





# **Green shoots of change**

The NEFC 2005-2009  
**Provincial Expenditure Review**



*What we mean by*  
***Green Shoots of Change***

**PER 2009** reviews the revenue and expenditure patterns in the first year of the intergovernmental financing reforms.

We're looking for early signs. What can we see?

***Green shoots of change***

- the reforms are having an impact
- more money is reaching the priority areas



# RIGFA – is it working?

## 1. Grants were spent on the purposes intended

- The function grants in health, education and infrastructure maintenance generally in keeping with intention of grants.

## 2. *The increased funding reached provinces that needed it most*

- The fiscal capacity of the six lowest funded provinces went from an average of 30% in 2008 to 45% in 2009.



# RIGFA – is it working?

## 3. *The increased funding went to MTDS sectors*

- These increases were targeted at basic education, rural health, transport infrastructure maintenance and primary production.

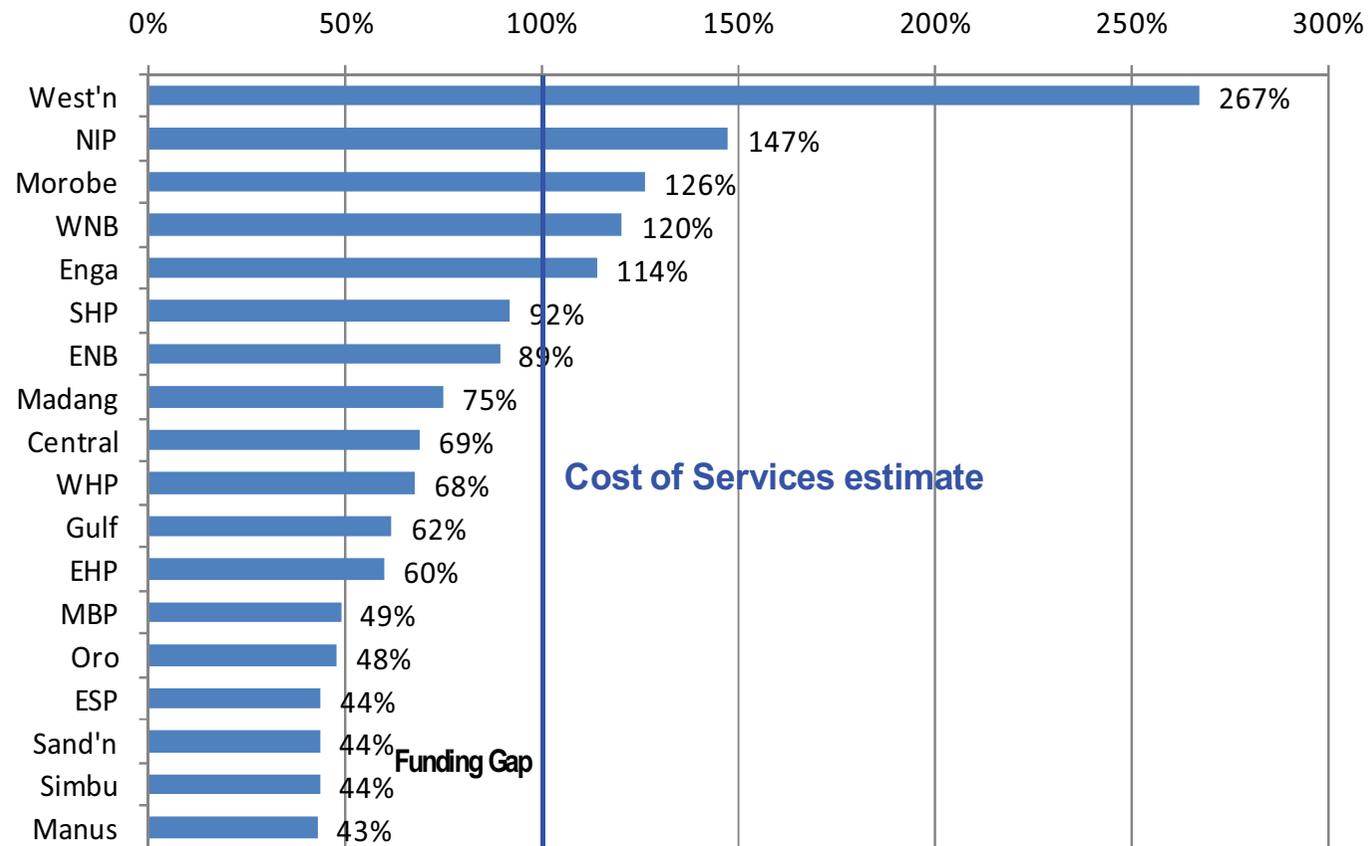
## 4. *There was evidence of spending on Minimum Priority Activities (MPAs)*

