

Parliamentary

Government underspending  
analysis 2011/12 – 2020/21:  
Case study of Basic Education,  
21 June 2023

Budget  
Office



Minister section  
fiscal  
Bill

# About the PBO

- The Parliamentary Budget Office is a juristic entity of Parliament and headed by a Director as an Accounting Officer. The Office was established in terms of the Money Bills and Related Matters Act 2009
- To support the implementation of the Money Bills and Related Matters Act of 2009; in particular support to Finance and Appropriations Committees in both Houses; but other Committees and Members of Parliament subject to available capacity
- The Money Bills and Related Matters Act guides the approval of money bills and related matters, including amending the budget
- The Office offers independent and objective analysis and advice to Parliament on money bills and other bills presented by the Executive; and any other documentation or reports with fiscal implications

# Outline

- Introduction
- Situational analysis of education sector
- Budget trends in real terms
- Underspending trends
- Conditional grants performance
- Some considerations in dealing with underspending
- Summary

# Introduction

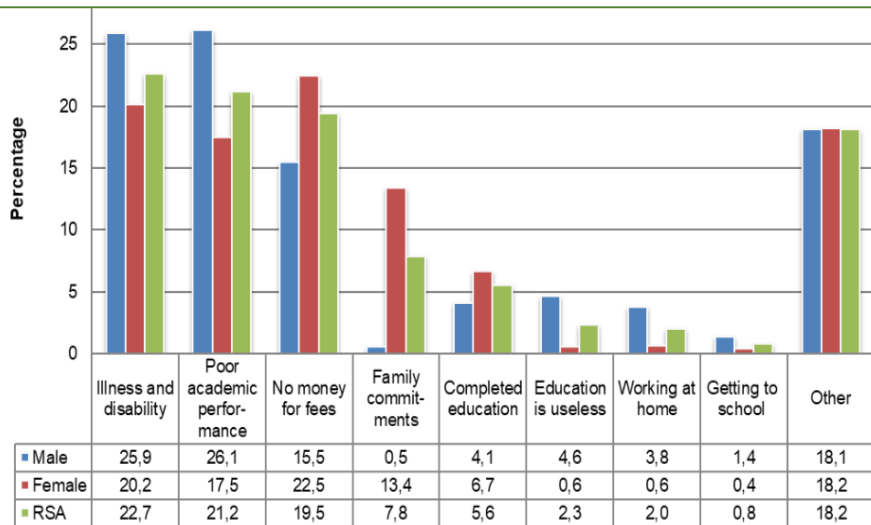
- Universal access to education is a fundamental right provided for in section 29 of the Constitution of South Africa, stating that "Everyone has the right;
  - (a) to basic education, including adult basic education; and
  - (b) to further education, which the state, through reasonable measures, must make progressively available and accessible
- Massive gains have been made in terms of accessing basic education since 1994, however, the system still faces a number of challenges
- The annual budget is a key policy tool used by government to implement strategies, policies, and programmes
- Adherence to planned budgets is an important indicator of the overall ability of the government to deliver on the programmes as per commitments
- Underspending on appropriated funds has been raised as a concern by oversight bodies due to the effect it has on service delivery
- The purpose of this presentation is to provide an analysis of government spending to explore and understand spending trends in the education sector, as well as the reasons for the underspending
- The brief also highlights the PBOs findings on conditional grant performance

# Situational analysis

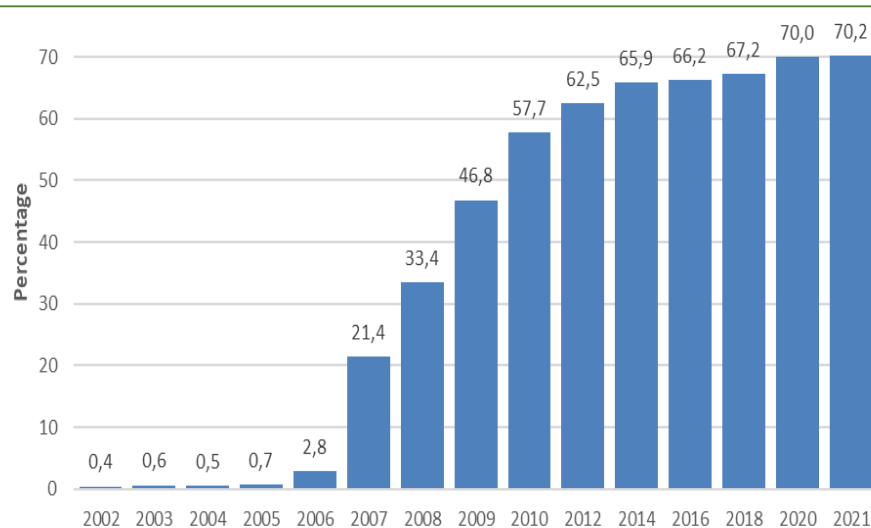
# South Africa's education sector

- Massive gains have been made in access to education
- However, concerns about dropout rates have increased because of the protracted and intensified cost of living crisis
- According to Stats SA (2021), households reported that 22.5 per cent of females and 15.5 per cent of males between the ages of 7 and 18 were not attending an educational institution because they did not have money for fees
- Of the 8 million unemployed individuals in Q1 2023, 48.3 per cent had education levels below matric, 40.7 per cent had a matric, 2.7 per cent were graduates and 48.3 per cent had other tertiary

