Integrated Development Plans (IDPs), Service Delivery and Budget Implementation Plans (SDBIPs), as well as quarterly and annual reports.

During the desktop analysis, it was observed that strategic documents and reports contain incomplete and unreliable information, which was confirmed by the AGSA (DFFE, 2018-2024). This makes it challenging for stakeholders to understand and obtain clear feedback on departmental performance plans, status, and activities, which in turn raises concerns about the integrity of the data and undermines the credibility of the information being presented. It also reduces stakeholder confidence in the organization's ability to achieve the desired outcomes.

The study has further uncovered several important findings related to the incomplete information on strategic documents and reports as a budget constraint, which in turn affects performance management at the DFFE. The findings from interviews and document analysis include:

- **Lack of quality assurance on strategic documents and reports:** The study reveals that there is a lack of thorough quality assurance processes in place for strategic documents and reports. This leads to incomplete and inaccurate information being presented, undermining the credibility and reliability of the data. To address this, the DFFE should establish robust quality assurance mechanisms to ensure that all strategic documents and reports are thoroughly reviewed and verified before dissemination.
- **Misalignment between the budget process and strategic planning:** The study identifies a lack of integration between the budget process and strategic planning. This results in a misalignment between targets and the budget, making it challenging to allocate sufficient financial resources to support the achievement of set targets. To overcome this challenge, the DFFE should ensure that the budgeting process and strategic planning are closely integrated, allowing for better alignment between targets and available resources.
- **Irregularities in reports and lack of evidence:** The study highlights irregularities and a lack of evidence in the reports produced by the DFFE. This undermines the credibility of the information presented and hinders effective performance management. To address this, the DFFE should establish robust reporting mechanisms that ensure the accuracy, completeness, and transparency of data. Additionally, the department should implement measures to ensure that evidence is properly documented and readily available to support the information presented in reports.
- **Lack of accountability for non-achievement of targets and projects:** The study reveals a lack of accountability for the non-achievement of targets and projects within the DFFE. This hampers performance management efforts as it allows for targets to go unmet without appropriate consequences or corrective actions. The DFFE should establish a culture of accountability, where responsible individuals or teams are held accountable for the non-achievement of targets. This includes

implementing clear mechanisms for tracking and monitoring progress, as well as enforcing consequences for failure to meet set targets.

## 5.8 OVERALL SUMMARY

This chapter has presented the data analysis and presentation of results (including discussions) that emanated from the perceptions of DFFE senior and middle management staff concerning the impact of budget constraints on the performance of government, obtained through in-depth interviews. Through data analyses, themes were identified and linked to the research questions. These themes included: the budgeting process and its effects on strategic performance, strategic planning and performance target setting, budget constraints and their impact on performance management, improving strategic performance amid budget constraints, the existence of guidelines and areas for improvement, the impact of budget cuts on unit/branch performance and service delivery, and recommendations for managing budget cuts.

The sixth and final chapter provides a conclusion and recommendations, and an outline of the entire study. The limitations of the study are acknowledged and recommendations for future research are provided.

# CHAPTER SIX
# CONCLUSION AND RECOMMENDATIONS

## 6.1 INTRODUCTION

This chapter presents the conclusions of the study based on the data analysis and presents the recommendations derived from the research findings. The study aimed to explore the impact of budget constraints on performance management at the Department of Forestry, Fisheries, and the Environment (DFFE). The study undertook this through semi-structured interviews with 51 respondents, conducted both virtually and in person. Respondents were asked for their perspectives on the impact of budget constraints on performance management in government.

The chapter starts with an overview of the research study, followed by the key conclusions derived from the results and data analysis described in Chapter Five. It then addresses the study's limitations and highlights its contributions and implications. Potential future research regarding the impact of budget constraints on government performance management is also discussed. The chapter concludes with a summary, final conclusions, and recommendations.

## 6.2 OVERVIEW OF THE STUDY

This section provides an overview of the study and a summary of the findings. The summary of the findings is presented based on the objectives of the study.

