



Walking the Talk

Provincial Expenditure Review 2008

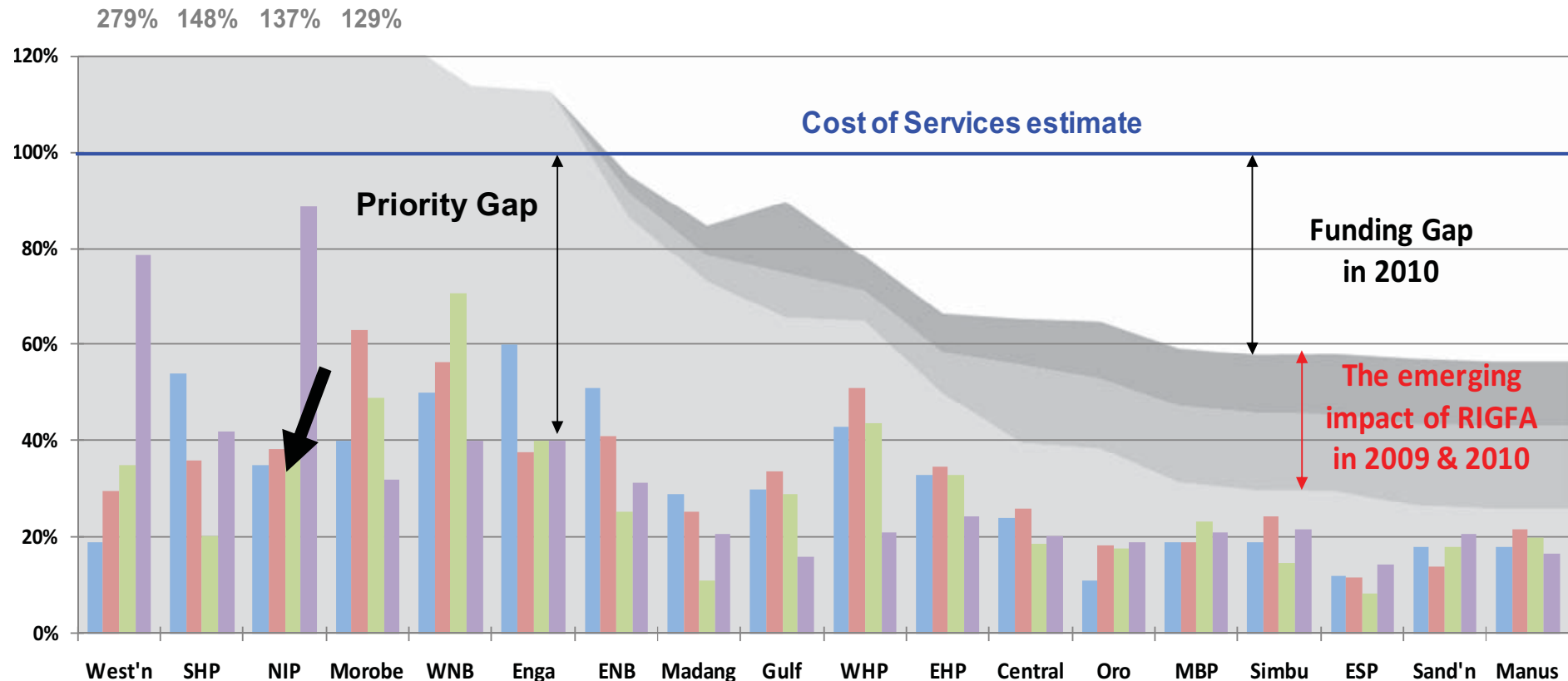
26 January 2010

Outline

‘Walking the Talk’ - monitors the ‘Reform of Intergovernmental Financing Arrangements’ (RIGFA)

- What are the overall levels of revenue available to provincial governments ?
- In detail – what was the provincial spending for 2008 – overall and sector specific
- The PER Scorecard
- How can we better walk the talk on service delivery?

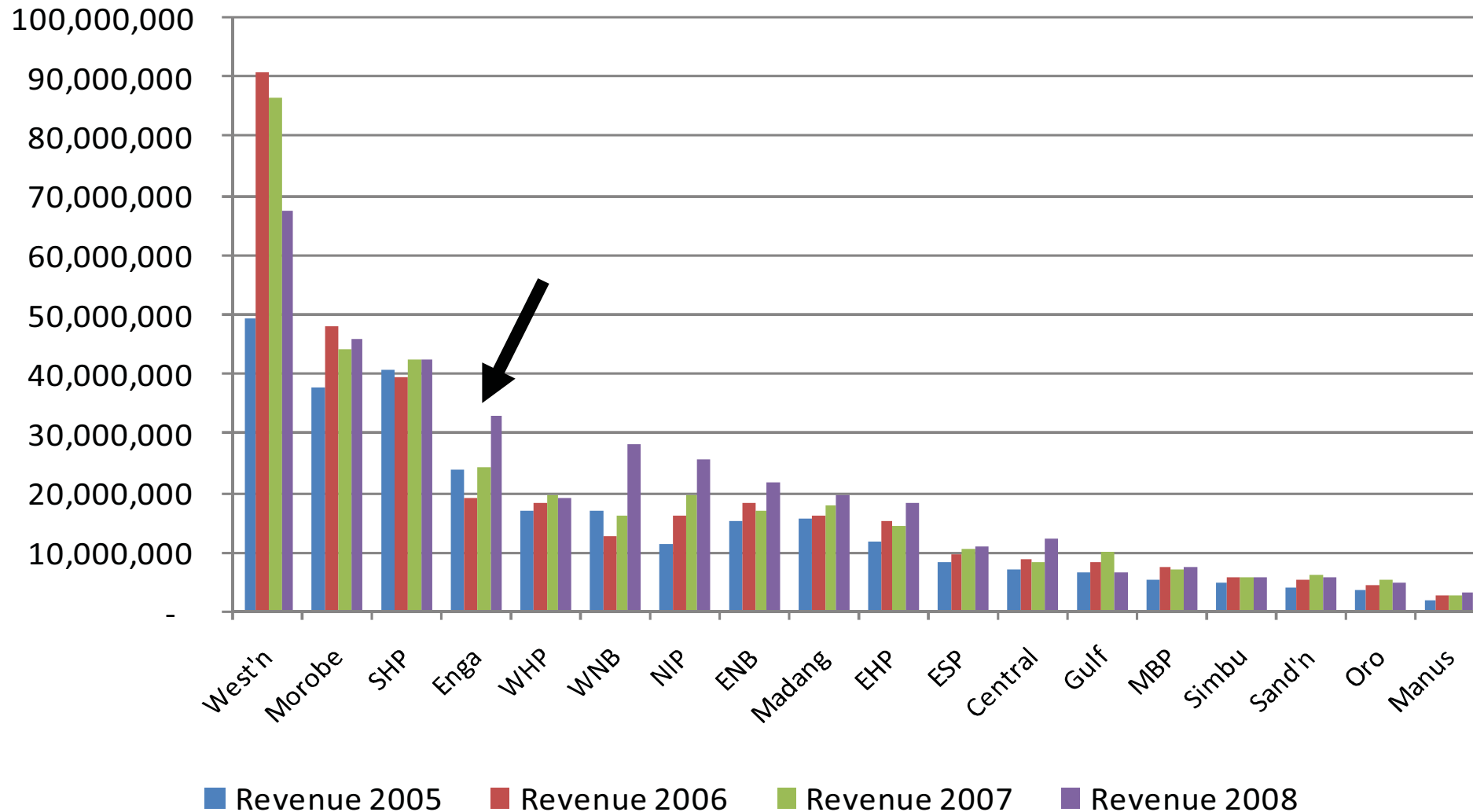
- The implementation of RIGFA is seeing more money given to the provinces that need it most. We're closing the funding gap.



