

referred to
revenue
proposed
National
Bills
government
Revenue
comm
House
parliamentary
prior
expenditure
framework
committee
amendment
office
budget
Appropriations
national
Budget Appr
ensure
appr
provincial
proposals
adoption
relevant
annual
comments
Council
Director
adopted
budgetary
relevant
member
affected
finance



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Government underspending
analysis 2011/12 - 2020/21: Basic
Education – May 2023

Parliamentary

Budget
Office

financial
name
Bill
report
Committee
House
spending
ee A
at mo
providi
Appropri
Appropri
ments Asser

minister
section
public
reports
year
Bill
public
means
year
report

The Parliamentary Budget Office (PBO) has been established in terms of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The PBO provides independent, objective and professional advice and analysis to Parliament on matters related to the budget and other money Bills. The PBO supports the implementation of the Act by undertaking research and analysis for the Finance and Appropriations Committees.

Director: Dr Dumisani Jantjies
 Approved and edited by: Dr Dumisani Jantjies
 Contributors: Siphethelo Simelane, Sibusisiwe Sibeko, Mmapula Sekatane, and Sithembiso Mthimkhulu
 Editor: Siphethelo Simelane (coordinator)
 Enquiries: ssimelane@parliament.gov.za

Ref. no. May 2023

Table of content

Executive Summary	1
1. PURPOSE	2
2. INTRODUCTION	2
3. THE STATE OF BASIC EDUCATION IN SOUTH AFRICA	2
4. METHODOLOGY	3
4.1. Sample selection	3
4.2. Quantitative analysis	3
4.3. Qualitative analysis	3
5. SPENDING TRENDS IN THE DEPARTMENT OF BASIC EDUCATION 3	
5.1. Overview: Basic education	3
5.2. Basic education funding and programmes	4
5.3. Spending trends	4
5.4. Basic Education Conditional Grants	5
5.5. Reasons for underspending government budget	7
6. SOME CONSIDERATIONS IN DEALING WITH UNDERSPENDING ..	8
7. CONCLUSION	9

Executive Summary

Universal access to education is a fundamental right provided for in section 29 of the Constitution of South Africa. This provision states that, "Everyone has the right (a) to a basic education, including adult basic education; and (b) to further education, which the state, through reasonable measures, must make progressively available and accessible". It is thus necessary to assess how resources allocated towards education have been utilized to realise this right progressively. South Africa's annual budget has been a key policy tool used by the government to implement the necessary strategies, policies and programmes.

The successful implementation of the budget on expenditure items based on government's policies and targets has then become an important indicator of the overall ability of the government to deliver on programmes. However, Parliament and other stakeholders have raised concerns about government underspending over the years. Moreover, this concern

has remained understudied within the South African context for the reasons explored below.

This brief hence provides an analysis of government spending in order to present and explicate spending trends in the Department of Basic Education (DBE) as well as the reasons for the underspending. In examining underspending in education in both the National and Provincial spheres, our analysis of spending trends in the DBE showed:

- For the years between 2011/12 and 2020/21, as the period under consideration, underspending was above 8 per cent in both the 2011/12 and 2012/13 budgetary years.
- Underspending in current payments has largely been driven by goods and services, whereas underspending in buildings, other fixed structures, machinery and equipment were more prevalent in payments for capital assets.
- Provincial departments of education (PED) generally underspent, although there were years when these departments recorded overspending on their budget.
- The provinces recorded underspending for the majority of conditional grants over the period under review.

This brief has also identified the following key issues for further consideration with regard to underspending for the purposes of Parliamentary oversight:

- Vacancies in critical posts within government departments and entities have contributed to delays in spending budgets.
- Complex procurement processes.
- Delays in payment of suppliers' invoices or claims by government departments and entities.
- Operational Costs and Cost Containment Measures.
- Reduced spending baselines associated with the government's fiscal consolidation programme.
- Non-compliance to set deadlines for quarterly reports submission of independent schools.
- Non-Implementation of Projects/Programmes leads to underspending.
- Stringent verifications and reconciliation processes causing delays within institutions then lead to underspending.
- Reprioritisation of funds to other spending pressures also leads to underspending.
- Cash-flow challenges deprive departments and schools of much needed resources.
- Failure to comply with conditional grant conditions, leads to unspent grants and funds being returned to the national revenue fund.
- Systemic interdepartmental issues.
- Inadequate needs assessment, project planning and monitoring.

