



GROWTH AND JOBS THROUGH OPPORTUNITY

**ALTERNATIVE 2011/2012 BUDGET
FRAMEWORK FOR KWAZULU-NATAL**

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OVERVIEW

A genuinely pro-poor budget is not one that vaguely commits the provincial government to job creation while implementing policies that erode sustainable employment in the private sector through over-regulation and a lack of incentives. Despite repeated promises of new jobs, KwaZulu-Natal has been shedding jobs and indeed the only area where job creation has taken place is the public service. These trends are simply unsustainable and the IFP's Alternative 2011/2012 Budget Framework for KwaZulu-Natal proposes to reverse them.

Rather than attempting to micromanage the affairs of individuals and communities, it seeks to inspire self-help and self-reliance while equalising opportunity for all. This plan works to accomplish four main goals: 1) redistribute funds to key service delivery areas, namely education, health, agriculture, and transport; 2) promote greater interdepartmental cooperation; 3) restructure economic development programmes to incentivise job creation and entrepreneurship; and 4) promote community ownership of public infrastructure through selected co-funding schemes.

This Alternative Budget Framework recognises that participation of greater numbers of citizens of KwaZulu-Natal in the province's economy cannot happen without a radical expansion of opportunity and that effective service delivery by government depends on a vibrant, free and growing private sector to generate the resources necessary for it. The greatest difference between the past provincial budgets and this framework lies in the purpose and size of government this plan would achieve over time.

KEY ALTERNATIVE PROPOSALS

- *Redistribution of new funding above the 2010/2011 baselines to key service delivery departments, namely Education; Health; Agriculture, Environmental Affairs and Rural Development; and Transport*
- *Ring-fencing of key service delivery programmes and funding of unfunded mandates, such as higher than budgeted for wage agreements, from efficiency gains and savings to prevent overspending*
- *Extension of cost-cutting measures to programmes prone to excessive bureaucracy, intervention, self-promotion and duplication of government functions*
- *Further expansion of public service employment solely on the basis of parallel performance assessment*
- *Setting up of two dedicated live access databases to ensure 1) co-ordination, monitoring, evaluation and accountability in project management; and 2) fast-tracking of disciplinary action - across all departments*
- *Restructuring of the KZN Growth Fund to administer wage subsidies for qualifying SMMEs in fuelling job creation*
- *Gradual implementation of voluntary rand-for-rand schemes to co-fund selected public infrastructure projects such as maintenance of schools and provision of housing*
- *Expansion of private patient wards at public hospitals to boost the income of the public health sector*
- *Establishing a formal link between municipalities through the Department of Cooperative Governance and the Department of Human Settlements in the provision of fully-serviced housing sites*
- *Establishing a formal link between the recipients of selected social grants and the Expanded Public Works Programme to integrate welfare with employment opportunities*
- *Undertaking comprehensive audits to streamline subsidies to the civil society and government expenditure such as office rentals by departments*

TRANSVERSAL ALLOCATIONS

CRITICAL VERSUS NON-CRITICAL DEPARTMENTS

The current budget structure does not reflect the top priorities of the provincial government as a whole, with the more marginal departments continuing to pursue overambitious agendas, often without cooperation with key service delivery departments. The across the board cut of 7.5 percent in the wake of the deficit crisis in the 2009/2010 financial year confirmed this trend.

In dual recognition of the need to maintain fiscal balance and the magnitude of challenges in key service delivery departments, this Alternative Budget Framework proposes to redistribute all new funding above the 2010/2011 baselines to four key service delivery departments, namely Education; Health; Agriculture, Environmental Affairs and Rural Development; and Transport while freezing the 2011/2012 budget allocations for all other departments at their 2010/2011 levels.

It also proposes to ring-fence key service delivery programmes in all departments and, in order to preempt over-expenditure, fund unfunded mandates, such as higher than budgeted for wage agreements, from efficiency gains and savings from the elimination of unnecessary bureaucracy and government intervention to reverse the trend in the Department of Social Development and elsewhere of expanding the cost of administration at the expense of service delivery.