- Now it's time to *walk the talk*, to use the extra money to re-institute the delivery of key services

Overall revenue movements

- Overall (available) revenues have increased between 2005 - 2008
- From K280m...K344m...K356m...**K377m**

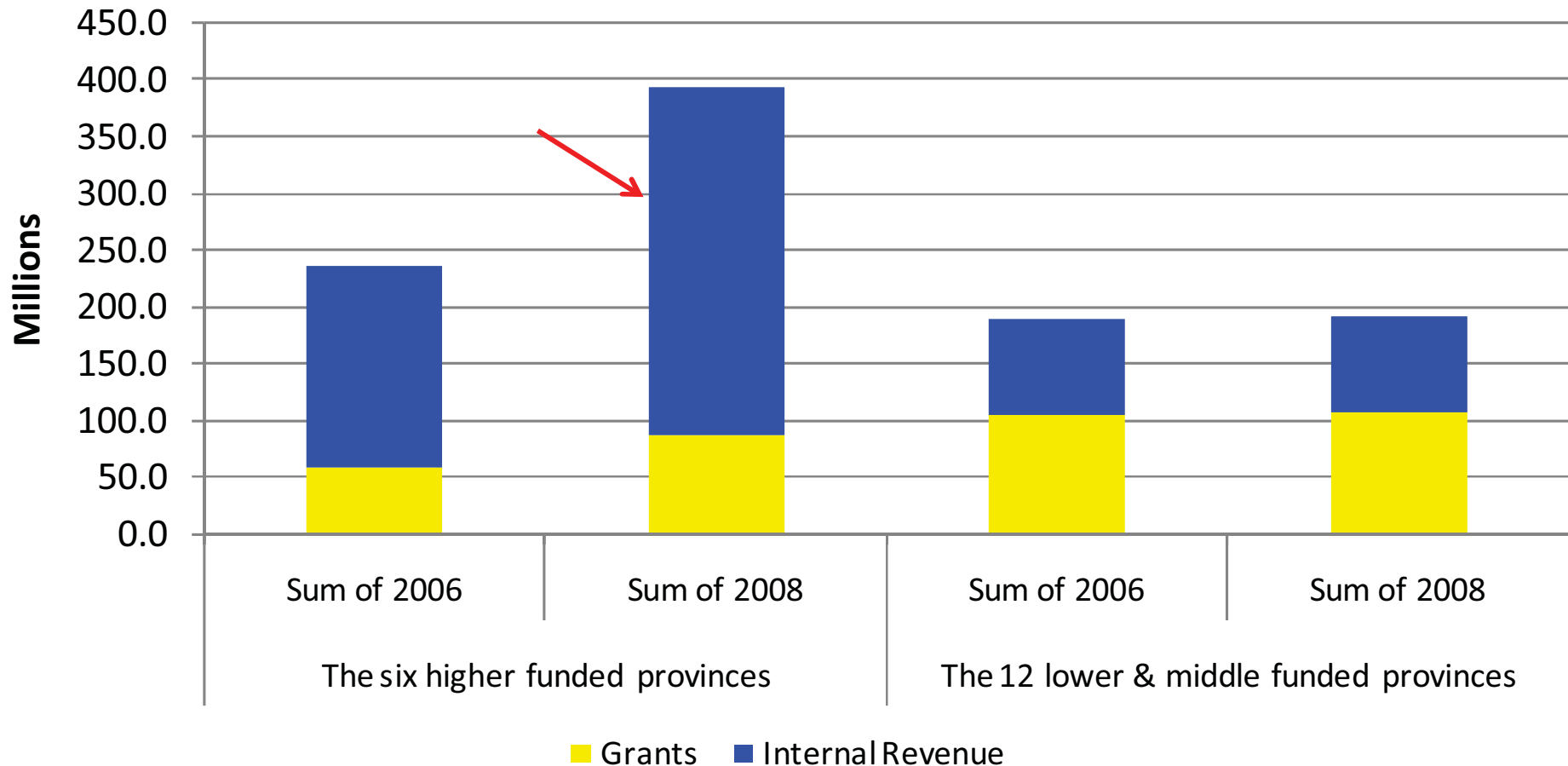


Spending Performance

We have seen the revenue increases, but where did the provinces spend it?