1. PURPOSE

The rationale for this brief is to provide Members of Parliament (MPs) with an analysis of trends in government spending outcomes between 2011/12 to 2020/21 for Basic Education at both National and Provincial level.

2. 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 a basic education, including adult basic education; and (b) to further education, which the state, through reasonable measures, must make progressively available and accessible¹. It is then imperative that oversight bodies assess how allocated resources are being utilized to realise this universal right. The annual budget is a key policy tool used by the government to implement strategies, policies and programmes. Implementation of appropriated budgets is a key indicator of the overall ability of the government to deliver on these programmes.

Although government underspending has been highlighted as a weakness in government spending over the years, the extent of underspending has been insufficiently studied within the South African context. In recent years, the National Treasury (NT) has identified underspending across all national government departments². This brief is hence the second of a series of PBO briefs examining underspending and providing an analysis of government spending in order to explore and understand spending trends within the department of Basic Education (DBE) as well as outlining the reasons for this underspending.

3. THE STATE OF BASIC EDUCATION IN SOUTH AFRICA

The basic national education system has undergone numerous changes over the years to improve the provision of education services and to give effect to the provision of the Constitution of SA on access to education as a basic right. Extensive gains have thus been made in terms of the number of people accessing basic education since 1994.

The data for South African contained in the 2022 Stats underlines that in 2021 the government provided more access to basic education to pupils aged 5 years or older than they did in 2002 (meaning that they did not pay tuition fees). Essentially, the percentage of youngsters aged 5 years and older who attended schools and did not pay tuition fees significantly increased from 0.4 per cent in 2002 to 70.2 per cent in 2021. Although the percentage of individuals attending

no-fee-paying schools has increased, socioeconomic background remains a significant determinant of educational attainment. According to Stats SA, in 2021 the percentage of individuals aged 18-24 years who were still attending secondary school was higher for households in poorer income groups than households in higher income groups. Approximately 22.5 per cent of females and 15.5 per cent of males between the ages of 7-18 years stated that they have not been able to attend an educational institution because they do not have money for fees. Young people aged 18-24 years from the highest income households are more likely to attend university than those in lower quintile groups.

The quality of education remains a critical concern for South Africa. 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 1³. The International Reading Literacy Study (PIRLS) reports that the number of Grade 4 children that cannot read for meaning will increase from 78 per cent pre-pandemic (2016) to an estimated 82 per cent in 2021⁴ (final results to be published in May 2023).

In 2022, the Early Childhood Development (ECD) function was transferred from Social Development to the Department of Basic Education (DBE). In December 2020, Stats SA reported that the proportion of children up to 4 years of age attending an early childhood development programme had declined from 43.9 per cent to 40.7 per cent between 2018 and 2019. In an ECD report commissioned by the DBE, it was then reported that when counted collectively 42,420 Early Learning Programmes (ELPs) had 1,660,316 children enrolled. This figures translated into 6.2 ECD programmes per 1000 children being made available nationwide to young learners between 0-5 years old. It is thus important to note that a significant number of children remained unregistered in ECD centres and these numbers continue to be unknown⁵.

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."

¹ The Constitution of the Republic of South Africa, (1996).

² National Treasury, (2022). The 2021/22 quarter 4 Spending outcomes presentation to Standing Committee on Appropriations (SCOA).

³ Oxford University Press, (2022). Early Grade Interventions in South Africa: Reading and Mathematics. <https://resourcehub.oxford.co.za/higher-education/resources-higher-education/early-grade-interventions/>

⁴2030 Reading Panel, (2023). 2023 Reading Panel background report.

<https://www.readingpanel.co.za/resources>

⁵Department of Basic Education, (2022). ECD Census 2021: Report. Pretoria: Department of Basic Education.

In the context of fiscal consolidation, education has been particularly strongly impacted. In consideration of the 2021 budget, the National Treasury acknowledged 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"⁶.

This report has placed a particular focus upon the question of whether or not departments are utilizing their full allocations to realize the right of all South Africans to education. In other reports, the PBO has highlighted trends in allocation as well as performance.

4. METHODOLOGY

This brief has adopted a mixed method approach to facilitate both quantitative and qualitative analysis of the extent of underspending in basic education departments at the level of both National and Provincial government. This analysis was undertaken using data from the Estimates of National Expenditure (ENE) for national departments and Estimates of Provincial Revenue and Expenditure (EPRE) between 2011/12 to 2020/21. It also draws upon information from national and provincial departmental annual reports in order to identify the reasons for underspending.

