Report slams handling of treasury grants

MICHAEL HAMLYN

Cape Town - The state of the conditional grants given by the national treasury to provincial and municipal governments on certain conditions has been found sadly wanting, according to the annual report of the Financial and Fiscal Commission. The report, which was handed to parliament yesterday, listed a highly damning set of criticisms of the way the grants were administered.

"New conditional grants have been introduced without due regard to their relationship to existing grants," the commission said. "There are several uncoordinated grants serving the same purpose."

For example, the commission said, there were several poverty alleviation grants in different line departments that were implemented in an uncoordinated manner.

In addition, the commission's report pointed out that there were no pre-implementation plans and assessments that identified potential risks that might impede implementation, nor were there guidelines to mitigate such risks.

"Challenges related to the administrative requirements of the conditional grants are not identified and resolved before implementation. This is done on an ad hoc basis during implementation," it said.

The commission was established by the constitution and by legislation as an independent and impartial body to make recommendations on the division of nationally raised revenue between the three spheres of government. Its members include nine nominees, one from each province.

The report also noted that conditional transfers and specific-purpose grants had been the subject of much debate and controversy. Provinces and municipalities were concerned about their loss of budget autonomy as the conditions became too onerous and difficult to meet.

"The underspending of these grants was basically a response by provinces and municipalities, because if the conditionalities are onerous for a particular grant, then the reaction would be rather not spend," said Jayna Josie, the deputy chairman of the commission.

In a special examination of two health department grants, the commission chairman Bethuel Setal said that despite the large amounts of cash involved (R6.2 billion in the past financial year), the grants had not been independently or systematically reviewed since they started in 1998.

"Evidence has been emerging over time that both grants have drifted from their original purpose and lack the specificity to achieve their goals effectively," he said.

The report pointed out that since its inception, one of these two grants, the health professions training and development grant, had no relationship to the actual cost of any service or function related to teaching or training.

"No attempt has ever been made to significantly improve the grant's specificity in relation to the stated objectives. A potential consequence has been the fragmentation of decision making and funding of training for health professionals, resulting in unplanned shortfalls in the required numbers of such professionals," the report said.