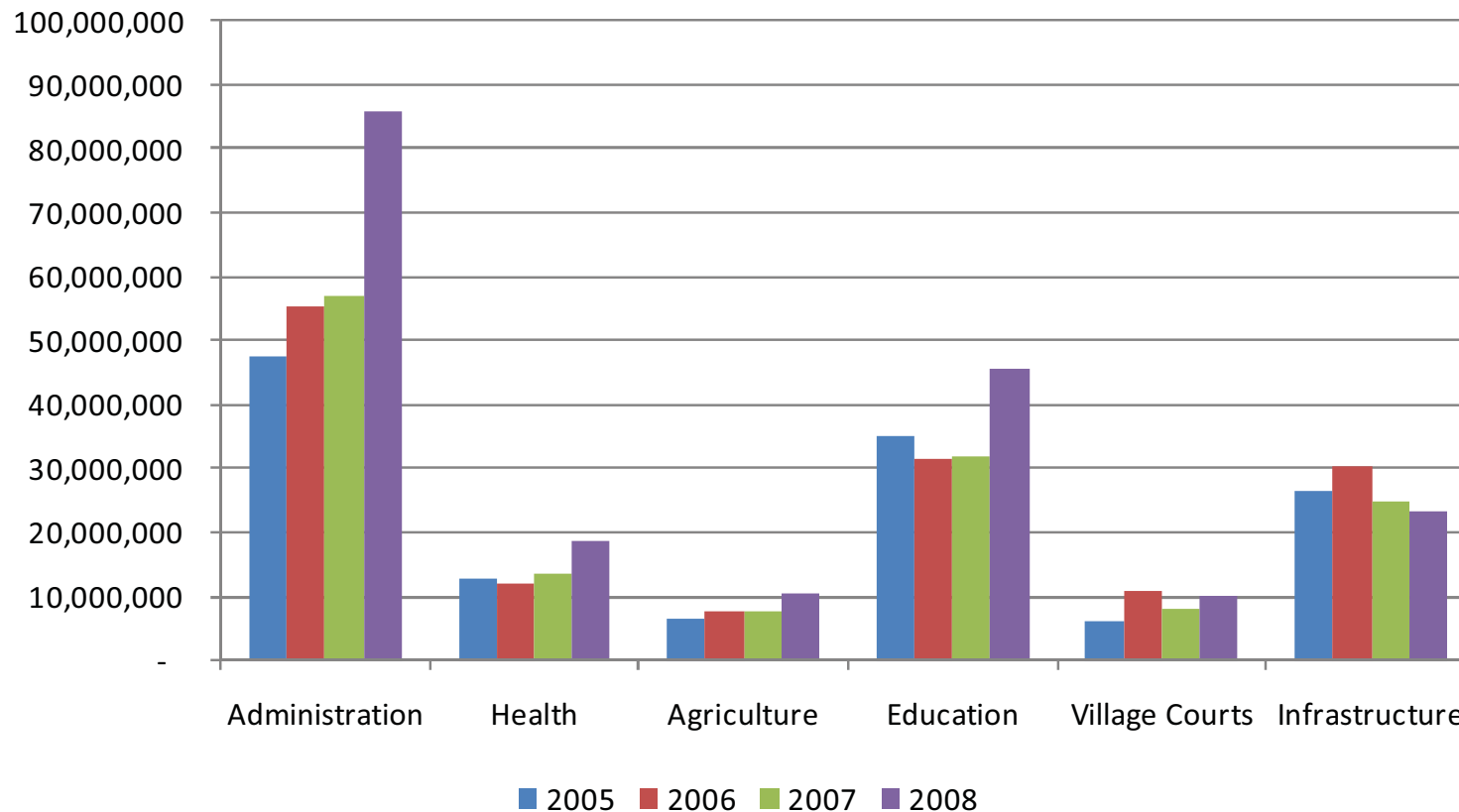
Who is spending more?

- We can see that the increased spending in 2008 is mainly by the six higher funded provinces and from their internal revenue
(graph includes; recurrent goods & services, PE & capital & projects)



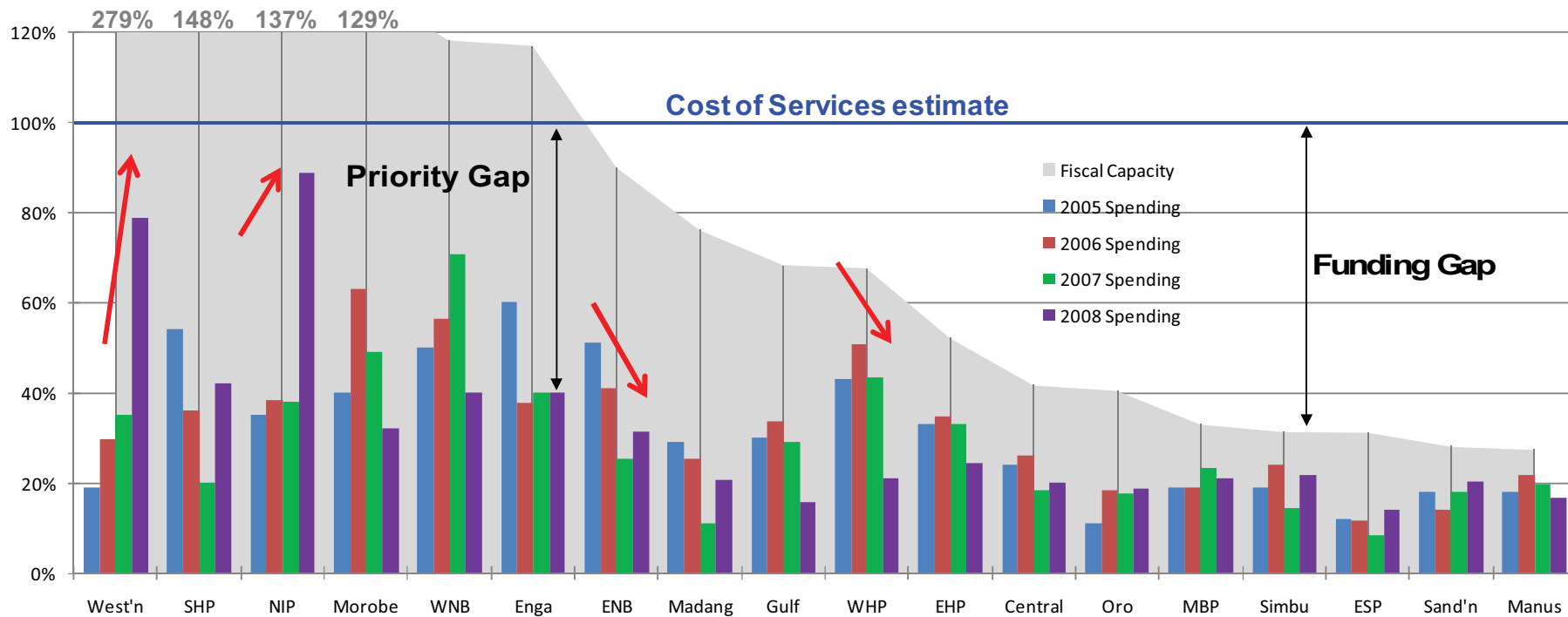
Spending trends in large sectors

- Going up: health, agriculture, education & **administration**
- Steady: village courts
- Going down: infrastructure maintenance
(recurrent goods & services spending only)



