

Submission by the Public Service Accountability Monitor (PSAM) to the Eastern Cape Provincial Legislature's Portfolio Committee on Finance at the public hearing on the Division of Revenue of Bill 2013/14 and Provincial Budget

Date: 3 April 2013

Venue: Council Chamber, Cacadu District Municipality, Port Elizabeth

**Also submitted to: Hon. M. Matomela
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The Public Service Accountability Monitor (PSAM) is research, training and monitoring institute based at Rhodes University in Grahamstown. The PSAM is dedicated to strengthening democracy and transparent and accountable governance in Southern Africa and has been engaged in social accountability monitoring since 1999. The PSAM evaluates budgeting, planning, expenditure and performance in the following components of the Eastern Cape government: the Department's of Education, Health, Local Government, Human Settlements and the Chief Directorate: Environmental Affairs within the Department of Economic Development, Environmental Affairs & Tourism.

PSAM researchers are currently preparing detailed budget analysis brief's which consider the 2013/14 budgets in respect of the above mentioned components of the Eastern Cape Government. These briefs will be accessible on the PSAM website (www.psam.org.za) in the coming days and will provide more elaborate findings and recommendations emanating from the analysis.

We welcome the opportunity to make a submission to the Portfolio Committee on the Division of Revenue Bill and we appreciate the Committee's efforts to enhance public participation in the budgetary process.

After considering the 2013/14 Provincial Budget and Division of Revenue Bill the PSAM wishes to emphasise the following issues:

Key findings and recommendations

Education

Finding 1:

The Eastern Cape Department of Education has been allocated R 1.3 billion for the 2013/14 financial year. This is a nominal increase of 27.7% and 15.4% in real terms when compared against the 2012/13 adjusted appropriation which the Department projects it has under spent by 9.7%.

Recommendation 1:

The Department must accelerate infrastructure delivery and improve expenditure through optimising involvement in the provincial Centralised Project Management Unit as well as through the Accelerated School Infrastructure Delivery Initiative (ASIDI). It is also imperative that the Department ensures the credibility and capability of the various implementing agents through rigorous vetting and monitoring processes. This Committee together with the Education Portfolio Committee are urged to upscale their oversight, especially in order to ensure that infrastructure project monitoring and evaluation is enhanced throughout the province.

Finding 2:

The personnel line item will see an increase of 1.9% in nominal terms and a decrease of 7.94% in real terms from the 2012/13 adjusted appropriation; taking the total allocation to R 21.9 billion.

Recommendation 2:

In light of the low increase in nominal terms and decrease in real terms, there is a serious need for strategic, conservative expenditure where the compensation of employees is concerned. The Department must seek to resolve teacher deployment, post duplication and shortages and streamline the process of post declaration on an annual basis – the latter process is a critical annual exercise required by statute which has been neglected for some time. It is also necessary to obtain the cooperation of all teacher unions through decisive action on issues of employee deployment and compensations. The provincial legislature also has a critical role to play in strengthening oversight in the finalisation of a clean PERSAL system.

Human Settlements

Finding 1:

According to the Finance MEC's 2013/14 Budget Speech and Eastern Cape Estimates of Provincial Revenue and Expenditure, the Department of Human Settlements has received one of the largest increases in 2013/14; a nominal increase of 24% from the 2012/13 year. This increase however is calculated using the revised estimate or the Department's projected expenditure of R2.2 billion for the 2012/13 year. When one calculates the budget increase using the 2012/13 adjusted allocation it is only a 10% increase or an increase of R260 000 from the 2012/13 adjusted appropriation of R2.57million. This increase translates into a mere 4.61% increase when inflation is taken into account. The Conditional Grant budget grows by R233 million or 4.97% in real terms from the 2012/13 adjusted allocation. Furthermore the Department has set a housing target of 50 000 units over the MTEF against a total human settlements budget decline of 19.12% and a Conditional Grant budget decline of 21% over the MTEF.

Recommendation

The Department has set a housing target of 50 000 units over the MTEF. This unfortunately means that once again the Department has received insufficient funds for housing delivery for this financial year and it appears that the entire human settlements budget will decline over the MTEF. The 2011 Census data (which estimated a declining provincial population) has influenced the allocation of resources and according to the Finance MEC an amount of R5.1 billion will be trimmed from the provinces portion of the national equitable share over the MTEF. Under these circumstances the Department needs to enhance or develop its strategic partnerships with departments, municipalities, donor agencies and the private sector to identify possible funding streams, and determine additional ways of saving costs and working more efficiently. Disciplinary action must be taken against those officials found to be responsible for misuse of departmental resources whilst corrective action must also be taken against service providers who perform inadequately. The use of alternative housing options and typologies should be considered amidst such funding pressure and mindful of the sustained demand for housing. Such alternative forms of housing may also offer cheaper and more easily implementable projects that overcome previous municipal problems associated with the provision of bulk infrastructure. A sense of urgency in this regard is required as the Province is lagging behind when it comes to the use of alternative building technologies.

Finding 2:

Programme 2 (Housing Planning and Research) in the Department of Human Settlements receives an increase of R1.2 million or 5.85% in real terms from last year's adjusted allocation. Whilst this appears encouraging, Programme 2's budget is only projected to grow by 0.44% over the MTEF in real terms. As at 31 March 2012 Programme 2 had a total of 26 personnel out of a total of 462 employees in the Department. Despite a small staff complement, Programme 2 is responsible for a number of important activities including the development of housing policy and legislation, and coordinating housing planning, which has a history of weak implementation.

