

SPENDING REVIEWS

Navigating the institutional maze



National Treasury
REPUBLIC OF SOUTH AFRICA

Navigating the institutional maze

Government operates as a complex system.

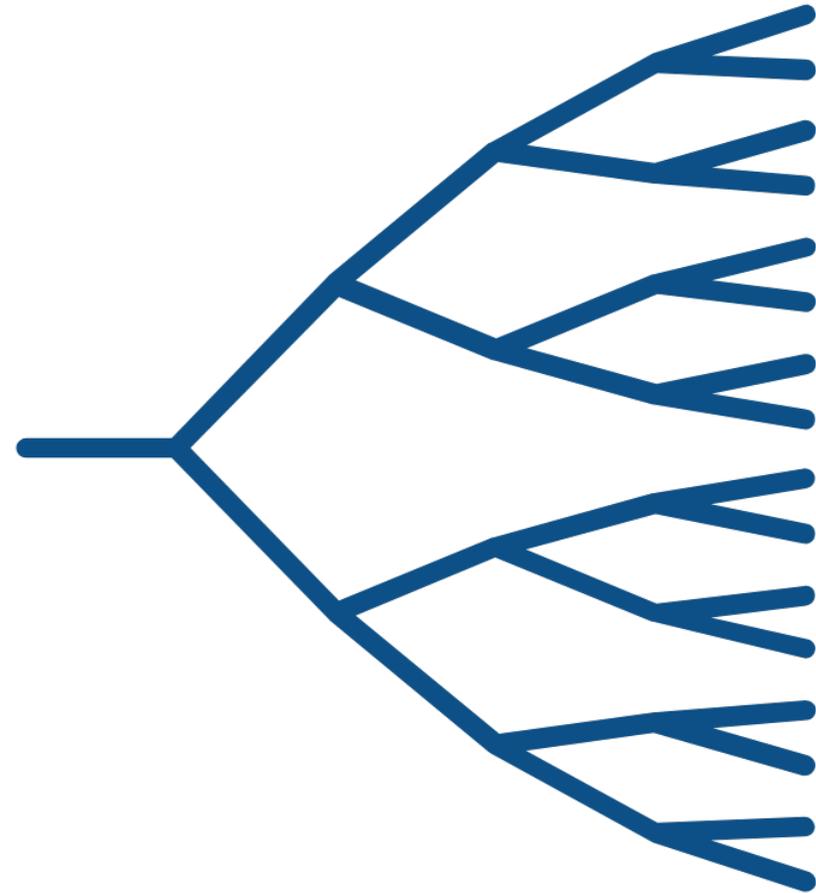
How can you find efficiencies and savings in these complex systems and programmes?



Decision trees are tools that can help you navigate the complexity of a government programme. It allows you to make sense of the findings from your spending review and come up with persuasive and powerful recommendations!

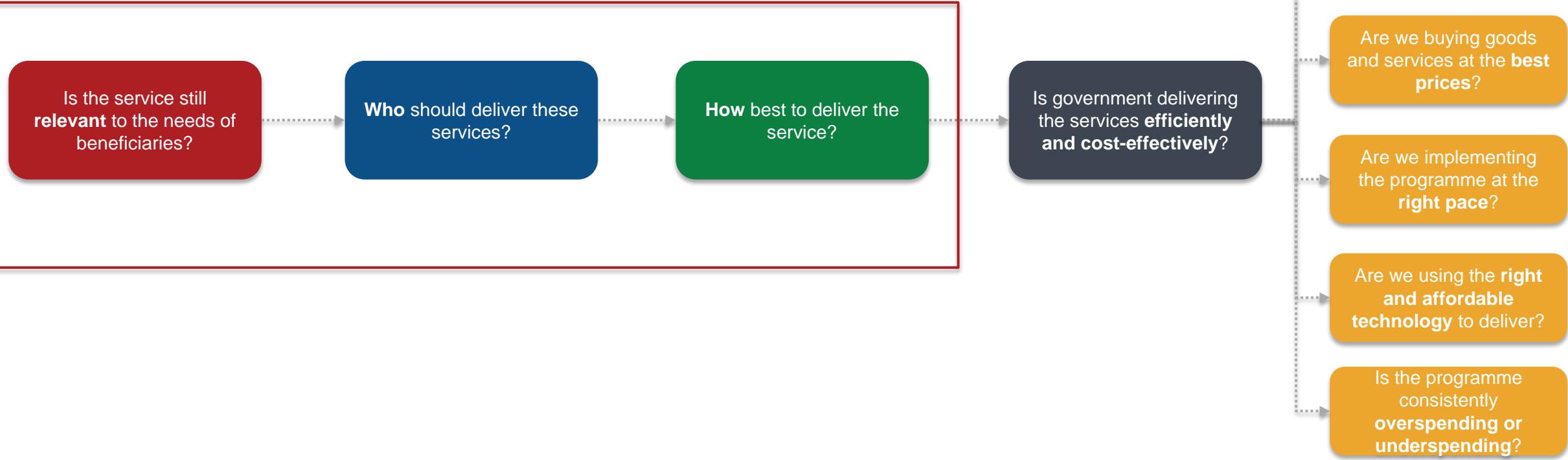
What are decision trees?