All MTDS sectors combined

- MTDS spending on recurrent goods & services has increased. From K85m...K92m...K86m...**K104m**
- Big increases: Western & New Ireland
- **Declining** trends: Western Highlands

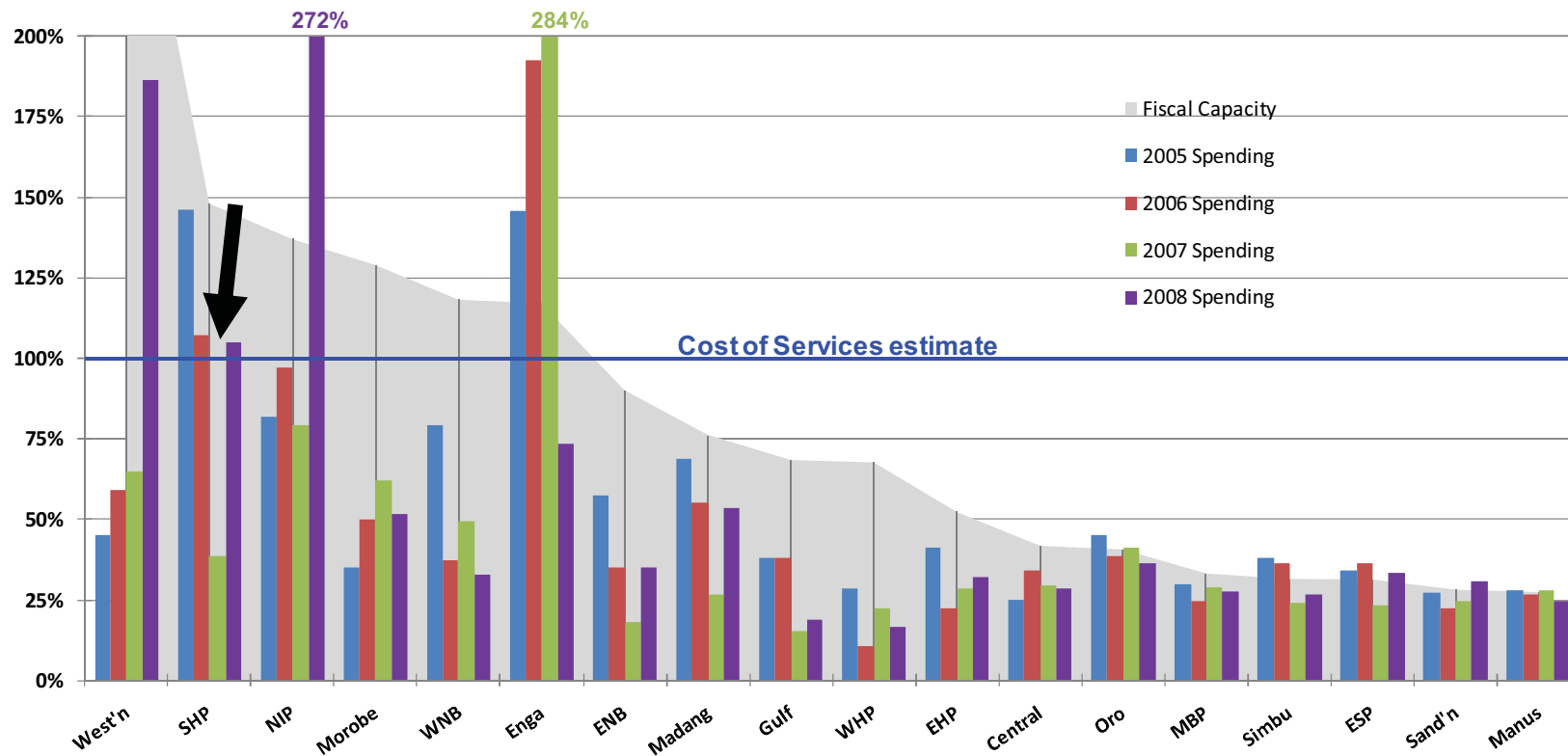


Are provinces prioritising expenditure according to MTDS sectors ?

- Education expenditure is strong
- Agriculture improving
- **Infrastructure** expenditure is a low in all provinces,
- **Health** spending is poor in higher/medium groups
- lower funded provinces are better at spending on MTDS priorities

