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BUDGET OFFICE**

Government Underspending Analysis 2011/12 -2020/21: A Case Study of the Departments of Social Development and Departments of Basic Education

06 September 2023

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- The Money Bills and Related Matters Act guides the approval of money bills and related matters, including amending the budget
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Presentation Outline

- Introduction
- Underspending analysis: Social development
- Underspending analysis: COVID-19 grant
- Underspending analysis: Education
- Analysis of conditional grants for education
- Concluding remarks

Introduction



- The annual budget is a key policy tool used by the 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 and reasons for underspending in the departments of social development and departments of education
- The presentation highlights the PBOs on the COVID-19 Social Relief of Distress (SRD) grant underspending
- The presentation also highlights the PBOs findings on conditional grant performance in education

Underspending Analysis: Social Development

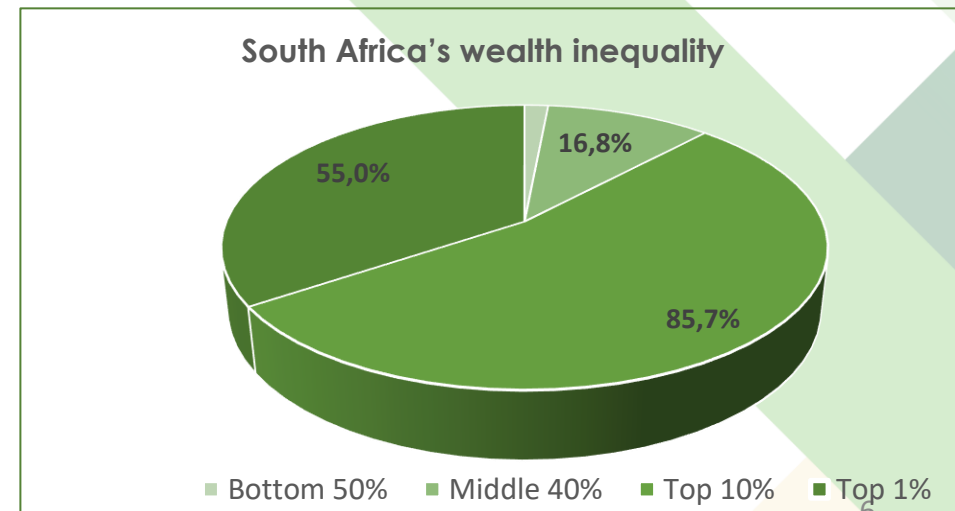
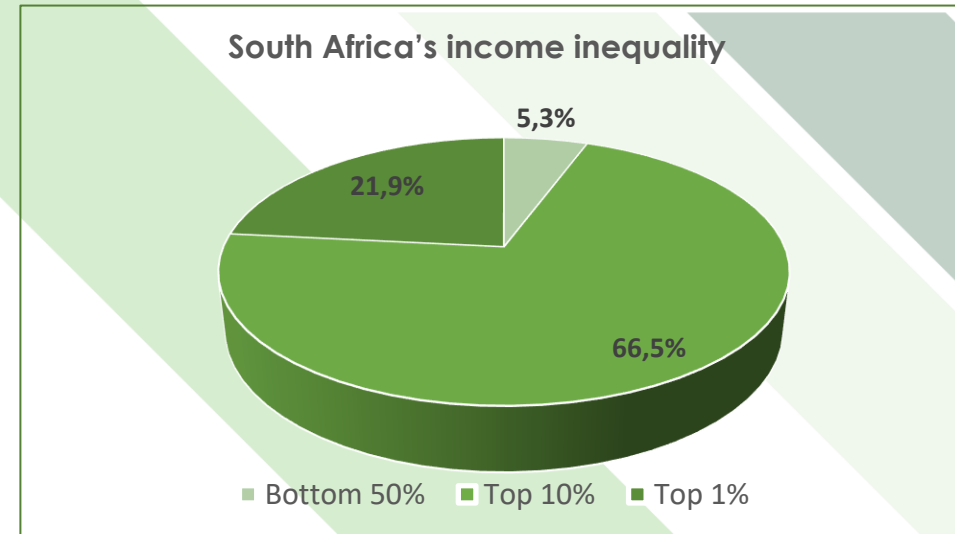
Situational analysis

Historic grant trends

Reasons for underspending

Situational analysis

- Large proportions of the South African population are subject to debilitating poverty and unemployment and institutional support is inadequate
- According to the SASSA 2022-2023 Annual Performance Plan (APP), South Africa has one of the most expansive social grant systems in the world
 - 47 per cent of the population relies on a monthly grant
- Failure to address unemployment combined with inadequate social provision has caused the persistence of structural unemployment, poverty and inequality (UPI)
- The result has been long-term, cumulative negative impacts on households, communities and society. The majority of South Africans live in poverty



The majority of South Africans live in poverty



- President Cyril Ramaphosa recently said:
 - “African women are the face of poverty”
- According to Stats SA (2021), the profile of a subjectively-poor household in South Africa is one typically
 - located in the lower quintiles of the income distribution
 - in a rural area located in a rural-based province and who has lower levels of education
 - headed by a black African female younger than 35 who has been provided with low levels of education
 - where the general health status of the household head is poor
 - where it is more than likely that all economically active individuals (age 15 years and above) are unemployed
 - less happy than they were 10 years ago
- Between 2011 and 2015, 3 million people were pushed into poverty
- 25.5 per cent of the population lived in ‘extreme poverty’, unable to afford enough food to meet their basic physical needs