**Reasons for individuals aged 7 to 18 years not attending an educational institution, by sex, 2021**

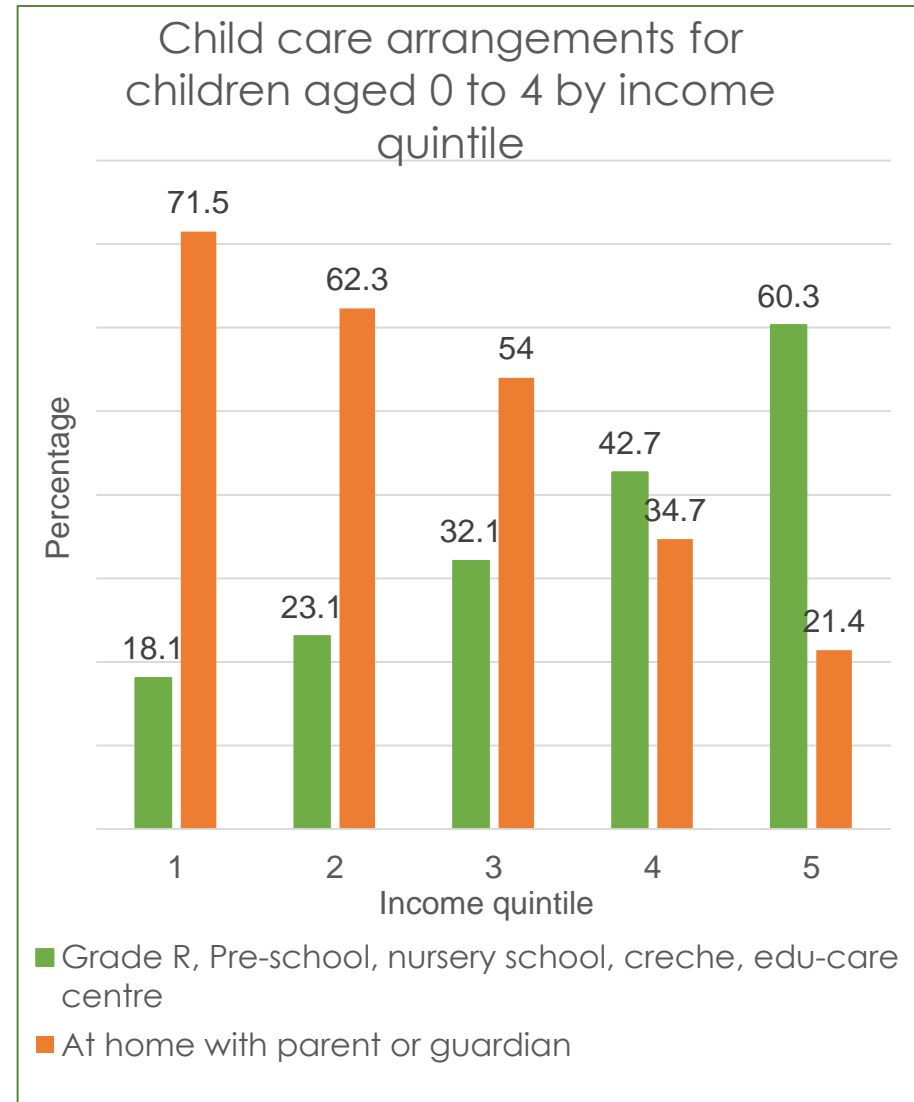


**Percentage of individuals aged 5 years and older who attended schools and who do not pay tuition fees, 2002–2021**



# South Africa's education sector

- According to Stats SA (2021),
  - there was a decline from 36.8 per cent in 2019 to 28.5 per cent in 2021 in children aged 0 to 4 who attended Grade R and pre-school
  - Children from poorer households are more likely to stay at home with parents or guardians than attend Early Childhood Development (ECD) centres
  - Socioeconomic status is still a determinant of access to education
  - The percentage of individuals aged 18 to 24 who are still attending secondary school was higher for households in poorer income groups than households in higher income groups
  - Youth aged 18 to 24 from the highest income households are more likely to attend university than those in lower quintile groups



# South Africa's education sector

- Oxford University Press reports on early grade reading in South Africa indicate that fewer than 50 per cent of Grade 1 children learn the letters of the alphabet by the end of Grade 1
- The International Reading Literacy Study (PIRLS) shows that 81 per cent of Grade 4 learners in South Africa are unable to read for meaning in any language
- In October 2018, South Africa presented its report on the national record of making rights a reality to the United Nations Committee on Economic, Social and Cultural Rights
  - In its concluding remarks, the Committee admitted, “It is concerned that the budget austerity measures have resulted in significant budget cuts in the health, education and other public service sectors, and that they may further worsen inequalities in the enjoyment of the rights under the Covenant, or even reverse the gains made, particularly in the health and education sectors”
- In considering the 2021 Budget, the National Treasury acknowledged the low growth, which, in compensation with early retirement, “will reduce the number of available teachers. This, coupled with a rising number of learners, implies larger class sizes, especially in no-fee schools, which is expected to negatively affect learning outcomes”