4.1. Sample selection

The reason for the focus on data from provincial departments of basic education for analysis is that they have the mandate to deliver basic education. Our sample size is made up of four of the nine provinces in South Africa (Eastern Cape, Free State, Gauteng and Western Cape) in order to reflect both the rural/urban divide and diversity in the equitable distribution shared amongst the provinces of South Africa. These provinces were also chosen to reflect non-homogeneity in budget and performance outcomes across provinces.

4.2. Quantitative analysis

Quantitative data was collected at budget programme and economic classification levels from the Estimates of National Expenditure (ENE) published by the National Treasury. We calculated the budget deviation between the adjusted appropriations and the audited expenditure outcomes between 2011/12 and 2020/21. To determine the level of under-expenditure, the budget deviations were then calculated as a percentage of the total adjusted appropriation.

For the Provinces, budget and expenditure data was only available for the period 2013/14 to 2020/21. The same exercise in determining percentage deviation (outlined above) was then conducted. The analysis

focused on a level of under/overspending that was more than 2 per cent of the budget allocation when provisioning was made for over-expenditure. The analysis then applies the 2 per cent threshold to the lower bound (underspend) which we consider to be a reasonable deviation based on the PFMA section 16(2).

4.3. Qualitative analysis

Departmental annual reports have also been analysed to collect information on the reasons for underspending at national and provincial levels. The reasons for underspending at the national level have thus been outlined on both programme and economic classification levels. As provincial reports vary from year to year amongst provinces, this brief reports the causes of underspending that occurred most frequently in specific financial years.

5. SPENDING TRENDS IN THE DEPARTMENT OF BASIC EDUCATION

5.1. Overview: Basic education

A concern was raised in the concluding remarks of the United Nations Committee on Economic, Social and Cultural Rights on the 2018 South African report addressing how rights were to be made a reality. The concern was that austerity measures have resulted in significant budget cuts in health, education and other public service sectors. These cuts may further worsen inequalities in the enjoyment of the rights under the Covenant, or even reverse the gains made in the health and education sectors in particular.

The quality of basic education is not only determined by the budget allocated to the sector but by the adequate capacity of national and provincial departments to spend these funds efficiently and effectively. Since the democratic constitution was promulgated, numerous court judgements on the right to basic education have affirmed the role that basic education plays in achieving equality, dignity and freedom for all. The right to basic education consists of certain core components which include, amongst others, safe and appropriate infrastructure, furniture, teaching and learning materials such as textbooks and scholar transport.

With most learners attending non-fee-paying schools, the allocation of government resources is critical in determining the quality of education received by the majority of learners. Consequently, to realise the right to basic education of all learners, the government not only has to provide adequate and progressive funding for the basic education sector but to ensure efficient and effective spending.

⁶ National Treasury, (2021). Budget Review 2021.

5.2. Basic education funding and programmes

The mandate of the national DBE is to monitor the standards of the provision, delivery and performance of education annually or at other specified intervals throughout South Africa, with the objective of assessing compliance with the provisions of the Constitution and with national education policy.

The budget of the national Department of Basic Education consists of five budget programmes, namely: Administration, Curriculum Policy, Support and Monitoring, Teachers, Education Human Resources and Institutional Development, Planning, Information and Assessment, and Educational Enrichment Services.

Basic education services are provided mainly by the provincial sphere of government and funded through

the Provincial Equitable Share (PES) and conditional grants.

At the provincial level, basic education constitutes of seven programmes: Administration, Public Ordinary School Education, Independent School Subsidies, Public Special School Education, Early Childhood Development, Infrastructure Development and Examination and Education Related Services.

5.3. Spending trends

Table 1 shows the expenditure trends of the National Department of Education between 2011/12 and 2020/21. Underspensing varies between 0.3 per cent and 8.4 per cent for the period under review.

Table 1 Deviation in adjusted versus audited spending outcomes by programme for the Basic Education, (2011/12 - 2020/21)

Year	Administration		Curriculum Policy, Support and Monitoring		Teachers, Education Human Resources and Institutional Development		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
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%

Source: PBO calculations using National Treasury ENE data

Note: Per cent denotes underspensing as a proportion of total adjusted budget

Note: Underspensing equal or above two per cent are highlighted in red font

The highest proportion of the department's budget, which is about half, is then allocated to the planning, information and assessment programme. This programme underspent in almost every year except for 2014/15. The level of underspensing varied between 0.1 per cent and 15.4 per cent for the period under review. Underspensing on the Curriculum policy, support and monitoring programme was then reported in all the financial years under review except in 2012/13 and 2019/20. The budget underspensing in this programme were above 2 per cent for all the years in question.