Chronic child poverty

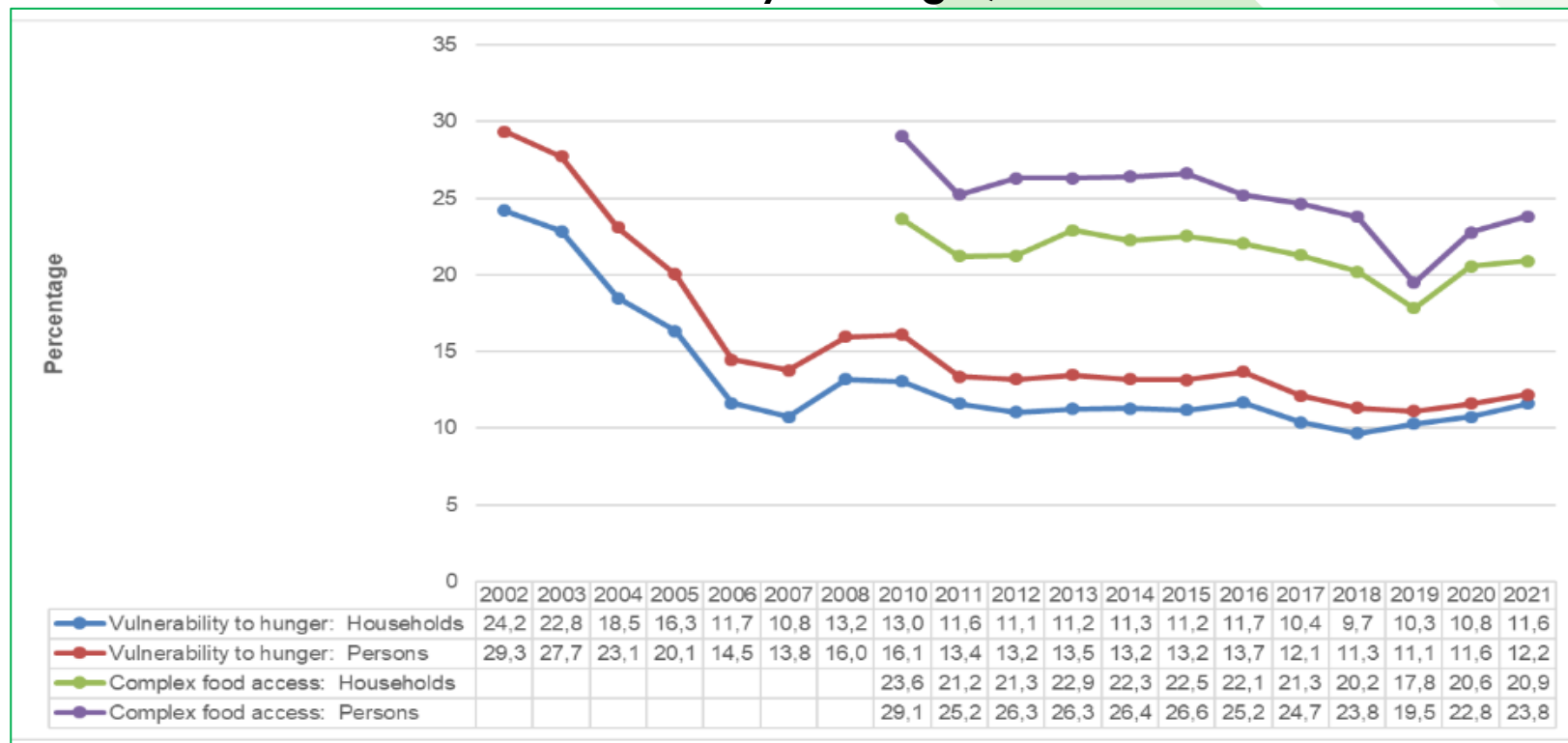


- Despite the child support grant that covers 13 million children, the extraordinary levels of UPI have created a situation where child poverty remains a dire problem that continues to grow
- Six out of ten children (or 62.1%) are multidimensionally poor (Stats SA 2020)
- Stats SA (2017) data shows that child poverty rates have been consistently higher than those for the adult population
 - Between 2006 and 2011, the child income poverty rate declined from 77.5 per cent in 2006 to 63.7 per cent in 2011. However, between 2011 and 2015, income poverty for children increased to almost 67 per cent
- Stats SA (2022) also shows that the number of orphans is increasing
 - In 2018, there were 2.3 million orphans in South Africa. In 2020, Stats SA reported that there were 2.9 million orphans
 - In 2018, 471,000 children had lost both parents. In 2020 620 00 children were recorded as double orphans
- In 2019, there were about 26,000 children living in child-only households across South Africa. This equates to 0.1% of all children (Children's Institute, 2023)

An ongoing, intense long-term cost of living crisis

- The percentage of households that had limited access to food has increased from 17.8 per cent in 2019 to 20.9 per cent in 2021
- The percentage of persons with more limited access to food increased from 19.5 per cent in 2019 to 23.8 per cent in 2021