- The expenditure levels on MTDS sectors in 2009 are considerably higher (32%) than 2008
- The Provinces have become more sensitised to the MPAs



# Improved Fiscal Capacity

The 6 provinces with the lowest fiscal capacity went from 30% in 2008 to 45% in 2009



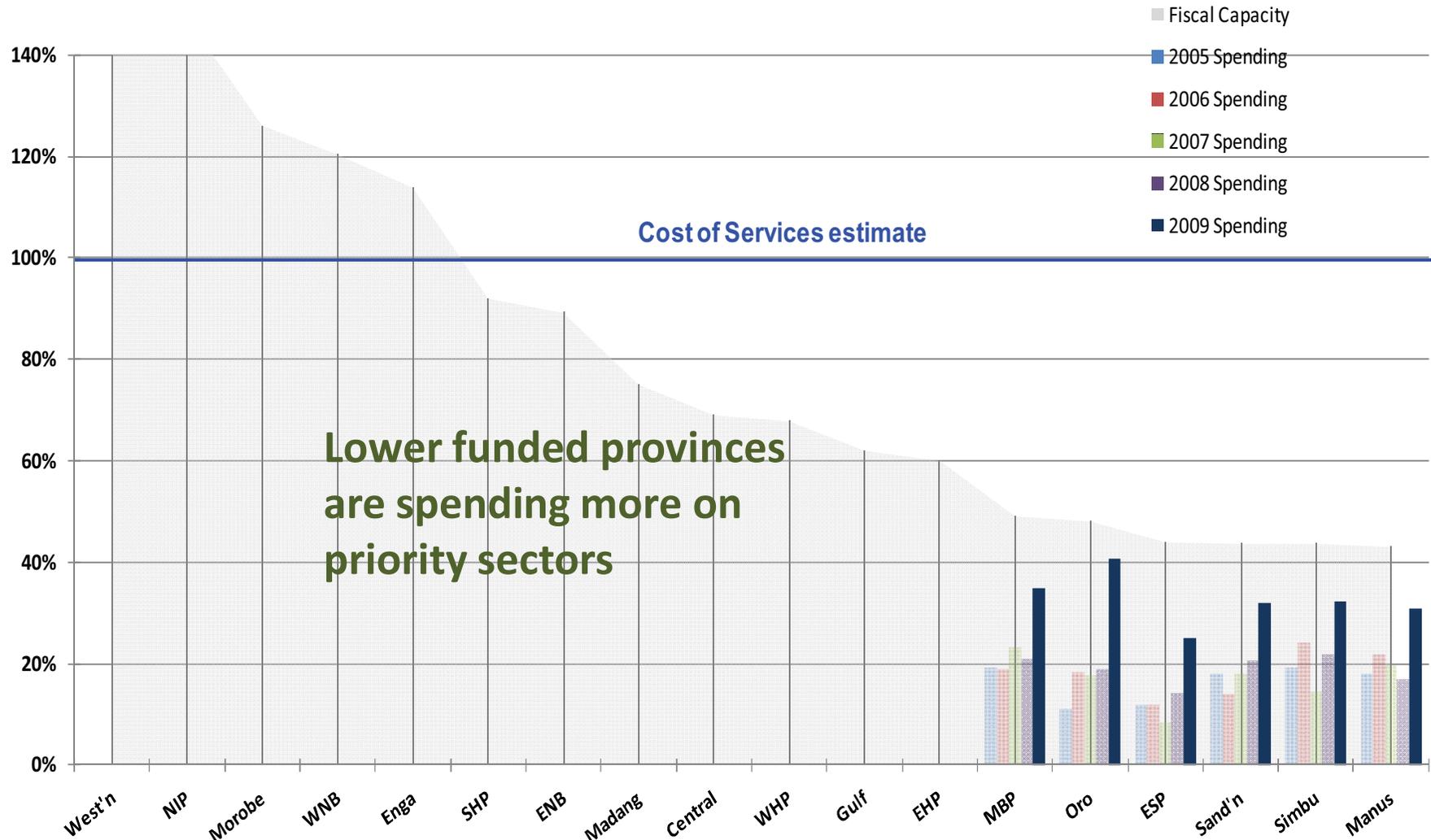
# Spending versus Cost of Services

Was money spent on service delivery?