### 6.2.1 The Research Problem

Budget constraints and austerity have proven to be challenging for the various South African government institutions and companies since 2018 (Cloete and Rabie, 2023). These cuts and associated notable staffing shortages have resulted in operational difficulties for many South African government departments, hindering their ability to carry out their mandate efficiently (RSA, 2024). While there are several studies (Rodden et al., 2003; Palmer et al., 2016; James et al., 2018; Fourie and Blom, 2022)

that point out the challenges of budgeting in various phases of government, there is limited qualitative research that examines the impact of budget constraints and the specific challenges they generate for personnel tasked with performing with increasingly limited resources. Therefore, the research problem took cognisance of such a gap, which led to a decision to conduct this research; hence, the key problem was stated as:

- ***No studies have been conducted in the South African public sector to investigate the effectiveness/impact of budget constraints on government performance management.***
- ***Similarly, no studies have been conducted in South African public institutions with the intention of understanding the impact and challenges of working with limited financial resources and budget limitations.***

### 6.2.2 Primary Research Objective

The primary objective of the study was:

***to investigate the impact of budget constraints on the effectiveness of government performance management to improve the performance of the national department of forestry, fisheries and environment in South Africa.***

### 6.2.3 Secondary Research Objectives

To achieve the primary objective of the study was supported by the following specific secondary research objectives:

- ***To understand the budgeting process and its effect on the strategic performance of the DFFE (SO1).***
- ***To develop an understanding of the strategic planning and performance target setting processes, and how they are linked to the performance of the DFFE (SO2).***

- ***To determine the potential effects of the budget constraints on the performance of the DFFE, and how its strategic performance can be improved (SO3).***
- ***To recommend measures that address performance management, within the context of budget constraints (SO4).***

### 6.2.4 Research Methodology

In order to address the research problem statement and the research objectives, the study used a qualitative research approach. Qualitative research approach aims to collect non-numerical information about individuals' experiences and viewpoints, and the environments they inhabit through in-depth interviews with individuals or focus groups, and participants' observation Creswell and Poth (2018). For this study, the primary data was collected through semi-structured interviews of senior and middle managers at the DFFE. The interview guide used during the qualitative interviews at the DFFE is included on Appendix 3. A purposive sampling technique was used because it enabled the researcher to select participants who were known to be familiar with the criteria of the study: they were knowledgeable about the budget process, strategic planning, and performance management. A subset of 51 participants, which included senior and middle managers, comprised the study's sample. This study was carried out in full compliance with the TUT's Research and Ethics Committee guidelines, ensuring the protection of participants' rights and well-being through best practices (see Appendix 4). This study analysed the collected data through thematic analysis, following O'Connor and Gibson (2003) respective steps for data analysis.

### 6.2.5 Summary of the Achievement of the Research Objectives

The study has six chapters. Chapter One defined the research problem and outlined the objectives that guided the research underpinning this study. It also presented detailed information on the study's motivation. Chapter Two has briefly touched on key legislative frameworks and entities that influence the budget process and strategic planning. This overview was intended to provide a clear understanding of the legislative framework governing public finance management, reporting, responsibility,

and accountability in the RSA. Chapter Three reviewed the concept of budgeting, including the interrelationship between budget constraints and performance. The chapter began with an examination of the fundamental goals of budgeting, planning, control, communication, and coordination, and thereafter showed how these activities combine/interact to promote institutional efficiency. Chapter Four detailed the research methodology employed in the study. The rationale for using a qualitative research method for data collection and analysis was explained and justified. The research design and paradigm, research study sample, ethical procedures, and procedures followed during data collection were also explained, along with details about the sampling process. Chapter Five presented the data analysis and presentation of results (including discussions) that emanated from the perceptions of DFFE senior and middle management concerning the impact of budget constraints on the performance of government, obtained through in-depth interviews. Chapter Six presented the conclusions drawn from analysing the data, and the recommendations derived from the research findings.

To achieve the specific research objectives, the study's interview questions were designed to address the following objectives:

- **To understand the budgeting process and its effect on the strategic performance of the DFFE.**

The literature review enabled the researcher to develop an understanding of existing studies on budget process and strategic performance, while also gaining insight into key concepts, research methods, and analytical techniques applied by various authors in the field of budget process and strategic performance. This objective was met through the researcher's enhanced comprehension of real-world challenges and the research findings discussed in this study. Furthermore, the interview analysis revealed that the budgeting process within the DFFE follows a largely top-down approach, restricting input from operational units. Consequently, there is poor alignment between allocated budgets and strategic priorities. Furthermore, delays in fund releases, inflexible financial regulations, and limited adaptability intensify the challenge, often causing project delays or downsizing, which undermines strategic performance.

