

# A Review of National and Provincial Government Budgets in South Africa

2007/08-2011/12

By Khetho Lomahoza, Stephanie Bockerhoff and Isobel Frye



## Monitoring the Progressive Realisation of Socio Economic Rights Project

July 2013

# **A Review of National and Provincial Government Budgets in South Africa**

**2007/08-2011/12**

By Khetho Lomahoza, Stephanie Bockerhoff and Isobel Frye

## **Monitoring the Progressive Realisation of Socio Economic Rights Project**

July 2013

# Preface and Acknowledgements

The Studies in Poverty and Inequality Institute (SPII) is an independent research think tank that focuses on generating new knowledge, information and analysis in the field of poverty and inequality studies.

The budget review has been undertaken as part of the 'Monitoring the progressive realization of socio-economic rights' project conducted by SPII. The objective of this project is to develop a tool that will monitor the progressive realisation of socio-economic rights. Such a tool will become a useful tool for policy makers, for those that exercise oversight over the executive, including Parliament and Chapter Nine institutions (notably the South African Human Rights Commission), and civil society.

This work is funded by the Ford Foundation whose funding contribution to this research is gratefully acknowledged.

This budget analysis was written by Khetho Lomahoza, Stephanie Brockerhoff and Isobel Frye, edited by Maeve Johnson and internal fact verification done by Brian Mathebula.

For feedback and queries, please email: [advocacy@spii.org.za](mailto:advocacy@spii.org.za)

# table of Contents

Table of Figures	6
Table of Tables	7
<b>1. Executive Summary</b>	<b>8</b>
<b>2. Background</b>	<b>10</b>
2.1 Overview	
2.2 Budget Analysis Motivation and Framework	12
2.3 Context of the Budget Analysis	12
<b>3. Revenue</b>	<b>13</b>
3.1 Tax Revenue	13
3.2 Other Revenue	13
<b>4. National and Provincial Expenditure</b>	<b>17</b>
4.1 Estimates of National Expenditure	17
4.2 Estimates of Provincial Revenue and Expenditure	19
4.2.1 Eastern Cape (EC)	19
4.2.2 Free State	20
4.2.3 Gauteng	20
4.2.4 KwaZulu-Natal (KZN)	21
4.2.5 Limpopo	21
4.2.6 Mpumalanga	22
4.2.7 North West (NW)	23
4.2.8 Northern Cape (NC)	24
4.2.9 Western Cape (WC)	25
<b>5. Expenditure trends in selected National Government Departments</b>	<b>26</b>
5.1 Overall expenditure patterns in the Departments of Basic Education, Health, and Social Development	26
5.2 Expenditure patterns by programme in the Departments of Basic Education, Health, and Social Development	27
5.2.1 Department of Basic Education	27
5.2.1.1 Programme 1: Administration	28
5.2.1.2 Programme 2: System Planning and Monitoring	29
5.2.1.3 Programme 3: General Education	30

5.2.1.4 Programme 4: Further Education and Training	31
5.2.1.5 Programme 5: School and social enrichment	32
5.2.1.6 Programme 6: Higher Education	33
<b>5.2.2 Department of Health</b>	<b>33</b>
5.2.2.1 Programme 1: Administration	33
5.2.2.2 Programme 2: Strategic health programmes	34
5.2.2.3 Programme 3: Health planning and monitoring	35
5.2.2.4 Programme 4: Human resource management and development	35
5.2.2.5 Programme 5: Health services – special programmes and health entities management	36
5.2.2.6 Programme 6: International relations, health trade and health product regulation	37
<b>5.2.3 Department of Social Development</b>	<b>37</b>
5.2.3.1 Programme 1: Administration	37
5.2.3.2 Programme 2: Comprehensive Social Security	38
5.2.3.3 Programme 3: Policy development, review and implementation support for welfare services	49
5.2.3.4 Programme 4: Community development	40
5.2.3.5 Programme 5: Strategy and governance	41
<b>6. Key findings and recommendations</b>	<b>42</b>
<b>Bibliography</b>	<b>43</b>

## Tables and Figures

Figure 1:	Sources of Consolidated Revenue	13
Figure 2:	Tax revenue as a % of GDP, 2006/07-2010/11	14
Figure 3:	Expenditure on Social Services as a percentage of GDP	17
Figure 4:	Expenditure on Other Services as a percentage of GDP, 2007/08-2011/12	18
Figure 5:	Government expenditure as a percentage of total budget, 2007/08-2011/12	19
Figure 6:	Provincial Expenditure: Eastern Cape Budget Allocations per Department	19
Figure 7:	Provincial Expenditure: Free State Budget Allocations per Department	20
Figure 8:	Provincial Expenditure: Gauteng Budget Allocations per Department	20
Figure 9:	Provincial Expenditure: KwaZulu-Natal (KZN) Budget Allocations per Department	21
Figure 10:	Provincial Expenditure: Limpopo Budget Allocations per Department	22
Figure 11:	Provincial Expenditure: Mpumalanga Budget Allocations per Department	22
Figure 12:	Provincial Expenditure: North West (NW) Budget Allocations per Department	23
Figure 13:	Provincial Expenditure: Northern Cape (NC) Budget Allocations per Department	24
Figure 14:	Provincial Expenditure: Western Cape (WC) Budget Allocations per Department	25

### Department of Basic Education

Figure 15:	Under expenditure in Programme 2-5, 2010/11	28
Figure 16:	Under expenditure in Programme 1- Administration	29
Figure 17:	Under expenditure in Programme 2: System planning and monitoring	30
Figure 18:	Under expenditure in Programme 2: General education	31
Figure 19:	Under expenditure in Programme 4: Further education and training	31
Figure 20:	Under expenditure in Programme 5: School and social enrichment	32
Figure 21:	Under expenditure in Programme 6: Higher education	33

### Department of Health

Figure 22:	Under expenditure in Programme 1: Administration	33
Figure 23:	Under expenditure in Programme 2: Strategic health programme	34
Figure 24:	Under expenditure in Programme 3: Health planning and monitoring	35
Figure 25:	Under expenditure in Programme 4: Human resource management and development	35
Figure 26:	Under expenditure in Programme 5: Health services – special programmes and health entities management	36
Figure 27:	Under expenditure in Programme 6: International relations, health trade and health product regulation	37

## Department of Social Development

Figure 28:	Under expenditure in programme 1: Administration	38
Figure 29:	Under/over expenditure in Programme 2: Comprehensive social security	39
Figure 30:	Under expenditure in Programme 3: Policy development, review and implementation support for welfare services	39
Figure 31:	Under expenditure in Programme 4: Community development	40
Figure 32:	Under expenditure in Programme 5: Strategy and governance	41

## Table of Tables

Table 1:	Allocations of State Expenditure as a Percentage of Government Spend, 2007/08 to 2011/12	8
Table 2:	Equitable division of revenue raised nationally among the three levels of government	15
Table 3:	Equitable share of revenue among provinces, 2007/08-2011/12	16
Table 4:	DoE expenditure trends, 2006/07-2010/11	26
Table 5:	DoH expenditure trends, 2006/07-2010/11	27
Table 6:	DSD expenditure trends, 2006/07-2010/11	27



# Chapter 1

## Executive Summary

This review reflects the findings of SPII's investigation into National and Provincial budget allocations over a 5 year period 2007/08 - 2011/12.

Although the tax base has broadened in recent years to include over 10 million tax payers in 2010/11, tax revenue as a percentage of GDP has been dwindling since the 2008 global financial crisis. This has impacted negatively on the size of the government's budget and on how much it can spend on its twelve priority sectors or focal areas identified:

1. Basic Education
2. Health
3. Safety and Security
4. Employment
5. Skills
6. Infrastructure
7. Rural Development
8. Human Settlements
9. Local Government
10. Environment
11. International Relations and
12. Public Services.

In terms of the distribution of revenue, KwaZulu Natal, which until the results of the 2011 Census was measured as having the largest population, in 2011/12 received the largest provincial equitable share of revenue. Furthermore, the conditional share allocation to KwaZulu Natal doubled from R31,5 billion in 2007/08 to just under R70 billion in 2011/12.

The following table shows a steady increase in the allocation of state expenditure on social services as a percentage of total state spend. Social services, taken comprehensively, comprise by far the greatest allocation of state spend, and this has increased since 2009/10. The allocation on Other Services declined to 37,8% of total government spend in 2011/12, with Interest/ Debt Services making up 7,88% of the budget in 2011/12.

Table 1: Allocations of State Expenditure as a Percentage of Government Spend, 2007/08 to 2011/12.

Expenditure Item	2007/08	2011/12
Education	5,29%	6,52%
Social Development	4,61%	4,82%
Health Care	3,3%	3,79%
Housing	3,08%	3,58%

This report also shows that despite the economic downturn in 2008 to 2010, real state expenditure on these items increased in line with the countercyclical macro economic policies adopted by government.

The report also provides an inter- provincial comparison of expenditure. In all provinces bar the Western Cape, expenditure on education is the largest single allocation. In the Western Cape from 2010/11, health care spending exceeded that of education. Between 2007/07 and 2011/12, the province with the highest allocation to education was Limpopo, with an average allocation of 47,39%.



Finally the paper provides an analysis of areas of under-spending of budgeted allocations by the Departments of Education (more recently, Basic Education since the 2009 division of the department), Health Care and Social Security. In this regard, in the 2010/11 year, the departments respectively underspent 10,6%, 3,43 and 2,00% of their allocated budgets. The report provides data for the under-spending per department according to their main programmes. Interestingly, reasons provided for the under expenditure by the Department of Social Development in both 2009/10 and 2010/11 of their budget, despite fears raised concerning the sustainability of social assistance expenditure in particular, was a lower than expected uptake in demand.

It is clear that both allocations and expenditure are crucial aspects in the realisation by the state of its commitments in terms of the Constitutional socio-economic rights. This baseline incidence analysis will be revisited by SPII in 2015 to note budget allocation trends as part of our Socio-Economic Rights monitoring project described in the next section.

# Chapter 2

## Background

### 2.1 Overview

The effectiveness of the state's ability to address the very high levels of poverty and inequality in South Africa is intrinsically, but not only, dependant on the resources that it makes available to realise the socio-economic rights contained in the Constitution of South Africa. Tracking state allocation of funding, as well as the maximum utilisation of the allocated funds by state departments forms a critical part of oversight of state performance. As part of an on-going project to establish indicators for monitoring the progressive realisation of socio-economic rights over time, which SPII is undertaking in collaboration with the South African Human Rights Commission, this report serves to establish a baseline for expenditure as set out in the following paragraphs.

Monitoring the progressive realisation of socio-economic rights raises conceptual challenges that are broader than, for instance, the monitoring of rights' violations. It requires clear indicators and thresholds for people to assess whether, over time, the resources are being made available in sufficient transfers, to move towards the universal enjoyment of rights as directed by the Constitution. As South Africa proceeds to ratify the International Covenant on Economic, Social and Cultural Rights (ICESCR), the ability of both the state and oversight bodies to monitor its performance in this regard is critical.

South Africa is a middle income country characterised by unsustainably high levels of unemployment and poverty and one of the highest levels of income inequality internationally.

In order to address both the structural causes and drivers of these phenomena and to provide for the alleviation of the impact hereof, the drafters of the South African Constitution included certain socio-economic rights in the Bill of Rights in the Constitution<sup>1</sup>. These rights, rather uniquely, are both justiciable and have horizontal as well as vertical application. In other words, people asserting that their socio-economic rights are not being realised have a right of access to the courts for redress, and in addition, there is an obligation not only on the state but also the whole of society to respect, protect, promote and realise these rights. While these rights are justiciable, their realisation is however subject to an internal limitation sub-clause that states as follows:

*"The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights"*<sup>2</sup>.

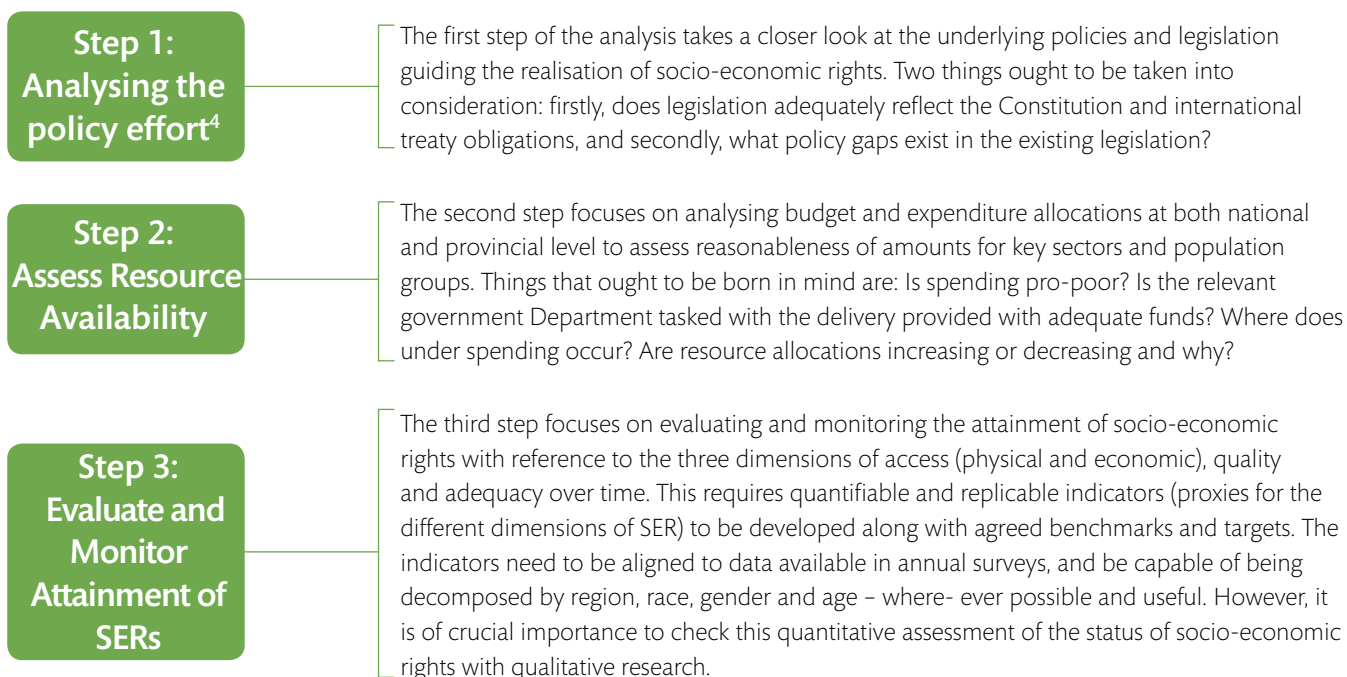
Given the seemingly intractable state of poverty within which many millions of people live in South Africa, it is necessary to interrogate the pace and the manner with which the obligation to progressively realise rights of access to socio-economic rights has been pursued by the state. At the heart of such an interrogation lies the question of the levels of resources that the state has made available for the realisation of these rights.

Over the past two years, SPII has developed a methodology and is in the process of identifying indicators to monitor the realisation of socio-economic rights and the progressivity or otherwise thereof. The ultimate use of these indicators should be both to strengthen policy making and to support the oversight of the policies and decisions made by the executive. A monitoring tool that tracks progress made on the individual rights over time on the basis of clearly defined criteria will enable us to assess how far the transformative character of socio-economic rights is being realised. The indicators for each of the rights will look at both access and enjoyment of the right in order to provide a more holistic picture on the status of socio-economic rights' realisation in our country. This will further assist the SAHRC on fulfilling their Constitutional mandate in terms of section 184 of the Constitution of the Republic of South Africa.

<sup>1</sup> Act 108 of 1996.

<sup>2</sup> Contained in sections 26 and 27 of the Constitution.

The steps of this methodology are<sup>3</sup>:



To date SPII has developed indicators for two SERs, namely social security and health. Even though we refer to this step as the development of indicators for the individual rights, the use of this term is slightly misleading. At this stage of the research project we are presenting outcomes for various important data points over time. Whether we will weigh the different data points or even dimensions and compile an aggregated index has yet to be decided.

The importance of budget incidence analysis for the above process is clear. The current analysis builds on both the 2006/07 Budget Incidence Analysis undertaken by SPII<sup>5</sup>, and the earlier review of the Social Wage in South Africa<sup>6</sup>.

The aim of this budget analysis is thus to assess whether the State is employing the maximum available resources in its efforts to fulfil its socio-economic rights obligations. The South African government has prioritised and identified the following twelve focal areas, which include four of the constitutional socio-economic rights<sup>7</sup>. The selection of focal areas should not however be seen as detracting from the state's obligations to realise all of the constitutional rights.

Basic Education  
Health  
Safety And Security  
Employment  
Skills  
Infrastructure  
Rural Development  
Human Settlements  
Local Government  
Environment  
International Relations, and  
Public Services.

<sup>3</sup> The following section of the paper is taken from the Policy Brief, Summary of Methodology Paper, Taking Stock - How to make Sense of Progressive Realisation of Socio-Economic Rights and Evaluate Progress made over Time, May 2013, available on [www.spil.org.za](http://www.spil.org.za).

<sup>4</sup> SPII has conducted a review of social security, education, housing and health care policies and legislation. The findings of these reviews are available at [www.spil.org.za](http://www.spil.org.za).

<sup>5</sup> SPII. Pro Poor Budget Benefit Incidence Analysis of Five Expenditure Categories of the 2006/06 Budget of the Republic of South Africa. Occasional Paper.

<sup>6</sup> SPII. Literature Review and Policy Synopsis of the 'Social Wage' in South Africa: Searching for Policy Definition. Working Paper No. 3.

<sup>7</sup> Department of Performance Monitoring and Evaluation (DPME), Available online: <http://www.poa.gov.za/pages/overview.aspx>

## 2.2 Budget Analysis Motivation and Framework

Using data from National and Provincial budgets over a five year period (where the data are available), this analysis seeks to assess resource allocation and analyse budget processes to ascertain how much money was available, and how much was allocated to each of these priority areas at a national and provincial level. In other words, the question that this analysis aims to answer is: to what degree do resources support government's stated socio-economic objectives and programmes aimed at reducing poverty and inequality?

