



Expenditure and Performance Reviews

Presented by: Ronette
Engela
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Background



- Limits to ability of fiscal policy to further push reduction in inequality and poverty relief, need to focus on wage earning improvements

BUT ALSO quality of public expenditure

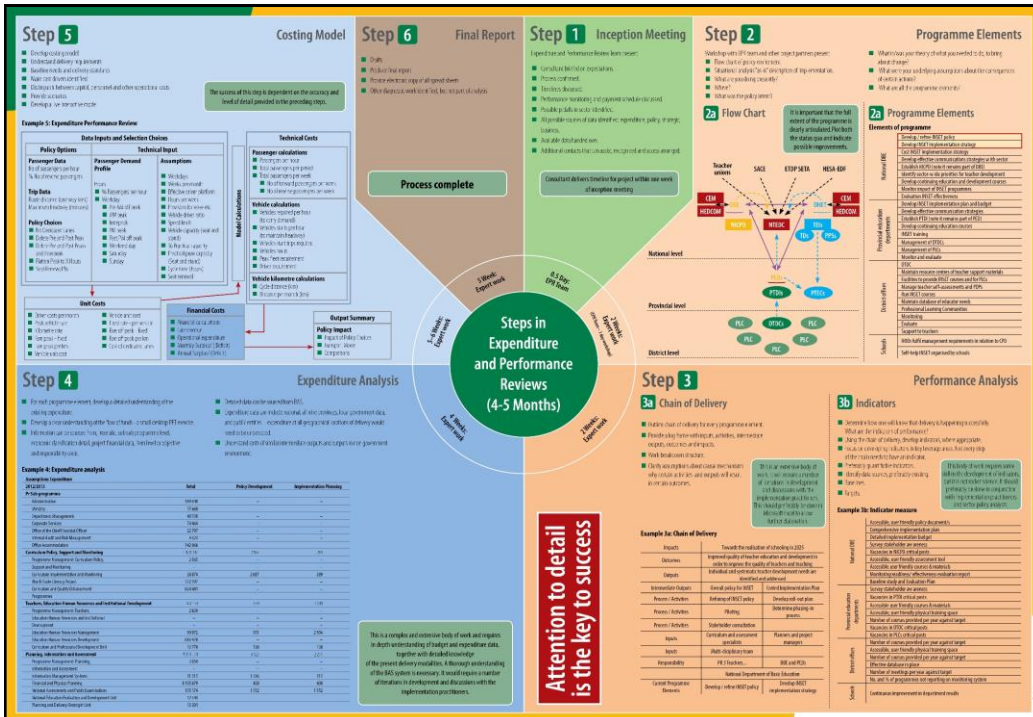
- Greater efficiency in delivery
- Better understanding of mix of policies and appropriateness of choices



Background



- Joint project between NT and DPME in The Presidency
- Topics determined by NDP, MinComBud, MTSF, senior officials
- Work closely with affected department, oversight committee – NT Public Finance, affected Dept. reps, Presidency
- Body of work done by consultants, very tight oversight, 4-5 month
- Predetermined Methodology – break through



Topics



Urban: Housing & Public Transport

- Housing delivery – core housing programmes
- Rapid verification of informal settlement upgrading
- Public Transport System in 5 metro areas

Rural: Land & Agriculture

- Land Restitution
- Micro Agricultural Financial Institutions of South Africa (MAFISA)

Industrial & SMME

- Industrial Development Zones (IDZ)
- SEDA technology incubators
- Effective partnering of Science Councils with the private sector
- Proposals on the roll-out of broadband



Topics



Education & Training

- In service training of teachers (INSET)
- National Skills Fund
- Public Services Sector Education Authority
- Artisan development programme
- National School of Government

Foreign missions & immigration

- Cost drivers in foreign missions
- Critical scarce skills immigration policy

Other

- PanSALB, the CRL and Language Services of the Dept of Arts and Culture
- Registration of welfare service providers

Total value of R100 billion

Housing



	Present subsidy	Cost per unit
RDP	R90 362	R253 720
Informal settlement upgrading	R33 769	R140 432
Rectification of RDP stock	R25 696	R127 882
Community Residential Units		R356 375
Social Housing	R330 000	

Existing delivery

- Study shows 123 000 housing units delivered p/a publishes 254 000 units NDoHS
- Presently, approx 2 million HH backlog
- Projected, in 20 year's time, new HH growth of another 1 million HH



Housing



Considerations

- At present pace of delivery, it will take 30 years to deliver on RDP and Informal settlement backlog
- To meet present & projected housing needs within existing policy parameters, will cost:
 - over 20 years R1.4 trillion
 - over 10 years R600 billion
- To meet backlog in 10 years would require spending R60bn p/a, presently spending R15bn p/a