Table 2 shows the expenditure trends on the economic classification level. Underspensing by the DBE was driven by current payments and payments for capital assets. Under current payments, goods and services constituted a significant proportion of the underspensing – except for 2015/16 and 2020/21. Underspensing on payments for capital assets, buildings and other fixed structures was the main driver of the underspensing between 2011/12 and 2020/21. In some instances, this underspensing was more than a billion rand of the adjusted budget i.e., in 2012/13 and 2020/21.

Table 2 Deviation in adjusted budget versus audited expenditure by economic classification for Basic Education, (2011/12 - 2020/21)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current payments	8.6%	3.8%	0.3%	1.2%	-2.4%	0.7%	6.0%	4.7%	3.9%	-0.8%
Compensation of employees	8.1%	8.8%	4.3%	0.4%	0.1%	3.6%	1.0%	3.8%	4.0%	9.1%
Goods and services	9.0%	3.0%	-1.2%	1.4%	-3.0%	0.1%	7.3%	4.7%	4.3%	-3.9%
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%
Transfers and subsidies	3.4%	0.3%	0.3%	0.2%	-0.1%	0.0%	-2.3%	0.0%	-2.7%	-3.1%
Provinces and municipalities	3.5%	0.4%	0.4%	0.2%	0.0%	0.0%	-2.4%	0.0%	-2.7%	-3.3%
Departmental agencies and accounts	0.0%	0.0%	90.1%	89.8%	89.7%	-4.2%	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%
Non-profit institutions	0.0%	-6000.0%	0.0%	8.7%	0.0%	-5.5%	-6.6%	-5.7%	-35.9%	-14.9%
Households	-500.0%	-52.9%	-97195.8%	-280725.7%	-99441.7%	-0.2%	-0.4%	0.0%	-0.2%	-0.1%
Payments for capital assets	87.2%	57.8%	28.8%	4.3%	28.7%	46.7%	19.8%	7.8%	30.6%	50.4%
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%
Machinery and equipment	27.0%	35.0%	8.3%	43.8%	25.0%	-2.2%	26.1%	-31.2%	-3.3%	8.2%
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%
Payments for financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-70.2%	-275.0%	0.0%
Total	8.4%	8.1%	3.5%	0.8%	2.3%	4.2%	0.3%	1.2%	0.4%	2.0%

Source: PBO calculations using National Treasury ENE data, Note: Per cent denotes underspending as a proportion of total adjusted budget
Note: Underspending equal or above two per cent are highlighted in red font

Table 3 shows the difference between the adjusted budgets and the audited expenditure at the provincial level for Basic Education (2013/14 - 2020/21). 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.

Table 3 Deviation in adjusted budget versus audited expenditure at the provincial level for Basic Education, (2013/14 - 2020/21)

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%

Source: PBO calculations using National Treasury ENE data
Note: Per cent denotes underspending as a proportion of total adjusted budget
Note: Underspending equal or above two per cent are highlighted in red font

Overspending in subsequent years does not compensate for underspending in the previous period. It is again important to highlight that the analysis presented in this section does not reflect the quality of spending or compliance standards. In fact, the AGSA has continuously highlighted the problems of clean audits.

From the analysis of the budget structures of provincial education departments, it may be concluded that there is a good correlation between the proportions spent in the economy by provinces. The largest component here is compensation of employees (COE) which accounts for between 75-80 per cent of the provincial education budgets. In order to determine

the effectiveness of basic education, further analysis of the COE budgets is required, not just in terms of the ratios between educators and learners but between educators and other administrative staff. Here, transfers and subsidies range from between 3.8 per cent to 10.1 per cent, while spending on capital assets ranges from between 3.2 per cent to 7.2 per cent of provincial education budgets of the provinces.

5.4. Basic Education Conditional Grants

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; and allocations-in-kind to provinces for designated special programmes. In addition to directing funds for a specific purpose then, conditional grants also aim to achieve a particular outcome with a set of generic or common outputs for all provinces.