In a recent media briefing following the presentation of the National Development Plan to parliament, Trevor Manuel, Minister in the South African Presidency, alluded to the fact that additional resources would not solve key problems such as poor education. What then is the solution? Is it really a case of throwing too much money at some of these socio-economic ills? Is it a case of underfunding or under expenditure? Is it a case of government failing to efficiently and equitably distribute resources to areas with the greatest need, and to the most marginalised members of society? Is the money available but not adequately utilised? By looking at public spending and budget flows in the national and provincial government levels, this budget analysis aims to determine whether sufficient resources are allocated to meet the socio-economic needs of all South Africans.

## 2.3 Context of the Budget Analysis

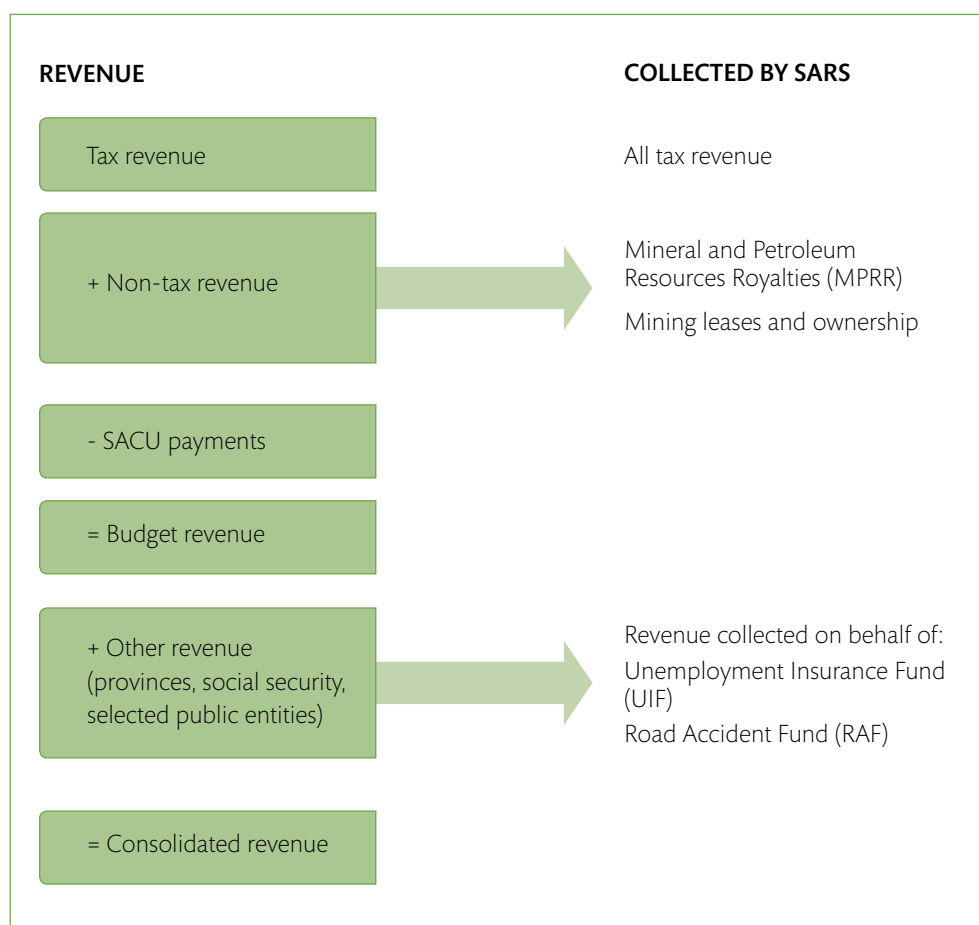
This budget analysis looks at how the realisation of the socio-economic rights is financed and whether service delivery problems are prima facie due to under resourcing or under expenditure. In the context of the overall project, this analysis forms the baseline study for tracking government expenditure patterns in the future. The paper sets out in more detail an examination of the state's performance in spending on education, health care and social security, to support the first three rights that are being populated in accordance with the methodology set out above. More details on this project, international partnerships, and previous papers on the development of policy for various socio-economic rights can be found on SPII's website at [www.spii.org.za](http://www.spii.org.za).

# Chapter 3

## Revenue

As a point of departure, it is necessary to look at the size of the government's budget in order to see how this has increased or decreased over time. Tax revenue is a major source of government revenue in South Africa. However, there are other sources that the state relies on, such as royalties from mineral and petroleum resources, mining leases and ownership, and revenue collected on behalf of the Unemployment Insurance Fund and the Road Accident Fund.<sup>8</sup> Figure 1 illustrates the different components of total government revenue.

Figure 1: Sources of Consolidated Revenue



Source: National Treasury and SARS, 2011 Tax Statistics – Highlights

### 3.1 Tax Revenue

The tax base has grown dramatically over the last five to six years period from only 4 764 105 registered taxpayers in 2006/07 to over 10 million in 2010/11. Subsequently, actual tax revenue collections have also increased substantially (see figure 2).<sup>9</sup> On the downside, however, the Tax to GDP ratio has been decreasing over the last few years from 27.6% in 2007/08 to 24.5% in 2010/11 as a result of the global financial crisis that saw revenue contract at a faster pace than GDP. Figure 2 depicts this trend.

<sup>8</sup> National Treasury and SARS, 2011 Tax Statistics – Highlights

<sup>9</sup> National Treasury and SARS, 2011 Tax Statistics – Highlights

Figure 2: Tax revenue as a % of GDP, 2006/07-2010/11



Source: National Treasury and SARS, 2011 Tax Statistics – Highlights

Tax revenue is an important source of revenue for governments as it can be used as an effective tool for transformation and poverty alleviation through the redistribution of wealth. This is only possible if governments adopt a progressive tax system. The largest sources of tax revenue in South Africa (SA) are Personal Income Tax (PIT), Company Income Tax (CIT), and Value Added Tax (VAT). These three sources account for 80.6% of total tax revenue.<sup>10</sup> The first two are progressive taxes, which simply means the more you earn, the greater your tax burden is. VAT, the third source, is classified as a regressive tax because it doesn't discriminate among different income groups. In South Africa, VAT is charged at a flat rate of 14% on all goods and services subject to certain exemptions, exceptions, and deductions in accordance with the amended VAT Act 89 of 1991.<sup>11</sup> This means that low income earners bear the same tax burden as individuals in the top income deciles when purchasing items subject to VAT. Overall, however, SA's income tax system is progressive. In 2011, SA's tax system was ranked number one among other emerging markets for its ability to ease the tax compliance burden.<sup>12</sup>

## 3.2 Other Revenue

The Division of Revenue Act (DoRA) No. 6 of 2011 provides for the "equitable division of revenue raised nationally among the national, provincial and local levels of government for the 2011/12 financial year"<sup>13</sup>. Using data from the 2011/12 DoRA and from previous years, Table 1 shows how much revenue was raised among the three levels of government between 2007/08 and 2011/12.

<sup>10</sup> National Treasury and SARS, 2011 Tax Statistics – Highlights, p. 1.

<sup>11</sup> SARS, 2011 'what kinds of tax do we pay.' Accessible online: [www.sars.gov.za](http://www.sars.gov.za)

<sup>12</sup> PricewaterhouseCoopers (PWC), 2011. 'SA's tax system ranks number one among BRIC economies for efficiency.' Accessible online: <http://www.cover.co.za/news/sas-tax-system-ranks-number-one-among-bric-economies-for-efficiency>

<sup>13</sup> Republic of South Africa (RSA), Division of Revenue Act No 6 of 2011. Government Gazette No. 34258

Table 2: Equitable division of revenue raised nationally among the three levels of government in monetary value, 2007/08-2011/12

Levels of Government		R'000			
	2007/08	2008/09	2009/10	2010/11	2011/12
National	341 926 238	386 830 244	483 665 383	527 001 492	566 322 576
Provincial	171 271 393	199 376 977	231 050 881	260 973 745	288 492 831
Local	20 675 620	24 888 685	23 846 502	30 142 943	34 107 901
<b>Total</b>	<b>533 873 251</b>	<b>611 095 906</b>	<b>738 562 766</b>	<b>818 118 180</b>	<b>888 923 308</b>

Source: DoRA, various years

The National share includes<sup>14</sup>:

- ▶ Conditional allocations to Provincial and Local government levels;
- ▶ General fuel levy sharing with metropolitan municipalities,
- ▶ Debt service costs, and the
- ▶ Contingency reserve.

Municipalities receive a smaller share of the revenue raised nationally because they are required to raise their own revenue from the services for which they are responsible. On average, municipalities raise about 85% of their revenue themselves through<sup>15</sup>:

- ▶ Rates,
- ▶ Levies, and
- ▶ Utility fees.

However, there are large discrepancies between the revenue raising capacity of different municipalities. So while all municipalities are required to raise their own revenue, there are still a large number that are unable to recover some of the inherent costs. Provincial governments, on the other hand, rely heavily on revenue from National government.

Revenue allocation differs among the nine provinces. The province with the largest population, KwaZulu-Natal<sup>16</sup> receives the largest proportion of the Provincial Equitable Share, while the Northern Cape receives the smallest, as it has the smallest number of people living in the Province. Gauteng, the smallest province in size by far, yet the most densely populated, and the Eastern Cape, have been consistently receiving the second and third largest share of revenue respectively. Provinces that receive a minimal amount of resources are the Free State and the North West. Allocations to the respective Provinces are presented in Table 2.

<sup>14</sup> Ibid, p. 58

<sup>15</sup> IDASA, Local Government Budget Guide. Accessible online: <http://www.idasa.org/media/uploads/outputs/files/PART%20III.pdf>

<sup>16</sup> This paper was drafted before the release of the Census 2011 results which found that Gauteng has subsequently become the most populous province.



Table 3: Equitable share of revenue among provinces, 2007/08-2011/12

Province	R'000				
	2007/08	2008/09	2009/10	2010/11	2011/12
Eastern Cape	27 073 802	31 383 310	35 940 398	40 134 424	44 120 028
Free State	10 745 189	12 412 932	14 236 280	15 959 310	17 520 835
Gauteng	28 217 485	33 063 829	38 896 845	45 134 335	50 428 480
KwaZulu-Natal	37 067 018	43 245 643	49 989 762	56 742 834	62 927 556
Limpopo	22 339 538	25 934 942	29 861 344	33 237 814	36 348 545
Mpumalanga	14 140 126	16 435 956	19 005 445	21 323 198	23 378 714
Northern Cape	4 597 686	5 340 965	6 192 507	7 101 615	7 742 909
North West	11 972 842	13 820 620	16 121 174	17 314 124	19 271 431
Western Cape	15 117 707	17 738 780	20 807 126	24 026 091	26 754 333
Total (Equitable share)	<b>171 271 393</b>	<b>199 376 977</b>	<b>231 050 881</b>	<b>260 973 745</b>	<b>288 492 831</b>
Conditional grants	31 494 000	38 699 000	53 468 000	61 884 000	69 436 000
Total (including conditional grants)	<b>202 765 393</b>	<b>238 075 977</b>	<b>284 518 881</b>	<b>322 857 745</b>	<b>357 928 831</b>

Source: DoRA and National Budget Review, various years

The amounts in Table 2 take into account revenue allocated to provinces to fund a specific purpose or function. This is what is referred to as conditional grants. Conditional grants are allocated to provinces to either:

- ▶ Supplement funding of programmes which are funded by provincial budgets, designated for special programmes, or to
- ▶ Form an incentive to meet targets of priority government programmes.

Conditional grant allocations have doubled in the past five years from R31, 5 billion to almost R70 billion in 2011/12, as shown in Table 2 above.<sup>17</sup>

<sup>17</sup> Republic of South Africa (RSA), Division of Revenue Act No 6 of 2011. Government Gazette No. 34258, page 14

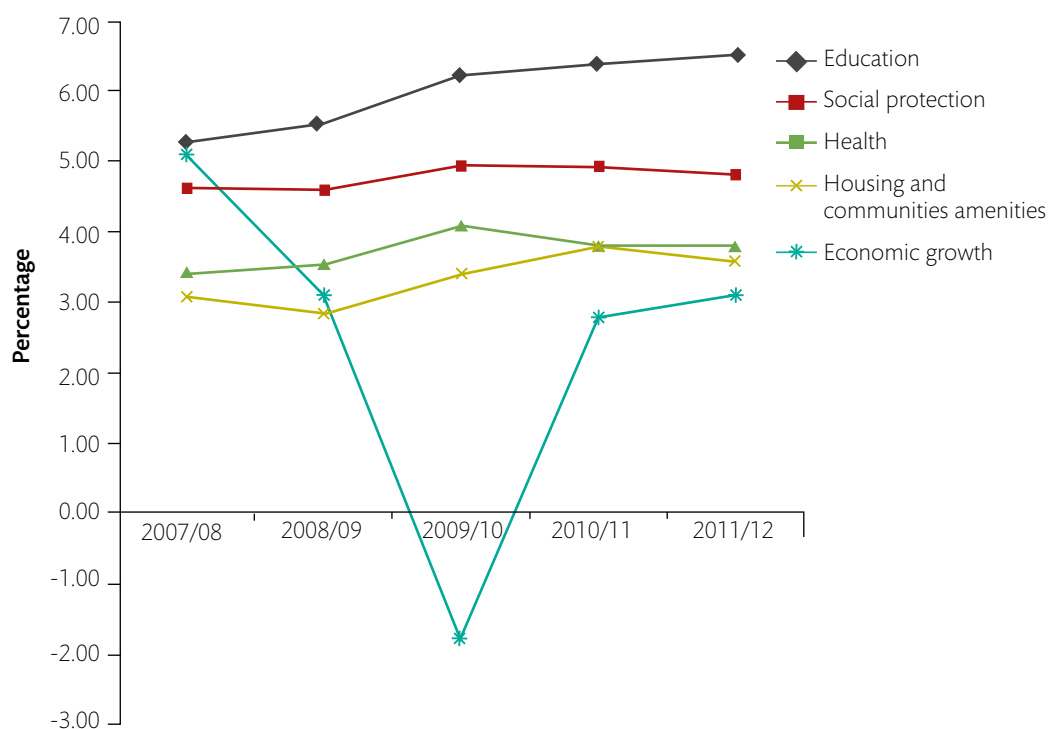
# Chapter 4

## National and Provincial Expenditure

### 4.1 Estimates of National Expenditure

Since the 2007/08 global financial downturn, economic performance has been relatively weak compared to pre-crisis levels. In 2009 alone, an approximated 870 000 jobs were shed as a result of the recession.<sup>18</sup> Furthermore, in the same year, the domestic economy contracted by an estimated 1.8 per cent as consumption spending took a dip and investment growth weakened. Strong growth enables government to increase public expenditure and allocate more resources to any of the twelve key priorities or government focal areas. Expenditure is also guided by how much revenue is available in the National coffers. As shown in Figure 2 above, the tax to GDP ratio has been decreasing gradually since 2007/08 economic downturn. Therefore, government revenue has been lagging behind expenditure growth. This is in line with the government's counter cyclical stance to fiscal policy. The following graphs (Figures 3 and 4) illustrate government expenditure trends between 2007/08 and 2011/12 as a percentage of GDP on social services and other services respectively, on the backdrop of domestic economic performance during the same period.

Figure 3: Expenditure on Social Services as a percentage of GDP



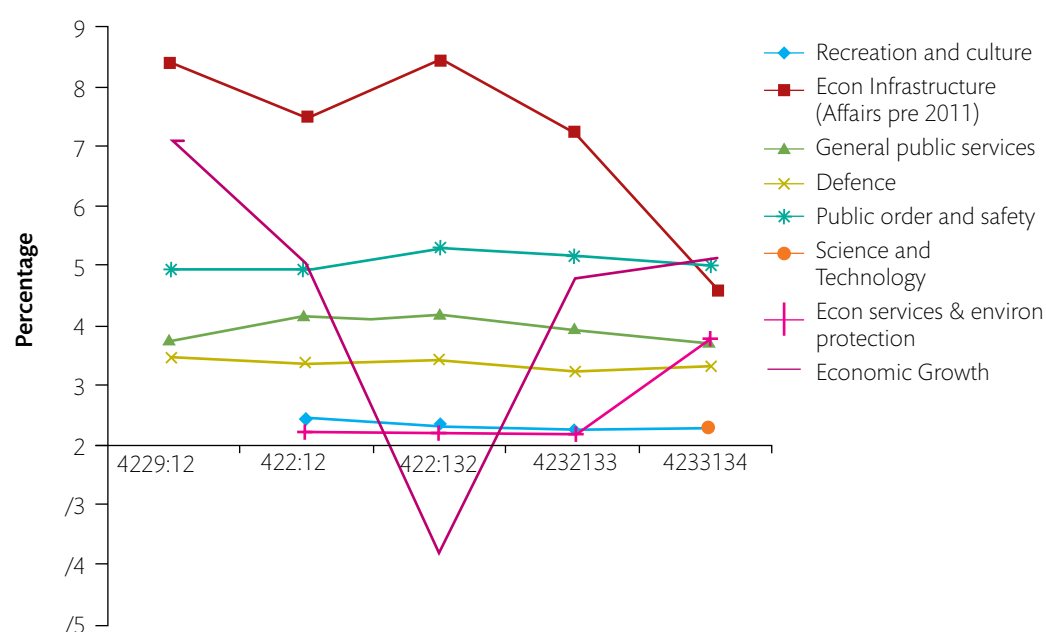
Source: Own calculations based on the National Budget Review and Statistics South Africa's (Stats SA's) Gross Domestic Product (GDP) figures for various years.

Expenditure on education is the only item on the National budget that has been increasing consistently (from 5.29% in 2007/08 to 6.52% of GDP in 2011/12) despite the decline in the Tax to GDP ratio and the impending economic factors. Figure 3 shows that expenditure on social protection as a percentage of GDP increased from 4.61% in 2007/08 to 4.92% in 2009/10, stabilising at this rate in the next financial year before declining slightly to 4.82% in 2011/12. It is interesting to note the decline in health care expenditure between 2009/10 and 2011/12. After rising from 3.51% in 2008/09 to a high of 4.08% of GDP in 2009/10, health care expenditure declined once again to a low of 3.79% of GDP in 2011/12.

<sup>18</sup> National Treasury, 2010 National Budget Review, page 18.

