

SPENDING REVIEWS

LEVEL 3

Step 1: Institutional Analysis



Spending Review Methodology



INSTITUTIONAL ANALYSIS - BACKGROUND



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Why do an institutional analysis in a spending review?



- An institutional analysis will help you to understand *who is doing what, for whom, and with what power?*
- This technique also clarifies the rules, incentives and sanctions that influence budgeting decisions, resource allocation, implementation arrangements, governance, monitoring and reporting in a service delivery programme.

REAL-LIFE EXAMPLE OF A SPENDING REVIEW



- Throughout these slides, we use actual spending reviews to illustrate the institutional analysis. In these slides, we use the following spending reviews:
 - In Service Training of Teachers (INSET) Policy,
 - The Micro Agricultural Financial Institutions of South Africa (MAFISA) scheme
 - The Costing of the White Paper on Post School Education and Training
- You can find the full reports and costing models [here](#).

In this step of the spending review, you will:

CLARIFY	Clarify the problem statement
UNDERSTAND	Understand the key policies, laws, regulation and informal practices that govern the programme
IDENTIFY	Identify the programme's beneficiaries
ESTABLISH	Establish who is involved in the design and delivery of programme
EVALUATE	Evaluate what decision rights or authority the different role players have in the implementation of the programme
DISCUSS	Discuss governance and reporting practices within and between spheres
MAP	Map the flow of funds from different sources and institutions
IDENTIFY	Identify the potential for savings and efficiency improvements from examining the institutional design, programme duplication and policy shifts

CLARIFY THE PROBLEM STATEMENT



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How to clarify a problem statement?

Identify

Identify the practical problem that the programme seeks to address



Refine

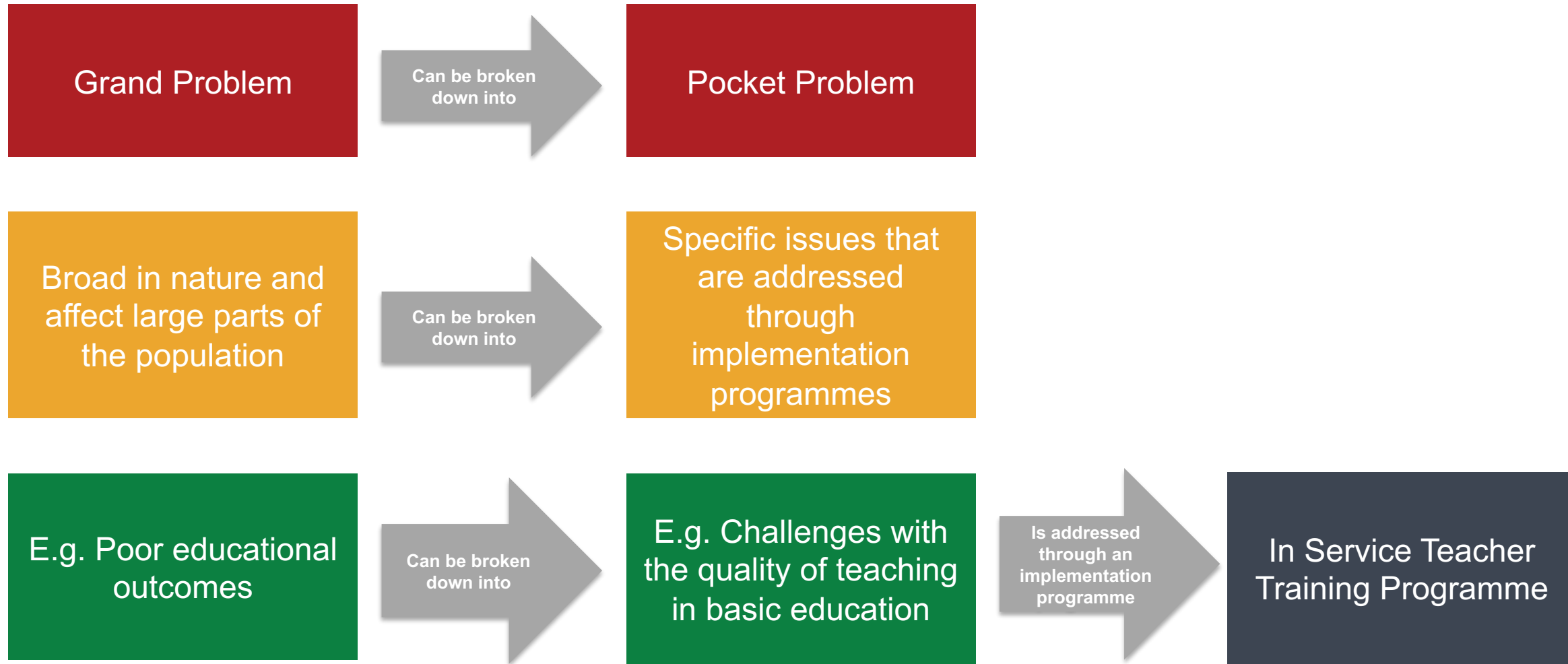
Refine your problem statement to specify “Who, What, Where, When and Why”