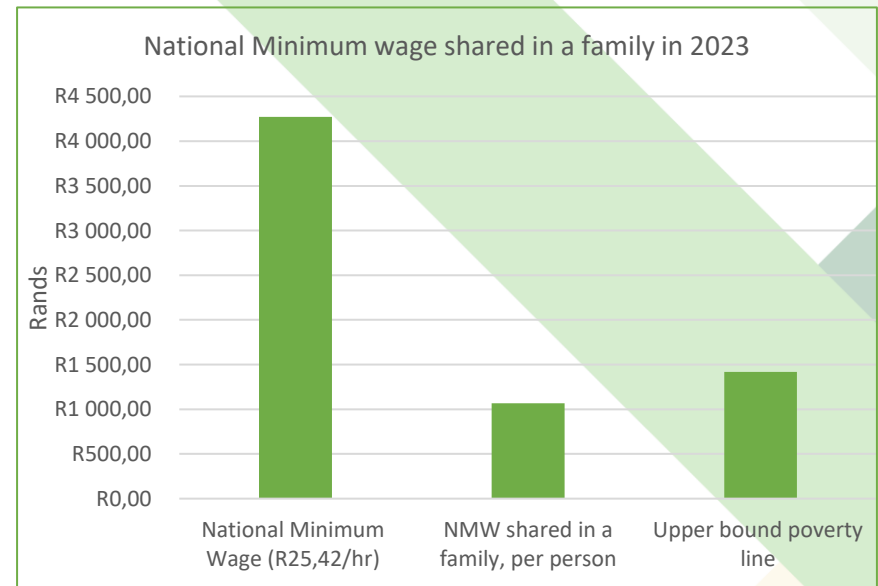
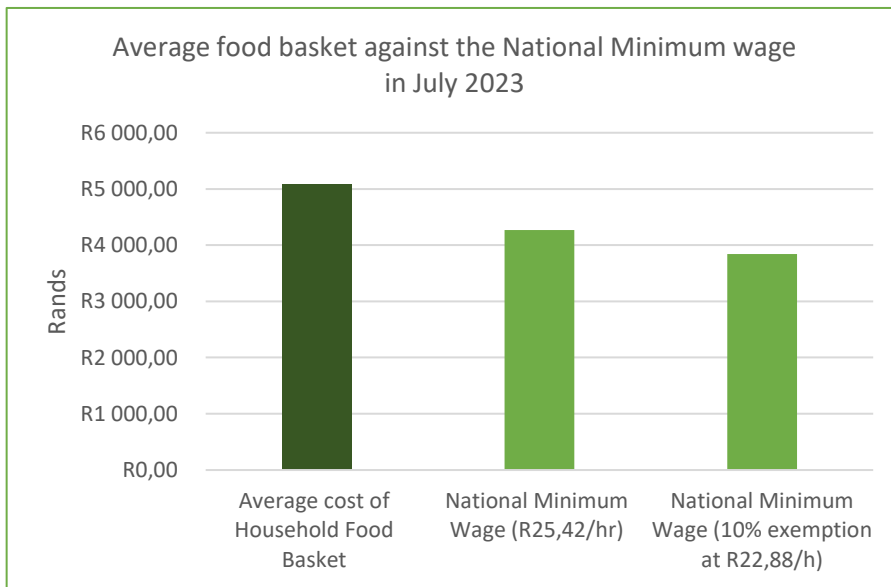
Vulnerability to hunger, 2021



The Household Affordability Index (HAI)



- Women who struggle with living on low incomes in Johannesburg, Durban, Springbok, Cape Town and Pietermaritzburg contributed to the development of the Household Affordability Index by giving input on the Household Food Basket used in the index
- The index includes the foods and the volumes of these foods required by women living in a family of seven members (an average low-income household size)
- The monthly average Household Food Basket (R5 081.94) costs more than the minimum wage (R4 270.56 a month) in 2023