# Budget allocation trends in real terms

Real per capita spending for education

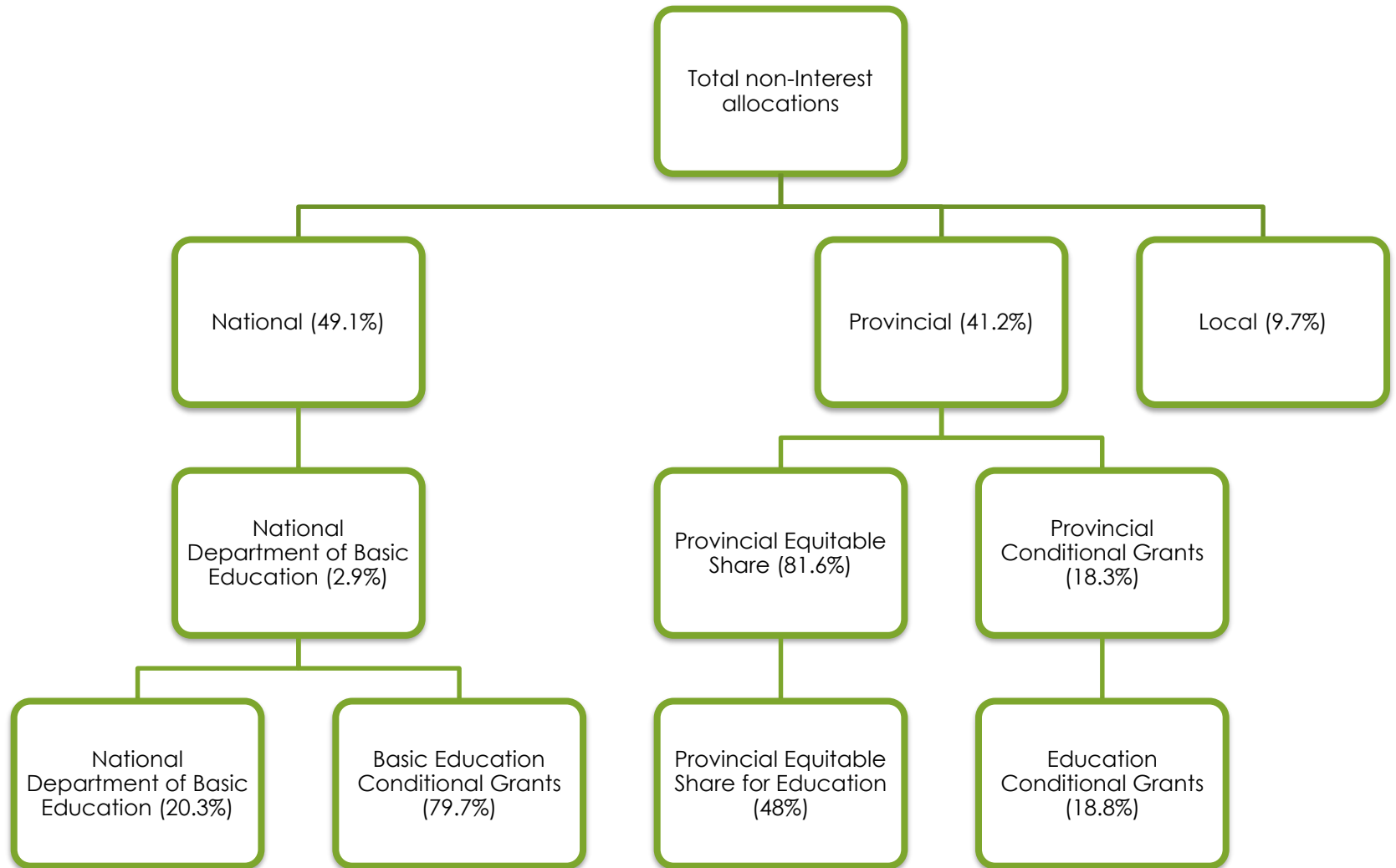
# Background

- Nationally raised government revenue is divided between the three spheres of government in the form of an equitable share and conditional grants for specific purposes
- The equitable division of revenue raised nationally among spheres of government is divided according to a formula
- Conditional allocations to provinces from the national government's share of revenue are allocated to provinces to:
  - Supplement the funding of programmes or functions funded from provincial budgets
  - Specific-purpose allocations to provinces
  - Allocations-in-kind to provinces for designated special programmes
- Basic education services are mainly provided by the provincial sphere of government and funded through the:
  - Provincial Equitable Share informed by objective data to reflect the demand for services across all nine provinces
  - Transfers from the National Department of Basic Education in the form of conditional grants

# Overview of the funding structure cont...

- The PES formula consists of six components that account for the demand of services
- The education component is weighted at 48 per cent, which is in line with historical expenditure patterns indicating needs
- The allocations per province is based on the size of the school-age population (ages 5 to 17 years) and the number of learners (Grade R to 12) enrolled in ordinary public ordinary schools
- In 2021/22, seven conditional grants were transferred to provinces by the National Department of Basic Education:
  - Education Infrastructure Grant
  - HIV and AIDS Life Skills Education
  - Children/Learners with Severe to Profound Intellectual Disability
  - Maths, Science and Technology
  - National School Nutrition Programme Grant
  - School Infrastructure Backlogs Grant
  - Early Childhood Development Grant

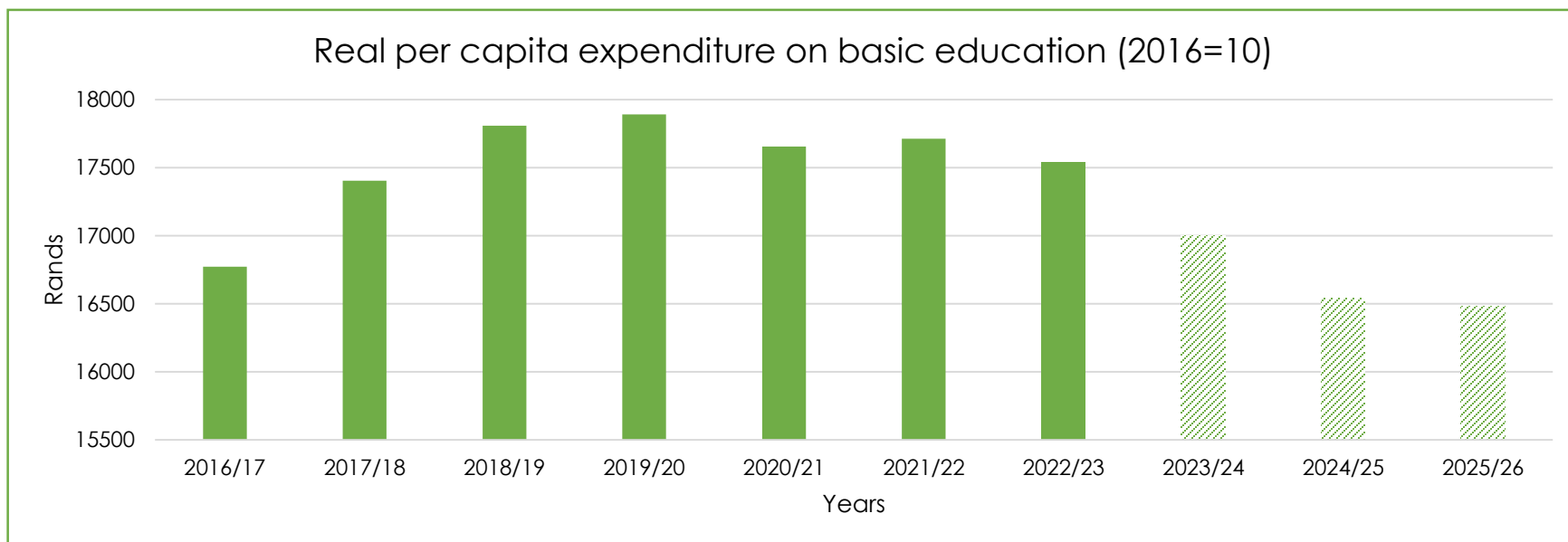
# Funding structure for basic education in 2023/24



Source: PBO graphic using National Treasury data

# Real per capita spending in education

- Total real per capita expenditure on basic education declines in the medium term
- In real per capita terms, government will be spending less per student in 2025/26 than it did in 2016/17
- In 2016/17, government spent R16 772 per learner. The projected spending per learner in 2025/26 is R 16 471 (an increase from the R16 384 in the MTBPS)
- In the 2021 Budget, NT acknowledged that budget reductions would disproportionately impact no fee-paying schools. The impacts of this budget should be queried



# Underspending Analysis

Historic spending trends

Conditional Grants spending trends

Reasons for underspending

## Methodology: Assessing education spending trends and reasons for underspending

- The analysis used both quantitative and qualitative analysis to assess whether and the extent to which there has been underspending in government education departments
- Data at the programme and economic classification level from the Estimates of National Expenditure (ENE) and Estimates of Provincial Revenue and Expenditure (EPRE) published by the National Treasury
- The analysis calculated the budget deviation by comparing the adjusted appropriations to the audited expenditure outcomes between 2011/12 and 2021/22
- Departmental annual reports were analysed to collate information on reasons for underspending at the national and provincial level
- At the provincial level, the PBO assessed the Eastern Cape, Free State, Gauteng and Western Cape. The sample size constitutes four out of the nine provinces in South Africa and reflects the rural/urban divide as well as the diversity in the equitable share distribution amongst provinces in South Africa
  - These provinces were also chosen to take into account the non-homogeneity in budget and performance outcomes across provinces
- Limitation: the analyses contained does not reflect the quality of spending or compliance standards. The AGSA has continuously highlighted the issue of clean audit