Another interesting observation in both figures 3 and 4 is that at around the time of the recession in 2009/10, expenditure on almost all budget items increased. As mentioned above, this is consistent with the government's countercyclical approach to fiscal policy, which means that during times of economic slowdown, as was the case in 2009/10, the resultant outcome is a robust expansion of public spending.<sup>19</sup> Following a reduction in housing expenditure as a percentage of GDP from 3.08% in 2007/08 to 2.84% in 2008/09, this budget item increased considerably during the subsequent periods, but declined from 3.78% in 2010/11 to 3.58% of GDP in 2011/12.

Figure 4: Expenditure on Other Services as a percentage of GDP, 2007/08-2011/12



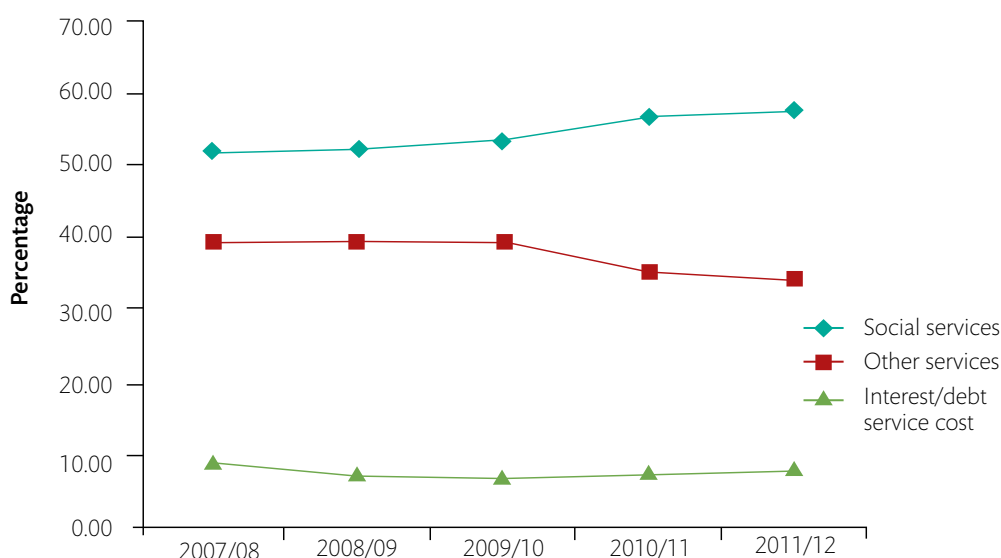
Source: Own calculations based on the National Budget Review and Statistics South Africa's (StatsSA) Gross Domestic Product (GDP) figures for various years.

Economic infrastructure comprises communication, fuel and energy, and transport. Before 2011/12, this category was referred to as 'Economic Affairs' and in addition to the above, comprised general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, mining, manufacturing and construction. In the same year, expenditure on these items comprised 3% of GDP, thereby making it the largest single expenditure item in that year. Services that receive the smallest share of government expenditure as a percentage of GDP are environmental protection, recreation and culture, and science and technology that were included as a separate budget item in 2011/12.

Figure 6 depicts government expenditure as a percentage of the National budget. On average Social Services which include spending on education, social protection, health, and housing receive the largest share of the government's total budget. Other Services, which includes recreation and culture, science and technology, economic infrastructure, economic affairs, defence, public order and safety, and general public services on average make up 37.81 % of total budget, significantly lower than what is spent on social services. Interest/debt service costs are annual costs payable on any outstanding debt. In 2011/12 this item made up 7.88 % of total budget, rising from 7.48 % in 2010/11.

<sup>19</sup> National Treasury, 2009 National Budget Review, Chapter 7, page 97

Figure 5: Government expenditure as a percentage of total budget, 2007/08-2011/12



Source: Own calculations based on the National Budget Review figures for various years.

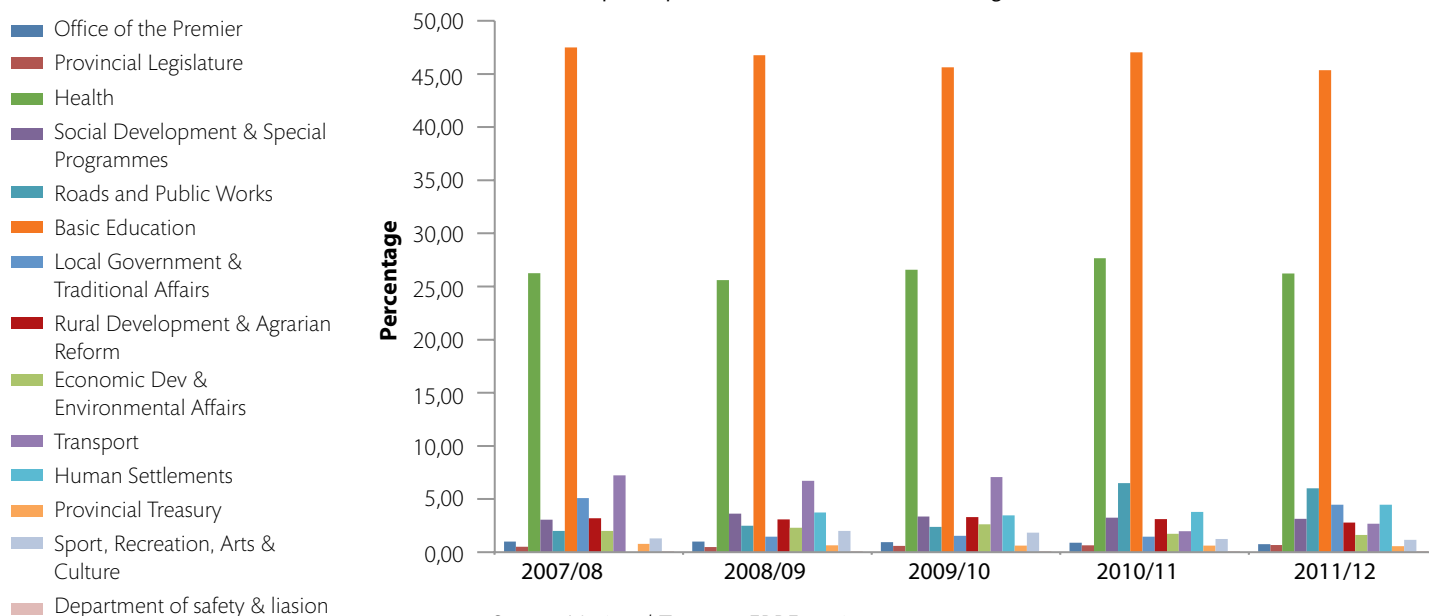
## 4.2 Estimates of Provincial Revenue and Expenditure

Every year provinces publish a document known as the Estimates of Provincial Revenue and Expenditure, or simply the EPRE. This document provides a summary of spending and performance plans of all provincial departments. Focusing solely on expenditure trends in all provinces, this next sub-section looks at some of the outcomes published in the EPRE.

### 4.2.1 Eastern Cape (EC)

In the Eastern Cape, the Provincial Department of Education consistently received the highest share of the total Provincial budget, averaging at 46.45 % between 2007/08-2011/12. Expenditure on health care has consistently been the second largest budget item, averaging at 26.46% in the period under review. The Department of Human Settlements & Department of Roads and Public Works both receive 3.9% of the total budget, followed by the Department of Social Development which receives 3.3% of the total budget. Only 0.11% of the total EC budget is allocated to the Department of Safety and Liaison, making this the smallest item of expenditure in the total budget.

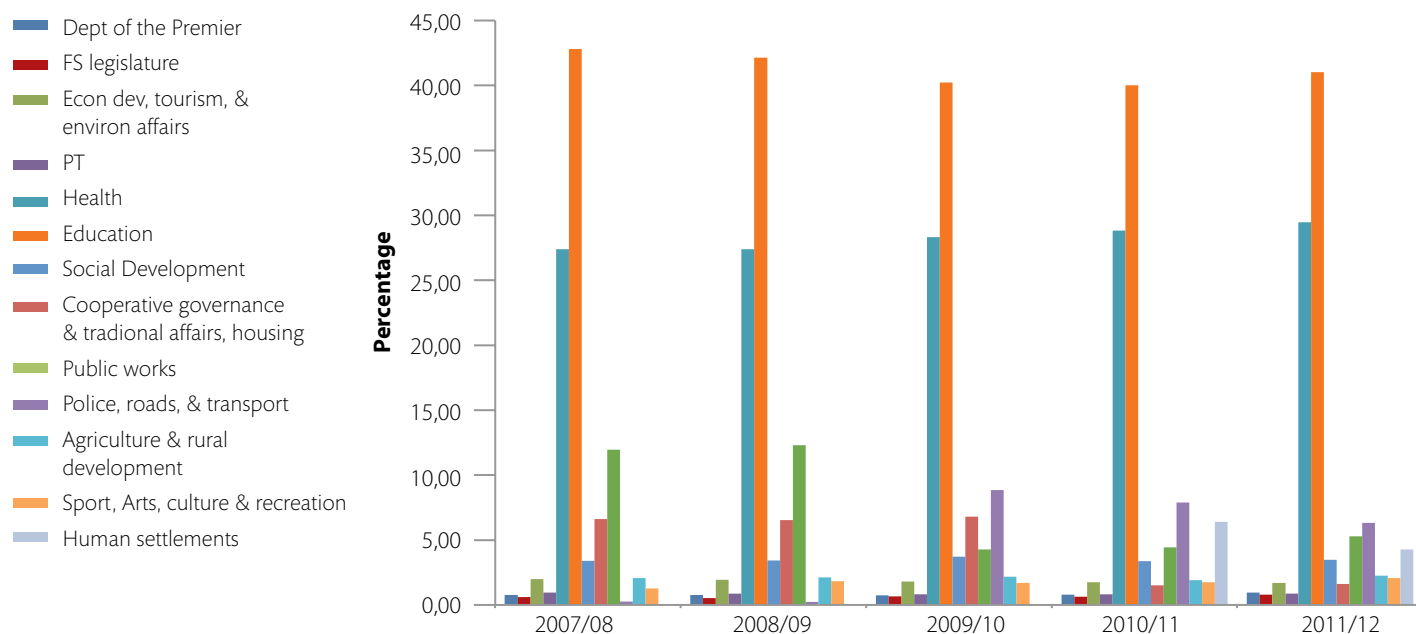
Figure 6: Provincial Expenditure: Eastern Cape Budget Allocations per Department  
Allocations per Dept as a % of total EC Provincial budget, 2007/08-2011/12



Source: National Treasury, EPRE, various years

## 4.2.2 Free State (FS)

Figure 7: Provincial Expenditure: Free State Budget Allocations per Department  
Allocations per Dept as % of total Provincial budget, 2007/08-2011/12 (Free State)

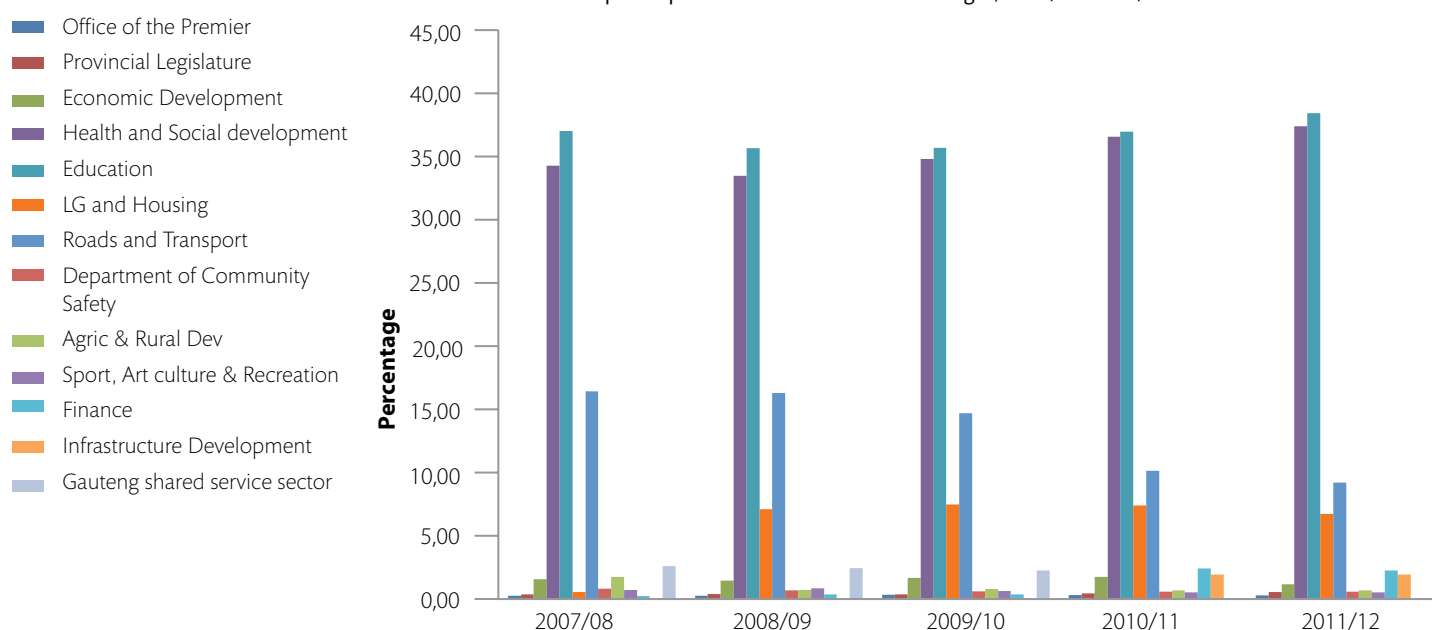


Source: National Treasury, EPRE, various years

The Provincial Department of Education and the Department of Health (DoH) receive the largest share respectively of the total Free State budget. Before 2010/11, the Departments of Cooperative Governance, Traditional Affairs and Housing were one department, which accounted for 6.64% of the total Provincial budget between 2007 and 2009. In 2010/11-2011/12 the Department of Human Settlements was removed from the Department of Cooperative Governance and Traditional Affairs to form a separate unit. Between 2010/11-2011/12, the former Department received an average of 5.33% of the total budget, making it the fourth largest expenditure item in the Province after the Department of Police, Roads, and Transport. At an average of 0.64% over the five -year period on which the study is based, the FS legislature on average received the smallest share of the total Provincial budget.

## 4.2.3 Gauteng

Figure 8: Provincial Expenditure: Gauteng Budget Allocations per Department  
Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12



Source: National Treasury, EPRE, various years

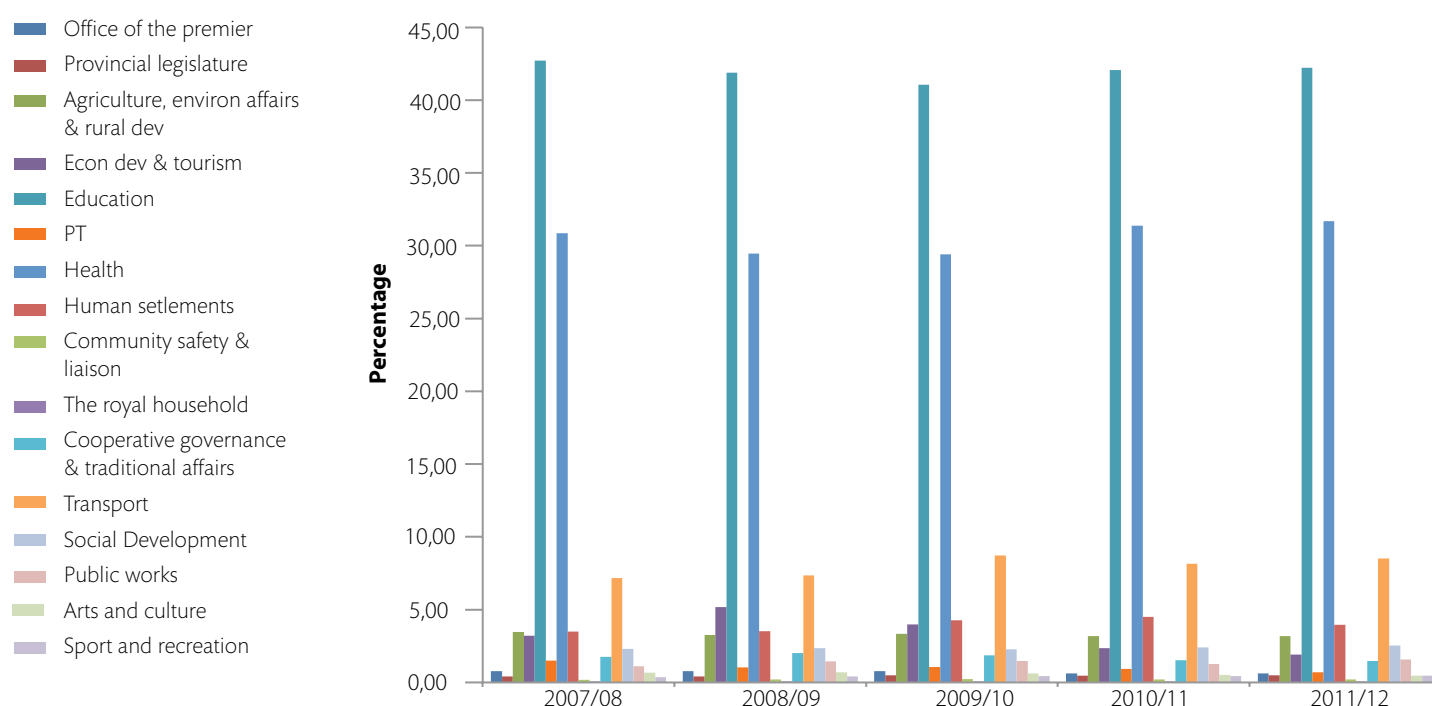
In Gauteng, Health Care Services and Social Development were previously administered by one department until 2011 when two departments were formed, serving under separate portfolios. Between 2007/08-2011/12, 35.28% of the Province's budget was allocated to the Department of Health and Social Development, 1.44% less than what was allocated to Education during the same period. The Department of Roads and Transport also receives a significant share of the Province's total budget, averaging at around 13.37% between 2007/08 and 2011/12. Local Government (LG) and Housing follows closely at an average of 5.87% during this period. The Provincial legislature and the Office of the Premier receive the smallest share of total provincial budget.