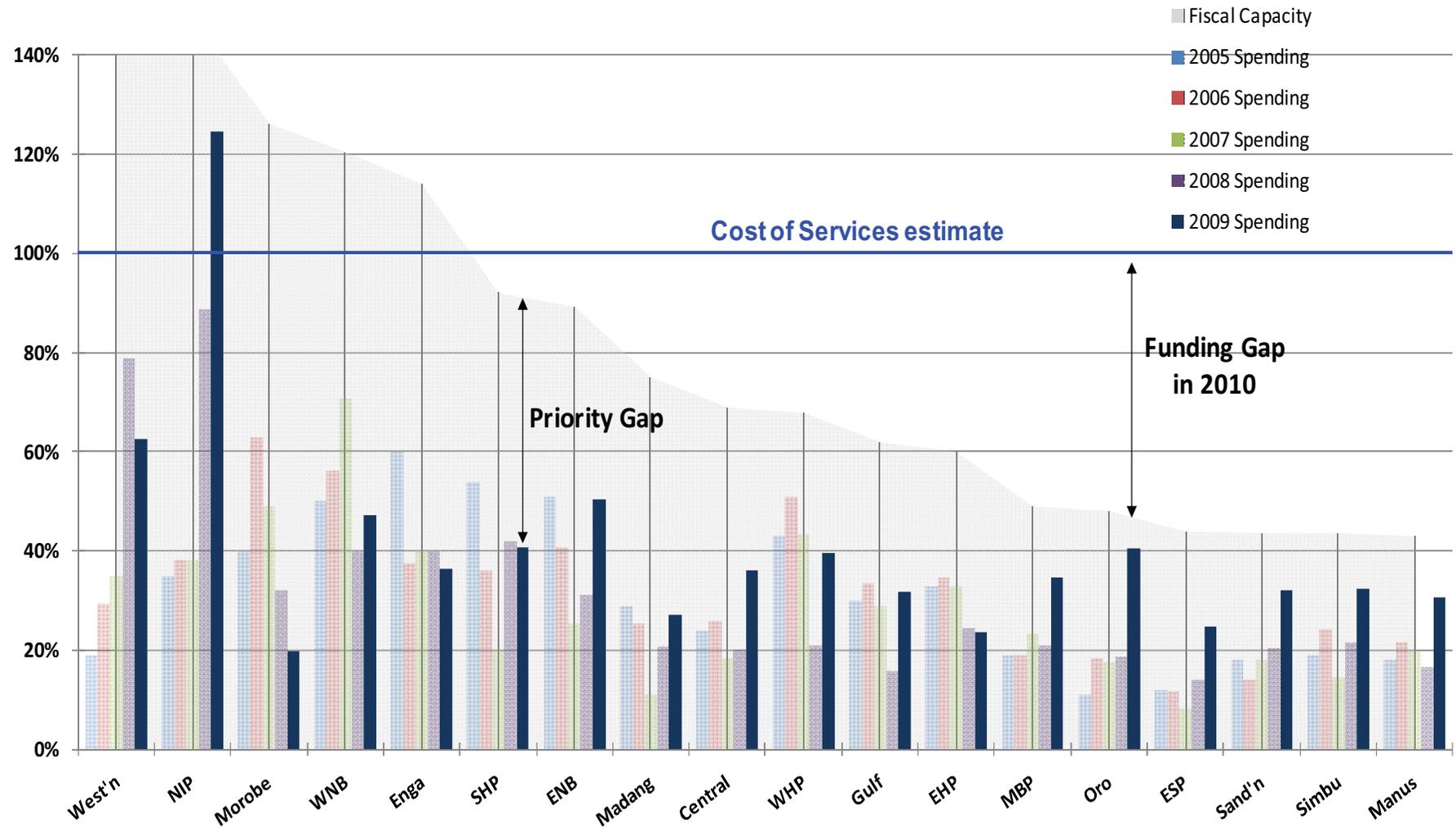


# RIGFA supports priority sectors

MTDS expenditure 2005-2009

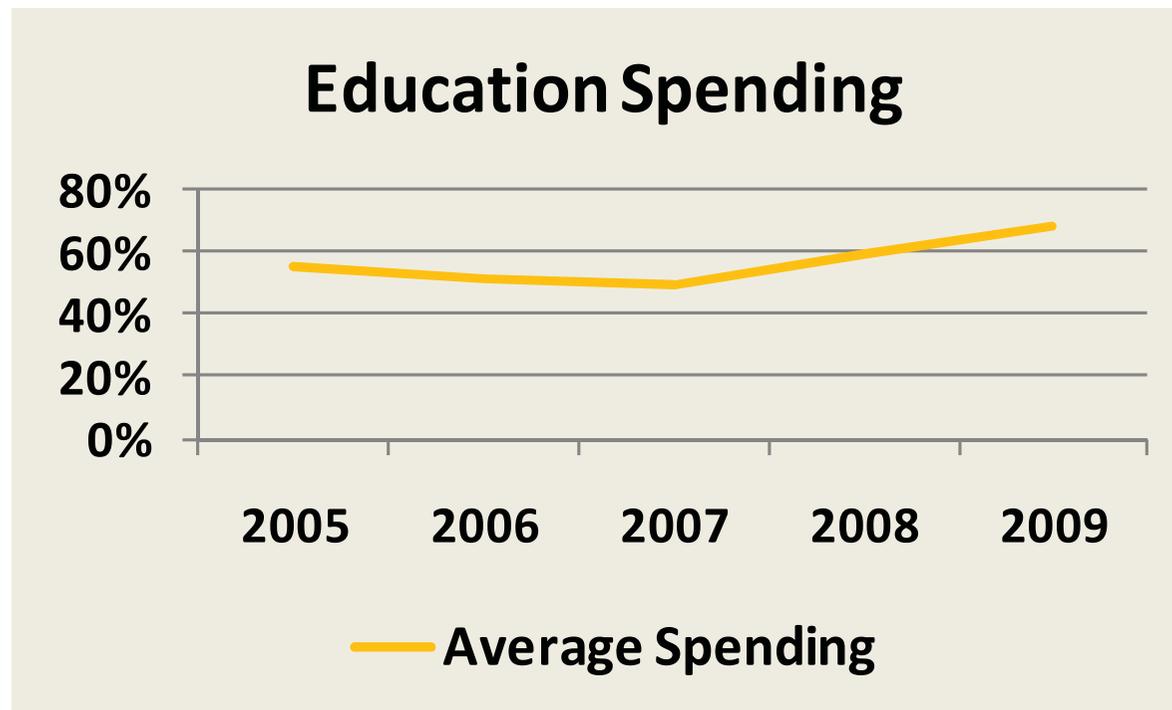