- Decision trees are tools that clarify the range of choices you should consider in light of the findings of your spending review.
- Once you have used the decision tree to explore your options, you can then use the action matrix to identify what interventions you will recommend.

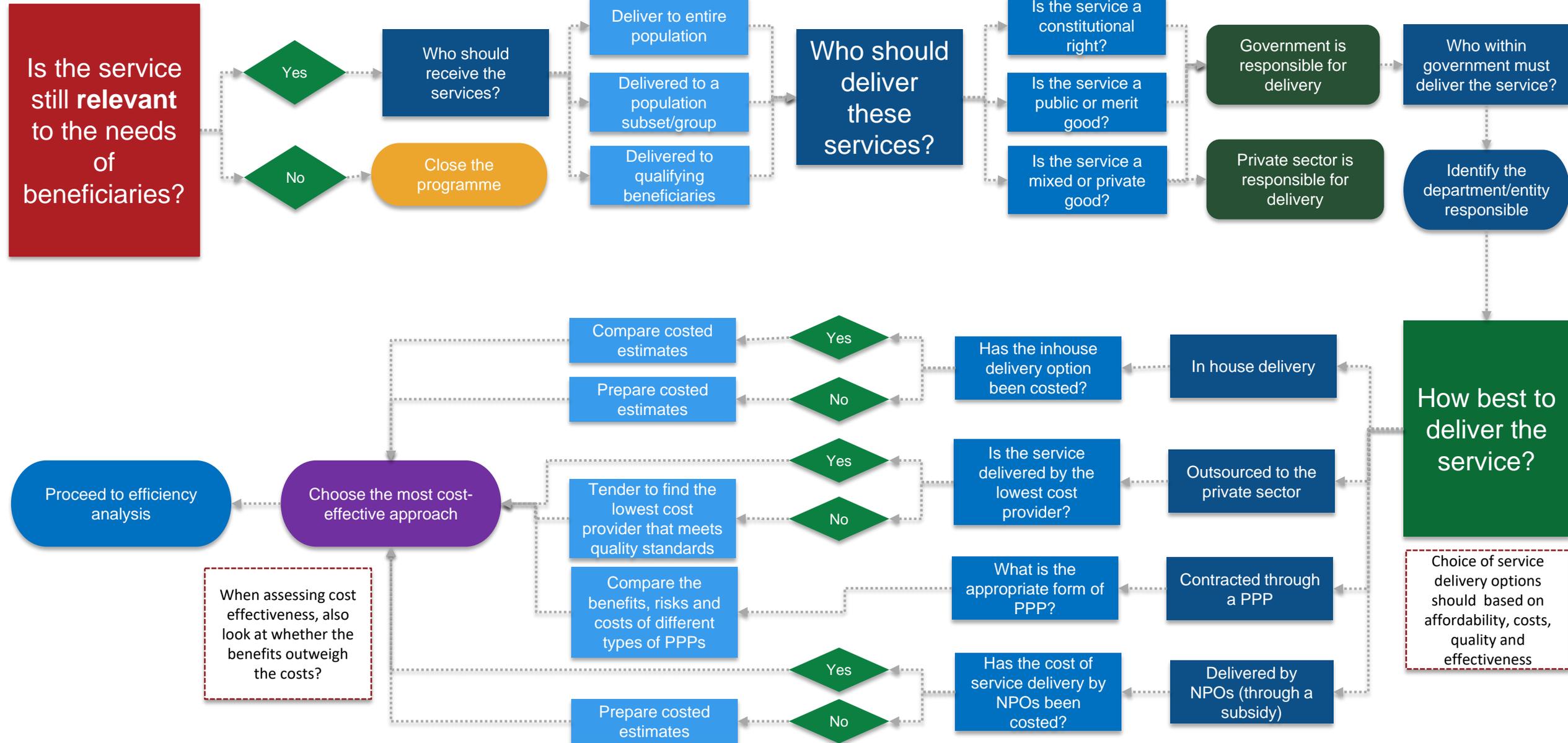


Decision tree

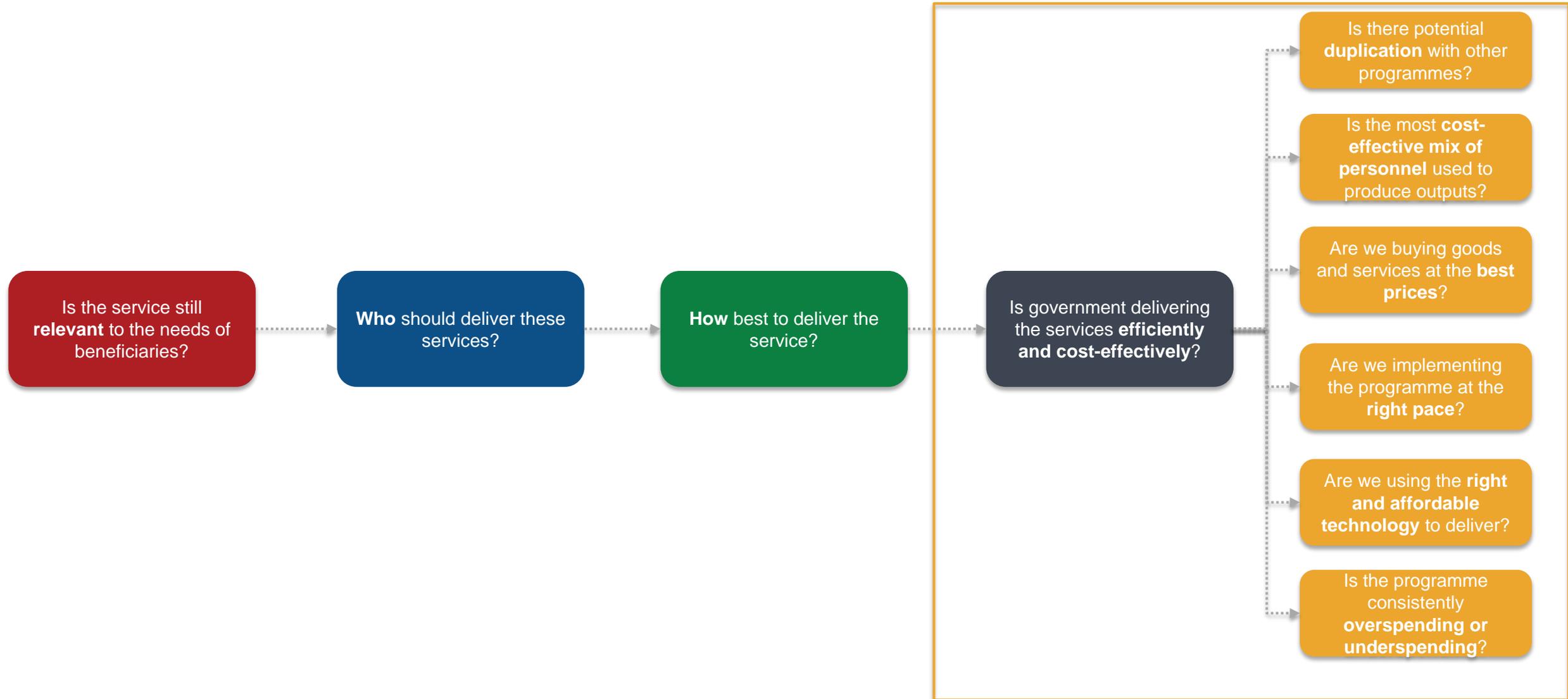
Decision trees help Treasury officials to answer some important questions.