#### 4.2.4 KwaZulu-Natal (KZN)

KwaZulu-Natal has the largest population, and therefore receives the largest proportion of the equitable share. The Provincial Departments of Education and Health receive 42% and 30.54% of the total budget respectively. Only 2.37% of the budget - on average - was allocated to Social Development over the five year period, while the smallest item of expenditure in the province was allocated to the Royal Household.

Figure 9: Provincial Expenditure: KwaZulu-Natal (KZN) Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12



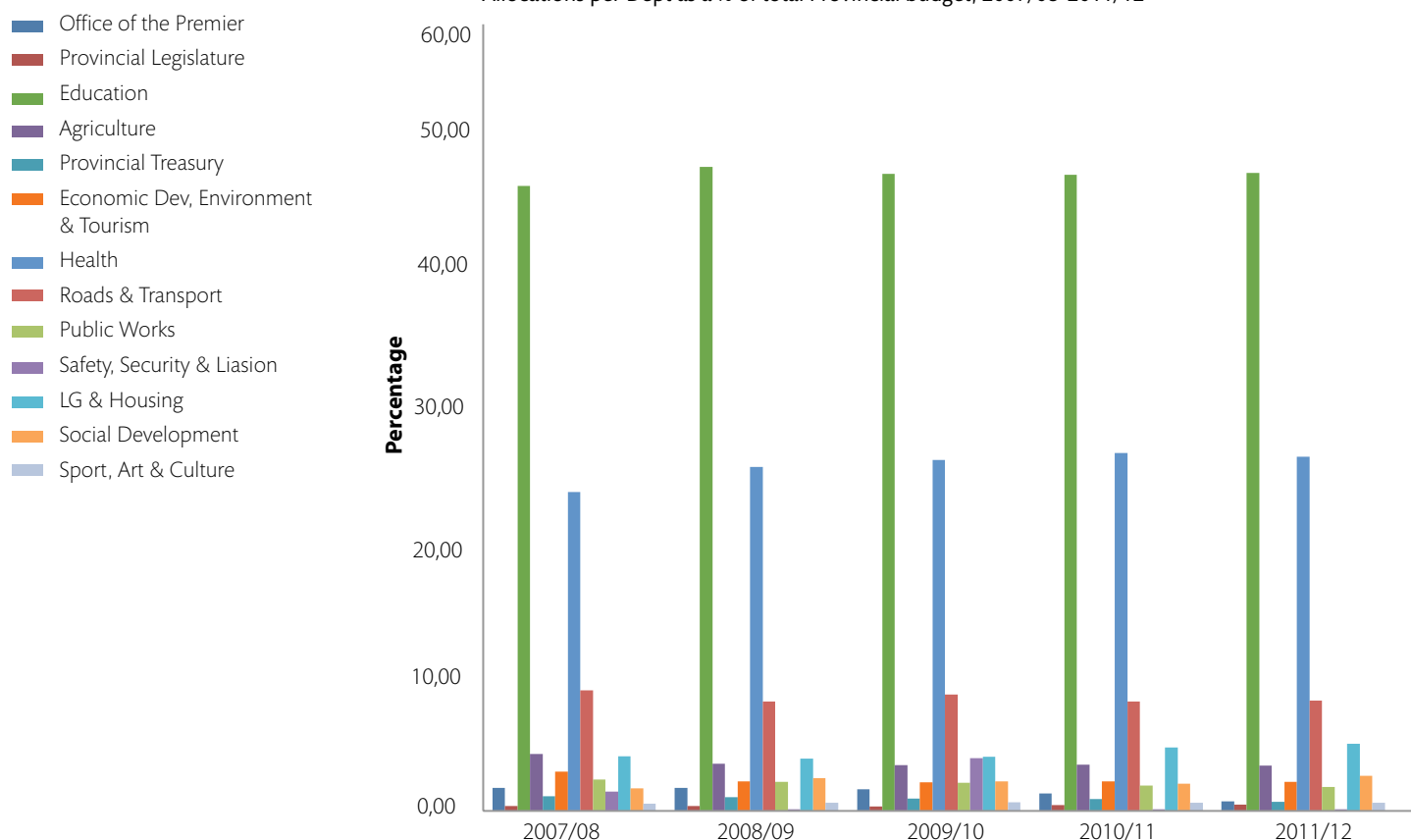
Source: National Treasury, EPRE, various years

#### 4.2.5 Limpopo

Between 2007 and 2011, the Provincial Department of Education's share of the Province's total budget averaged at 47.39%. Expenditure on health is the second largest budget item averaging at 25.73% during this period. The Department of Roads and Transport has consistently received the third largest share of the total Provincial budget, averaging at around 8.45% during 2007-2011. Departments that receive the smallest share of the budget include: Safety and Liaison, Provincial Treasury, Sport, Art and Culture, and the Provincial Legislature respectively.

Figure 10: Provincial Expenditure: Limpopo Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12

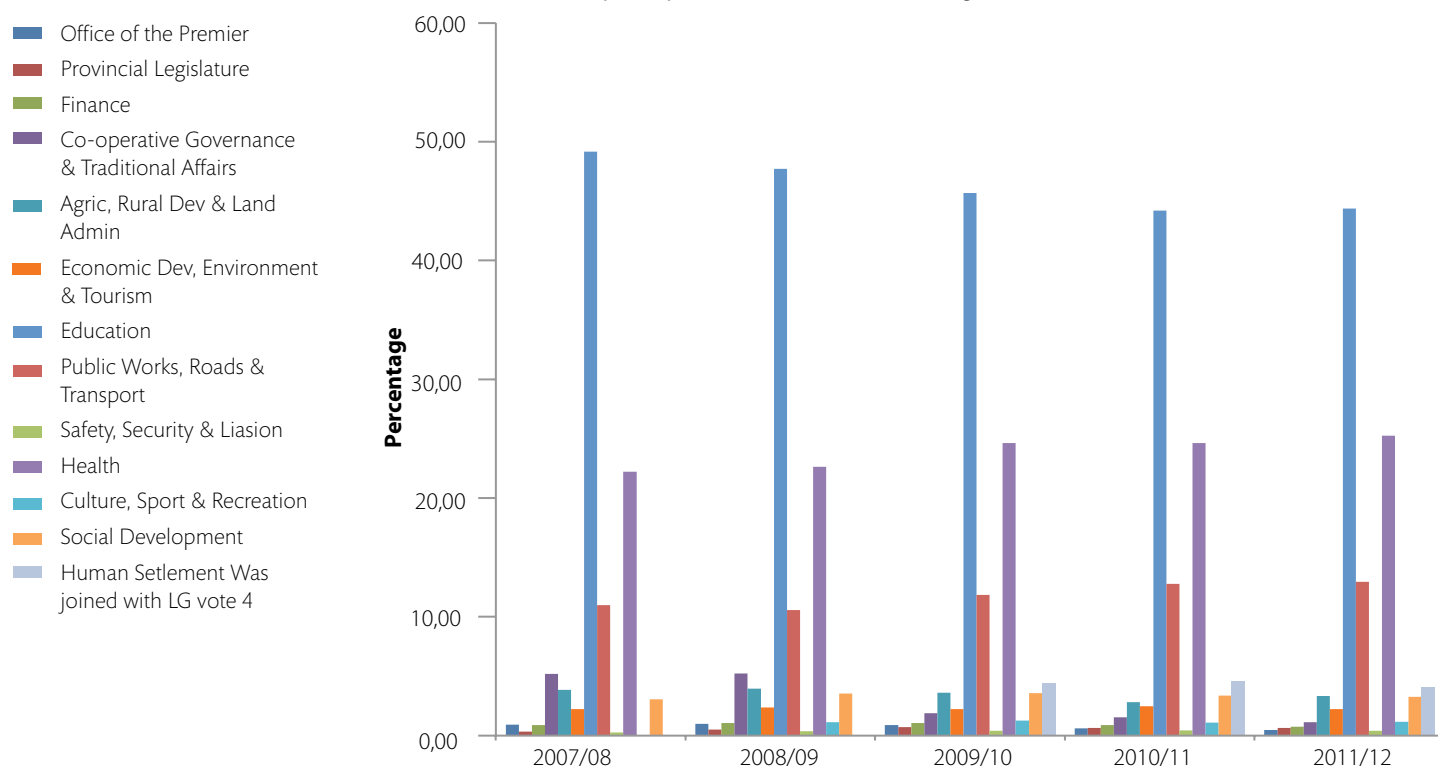


Source: National Treasury, EPRE, various years

## 4.2.6 Mpumalanga

Figure 11: Provincial Expenditure: Mpumalanga Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12



Source: National Treasury, EPRE, various years

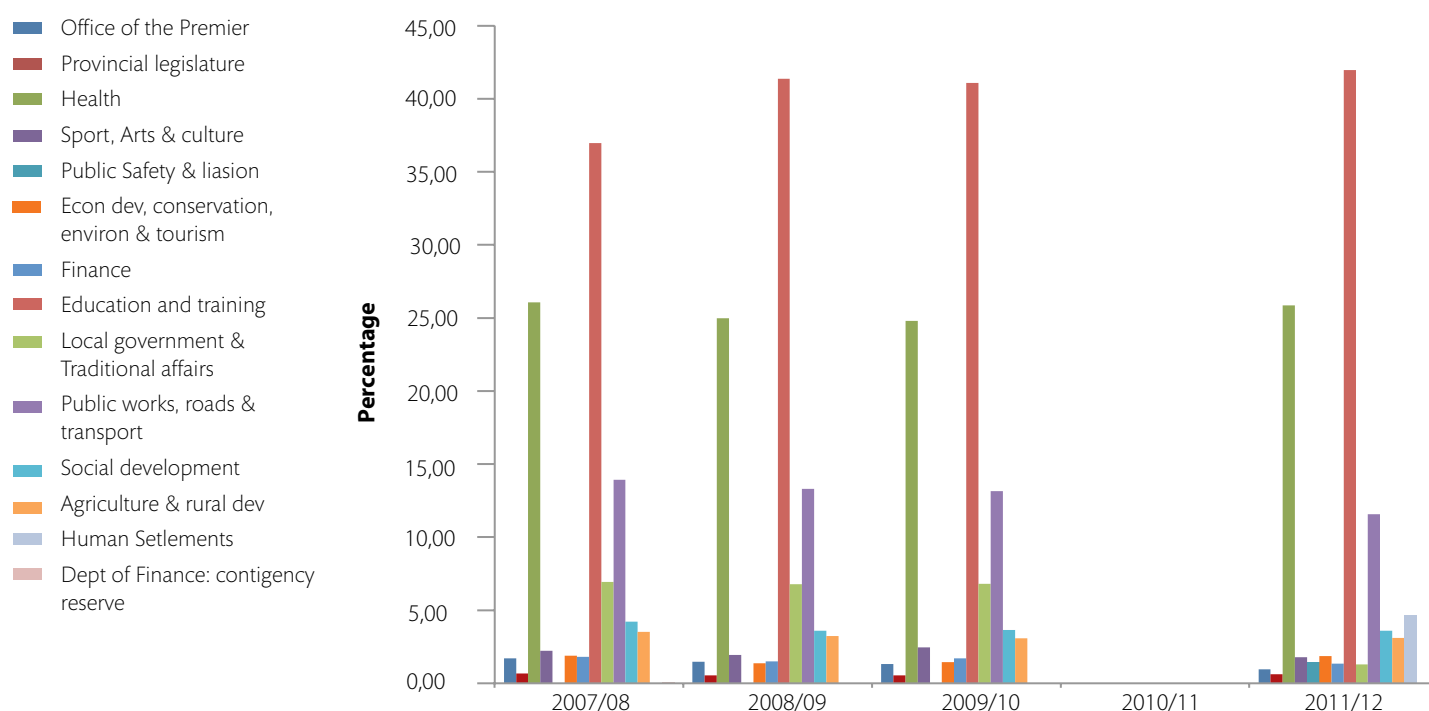


In Mpumalanga spending on Education has been fluctuating as a percentage of the Provincial budget - albeit at a slow rate between 2008/09 and 2011/12. In 2007/08 the Provincial DoE received 49.13% of the total budget, 47.68% in 2008/09, 45.64% in 2009/10, and 44.18% in 2010/11. However, in 2011/12, 44.36% of the Provinces' budget was allocated to education, 0.18% up from the previous year. Expenditure on health care and social development increased steadily during this period, averaging at around 23.85% and 3.37% respectively. Prior to 2009/10, the Department of Human Settlements was joined with the Department of Cooperative Governance and Traditional Affairs. During this time, expenditure in this Department constituted the fourth largest after expenditure on Public Works, Roads and Transport. Once again, as in other provinces, the administrative departments receive the smallest share of the budget.

#### 4.2.7 North West (NW)

Figure 12 Provincial Expenditure: North West (NW) Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12



Source: National Treasury, EPRE, various years

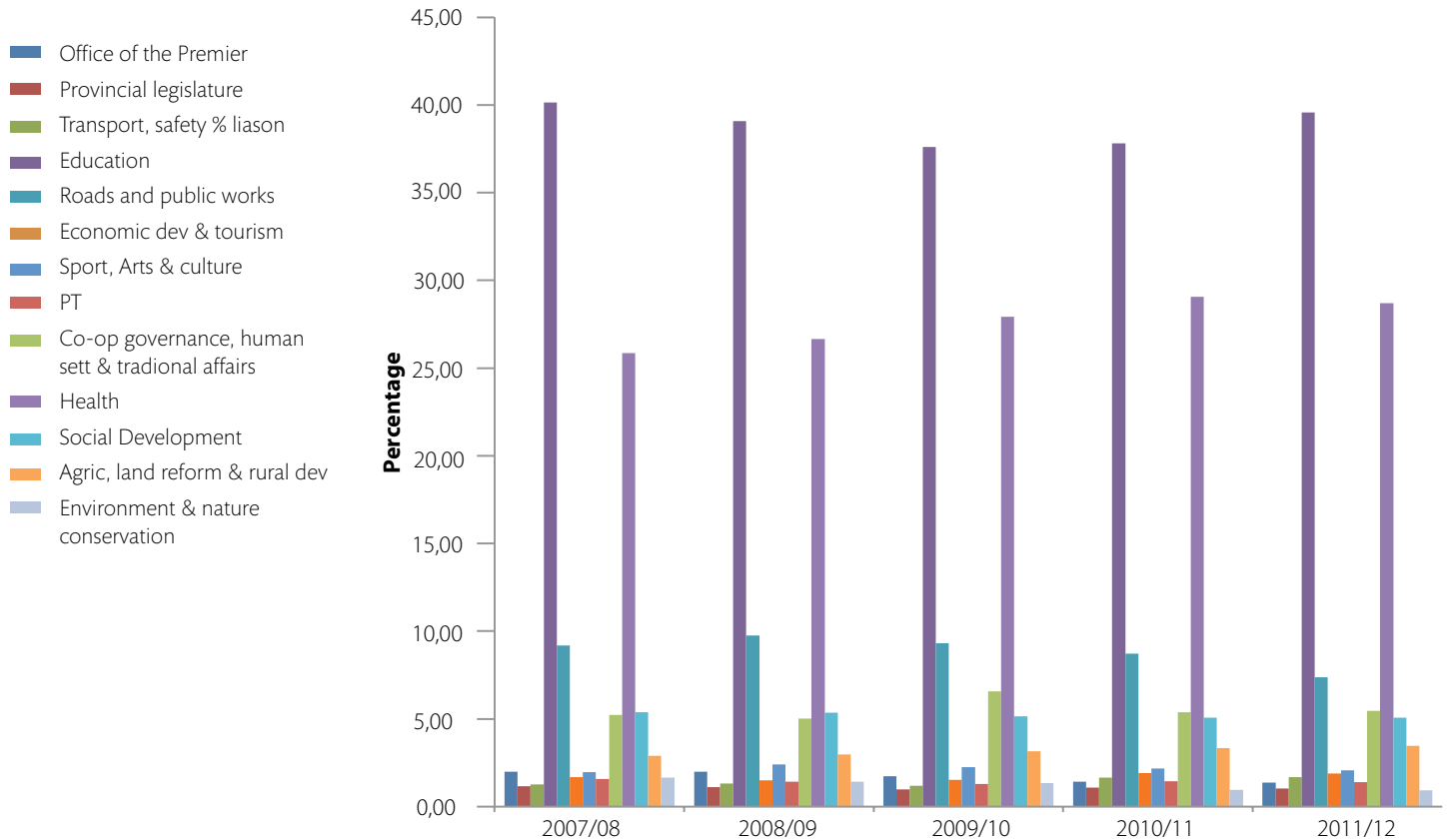
In the North West, the DoE, DoH, and the Department of Public Works, Roads & Transport receive the highest share of the budget respectively. LG, Traditional Affairs and Housing had the fourth highest share of expenditure prior to the Department being split. As with most provinces, the Provincial Legislature receives the smallest share of the budget.

## 4.2.8 Northern Cape (NC)

In the Northern Cape, expenditure on education decreased in 2008/09 from 40.12% in 2007/08 to 39.07% in 2008 and then went up again in 2011/12 to 39.56% of the total provincial budget. Spending on health care, however, increased gradually from 25.84% in 2007/08 to 29.05% of the total provincial budget in 2010/11. In 2011/12 spending on health care was reduced to 28.70% of total budget. Roads and Public Works, Co-operative Governance, Traditional Affairs, and Human Settlements, and Social Development receives the third, fourth, and fifth largest share of the budget respectively.