Source: Pietermaritzburg Economic Justice & Dignity Group (PMBEJD), July 2023

The state of social welfare



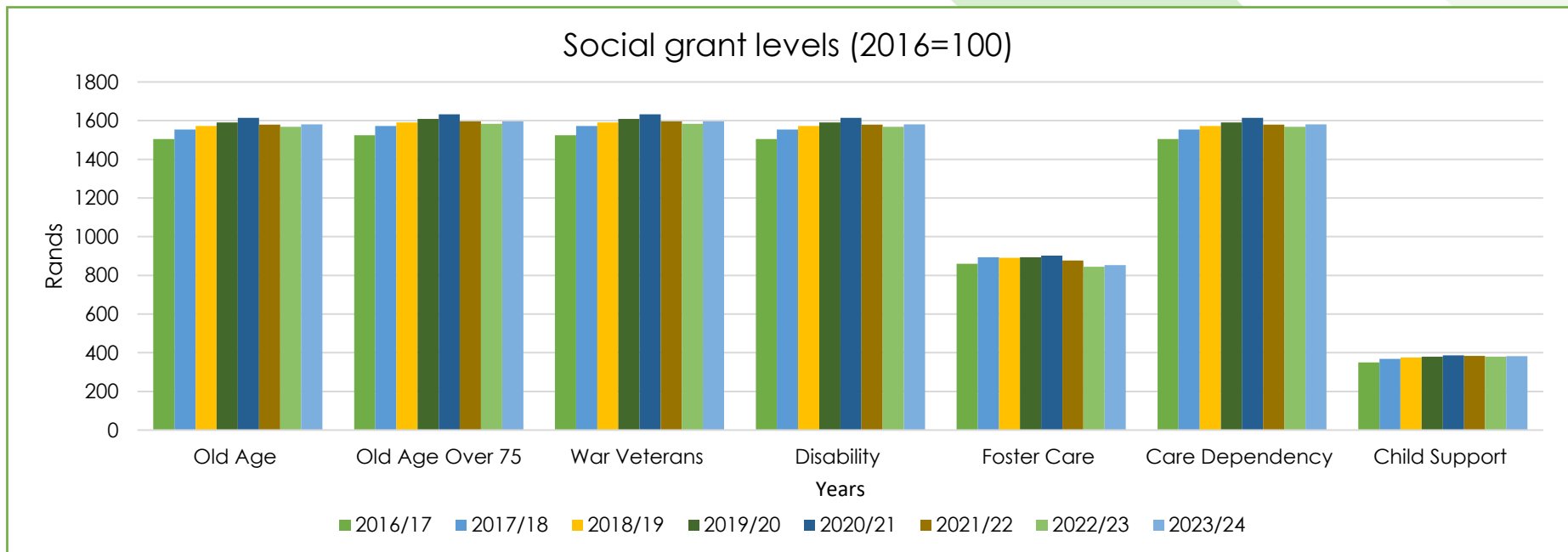
- High levels of inequality and poor economic growth threaten to increase political and social instability
- The budget through social welfare and improved quality and quantity of services plays an important distributive role that reduces inequality and improves the chance for economic growth
- Department of Social Development (DSD) has noted that in addition to unemployment, poverty and inequality, there are “social ills that have been growing at an unprecedented rate, in particular GBVF, child abuse, substance and alcohol abuse, and teenage pregnancy, amongst others”
- The department also notes that it is historically an underfunded department yet it has to respond to “abject poverty by providing social relief measures; psychosocial support services become in demand during disasters, COVID-19 and any other incident of violence and/or loss of life”
- According to the DSD (2023), the country needs 55,000 social workers to meet the demand for appropriate basic social welfare services in South Africa
 - There are currently about 22 000 social workers employed in public service to communities around the country
 - Despite the need for social workers in the country, around 9 000 qualified social workers remain unemployed - reportedly due to funding constraints, lack of capacity, and a lack of adequate tools of trade within the DSD

Budget Allocations

- Nationally raised government revenue is divided between the three spheres of government using Treasury's equitable share formula. Conditional grants are also allocated to provinces
- 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
- Department of Social Development services, excluding social grants, are 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, on occasion, from the National Department of Social Development in the form of conditional grants
 - Social grants are transferred to the SASSA
- Approximately 95 percent of the National DSD budget is transferred to SASSA for the administration of social grants

Social Grants levels in real terms

- In 2023/24, social grants levels increased by 5 per cent on average, however, these increases are inadequate
- The majority of grants fall above the upper-bound poverty line, except the foster care and child support grants
- The Child Support Grant of R500 is below the Food Poverty Line of R663 and below the average cost to feed a child a basic nutritious diet (R899,54)



Methodology



- The analysis used both quantitative and qualitative methods to assess the extent to which there has been underspending in government social development departments
- Data at the programme and economic classification level are from the Estimates of National Expenditure (ENE) and the Estimates of Provincial Revenue and Expenditure (EPRE) published by the National Treasury
- We 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, we 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: National



Year	Administration		Social Assistance		Social Security Policy and Administration		Welfare Services, Policy Development and Implementation Support		Social Policy and Integrated Service Delivery		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	(3,7)	-1,5%	1 130,2	1,2%	16,3	0,3%	1,1	0,2%	1,3	0,5%	1 145,2	1,1%
2012/13	(1,9)	-0,7%	989,1	0,9%	18,2	0,3%	29,5	5,3%	(0,0)	0,0%	1 034,9	0,9%
2013/14	7,1	2,6%	1 410,3	1,3%	17,5	0,3%	11,3	1,9%	(14,8)	-5,1%	1 431,3	1,2%
2014/15	(39,3)	-13,5%	707,3	0,6%	28,2	0,4%	40,6	6,3%	0,3	0,1%	737,2	0,6%
2015/16	(8,0)	-2,7%	1 484,9	1,1%	24,7	0,4%	1,0	0,1%	(14,6)	-4,1%	1 488,0	1,1%
2016/17	(11,2)	-3,3%	583,1	0,4%	16,1	0,2%	8,2	1,1%	(5,5)	-1,5%	590,6	0,4%
2017/18	(15,3)	-4,2%	893,5	0,6%	45,9	0,6%	38,9	3,7%	(1,7)	-0,5%	961,2	0,6%
2018/19	32,3	8,3%	150,9	0,1%	36,5	0,5%	535,4	41,2%	2,0	0,5%	757,1	0,4%
2019/20	(13,0)	-3,2%	(15 133,8)	-8,6%	54,6	0,7%	599,6	57,8%	7,2	1,7%	(14 485,4)	-7,8%
2020/21	35,1	8,2%	1 660,8	0,8%	37,3	0,5%	126,4	29,9%	27,8	8,0%	1 887,3	0,8%

Note: Percent denotes underspending as a proportion of the total adjusted budget: **Red denotes underspending**
Source: PBO calculations using National Treasury ENE data

- Underspending on the total budget of the department was less than two per cent per year for the period 2011/12 to 2020/21, except for 2019/20 when it overspent by 7.8 per cent