Public transport

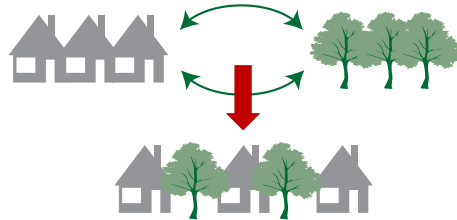


Existing delivery

- Private and public spending on public transport in 6 largest metros R26 billion p/y - 70% raised from fares
- Taxi transport 67% of passengers, no operating subsidy
- Fragmented institutional decision making on Transport
- Apartheid city landscape limitations

Considerations

- Housing and transport integrated decisions



In-Service Training of Teachers (new policy)



Present expenditure		Proposed cost reductions		Saving
Provincial HRD expenditure	R631 m	Training days per 3 year cycle reduced from 45 to 30 days		R879 m
Full policy scenario		Target 30% of all teachers instead of 100%		R3,6 bn
New programme annually	R12,2 bn	Learner pupil ratio in courses reduced from 1:20 to 1:30		R437 m
Once off infrastructure costs	R6,7 bn	More short courses, only 10% residential courses (rather than 80%)		R257 m
Pragmatic scenario		Run 20% (rather than 10%) of courses in school holidays, less locums		R42 m
New programme annually	R2,3 bn	Teachers not reimbursed for travel to Professional Learning Committees		R884 m
				R6,1 bn

- Teacher quality main blockage in improving education system
- Two arguments – improve teachers vs provide more teaching aids
- INSET focus on teachers – accept departure point



In-Service Training of Teachers (new policy)



Considerations

- Policy proposals require extensive expenditure – additional burden on provincial budgets
- Full policy scenario (12.2bn annually) vs pragmatic approach (R2.2bn annually)
- Need realistic roll-out plan – 8 year horizon
- Requires intensive management from district offices – weakest link in the chain



Welfare administration processes



Present expenditure		Proposed cost reductions		Saving
National Soc Dev dept	R23	Combine registration processes		R217
Provincial Soc Dev depts	R227	No renewals		R102
<i>total</i>	R250	Target 5% of facilities for assessment		R60
Full policy scenario		Reduce rate of inspection to 2 p/a		R75
National	R62	Use auxilliary social wokers		R54
Provincial	R1 060	Other small task shifting + compounded changes		R106
<i>total</i>	R1 122	<i>Subtotal savings</i>		R614
Pragmatic scenario				
National	R58			
Provincial	R369			
<i>total</i>	R427			

Existing delivery

- Limited budget, yet large expenditure on travel & workshops
- Real costs relate to inspections, quality assurance and enforcement



Welfare administration processes



Considerations

- Need standard operating procedures for registration of welfare organisations
- Eliminate duplicate processes
- Provincial Social Development departments need to strengthen their oversight
- Need provincial appeals process



National School of Government



	Cost	Income	Funding gap
Cost of initial proposals	R7.4bn		
Proposed income from 1% of salary bill of all dept		R4.6bn	R2.8bn
Exclude Basic Ed, Health, Defence, Correct Serv, Saps, DIRCO, Parliament	R2.2bn	R1.1bn	R1.1bn
Main cost drivers:			
Target to train not 60% but 40% of existing civil servants p/a	R1.9bn		R900m
Increase learner: instructor ratio from 40:1 to 60:1	R1.8bn		R782m
Exclude elite cadet style training for 1% of new recruits @ unit cost of R217 000 p/a	R1.6bn		R593m
GSETA policy decision is taken to give funds to NSG		R420m	R23m

- Existing civil servants
- All new recruits
- Elite cadet training for 1% of new recruits
- Summer school for DGs, DDGs

New policy proposal
National School of Government ≈
University for civil servants



Considerations

- Roll-out should be staggered, show success before further funds
- The proposal assumes that most of the training will be done for free by existing SMS & MMS civil servants. The opportunity cost of civil servants giving their time is R600 million
- Initial full policy parameters costing was R52 billion, after first round of costing, advisory committee immediately adapted their proposals



Key conclusions



Unrealistic expenditure expectations

- Policy & implementation programmes developed without understanding costs
- Country and government's capacity to implement

Divergence between policy intent vs implementation

- Path dependencies
- Change in external environment not recognised



Key conclusions



Lack of integration with local government

- Stated policy intent, but limited progress
- Discomfort with subsidiarity?

Lack of leadership, bureaucratic capture

- Organisations turn inwards – large spending on corporate services



Key conclusions



Stop gap measures

- Stop gap funding – future fiscal pressure

Training

- Extensive exposure
- International norms and SA scale of problems



Performance analysis
Expenditure ascription
Expenditure model

GTAC



“Where there is no plan,
the budget becomes the plan.

When the plan is unaffordable
or unrealistic, the budget becomes
the plan”

Alan Schick

GTAC government
technical advisory
centre
National Treasury
REPUBLIC OF SOUTH AFRICA



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QUESTIONS?