Figure 13 Provincial Expenditure: Northern Cape (NC) Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12

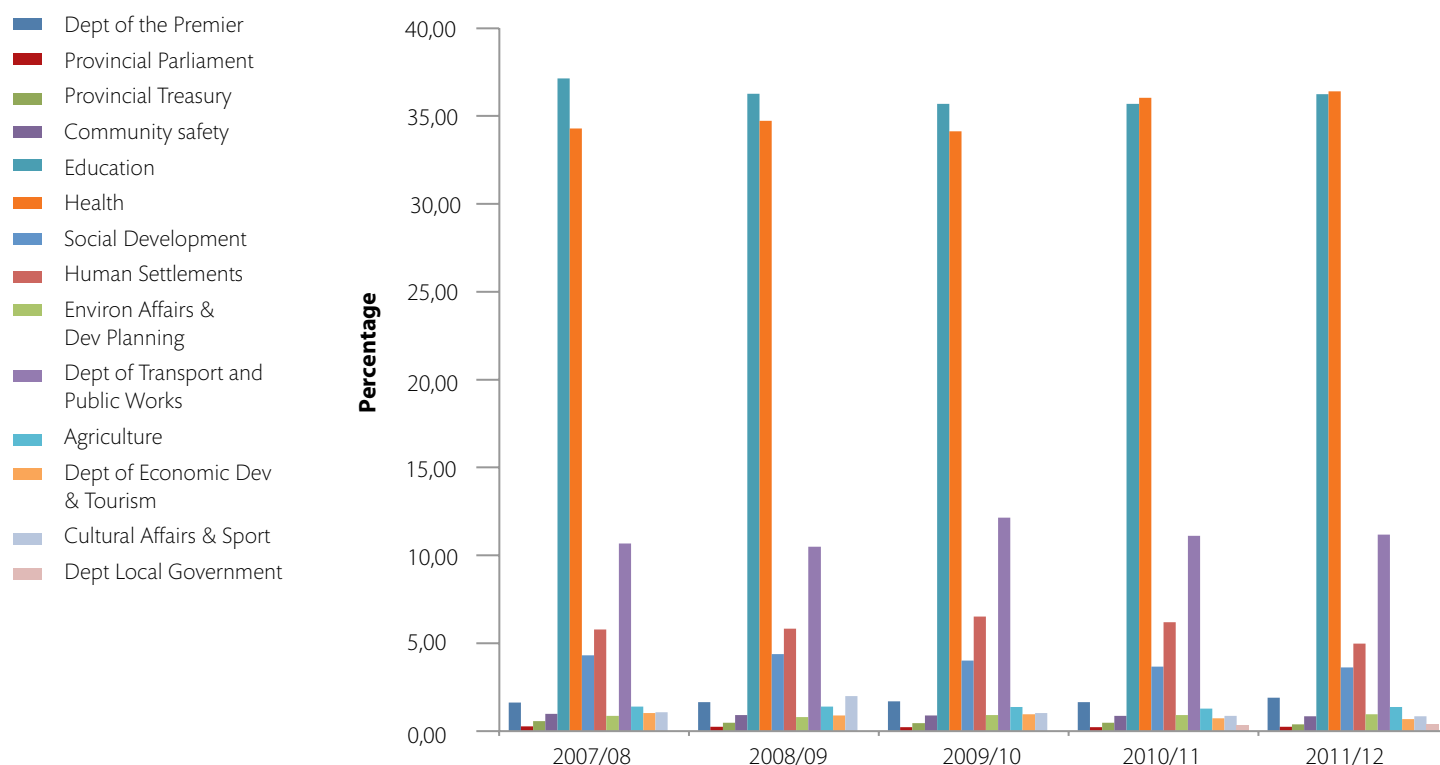


Source: National Treasury, EPRE, various years

## 4.2.9 Western Cape (WC)

Figure 14 Provincial Expenditure: Western Cape (WC) Budget Allocations per Department

Allocations per Dept as a % of total Provincial budget, 2007/08-2011/12



Source: National Treasury, EPRE, various years

The Western Cape is the only province where the Department of Health was allocated a greater share of the budget than the Department of Education in 2010/11 and 2011/12. Spending on these two essential services has averaged at around 35% during the past five years. The Department of Transport and Public Works was allocated 9% on average of the total provincial budget between 2007 and 2011, peaking to levels of 12.14% in 2009/10. The administrative departments, which include the Department of the Premier, Provincial Parliament and Provincial Treasury, receive the smallest share of the Province's budget.

# Chapter 5

## Expenditure trends in selected National Government Departments

### 5.1 Overall expenditure patterns in the Departments of Basic Education, Health, and Social Development

As indicated in the Introduction, this section will focus on the expenditure and allocations for the departments of Basic Education, Health and Social Development, as constituting the first three focal areas for SPII in its policy review of socio-economic rights. This sub-section focuses on expenditure trends between 2006/07 and 2010/11 in these three Departments.

The continuously high levels of poverty and structural unemployment in South Africa mean that social security has become a means for survival for a large part of the population. It is therefore of crucial importance to track what progress is made on realising this socio-economic right. Similarly, improving the enjoyment of the right to education will be of vital importance for the future of this country and for enabling people to break out of the poverty trap. Health care outcomes are still largely determined by race and we decided to also focus our analysis on this right in order to assess whether the creation of the National Health Insurance will lead to improved access and enjoyment of this socio-economic right. The aim of SPII's analysis is to ascertain whether significant progress has been made in realising these rights in terms of the resources allocated to each of these Departments and the use thereof. This will allow us to identify where the backlogs are and give direction as to what needs to be done to progressively realise full access to these SERs. Given the complexity and the time consuming nature of this work, this work will focus on these three rights which we identified as key for the time being. At a later stage we hope to expand our analysis to include all the socio-economic rights contained in the South African constitution.

According to expenditure provisions made by the National Treasury, Departments are "allowed" to under- spend by 2%. However, the monetary value of this "acceptable" percentage may be seen as being tantamount to a break down in service delivery as the millions in "savings" could have been used to fund projects or initiatives that have the potential of improving the livelihoods of the poor.

At the end of each financial year, departments 'roll-over' unspent funds. These are monies that are appropriated in order to facilitate the delivery of services to the people that need them the most. Of the three departments mentioned above, the DBE (previously DoE prior to the change in 2009, see below) on average has the highest percentage of unspent funds during this period (2.87%), followed by the DoH (2.71%), and then DSD with an average saving of 1.02% of total expenditure during this period. These results are depicted in tables 3-5 below.

Table 4: DoE expenditure trends, 2006/07-2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
	R'000				
<b>Total expenditure</b>	14 249 805	16 241 326	19 709 070	21 361 210	5 515 077
<b>% in(de)crease</b>	14.73	13.98	21.35	8.38	-74.18
<b>Under expenditure</b>	49 371	145 426	40 300	487 647	656 922
<b>Spending rate (%)</b>	99.65	99.10	99.80	97.71	89.40
<b>% under spent</b>	0.35	0.9	0.20	2.29	10.60

Source: DoE Annual Report, various years, and own calculations based on same

In 2009, President Jacob Zuma announced the splitting up of the DoE and the subsequent formation of two separate education departments, the Department of Basic Education (DBE) and the Department of Higher Education & Training (DHET)<sup>20</sup>. What appears to be a drastic decline in expenditure in 2010/11 is due to the fact that the two Departments received two different budget allocations following the split.

Table 5: DoH expenditure trends, 2006/07-2010/11

	2007/08	2008/09	2009/10	2010/11
	R'000			
<b>Total expenditure</b>	13 091 136	15 851 169	18 423 459	21 661 512
<b>Percentage in(de)crease</b>	14.29	21.08	16.23	17.58
<b>Under expenditure</b>	328 402	386 699	457 249	742 933
<b>Spending rate (%)</b>	97.50	97.56	97.52	96.57
<b>% under spent</b>	2.50	2.44	2.48	3.43

Source: DoH Annual Report, various years, and own calculations based on same

There has been a steady increase in the expenditure patterns of the Health Department between 2007/08 and 2010/11. The percentage of funds under-spent also increased from 2.44% in 2008/09 to 3.43% in 2010/11. This is the equivalent of R328.402 million and R742.933 million respectively which was not spent by the Department.

Table 6: DSD expenditure trends, 2006/07-2010/11

	2007/08	2008/09	2009/10	2010/11
	R'000			
<b>Total expenditure</b>	67 229 108	76 554 151	86 508 187	95 941 061
<b>Percentage in(de)crease</b>	7.77	13.87	13.00	10.90
<b>Under expenditure</b>	37 704	457 471	1 190 029	1 910 031
<b>Spending rate (%)</b>	99.94	99.40	98.60	98.00
<b>% under spent</b>	0.06	0.60	1.40	2.00

Source: DSD Annual Report, various years, and own calculations based on same

In 2010/11, DSD spent 98% of its total budget, compared to the 99.94% spending rate attained in 2007/08. Since 2007/08, the rate of under-expenditure has been increasing from just 0.06% in 2007/08 to 2% in 2010/11.

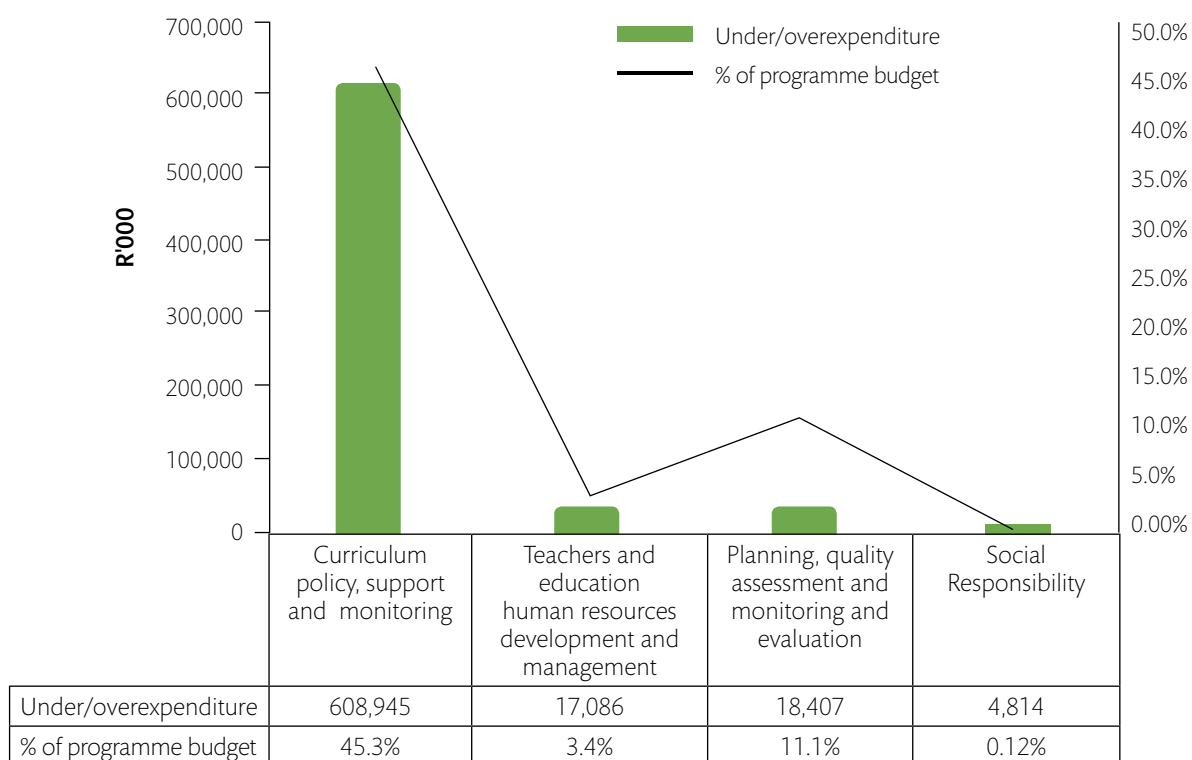
## 5.2 Expenditure patterns by programme in the Departments of Basic Education, Health, and Social Development

### 5.2.1 Department of Basic Education

Subsequent to the disintegration of the DoE into two separate Departments, significant changes took place in the education portfolio. One of them was the change in programme structure. Whereas the activities of the DoE were organised under six programmes prior to the split, the DBE's activities were structured into five programmes in 2010/11. This sub section, therefore, looks at expenditure trends in the DoE between 2006/07-2009/10 for which data are available, but also what expenditure looked like in 2010/11 after the DBE became an independent portfolio. The latter is shown in figure 6 below.

<sup>20</sup> <http://www.sanews.gov.za/south-africa/education-stakeholders-welcome-department-split7>

Figure 15: Under expenditure in Programme 2-5, 2010/11



*Note: Programme 1: Administration is included in a separate graph.*

*Source: Own calculations based on DoE Annual Report, 2010/11*

In 2010/11, the highest amount of under expenditure in the programme was responsible for developing the curriculum and assessment policies, and monitoring and supporting their implementation.

The programme under spent by a mammoth R608.945 million, which makes up for 45.3% of the programme budget and about 11% of total expenditure.

According to the DBE, the variance is due to the following reasons: 1) Delays in procurement processes and processing of payments in the Eastern Cape, Mpumalanga and Limpopo in respect of the Technical Secondary Schools Recapitalisation Conditional Grant, and 2) the Department's use its own in-house services for the design, layout and development of workbooks.<sup>21</sup> The Department regarded the latter to be a form of "saving". Programmes 4, 3, and 5 under spent by 11.1%, 3.4%, and 0.12% of the programme budget respectively.

#### 5.2.1.1 Programme 1: Administration

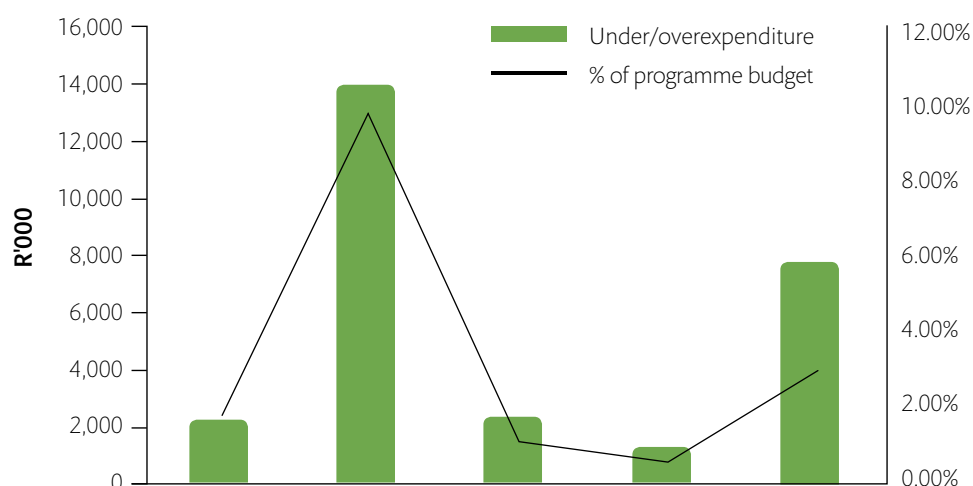
The purpose of this programme is to "manage the Department and provide strategic and administrative support services."<sup>22</sup>

Apart from 2007/08, where under expenditure in administration amounted to 9.7% of total programme budget, the programme has on average under spend of 1.6% of total budget between 2006/07 and 2010/11.

<sup>21</sup> DBE Annual Report, 2010/11

<sup>22</sup> Ibid, pg 16

Figure 16: Under expenditure in Programme 1- Administration



	2006/07	2007/08	2008/09	2009/10	2010/11
Under/overexpenditure	2,264	13,860	2,374	1,403	7,670
% of programme budget	1.86%	9.7%	1.19%	0.57%	28.7%

Source: Own calculations based on DoE Annual Report, various years

The reason for the under expenditure of almost R14 million in 2007/08 was attributed to delays in finalising an addendum to the Public Private Partnership (PPP) agreement for the Department's new Head Office building, and a failure to find suitable candidates to fill vacant posts.<sup>23</sup>

### 5.2.1.2 Programme 2: System planning and monitoring

The main functions of this programme are to: 1) "analyse, evaluate and monitor the medium to long-term costing, financing and resourcing of education in South Africa, and to produce reports, models, plans and policies that are required for national leadership in this regard, 2) provide legal and legislative support and accurate, reliable and relevant information for decision-making purposes, and lastly, 3) to coordinate the Human Resources Development Strategy in South Africa and develop a National Education Management Information System (NEMIS), in order to support the planning, evaluation, monitoring and management of the education system."<sup>24</sup>

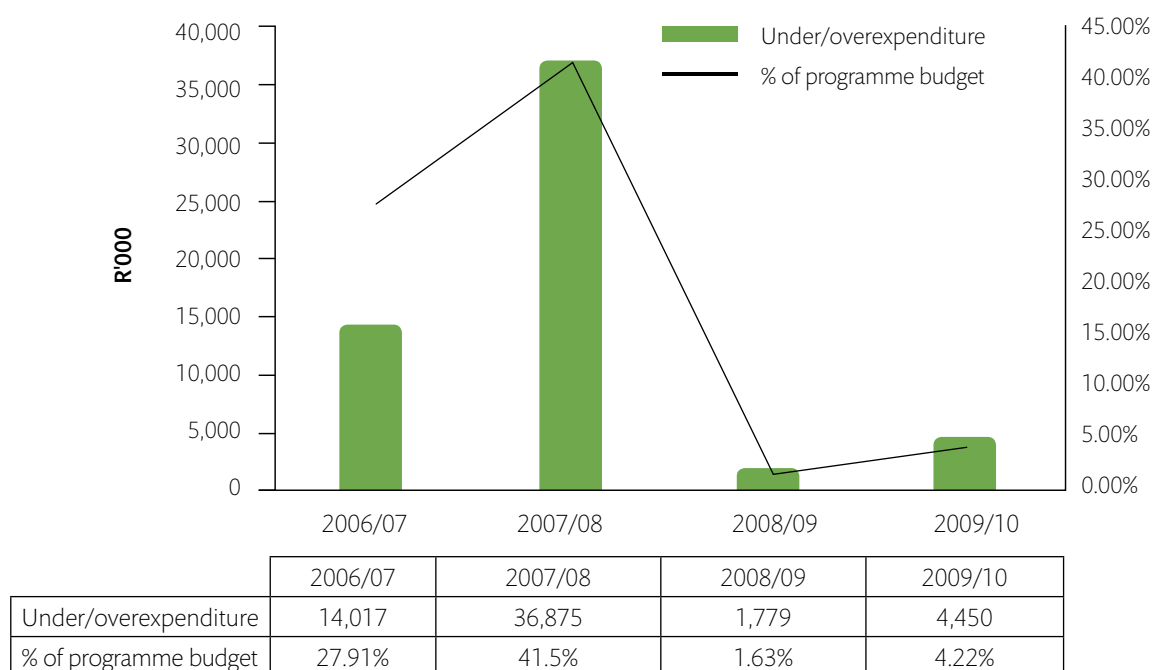
In 2006/07 under expenditure in this programme amounted to 27.91% of the total programme budget, rising to over 40% in 2007/08. The under spend of R36.865 million in 2007/08 is attributed to factors such as key personnel in the Department having resigned, and the recruitment cost of filling these vacancies; late delivery of invoices by suppliers, consultation process with stakeholders on the National Resource Development Strategy.<sup>25</sup>

<sup>24</sup> DoE Annual Report, 2009/10, pg. 51

<sup>25</sup> DoE Annual Report, 2007/08



Figure 17: Under expenditure in Programme 2: System planning and monitoring



Source: Own calculations based on DoE Annual Report, various years

### 5.2.1.3 Programme 3: General Education

This programme's main responsibility was to ensure that all learners of school-going age have access to quality education.<sup>26</sup>

Between 2006/07-2008/09 under expenditure hovered at around 6% of total programme budget. In 2009/10, however, under expenditure in this programme made up 57.51% of total programme budget, an equivalent monetary value of R477.327 million that was not used to fulfil the programme's set objectives.