Spending trends: National



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R million	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current payments	22,3	45,7	7,2	27,8	1,8	0,4	26,1	87,5	131,5	215,5
Compensation of employees	6,8	23,8	8,9	2,6	3,7	0,2	15,7	23,5	-0,8	103,4
Goods and services	15,6	21,9	-1,7	25,2	-1,9	0,2	10,5	64,0	132,4	112,1
Interest and rent on land	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Transfers and subsidies	1 136,9	996,4	1 433,4	736,4	1 486,5	587,0	554,6	667,4	-14 623,4	1 668,0
Provinces and municipalities	0,0	0,0	0,0	1,5	0,0	0,0	32,0	490,8	518,2	0,0
Departmental agencies and accounts	0,0	0,0	0,0	-1,1	276,2	290,9	0,1	0,2	0,2	0,2
Higher education institutions	0,0	0,0	0,0	0,0	0,0	0,1	-1,5	0,0	0,0	0,0
Foreign governments and international organisations	0,5	-0,1	0,0	-1,0	0,2	0,2	0,4	0,8	-11,3	3,5
Non-profit institutions	-2,3	-1,4	3,6	-21,5	-3,9	3,5	2,6	20,8	-24,3	3,8
Households	1 138,7	997,9	1 429,9	758,5	1 214,1	292,4	521,0	154,8	-15 106,1	1 660,4
Payments for capital assets	-3,7	2,6	0,3	0,6	-0,3	3,2	8,6	3,5	4,1	3,9
Buildings and other fixed structures	0,0	0,0	0,0	0,3	-0,3	-0,2	1,6	0,0	-1,0	0,0
Machinery and equipment	-3,2	6,4	1,4	-0,1	0,2	3,0	7,0	2,5	4,6	3,3
Software and other intangible assets	-0,5	-3,8	-1,1	0,3	-0,3	0,5	0,0	1,1	0,5	0,6
Payments for financial assets	-10,2	-9,9	-9,7	-27,6	0,0	0,0	371,9	-1,3	2,4	0,0
Total	1 145,2	1 034,9	1 431,3	737,2	1 488,0	590,6	961,2	757,1	-14 485,4	1 887,3

Note: Percent denotes underspending as a proportion of the total adjusted budget: **Red denotes underspending**
Source: PBO calculations using National Treasury ENE data

- At the economic classification level, underspending was largely driven by transfers and subsidies and partly by current payments
- Under current payments, underspending was observed in the compensation of employees and goods and services

Reasons for underspending: National



Supply Chain Management Problems

- Delays in appointing the service provider to complete the two projects of four planned treatment centres
- Lengthy procurement processes

Compensation of Employees

- Underspending was driven by vacant posts not being filled in multiple programmes from 2017/18 to 2019/20

Challenges With New Programmes

- For example, delays in finalising the Early Childhood Development (ECD) project in the 2012/2013 financial year

Delays in Project Completion

- Suppliers not being able to deliver
- Delays in delivering services and infrastructure linked to the Turnkey solution project with the State Information Technology Agency

Delays in invoicing

- Submission of invoices not finalised before the end of the financial year

Underspending trends: Provincial



Year	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	17 065	0,6%	2 385	0,2%	115 031	5,6%	7 101	0,4%
2014/15	25 557	0,7%	11 219	1,2%	22 482	1,0%	23 826	1,4%
2015/16	54 898	1,4%	15 122	1,5%	7 813	0,3%	6 857	0,4%
2016/17	19 799	0,5%	46 359	4,1%	43 308	1,8%	3 871	0,2%
2017/18	104 458	2,3%	57 344	4,8%	125 563	4,8%	6 404	0,3%
2018/19	767 106	15,3%	68 854	5,2%	136 948	4,8%	15 312	0,7%
2019/20	613 751	11,3%	91 062	6,4%	191 744	6,3%	72 005	2,9%
2020/21	891 569	15,4%	37 218	2,5%	520 345	16,7%	406 134	15,3%

Note: Percent denotes underspending as a proportion of the total adjusted budget: **Red denotes underspending**
Source: PBO calculations using National Treasury ENE data

- At the provincial level, significant underspending (above the two per cent threshold) has been observed
- Eastern Cape (16.7%), Gauteng (15.4%), and Western Cape (15.3%) had the highest provincial underspending in 2020/21

Reasons for underspending: Provincial



Compensation of Employees

- Vacant posts not being filled in multiple programmes

Process Delays

- Delays in getting allocation letters and terms of reference for implementation

Supply Chain Management Processes

- Delays in the delivery of outsourced equipment due to the State Information Technology Agency (SITA) procurement processes being centralised

Delays in Project Completion

- Contractor underperformance and labour disputes
- Delays in construction due to weather conditions
- Late implementation of Programmes such as Expanded Public Works Programme (EPWP) and research projects