Education spending trend

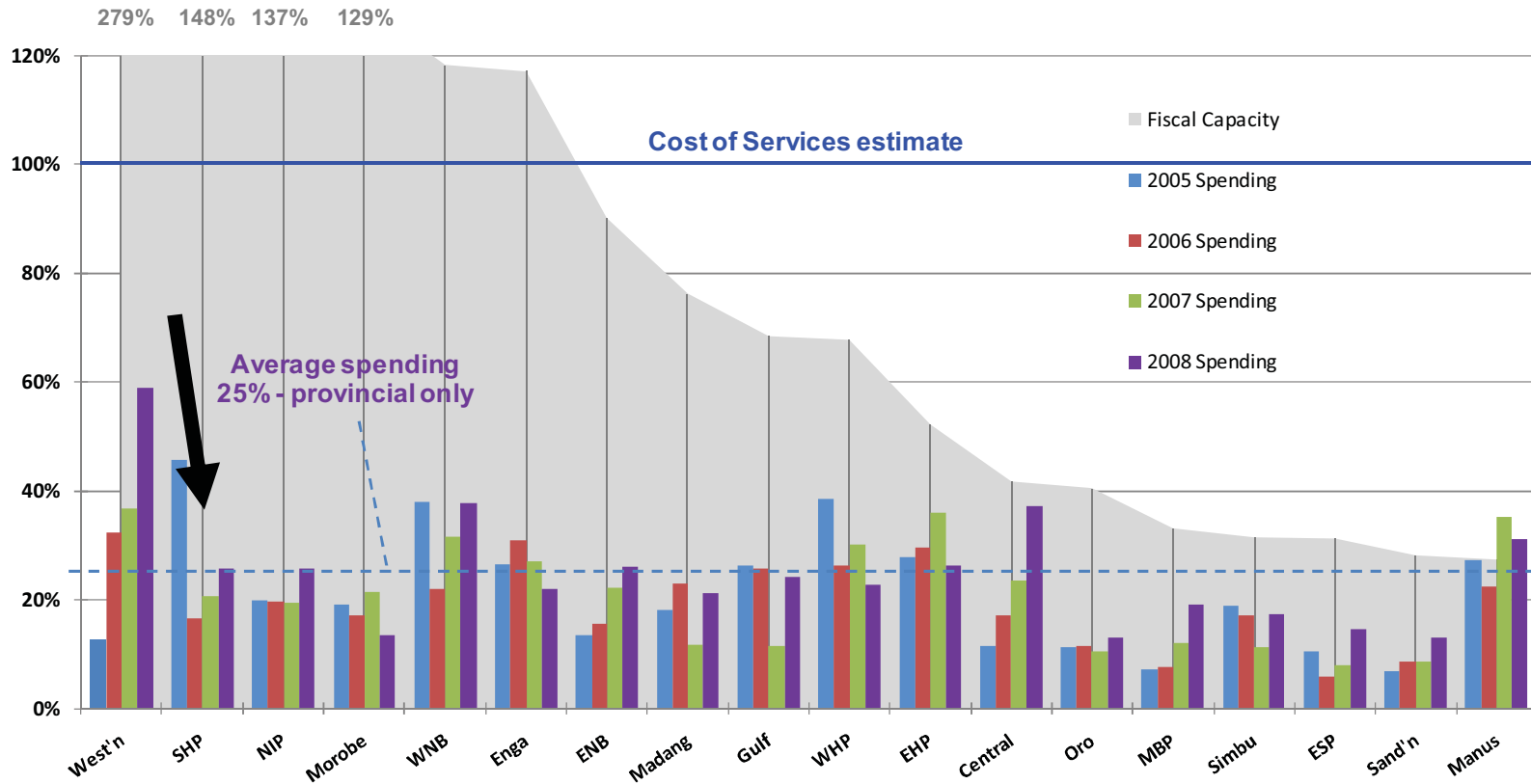
- Education is a strong priority in Western & New Ireland in 2008
- Some concerning **declines** – WNB & WHP
- Change in level of support in Enga
(recurrent goods & services spending only)



Health spending trend

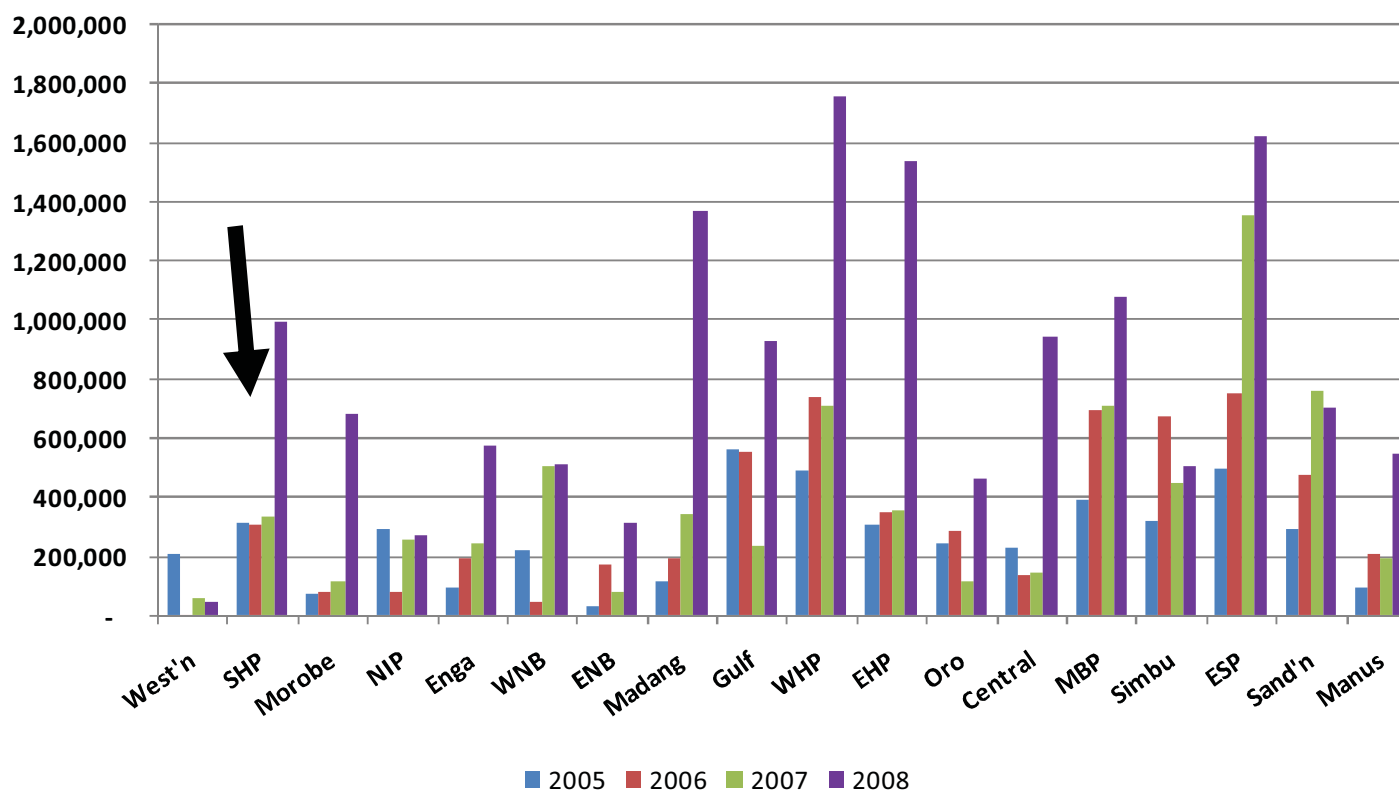
- Still low – some progress – 21%...19%...21%...**25%**
- The increased function grant has contributed largely to the increase.