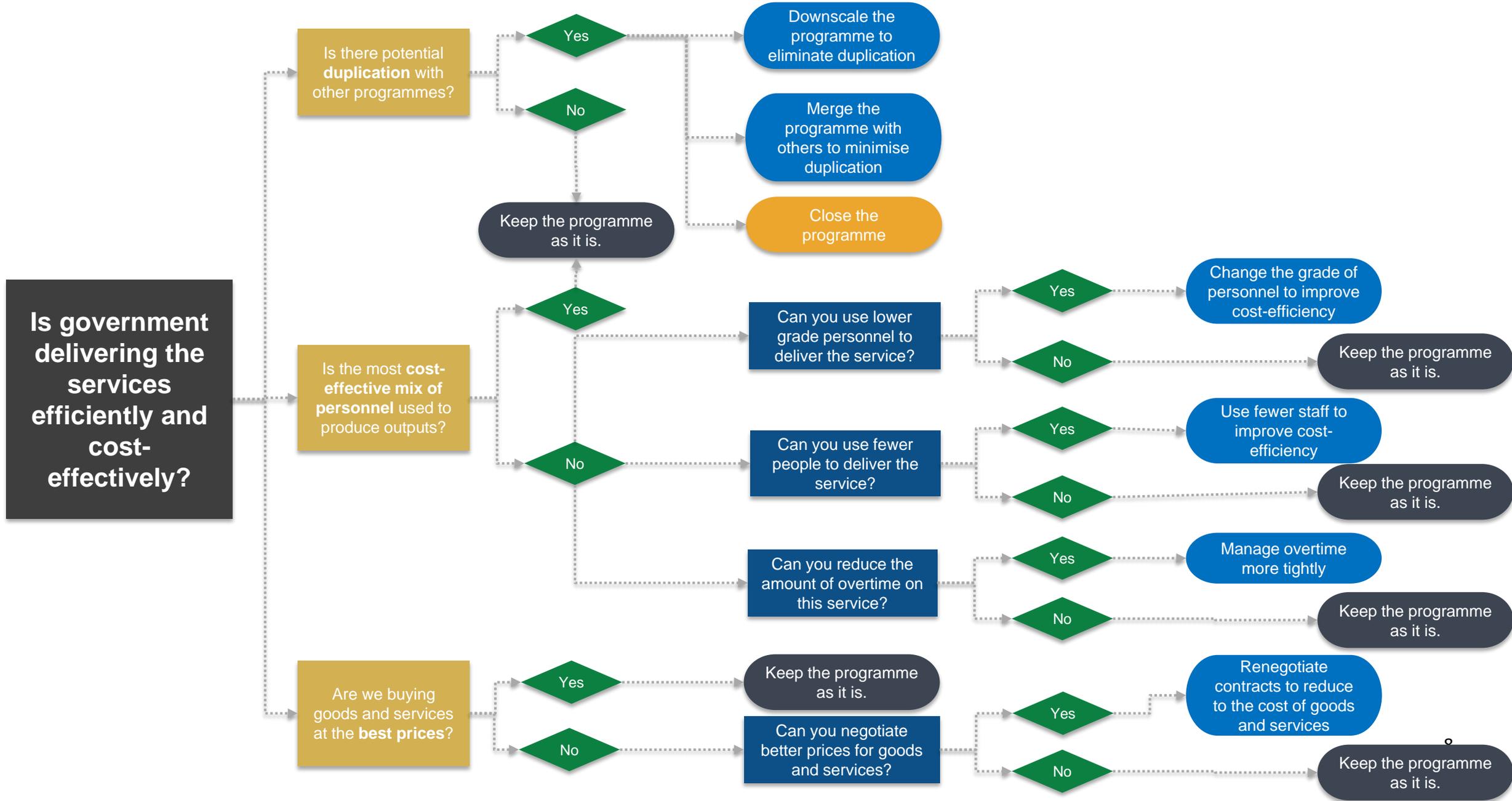
Relevance and appropriateness of delivery models