The National Department of Basic Education makes the transfer of the following conditional grants to provinces:

- Education Infrastructure Grant
- HIV and AIDS Life Skills Education Grant
- Children/Learners with Severe to Profound Intellectual Disability Grant (C/LSPID)
- Maths, Science and Technology Grant (MST)
- National School Nutrition Programme Grant
- School Infrastructure Backlogs Grant (SIBG) – this grant was introduced in 2020/21.

Data on performance information from the 2019/20 and 2020/21 Annual Reports of the National

Department of Basic Education indicates a pattern of underspending in almost all the conditional grants transferred by this department in both financial years under consideration. In most cases, the underspending is accompanied by over performance. For the financial year 2020/21, the annual report cites the COVID-19 lockdown as the main reason for some of the underspending and underperformance.

In certain instances, overspending is recorded on some of the grants generally accompanied by underperformance. In their annual reports, the government department in question then indicate that overspending in the 2020/21 financial year on the Maths, Science and Technology grant will be covered from the approved rollovers from the 2019/20 financial year.

Table 4 Expenditure of Basic Education Conditional Grants: 2019/2020 and 2020/2021

Grant	Expenditure Performance for 2019/20	Expenditure Performance for 2020/21
Education Infrastructure Grant	Department spent R10.728 billion (1% underspending) of the adjusted budget of R10.88 billion (original budget of R10.514 billion plus roll-over).	Resulted in overspending and funds unspent by the entity in Limpopo Province.
HIV and AIDS Life Skills Education	Expenditure amount reflects overspending of 1.7 per cent.	Output targets had to be revised to accommodate COVID-19 response and budget adjustments. The grant was underspent by 8.3 per cent by the end of the financial year.
Children/Learners with Severe to Profound Intellectual Disability	Department spent R215.422 million of the original budgets of R220.785 million (R212.325 million was transferred to PEDs and R12.664 million unspent from the previous financial year) to provide education to learners with severe to profound intellectual disabilities.	Resulted in underspending. Through these monitoring mechanisms, the relevant challenges were identified and support and advice were provided to PEDs.
Maths, Science and Technology	Department spent R319.291 million (82%) of the transferred funding of R391.302 million (adjusted budget: R394. 357) to increase the number of learners taking MST subjects and to improve the capacity of teachers in these subjects.	Recorded an overspending of 4.7 per cent, with eight provinces having completed their outputs for the financial year under consideration. The Western Cape had delays on supply chain processes due to COVID-19.
National School Nutrition Programme	The Department spent R7.135 billion (99%) of the transferred funding of R7.186 billion to enhance learning capacity and improve access to education.	Spent only 93 per cent of the transferred funds. The reason for the funds being unspent was that the COVID-19 lockdown harmed the programme.
School Infrastructure Backlogs Grant	N/A	Underspending was due to the disruption of construction sites by community-based businesses and the impact of the COVID-19 lockdown on business operations.

5.5. Reasons for underspending government budget

Table 5 Reasons for underspending in National Department of Basic Education, (2011/12 & 2015/16)

National Department of Basic Education underspending can be attributed to the following factors

- **Supply chain management problems:**
 - Procurement processes
 - In 2011/12 for example, there were delays in the procurement of learner support material for the Kha Ri Gude Mass Literacy Campaign due to a change in the procurement model. The LTSM was previously procured through the Implementing Agent.
 - Delays in invoicing
 - In 2011/12 again, delays in the submission of invoices for the Curriculum Review Project meant that payments could not be finalized before the end of the financial year.
 - In 2019/20, underspending was caused by delays in the delivery of IT equipment, including tablets for schools, due to the COVID-19 outbreak along with delays in processing invoices for travelling and subsistence.
- **Compensation of employees**
 - In 2011/12, under-expenditure occurred with respect to compensation of employees because of changes to the Department's organisational structure, although most key posts were filled later in the financial year.
- **Non-Implementation of Projects/Programmes**
 - Again in 2011/12, under-expenditure could be explained by savings on Office Accommodation owing to fluctuations of the CPI as well as delays to projects related to facilities there that included, amongst others, the provision of additional public toilets in the Office Accommodation.
 - In 2019/20 underspending on the category of Building and Fixed Structures occurred in its sub-programme named School Infrastructure. This underspending was due to delays in the project emanating from the high construction costs that the contractors were charging the Department for water and sanitation projects.
- **Capacity challenges**
 - In 2012/13 the School Infrastructure Backlogs saw underspending on their allocated budget through the indirect grant, largely owing to capacity challenges amongst its implementing agencies and contractors. Some contractor's contracts were cancelled due to non-delivery, while the impact of adverse weather conditions and poor road conditions also contributed to slow delivery of the project.
- **Process Delays**
 - The year 2014/15 then saw 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**
 - Finally, in 2016/17 some of the personnel working on the IQMS project were transferred to the National Education Evaluation and Development Unit (NEEDU) where a saving was realized due to the development of a project completed in previous years. Both NEEDU and Workbooks were earmarked here. These funds would otherwise have been reprioritized to critical positions within the Department in the following year.

