Formative assessment SO3

1. Discuss the following questions in a group and then note your answers:

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| In your own words describe why energy resources should be distributed equitably amongst the people and businesses in South Africa. |
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| How can government ensure equitable distribution of water resources? |
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| What happens if government does not render a waste disposal service? |
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| How can government ensure equitable distribution of resources to encourage agricultural development? |
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| Why should welfare benefits also be distributed equitably among the needy? |
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| The laws regarding the selection and governing of national, provincial and local governments are set out in the Constitution. Section 214 of the Act states that the provinces are entitled to an equitable share of the national revenue. This includes a portion of the income tax on individuals collected in the province and a percentage of the value added or sales tax collected within the province. Explain how Section 214 of the Act ensures equitable distribution of resources. |
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| The Constitution also sets out the obligations regarding providing of services by local governments. List at least four services that local governments must provide. |
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| Should local governments be allowed to charge for providing these services? Motivate your answer. |
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| In business productivity is the relationship between input and output. Describe how productivity is measured in government departments. |
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| The objective of a government department is primarily to render a service as opposed to making a profit. However, this does not mean that they are free to spend their funds to satisfy any or all the needs of the community. They have the following commitments: list the commitments. |
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1. In your own words, explain how HIV impacts on the productivity of a business and the country as a whole.

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1. In a group, read the following article from 2006 abut provincial spending. Discuss the article in a group. Answer the following questions:

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| The following statement is made: “He said KZN in particular was under-spending on infrastructure”. How would this affect the people living there regarding travel to and from work, health care, providing of schooling for children and access to water? |
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| Mr Coetzee also said that salaries should represent only 40% of spending. How much did the provinces actually spend on current payments, which was largely made up of salaries?  |
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| How do you think this will affect the spending on other items such as health care, schools, water, roads, etc? Will there still be enough money left to improve these services, if the government officials spend most of the money on salaries? |
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| Which province has spent the most on schools and colleges?  |
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| How much have the provinces spent on housing when compared to their budgets?  |
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| How much should they have spent?  |
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| By how much did KZN’s spending on health budgets decrease?  |
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| Is this good or bad?  |
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| By how much did Gauteng’s spending on health budgets increase?  |
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| Is this good or bad? |
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| When you look at this article and the way provinces are spending the money allocated to them, do you think they are doing a good job?  |
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| What do you think the government should do about this?  |
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Provinces tardy about spending: Clare Naude

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THE nine provinces underspent their large budgets in the first quarter and capital spending in particular fell behind.

The recently published First Quarter Provincial Budget Report shows that the provinces have spent R38,4bn or 21% of the scheduled total of R183bn in the quarter to June. If they spent consistently, they would have paid out 25%.

Their spending is vital to retail sales especially in the less industrialised rural areas. Their total capital spending in the quarter came to a relatively paltry R2,44bn out of a planned R14,7bn – that was only 16,6% of the total.

Provincial spending has increased year-on-year by 8, 6% or R3bn.

Current payments, which represent largely salaries, represent the lion’s share (77%) of provincial spending.

Clive Coetzee, of the Department of Economics at the University of KwaZulu-Natal (KZN) said ideally salaries should represent 40% of spending, transfers and social spending 30% and capex 30%.

He said KZN in particular was under-spending on infrastructure. Its roads, electricity, water, schools and hospitals all needed improvement but capex in the first quarter was only R561,7m out of a planned R3,5bn. Coetzee said there was no way growth could be achieved if consumption spending accounted for such a large part of provincial spending.

The total of all provinces’ capital budget increased by 28,9% or R548, 8m more than the amount spent over the same period last year.

Only R479m out of a possible R17bn is spent over all the provinces on education capital expenditure. This seems extremely low when in order to grow we need to invest in capital for our foundations. But this is a 25,4% growth compared to last years spend, showing us that the incentive to boost growth is there.

These spending ranges, however, vary enormously between provinces. The Eastern Cape has spent heavily on schools and colleges. Its education capex rose 2019,6%, whereas KZN has seen an 80,6% decrease.

Health budgets are the second top spend totalling R10, 224bn for this quarter, giving a 15,8% rise compared to that spend of last year. Capital expenditure in this sector, however rose 64,3%, compared to that spending of last year. The nine provinces have currently spent 19,9% of their annual budget or R858, 3m.

Once again there are great variations between each province in this spending. KZN’s spending decreased by 9,1% whereas Gauteng has increased by 376,4%.

Spending on housing and local government is low. Considering inflation over the past year has been around 4,8%, this sector has only grown by a mere 1,8% or R28, 3m. The provinces have also only spent 17% of the R9, 3bn budget.

Most of this housing and local government expenditure is on the Integrated Housing and Human Development conditional grant. With the Western Cape growing a huge 147, 6% compared to that of the Northern Cape, which has decreased 34,4%.

The biggest capital budgets in provinces are in public works, roads and transport departments at 35% of the total provincial capital budget of R14, 7bn. Spending for these departments is at 16,7% or R860, 8m that is 7,7% higher than the R799, 3m spent last year.

Gauteng has seen the largest increase of 383,1% whereas Mpumalanga has decreased by 46,2% compared to the spending this time last year