



# BRIEFING ON THE 2014 APPROPRIATION BILL

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09 July, 2014

*For an Equitable Sharing of National Revenue*

# PRESENTATION OUTLINE

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- In accordance with the request from Standing Committee on Appropriations, presentation will focus on:
  1. Role of the FFC
  2. FFC Recommendations for the 2014/15 Division of Revenue and Government's Response
  3. Background and context
  4. Assessment of composition of funds as per 2014 Appropriation Bill
  5. Assessment of extent to which 2014 Appropriation Bill gives effect to Government's five priority areas
  6. Overview of South Africa's infrastructure investment in national government
  7. Measures to stimulate cost efficiencies
  8. Conclusion

# ROLE AND FUNCTION OF THE FFC

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- What is the FFC?
  - Permanent statutory body established in terms of Section 220 of Constitution
  - Independent and subject only to Constitution and the law
  - Must function in terms of an act of Parliament
- What is the mandate of Commission?
  - Makes recommendations as envisaged in Chapter 13 of the Constitution
- How: Enabling legislation

Section 214 (2), 218(2), 228 (2), 229(5), 230(2) 230A(2) of the Constitution

- FFC Act (No 99. of 1997) IGFR Act (No. 97 of 1997)
- Provincial Tax Regulation Process Act, Municipal Fiscal Powers and Functions Act, Borrowing Powers of Provincial Government Act

FFC in IGFR system



– Various, Municipal Finance Management Act, Municipal Systems Act, Money Bills Amendment Procedure and Related Matters Act

# ROLE AND FUNCTION OF THE FFC

[CONT.]

- FFC's primary outputs/reports in terms of Section 221 of the Constitution and Money Bills Procedures and Related Matters Act (MBPRMA)
  - Annual Submission on the DoR
    - Submitted 10 months prior to tabling of the DoR Bill by Minister
    - Contains recommendations/proposals for the following fiscal year and MTEF
  - Submission on the DoR Bill
    - Submitted to Parliament in February and outlines the FFC's response to the DoR Bill and relevant annexure
  - Submission on the fiscal Framework
    - Contains FFC's response to the fiscal framework and revenue proposals contained in the budget tabled by the Minister
  - Submission on the MTBPS
    - Contains the FFC's response to the MTBPS and adjustments to the division of revenue
  - Submission on the Appropriations Bill
    - Submission made to the Standing / Select Committee on Appropriations
- Annual Report
- Any other special reports made at own initiative or request by organs of state

# ENFORCEMENT OF RECOMMENDATIONS

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- Recommendations of the Commission
  - Recommendations are made to Parliament so that the legislature can examine the financial and fiscal decisions of government against them and understand why they have been accepted or rejected
  - Section 4(4)(c) of the Money Bills Amendment Procedures and Related Matters Act (MBAPRMA) requires Parliament to consider the recommendations of the Commission when deliberating on Money Bills
- Government is obligated through an Act of Parliament to explain how it has taken the FFC recommendations in arriving at the division of revenue for any particular year



- The response is tabled in Annexure W1 of the DoR Bill and of the Budget Review



RECOMMENDATIONS FROM THE  
FFC'S SUBMISSION FOR THE DIVISION  
OF REVENUE 2014/15 AND RESPONSE  
BY GOVERNMENT

*Briefing on the 2014 Appropriation Bill*

# FISCAL LEVERS FOR NATIONAL DEVELOPMENT

## National levers for inclusive growth in a post crisis fiscal response

- Budget Consolidation in SA
- Economic and Social Value of Social Grants
- Funding of SA FET Sector
- Financing Research in Higher Education
- Evolution of Conditional Grants

## Provincial fiscal levers: State capability and performance

- Assessing and Improving Fiscal Performance of Provinces
- Managing the Provincial Wage Bill to Contain Fiscal Stress and Build a Capable State
- Effective Devolution of Transport Functions to Municipalities
- Effective Intergovernmental Planning and Budgeting