# Spending trends by programme: National Department

Year	Administration		Curriculum Policy, Support and Monitoring		Teachers, Education Human		Planning, Information and Assessment		Educational Enrichment Services		Total	
	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent
R million												
2011/12	15.1	5.1%	137.3	8.8%	(7.7)	-1.5%	1 011.7	15.4%	23.1	0.5%	1 179.6	8.4%
2012/13	11.9	3.7%	(274.7)	-19.3%	33.5	3.9%	1 229.2	15.1%	318.2	5.8%	1 318.1	8.1%
2013/14	(19.6)	-5.9%	89.2	4.8%	(34.1)	-3.4%	558.5	6.2%	14.2	0.3%	608.2	3.5%
2014/15	(29.4)	-8.4%	210.7	11.1%	(33.2)	-2.6%	(8.5)	-0.1%	21.3	0.4%	161.0	0.8%
2015/16	(26.2)	-7.3%	47.2	2.6%	(0.2)	0.0%	462.1	3.9%	7.4	0.1%	490.3	2.3%
2016/17	(29.9)	-7.7%	75.5	4.0%	(17.4)	-1.5%	901.4	7.1%	7.7	0.1%	937.4	4.2%
2017/18	(8.5)	-2.0%	51.9	2.9%	8.3	0.7%	16.1	0.1%	(6.2)	-0.1%	61.6	0.3%
2018/19	0.2	0.0%	64.9	3.5%	15.4	1.2%	203.7	1.6%	0.6	0.0%	284.8	1.2%
2019/20	8.9	1.7%	(409.9)	-20.5%	1.0	0.1%	483.7	3.7%	4.2	0.1%	87.7	0.4%
2020/21	24.7	4.8%	102.2	3.1%	20.3	1.4%	327.2	2.8%	20.1	0.3%	494.3	2.0%
2021/22	-7.1	-1.3%	30.6	0.9%	15.9	1.1%	14.1	0.1%	15.4	0.2%	69.0	0.2%
2022/23	-	-	-	-	-	-	100.0	0.6%	-	-	100.0	0.3%

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red font denotes underspend => 0.1 per cent*

Source: PBO calculations using National Treasury ENE data

- Underspending varies between 0.3 per cent and 8.4 per cent for the period under review. Similar trends are also observed within most programmes where underspending occurred in many years except for two years
- Underspending was higher than two per cent in six of the ten years of analysis
- Planning, information and assessment programme takes about half of the department budget. This programme underspent in almost every year except for 2014/15



# Spending trends by econ classification: National Department

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Current payments</b>	<b>8.6%</b>	<b>3.8%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>-2.4%</b>	<b>0.7%</b>	<b>6.0%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>-0.8%</b>	<b>-3.4%</b>	<b>0.0%</b>
Compensation of employees	8.1%	8.8%	4.3%	0.4%	0.1%	3.6%	1.0%	3.8%	4.0%	9.1%	1.9%	0.0%
Goods and services	9.0%	3.0%	-1.2%	1.4%	-3.0%	0.1%	7.3%	4.7%	4.3%	-3.9%	-4.8%	0.0%
Interest and rent on land	-3.1%	-2.8%	17.1%	0.0%	0.0%	0.0%	6.5%	11.7%	-16.2%	-0.6%	-4.8%	0.0%
<b>Transfers and subsidies</b>	<b>3.4%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>-2.3%</b>	<b>0.0%</b>	<b>-2.7%</b>	<b>-3.1%</b>	<b>0.0%</b>	<b>0.0%</b>
Provinces and municipalities	3.5%	0.4%	0.4%	0.2%	0.0%	0.0%	-2.4%	0.0%	-2.7%	-3.3%	0.0%	0.0%
Departmental agencies and accounts	0.0%	0.0%	90.1%	89.8%	89.7%	-4.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Foreign governments and international organisations	3.7%	-5.3%	-25.2%	-30.6%	-57.4%	-10.9%	1.4%	24.6%	17.8%	33.8%	13.5%	0.0%
Non-profit institutions	0.0%	-6000.0%	0.0%	8.7%	0.0%	-5.5%	-6.6%	-5.7%	-35.9%	-14.9%	0.4%	0.0%
Households	-500.0%	-52.9%	-97195.8%	-280725.7%	-99441.7%	-0.2%	-0.4%	0.0%	-0.2%	-0.1%	0.0%	0.0%
<b>Payments for capital assets</b>	<b>87.2%</b>	<b>57.8%</b>	<b>28.8%</b>	<b>4.3%</b>	<b>28.7%</b>	<b>46.7%</b>	<b>19.8%</b>	<b>7.8%</b>	<b>30.6%</b>	<b>50.4%</b>	<b>7.0%</b>	<b>4.9%</b>
Buildings and other fixed structures	87.8%	57.9%	28.9%	4.2%	28.8%	46.8%	19.9%	8.1%	30.9%	51.4%	7.7%	4.9%
Machinery and equipment	27.0%	35.0%	8.3%	43.8%	25.0%	-2.2%	26.1%	-31.2%	-3.3%	8.2%	-96.6%	0.0%
Software and other intangible assets	85.7%	0.0%	-258.2%	31.5%	100.0%	100.0%	-95.4%	-157.0%	-937.3%	-4989.1%	-1576.1%	0.0%
<b>Payments for financial assets</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-70.2%</b>	<b>-275.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total</b>	<b>8.4%</b>	<b>8.1%</b>	<b>3.5%</b>	<b>0.8%</b>	<b>2.3%</b>	<b>4.2%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>0.4%</b>	<b>2.0%</b>	<b>0.2%</b>	<b>0.3%</b>

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red font denotes underspend => 0.1 per cent*

Source: PBO calculations using National Treasury ENE data

- Underspending was mainly driven by current payments and payments for capital assets
- Under current payments, goods and services constituted a significant proportion of the underspending – except for 2015/16 and 2020/21
- Underspending on payments for capital assets, buildings and other fixed structures was the main driver of the underspending between 2011/12 and 2020/21
- In 2012/13 and 2020/21, this underspending was more than a billion rand of the adjusted budget, i.e., in 2012/13 and 2020/21