Although the study confirms the existence of a budget process within the DFFE, the study concludes a weak alignment between planning and budgeting functions. This

misalignment results in strategic priorities that are insufficiently costed and not consistently matched with available resources. Furthermore, the absence of an inclusive budgeting framework that actively engages operational units from the outset diminishes organisational ownership and responsiveness. In addition, the rigidity of budget allocations constrains the Department's capacity to make timely adjustments in response to shifting priorities.

- **To develop an understanding of the strategic planning and performance target-setting processes and how they are linked to the performance of the DFFE.**

This objective was achieved through the literature review in Chapter Three, which enabled the researcher to engage with current knowledge on strategic planning and performance target-setting processes and to contextualize the underlying causes driving such opinions. The interview analysis revealed that strategic planning and target setting in the DFFE are often reactive, shaped by external political and financial pressures through Chapter 4: Research methodology, and Chapter 5: Data analysis and presentation of results. Performance targets are frequently adjusted after budget allocations, which compromises adherence to SMART principles, weakens accountability, and diminishes the credibility of performance reporting.

Therefore, the study concludes that DFFE exhibits insufficient integration between budget forecasting and strategic planning, often leading to reactive financial adjustments. Furthermore, performance targets are not consistently established in accordance with SMART criteria, thereby limiting accountability and measurability. The absence of systematic monitoring mechanisms further constrains the Department's capacity to evaluate the impact of budgetary adjustments on the achievement of strategic objectives.

- **To determine the potential effects of budget constraints on the performance of the DFFE, and how its strategic performance can be improved.**

This objective was achieved through the literature review in Chapter Two, which enabled the researcher to engage with current knowledge on the effects of budget constraints on the performance of the DFFE and how its strategic performance can be improved, Chapter 4: Research methodology, and Chapter 5: Data analysis and

presentation of results. The interview analysis indicated that budget limitations have severely impacted DFFE's service delivery, compliance, and operational efficiency. They have led to project delays or reprioritisation, lowered staff morale, and weakened adherence to statutory requirements. Nonetheless, the study also highlighted adaptive measures such as reprioritisation, innovative practices, and the pursuit of alternative funding options. Therefore, the study concludes that DFFE faces substantial challenges in protecting essential service delivery programmes during periods of budget reductions, putting critical functions at risk. Process inefficiencies hinder the Department's ability to foster innovation and maximize resource utilization. Furthermore, the absence of alternative funding sources, including strategic partnerships or donor support, intensifies the effects of budgetary constraints on the Department's operational performance.

- **To recommend measures that address performance management within the context of budget constraints.**

The interview analysis emphasized that managing performance effectively under budget pressures depends on better communication, clearer prioritisation, stronger staff capacity, and innovative approaches. In the absence of these measures, performance management risks being reduced to a compliance exercise rather than a tool for achieving meaningful results. Therefore, the study concluded that the DFFE faces considerable challenges in effectively managing budgetary constraints, largely due to insufficient early communication between management and the budget section regarding changes and their potential impacts. Additionally, managers often lack the necessary skills and training to optimize resource use, and lower management is not adequately involved in setting and revising performance targets. The absence of a culture that fosters innovation and cost-conscious practices further limits the Department's capacity to maintain performance under financial constraints. This objective was achieved through Chapter 4: Research methodology, Chapter 5: Data analysis and presentation of results, and Chapter 6: Conclusion and recommendations.

## 6.3 SUMMARY OF THE FINDINGS

The primary data for this study was collected through semi-structured interviews, while secondary data was obtained through a desktop analysis and were analysed manually. The investigation identified key shortcomings in the Department of Forestry, Fisheries, and the Environment's (DFFE) ability to perform under budgetary constraints, as well as the resulting impact on its overall performance. Analysis of the research findings revealed seven primary themes: the budgeting process and its effects on strategic performance, strategic planning and performance target setting, budget constraints and their impact on performance management, improving strategic performance amid budget constraints, existence of guidelines and areas for improvement, impact of budget cuts on unit/branch performance and service delivery, and recommendations for managing budget cuts in the DFFE.