## Collaborative governance for effective and sustainable municipalities

- Measuring Fiscal Stress in SA Local Government
- Improving Performance of Municipalities through Performance Based Grants
- Challenges, Constraints and Best Practices in Maintenance and Rehabilitation
- A Collaborative Effort to Enhance Revenue Generation in Rural Municipalities

<b>Recommendation</b>	<b>Government Response</b>
<p>Budget Consolidation in SA Government must continue efforts to moderate the growth in expenditure components such as the public-sector wage bill , as decreases in government expenditure increase the probability of a successful fiscal consolidation in SA</p>	<p>Moderating the public-sector wage bill requires management of employee remuneration policies (wage increases, allowances and so on) and staff numbers. The former is governed by the DPSA. Government recognises that there is dualism in this area and has raised the issue in the FFC’s presence both in Parliament and in other executive forums (the Technical Committee on Finance and the Budget Council)</p>
<p>Funding of SA FET Sector The funding model for the FET sector following the function shift should ensure that baseline funding does not perpetuate past underfunding of the function in certain provinces and that additional allocations are used to achieve a more equitable funding regime and ongoing infrastructure development and maintenance are provided for</p>	<p>In 2012, Department of Higher Education and Training developed a comprehensive turnaround strategy for all 50 FET colleges. The strategy, which is being implemented aims to systematically address the colleges’ key challenges to achieve sustainable improvements in the quality of teaching and learning. The coordination and implementation of the strategy is important and will drive annual operational plans, budgets and priorities. A portion of the cost per course will cover ongoing maintenance and infrastructure development.</p>

<b>Recommendation</b>	<b>Government Response</b>
<p>Managing the Provincial Wage Bill to Contain Fiscal Stress and Build a Capable State</p> <p>Over the medium to long term a transition is required, towards a more appropriate balance between the wage and non-wage components of provincial budgets for social spending (starting with education and health). This should be in the form of national sector departments setting a norm or ratio of frontline versus administrative staff to total expenditure per sector</p>	<p>Government supports the recommendations</p>
<p>Effective Devolution of Transport Functions to Municipalities</p> <p>With respect to the devolution of the transport function the FFC recommends that baseline funding for transport is thoroughly understood by recipient municipalities</p>	
<p>Improving Fiscal Performance of Provinces and Municipalities</p> <p>Provincial treasuries and municipalities to put in place an agreed-upon measurement and assessment framework for fiscal performance against which provinces and municipalities are evaluated</p>	<p>Government agrees that frameworks for fiscal performance are critical - expenditure reviews are being conducted as well as the public expenditure and financial accountability assessments in provinces</p>
<p>Challenges, Constraints and Best Practices in Maintenance and Rehabilitation</p> <p>National Treasury, in collaboration with relevant stakeholders such should develop local government-specific infrastructure asset management legislation similar to the Government Immovable Asset Management Act.</p>	



# RESPONSE TO THE APPROPRIATIONS BILL

*Briefing on the 2014 Appropriation Bill*

# BACKGROUND

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- Submission made in terms of S4(4c) of MBPARMA (Act 9 of 2009)
  - Requires Parliamentary Committees to consider any recommendations of FFC during their deliberations on Money Bills
- Also made in terms of FFC Act of 1997
  - Requires that FFC responds to any requests for recommendations by any organ of state on any financial and/or fiscal matter(s) relevant to its mandate

# 1. OVERVIEW OF ECONOMY AND PUBLIC FINANCE

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- South Africa still some way from restoring strong and sustainable economic growth rates as required by the NDP
  - Full effects of international crisis hit in 2009 with negative growth rate of 1.5%
  - Economy was able to recover to growth rates slightly above 3% in 2010/2011
  - With continuation of poor developed economic growth and slower growth in large developing economies, SA economy struggled to achieve growth rates above 2% in 2012/2013. Growth for 2012 came in at 2.5% before slowing to 1.9% for 2013
  - Throughout this period of uncertainty, Government's countercyclical policy has protected the economy and helped drive the current modest economic recovery