Articulate

Articulate the questions that you want to interrogate in your spending review

What problem was the programme designed to address?



What do we mean by programme in a spending review?



A “**budget programme**” is a main division within a department’s budget that funds a clearly defined set of objectives based on the services or functions within the department’s constitutional and legislative mandates.



An “**implementation programme**” is a set of organized but often varied activities directed towards the achievement of specific policy aims. An implementation programme may encompass several different projects, activities and processes and may cross departments or spheres.

In spending reviews, we are concerned with **implementation programmes and not budget programmes.**

Refine the problem statement



Who - Who does the problem affect?



What - What is the issue? What is the impact of the issue?



Why - Why is it important that we fix the problem?



When - When did the issue occur?
When does it need to be fixed?



When - Where is the issue occurring?

Example of a problem statement



In Service Training of Teachers (INSET)

Grand Problem: There is widespread recognition that educational outcomes in South Africa are low for the funding spent on basic education. The poor quality of education traps learners in a poverty cycle that can continue across generations.

Pocket Problem: One of the contributing factors as the National Education and Evaluation & Development Unit (NEEDU) highlighted in its 2011 report are the gaps in teacher knowledge that need to be addressed in order to improve the outcomes of education in schools in the country. The inadequacy of teacher support and development is manifested in knowledge gaps observed in many teachers when it comes to subject (disciplinary), curriculum and pedagogical content knowledge

What questions will the spending review answer?



- Some of the key questions that drive spending reviews are:
 - What is the total amount spent on the implementation programme?
 - What are the key cost drivers that influence spending in the programme?
 - How does expenditure on the programme compare across facilities, locations and expenditure buckets?
 - How would expenditure change under different policy scenarios?
 - How much savings can be realized from the programme?

Key Research Questions: INSET



- How much is currently being spent on INSET? / What are the costs involved?
- What are the types of costs and expenditure drivers of INSET?
- How practical is organising the training – taking educators out of class and getting replacement educators? What are the cost implications of doing so?
- Are there cheaper ways of doing this?

UNDERSTAND THE KEY POLICIES, LAWS, REGULATION AND INFORMAL PRACTICES THAT GOVERN THE PROGRAMME



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Policy, legislation and regulations

Constitution

Laws

- Sector legislation
- Cross-cutting legislation (e.g. B-BBEE Act)
- Regulations

Identify the programme's beneficiaries

Policy

- Green Papers
- White Papers
- Sector strategies
- Norms and standards
- Medium Term Strategic Framework (MTSF)

**Informs how an
implementation
programme is
structured,
resourced and
implemented.**

INSET EXAMPLE



- The right to basic education is enshrined in the Constitution
- The School Act emphasizes the need for quality education.
- For the INSET, the policy framework governing teacher development was called the *Integrated Strategic Planning Framework for Teacher Education and Development in South Africa*
- This policy framework outlines the approach to teacher development and the responsibilities of different role players in government.

IDENTIFY THE PROGRAMME'S BENEFICIARIES



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Who benefits from the your programme?

- Specify who benefits from your programme.
- Identify the range of target beneficiaries.
- Look at the beneficiaries in terms of their demographic profile.
- Identify any future proposed changes to the programme such as the expansion of beneficiaries.

Meals provided to learners
in schools from Quintile 1
to 3



Meals expanded to learners in
schools from Quintile 4 & 5



ESTABLISH WHO IS INVOLVED IN THE DESIGN AND DELIVERY OF PROGRAMME



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What institutions are involved in the design and delivery of the programme?

