



PUBLIC SERVICE ACCOUNTABILITY MONITOR (PSAM)

Submission on the 2021 Appropriation Bill

Committee on Appropriations

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Mr D Arends via email: daarends@parliament.gov.za, May 2021

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Introduction

This submission was prepared by the Public Service Accountability Monitor (PSAM). PSAM forms part of the School of Journalism and Media Studies at Rhodes University, Makhanda. PSAM's activities include research, monitoring, advocacy and capacity building. Working throughout Southern Africa, PSAM generates and shares knowledge about social accountability and the tools that can build more open, participatory and accountable governments. Social accountability places an explicit duty on members of the executive arm of governments, public officials and private service providers to justify their decisions and performance regarding the manner in which their use of public resources has affected the progressive realisation of socio-economic rights. Contributing to strengthened oversight over public resources by Parliament and the provincial legislatures constitutes an important aspect of the PSAM's objectives.

The PSAM welcomes the opportunity to submit our inputs on the 2021 Appropriations Bill tabled in February by Minister Tito Mboweni. We place value on public participation within the budget process and have participated in budget hearings in the provincial legislature and/or National Assembly for over 20 years.

This submission presents a slight departure from previous inputs to this and other committees on appropriations in that it places greater emphasis on both the budget process and the budget oversight work of parliament and the legislatures. The submission proposes some mechanisms by which the limitations of participation can be addressed.

It is worth noting that the longer-than-usual time frames between the tabling of the 2021 Appropriation Bill and the public hearings in question have to an extent increased the possible opportunities for the public to engage with the Bill.

Budgeting under Pressure: Improve Participation and Transparency

In recent years, decision-making processes by the executive in relation to public finances has come under close scrutiny. Concerns have been raised by various civic actors about the regressive nature of fiscal policy resulting from closed and unresponsive budget processes. There are some encouraging trends, such as the recent tabling by the Eastern Cape Provincial Legislature of the draft Money Bills Amendment Procedure and Related Matters Bill which seeks to make provisions for the provincial legislature to amend money bills and to establish a provincial budget committee to examine and evaluate draft budgets.¹ This potentially has important implications for improving the rigour and effectiveness of budget formulation and oversight. The Budget Committee, for instance, would be tasked with evaluating draft budgets alongside provincial socioeconomic realities.

¹ <https://static.pmg.org.za/200224moneybill-EC...pdf>

In addition - there are improvements resulting from the passing into law of the Money Bills Amendment Procedures and Related Matters Act of 2009² such as better streamlining of Parliament's *ex-ante* and *ex-post* processes for fiscal scrutiny.³ The power provided by this Bill for Parliament to amend money bills (as opposed to merely approving or rejecting as was the case before 2008/09) is important. The establishment of the Parliamentary Budget Office (PBO) was another important step towards improved oversight.

However, the role of Parliament and its ability to *effectively* draw on the voices of the public and civil society has come under scrutiny. Various civil society coalitions and organisations have characterised the legislatures' performance as ineffective and - at times - opaque. Recurring criticism has been levelled against the legislatures about the detrimental effects of a rushed budget process not only for meaningful public participation but for committees' own oversight work.

In October 2020, the Parliament Watch and Putting People in Parliament⁴ collective wrote to the national legislature decrying the limited timeframes for public consultations on the 2020 Medium Term Budget Policy Statement (MTBPS) and Second Adjustments Appropriation Bill. The collective argued that such pressured timelines undermine participatory democracy. And while these concerns were raised specifically in relation to the MTBPS - the limitations are generalisable for the entirety of the fiscal oversight calendar. It is worth reiterating the observations here:

South Africa's public finance system through both the Constitution and the Money Bills legislation, includes necessary mechanisms for transparency and public involvement. But the value of these is limited by the tight time frames in the legislation. Surely the point is not only that people are informed, and coupled with requirements for consultation, that people are empowered to use that information and potentially have influence on the decision-making related to public funds?

