

BusinessTech

Service delivery could get even worse in South Africa, warn analysts

Staff Writer4 November 2020

The Financial and Fiscal Commission (FFC) has warned that the spending cuts planned in finance minister Tito Mboweni's Medium-Term Budget Policy Statement (MTBPS) could have a direct and long-lasting impact on service delivery in the country.

In a presentation to parliament's Finance and Appropriations Committees this week, deputy chairperson of the FFC Michael Sachs described the cuts as 'eye-watering'.

Sachs said that the commission is concerned about the intended decreases in Basic Education, Agriculture, Defence and Social Security Funds in the next financial year (2021/22) and more importantly how these decreases will affect service delivery.

The onus is on these departments to indicate to parliament how they will absorb these cuts – how they will deal with these cuts, or what will be foregone in terms of service delivery, he said.

While some departments, such as Basic Education, will see no budgetary increase in 2021, other departments like the Department of Home Affairs will see budget cuts of up to 13.4%.

The following table, shown by the FFC in its presentation, outlines how the cuts will impact various departments over the coming year.

Functional Category	2021/22	2022/23	2023/24
Learning and culture	0,2%	1,9%	1,1%
Basic education	0,0%	1,6%	0,9%
Post-school education and training	0,8%	2,7%	1,6%
Arts, culture, sport and recreation	-2,4%	2,0%	1,0%
Health	4,0%	2,9%	1,7%
Peace and security	-2,8%	1,3%	0,6%
Defence and state security	-9,3%	1,2%	0,8%
Police services	0,5%	0,7%	0,4%
Law courts and prisons	-0,8%	1,2%	0,6%
Home affairs	-13,4%	8,4%	1,1%
Community development	6,2%	5,0%	1,8%
Economic development	6,3%	5,2%	2,4%
Industrialisation and exports	7,4%	0,1%	2,0%
Agriculture and rural development	-3,1%	1,7%	0,8%
Job creation and labour affairs	5,0%	4,3%	1,0%
Economic regulation and infrastructure	9,5%	8,4%	3,3%
Innovation, science and technology	2,7%	2,7%	1,8%
General public services	1,6%	-0,8%	1,1%
Executive and legislative organs	-3,8%	2,2%	0,9%
Public administration and fiscal affairs	3,9%	-2,3%	1,3%
External affairs	-1,1%	3,0%	0,8%
Social development	-1,0%	5,7%	1,8%
Social protection	0,5%	5,5%	0,8%
Social security funds	-4,9%	6,1%	4,5%

Municipalities in trouble

The FFC said that many municipalities continue to be in severe distress, face spiralling debt, huge revenue gaps, unfunded budgets, poor audit outcomes – with the Covid-19 pandemic aggravating the situation.

“Against the above situation, the MTBPS is proposing some major adjustments to the local government fiscal framework – adjustments that will have long-lasting effects on service delivery, and government’s infrastructure-led growth programme, and overall recovery plan,” it said.

The FFC said that the continued cuts to municipalities will also have an impact on basic water and electricity delivery.

“The commission notes the proposed allocations and downward revision of previously announced allocations, and remains concerned about the effect of these reductions on service delivery, given the increasing bulk costs for water and electricity, and declining own revenue collection,” it said.

The commission further warned that the cuts may be counterintuitive to government’s infrastructure growth strategy.

“Repeated baseline cuts will have a negative effect on service delivery, infrastructure investment, repairs and maintenance, and it goes against the government objective of infrastructure led growth and objectives indicated in the economic recovery plan,” it said.

The FFC said that the government’s planned District Development Model (DDM), which is meant to improve service delivery by fixing perennial planning and coordination challenges, also requires adequate resourcing.

“However, the MTBPS is silent on how the DDM will be resourced. For this initiative to be effective and catalyse local economic development and support the economic recovery plan, it is important that government provides clarity on its operational modalities and provides the initiative with the necessary resources,” it said.

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