# Spending in MTDS



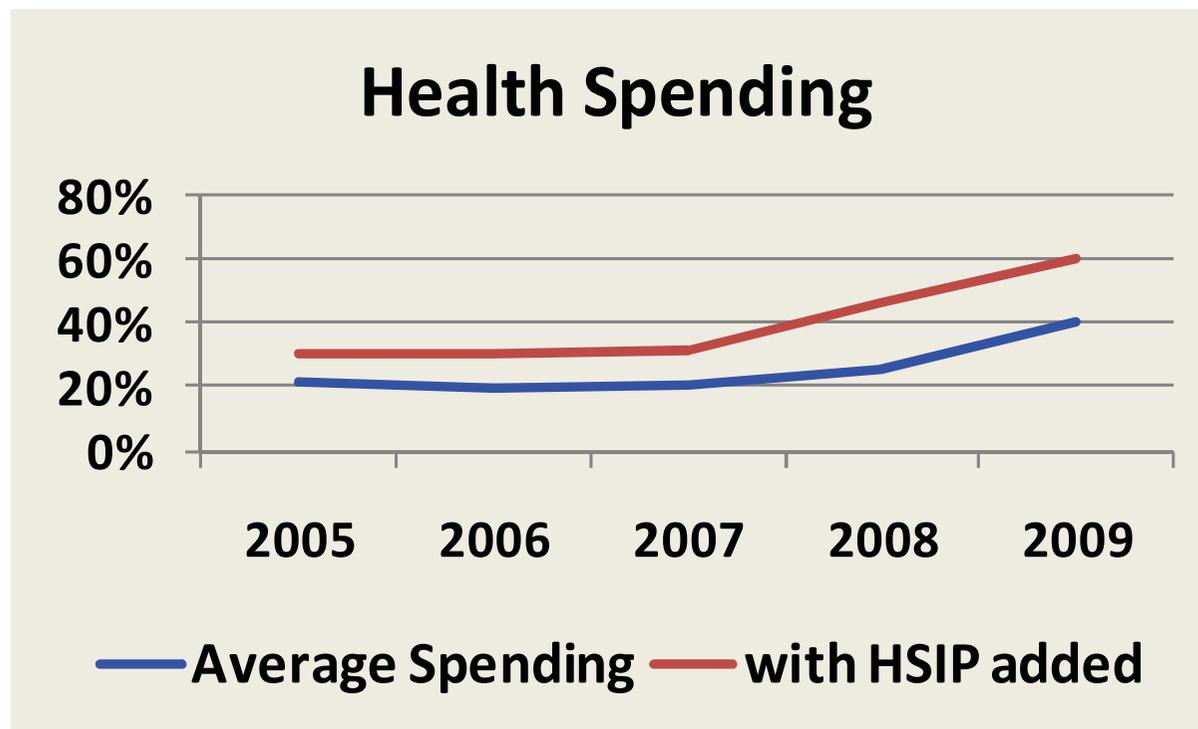
# Education Sector

- Recurrent spending in education has increased by K9 million with most provinces (14) spending more.
- Spending by the seven lowest funded provinces increasing from 30% in 2008 (of what is needed) to 40% in 2009.
- Education remains the best supported MTDS sector