# 1. OVERVIEW OF ECONOMY AND PUBLIC FINANCE [CONT.]

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- Budget 2014 formulated against backdrop of global signs of recovery from effects of 2008 financial crisis
  - Economic growth with Government relying on targeted investment in transport and electricity to promote higher growth
  - Relatively more aggressive approach being taken to ↓ deficit towards the end of 2014 MTEF but plans are heavily based on containing expenditure thus bringing into sharp focus efforts at more efficient/effective spending

# 1. GLOBAL DEVELOPMENTS AND RISKS

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- Complex global picture has emerged over 2014, with an easing of some risks, particularly in the euro area
  - Advanced economies are expected to ↑ growth in 2014 and 2015, but political and economic risks remain
  - Africa expected to grow but not as high as previously estimated
  - Concerns that slowdown in growth of Chinese economy and switch towards more consumption-oriented economy will cause demand for commodities from emerging markets to diminish.
  - Oil prices in 2013 peaked in August at \$117 per barrel in response to instability in the Middle East. Prices have since fallen back and at \$108 per barrel, the 2013 average has been slightly down compared with recent years. Risks remain and a significant commodity price shock has potential to destabilise SA recovery

# 1. DOMESTIC DEVELOPMENTS AND RISKS

- Key domestic risks = labour unrest, inadequate education and skills base, insufficient infrastructural investment and service delivery, perceptions of rising corruption and stress on consumers to cope with increased inflationary pressures
  - Impact of strikes continues to cause damage to economic growth – Government should consider greater level of intervention and review of labour laws and other elements pertaining to effective operation of the collective bargaining system
  - Growth prospects for 2014 MTEF will continue to be plagued by structural factors such as inadequate education and skills base
  - Reluctance of private sector to invest in infrastructure is contributing towards lower than anticipated capital investment and overall economic growth
  - Growth of household consumption expenditure has been slowing down markedly, with continuing sharp depreciation in the value of the Rand over the last 2½ years resulting in upward pressure on inflation

# 1. FISCAL FRAMEWORKS AND REVENUE PROPOSALS

- Government tabled a total national budget of R3.3 trillion over the 2014 MTEF period
  - A significant portion of this allocation goes to national (47.6%) and provincial level (43.4%), while the local government receives 9% of this allocation
- Budget 2014 deficit reduction forecasts reflects a much more aggressive approach relative to what was projected in 2013 MTBPS. Hopefully this will be enough to stave off any downgrades to the sovereign credit rating

## Budget Deficit as a % of GDP, 2013-2016

	2013	2014	2015	2016
<b>Budget 2013</b>	-4.6%	-3.9%	-3.1%	
<b>MTBPS 2013</b>	-4.2%	-4.1%	-3.8%	-3.0%
<b>Budget 2014</b>	-4.0%	-4.0%	-3.6%	-2.8%

## 2. ASSESSMENT: COMPOSITION OF FUNDS AS PER 2014 APPROPRIATION BILL

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- Most important administrative issue regarding 2014 Appropriations Bill is that it is being considered subsequent to 2014 elections
  - Additional national departments have been established while structures of certain votes have been changed
  - To deal with this situation from an administrative perspective, procedure has been to revive the Appropriation Bill tabled with previous Parliament, change the structure of the votes where necessary but keep the allocations to the various votes as previously set. The allocations can then be revised when we come to 2014 Adjustments Budget
- Commission's view = the process recommended above is reasonable as it is not introducing any new money at this stage
  - This approach of not altering allocations serve to entrench the ethos of fiscal consolidation. Postponing alterations to the Adjustment Budget is also reasonable with the proviso that the size of expenditure remains consistent with SA's MTEF budget deficit target