- Who are the main stakeholders? Can you identify those responsible for the:
 - Design for the programme
 - Implementation of the programme
 - Budgeting and funding
 - Monitoring & evaluation that feeds oversight & reporting
- Are there multiple stakeholders involved in the implementation of the programme? What are the relationships between them?
- Are there any overlaps between their roles and responsibilities?
- Outside of government, who else is interested? (e.g. NPOs, trade unions, professional bodies, private sectors)

Let's use INSET as an example

*The PER identifies
the roles and
responsibilities of
each role player
across government.*

	Policy processes
National DBE	- Develop/refine INSET policy - Develop INSET implementation strategy - Cost INSET implementation strategy - Develop effective communications strategies with sector - Establish NICPD (note it remains part of the DBE) - Teacher self-assessment system - Identify sector-wide priorities for teacher development - Develop continuing education and development courses - Monitor impact of INSET programmes - Evaluation INSET effectiveness
PEDs	- Develop INSET implementation plan and budget - Develop effective communication strategies with sector - Establish PTDI (note it remains part of PEDs) - Develop continuing education courses - Provide accessible physical space for providing training - INSET training - Management of DTDCs - Management of PLCs - Monitor & evaluate
District offices	- DTDC - Maintain resource centres of teacher support materials - Facilities to provide INSET courses and for PLCs - Manage teacher self-assessments and PDPs - Run INSET courses - Maintain database of educator needs - PLCs - Monitoring - Evaluate - Support to teachers
Schools	- HODs fulfil management requirements in relation to CPD - Self-help INSET organised by schools

EVALUATE WHAT DECISION RIGHTS OR AUTHORITY THE DIFFERENT ROLE PLAYERS HAVE IN THE IMPLEMENTATION OF THE PROGRAMME



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Who makes the decisions around resource allocation?

- While the national policy on teacher development is developed by the Department of Basic Education, the costs of executing the national policy is borne by the PEDs as implementing agencies.
- Effectively, this means that the DBE is developing policies it does not need to fund.
- This dilutes the responsibility of the DBE to ensure that the policies are indeed affordable, and that implementation can realistically be financed by the PEDs – within available resources. This is especially true if intergovernmental structures such as HEDCOM or sub-HEDCOMs don't fully understand the cost of implementation.

DISCUSS GOVERNANCE AND REPORTING PRACTICES WITHIN AND BETWEEN SPHERES



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Governance and M&E

- Who holds who accountable?
 - Policy makers, Portfolio Committees, MinMec, MinMeC sub committees, implementing agents, suppliers, regulatory bodies, unions, industry bodies, CSOs and citizens.
- What is the nature of these accountability relationships?
 - Internal vs external to government
 - Public entities quasi government
- Who reports and on what?
- Who approves policies, processes, budgets, expenditure and personnel allocation?