## 6.4 CONCLUSION

The analysis of the qualitative data demonstrated that budget constraints can have a direct impact on the performance management of the government. Consequently, the study's findings should influence the involvement of middle management in the budget and strategic planning process. The study's conclusions highlight several key points. Financial resources undoubtedly play an important role in deciding operational goals, with budget availability having a direct impact on target formulation and long-term planning. Budget restrictions have surfaced as a significant concern, affecting personnel capacity, efficiency, and overall service delivery. Participants emphasised that financial constraints often necessitate revisions to key performance indicators and operational objectives, underscoring the importance of flexibility in financial decision-making. Despite existing budget management frameworks, problems in communication, openness, and monitoring were observed, making it difficult to effectively manage financial restrictions. Budget cuts were found to contribute to delays, poor service quality, and low employee morale, emphasising the significance of systematic financial planning. However, several techniques have been developed to address these difficulties, including proactive financial planning, prioritising critical projects, using digital solutions, and optimising available resources.

To manage budget restrictions while retaining performance, participants emphasised the importance of early financial disclosure, realistic goal setting, and inventive cost-cutting techniques. Improved coordination, stakeholder engagement, and disciplined personnel planning were also cited as important for maintaining operational continuity despite financial constraints. The findings suggest that a more integrated and flexible approach to budgeting and resource management is necessary to enhance efficiency and sustain service delivery under financial constraints.

In conclusion, all of the study's objectives were met. The recommendations in this chapter should help the Department of Forestry, Fisheries, and the Environment improve its strategic planning and budget process, and matters relating to budget and linkage to strategic plans and performance targets. This can be achieved using the SMART principle, improved coordination, more extensive and timeous consultative processes, and effective communication. While acknowledging the contributions and limitations of this study, it is important to emphasize that the involvement of lower management during the strategic planning and budgeting is crucial, as it is at this level that particularly affected communities vent their dissatisfaction with negative and unanticipated change.

This study provided a comprehensive understanding of DFFE management’s perspectives on, and experiences with, the budget process (including budget constraints) and strategic planning. It is anticipated that the participants’ insights and experiences will support DFFE’s operations and assist the leadership in fulfilling their strategic role within the department, thereby enhancing strategic performance and service delivery.

## 6.5 RECOMMENDATIONS

The conclusions and recommendations follow the four research objectives, highlighting key findings and proposing measures to enhance DFFE’s strategic planning, budgeting process, and strategic performance. By focusing on each research objective, the study demonstrates that budget constraints in the DFFE impact not just financial planning but also strategic performance, service delivery, and accountability. The recommendations offer practical strategies to enhance budget

alignment, improve planning, lessen the adverse effects of financial limitations, and create a more resilient performance management system.
The recommendations for addressing these findings are as follows:

### 6.5.1 Understand the Budgeting Process and its Effect on the Strategic Performance of the DFFE

To address the findings of this objective, the study thus recommends that the DFFE implement a more inclusive budgeting process by engaging operational units from the outset. Strengthen the integration of planning and budgeting cycles to ensure strategic priorities are properly costed and matched with available resources. Build flexibility into budget allocations to enable timely adjustments when priorities change.

### 6.5.2 Develop an Understanding of the Strategic Planning and Performance Target-Setting Processes and how they are Linked to the Performance of the DFFE

To address the findings of this objective, this study recommends that the DFFE enhance the integration of budget forecasting within strategic planning to minimise reactive adjustments. Set performance targets that fully align with SMART principles from the beginning. Establish ongoing monitoring systems to assess the impact of budget shifts on target achievement.

### 6.5.3 Determine the Potential Effects of Budget Constraints on the Performance of the DFFE, and how its Strategic Performance can be Improved

To address the findings of this objective, the study thus recommends that the DFFE safeguard essential service delivery programmes during budget reductions to maintain critical functions. Promote innovation and efficiency by streamlining processes. Pursue alternative funding options, such as partnerships and donor support, to mitigate the effects of budget constraints.

### 6.5.4 Recommend Measures that Address Performance Management Within the Context of Budget Constraints

The study therefore recommends that DFFE improve effective early communication between management and the budget section about any budget changes and their impacts. Offer training and capacity-building to equip managers to manage limited budgets effectively. Embed participatory performance management by involving all lower management in setting and revising performance targets. Foster a culture of innovative, cost-aware practices to maintain performance despite financial constraints.