## 2. ASSESSMENT: COMPOSITION OF FUNDS AS PER 2014 APPROPRIATION BILL [CONT.]

- While most votes spent on par with the national average (98%), uneven spending patterns are noticeable

Percentage	% expenditure (2011/12)	% expenditure (2012/13)	% expenditure (2013/14)	Avg % Spending (2011/12 - 2013/14)
<b>National Sphere</b>	98%	98%	99%	98%
<b>Selected Key budget Votes</b>				
7. Public Works	90.2	90.1	97.19	92.50
15. Basic education	91.6	91.1	95.20	92.63
16. Health	99.0	101.2	98.08	99.45
17. Higher Education and Training	99.9	100.3	100.00	100.06
21. Correctional Services	97.5	97.6	99.74	98.31
24. Justice and Constitutional Development	99.0	98.7	96.87	98.21
25. Police	98.9	101.1	100.00	100.01
25. Agriculture, Forestry and Fisheries	98.8	100.2	98.85	99.30
28. Economic Development	96.5	100.1	99.51	98.72
29. Energy	99.6	97.8	100.00	99.14
31. Human Settlements	99.0	96.8	96.38	97.41
33. Rural Development and Land Reform	98.3	100.5	100.00	99.59

## 2. ASSESSMENT: COMPOSITION OF FUNDS AS PER 2014 APPROPRIATION BILL [CONT.]

- The growth rate of all key selected national votes have declined in 2014/15 compared to annual average per annum as a result of the tight fiscal environment
- If growth rates remain subdued, critical trade-offs are likely

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 Appropriation	Annual Avge Real Growth	Difference betw. Growth Rate in 2014/15 Appropriation and Avge Annual Growth Rate
<b>Selected Key National Votes</b>								
7. Public Works	25.1%	15.4%	2.0%	3.9%	-22.4%	-4.6%	3.2%	-7.9%
15. Basic Education	16.3%	6.4%	44.0%	10.9%	2.2%	15.9%	16.0%	-0.1%
16. Health	10.0%	13.4%	9.5%	3.1%	1.9%	6.5%	7.4%	-0.9%
17. Higher Education and Training	3.5%	10.7%	14.4%	6.0%	2.6%	1.2%	6.4%	-5.2%
19. Social Development	5.4%	6.1%	5.0%	2.5%	2.2%	-1.0%	3.4%	-4.4%
21. Correctional Services	0.0%	3.3%	6.0%	2.0%	1.3%	3.2%	2.6%	0.6%
24. Justice and Constitutional Development	9.3%	6.6%	3.6%	7.0%	2.9%	-0.8%	4.8%	-5.6%
25. Police	7.8%	8.2%	3.5%	3.8%	0.3%	2.1%	4.3%	-2.2%
26. Agriculture, Forestry and Fisheries	4.4%	-6.9%	23.3%	10.6%	8.5%	-15.9%	4.0%	-19.9%
28. Economic Development	36.1%	23.2%	39.5%	6.9%	-8.6%	8.1%	17.5%	-9.4%
29. Energy	17.9%	45.1%	7.4%	3.5%	9.2%	2.0%	14.2%	-12.2%
31. Human Settlements	16.9%	11.2%	14.8%	4.5%	0.0%	-6.2%	6.9%	-13.1%
33. Rural Development and Land Reform	-18.8%	17.4%	7.6%	6.6%	1.9%	2.0%	2.8%	-0.8%

## 3. ASSESSMENT: 2014 APPROPRIATION BILL AND GOVERNMENT'S FIVE KEY PRIORITIES

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- Five overarching Government priorities that inform the assessment:
  - 3.1. Promoting economic growth
  - 3.2. Education
  - 3.3. Health
  - 3.4. Job creation and economic transformation
  - 3.5. Improved public service