# Reasons for underspending: National Department

- **Supply chain management problems.** In particular, delays in project completion/ implementation (Kha Ri Gude Mass Literacy Campaign)
- **Delays in invoicing:** submission of invoices not finalized before the end of the financial year
- **Compensation of employees:** Vacant posts not being filled in multiple programmes
- **Non-implementation:** For example, delays in the project emanating from the high construction costs that the contractors were charging the Department
- **Capacity challenges:** contractor's contracts were cancelled due to non-delivery, adverse weather conditions and poor road conditions also contributed
- **Process delays:** for instance, in 2014/15, they were delays in the verification of learners registered on the Kha Ri Gude campaign that resulted in under-expenditure on payments to volunteer educators
- **Reprioritization of funds:** budgets being reprioritized to cover other budget pressures in other areas

# Underspending trends: Provincial Departments

Thousands	Gauteng		Free State		Eastern Cape		Western Cape	
	Under/(Over) spend	Per cent	Under/(Over) spend	Per cent	Under/(Over) spend	Per cent	Under/(Over) spend	Per cent
2013/14	1 485 850	4.8%	55 380	0.5%	759 516	2.8%	557 565	3.6%
2014/15	348 314	1.1%	-437 445	-4.0%	613 779	2.2%	19 851	0.1%
2015/16	556 149	1.5%	328 034	2.8%	1 265 579	4.3%	212 027	1.2%
2016/17	98 724	0.2%	367 524	3.0%	15 684	0.1%	229 505	1.2%
2017/18	372 237	0.9%	69 100	0.5%	213 424	0.6%	155 857	0.8%
2018/19	987 837	2.2%	3 677	0.0%	-133 651	-0.4%	37 346	0.2%
2019/20	2 988 915	6.0%	944 853	6.4%	553 896	1.5%	1 387 887	5.9%
2020/21	370 121	0.7%	-283 410	-1.9%	-1 273 739	-3.6%	-859 960	-3.6%
2021/22	467 676	0.8%	-201 602	-1.2%	-120 611	-0.3%	29 071	0.1%
2022/23	466 462	0.8%	328 501	1.9%	414 969	1.0%	35 686	0.1%

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red font denotes underspend => 0.1 per cent*

Source: PBO calculations using National Treasury ENE data

- Provinces generally underspend their budget, even though it falls below two per cent within our sampled provinces in some years.
- There were years when provincial departments recorded overspending on their budget
- Underspending above the 2 per cent threshold was recorded in Gauteng in 2013/14, 2018/19 and 2019/20, while in the Free State, it was observed in 2015/16, 2016/17 and 2019/20
- In the Eastern Cape, underspending above the two per cent threshold was incurred between 2013/14 and 2014/15, while in the Western Cape, it was only observed in 2013/14 and 2019/20

# Reasons for underspending: Provincial Departments

- **Supply chain management problems:** delays in procurement of wrapping machines and late receipt of invoices from service providers
- **Compensation of employees:** slow filling of posts, slow payment processes for school-based educator and non-educator posts in public schools
- **Non-Implementation of Projects/Programmes:** challenges in outstanding land issues for projects relating to Special Schools and Environmental Assessment delayed project
- **Process Delays:** delays occurred in awarding tenders for 105 sanitation projects
- **Cash flow problems:** Non-processing of payments
- **Increased efficiency:** departments' implementation of efficiency and cost-containment measures to curtail excess expenditure.
- **Reprioritisation of funds:** budgets being reprioritised to cover other budget pressures in other areas

# Conditional grants

# Education conditional grants

	Audited outcome			Revised estimates	Medium-term expenditure estimate			Annual Average increase since 2019/20
	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25	
Maths, science and technology grant	391	333	412	425	433	453	473	3.2%
Learners with profound intellectual disabilities grant	212	226	243	256	260	272	284	5.0%
Early childhood development grant	518	1 411	1 235	1 193	1 242	1 885	2 341	28.6%
Education infrastructure grant	10 514	9 415	11 689	12 501	13 872	13 845	14 438	5.4%
National school nutrition programme grant	7 186	7 666	8 115	8 508	9 279	9 778	10 293	6.2%
HIV and AIDS (life skills education) grant	257	187	242	242	242	253	264	0.4%
	<b>19 079</b>	<b>19 238</b>	<b>21 936</b>	<b>23 124</b>	<b>25 329</b>	<b>26 485</b>	<b>28 093</b>	<b>6.7%</b>

- Education infrastructure and National school/nutrition programme grants are the largest grants combined, accounting for more than 90 per cent of the total education CGs
- All CGs increase over the MTEF
- The annual average allocation growth rate is between 0.4 per cent and 28.6 per cent
- Early child development grant is the fastest growing grant, averaging an annual increasing of 28.6 per cent

# Underspending trends: National Department Conditional grants

Year	Maths, science and technology grant		Learners with profound intellectual disabilities grant		Occupational specific dispensation for education sector therapists grant		Education infrastructure grant		National school nutrition programme grant		HIV and AIDS (life skills education) grant		TOTAL	
	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent	Under/(Over) spending	Per cent
2011/12	–	0.0%	2 142	3.1%	–	–	367 209	6.5%	–	0.0%	9 861	4.9%	379 212	3.5%
2012/13	10 680	5.1%	4 067	4.1%	–	–	19 999	0.3%	–	0.0%	5 988	2.9%	40 734	0.4%
2013/14	(74 628)	-32.2%	109 235	100.0%	–	–	–	0.0%	–	0.0%	9 727	4.6%	44 334	0.4%
2014/15	8 505	2.5%	–	–	–	0.0%	–	0.0%	–	0.0%	18 651	8.1%	27 156	0.2%
2015/16	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
2016/17	–	0.0%	–	–	–	–	–	0.0%	–	0.0%	6 662	2.9%	6 662	0.0%
2017/18	–	0.0%	5 977	8.3%	–	–	(421 714)	-4.2%	–	0.0%	–	0.0%	(415 737)	-2.4%
2018/19	–	0.0%	5 990	3.2%	–	–	–	0.0%	–	0.0%	–	–	5 990	0.0%
2019/20	–	0.0%	8 460	3.8%	–	–	–	0.0%	–	0.0%	–	0.0%	8 460	0.0%
2020/21	–	0.0%	17 103	7.0%	–	–	(628 000)	-7.1%	–	0.0%	–	0.0%	(610 897)	-3.5%
2021/22	–	0.0%	218 484	90.0%	–	–	–	0.0%	–	0.0%	–	0.0%	218 484	1.1%

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red font denotes underspend => 0.1 per cent*

Source: PBO calculations using National Treasury ENE data

- Conditional grants trends analysis shows:
  - Learners with Severe to Profound Intellectual Disability grant incurred underspending of more than two per cent in seven of the ten year of analysis
  - HIV and AIDS Life Skills Education grant had years where underspending was above our two per cent threshold
  - Roll-over of unspent funds