Source: Department of Basic Education annual report, 2011/12 to 2020/21.

Table 6 Some reasons for underspending in FS, GP, EC, and WC Provincial Education Departments (2013/14 to 2020/21)

Provincial Education Departments (FS, GP, EC, and WC) underspending can be attributed to the following
<ul style="list-style-type: none"> • Supply chain management problems: <ul style="list-style-type: none"> ○ Procurement processes <ul style="list-style-type: none"> ▪ In 2013/14, EC PED under-expenditure occurred due to delays in the delivery of a wrapping machine procured for the administration of examinations and the construction of capital projects at public schools. ▪ In 2017/18 there was another example of a delay in the procurement of mobile units in WC PED, which was related to the mobile unit implementation project which could not be completed before financial year. ○ Delays in invoices <ul style="list-style-type: none"> ▪ In 2016/17, EC PED expenditure was delayed by the late receipt of invoices from service providers, specifically the Vodacom for Desktops and Laptops as well as late procurement of specialized buses for Special Schools which also resulted in the late receipt of invoices. ▪ In 2020/21, WC PED underspent on the National School Nutrition Programme (NSNP) Grant Due to unpaid invoices for services rendered for milk and food. • Compensation of employees <ul style="list-style-type: none"> ○ In 2015/16, EC PED under-expenditure was mainly due to the attrition rate coupled with the slow filling of posts, slow payment processes for school-based educator and non-educator posts in public schools as well as the non-filling of posts on the Annual Recruitment Plan (ARP). ○ In 2013/14, GP PED underspending on Compensation of Employees occurred due to vacant posts, which were in the process of being advertised and filled, as well as delays in appointments of officials. • Non-Implementation of Projects/Programmes <ul style="list-style-type: none"> ○ In 2014/15, EC PED underspending was due to challenges in outstanding land issues for projects relating to Special Schools and Environmental Assessment causing a delay in the rolling out of infrastructure projects. ○ In 2017/18, WC PED underspent occurred owing to delays in the implementation and invoicing of drought projects which could not be completed before the financial year's end. • Cash flow problems <ul style="list-style-type: none"> ○ In 2020/21, EC PED underspend was due to an inability to process all its invoices owing to system closure and the overall challenges of cash flow that affected the whole department. FS PED also underspent on machinery and equipment because of cash flow constraints, software and other intangible assets which could not be procured on time. • Process Delays <ul style="list-style-type: none"> ○ In 2013/14, GP PED was impacted by delays in the finalization of contracts for finance leases and delay in the finalization of procuring laptops and printers. ○ In 2014/15, EC PED delays occurred in awarding tenders for 105 sanitation projects attached to implementing agencies that subsequently delayed spending. • Claims <ul style="list-style-type: none"> ○ In 2015/16 underspending in WC PED was due to fewer claims paid for the youth focus programme and fewer receipts of Grade R subsidy claims. • Operational Costs and Cost Containment Measures <ul style="list-style-type: none"> ○ In 2020/21, EC PED underspend was caused by Austerity Measures implemented to avoid over-expenditure at year end. Then WC PED underspend occurred as a result of similar measures in 2015/16, 2017/18, 2018/19 & 2019/20. • Reprioritization of funds <ul style="list-style-type: none"> ○ Finally, in 2013/14 machinery and equipment underspending in EC PED occurred due to budgets being reprioritized to cover other budget pressures in other areas.

Source: FS, GP, EC, WC Provincial Education Departments annual reports, 2013/14 to 2020/21.

6. SOME CONSIDERATIONS IN DEALING WITH UNDERSPENDING

Vacancies in critical posts in government departments and entities have contributed to delays in spending budgets: The number of personnel in critical posts within departments is linked to government service delivery. The failure to fill critical posts thus has a direct impact on the government's ability to use the budget to deliver much required public services.