FILLING OF PUBLIC SERVICE POSTS

There is inconclusive evidence to support the notion that indiscriminate increases in the numbers of public service posts lead to improved service delivery. The distinction between critical and non-critical vacant posts was first made in August 2008 when the filling of non-critical posts was frozen in the Department of Health in order to contain

runaway over-expenditure. This distinction should remain a guiding principle when filling further public service vacancies.

Internally conducted Job Evaluation processes have generally led to pre-determined conclusions and as such have lacked credibility. A new approach is necessary. With performance assessment now a requirement for audit purposes, performance assessment needs to be capacitated in all government departments and its findings need to be used in parallel within and between departments when considering the filling of vacant posts with identical or similar job descriptions.

FISCAL DISCIPLINE

The elimination of the fiscal deficit towards the end of the 2010/2011 financial year is a significant achievement and the lessons learned in the process, such as the implementation of the cabinet-approved cost cutting measures, need to be extended to areas and programmes most prone to unnecessary bureaucracy, excessive government intervention, self-promotion through extravagant advertising and duplication of government functions.

Having cut out the bulk of wasteful expenditure, cost-cutting measures must now lead to streamlining of the public service, clear delineation of responsibility and cheaper and more effective ways of communicating with the public. This Alternative Budget Framework capacitates Provincial Treasury to ensure that the implementation of cost-cutting measures is consistent all the provincial government and that the outcomes are adequately monitored.

DISCIPLINARY CAPACITY

The organisational structures in the fight against corruption remain largely procedural. The institutions within and outside the provincial government whose job is to fight corruption are too many in number and too disjointed in purpose. Their work

remains constrained not only by a lack of capacity but, even more seriously, by a breakdown in communication and a lack of cooperation with individual departments. While the government and the law enforcement agencies accuse each other of inordinate delays in taking action, hundreds of disgraced civil servants continue to benefit from the stalemate. Individual departments need to institute disciplinary, criminal and civil proceedings against offenders simultaneously and this Alternative Budget Framework capacitates the Office of the Premier and Provincial Treasury to ensure that disciplinary action is expedited across the provincial government.

SPECIFIC ALLOCATIONS

VOTE 1: OFFICE OF THE PREMIER

The Office of the Premier is the hub of the provincial government and its role is to ensure coordination, monitoring, evaluation and accountability of individual departments. This Alternative Budget Framework proposes three measures to improve all of these aspects of the department's mandate.

Firstly, in order to improve its overall project management capacity, this plan proposes the establishment of a computer-based database that would allow the Premier, each MEC and all senior civil service managers live access to management information on every major project in the provincial government to improve coordination across departments. The database would also be accessible to municipalities in order to improve coordination of intergovernmental projects. The database would not only hold the right people to account, but it would also allow continuous monitoring of progress and ensure coherence between business plans and performance reports.

Secondly, this Alternative Budget Framework proposes to concentrate disaster management in the Office of the Premier to prevent duplication of functions in other departments such as Social Development and Cooperative Governance and Traditional Affairs and to ensure speedy response to disasters by coordinating the provincial government's action directly with affected municipalities.

Thirdly, the Office of the Premier must embark on a review of all public entities attached to various departments to assess their performance and determine whether or not they are still fulfilling their legislative mandate, whether they are still relevant to the government's overall policy approach and whether they justify the budget allocations earmarked for them.

VOTE 2: PROVINCIAL LEGISLATURE

The KwaZulu-Natal Legislature is failing to live up to its mission of an Activist, People-Centred Legislature. The institution is generally overstaffed while capacity is lacking in critical areas such as logistical support and adequate research capacity for portfolio committees. The internally conducted Job Evaluation exercises have tended to arrive at pre-determined conclusions about the posts under evaluation and this approach has thus lost all credibility. What the Legislature needs is a thorough performance assessment of the existing staff as well as an independent audit of its future staffing requirements.

Similarly, the Legislature's priorities have previously focused on procedural rather than substantive issues. The institution's preoccupation with public participation has led to a series of costly and cumbersome communication strategies whose results have yielded little material benefit to the communities at whom the initiatives such as *Taking Parliament to the People* have been directed.