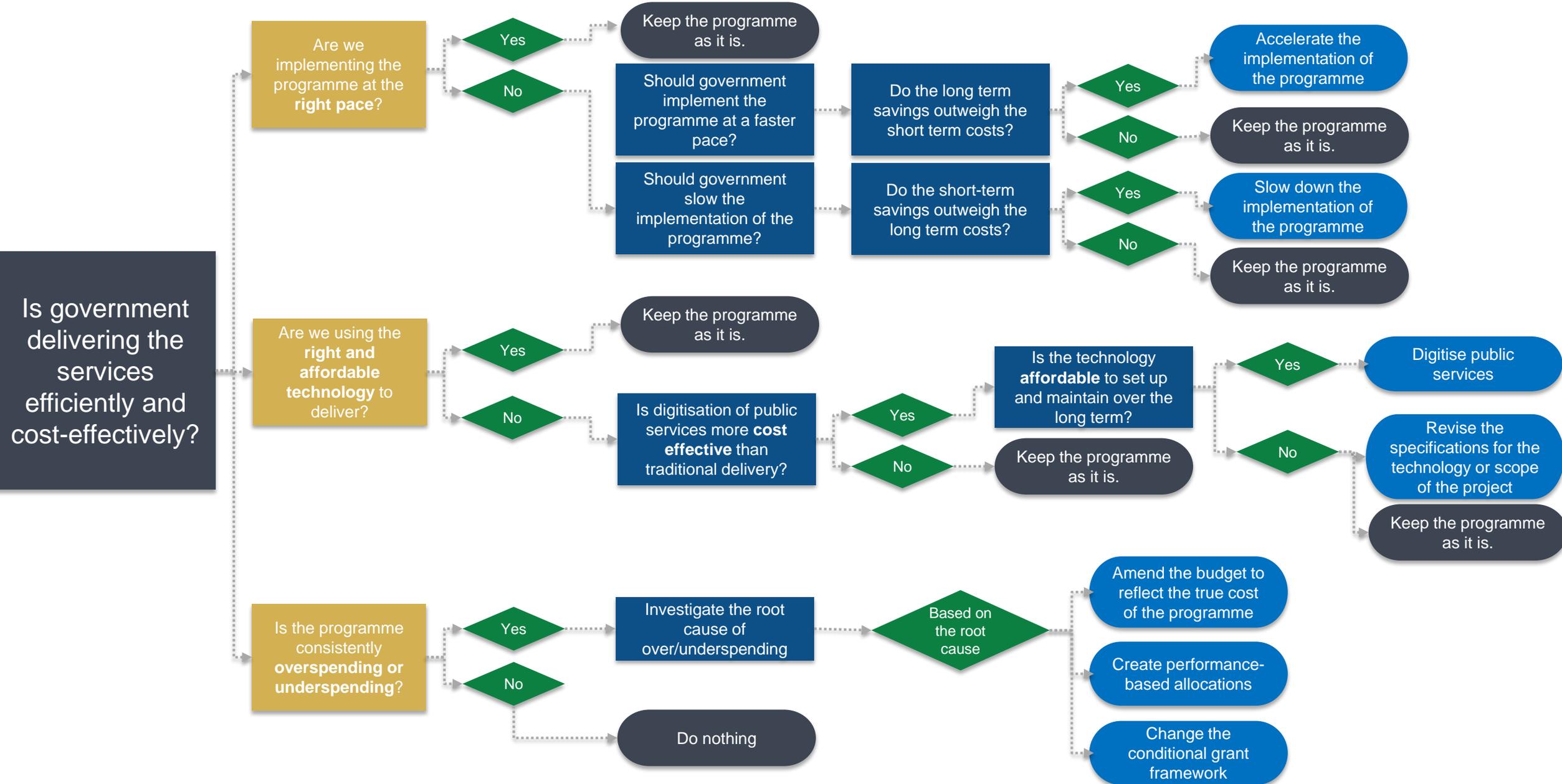
Decision tree



Efficiency and cost-effectiveness analysis



Efficiency and cost-effectiveness analysis



Actioning findings from spending review

- Having considered the range of intervention choices using the decision trees, now consider the actions you can take as a Treasury official.
- There are a range of PFM reforms that NT needs to pursue that are not linked to a specific programme, like revising the SCM regulations, or ensuring better design of budget programmes and revising the virement regulations.
- But, there are also programme-specific actions which may be required to improve the efficiency and cost-effectiveness of the programme.



TYPES OF PFM REFORMS

Cross-cutting or systemic

Done by or in collaboration with centre of government departments (e.g. Treasury, DPISA, DPME).

E.g. How does Government deal with personnel when closing a programme?

Programme specific

Done in conjunction with the line department or stakeholders involved in the programme.