(recurrent goods & services spending only)



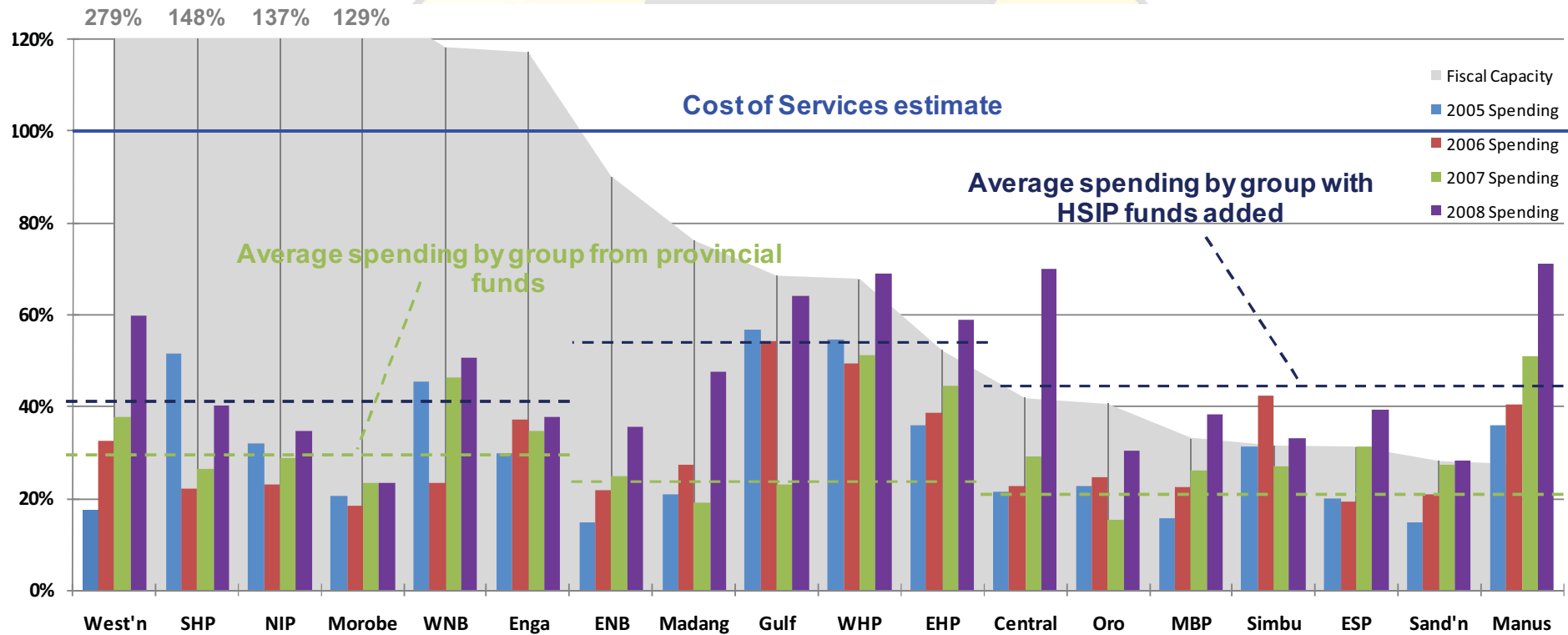
Recurrent HSIP spending in health

- HSIP is increasingly used as a mechanism by other donors (not just AusAID)
- Major rise – K4.7m...K6m...K7m...**K14.5m**
(recurrent goods & services spending only)



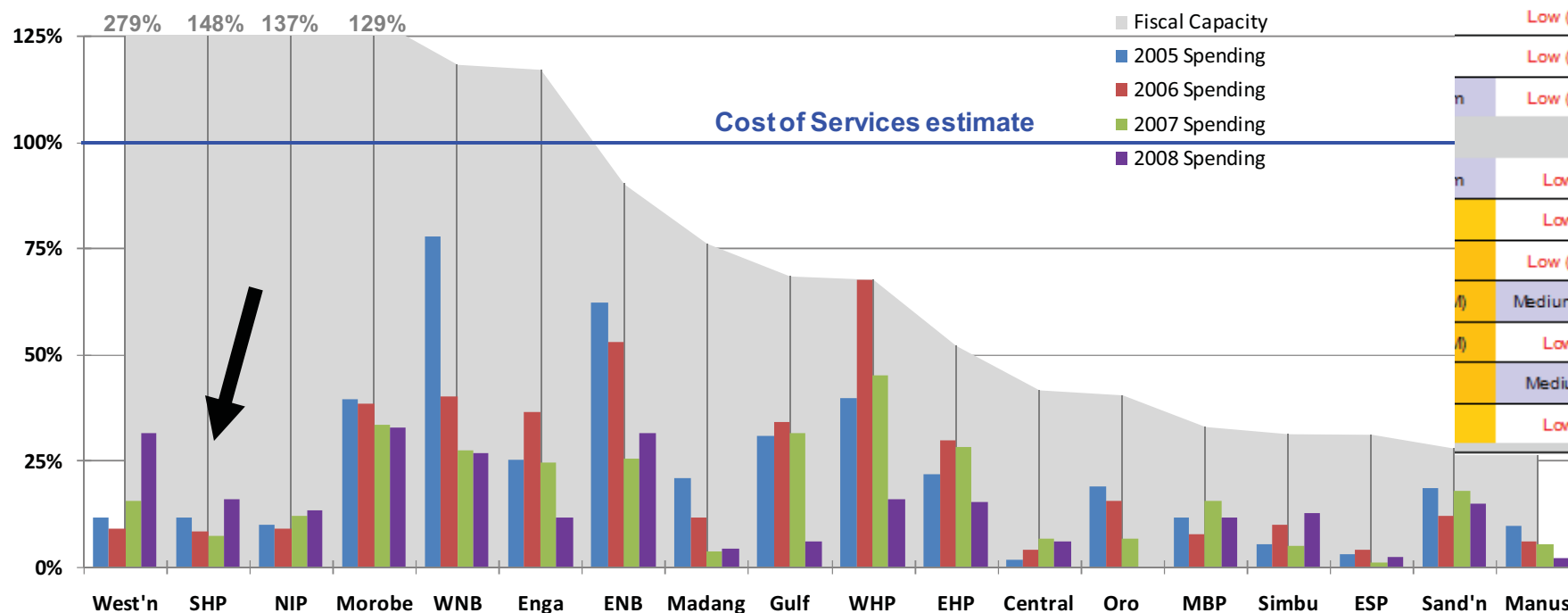
Provincial health including HSIP

- We can see the very significant impact that HSIP funding/spending has on health spending performance levels in medium & lower funded provinces
- Why do higher funded provinces still lag well behind?