# Education: Conditional grants performance



# Methodology: Evaluation of available data

- For the PBO to determine the efficiency and effectiveness of the expenditure of nationally raised revenue it is important to have access to the following:
  - Quality and complete sets of performance information to evaluate performance outcomes on expenditure
  - Performance indicators should be specific, relevant and linked to the budget
  - A series of continuous data to measure change over time to determine impact/effectiveness
- Performance information from the 2020/21 and 2021/22 Annual Reports of the NDBE and the 2023 DORA was arranged according to:
  - The purpose of the conditional grants
  - Expected output targets and actual outputs achieved in 2020/21 and 2021/22
  - Expenditure against the budget
- The 2023 DORA was used for audited financial outcomes and actual service delivery performance for the year under consideration

# Education Infrastructure Grant

## 2020/21

- The Department spent R9.5 billion from the allocated R9.4 billion representing 0.5 per cent in overspending
- A total of 2094 water projects, 47 electricity projects, 839 sanitation projects, 1801 additional classrooms built, 138 specialist rooms built, 30 new and replacement schools completed, 97 schools commenced with construction, 130 Grade R classrooms built, 2 boarding schools completed, 1361 maintenance projects completed, 79 schools in high priority areas provided with high-security perimeter fencing, 22 schools in other area provided with high security perimeter fencing, 165 classrooms refurbished as smart classrooms.
- Underspending happened in Limpopo Province due to lockdown in quarters 1 and 2 of the year

## 2021/22

- The Department spent R11.5 billion (3% underspending) of the adjusted budget of R11.7 billion (adjusted by roll-overs from the previous financial year)
- A total of 2 075 teaching spaces, 163 administrative spaces, 703 maintenance projects, 494 water, 708 sanitations, 44 electricity and 115 fencing infrastructure projects, completed 2 boarding facilities and provided a total of 40 new and replacement schools in provinces
- Underspending happened in Limpopo Province
  - The reason for underspending is that even though the Department had issued orders for mobile units, the service provider could not deliver on time due to capacity challenges following increased demand for mobile units from a number of education departments<sup>6</sup>

# School Infrastructure Backlogs Grant (SIBG)

## 2020/21

- The Department spent R1.5 billion from the allocated R1.8 billion representing 18.1 per cent in underspending
- The actual output achieved for Inappropriate Structures were 32, water project were 101 projects and 298 projects for sanitation.
- Reason for underspending was the disruption of construction sites by community-based businesses and the COVID-19 lockdown effects on overall business operations.

## 2021/22

- The Department spent the allocated R2.4 billion budget
- 21 new schools built
- 112 schools provided with water
- 1 019 schools provided with sanitation
- No schools were provided with electricity (electricity sub-programme has been completed)

# HIV and AIDS Life Skills Education Grant

## 2020/21

- The Department spent R171.8 million from the allocated R187.1 million representing 9 per cent in underspending
- Reasons for the unspent funds
  - The COVID-19 lockdown resulted in school closure in March 2020, and this impacted on implementation of the programme.
  - Activities that target learners and educators could not be held, due to prioritisation of the curriculum recovery plans, as learners had to alternate attendance each week. Activities target large numbers at each gathering, as they are held in-house to reach them at one sitting. Advocacy and social mobilisation activities that target parents and school community members had to be conducted on the school premises with a very limited number to comply with the lockdown regulations

## 2021/22

- The Department spent R240 million of the transferred funds which amounted to R242 million
  - Under expenditure was noted in Gauteng, Limpopo and North West
- 5 560 life orientation educators and 3 940 educators trained in integration of life skills in the curriculum
- 12 769 functional peer education programmes were undertaken, 31 133 learners trained on the learner retention and **learner pregnancy programme**, 37 450 learners trained in the substance abuse programme
- 14 867 school-based support teams established, 4 773 learner support agents in schools, 14 689 school management teams trained to develop policy implementation plans, and 210 747 vulnerable learners identified and referred for services
- 334 507 sets of learning and teaching support material delivered to 23 785 schools
- Advocacy reached 236 128 learners and educators as well as 39 154 members of the school communities on the new DBE national policy on HIV, STIs and TB to review and reaching 6 103 learners through advocacy activities focusing on the prevention of TB and COVID-19 prevention

# Children/Learners with Severe to Profound Intellectual Disability Grant

## 2020/21

- The Department spent R225.8 million from the allocated R217.8 million representing 3.7 per cent in underspending
- The following contributed to underspending:
  - COVID-19 lockdown resulted in delays in the implementation of a number of Grant activities that are cost drivers
  - Delays by PEDs in processing appointments of transversal itinerant outreach team members and replacing team members that resigned during the year
  - Delay in PEDs' supply chain management processes, procurement of LTSM, assistive devices and tools of trade
  - Non-compliance with the conditions by KZN and WC PEDs led to the DBE not transferring the final tranche

## 2021/22

- The Department spent R225 million (93%) of the original budget of R243 million to provide education to learners with severe to profound intellectual disabilities
  - This expenditure indicates a 7 per cent underspending
- The followings contributed to the underspending:
  - Delays by PEDs in filling vacant posts
  - Delay in PEDs' supply chain management processes
  - Inadequate management of procurement plans by PEDs
- The Eastern Cape, Free State, Limpopo, Mpumalanga and Western Cape provinces have commitments and will be requesting roll-overs from their respective Provincial Treasuries

# Children/Learners with Severe to Profound Intellectual Disability Grant

- Seven of the targeted nine provincial grant managers were retained to manage the grant
- 217 of the targeted 245 transversal itinerant outreach team members were retained to provide outreach services to learners in special care centres and selected schools
- 9 797 learners were provided with a range of services
- 1 789/2970 caregivers, 940/1928 teachers, 125 in-service therapists and 510 officials were trained
- 4 347 learners with profound intellectual disability were taught using the learning programme for learners with profound intellectual disability
- 1 811 learners with severe to profound intellectual disability received therapy
- 394 special care centres and 44 selected schools were provided with learning and teaching support materials (438 of 518)
- 511 received assistive devices for personal use

# Maths, Science and Technology (MST) Grant

## 2020/21

- The Department spent R348.6 million from the allocated R332.9 million representing 4.5 per cent in overspending
  - To increase the number of learners taking MST subjects and to improve the capacity of teachers in these subjects
- Overspending will be covered by the approved rollovers for the 2019/20 financial year
- Eight (8) provinces have completed their outputs for the year 2020/21 with Western Cape delay on Supply Chain Processes due to COVID-19