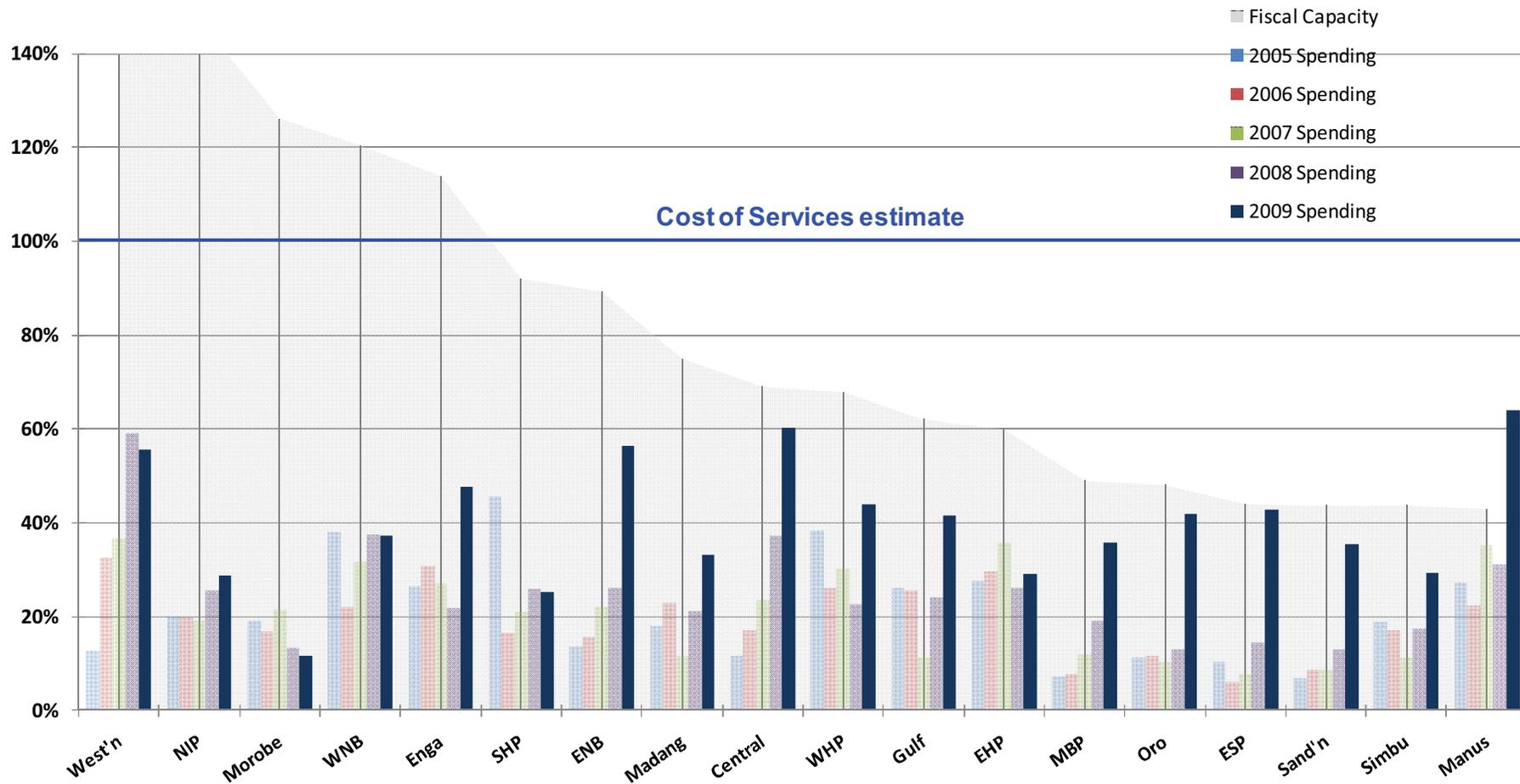
# Health Sector

- Health continues to be the lowest funded MTDS
- However overall spending increasing by K12.6 million and spending from HSIP remained strong – and is a key source of funds for many provinces.