## 6.6 LIMITATIONS OF THE STUDY

The limitations of the study can be identified in three areas. The first limitation of the study is that, as a case study, it used interviews to collect qualitative data from a single organisation, the DFFE, thereby reducing the ability of the study's findings to be generalised to other contexts. The researcher is also a staff member at the DFFE, which potentially raises issues concerning subjectivity in the analysis of the results of the study.

The second limitation of the study concerns the population selection and data sampling methods used in this study, which cover senior management and middle management at the operational level. This, to some extent, cannot represent the voices of other personnel within the DFFE regarding the limitations imposed by budget restrictions.

The final limitation of the study concerns the volume of data generated by the interview process, which makes it impossible to include all of the transcripts in this paper. This volume also resulted in the study reaching a point of data saturation, as many of the participants expressed similar concerns. The study's scope was limited to the offices of the DFFE in Pretoria, despite the department having other offices throughout South Africa. The researcher encountered the following constraints:

- Unavailability of participants from senior management due to their professional commitments.

- Some employees of the DFFE withdrew from participation due to unforeseen circumstances.

The study employed qualitative research methods to gather data from a small sample of senior management and middle management within DFFE. Since every study has its limitations, and due to the exclusively qualitative approach, which involved face-to-face and virtual interviews with probing questions, with an opportunity for follow-up clarification of unclear responses, it was not possible to fully quantify the results. Additionally, the study's findings cannot be generalized to all government departments within South Africa. These limitations were taken into account when discussing the findings.

## 6.7 FURTHER RESEARCH

Since this study focused on examining the impact of budget constraints on the performance management of government, the literature presented may have been somewhat limited in scope. Future research could benefit from a broader, possibly global perspective. Future researchers may wish to examine the alignment of the budget process, strategic plans, and strategic performance of government departments and any other government entities separately or in conjunction with the findings of this current study. Despite these limitations, the research yielded new insights and usefully expanded the current knowledge base, as detailed in the preceding sections of the study. However, they are not limited to the following:

- Further research should be conducted on the role of lower-level officials in the strategic planning and budget process.
- Further research should be conducted on assessing the link between strategic plans and budget allocations, the importance and effect of alignment between the strategic planning process, performance targets, and strategic performance management.

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# Annexure 1: Ethics approval

Tshwane University of Technology

## Faculty of Economics and Finance Research Ethics Committee [FREC-ECO]

*The TUT Research Ethics Committee is a registered Institutional Review Board (IRB 00005968) with the US Office for Human Research Protections (IORG# 0004997) (Expires 19 Jan 2014). Also, it has Federal Wide Assurance for the Protection of Human Subjects for International Institutions (FWA 00011501) (Expires 31 Jan 2014). In South Africa it is registered with the National Health Research Ethics Council (REC-160509-21).The FREC-ECO is a subcommittee of the TUT Research Ethics Committee*

13 June 2023

Mr KB Matshotshi

Ref #: FREC 2023/004-ECO
Name: Matshotshi KB

Student 201082307

**Title:** The effects of budget constraints on Government performance management: The case of the Department of Forestry, Fisheries, and the environment (DFFE)
**Programme:** Master of Business in Finance
**Supervisor:** Prof E Nealer
Co-Supervisor: Mrs JCIJ Geyer

Thank you for submitting your proposal and research instrument for ethical clearance.

The Faculty of Economics and Finance Research Ethics Committee reviewed the documents.

The committee approved the ethical clearance on condition that the following minor changes are made:

- The questionnaire must be language edited.
- Question A2 has two answering categories for respondents who were 3 years there (the categories overlap). Hence, the second category should stop before 3 years.
- Audio records are quite sensitive. Therefore, it must be clear where the tapes are stored (safely) and when they get destroyed. Usually data is kept for 5 years in a safe place (e.g. at the department), but due to their sensitive nature they should be destroyed either once they are transcribed, or latest after the examination. Obviously, this must be addressed in the proposal (one sentence under 7.4) as well as the information leaflet and the informed consent

The Committee wishes you well with your research endeavours.