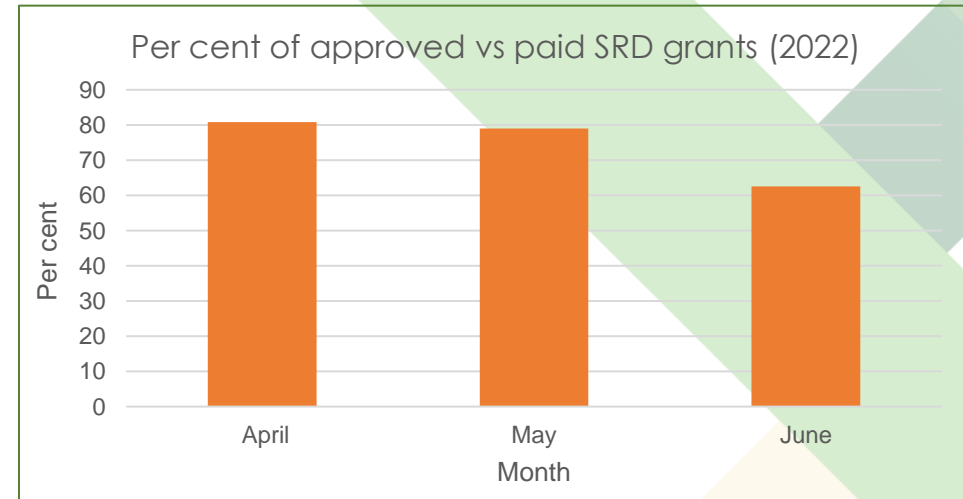
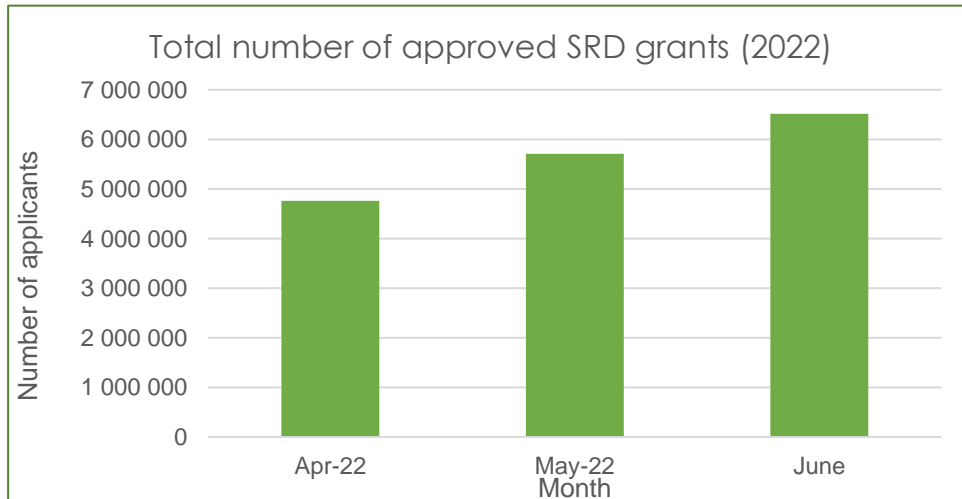
Delays in invoicing

- Late submission of invoices for contractual obligations

Underspending: The COVID-19 SRD grant

The 2022/23 extension of the SRD grant

- In Budget 2022, R44 billion was allocated to serve 10.5 million people until the end of March 2023
- The allocation was not enough for the 10.9 million people who were identified as potential beneficiaries for the grant
- The DSD introduced additional qualifying criteria for the grant so that the department could remain within the budget allocation:
 - The means test threshold was initially R350
 - Renewal of application every three months plus means testing
 - Low levels of approved payments (or low uptake) and payment delays



August 2022 amendments

- On 16 August 2022, the DSD published amended regulations for the SRD grant
- Notably, the means test threshold was increased from R350 to R624. The new level was in line with the estimated Food Poverty Line for 2022
- In August 2022, the DSD reported that 7.5 million people were receiving the benefit on a monthly basis
- Even with these amendments, it was clear that the DSD was likely to underspend

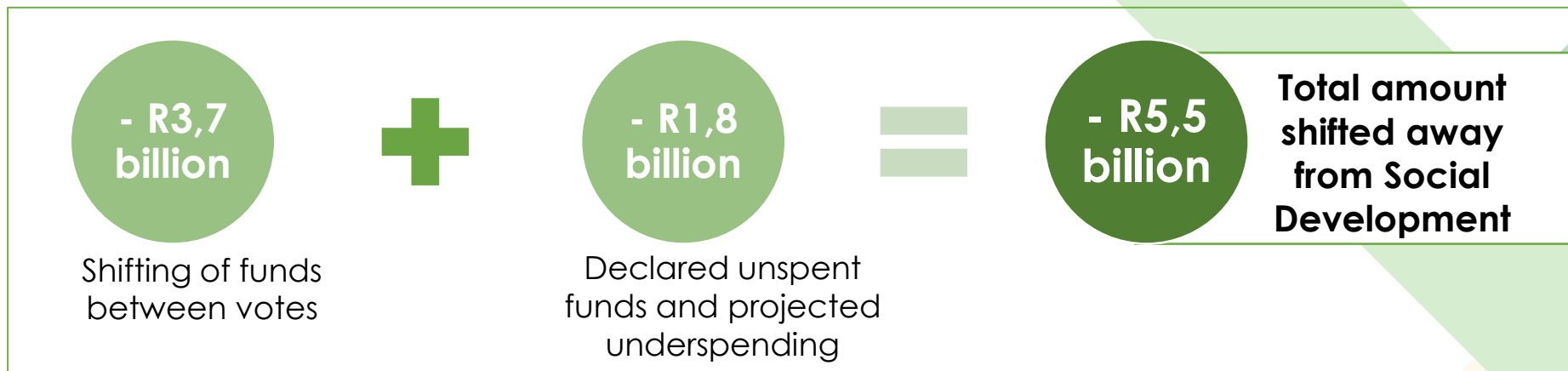
PBO 2022 MTBPS projection on SRD grant expenditure against the February 2022 Budget allocation