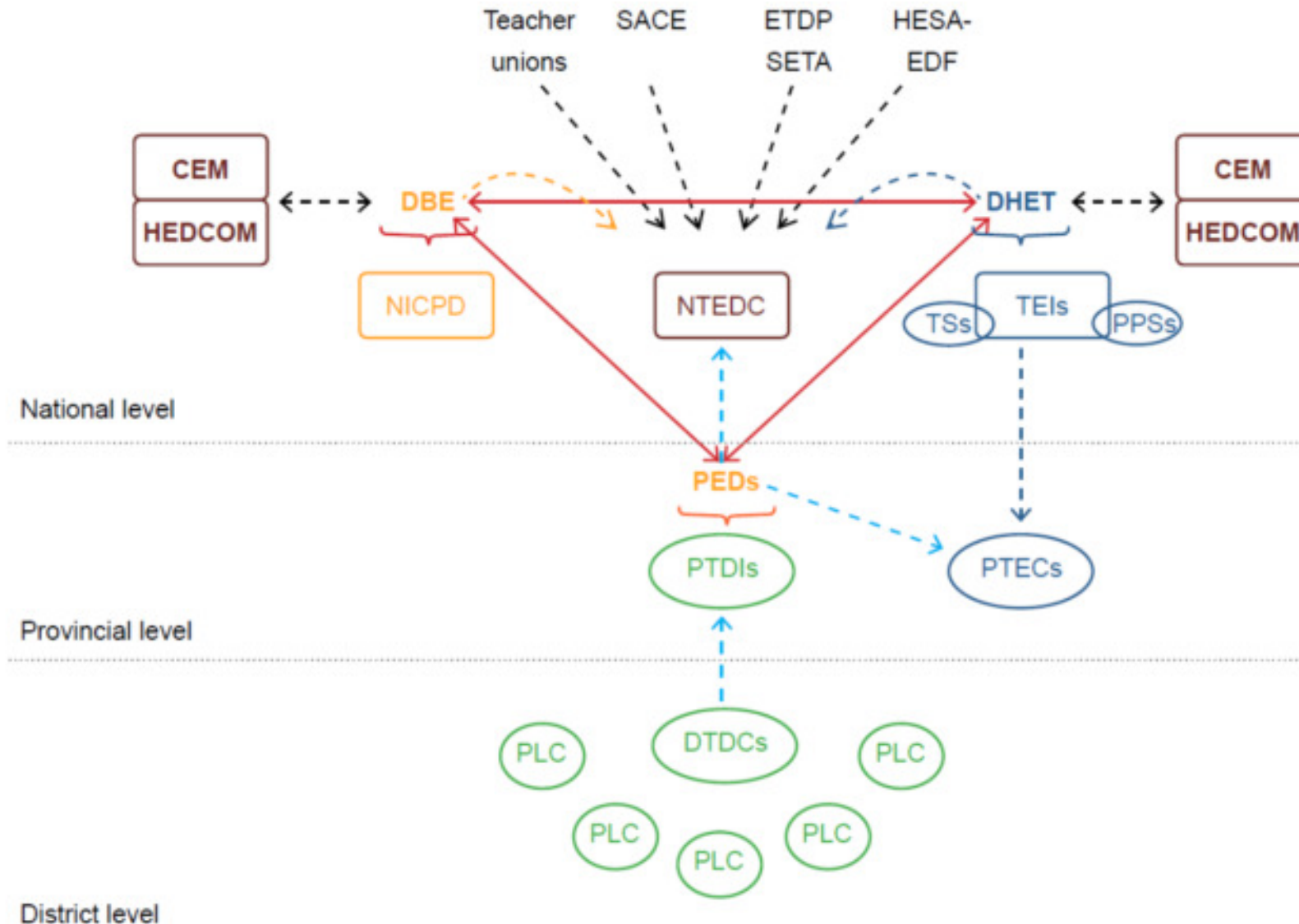
Governance and reporting lines

- Using the information on the roles and responsibilities, you can draw up an institutional map that shows the governance and reporting lines.
- Your institutional map should show the following:
 - All the different role-players involved in the design, delivery, monitoring and evaluation of a programme across all spheres of government
 - The governance arrangements and who reports to whom

You should end up with an institutional map that looks like this!



Governance and reporting lines



MAP THE FLOW OF FUNDS FROM DIFFERENT SOURCES AND INSTITUTIONS



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How do the funds flow? (Follow the money)



- **What is allowed and isn't allowed?**
 - Who determines the rules around budgeting?
 - What format should the budget be presented in?
 - Classification rules?
- In INSET – what are some of the budgeting considerations?
 - Policy rules determined by National
 - Budget determined by provincial offices
 - Expenditure requirement at district office
- Who gives the money and how does it flow in the system?**
 - Different sources
 - Voted funds
 - Conditional grants
 - User charges
 - Loans
 - Interest
 - Rental payments
 - Subsidies
 - Trading account