## 2021/22

- The Department spent R401.1 million from the allocated R412.3 million representing 3 per cent in underspending
- The following contributed to underspending:
  - Delay by service providers to deliver on time
- However, the department annual report shows that provinces committed R43 million which changes the MST Conditional Grant spending to 108 per cent
- R39 million will be rolled over from 2021/22. Rollover will cover the overspending by the grant

# Maths, Science and Technology (MST) Grant: Service delivery performance in 2021/22

## Information, communication and technology (ICT)

- 1 075/300 schools (60: Eastern Cape, 116: Free State, 207: Gauteng, 8: KwaZulu-Natal, 42: Limpopo, 201: Mpumalanga, 135: Northern Cape, 100: North West and 206: Western Cape)

## Workshop equipment, machinery and tools

- 234/200 schools (27: Eastern Cape, 37: Free State, 59: Gauteng, 12: KwaZulu-Natal, 0: Limpopo, 57: Mpumalanga, 10: Northern Cape, 0: North West and 32: Western Cape)

## Laboratories and workshop equipment, apparatus and consumables

- 896/1 000 schools (72: Eastern Cape, 168: Free State, 149: Gauteng, 54: KwaZulu-Natal, 0: Limpopo, 165: Mpumalanga, 135: Northern Cape, 33: North West and 120: Western Cape)

## Learner support

- 122 635/50 000 learners (5 580: Eastern Cape, 43 200: Free State, 23 323: Gauteng, 5 957: KwaZulu-Natal, 1 761: Limpopo, 15 100: Mpumalanga, 6 420: Northern Cape, 659: North West and 20 635: Western Cape)

## Teacher support

- 11 206/1 500 Teachers (2 457: Eastern Cape, 300: Free State, 0: Gauteng, 452: KwaZulu-Natal, 1 496: Limpopo, 2 722: Mpumalanga, 1 138: Northern Cape, 1 026: North West and 1 615: Western Cape)



# National School Nutrition Programme Grant

## 2020/21

- The Department spent R7.7 billion from the allocated R7.2 billion representing 7.2 per cent in underspending

The COVID-19 lockdown harmed the programme

## 2021/22

- The Department spent R8.2 billion from the allocated R8.1 billion
- The goal of this grant is to enhance learning capacity and improve access to education

Service delivery performance:

2021/22 service delivery performance

- 10.1 million learners were provided with meals in 20 497 primary (target 21 000 schools), secondary and special schools
- 60 589 volunteer food handlers prepared meals for learners and received a stipend
- A food safety video series was developed and released to provinces to support effective training of implementers ranging from schools, districts and provinces
- 1 361 primary and secondary schools received catering equipment and utensils from provinces

# Early Childhood Development Grant, 2021/22

- Of the total grant allocation of R1.6 billion, including the rollover amount of R386 million, 100 per cent was transferred to provinces
- Expenditure of R1.2 billion (76%) was spent by the end of the financial year
- For the 2021/22 service delivery performance, 469 995 children benefitted from the subsidy
- This ECD grant has two components with detailed outputs, conditions and responsibilities for each component specified in separate frameworks
- The two components are the infrastructure component and the subsidy component
  - **Early Childhood Development Grant: Infrastructure Component**
  - Of the maintenance grant allocation of R87 million, 100 per cent was transferred to provinces
  - R63 million (72%) was spent by the end of the financial year
  - 181 ECD centres benefitted from the maintenance grant and 92 were rolled over into the 2022/23 financial year
  - **Early Childhood Development Grant: Subsidy Component**
  - R1 billion (83%) of the allocated R1.2 billion of the subsidy expansion grant was spent by the end of the financial year
  - With the 17 per cent underspending, 469 995 children benefitted from the subsidy

# Key considerations for inventions to redress underspending

# Some considerations from the AGSA

- AGSA warned that deficiencies in financial and performance management may prevent government from achieving the ideals set out in the NDP
- Unreliable reporting data and information, or adequate performance information systems affects department's ability to plan for service delivery and respond to any potential challenges and make decisions.
- Other issues raised were prolonged investigations or delays by public bodies, poor build quality infrastructure, poor commissioning of projects, delays in project completion with escalating costs, poor payment practices.
- The financial health of the sector has been under immense pressure for years because of limited budget and poor financial management.
  - E.G., EC PED had substantial misstatements and omissions in the financial statements it submitted due to high vacancy rate (48%) in its finance unit. The unit could not fill posts because of budget restrictions
- Provincial health and education departments, were responsible for R2.83 billion out of R3.21 billion in unauthorised expenditure in 2020/21
- The combined bank overdraft balances of the provincial departments of education and health, which increased from R1.13 billion in 2019-20 to R1.26 billion in 2021-22, put further pressure on the entire province's financial wellbeing.

# Considerations in dealing with underspending

## Vacancies

- Vacancies in critical posts within government departments and entities have contributed to delays in spending budgets

## Procurement processes

- Complex procurement processes. E.g., Kha Ri Gude Mass Literacy Campaign learner support material
- Delays in payment of suppliers' invoices or claims by government departments and entities

## Compliance issues

- Non-compliance to set deadlines for quarterly reports submission of independent schools
- Failure to comply with conditional grant conditions, leads to unspent grants and funds being returned to the national revenue fund

## Non-Implementation

- These delays in project or programme implementation should actually be characterized as a delay in the delivery of services to people

## Process delay

- Stringent verifications and reconciliation processes causing delays within institutions then lead to underspending

## Cash-flow

- Cash-flow challenges deprive departments and schools of much needed resources

## Reprioritisation

- Reprioritisation of funds to other spending pressures also leads to underspending

## Cost Containment Measures

- Measures implemented by departments to contain COE expenditure negatively impacted learner-to-teacher ratios
- Reduced spending baselines associated with the government's fiscal consolidation programme

## Systemic interdepartmental issues

- These issues drives inefficiencies in Interdepartmental projects, especially in school infrastructure

# Concluding remarks

# In summary

- Between 2011/12 and 2020/21, the DBE underspent its budget by an average of 3.1 per cent annually.
- Underspensing was higher than two per cent in six of the ten years of analysis
- Provinces generally underspend their budget, even though in some years it falls below two per cent within our sample.
- Massive gains have been made in access to education. However, concerns about dropout rates have increased because of the protracted and intensified cost of living crisis
- The recent findings that by PIRLS that 81 per cent of Grade 4 learners in South Africa are unable to read for meaning in any language
- Our analysis shows that total real per capita expenditure on basic education declines in the medium term
- Underspensing is a concern for Members and several reasons have been identified over the years
- Despite several interventions to address the causes of underspending it remains a concern