Transport Infrastructure spending trend

- Spending that presents as 'recurrent' has declined slightly from K26m...K30m...K24m...**K23m**
- What will happen to our roads if we let them deteriorate?
- However note the significance of capital in several provinces

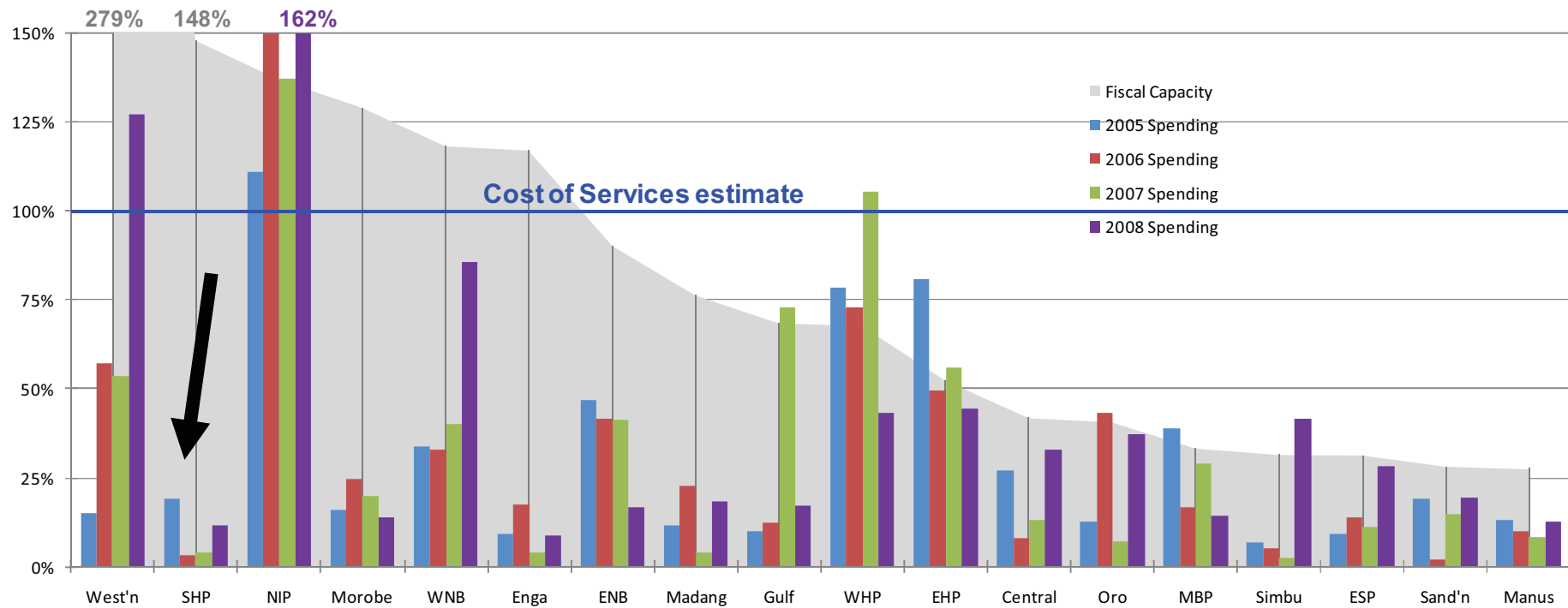


Infrastructure	
	Low
	Low
	Low
	Low
	Low
	Low
	Low
	Low
	Low (M)
	Low (M)
	Low (M)
	Low
	Low
	Low (M)
	Medium (L)
	Low
	Medium
	Low

Agriculture spending trend

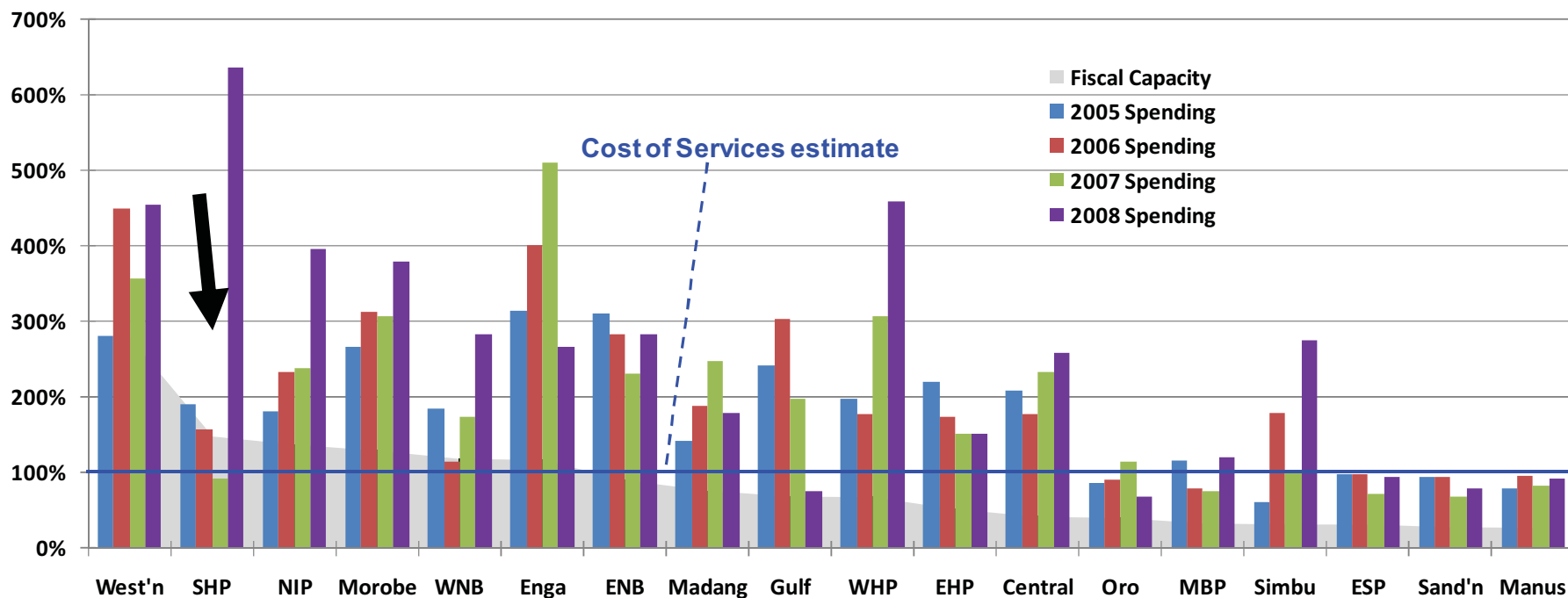
- Agriculture spending is still low at **35%**
- What extension work is now happening? There is little evidence of direct spending on outreach work.