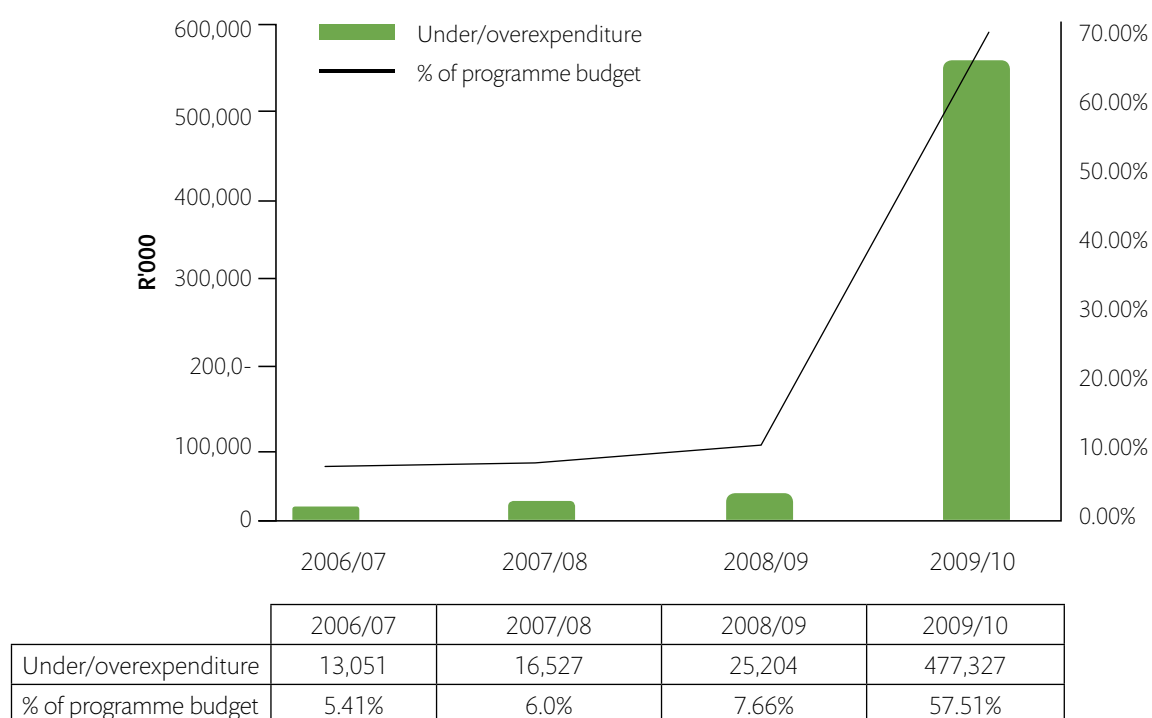
The reasons for this large variance are due to

- 1) the Department withholding the final transfer payment to the Limpopo Province in respect of the HIV/AIDS conditional grant because activities could only be conducted during the September school holidays, and
- 2) Delays in the proof of delivery notes by suppliers for the National Curriculum Statement and Teacher Guides which needed to be translated into all the official languages. The Department also realised a "saving" on the Annual National Assessments for the Systemic Evaluation project after it was decided that the tests would be done by schools as opposed to being administered centrally.<sup>27</sup>

<sup>26</sup> DoE Annual Report, 2009/10

<sup>27</sup> DoE Annual Report, 2008/09

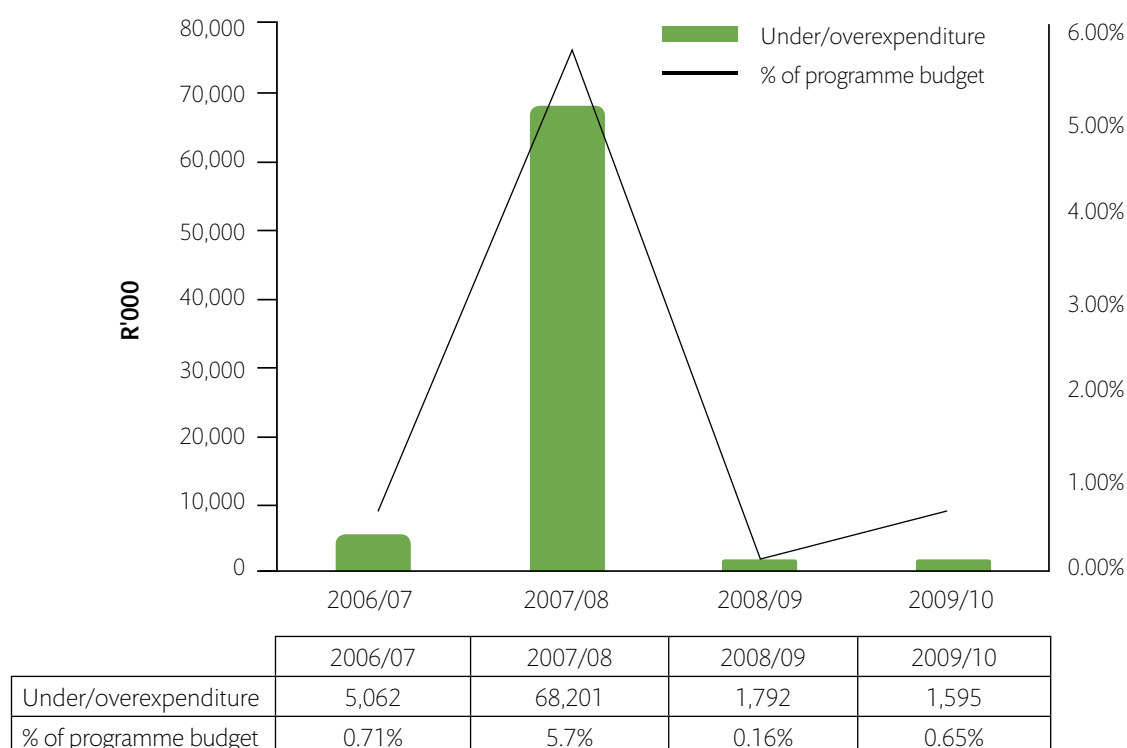
Figure 18: Under expenditure in Programme 2: General education



Source: Own calculations based on DoE Annual Report, various years

#### 5.2.1.4 Programme 4: Further Education and Training

Figure 19: Under expenditure in Programme 4: Further education and training



Source: Own calculations based on DoE Annual Report, various years

Some of the goals set out for this programme are to inter alia “develop and implement high level curricula and programmes in schools offering Grades 10 to 12, as well as in FET colleges, and also increase the numbers of FET learners who achieve high levels of language, mathematics and science proficiency.”<sup>28</sup>

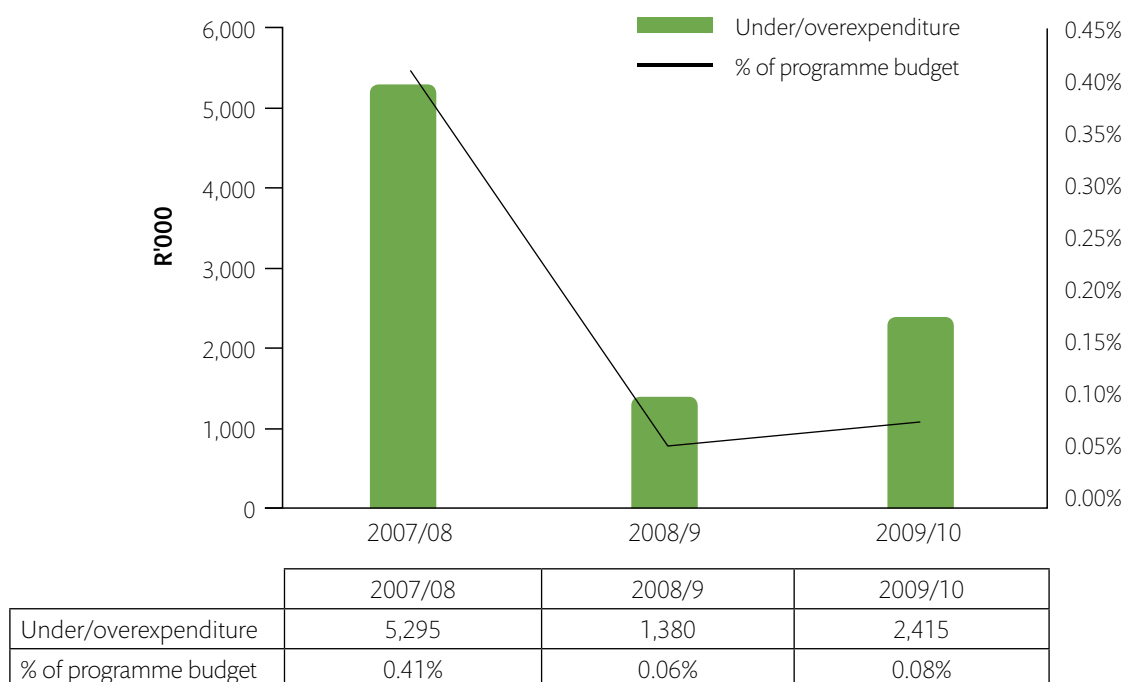
The greatest amount of under expenditure was seen in 2007/08, when the Department under spent by 5.7% of total programme budget.

This increase was due to inter alia, a delayed payment due to a technical problem that was encountered, the complex implementation of the Integrated Computer System which required feedback from provinces based on practical experiences which was delayed, and an Information Communication Technology (ICT) feasibility study that was not completed as a result of the “magnitude of the project”.<sup>29</sup>

### 5.2.1.5 Programme 5: School and social enrichment

This programme’s main function was to deal with issues around inter alia ensuring safety in schools, promoting sporting activities in schools, and providing support and strengthening curricula-driven HIV/AIDS activities through educating learners on these issues.

Figure 20: Under expenditure in Programme 5: School and social enrichment



Source: Own calculations based on DoE Annual Report, various years

Before 2008/09 programme 5 was known as Quality Promotion and Development.

Under expenditure in this programme in the year prior to the change was over R5 million. In 2008/09 and 2009/10, the programme under spent by R1 380 000 and R2 415 000 respectively.

No reasons were given for the under expenditure in all three years in the Department’s respective Annual Reports. Instead the Department reported that “there were no significant variances in this programme.”

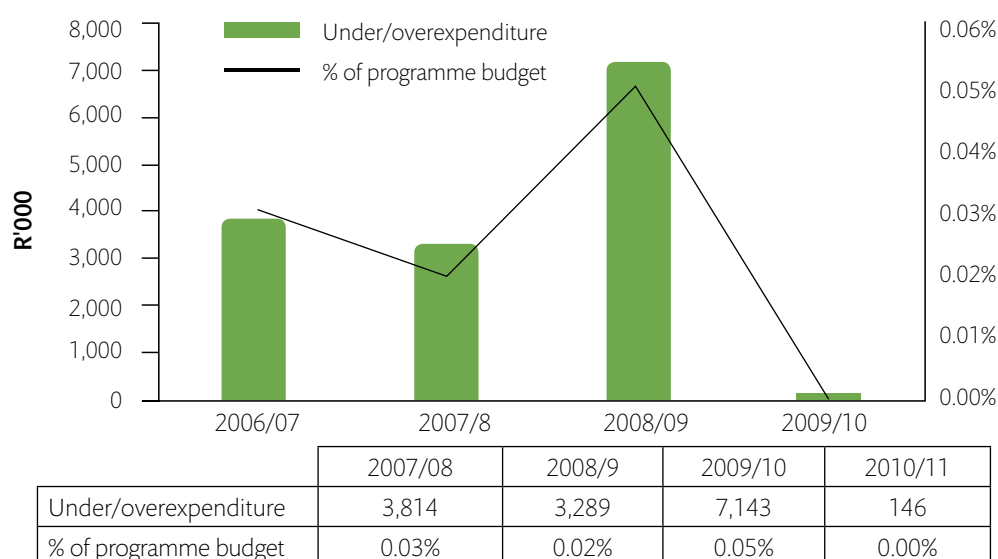
<sup>28</sup> DoE Annual Report 2007/08

<sup>29</sup> Ibid

<sup>30</sup> DoH Annual Report 2010/11

### 5.2.1.6 Programme 6: Higher Education

Figure 21: Under expenditure in Programme 6: Higher education



Source: Own calculations based on DoE Annual Report, various years

Apart from the under expenditure on Higher Education that amounted to R7 143 000 in 2008/09 which was negligible in relative terms, making up only 0.05% of total programme budget, there were no real material variances on this programme.

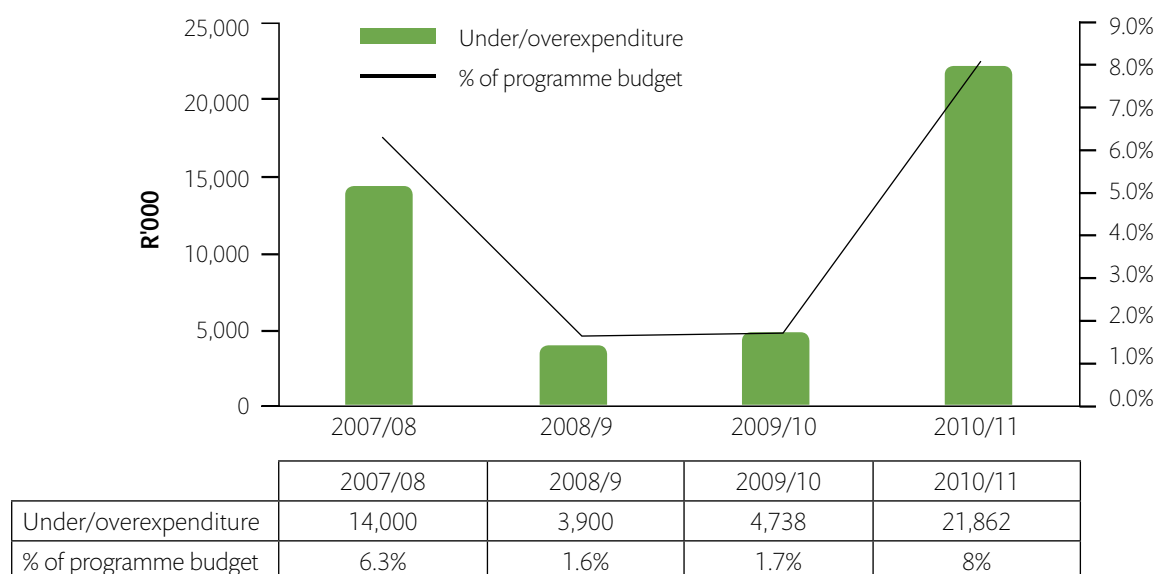
## 5.2.2 Department of Health

### 5.2.2.1 Programme 1: Administration

In 2007/08 and 2010/11 this programme under spent its budget by 6.3% and 8% respectively.

The under expenditure in 2007/08 was due to payment delays for the upgrading of the Johannesburg Chemistry Laboratory and the Civitas building, as a result of a delays in the upgrading of these facilities. The 8% under expenditure in 2010/11 was also due to delays, albeit this time delays relating to finalising procurement procedures for the acquisition of IT equipment and in filling critical vacant posts.<sup>30</sup>

Figure 22: Under expenditure in Programme 1: Administration



Source: Own calculations based on DoH Annual Report, various years

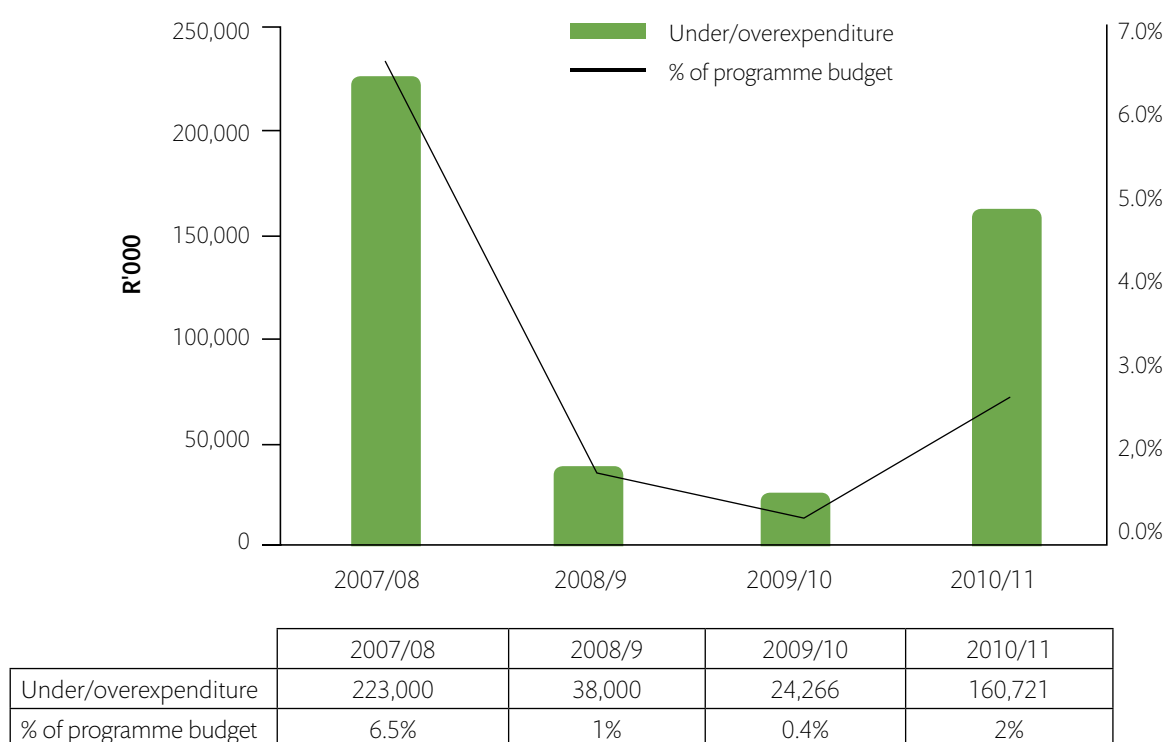
### 5.2.2.2 Programme 2: Strategic health programmes

The aim of this programme is to develop and coordinate a range of strategic health programmes by developing policies and monitoring progress of key sub-programmes, such as TB control and management, HIV and AIDS, and STIs, maternal, child and women's health etc.<sup>31</sup>

Just like in programme 1 (Administration), most of the under expenditure in this programme was incurred in 2007/08 and 2010/11, with under expenditure reaching 6.3% of the total budget allocated to this programme in 2007/08 and 8% in 2010/11.