Signature

Klingelhöfer

Chair: Prof HE Klingelhöfer
Faculty Research Ethics Committee
[Ref#: 2023/004-ECO

cc Supervisor/HoD/etc.

# Annexure 2: Informed consent

**INFORMATION LEAFLET AND INFORMED CONSENT**

**PROJECT TITLE:**

**THE EFFECTS OF BUDGET CONSTRAINTS ON GOVERNMENT PERFORMANCE MANAGEMENT: THE CASE OF THE DEPARTMENT OF FORESTRY, FISHERIES AND THE ENVIRONMENT (DFFE)**

Primary investigator: Mr. KB Matshotshi, Master of Business Studies in Finance

Study leader: Prof EJ Nealer, PhD., Department of Public Administration and Management, University of South Africa (UNISA)

Co-study leader: Mrs. JC Geyer, Department of Finance and Investment, Tshwane University of Technology (TUT), Ga-Rankuwa

Co-study leader: Mr. SJ Maluleka, Department of Public Sector Finance, Tshwane University of Technology (TUT), Ga-Rankuwa

**Dear Questionnaire Completion Interviewee,**

You are invited to participate in the data-collection phase of a research study that forms part of my formal M-Tech studies at TUT. This information leaflet will help you to decide if you would like to participate or not. Before you agree to take part, you should fully understand what is involved. You should not agree to take part unless you are completely satisfied with all aspects of the study's data collection.

**WHAT IS THE STUDY ALL ABOUT?**

The aim of this research study is to determine the effects of budget constraints on the performance of DFFE, resulting in possible improved performance where a department must operate under a constrained budget. It can be argued that there is

a need to determine the possibility that the DFFE can still improve its strategic performance in order to fulfil its constitutional mandate under the current governmental budget constraints.

**WHAT WILL YOU BE REQUIRED TO DO IN THE STUDY?**

In this research study, a qualitative research approach will be employed, whereby descriptive presentation of information will be collected through semi-structured interviews and open-ended questionnaires, and as a participant, you will be required to avail yourself of the interview questions as part of data collection.

The interviews will take about 30 - 35 minutes to complete, and only once-off online or physical contact sessions will be applicable. There are no specific requirements needed for this research interview besides your availability and time slot as indicated above. There will also be no expenses that will be required from you in participating in this data collection phase of the study.

If you decide to take part in the study, you will be required to do the following:

- Complete this informed consent form.
- To participate in an online (Ms. Teams) or physical interview with the Researcher. The audio record will be kept in a safe storage place at the Department but will be destroyed after the examination. You will be required to provide your opinions and/or insights on the study theme during the discussion. Note that the discussion will be audio-recorded / video-recorded.

**ARE THERE ANY CONDITIONS THAT ARE EXCLUDED FROM THE STUDY?**

There are no conditions that may exclude you from the study. In the case that you decline to participate the project researcher will adhere to your decision.

**CAN ANY OF THE STUDY PROCEDURES RESULT IN PERSONAL RISK, DISCOMFORT, OR INCONVENIENCE?**

Structured questionnaire: The study and procedures involve no foreseeable physical discomfort or inconvenience to you or your family.

**WHAT ARE THE POTENTIAL BENEFITS THAT MAY COME FROM THE STUDY?**

The potential benefits of participating in this study are as follows:

• You will contribute to the study with the ultimate objective of evaluating the effects of budget constraints and developing a guideline to assist Management on how DFFE can optimally improve its strategic performance.

• You will also contribute to the body of knowledge and literature base of the South African research information regarding the effects of budget constraints and performance management.

**WILL YOU RECEIVE ANY FINANCIAL COMPENSATION OR INCENTIVE FOR PARTICIPATING IN THE STUDY?**

Please note that you will not be paid to participate in the data collection phase of the study.

**WHAT ARE YOUR RIGHTS AS A PARTICIPANT IN THE DATA COLLECTION PHASE OF THIS STUDY?**

Your participation in this study is entirely voluntary. You have the right to withdraw at any stage of the study without any penalty or future disadvantage whatsoever. You don't even have to provide the reason/s for your decision. Note that you are not waiving any legal claims, rights, or remedies because of your participation in the data collection phase of this research study.