(recurrent goods & services spending only)



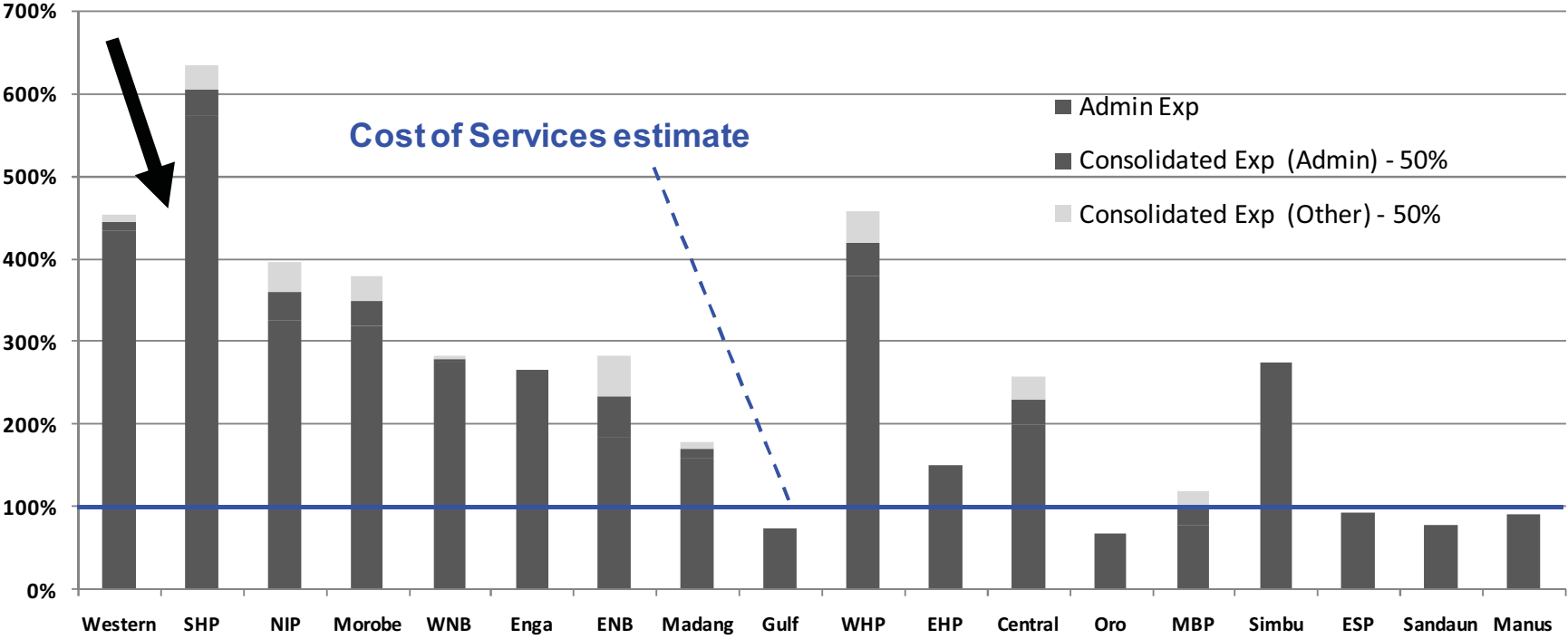
Administration spending trend

- A disturbing increase in 2008 from...K47m...K55m...K56m...**K85m**
- However, **82%** of the increased spending on administration was by the six **higher funded** provinces



Consolidated spending under administration

- Some provinces pay ‘consolidated’ expenses like office rentals, utilities, motor vehicle costs that relate to other sectors under an administration vote
- But this **does not** paint a significantly different picture of admin spending



The PER Scorecard

The scorecard is a set of financial indicators and is the first step in determining how well provinces are managing our resources.

Pages 41-2 focuses on priority sectors and shows how each province is doing relative to others.

These indicators are not absolutes – yet we must ask ourselves if we fare poorly in many/most of these tests can we really say we are supporting the delivery of basic services?

Specifically the scorecard ranks provinces on the following:

- Enough – are provinces allocating enough funding to basic services?
- Purpose – do provinces spend on the purposes intended?
- Real priority – do provinces allocate internal revenue to basic services?
- Equity – do provinces share resources evenly across priority sectors?
- Timeliness – do provinces spend in a timely manner?
- Utilisation – do provinces spend all/most of the funding during the year?

Spending performance over all

- The movements in 2008 are mainly positive - higher spending on MTDS sectors (apart from infrastructure)
- The health average has moved into the medium band (still at the low end but an improvement nonetheless)

		Health	Education	Infrastructure maintenance	Agriculture	Village Court Allowances	Village Court Function Grant
Average Spending Performance Level	2008	Medium	Medium	Low	Medium	High	High
	2007	Low	Medium	Low	Medium	High	High
	2006	Low	Medium	Low	Medium	High	introduced 2007
	2005	Low	High	Medium	Medium	High	n/a



***How can we
Walk the Talk in 2010?***

Walking the Talk



1. **Increase** the amount we budget on recurrent goods and services in MTDS sectors – particularly **health and infrastructure**
2. Ensure that the **minimum priority areas** are adequately (better) funded in the next budget and that you can monitor and report the results
3. We need to consider whether we are **fairly allocating** our funding across sectors. For instance, are we funding education very well yet funding health very poorly? Remember the prioritisation table.

Walking the Talk



4. Reduce **administration** spending
5. Reduce poor budget/spending practices such as large votes for; arrears, *multipurpose* expenditure, & other poorly described votes usually under item 135
6. Think of the implications of capital spending – a new elementary school or health clinic will require additional operational funding **every year**

We're on the right track - the good news

Let's conclude by reminding ourselves of the good news:

- We are seeing *positive trends*.
- RIGFA is making an impact, lower funded provinces are receiving more funding and spending more in MTDS priority sectors. Under RIGFA this will continue – *we are closing the funding gap*.
- Spending on *agriculture and health* has improved since 2005. Although there is still a long way to go.
- Some *higher funded* provinces have significantly increased their spending on MTDS priority sectors.



...em tasol