# In summary

- AGSA cautions that deficiencies in financial and performance management may prevent government from achieving the ideals set out in the NDP
- The conditional grants under the Department of Basic Education primarily contributes to government's Priority 3: Education, skills, and health
- The analysis of the information on the conditional grants shows:
- No targets set for outputs
  - The absence of set targets makes it difficult to measure performance against planned outputs
- Overspending on some of the grants, accompanied by underperformance
  - In some cases, the overspending was covered by approved rollovers for the 2019/20 financial year
- Underspending on some of the grants
  - However, in some instances, the provinces have commitments and will be requesting roll-overs from their respective Provincial Treasuries
- Outstanding performance information
- Reporting on the performance not measured against set targets



**PARLIAMENTARY BUDGET OFFICE**

Tel: +27 021 403 2360 \* Fax: +27 021 403 3153

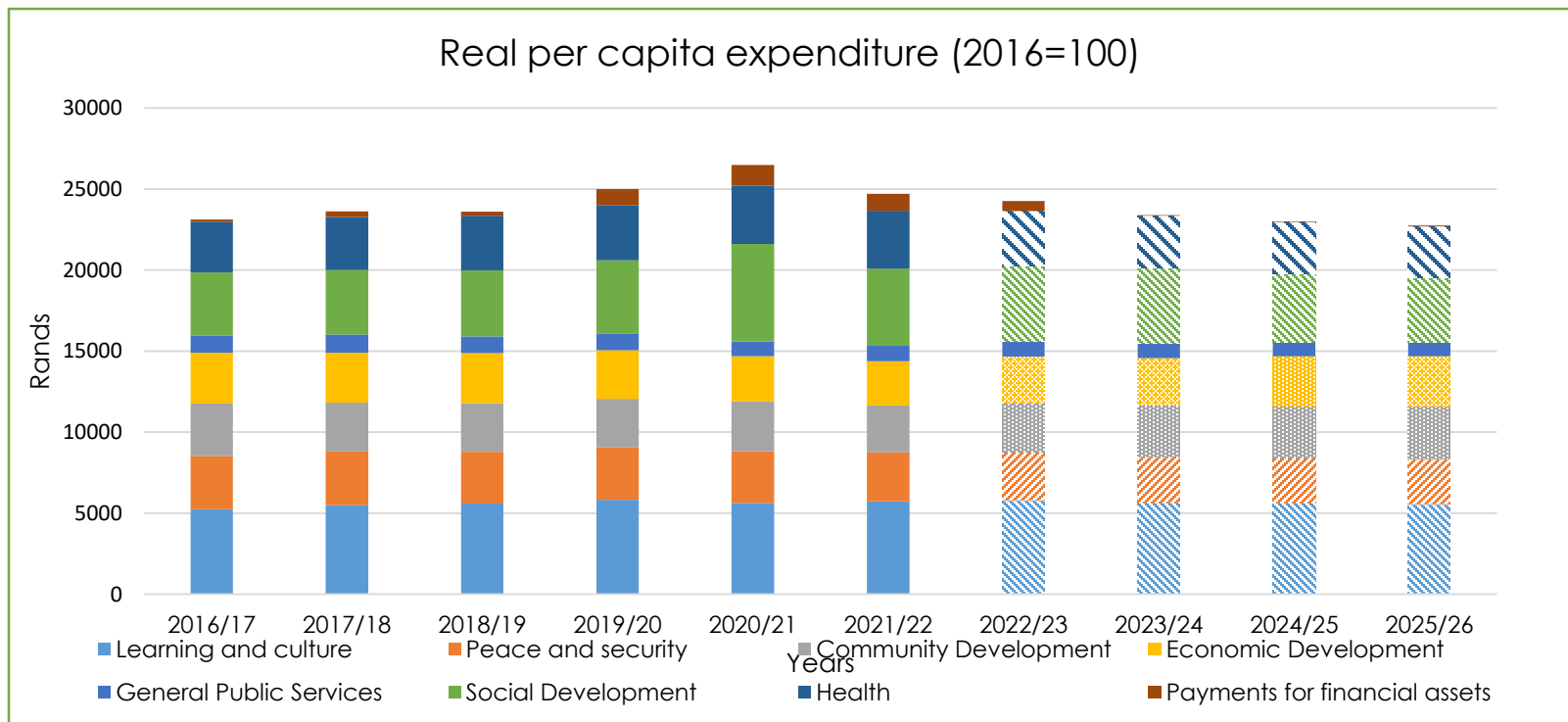
Fax-to-Mail: +27 086 718 2531

Email: [pboinfo@parliament.gov.za](mailto:pboinfo@parliament.gov.za)

Thank you

# Real per capita spending per function group

- Total real per capita expenditure declines in the medium term
- Only expenditure on economic development and community development increase marginally in real terms
- In 2016/17 total real expenditure per capita was R23 116, by 2025/26 this will decline to R22 747
- In 2023/24, total real per capita spend is R23 402, a decline from the projected R24 255 in 2022/23



# Conditional grants transferred from national departments

- The conditional allocations to provinces from the national government's share of revenue are meant to supplement the following:
  - the funding of programmes or functions funded from provincial budgets
  - specific-purpose allocations to provinces
  - allocations-in-kind to provinces for designated special programmes.
- Conditional grants also aim to achieve a particular outcome with a set of generic or common outputs for all provinces.
- Education Conditional Grants is the second largest CG, accounting for more around 20 per cent of the total CGs

To Provinces	Audited outcome			Revised estimate	Medium-term expenditure estimates			Annual Average increase since 2019/20
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	
R million								
3 Cooperative Governance	466	138	48	97	146	152	159	-16.4%
13 Public Works and Infrastructure	868	832	835	858	861	900	940	1.3%
16 Basic Education	19 079	19 238	21 936	23 124	25 329	26 485	28 093	6.7%
<i>as a % of total Conditional Grants</i>	17.7%	17.8%	18.9%	18.7%	19.9%	19.9%	20.0%	
18 Health	45 863	52 082	52 462	56 252	54 183	56 171	58 687	4.2%
29 Agriculture, Land Reform and Rural D	2 158	1 688	2 235	2 294	2 333	2 516	2 596	3.1%
33 Human Settlements	19 572	15 343	17 303	19 172	19 246	19 614	20 493	0.8%
37 Sport, Arts and Culture	2 121	1 521	2 087	2 176	2 175	2 272	2 374	1.9%
40 Transport	17 768	17 217	19 057	19 756	23 270	24 853	27 058	7.3%
<b>Total</b>	<b>107 896</b>	<b>108 060</b>	<b>115 964</b>	<b>123 730</b>	<b>127 544</b>	<b>132 963</b>	<b>140 402</b>	<b>4.5%</b>