According to the Department's Annual Reports some of the challenges that led to funds not being spent include: slow progress on mortuaries which were scheduled to be built with the Forensic Pathology Services Conditional Grant and problems experienced with the suppliers of condoms which meant that funds earmarked for purchasing condoms could not be spent. In 2010/11, the unspent funds were attributed to funds not transferred to some NGOs due to non-compliance with the Public Finance Management Act regulations.

Figure 23: Under expenditure in Programme 2: Strategic health programme



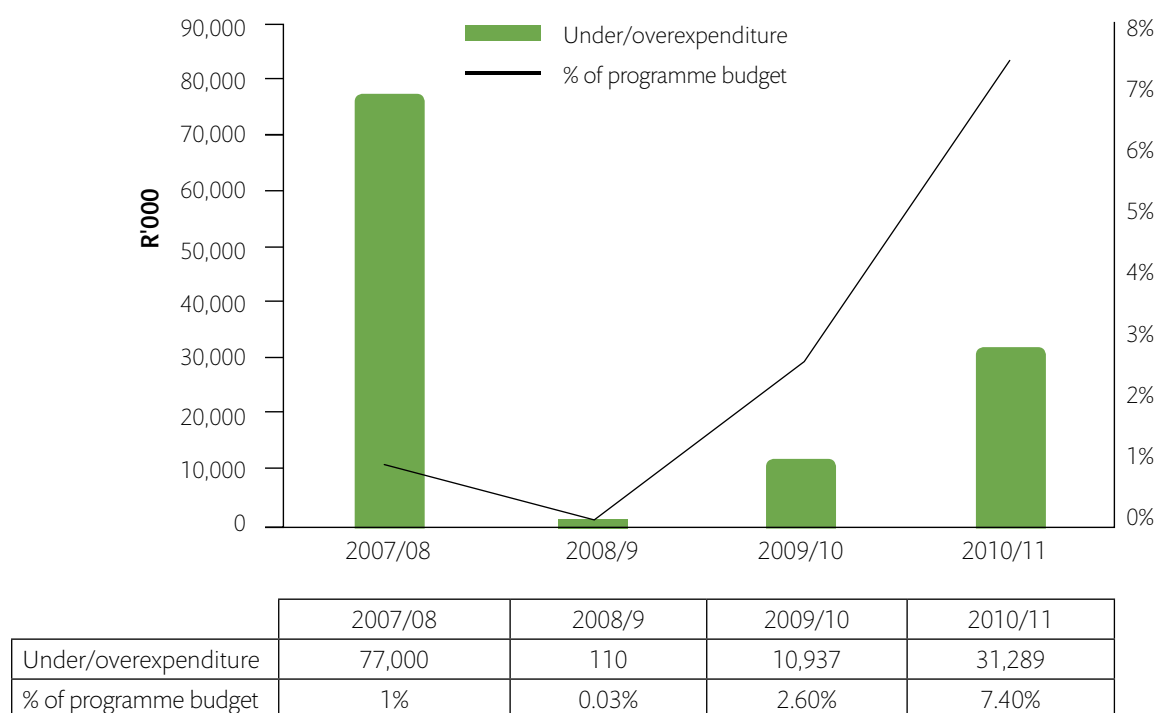
Source: Own calculations based on DoH Annual Report, various years

<sup>31</sup> DoH Annual Report 2007/08

<sup>32</sup> DoH Annual Report, 2010/11

### 5.2.2.3 Programme 3: Health planning and monitoring

Figure 24: Under expenditure in Programme 3: Health planning and monitoring



Source: Own calculations based on DoH Annual Report, various years

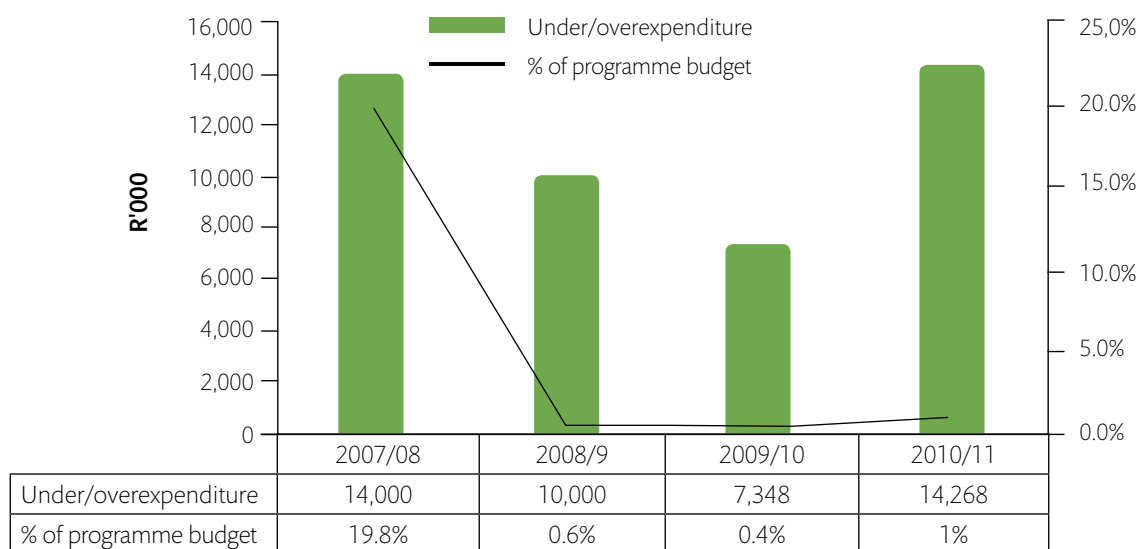
There were virtually no material variances in this programme in 2008/09.

However, in 2010/11, the programme under spent its budget by 7.4% as a result of delays in the commencement of a project aimed at auditing health facilities in March 2011. The under expenditure was also attributed to delays in the filling of critical vacant posts.

It is interesting to note that although only 1% of the total programme budget was under spent in 2007/08, this percentage represents a loss of R77 million in monetary terms which would otherwise have been spent on critical areas.

### 5.2.2.4 Programme 4: Human resource management and development

Figure 25: Under expenditure in Programme 4: Human resource management and development



Source: Own calculations based on DoH Annual Report, various years

The aim of this programme is to ensure that provinces develop and implement a comprehensive long-term national human resource plan which will lead to an equitable distribution of human resources in the health care sector.<sup>33</sup>

The largest percentage (19.8%) of under expenditure was incurred in 2007/08.

This was attributed to vacant posts and office furniture and equipment not being delivered before the end of the financial year. In 2008/09-2010/11, under expenditure was in the region of 0.6% and 1% of programme budget, signalling an improvement in the Department's spending pattern in relation to human resource management.

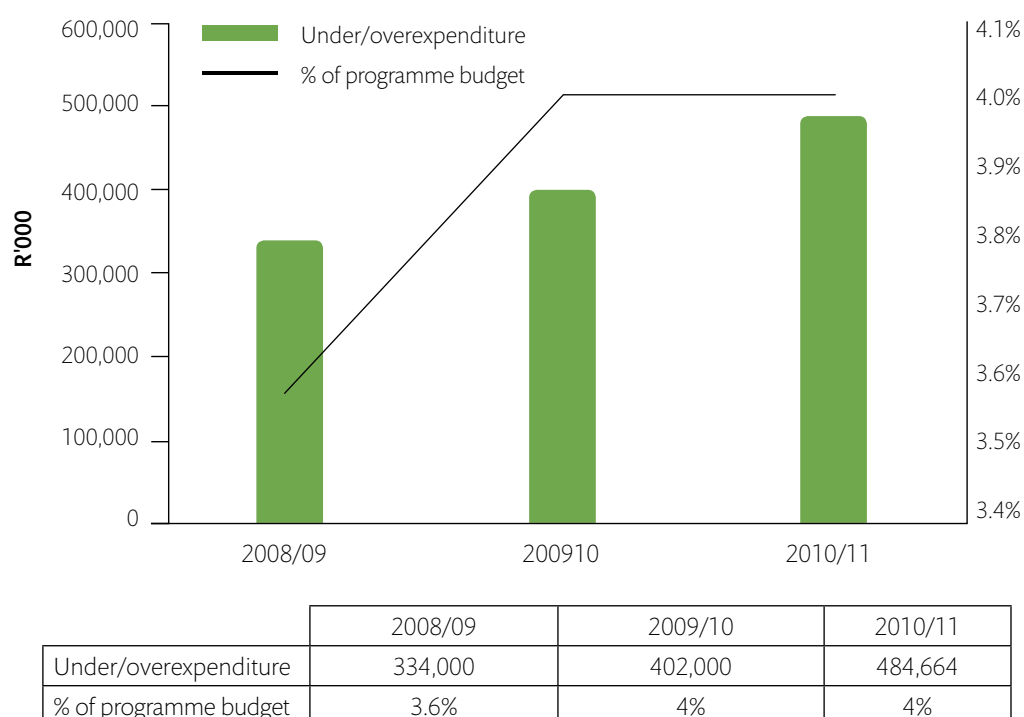
#### 5.2.2.5 Programme 5: Health services – special programmes and health entities management

In 2008/09, the Department introduced a fifth programme that aims to support the delivery of health services at a Provincial and Local level. This function is being carried out through four sub-programmes, namely the District Health Services; Environmental health, health promotion and nutrition; Occupational health; and lastly, through the management of hospitals and health facilities.<sup>34</sup>

Under expenditure in this programme has been hovering at a constant level of 4% of total programme budget, a monetary equivalent of around R400 million per annum since 2009/10.

What is interesting to note is that the reasons given for the variances are similar in all the three years. The under expenditure was attributed to the funds for the hospital revitalisation and the forensic pathology services conditional grants being withheld from some provinces due to delays experienced in the construction of approved projects and invoices that could not be paid before the end of the financial year.<sup>35</sup>

Figure 26 Under expenditure in Programme 5: Health services - special programmes and health entities management



Source: Own calculations based on DoH Annual Report, various years



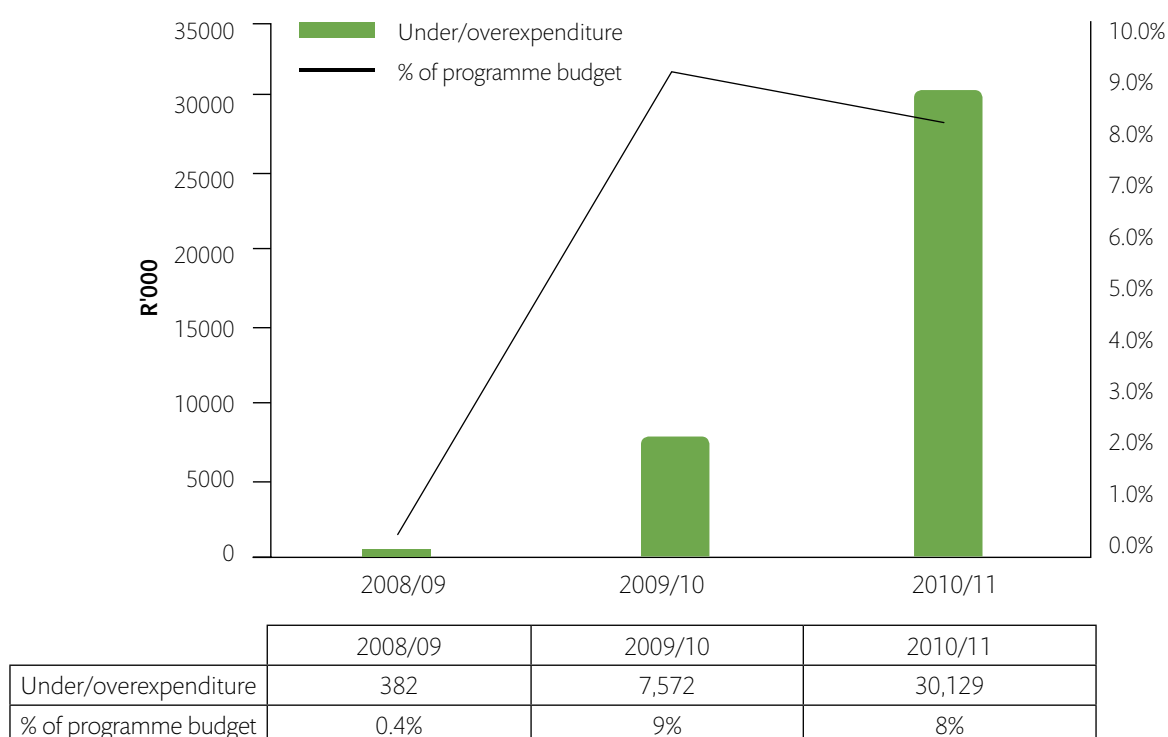
### 5.2.2.6 Programme 6: International relations, health trade and health product regulation

This programme was also added along with programme 5 in 2008/09. The aim of this programme is to co-ordinate bi-lateral and multi-lateral health relations, which includes donor support and providing oversight on health trade matters and the development of health products.<sup>36</sup>

When the programme was introduced in 2008/09, under expenditure was almost negligible, merely making up 0.4% of the total programme budget. However, in 2009/10 and 2010/11 under spent funds made up 9% and 8% respectively of total programme budget.

The variance was ascribed to outstanding accounts which were not claimed from the Department of International Relations and Cooperation in both years.<sup>37</sup>

Figure 27: Under expenditure in Programme 6: International relations, health trade and health product regulation



Source: Own calculations based on DoH Annual Report, various years

## 5.2.3 Department of Social Development

### 5.2.3.1 Programme 1: Administration

The Department of Social Development managed to spend almost all its administrative budget between 2007/08 and 2009/10. However, in 2010/11 under expenditure in this programme amounted to over R7 million, mostly as the result of delays in filling of vacant posts.

<sup>33</sup> DoH Annual Report 2010/11

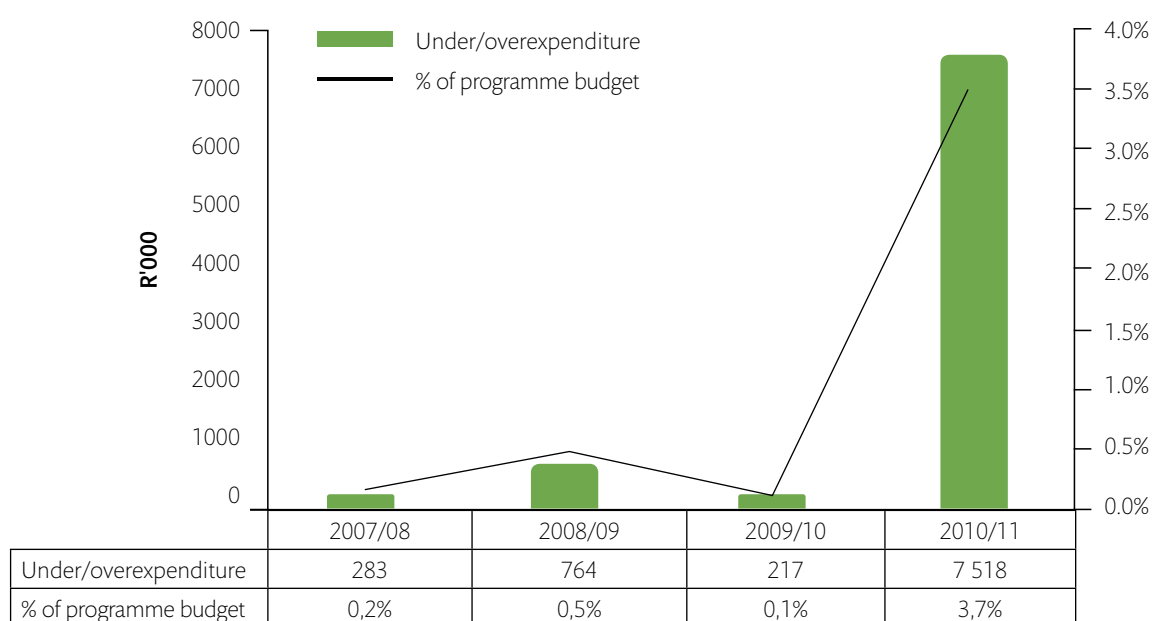
<sup>34</sup> DoH Annual Report, 2010/11

<sup>35</sup> DoH Annual Report, 2008/09

<sup>36</sup> DoH Annual Report, 2010/11

<sup>37</sup> Ibid

Figure 28: Under expenditure in programme 1: Administration



Source: Own calculations based on DSD Annual Report, various years

### 5.2.3.2 Programme 2: Comprehensive Social Security

The main aim of this programme is to ensure that basic social security packages and other forms of income support are provided.<sup>38</sup>

The Comprehensive Social Security programme is the only programme that recorded an over expenditure in the four year period on which the budget analysis is based. The over expenditure in 2007/08 was a result of an increased demand and take up of social grants, especially the old age, foster care and child support grants.<sup>39</sup> There were also a lot of registration campaigns conducted by the South African Social Security Agency (SASSA) which required funds in order to deploy mobile units in remote areas.<sup>40</sup>

In the years following the over expenditure, however, billions of funds set aside for income support measures remained unspent, with almost R1.2billion in under expenditure in 2009/10 and close to R1.9billion in 2010/11.