Lastly, this Alternative Budget Framework contends that the Legislature's budgets would have been sufficient had the institution limited its funding to its own mandate. The significant expenditure on initiatives outside of the scope of this mandate, such as co-funding of the Inauguration of the Premier or Election Monitoring, have in the past detracted from the more pertinent projects such as capacity-building for portfolio committees or facilities for Members and political parties.

VOTE 3: ECONOMIC DEVELOPMENT AND TOURISM

The focus of this department is on job creation and economic growth through promotion of trade and industry. The provincial government is paying lip service to the need for supporting both, but its record, especially on promoting job creation, attests to the contrary. Hundreds of millions of rands are poured annually into so-called "engines" of economic growth housed in this department, such as the KZN Growth Fund, with few newly created jobs to show for it. What this province needs is a detailed strategy on how to make KwaZulu-Natal South Africa's province of choice for business.

This Alternative Budget Framework ensures that employment opportunities and opportunities for entry through entrepreneurship are not only maximised, but that access to such opportunities is made as open and equal as possible. The key proposal here is to scrap the current funding model of the KwaZulu-Natal Growth Fund which focuses on support for a miniscule number of businesses and transform this public entity into a fund that would administer wage subsidies to qualifying SMMEs for every new job created based on sustainability.

The escalating wage subsidy would be offered for a set time period for every new position created based on a proven track record of sustainable job creation. The subsidy would help grow the qualifying SMMEs as it would lower the cost of hiring unskilled labour. In addition, the escalation of the subsidy over time would provide sufficient incentive to create sustainable jobs. In contrast to the Expanded Public Works Programme, which creates temporary jobs where little or no transfer of skills takes place, the subsidy structured over several years would provide enough time for the employee to internalise the work experience and for the new position to become fully-fledged and sustainable.

VOTE 4: AGRICULTURE, ENVIRONMENTAL AFFAIRS AND RURAL DEVELOPMENT

Agriculture is integral to maximising opportunities for economic growth and job creation in KwaZulu-Natal. The renewed focus on the funding of co-operatives and other agricultural ventures to create jobs in a sector that enjoys a long tradition in this province must be commended. But in order for it to succeed, the many unresolved challenges currently plaguing government-sponsored planting projects, chief of them fraud and corruption, must be addressed first. This is the first test for the project management and disciplinary action databases proposed for the Office of the Premier and Provincial Treasury.

Key priorities for the Department of Agriculture have so far included supporting farmers through training and bolstering food security through the establishment of food gardens. To these priorities this Alternative Budget Framework adds a proposal for a

publicly-funded mentorship programme that would see emerging farmers receive guidance from experienced commercial farmers aimed at increasing agricultural production through research, increasing competitiveness and access to domestic and international markets and shielding emerging farmers and farm workers from the negative impact of climate change.

VOTE 5: EDUCATION

Quality education is the cornerstone of opportunity. Turning our education outcomes around is a multi-faceted exercise that involves upgrading and improving the pedagogical skills of teachers, enhancing managerial skills amongst principals, strengthening accountability within the education system as a whole, providing quality learning and teaching materials and addressing the infrastructure backlog. Whereas the first four areas are predominantly matters of policy, the infrastructure backlogs can be addressed directly in budgetary terms.

The backlogs of classrooms and ancillary school facilities would be eliminated faster if these structures were built for less money than the department currently spends per unit on appeasing politically-connected contractors who inflate prices, rush off work and get away with it because inadequate monitoring of performance and standards allows it. It is also of concern that in recent years, provincial government has spent more and more time, effort and state funds on mending rather than expanding newly built school infrastructure.

This Alternative Budget Framework maintains that it is possible to deliver school infrastructure better, cheaper and faster provided our procurement is transparent and open to genuine competition. Awarding public infrastructure tenders to deserving contractors who are qualified, who offer competitive prices and who do not compromise on quality will not only result in a higher standard of execution, but also in increased quantity of services delivered to our communities.