Budget allocation (R44 billion)	Amount	Per cent of total budget allocation
Approved (as of 2 August 2022)	R4,76 billion	10,8%
Paid (As of 2 August 2022)	R4,36 billion	9,9%
Projected spend total spend (assuming 7.5 million beneficiaries going forward)	R27,99 billion	63,6%

The shifting of funds in the face of underspend

- The exclusion criteria meant that between 3.1 and 5.9 million people in the target group (of 10.9 million) identified by DSD in February 2022 are not receiving the grant
- The eligibility criteria for qualifying for the grant led to the exclusion of millions of needy people who fall below the upper-bound poverty line
- More than R9 billion of the estimated expenditure was not spent in 2022/23
- Approvals for the grant in 2022 were low and payments continue to be delayed

MTBPS 2022 Summary of adjustments: Social Development

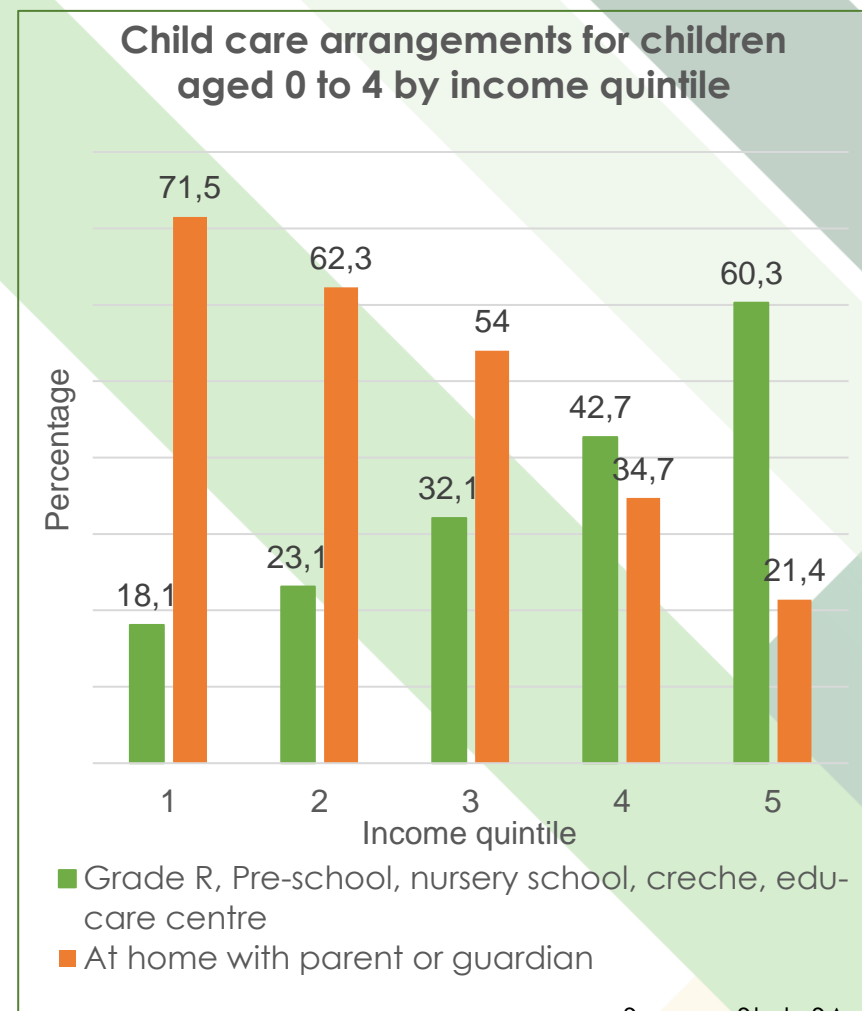


Underspending Analysis: Education

Provincial departments of education
Conditional grants

South Africa's education sector

- Massive gains have been made in access to education
- However, 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



Source: Stats SA

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 for 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”

Underspending trends: Provincial Departments



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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 sample in some years.
- There were years when 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 analysis: education

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	2025/26	
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%
	19 079	19 238	21 936	23 124	25 329	26 485	28 093	6.7%

- 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 increase 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

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

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 1 931 teaching spaces, 138 administrative spaces, 1 361 maintenance projects, 2 094 water, 839 sanitations and 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, 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 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

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 was 32, water projects were 101 projects and 298 projects for sanitation.
- The 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 all the allocated R2.3 billion budget for this grant
- Actual output achieved for Inappropriate structures were 21, water projects 112 and projects for sanitation 1019

HIV and AIDS Life Skills Education Grant

2020/21

- The Department spent R171.6 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 in 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
- Some output targets were revised to accommodate the COVID-19 response and budget adjustments

2021/22

- The Department spent R240 million of the transferred funds which amounted to R242 million
 - This expenditure amount reflects a 1 per cent underspending
- Under expenditure was noted in Gauteng, Limpopo, and North West
- The actual outputs of this grant are not in line with the expected outputs identified for the grant, they cannot be easily (directly) matched or compared
 - This mismatch makes it difficult to measure performance

Children/Learners with Severe to Profound Intellectual Disability Grant



2020/21

- The Department spent R217.8 million from the transferred budget of R225.8 million (from the original budget of R242.9 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 who 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

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 in 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's 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
- Information from the 2023 DORA differs from the information provided in the Annual Report of the Department of Basic Education

National School Nutrition Programme Grant



2020/21

- The Department spent R7.2 billion from the allocated R7.7 billion representing 7.2 per cent in underspending
- The COVID-19 lockdown harmed the programme

2021/22

- The goal of this grant is to enhance learning capacity and improve access to education
- Of the allocated R8.1 billion budget, the Department spent 101 per cent

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

Some considerations from the AGSA



- AGSA warned that deficiencies in financial and performance management may prevent the government from achieving the ideals set out in the NDP
- Unreliable reporting data and information, or adequate performance information systems affect the 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, and poor payment practices.
- The financial health of the sector has been under immense pressure for years because of limited budget and poor financial management.
 - For example, the EC PED had substantial misstatements and omissions in the financial statements it submitted due to the 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 well-being.