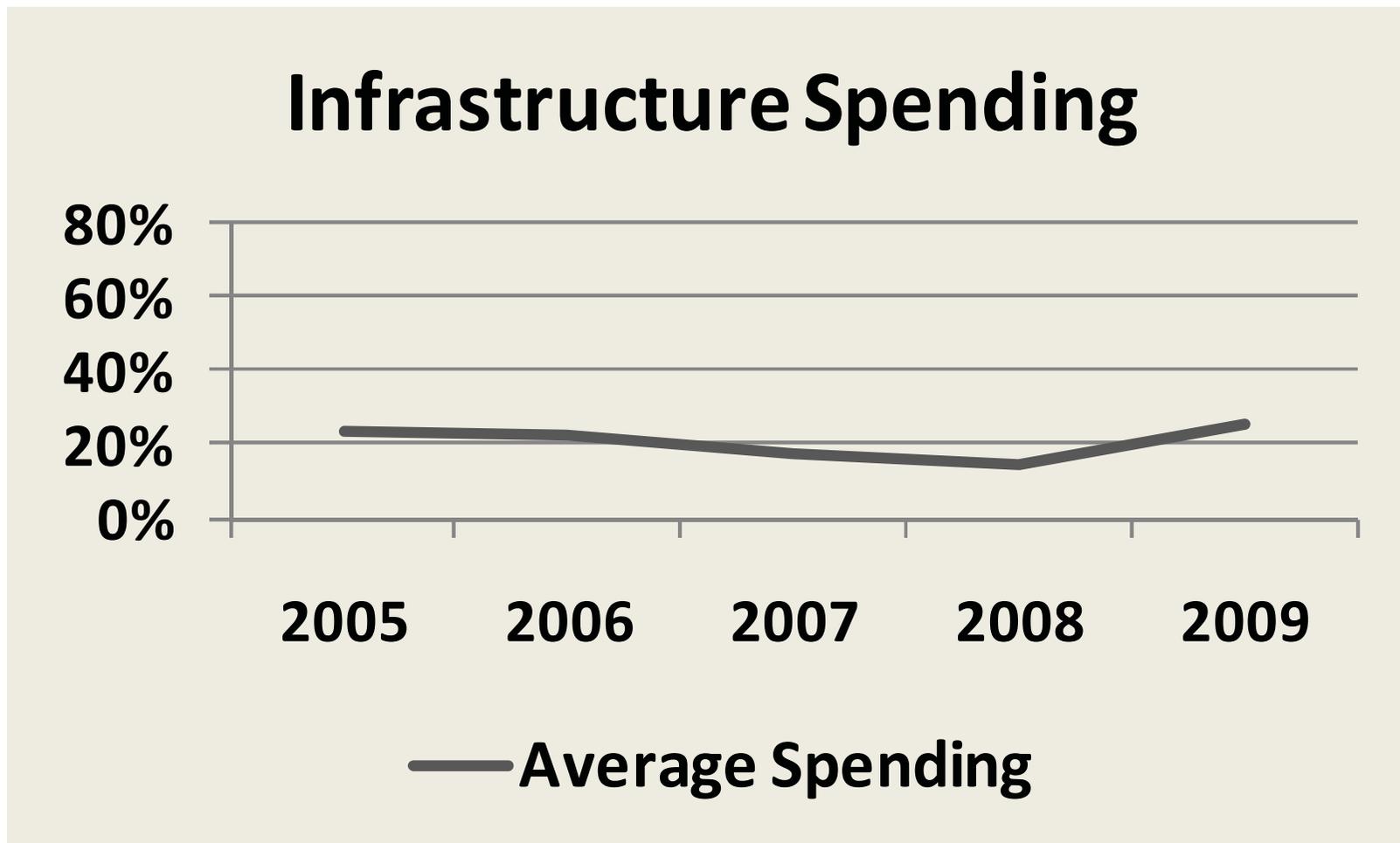
# More health spending for the first time!