Recommendation

This financial year the National Treasury will be introducing a new bulk infrastructure grant to municipalities which will span the MTEF. This is occurring alongside the Urban Settlement Development Grant (USDG) introduced in the 2011/12 to assist in the completion of certain housing projects. Accredited municipalities such as the Buffalo City Metro are struggling to spend the USDG.¹ The Committee is aware of the longstanding and widespread inability by municipalities to spend such grants efficiently and effectively in accordance with the DORA and PFMA frameworks. A 5% real increase accompanied with an insignificant growth of 0.44% over the MTEF will not be sufficient to boost municipal capacity and performance. The Department should also re-introduce a sub-programme within Programme 2 which focuses on municipal capacity building and accreditation. This sub-programme could support the Department's current collaboration with the Department of Cooperative Governance, Office of the Premier, Department of Rural and Agrarian Reform and the Provincial Planning and Treasury established Technical Task Team aimed at improving housing municipal service delivery.

Environmental Affairs

Finding 1:

The budgetary allocation to the Chief Directorate: Environmental Affairs comprises a mere 0,49% of the province's total fiscal envelope, which does not point towards the provincial government having appropriate regard for the fundamental nature of the global environmental crisis, from which the Eastern Cape is not excepted.

¹Reports say that BCM has only spent 19% of its R400 million 2012/13 USDG allocation by the end of the third quarter "BCM in a hurry to spend R499m" by Z. George, Daily Dispatch 6 March 2013, p.1

Recommendation:

The provincial government needs to take stock of the mismatch between its approach to environmental protection, as reflected in its budgetary allocation to the function, and the compelling imperative to arrest the decline in environmental integrity at both a global and provincial level.

Finding 2:

Despite the fact that provincial nature reserves comprise only 2% of the province's land surface area and already enjoy enhanced levels of protection, 66% of the Environmental Affairs budget is channelled to the Eastern Cape Parks & Tourism Agency for nature reserve-related utilization, meaning that only 0,17% of the provincial fiscal envelope is available for environmental governance across the vast bulk of the province.

Recommendation:

Environmental Affairs' approach to budgeting should be fundamentally overhauled with a view to the achievement of geographical correlation between expenditure and environmental challenges.

Health**Finding 1:**

Infrastructure development has been prioritised by the Minister of Finance across the country, and the ECDoH MEC also highlighted this as a priority for his 2013/14 policy speech. Despite these assurances the Health Facility Revitalisation Grant (HFRG) decreases by R218 million or 32% in real terms from the 2012/13 adjusted budget. This is disappointing given the clear need to maintain and upgrade certain facilities. However the decreased HFRG budget is not surprising given that the Department was unable to spend the entire HFRG budget during 2012/13 (of the R781 million available the Department reports that only R615 million was spent).

Recommendation

The Department must improve its expenditure performance with regard to this grant in order to support improved allocations in the outer years of the MTEF. The Portfolio Committee is asked to establish from the Department what factors contributed to the reduction on the grant for 2013/14

Finding 2:

The Goods and Services line item has decreased by R201 million in 2013/14 which is a 0.45% real term decrease from the 2012/13 adjusted allocation. The Department projects that it will spend R 4 879 171 billion by the end of the 2012/13 financial year (R635.million more than the 2012/13 adjusted allocation). This recent expenditure trend raises concerns as to whether the 2013/14 Goods and Services allocation (of R4 445 768 billion) will be sufficient to support and maintain frontline services, especially if a significant amount of last year's expenditure was not due to accruals from 2011/12.

Recommendation:

Though it may appear a small decrease on the Goods and Services budget, decreases on this line item over time has resulted in a yearly trend of accruals over the last few years – this has led to shortages in medical supplies. The Department cannot afford to enter into each new financial year with this kind of debt, especially with the implementation of budget cuts as a result of the Census 2011 outcomes. An increased burden of disease in the province will require increased funding priority being given towards Primary Health Care to deal with such challenges.

General Findings and Recommendations**Finding and recommendation 1:**

In PSAM's experience, many government departments do not make available either timeously or at all a range of documents that could assist members of the public to engage in the budget process and the formulation of policy. Often planning documents, policy pronouncements, budget material, performance reports and so forth are uploaded to government websites or made available at service desks too late to be of any value to communities who wish to engage with the State. We appreciate and support the Legislature's efforts to improve governments performance in this regard and we welcome this Committee's public participation activities with regard to the annual Division of Revenue Bill and provincial budget.

We would ask that the Committee routinely assess the extent to which Departments make timeously available pertinent information on their websites. Most of this information should routinely be made public in accordance with various statutes - interested parties should not have to use the Promotion of Access to Information Act to acquire such material.

Finding and recommendation 2:

We applaud the public participation efforts undertaken recently by the MECs of Finance and Education who invited the public to make submissions regarding the budget and department specific policy priorities. We would ask that the Finance Committee encourage other MECs to make similar open invitations to the public.

Finding and Recommendation 3:

Annually the Provincial Treasury should prepare a Citizens Guide to the Provincial Budget. This Guide should include contact details should the public wish to enquire and make input. This Guide should also be made available in Xhosa. We are aware that such a provincial guide was produced on a few prior occasions – we submit that it should be a routine output prepared by Provincial Treasury and circulated widely.

Finding and recommendation 4:

The PSAM remains concerned by the recent Auditor-General reports on Provincial Departments which identified massive irregular and wasteful expenditure. PSAM would like to see the Portfolio Committee upscaling its role in holding the executive and senior leadership to account for such misuse and abuse of public resources.

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