In order to ease the backlog of schools in need of maintenance work, which is a function of the department's district offices, this plan offers a fast-track option that would

introduce gradual implementation of “rand-for-rand” schemes, on a voluntary basis, to co-fund maintenance of schools jointly by the Department of Education and the communities. This option would not only prioritise the execution of the project at hand, but it would also instill a sense of community ownership of school infrastructure.

The proportion of communities’ share in the co-funding of a specific “rand-for-rand” scheme could derive from the current quintile ranking of the particular school which, in turn, derives from a host of socio-economic indicators. Moreover, much of vandalism that plagues school infrastructure at present is the result of communities having no stake in the premises that are delivered to them at taxpayers’ expense by the Department of Education. Moreover, various co-funding models already exist in our education system, not least in the provision of certain services to schools, such as security, by the School Governing Bodies.

VOTE 6: PROVINCIAL TREASURY

The prerequisite for government-enabled economic growth and job creation is clean and efficient government. While every department is responsible for safeguarding these principles, Provincial Treasury, along with the Office of the Premier, takes the lead by ensuring that the public money is spent effectively and managed with integrity. Provincial Treasury has been continually improving its capacity in the provision of IT infrastructure, a strengthened forensic investigation unit, legal services, internal audit services and risk management. This Alternative Budget Framework will focus on one area where improvement is long overdue.

Analogous to the proposed database of project management across the provincial government for the Office of the Premier, a similar inter-departmental live access database is proposed for Provincial Treasury to keep track of all ongoing cases of misconduct originating from forensic and other reports commissioned by the Legislature or otherwise and conducted by internal or independent investigators. This

database would register the particulars of all cases and individuals under investigation with the details on the progress of disciplinary, civil and criminal proceedings. It would contribute to clean governance by promoting transparency and expediting disciplinary action.

VOTE 7: HEALTH

Despite increasing efforts and volumes of state funding, the incidence of HIV/Aids, the single biggest crisis our healthcare system is facing, remains stubbornly high. This crisis is exacerbated by the fact that our public health facilities are failing. While the public healthcare system continues to be grossly underfunded, significant portions of the funds that are available, such as the conditional grants set aside for hospital revitalisation, are not being used due to a lack of capacity. This Alternative Budget Framework will focus on two marginal areas that, with sufficient attention from the Department of Health, could yield measurable results within the 2011/2012 budget cycle.

The plan envisions an allocation towards the establishment of new 20 to 30-bed private patient wards in a number of public hospitals KwaZulu-Natal. In the short term, attracting patients who would normally opt to use private sector medical facilities into the public health sector would bring a significant source of income into the public sector's purse. In the long run, however, such a marriage of convenience between the elements of the public and private sectors could facilitate the transfer into the public sector of private sector's highly trained medical personnel, sophisticated technology and advanced managerial skills.

The second allocation proposed by this Alternative Budget Framework is towards interdepartmental programmes that are designed to prevent ill health, not merely treat it. These include intensified efforts to prevent the spread of diseases of early childhood, infectious and sexually-transmitted diseases, and to reduce the risk of illness and personal injury, particularly by targeting the link between alcohol and substance abuse, on the one hand, and medical conditions and accidents on the other.

VOTE 8: HUMAN SETTLEMENTS

As with other items of public infrastructure, the provincial government is falling behind on its quantitative targets in the construction of housing and even in areas where these targets are met, the procurement procedures are riddled with corruption and the quality of housing is substandard. This Alternative Budget Framework has a two-pronged approach to addressing the housing crisis.

Firstly, it would honour the existing housing waiting lists and continue to spend the current housing budget to deliver housing units to those who are on the lists. To ensure that houses are allocated more expeditiously and fairly, the plan would improve the administration of housing stock and track the housing backlog through the development of a municipal data support programme.

Secondly and in parallel to this process, it would introduce self-financing by way of a “rand-for-rand” subsidy, in which the state would provide a fully-serviced site and match the amount saved for the construction of the house by a low-income first-time home buyer with a credit history who does not qualify for a housing subsidy. To support such a scheme, the department would co-opt the private sector and encourage the development of a state-backed finance scheme that would significantly reduce the risk of borrowing.