**HOW WILL CONFIDENTIALITY AND ANONYMITY BE ENSURED IN THE STUDY?**

All the data that you provide during the study will be handled with confidentiality. This means that access to your data will be strictly limited to the Researcher, the

supervisors of the study, and members of the research ethics committee and/or the designated examiners (appointed by Tshwane University of Technology). The study data will be coded so that it will not be linked to your name. Your identity will not be revealed while the study is being conducted or when the study is reported in scientific journals. All the data sheets that have been collected will be stored in a secure place within the Department of Finance and Investment, TUT) for a period of 5 years.

Any information that is obtained in connection with this study and can be identified with you will remain confidential and will be disclosed only with your permission or as required by law. The information received during the project will only be used for research purposes and will not be released for any employment-related performance evaluation, promotion, and/or disciplinary purposes.

**IS THE RESEARCHER QUALIFIED TO CARRY OUT THE STUDY?**

The researcher is conducting the study under the guidance and supervision of adequately trained and qualified researchers in the study fields covered by this research project, specifically in public sector financial management.

**WHO CAN YOU CONTACT FOR ADDITIONAL INFORMATION REGARDING THE STUDY?**

The primary investigator, Mr. Brayne Matshotshi, can be contacted on cellular phone at 0769406319. Study leader: Prof E.J Nealer, and Co-study leaders: Ms. JG Geyer & Mr SJ Maluleke, can be contacted during office hours at 082 876 7397, 082 880 4756, and 081 860 6710 respectively. Should you have any questions regarding the ethical aspects of the study, you can contact the chairperson of the Faculty Research Ethics Committee, Prof. HE Klingelhöfer, during office hours at Tel (012) 382-0664, and E-mail KlingelhoeferHE@tut.ac.za. Alternatively, you can report any serious unethical behaviour at the University's (TUT) Toll Free Hotline 0800 21 23 41.

**DECLARATION: CONFLICT OF INTEREST**

No publication prohibitions, conditions, or limitations were placed on the researcher.

**A FINAL WORD**

Your cooperation and participation in the data collection phase of the study will be greatly appreciated. Please sign the Informed Consent Form below if you agree to participate in the study. In such a case, you will receive a copy of the signed informed consent form from the Researcher.

**CONSENT TO TAKE PART IN THE DATA-COLLECTION PHASE OF RESEARCH**

I, ----------, agree to participate in this data-collection phase of Mr. Brayne Matshotshi's (Masters Degree student Number 201082307 at Tshwane University of Technology) research study.

- I understand that even if I agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.
- I have had the purpose and nature of the study explained to me and I have had the opportunity to ask questions about the study.
- I understand what participation in the research involves.
- I understand that I will not benefit directly from participating in this research.
- I understand that all information I provide for this study will be treated confidentially.
- I understand that in any report on the results of this research, my identity will remain anonymous.
- I understand that the signed consent forms will be retained until a specific relevant period
- I understand that the completed data-collection questionnaires will be kept in the archives of the Tshwane University of Technology for a period of five years after which they will be destroyed.
- I understand that under freedom of information legalisation, I am entitled to access the information I have provided at any time while it is in storage as specified above.
- I understand that I am free to contact the Study leader; Prof E.J Nealer Co-study leaders; Ms. J.G Geyer & Mr. S.J Maluleke at 082 876 7397, 082 880 4756, and 081 860 6710 respectively people involved in the research to seek further clarification and information.

**Name of Researcher**

---------- ----------

**Signature of Researcher** **Date**

# Annexure 3: Interview guiding questions

***DATA COLLECTION QUESTIONNAIRE***

These interview questions were drafted for the officials in the Department of Forestry, Fisheries, and the Environment (DFFE) in order to address the research objective(s). The questions will not require more than 30 minutes of the respondent's time.

**A - GENERAL QUESTIONS**

**1. What is the level of your designation?** *(Make a √-tick in the relevant block below):*

Top management ☐

Senior management ☐

Middle management ☐

Lower management ☐

Other, specify _____

**2. For how long have you been involved in the budget process of this department?** *(Make a √-tick in the relevant block):*

| | |
|---|---|
| Less than 2 years | |
| 2 to 3 years | |
| 4 - 5 years | |
| More than 5 years | |

**B - RESEARCH QUESTIONS**

The primary objective of the study is to evaluate the effects of budget constraints on the strategic performance of DFFE. To address this primary objective, the following secondary objectives (SOs) will be considered:

1. **To understand the budgeting process and its effect on the strategic performance within DFFE.**

1.1 What is your understanding of the budget process in DFFE?

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.....