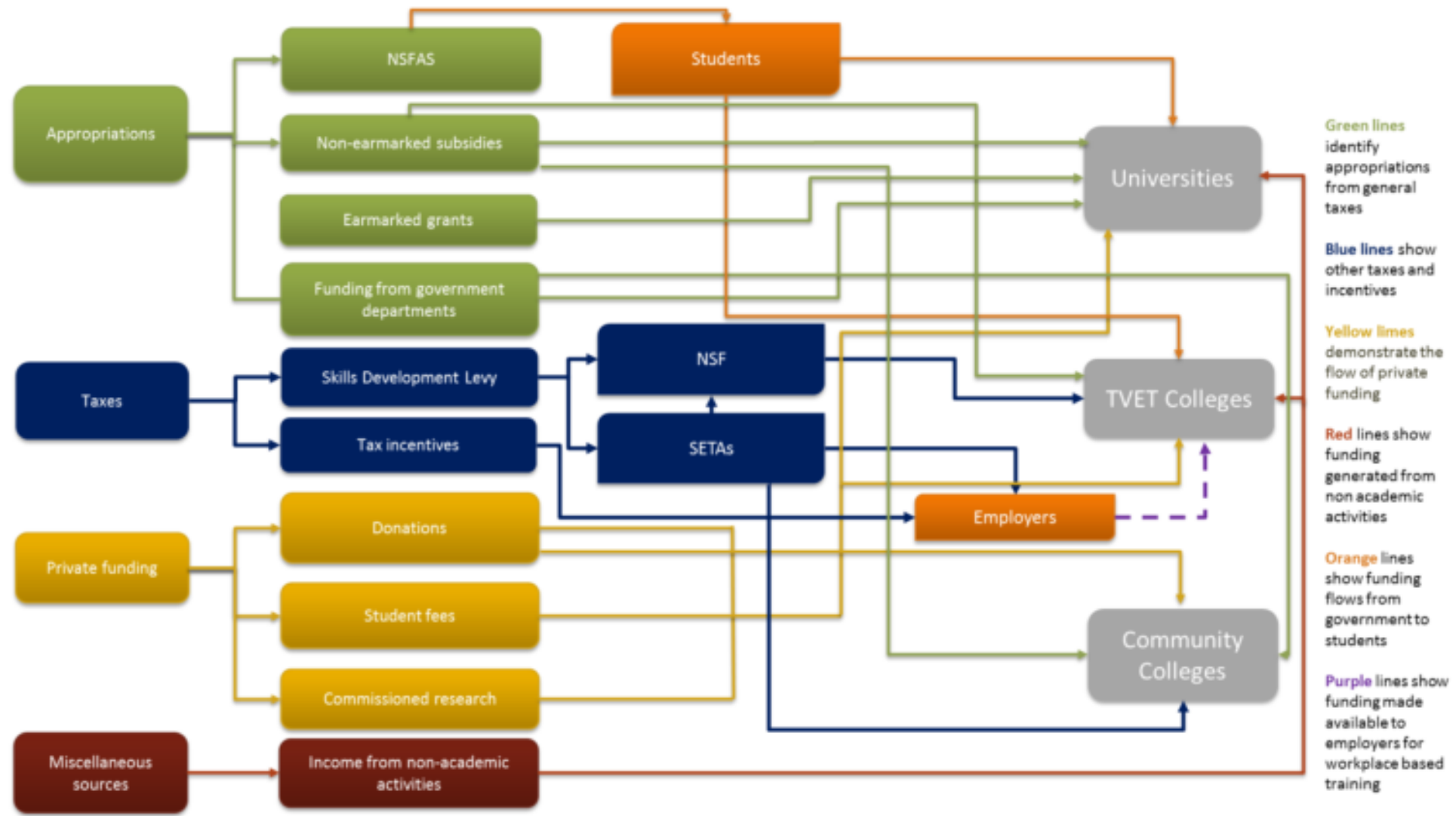
Flow of funds

- The way funds flow to an implementation programme can be complicated.
- Sometimes, it is useful to map out the flow of funds including who send and receives the funds within government.
- Let's use an example. When we costed the White Paper on Post School Education and Training (PSET), we had to figure out how the system was funded.
- As the diagram on the next slide shows, the PSET system is funded from a combination of sources including voted funds, student fees, third stream income and the Skills Development Levy (SDL).