Such a scheme would encourage communities to actively participate in the design, construction and project management of their own homes and, in doing so, promote a sense of ownership and ensure that houses are built to acceptable standards. In time, such a scheme could contribute towards the development of mixed housing projects and an increase in rental stock. It could also upscale the provision of fully-serviced housing sites as an alternative to the current RDP housing schemes.

VOTE 9: COMMUNITY SAFETY AND LIAISON

Unacceptably high levels of crime do not merely wreak havoc in our communities but also serve as a deterrent to economic development and job creation. Some challenges within the SAPS, such as the lack of ongoing training, shortages of equipment, weapons and vehicles, and an overall absence of qualified and experienced station management, can be attributed to underfunding. Other factors such as endless restructuring of the police service and redeployment of specialist units point to a lack of understanding and commitment on the part of the Department of Community Safety and Liaison and its national counterpart.

This Alternative Budget Framework proposes a targeted approach to improving detective services by ensuring that each police station has a fully equipped detective unit determined by the size of the community it serves. Adequate allocations must be made to ensure that qualified individuals are attracted and retained by the SAPS and that they have the appropriate equipment and resources to do their jobs. The department must also implement systems that monitor and evaluate police performance, efficiency and effectiveness and improve civilian oversight of law enforcement agencies.

More specifically, the plan proposes to strengthen the eroded capacity of the SAPS in rural areas by establishing a specialist Farm Attack Intelligence Unit. Such a unit would have a substantive and pre-emptive strategy to address the high levels of farm attacks and reverse the currently reactive approach of the SAPS to the farm murder phenomenon which has claimed an average of 85 lives annually since 1994.

VOTE 10: ROYAL HOUSEHOLD

The establishment of the Royal Trust was undertaken in the belief that it would facilitate the administration of the provincial government's commitments to the Zulu Royal Household and encourage fund-raising efforts to help fund its institutional needs. So far, the setting up of the trust has only duplicated both cost and government functions in the affairs of the Royal Household.

This Alternative Budget Framework proposes to set a binding deadline by when the Royal Trust has to be fully operational in order to release the full scale of public funding allocated to the department for the benefit of the Royal Household's public functions, not just its operational requirements.

VOTE 11: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

If we want our municipalities to fulfill their mandate more effectively, the Department of Cooperative Governance must assist them with improving the quality and content of their integrated development plans and hold them to account for their implementation.

This Alternative Budget Framework places emphasis on the early detection of governance and service delivery breakdowns in the department's implementation of various capacity building interventions that aim to enhance the performance of municipalities and promote good governance practices in them. Closer cooperation between the department, Provincial Treasury and the municipalities would result from the establishment of a dedicated helpdesk in the Department of Cooperative Governance that would keep track of the progress in municipalities, detect areas of concern through parallel assessment and respond speedily to specific challenges with tailor-made solutions.

This plan also seeks to establish a formal link between the Department of Cooperative Governance with its unique access to municipalities and the Department of Human Settlements with its role in the provision of housing. Accommodating people is not possible without access to basic services. If the Department of Human Settlements is to upscale its provision of fully-serviced sites for the construction of houses – as this Alternative Budget Framework envisions, it needs to work closely with municipalities to ensure the provision of their services in targeted locations. The Department of Cooperative Governance can facilitate such cooperation.

VOTE 12: TRANSPORT

Transport is key to KwaZulu-Natal's economic growth and job creation while the deteriorating road network and traffic congestion are a growing obstacle to both.

This Alternative Budget Framework broadly supports the current government efforts in upgrading and expanding the province's transport infrastructure in cooperation with the national department and municipalities, but it adds a new focus on investment into public transport as a way of improving access to economic opportunities, easing traffic congestion and addressing the growing concerns about air pollution in the province.