# 3.1. ASSESSMENT: PROMOTING ECONOMIC GROWTH

**Expenditure Component Revisions (Functional Classification)**

<b>R' Billion</b>	<b>2013 MTBPS</b>	<b>Budget 2014</b>	<b>% Change</b>
<b>General public services</b>	65.3	65.1	-0.3%
<b>Defence, public order and safety and state security</b>	163.5	163.6	0.1%
<b>Economic infrastructure</b>	94.1	92.8	-1.4%
<b>Economic services</b>	48.7	50.00	2.7%
<b>Local government, housing and community amenities</b>	141.2	142.9	1.2%
<b>Health and social protection</b>	289.2	290.17	0.3%
<b>Education and related functions</b>	250.2	253.9	1.5%
<b>Employment and social security</b>	60.0	57.3	-4.5%
<b>Science and technology</b>	18.1	18.7	3.3%

- Greater investment in R&D can facilitate greater innovation, productivity and economic growth
- ↓ revisions to economic infrastructure notable given its role in driving growth
- Need to ensure improvements to human capital to implement more efficiently and effectively, root out corruption

Source: MTBPS (2013); Budget Review (2014)

## 3.2. ASSESSMENT: EDUCATION

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- Department of Basic Education (DBE) receives R19.7 billion and the Department of Higher Education and Training (DHET), R36.7 billion in 2014/15 Appropriations Bill
  - Additions of R213 million in the DBE's budget is being funded by significant reductions in the School Infrastructure backlogs grant (R231 million) and Education Infrastructure Grant (R284 million)
- While the Commission supports alignment of ability to spend with allocations, addressing significant backlogs should not be compromised in the process
- The 14.8% average annual growth in the school infrastructure grant over the medium term is welcomed, focus should be on DBE to provide provinces adequate support to ensure funds are spent appropriately

## 3.2. ASSESSMENT: EDUCATION [CONT.]

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- An ↑ of R31 million is provided for in the Further Education and Training (FET) Grant in respect of salary adjustments in 2014/15
  - FET colleges migrating from provincial to national sphere
  - Commission would like to reiterate a recommendation made for the 2014/15 Division of Revenue that sound systems should be implemented to monitor financial health and improve fiscal governance of FET Colleges
- In 2013/14 and 2014/15, the Commission made recommendations promoting excellence in higher education and innovation and dealing with problems in pre-school education, e-learning and adult skills

## 3.3. ASSESSMENT: HEALTH

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- The Department of Health (DOH) received an appropriation of R34 billion for 2014/15 of which roughly R30 billion are conditional grants to provinces
  - An amount of R286 million is added to the department for 2014/15, largely to fund the HPV virus vaccine
  - In its 2014 submission on the Division of Revenue Bill the Commission raised concern that the grant had too many objectives that may hamper effective attainment of outcomes

## 3.3. ASSESSMENT: HEALTH [CONT.]

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- There is a R225 million ↓ in the National Health grant for 2014/15. The Grant was introduced in 2013/14 and complements the National Health Insurance (NHI)
  - The Commission notes the challenges regarding implementing the NHI case studies (underspending on infrastructure, affordability, potential skills shortages).
  - While these factors may delay the implementation of NHI, the Commission commends the steps being taken by DOH to address these challenges (audit on infrastructure needs, HR strategy to inform staffing norms, Commission of enquiry to investigate private health care costs, plans to establish more medical schools)

## 3.3. ASSESSMENT: HEALTH [CONT.]

- Weakness in health system may undermine long-term economic growth potential
  - NDP envisions health system that increases life expectancy, reduces infant mortality, HIV/AIDs and lowers burden of disease
- The Commission notes progress being made to address some of these challenges and previous recommendations made by the Commission on health procurement irregularities and quality of health care
  - Centralization of medicine procurement and establishment of Office of Health Standards Compliance to monitor health care delivery
- While improving health outcomes is a national priority, implementation takes place at provincial level
- Ability of provinces to improve services is critical to achieve NDP goals

