



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CHECK AGAINST DELIVERY

SPEECH BY DIRECTOR-GENERAL DONDO MOGAJANE AT THE VIRTUAL SAVINGS@WORK CONFERENCE DATE: 6 MAY 2021

I would like to welcome

- the Canadian Head of Cooperation – Jennifer Cooper
- our esteemed panellists Dr Mcebisi Ndletyana, Pam Yako and Amanda Jitsing
- our special speakers who are presenting the fruit of their labour to us
- and, all the participants, from South Africa and all over the world.

I want to thank the Deputy Minister, and let me expand on some of the points he raised.

It is essential that we get the public finances back on a sound footing. This may be one of the most critical tasks government has at the moment. It means that we have to spend less money than we would want to spend if we had a completely free hand in deciding what government should do. We have to achieve much closer alignment between how much government spends and what level of resources the economy is able to generate, and we cannot continue indefinitely to borrow as much money as we are borrowing at the moment. Our debt has the potential to destabilise the economy and to slow growth, so unless we get our spending under better control, we will not achieve the growth and prosperity that the country and its people deserve. In any event, the more we borrow, the larger the percentage of resources we have to devote to debt service costs, which is really destructive to the goal of delivering on government's mandate.

We are in a tight spot and the difficulties that we had in putting together the budgets in 2019 and 2020 is going to continue for some time to come. Our budget is going to be under severe pressure for a number of years, and none of our choices are going to



be easy. Some of you may remember the years of rapid growth between 2000 and 2007, when every year we had more money to put into the budgets than we did the year before. We are not in those fat years any longer.

Over the last few years, we have tried to bend the curve of spending so that it increases more slowly. This was absolutely the right decision to make. What we should add is that the way we have done this so far is by focusing on compensation spending, and, in particular on the rate of increase of remuneration. As you are all aware, we did not implement the third year of the 2018 wage agreement and we have budgeted for no increase in remuneration for the next few years.

This was a very painful decision and it is, of course, a controversial one. But, I also want to make a few other points about it.

The first is that focusing the process of consolidating spending on compensation budgets, painful as it is for public servants, is less painful than some other options that would impact more on service delivery to the poor and the vulnerable, or which would make it even harder to raise economic growth again. Besides, because compensation spending is such a large component of total spending, it is not really possible to implement the fiscal framework without dealing with it.

The second thing I want to say about it is that it is, in a sense, fair because it affects all of government equally. This helps to reduce some of the difficulty that we sometimes have if we want to cut one area of spending but not others: nobody likes to see their budgets cut, so if you cut compensation spending by reducing remuneration growth, everyone's budget is cut in proportion to the amount of officials they employ. It spreads the pain across government and means that some internal politics is less challenging for us.

There is another side to this, though, and this is the third point I want to make: changes to remuneration policy is a very blunt instrument for making changes to public spending. There is no world in which this is the optimal way to change the level and composition of public spending because the only way that would be true would be if



every programme in government were equally cost effective in delivering public services. But, we know that is not true. It can't be true because there are many programmes that we know are under-performing. There are even some programmes that we think are failing. Yet, when we make only generalised cuts to spending, we leave these programmes intact.

So why are we not as good at targeting as we should be? I think there are two main reasons.

The first is that every programme, no matter how ineffectual, has defenders among officials and politicians and beneficiaries. And, those stake-holders can be quite vocal in defending themselves and their programmes. This makes it politically difficult to do targeted cuts.

The second reason is that, all too often, we have too little objective, verifiable and uncontroversial data on expenditure and performance that can help shift the debate about particular programmes. When we argue about the merits of a programme, too often we do so on very uninformed, anecdotal grounds. We don't really interrogate the pros and cons, the costs and benefits of the programmes. And, most often, we don't do this for the very good reason that we don't have the data that we need at hand. Sometimes that's because the data don't exist. Sometimes it's because they are hard to get. And sometimes it's because we don't do our homework, and we let ourselves slip into lazy discussions based on our own ideas, not objective, verifiable facts.

This, I think, is the most important gap that can be filled by spending reviews of the kinds you have done and which you are going to discuss over the two days. By looking closely at spending data, rigorously linking that spending to the institutions and policies that shape it, and identifying patterns that may reflect inefficient spending, your spending reviews point the way towards a more scientific, targeted approach to allocating resources in government.



Your reviews are essential for building the skills and capacities needed for our treasuries to do a better job. They are vital for building the knowledge and skills we need to improve our analyses and capacity to influence decision-making and budgets.

I want to thank you for inviting me to talk to you at the start of this important conference. I also want to thank you for the sterling work you have been doing under very trying circumstances – especially during the lockdown – to put budgets together and to continue to perform as exemplary public servants. The country owes you a debt of gratitude.

I hope your deliberations today and tomorrow are fruitful and inspiring, and that we will continue to work together to build an ever more effective budget-making process.

Thank you again, and good luck.