1.2 How does the budget have an effect on the strategic performance of DFFE?

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2. **To obtain an understanding of the strategic planning process, performance target, and how it is linked to the performance of the DFFE.**

2.1 What is your understanding of the strategic planning process?

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.....

2.2 What role do you play in the strategic planning process?

.....

.....

2.3 Are you involved in the setting of performance targets for your unit?

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.....

2.4 How do you determine whether a target will be met or not?

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.....

2.5 What is your understanding on the setting of performance targets?

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.....

2.6 How does the strategic planning process and performance target link to the performance of DFFE?

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**3. To determine the potential effects of the budget constraints on the performance of the DFFE and how its strategic performance can be improved.**

3.1. Has there been budget cuts in your unit in the past five years (2018/19 - 2022/23)?

.....

3.2. If yes, how have these cuts affected your performance as a unit/branch in these financial years within the Department?

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3.3. Were you able to meet your initial targets or were you requested to make changes to the targets?

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3.4. If you made changes, what process have you followed to make the changes?

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3.5. Did the budget cut result in delays in delivering other services?

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3.6 Were any specific services that you offer to citizens or internal clients as a unit affected by these budget cuts?

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3.7 What type of services do you provide?

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3.8 What alternatives have been given to citizens or internal clients?

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3.9 What measures can you recommend to ensure that budget cuts do not affect the overall strategic performance of the DFFE?

……

……

……

**4. To develop the guideline that addresses strategic performance taking the effect of budget constraints into consideration.**

4.1 Is there a guideline that explains the process to follow during budget cuts?

……

……

……

4.2 And if a guideline exists, who is the custodian of it?

……

……

4.3 In your view, does the guideline provide adequate guidance?

……

……

4.4 Which areas can be added to improve the guideline?

……

……

……

……

THANK YOU!

RESEARCHER.

DATE:

## Annexure 4: Permission to conduct the study (gatekeeper permission)



# Workflow Details

**224662 Submission requesting approval for Mr Brayne Matshotshi to conduct his research study with DFFE**

| Date Initiated: | Initiator: | Current Performer: | Due Date: | Done Date | Workflow Status: |
|---|---|---|---|---|---|
| 23 November 2022 02:49 PM | Dieketseng Motloung | Tracy Bhunu | 10 January 2023 12:12 PM | | Executing |

**Initiator Comments:**
Dear Nita, A request from Mr Matshotshi to conduct research study with DFFE. Regards Dieketseng

Step Details...

| Step Name | Performer | Task Disposition | Due Date | Done Date | Comments |
|---|---|---|---|---|---|
| Step 03.- Assistant Director | Nita Makgohlo | Concur | 25 November 2022 02:49 PM | 23 November 2022 03:17 PM | I concur. Regards Nita |
| Step 04 - Deputy Director | Joshua Moepya | Concur | 25 November 2022 03:17 PM | 24 November 2022 07:57 AM | Supported. Josh |
| Step 05 - Director | Isa Qaqane | Forward to CD | 28 November 2022 07:57 AM | 30 November 2022 09:31 AM | Supported. Isa |
| Step 06 - Chief Director | Pretty Luphondo | Recommended | 02 December 2022 09:31 AM | 02 January 2023 11:27 AM | Supported. Pretty |
| Step 06I - DDG:CMS Quality Control | Tracy Bhunu | QA Completed-forward to DDG | 04 January 2023 11:27 AM | 04 January 2023 11:00 AM | DDG Kindly receive request for Mr Matshotshi to conduct study research in the Department of Forestry, Fisheries and the Environment in fulfilment of his master's studies for your consideration and approval. Tracy |
| Step 07 - Deputy Director General | Molefe Lebethe | Approved | 06 January 2023 11:00 AM | 04 January 2023 12:12 PM | |
| Step 07B - Print Documents for DDG | Tracy Bhunu | | 06 January 2023 12:12 PM | | |
| Step 10B - Central Registry | WF: Central Registry | | 10 January 2023 12:12 PM | | |