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**Role and Significance of an Effective Compliance
and Performance Monitoring and Evaluation
Framework in a Decentralised System**

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Why do we want to monitor performance?

- To ensure there is effective service delivery
- To ensure that we act when there are failures
- To improve management and ensure that it is pro-active (in-year or early warning systems)
- To ensure accountability

What happens when there are failures?

- Does management act when there a failures?
- Does the Minister/MEC or Executive act if department is failing?
- Does Parliament or provincial legislature act when there are failures or poor performance?
- No point having a sophisticated performance system when we fail to act on basic failures
- Is there consistency of approach?
 - Sections 100 and 139 for failing provinces & munis
 - BUT we bail out failing depts and public entities!

Decentralisation Successes and Weaknesses

- Transparency in formulae and allocations
 - But we can improve conditional grant formulae
- 3 year allocations by province/municipality in annual Division of Revenue Act
- An equitable system in spite of data weaknesses
 - Inherent problems of a developing country
 - Intergovt Fiscal Review critical to compare budgets
- PFMA and MFMA lay basis for sound fin mgt
 - Financial statements audited within 5 mths lays basis for greater accountability
 - But legislatures failing to exercise effective oversight

Decentralisation Successes and Weaknesses

- Fiscal Powers not fully exercised by most subnational govts (eg revenue collection)
 - Simplistic to assume accountability improves if we match revenue with expenditure!
- Not easy to prevent “unfunded mandates”
 - Unfunded mandates often a result of sectoral collusion attempting to by-pass budget allocation process
 - Minmeecs “decide” on policy, and “impose” budget decisions on their own Executive
- Problems of attracting skills, management capacity, professionals into the public service, and in urban AND rural areas

Decentralisation and Budget Reforms

- Decentralisation must go with Budget Reforms
 - Three-year budgets
 - Performance targets, measurable objectives
 - Performance agreements for senior managers
 - Management reforms and clarifying of roles (PFMA)
 - Making Ministers responsible for policy and outcomes
 - Accounting officers (Heads of Depts) responsible for implementation and outputs
 - Oversight Role of Parliament and legislatures
- Budget Reforms necessary for all govts, centralised or decentralised!!!
 - Decentralisation without budget reforms will lead to more problems

Budget Reforms and Information

- Information, Information and Information!!!
- USE info, USE info, USE info!!!
- Govt must force all depts to make their service delivery info public, and put on website!
- Differentiate between input, output and outcome information
- Census can only be done once every five or ten years. Can household survey provide info per municipality or municipal ward

Budget Reforms: Deconcentration

- Service Delivery depts MUST decentralise mgt (deconcentration) to improve delivery
 - Not to be confused with decentralisation or devolution of functions to sub-national spheres
 - Basic unit of administration for even pure national functions like home affairs or policing needs to be down to district/municipal level
 - Cost mgt centers like hospitals, schools, police stations
 - Basic unit in health is district health area/major hospital
- Do depts provide budget certainty to cost centers?
 - Do unto your cost units as you want national govt to do unto you in terms of three year certainty by municipality for intergovernmental transfers!
 - Do we have a transparent three year budgets for hospitals, health districts, schools?

Budget Reforms: Performance

- Performance accountability generally required for all governments
- Performance systems start with a Budget with performance targets for end of year
 - Annual reports must report on budget outcomes and on achievement of performance targets
 - Both management and Parliament evaluate performance using the annual report of a dept
- In-year management reports (early warning)
 - Monthly and quarterly reports
 - Table quarterly in Parliament
 - Monthly reports allow management to be pro-active

Budget Reforms: Performance System Weaknesses

- Critical role for both Executives and legislatures to oversee performance
 - Poor use of monthly & annual reports by Exec
 - Poor use of quarterly & annual report by legislatures
- Sectoral collusion: Are portfolio committees captured by depts they oversee?
 - Depts are under no pressure to provide quarterly and annual targets at the start of the financial year
 - Depts are not required to report on performance against such prior targets
- Why do portfolio comm not recommend sanctions against accounting officers who do not perform?

Budget Reforms: Mgt Reforms (Financial)

- Monthly financial reports against budget for each department
- Available to public monthly and quarterly
- Do managers act on such information?
- Do depts project on monthly expenditure before the start of the financial year, to enable comparison for performance?

Budget Reforms: Mgt Reforms (Non-Financial)

- Management reforms
 - Quarterly non-financial performance reporting
 - Are quarterly performance non-financial targets set at the beginning of the financial year, against which implementation performance can be measured?
 - Available to public monthly and quarterly
 - Do managers act on such information?
 - Do depts project on monthly expenditure before the start of the financial year, to enable comparison for performance?

Performance systems in a Decentralised System

- Concurrent or joint functions like education and health are shared between two or three spheres of government
- National may set policy on school education, provinces implement and budget for it
- How does national department monitor end of year performance, and in-year quarterly performance?
- How should a function be shared between different spheres of government?

Decentralisation and Delivery

- Decentralisation and deconcentration are necessary for better delivery
- What functions are better devolved?
 - How far to decentralise?
 - Provincial or local govt?
 - District or local municipality?
 - Education may be better at provincial, water better at local level?
- Does collective bargaining system affect how far we devolve functions?

Monitoring and Performance System for a concurrent function: Education

- How does the national dept monitor performance of a provincial education dept?
- Why are national depts so weak at monitoring non-financial outputs and outcomes in provinces?
- Need for uniformity in performance and reporting systems within a sector (across provinces)
 - How does this impact on provincial initiatives to get uniformity between provincial depts (health, education)
- How can we expect better performance from 400 000 teachers when pay is not related to whether they are good or bad teachers?

Community monitoring: Education

- Decentralisation to a province is not enough!
 - Performance of department is too high level for communities
- How does one measure service delivery per school (cost center)?
- How much budget certainty is there at the level of each school (cost center)?
- How do we measure performance at level of each school or cost-center?
- How can clients influence local school (eg through School Governing Boards)?
 - Similarly how can hospital users affect management

Example of Water and Housing

- How is sectoral monitoring affected by how function is shared between spheres of govt?
- Water is shared between national and local govt, with no role for provinces
- Housing is shared between all three spheres of govt

Conclusion

- Decentralisation must be built around budget reforms in all spheres of govt, and linked to service delivery
 - Need for decentralised mgt even for most fncs involving service delivery
 - General budget reforms on performance require all players to play their part, inc legislatures
- Performance system for shared or concurrent functions more complex, & developed further
- How do we put the right incentives and sanctions in place, without punishing the poor for their misfortune when they are under poor mgt?