The Department of Transport must engage all relevant stakeholders, including KwaZulu-Natal's powerful taxi industry, in devising a public transport scheme that is affordable and safe for commuters, integrated and environmentally friendly. Such a scheme should ideally be modeled on public-private partnerships to reduce the funding commitments by the provincial government and increase the participation of the private sector.

VOTE 13: SOCIAL DEVELOPMENT

Among its many functions, the Department of Social Development acts as a crucial link between the provincial government and the civil society and it should be a priority of this government to support effective community-based organisations in all areas of social development work. If this department is to succeed in its goals, it needs to bring every social partner on board and, even more importantly, keep them there.

The past controversies in the public funding of non-profit organisations, some of which proved to be less than authentic, has created a need for a wholesale independent audit of all NPOs contracted to the department. Such an exercise would not only determine which of these organisations are genuine, but which of them are providing the best quality of service to the people of KwaZulu-Natal.

This Alternative Budget Framework contends that such an audit would not only reveal discrepancies between the NPOs' service-level agreements with the department and their actual performance, but also that some are doing priceless community work only to receive the same levels of funding for years. This plan therefore proposes to increase funding for those organisations that deliver and whose services most closely link up with the strategic objectives of the provincial government.

One additional interdepartmental initiative this Alternative Budget Framework explores is a joint programme of the Departments of Social Development and Public Works that would establish a formal link between the recipients of selected social grants and the Expanded Public Works Programme to integrate the need for helping the vulnerable with training and employment opportunities.

VOTE 14: PUBLIC WORKS

The Department of Public Works has been under investigation for procurement irregularities, abuse of departmental resources, theft and losses of equipment, maladministration of projects, subsidy fraud and improper sale of housing units, among other issues. The completion of these investigations towards successful prosecutions is another test for the strengthened corruption-fighting measures proposed for the Office of the Premier and Provincial Treasury. Then there are inaccurate registers of immovable assets which have led to qualified audit opinions.

As the province recovers from the prolonged period of deficit and continues to implement cost-cutting to maintain fiscal balance, it is essential that steps are taken to ensure that provincial assets are properly registered and safeguarded and that responsibility for the loss of value can be properly traced. This is one of the functions of the Department of Public Works and one that has not been executed correctly in recent years. This has resulted in a number of unoccupied state-owned properties being vandalised in the wake of relocations of various departments.

This Alternative Budget Framework urges the department to work closely with the past and present occupants of the state-owned properties under its control to ensure

that its registers of immovable assets are up to date and that the buildings in question are properly secured and maintained to prevent loss in value of these properties. This plan further proposes that the department submits complete lists of government properties to departments for preferential choice of office and other accommodation to cut down on rentals and offer selected state properties for sale in an improving real estate market to raise funds for the provincial fiscus.

VOTE 15: ARTS AND CULTURE

This Alternative Budget Framework proposes a formal link between the Departments of Arts and Culture and Economic Development and Tourism in harnessing KwaZulu-Natal's arts and crafts to eradicate poverty and create remunerative work opportunities.

The expertise available in the Department of Economic Development and Tourism could help develop a craft marketing strategy geared at enhancing export opportunities for the province's many unique, diverse and innovative products and the artists and crafters who produce them. Such a strategy must focus on empowering artists and crafters with business skills as well as on creating a marketing arm that co-opts the private sector more closely than any of the current government-driven initiatives.

VOTE 16: SPORTS AND RECREATION

This Alternative Budget Framework broadly supports the current government efforts in expanding public access to sport and recreation facilities but it also explores an additional dimension to these in the promotion of government-sponsored sport and recreation as a form of prevention of social ills and anti-social behaviour. The link

between the Department of Sports and Recreation and the Department of Education has been explored adequately in the provision of sport facilities within schools.

This plan seeks to expand this interdepartmental cooperation towards the Department of Social Development whose focus is on countering the reality of violence, abuse, dysfunction and addiction. A formal link between these two departments could harness the power of school sport and recreation to open up opportunities for healthy social interaction and help prevent many social challenges before they even occur. As a result of this cooperation, supplementary youth sports development hubs could be located in the disadvantaged areas where the Department of Social Development is already running parallel youth programmes.

Ends.