Complex procurement processes: To take the example of delays in the procurement of the Kha Ri Gude Mass Literacy Campaign learner support material, these were due to the change of procurement model, although other examples have been cited by many government entities as reasons for underspending.

Promoting procurement best practices involving supply chain management systems should thus be prioritized within government departments and entities.

Delays in payment of suppliers invoices or claims by government departments and entities: This is one of the major reasons cited for underspending by SA's education departments. It is worth highlighting that delays in invoice payments are in breach of Treasury Regulation which states that, "Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, the date of settlement or court judgement."

Operation costs and cost containment measures: Owing to fiscal consolidation, measures implemented

by departments to contain COE expenditure have led to underspending. These measures have negatively impacted learner-to-teacher ratios while also affecting educators and other administrative issues which, in turn, has hindered the effectiveness of basic education.

Reduced spending baselines that are part of the fiscal consolidation programme: In the 2021 Budget, NT acknowledged that budget reductions would disproportionately impact non-fee-paying schools. The PBO has previously noted that the impact of subsequent budgets should be queried.

Non-Implementation of Projects/Programmes lead to underspending: In 2014/15, for example, under-expenditure on buildings and other fixed structures was due to delays in the construction of capital projects at public schools. These delays in project or programme implementation should actually be characterized as a delay in the delivery of services to people.

Process delays within institutions lead to underspending: These delays are usually because of stringent verifications and reconciliation processes. In 2014/15, for instance, the delays in DBE when awarding tenders for 105 sanitation projects were attached to implementing agencies that subsequently delayed spending.

Non-compliance to set deadlines for quarterly reports submission of independent schools: This has led the department to withhold funds that then results in underspending. The department should monitor schools that fail to submit their quarterly and annual reports on time and underperforming schools because it leads to underspending.

Failure to comply with conditional grant conditions leads to unspent grants and funds being returned to national treasury: Departments struggle to spend the money because complex and stringent policies need to be followed. It is thus important to link the conditional grants budget to specific service delivery goals.

Reprioritization of funds to other spending pressures leads to underspending: To take the example of Eastern Cape PED, underspending took place in machinery and equipment in 2013/14 because of budgets being reprioritized to cover budget pressures in other areas within the department. In addition, departments resort to these measures to delay overspending in other programmes.

Cash flow challenges deprive departments and schools of much needed resources: This problem can be explained by the inability to process all the invoices because of system closure and overall cash-flow challenges. The allocation of resources to Independent schools and special public educational institutions has then been vital in evaluating efforts to achieve high quality standards of education.

Interdepartmental systemic issues driving inefficiencies in Interdepartmental projects need to be addressed, particularly in school infrastructure.

7. CONCLUSION

The PBO's analysis of the basic education department indicates significant underspending in the DBE during the period examined. What is regarded as significant underspending of above 2% occurred in both national and provincial departments of basic education. Although the reasons for underspending were generally unique to departments, certain common causes were also identifiable.

Our analysis shows that there were a host of reasons why the Department of Basic Education constantly underspent its budget including, amongst others, cash-flow problems, cost-containment measures, reduced spending baselines as part of the fiscal consolidation programme, and underspending on school infrastructure funding. These reasons suggest that underspending is a serious structural problem in basic education spending that renders provincial education accounts less reliable. Stakeholders may find it hard to advocate for a greater budget in basic education if the sector has underspent on their allocation. However, where underspending is driven by underfinancing (i.e., COE baselines), an argument for greater expenditure can also be made. Eradicating underspending is a complex problem which requires internal work to be done within the DBE, PEDs and grant structures in order to build capacity for planning and the implementation of projects. It also requires the national department to support these processes at a provincial level to achieve improved planning and implementation.

From the analysis of the budget structures of provincial education departments, it is clear that compensation of employees (COE) is the main driver of expenditure on provincial education amounting to between 75-80 per cent of budgets. In order to determine the effectiveness of basic education, further analysis of the COE budgets is required not just to consider the ratios between educators and learners but those between educators and other administrative staff. Consideration of the capacity and capability of teachers and administration staff is thus crucial to the sector.

Important issues concerning budget adequacy, quality of expenditure and performance outcomes should also be raised, particularly considering the government's decisions with regard to initiatives to ensure value for money. As a basic right entrenched in the constitution and legislation, the government has a responsibility to deliver on education services. Addressing the issues identified here which have led to underspending would mean improvig basic education services to people and so point toward a better path for achieving many other developmental goals. Further anticipated briefs will provide analysis on other votes.