E.g. Using expensive personnel to do a simple task



Actioning findings from spending reviews

Relevance and appropriateness of delivery model

Spending review finding: The target group of beneficiaries needs to be defined in more detail.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Work with departments to influence the scope of the programme and qualifying criteria for beneficiaries- Structure the equitable sharing process to emphasise particular services/groups of beneficiaries- Change the conditional grant work	<ul style="list-style-type: none">- Revise the policy framework and eligibility criteria- Forecast demand for programme- Prepare costed estimates of implementation- Issue guidelines or directives- Revise templates, reporting requirements and M&E	<ul style="list-style-type: none">- National & provincial line departments



Actioning findings from spending reviews

Relevance and appropriateness of delivery model

Spending review finding: Government is delivering a service that should be delivered by the private sector.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Defund the goods and services component of the programme- Phase out funding for the programme over time- Allocate funding for retrenchments- Close the programme	<ul style="list-style-type: none">- Redeploy personnel- Retrench personnel	<ul style="list-style-type: none">- National & provincial line departments- DPSA



Actioning findings from spending reviews

Relevance and appropriateness of delivery model

Spending review finding: The delivery model is not appropriate and might not offer value for money.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Work with the department to find the most cost-effective delivery approach- Allocate budget based on costed estimates of the rollout	<ul style="list-style-type: none">- Prepare costed estimates of implementation of most suitable delivery model- Address impact on personnel based on the delivery option chosen	<ul style="list-style-type: none">- National & provincial line departments- DPSA



Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: There is duplication of functions across programmes or entities.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Freeze all new positions on programmes where there might be duplication- Get DPSA to review the post establishment of the entity- Defund the goods and services component of the budget- Highlight the specific function duplications and require entities to consolidate or eliminate duplication	<ul style="list-style-type: none">- Establish a cross-entity task team to map out functions and identify the scale and scope of duplications- Scale back programme to minimise duplications- Merge or consolidate entities- Shut down entities or programmes that duplicate functions	<ul style="list-style-type: none">- National & provincial line departments



Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: The programme or service is costly because personnel resources are not utilised efficiently.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">– Reduce personnel budgets– Make funding available for retrenchment– Get involved in public service salary negotiations– Do proper analyses regarding moves to expand the public service (e.g. making community health workers public servants)	<ul style="list-style-type: none">– Redeploy personnel– Change the quantity and grade of personnel who deliver the service– Retrench personnel	<ul style="list-style-type: none">– National & provincial line departments– DPSA

Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: Goods and services purchased are costly.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">– Develop a transversal contract for certain categories of bulk purchases– Set price benchmarks (min-max range for categories of commonly purchased goods)– Monitor average unit prices of items purchased by government and compare to private sector prices– Change SCM regulations (especially to promote greater accountability)	<ul style="list-style-type: none">– Prepare costed estimates of implementation of most suitable delivery model– Address impact on personnel based on the delivery option chosen	<ul style="list-style-type: none">– National & provincial line departments

Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: There is not enough information to understand expenditure or assess efficiency.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Reform the budget structure to improve how expenditure is reported- Review whether the Item segment reflects items used in the programme appropriately- Explore how the Responsibility and Project segments in BAS might be used to track spending- Explore how PERSAL might be used to track personnel spending better.- Put in place specific reporting requirements for specific kinds of expenditure or specific programmes- Revise the reporting responsibilities on conditional grants	<ul style="list-style-type: none">- Improve reporting capacity- Work with NT to use BAS segments and PERSAL more effectively	<ul style="list-style-type: none">- National & provincial line departments

Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: There are opportunities to digitize the delivery of public services to save money.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">- Make provision for capital costs involved in digitisation- Cut budgets over time as digitisation is phased in	<ul style="list-style-type: none">- Develop and cost a digitisation plan and platform migration- Work out the personnel and other implications of digitisation- Change the department establishment to reflect the changes to the programme	<ul style="list-style-type: none">- National & provincial line departments- DPSA



Actioning findings from spending reviews

Efficiency and cost-effectiveness

Spending review finding: There is consistent under/overspending on a programme.

What can Treasury do?	What can the line Department do?	Stakeholders
<ul style="list-style-type: none">– Allocate the budget based on the true cost of the programme after taking into account affordability– Link budget allocations to performance– Make the budget allocation exclusive and specific (i.e. the funds may not be used for anything else – prevents virement)– Revise virement regulations and conditions– Revise the conditions on conditional grants	<ul style="list-style-type: none">– Prepare costed estimates of implementation	<ul style="list-style-type: none">– National & provincial line departments

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