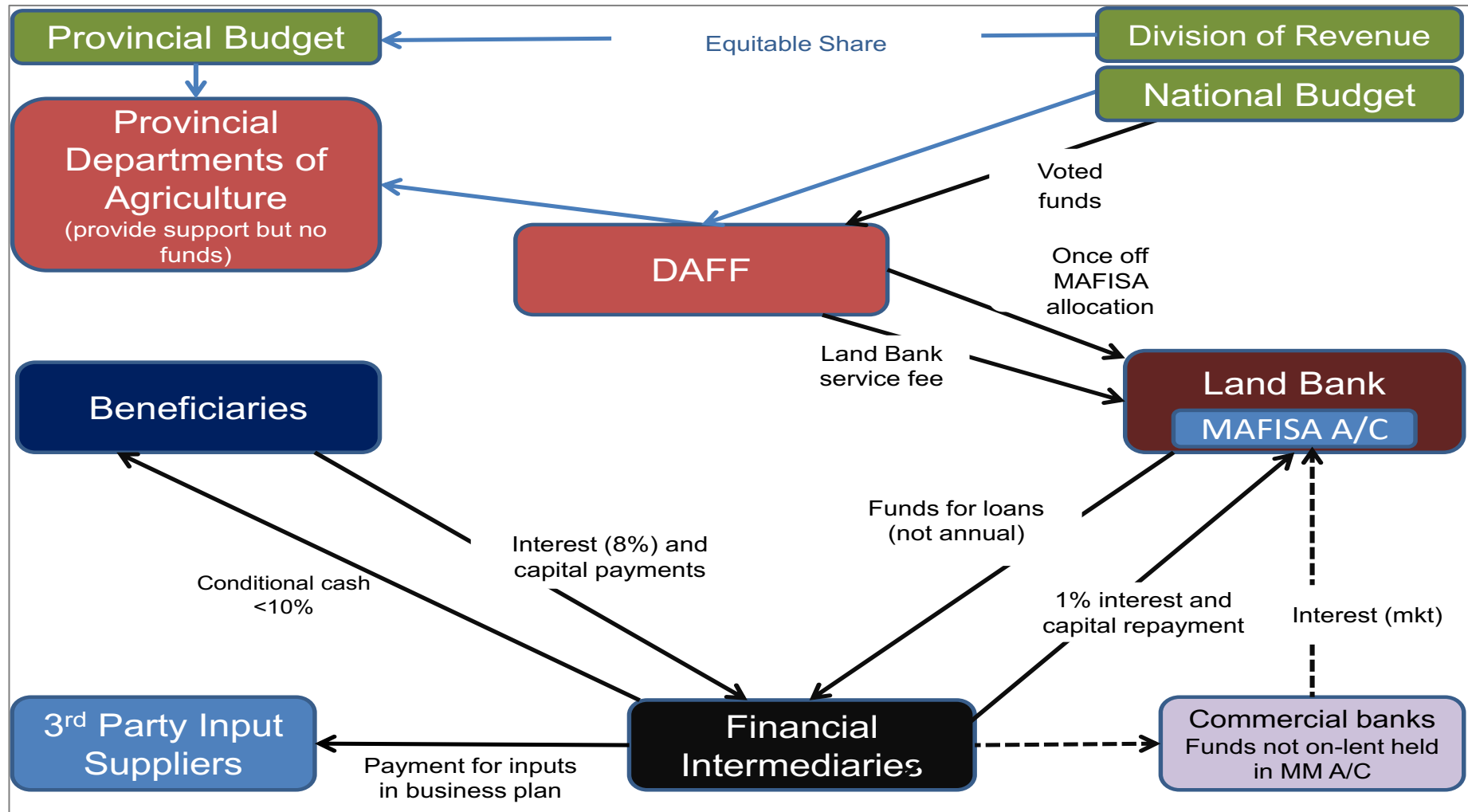
Here are the funding flows in the PSET system.



Funding flows in the Post School Training and Education System



Another example from the spending review on the MAFISA programme



IDENTIFY THE POTENTIAL FOR SAVINGS AND EFFICIENCY IMPROVEMENTS FROM EXAMINING THE INSTITUTIONAL DESIGN, PROGRAMME DUPLICATION AND POLICY SHIFTS



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After doing your institutional analysis, you should understand:



What the problem that government seeks to resolve is?



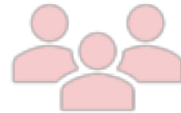
Who are the role players and what their roles are?



Who makes decisions and on what?



Based on what rules or powers are decisions made?



Who benefits from the programme?

Opens questions about that will be answered in the next steps:

- Units of expenditure and possible cost drivers
- Possible improvements / savings
- Where to focus performance measures?

TEST YOUR KNOWLEDGE



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Test your knowledge

- In the next slide, there is a short quiz to test your knowledge.
- You can complete the test by going to the next slide or if that doesn't work clicking on the link below or scanning the QR code on your phone.
- All results are anonymised and we will not share your information.

<https://forms.office.com/Pages/ResponsePage.aspx?id=-dOfVHvy8EOUBIFiKNexstJNbClIOvdLkL3ZUImuXgpUM0dURDVGSOVXTFVPRUhRUDRCQ0dVTVIyMS4u>



Institutional analysis

1. Why do we conduct an institutional analysis in a spending review?

(10 Points)

- ☐ To understand the processes involved in the delivery of services.
- ☐ To clarify the institutions and stakeholders involved in the delivery of services
- ☐ To understand how much we spend on each institution

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