Concluding remarks

Concluding remarks



- Social grants have played, and continue to play, an important role in alleviating poverty and inequality in South Africa, however, they remain inadequate
- Between 2011/12 and 2020/21, the national department has been underspending by less than two per cent for all other years except in 2019/20 where they incurred an overspending of 7.8 per cent
- At the provincial level, significant underspending (above the two per cent threshold) has been observed. Provinces recorded the highest levels of underspending between 2018/19 to 2020/21
- Underspending by the departments of social development means that millions of South Africans are left without social protection
- As of June 2023, there were 14,62 million applicants for the SRD
- The extensions of the SRD grant have provided a lifeline to many people in South Africa and the grants have been shown to have made a significant impact on poverty and hunger
- The underspending of the COVID-19 has been largely a result of inadequate budget allocation
- The approach to social welfare in South Africa should take into account the regenerative interaction between public investment, labour productivity, socioeconomic development, rights, and equity

Concluding remarks

- 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 by PIRLS that 81 per cent of Grade 4 learners in South Africa are unable to read for meaning in any language should be of great concern
- Our analysis shows that total real per capita expenditure on basic education declines over 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

Concluding remarks

- 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 were 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

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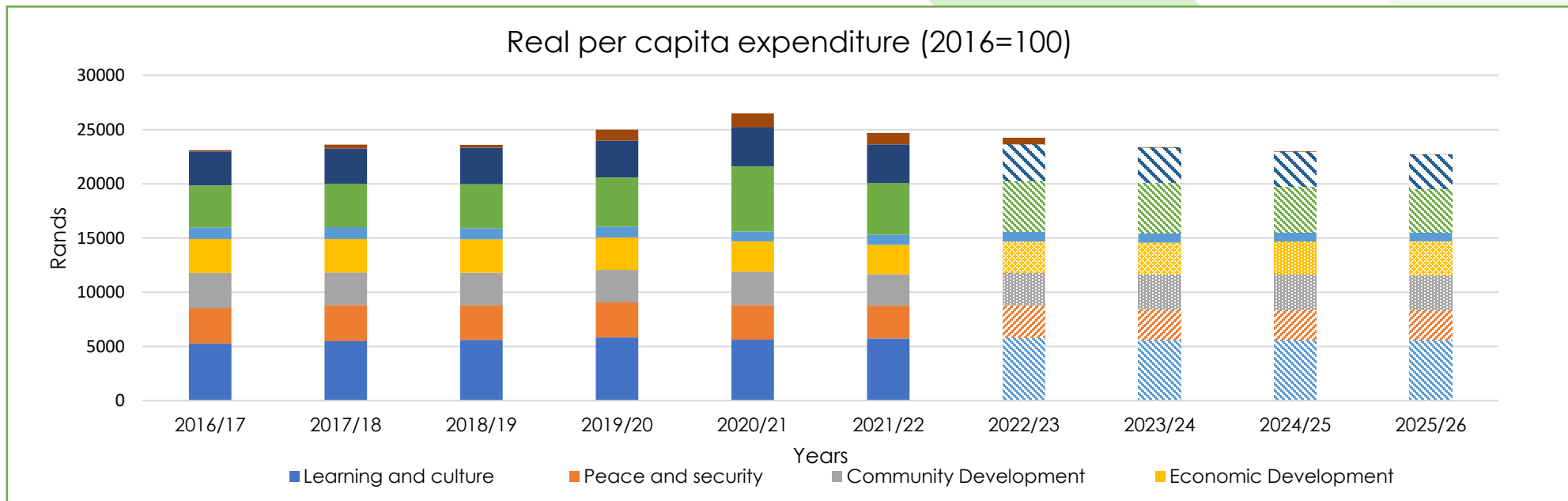
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Thank you

Real per capita spending per function group

- Total real per capita expenditure declined 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



Source: PBO calculations using Budget 2023 data

National social grants expenditure

(Apr 2022- Mar 2023)



Grant type	Apr 2022-Mar 2023 expenditure (R'000)	% of expenditure against the budget
Old Age Grant	R90 655 691	98,38%
War Veterans Grant	518	53,85%
Disability Grant	25385939	102,76%
Grant-In-Aid	1778729	93,57%
Foster Child Grant	4162224	102,59%
Care Dependency Grant	3770683	97,31%
Child Support Grant Top-up*	134553	-
Child Support Grant	76442931	98,99%
Sub Total	202331269	99,23%
SRD	183864	0,05%
SRD- 350	30224902	68,69%
Total	232740034	93,74%

NB: The expenditure for COVID-19 350 grant is in respect of expenditure from the previous financial year.

Data source: Finance branch SASSA head office