The reason given for this under expenditure in 2010/11 is the lower than expected up take of social assistance in that financial year.<sup>41</sup>

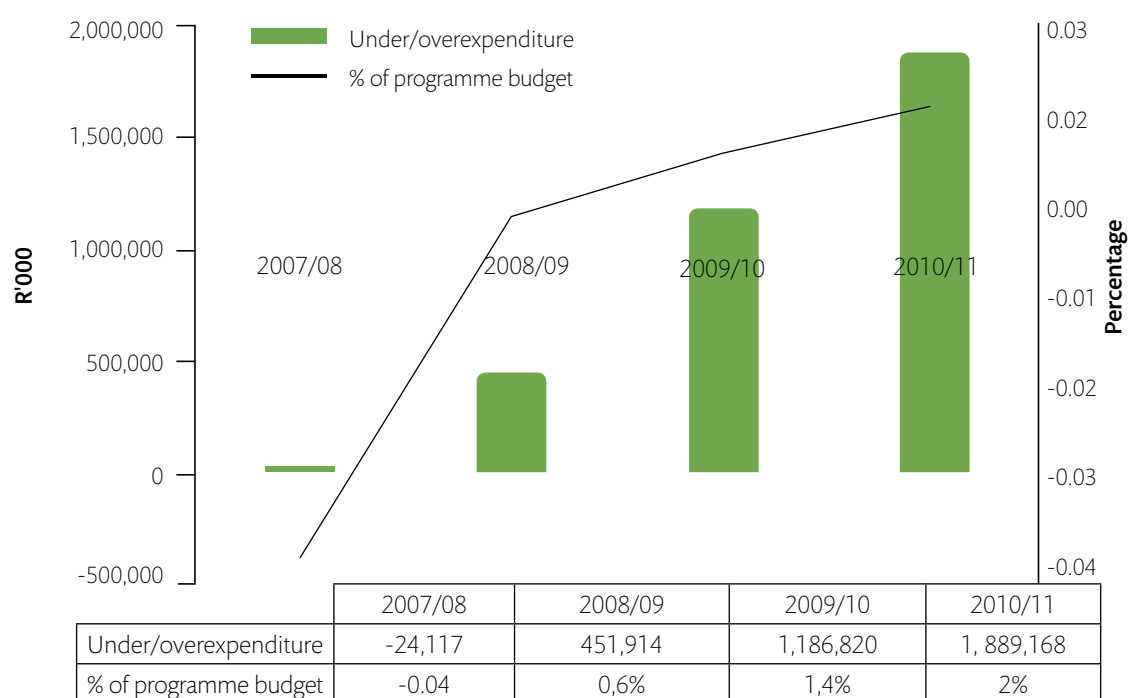
<sup>38</sup> DSD Annual Report 2010/11

<sup>39</sup> DSD Annual Report 2007/08

<sup>40</sup> Ibid

<sup>41</sup> DSD Annual Report 2010/11

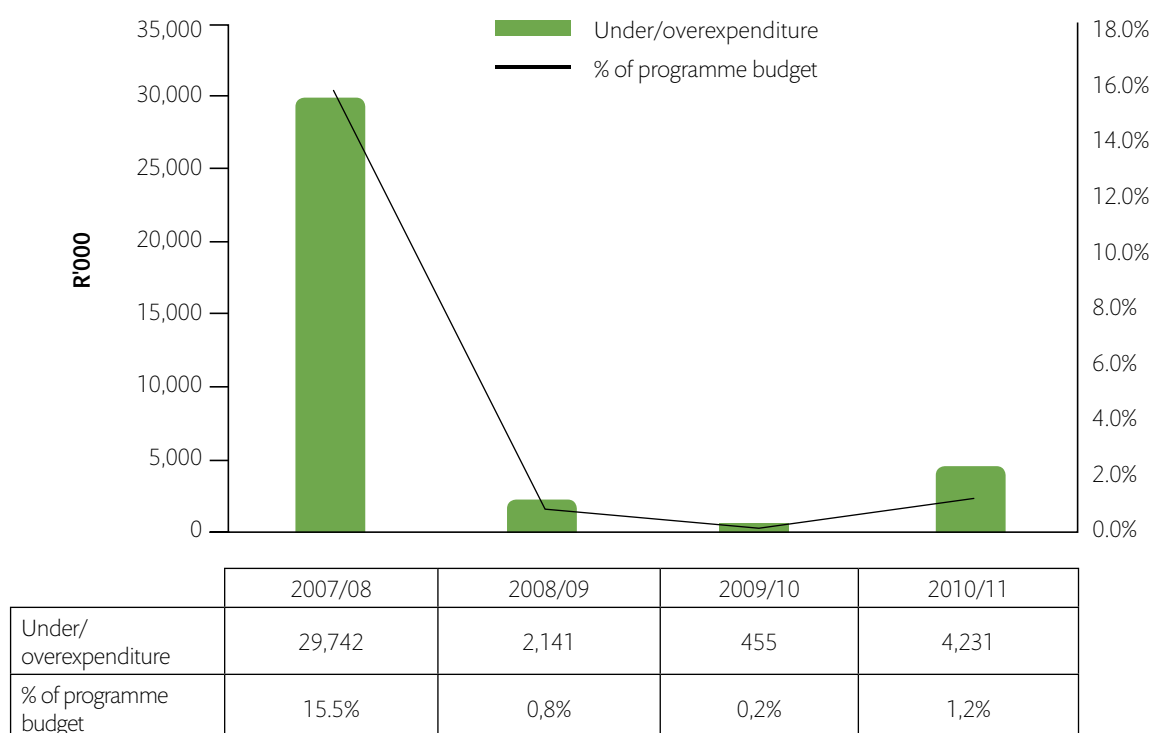
Figure 29: Under/over expenditure in Programme 2: Comprehensive social security



Source: Own calculations based on DSD Annual Report, various years

### 5.2.3.3 Programme 3: Policy development, review and implementation support for welfare services

Figure 30: Under expenditure in Programme 3: Policy development, review and implementation support for welfare services



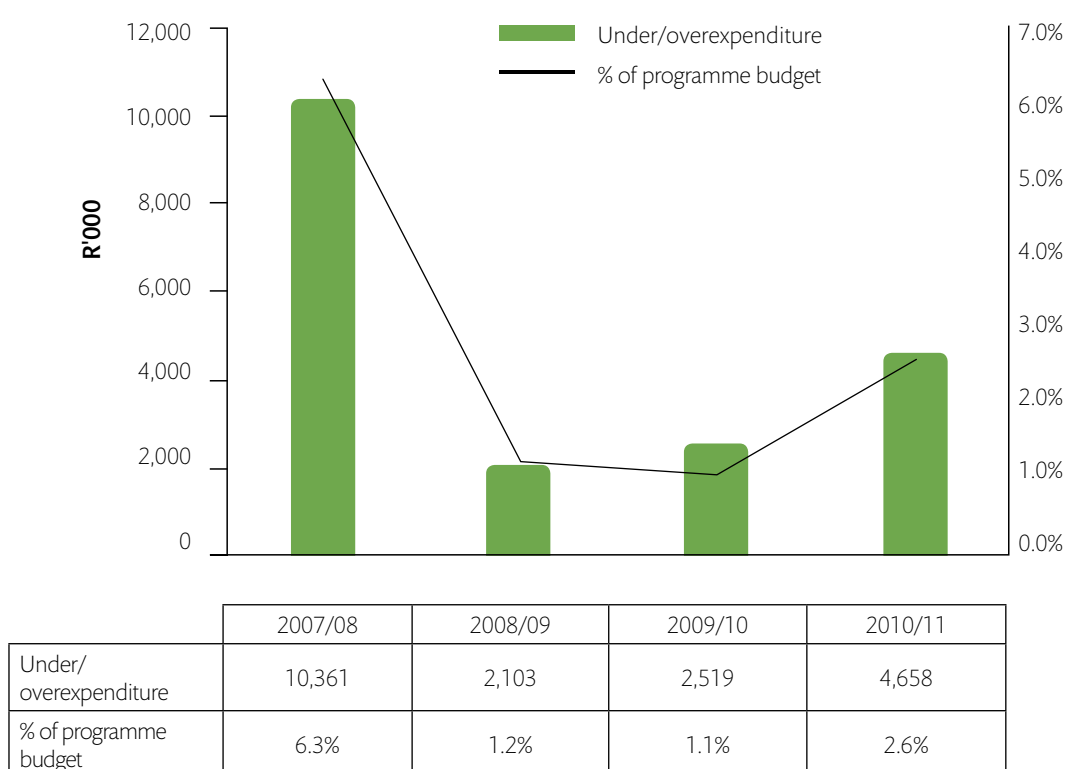
Source: Own calculations based on DSD Annual Report, various years

The aim of this programme is to “create an enabling environment for delivering social welfare services and deal with the social impact of HIV and AIDS, in partnership with state funded agencies and non-governmental organisations (NGOs), including community-based organisations (CBOs) and faith-based organisations (FBOs).”<sup>42</sup>

The bulk of the under expenditure in 2007/08 was attributed to delays in filling vacant posts, while some of the unspent funds were the result of “unforeseen” delays in executing planned projects, and under payments for capital assets as a result of delays in the delivery of office furniture and equipment.<sup>43</sup>

#### 5.2.3.4 Programme 4: Community development

Figure 31: Under expenditure in Programme 4: Community development



Source: Own calculations based on DSD Annual Report, various years

This programme seeks to create an environment that will empower the poor and most vulnerable groups in society to achieve sustainable livelihoods.<sup>44</sup>

Under Expenditure amounted to R10.361 million in this programme in 2007/08, as a result of delays in the payment of planned projects, such as media campaigns for NPOs and NGOs within communities, and under payments for capital assets relating to delays in the delivery of office furniture and equipment.<sup>45</sup> Spending patterns somewhat improved after 2007/08, although in 2010/11 the percentage of unspent programme budget funds increased from 1.1% in 2009/10 to 2.6%.

<sup>42</sup> DSD Annual Report 2010/11

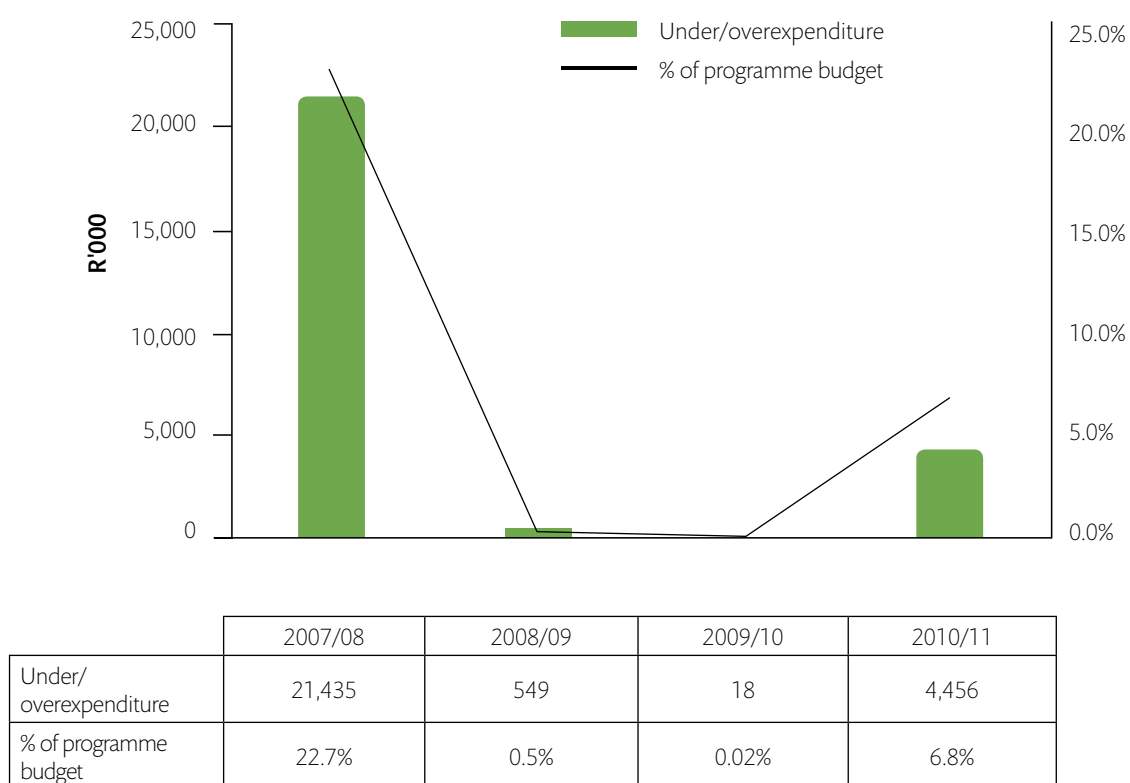
<sup>43</sup> DSD Annual Report 2007/08

<sup>44</sup> DSD Annual Report 2010/11

<sup>45</sup> DSD Annual Report 2007/08

### 5.2.3.5 Programme 5: Strategy and governance

Figure 32: Under expenditure in Programme 5: Strategy and governance



Source: Own calculations based on DSD Annual Reports, various years

In 2007/08 the programme under-spent by 22.7% on its budget.

The bulk of this under-spend was due to delays in approving the new structure for the Appeals Tribunal and delays in filling vacant posts. In 2009/10, the Department spent almost all its allocated funds for this programme, while under expenditure rose again to 6.8% of total programme budget in 2010/11.

# Chapter 6

## Key findings and recommendations

As part of a comprehensive overview of the progressive realisation by the state of the socio-economic rights contained in the Constitution, SPH undertook this budget analysis to provide a benchmark study of the levels of government spend that have been made available by the state to realise its obligations. Over the next four years, SPH, in partnership with the South African Human Rights Commission, shall develop monitoring indicators for all the socio-economic rights contained in the South African Constitution. The findings and conclusions contained in this Budget Review shall be revisited regularly throughout to ascertain to what extent the state is making its resources available for the realisation of these socio-economic rights.

While this Review shows that monies are being made available to realise the socio-economic rights contained in the constitution, the inability of Departments to spend their budgets is a reflection of the capacity challenges and poor planning and implementation in the financial administration of the specified government departments. Many of the reasons cited for budget under expenditure relate to delays in payments as a result of incomplete projects and activities. For example, in 2010, the National Prosecuting Authority reported fruitless and wasteful expenditure of R3 million, with an opening balance of R1 million from the previous year which had not been cleared.<sup>46</sup> The Auditor General could not confirm whether the officials responsible were held accountable for this maladministration.<sup>47</sup> In addition, recent findings by the Public Protector show that there are still a lot of public funds that are wasted and are unaccounted for. These factors among others have and continue to present a challenge to the full attainment of socio-economic rights for the citizens of South Africa despite constitutional imperatives on the state.

Especially given the under-expenditure of existing allocations, this research further suggests that what is needed is:

- ▶ A better system of administrative justice for people to have remedies where the administration fails.
- ▶ Citizens to be better informed and educated on their rights and how they can use what they know to influence government action.
- ▶ Better financial planning, coordination and strong systems of monitoring and evaluating progress on individual Departmental programmes.

<sup>46</sup> National Treasury, 2010, consolidated financial information for the year ended 31 March 2010, page 41. Accessible on: [www.treasury.gov.za](http://www.treasury.gov.za)

<sup>47</sup> Ibid

# Bibliography

- ▶ Department of Basic Education (DBE). Annual Report, 2010/11. Available online: [www.education.gov.za](http://www.education.gov.za).
- ▶ Department of Education (DoE). Annual Report, 2006/07, 2007/08, 2008/09, 2009/10, & 2010/11. Available online: [www.education.gov.za](http://www.education.gov.za).
- ▶ Department of Health (DoH). Annual Report, 2007/08, 2008/09, 2009/10, & 2010/11. Available online: [www.doh.gov.za](http://www.doh.gov.za).
- ▶ Department of Social Development (DSD). Annual Report, 2007/08, 2008/09, 2009/10, & 2010/11. Available online: [www.dsd.gov.za](http://www.dsd.gov.za).
- ▶ IDASA, Local Government Budget Guide. Available online: <http://www.idasa.org/media/uploads/outputs/files/PART%20III.pdf>.
- ▶ National Treasury and South African Revenue Service (SARS), 2011. 2011 Tax Statistics – Highlights joint publication between National Treasury and the South African Revenue Service. Available online: [www.sars.gov.za](http://www.sars.gov.za).
- ▶ National Treasury, 2010. Consolidated financial information for the year ended 31 March 2010. Available online: [www.treasury.gov.za](http://www.treasury.gov.za).
- ▶ National Treasury. Estimates of Provincial Revenue and Expenditure (EPRE), 2007/08, 2008/09, 2009/10, 2010/11, & 2011/12. Available online: [www.treasury.gov.za](http://www.treasury.gov.za).
- ▶ National Treasury. National Budget Review, 2009 & 2010. Available online: [www.treasury.gov.za](http://www.treasury.gov.za).
- ▶ PricewaterhouseCoopers (PWC), 2011. SA's tax system ranks number one among BRIC economies for efficiency. Accessible online: <http://www.cover.co.za/news/sas-tax-system-ranks-number-one-among-bric-economies-for-efficiency>.
- ▶ Republic of South Africa (RSA), Division of Revenue Act No 6 of 2011. Government Gazette No. 34258. Pretoria.
- ▶ South African Revenue Service (SARS), 2011. What kinds of tax do we pay? Available online: [www.sars.gov.za](http://www.sars.gov.za).
- ▶ SPII. Pro Poor Budget Benefit Incidence Analysis of Five Expenditure Categories of the 2006/06 Budget of the Republic of South Africa. Occasional Paper. [www.spii.org.za](http://www.spii.org.za).
- ▶ SPII. Literature Review and Policy Synopsis of the 'Social Wage' in South Africa: Searching for Policy Definition. Working Paper No. 3. 2007. [www.spii.org.za](http://www.spii.org.za).
- ▶ Statistics South Africa (StatsSA), 2012. GDP figures, 2007/08, 2008/09, 2009/10, 2010/11, & 2011/12. Available online: [www.statssa.gov.za](http://www.statssa.gov.za)



*Building up knowledge  
to break down Poverty*

Studies in Poverty and Inequality Institute (SPII)

31 Quinn Street, Newtown

Johannesburg

South Africa

2000

Phone: + 27 11 833 0161

Fax: + 27 11 832 3085

[www.spii.org.za](http://www.spii.org.za)

For a complete list of SPII's partners, please visit [www.spii.org.za](http://www.spii.org.za)

Design & layout by Lebotle // [www.lebotle.co.za](http://www.lebotle.co.za)