## 3.4. ASSESSMENT: JOB CREATION AND ECONOMIC TRANSFORMATION

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- Unemployment and poverty remain serious challenges
  - Unemployment has remained above 20% mark over past 20 years
- NDP target around 5 million jobs in next decade and 11 million jobs created by 2030
- The 2014/15 Appropriation bill maintains focus on job creation
  - Employment tax incentives – success will depend on ability and willingness to substitute capital for labour in production process and also amount dedicated to the subsidy
  - Government also makes provision for the Expanded Public Works Programme (EPWP) and Community Works Programme (CWP)
    - EPWP aims to create 3.7 million work opportunities by end of 2016
    - These work opportunities create jobs for unemployed and is an acknowledgement by government that expanding permanent employment in economy will take some time to achieve

## 3.4. JOB CREATION AND ECONOMIC TRANSFORMATION [CONT.]

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- There is also ↑ in funding and incentives for special economic zones and increased support and tax relief for entrepreneurs and small businesses
- The coordination of job creation efforts across departments is still a challenge, resulting in slow implementation of decisions (DPME, 2012)
- Should output recovery be weak and job content low, labour market could be in for slower recovery.
- If policies aim to stimulate growth and labour absorption as intended, then distress alleviated sooner

## 3.5. IMPROVED PUBLIC SERVICE

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- Capable state required to drive implementation of Vision 2030
  - Interventions to build capable state include: establishment of Chief Procurement Officer, spending reviews, cost containment instructions issued by National Treasury, minimum competency standards, as prescribed in Municipal Systems Act
- Lack of and adequately skilled capacity often cited as obstacle to good performance, particularly at local level
  - Plethora of capacity building related interventions: conditional grants and establishment of various entities (Municipal Infrastructure Support Agency, National School of Government)
  - Lack of integration between various capacity building initiatives. Require greater accountability regarding transfer and implementation of skills acquired from training
- Public Administration Bill
  - Aim is to build single public service
- Critical for Parliament to fully interrogate intentions of proposed legislation both in terms of benefits but also intended/unintended costs

## 3.5. IMPROVED PUBLIC SERVICE [CONT.]

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- In terms of building an improved public service and more capable state:
  - Commission welcomes government efforts to delay assignment of the housing function to the six metropolitan municipalities while building the requisite capacity
    - A total amount R900 million set aside for the 2014 MTEF through the newly created Human Settlement Capacity Grant to build the capacity of the metros and cover the cost of administering the national housing program
  - With respect to assignment of transport function to the metro's, the Commission reiterates recommendation made for 2014/15 Division of Revenue that the full costs of assignment must be properly understood before assignment takes place

## 4. INFRASTRUCTURE INVESTMENT AT THE NATIONAL LEVEL

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- Infrastructure = critical to generation of growth and jobs
  - R847 billion allocated to targeted public infrastructure investment with specific focus on transport and electricity
- In 2011, Presidential Infrastructure Coordinating Commission (PICC) was established. PICC has prioritized 17 strategic infrastructure projects – responsibility for implementation of most of these projects fall within ambit of local government and state owned enterprises (SOEs)
  - Concern with Government’s infrastructure investment plan is capacity of municipalities and SOEs to deliver effectively
- Value add of PICC lies in its interface with IGFR system and how IGFR system can contribute to infrastructure and growth

## 4. INFRASTRUCTURE INVESTMENT AT THE NATIONAL LEVEL [CONT.]

- Investment in new infrastructure = critical but management of existing infrastructure stock is equally important
- Funding for new infrastructure occurs mainly through transfers to provinces and municipalities
  - Concern = new infrastructure funded via conditional grants but responsibility for maintenance/rehabilitation lies with subnational sphere
  - Poor asset care = challenge across all spheres of government and can jeopardise potential benefits of infrastructure development and compromise long run growth potential of economy
- With respect to local government, impact of urbanization and migration puts strain on metros and major cities – contributes to existing backlogs