Health Expenditure for the five years 2005 to 2009



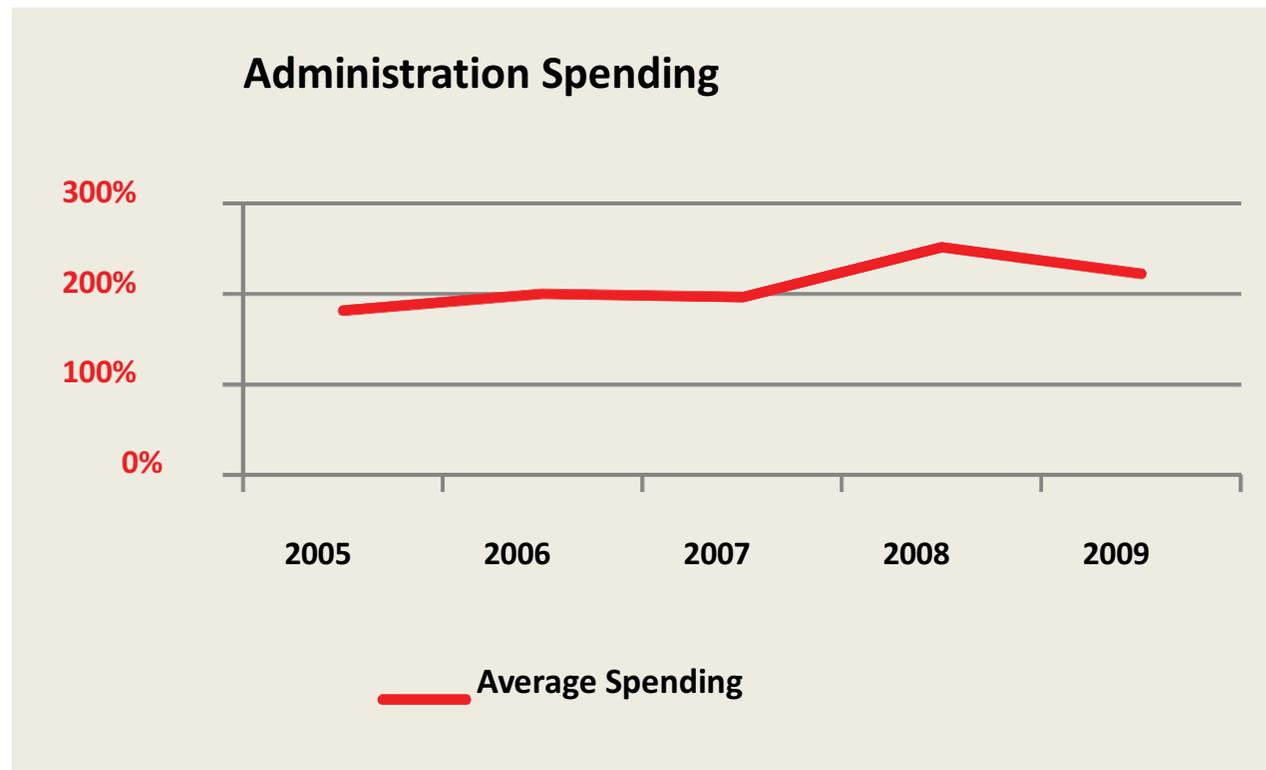
# Transport Infrastructure Sector

- Slight increase in routine maintenance of K12.8 million in 2009, following declines in 2007 and 2008.



# Administration

- Still extremely high relative to service delivery
- Slight decrease in 2009
- Progress with reduced spending from unspecified arrears votes, from K28m...K11m...**K6m**



Fiscal Indicators: Measuring how well we are managing our resources with the objective of improving front-line service delivery

## **THE SCORECARD**



# The Scorecard – focusing on spending that supports service delivery

**Criteria:** there are 25 measures which include

- The amount spent on priority sectors
- Equity (or fairness) of spending across priority sectors
- The use of internal revenue to support priority sectors & activities
- The utilisation of function grants
  - The amount unspent
  - Ensuring the spending is on the right things
- Late spending



STRATEGIES FOR STRONGER GROWTH

**WHERE TO FROM HERE?**



# Consideration for Future Change

- **Timely and Even Spending**

Spend more evenly during the year and not a large proportion in the fourth quarter - this demonstrates better planning and expenditure management

- **District Data**

District Treasuries to acquit function grant transfers from provinces

- Design a form of data transfer, especially between districts and provinces, that enables district expenditure to be reported more easily, regularly and reliably



# Consideration for Future Change

- **Cost and funding implications of policy decisions**

**The thin blue line** is the cost we estimate to deliver essential services.

In 2010 an administrative decision increased per diems from K80 to K200 - this increased the cost of essential services by at least **K55 million or 12%**

**→ The cost and source of funding should be an integral part of all policy proposals upfront**



# Consideration for Future Change

- **Transport infrastructure maintenance**

The current spending on maintenance is woefully inadequate compared to the actual cost

More own source revenue must be spent on maintenance

Regular funding of infrastructure maintenance will reduce rehabilitation and capital project costs

- **Narrowing the Priority Gap**

More own source revenue needs to go to funding goods and services in the priority sectors, particularly in resource rich provinces.

- **Transparency of MPAs**

Clearly label MPAs in the 2011 budget

Implement the Activities in each sector - and

Report on MPAs in budget reviews





## **RIGFA**

**the funding gap**

**re-prioritisation**

**Targeting priority activities**