Nature of Infrastructure Transfers to Other Spheres, Agencies and Entities, 2014/15-2016/17

<b>Infrastructure Transfers R'million</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Ann. average growth 2014/15-2016/17</b>
Current	614	445	449	-14.5%
Capital	101 016	115 000	121 633	9.7%

## 5. MEASURES TO STIMULATE COST EFFICIENCIES

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- Defining and measuring cost efficiencies
  - Involves allocating smallest amount of resources to reaching a priority, conditional on given target being reached
  - Two conceptual approaches to deriving cost of providing government services
    - Costed norms method proposed by FFC in 2001, entails estimating average cost of providing a particular service based on historical estimates of capital, labour and variable input costs per unit of service provided
    - Estimating a cost function capable of yielding the minimum cost of providing a service in a particular province/municipality

## 5. MEASURES TO STIMULATE COST EFFICIENCIES [CONT.]

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- Areas where greater cost efficiencies can be achieved:
  - a. Public sector wage bill and productivity: One of the avenues to contain expenditure growth without compromising growth is the public sector wage bill
    - Commission welcomes firmer stance taken by government in enforcing discipline in hiring of new employees and to maintain staff levels over MTEF
    - Government productivity and service delivery must remain the core of its recruitment policy such that frontline staff core to service delivery are prioritised over general administrative positions
      - Commission is of the view that norms for frontline versus administrative staff to total expenditure per sector and/or by specific occupational categories are of critical importance
      - In addition, there should be consequences for accounting officers who recruit outside of their approved establishment. Further to this, the Commission, in collaboration with the Public Service Commission is currently undertaking research focused on the issue of public sector productivity

## 5. MEASURES TO STIMULATE COST EFFICIENCIES [CONT.]

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- Areas where greater cost efficiencies can be achieved [cont.]:
  - b. Reducing waste and duplication:
    - Elimination of waste will require stronger governance practices. Over the period 2008/09-2011/12, over R5 billion worth of fruitless and wasteful expenditure was recorded across spheres of government
    - Elimination of unnecessary duplication is required to ensure that scarce financial and human capital resources are efficiently utilised to achieve social/development goals
    - In this regard, the Commission welcomes the public expenditure reviews currently being undertaken by National Treasury and Presidency. The Commission is undertaking a joint project with the Public Service Commission on Corruption in the public sector
    - Vigilant oversight is required to ensure minimal duplication between existing and newly created departments

## 5. MEASURES TO STIMULATE COST EFFICIENCIES [CONT.]

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- Areas where greater cost efficiencies can be achieved [cont.]:
  - c. Accurate cost estimates: Greater efficiency in the use of scarce public resources requires more accurate cost estimates for services being delivered
    - In the case of local government for example cost estimates are notoriously weak. Commission research has indicated that municipalities are essentially overspending on new capital formation and underspending on maintenance and renewal of existing infrastructure
    - The value add of Commission research in this area is the development of a model to cost basic services. The use of this tool can be advantageous to and enhance the oversight function of policymakers to determine whether public resources are being used efficiently

## 6. CONCLUSION

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- Resources are generally efficiently allocated to priority areas but in order to positively contribute to the lives of all South Africans, Government needs to improve the impact of spending programmes
- Most important administrative issue regarding 2014 Appropriations Bill is that it is being considered subsequent to the 2014 elections
  - To ensure stability and alignment to what was proposed and developments subsequent to the elections, the proposal to revive the Bill with allocations to Votes remaining unchanged is supported as an interim measure leading up to the next Adjustments Bill
- Within the confines of lower growth and measures to strictly contain costs, following strategies to improve sustainable economic growth are supported:
  - Foster a less adversarial relationship between business and organised labour,
  - Place more focus on improving small business development,
  - Increased infrastructural investment and building a capable state premised on adequately skilled capacity of public sector to implement projects and strategies to reduce corruption



THANK YOU.

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