The current implementation of the Money Bills legislation, regardless of intent, undermines the Constitutional ideal of an open society in which government is based on the will of the people and every citizen is equally protected by law. It is implemented in a manner that suggests mere compliance with the requirements for participation and that favours some group's input and interests over others. The current timeframes - and lack of civic support from Treasury or the legislatures - make anything more substantive simply impossible for the majority.

² And as amended Act 13 of 2018

³Noted here by the Financial and Fiscal Commission (FFC), 4 May 2021: https://www.parliament.gov.za/storage/app/media/1_Stock/Events_Institutional/2021/28-04-2021_NCOP_Budget_and_Fiscal_Oversight_Workshop/session3/Financial_and_Fiscal_Commission_Accountability_in_Public_Expenditure_through_Effective_Parliamentary_Fiscal_Oversight.pdf

⁴ The Putting People in People's Parliament Project (PPiPP) is a collaboration between the Dullah Omar Institute, UWC (DOI); Heinrich Böll Foundation (HBF); the Parliamentary Monitoring Group (PMG); the Public and Environmental Economics Research Centre (PEERC); and the Public Service Accountability Monitor (PSAM) implement the PPiPP, in collaboration with a number of CSOs in the Eastern and Western Cape. This project seeks to provide resources and information to CSOs in both rural and urban Eastern Cape and Western Cape to support their engagement with legislative oversight, including on public finance.

*We recognise, too, the inherent limitation to Parliamentary decision-making and oversight of such tight timeframes; a concern that committees themselves have referred to in past years.*⁵

There is a growing call from civil society for improved oversight and consideration of inputs made by the public during these processes. These concerns are reiterated in this submission. The PSAM supports these calls not only to increase the space for public input on fiscal policy and oversight but for the development of progressive mechanisms by which the public can contribute in advance of budget decisions being taken and receive timely feedback.

We urge the Committee to strongly consider the necessary reforms to what is increasingly becoming a legislative environment that does not meet the principles of inclusion and participation as set out in the Constitution.

Improving Fiscal Transparency for Equitable Outcomes in Health and Education

The South African health and education systems in particular continue to reflect high levels of inequality. The least advantaged are heavily dependent on a heavily strained public health sector while the wealthiest access private health services.⁶ The ability to assess the extent to which the health and education systems are meeting the country's needs to reverse historical injustices and set the country on a trajectory to meet the Sustainable Development Goals (SDGs) is partly influenced by the ability to effectively track *how* and *where* resources are actually spent. Fiscal transparency in the education and health sectors is, therefore, essential. Inequality in health is largely correlated with geography, gender and race. Transparency in the distribution of financial resources at the district and/or facility level is therefore vital. The geospatial differences are critical.

The PSAM was amongst 28 civil society organisations (CSOs) that collaborated with the International Budget Partnership to develop a pilot assessment of budget transparency in the health and education sectors. This was undertaken as part of the 2019 Open Budget Survey (OBS). The OBS is a biennial survey and is the world's sole independent measure of fiscal openness. The survey assesses 117 countries on the transparency of their budgets, measuring the expanse and timeliness of budget information that they publish. Explicitly focussed on health budgets in South Africa, findings underscored the need for greater transparency and budget disaggregation. The full details of the sector budget investigation are available via the IBP website [here](#).

In line with the findings of the health sector assessment, the Committee could request National Treasury to:

⁵ See annexed document

⁶(Gordon et al. 2020) <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-020-8368-7>

- Provide detailed, disaggregated information in the budget estimates within the administrative and functional classifications for health and education at the provincial levels
- Improve the use by provinces of websites and portals such as www.vulekamali.gov.za to share this information in machine-readable, open data formats that facilitate uptake and use by civil society.
- Ensure that disaggregated budget information indicates proposed, approved, and actual spending using consistent formats to allow the comparison of expenditures across the budget cycle – including transfers for sector spending through extrabudgetary funds
- Explain the links between policies, budgets, and performance
- Provide strong performance frameworks with indicators, targets, and outcomes, linked to public spending that allow the tracking of funds against performance targets
- Include more comprehensive performance reporting frameworks in budget documents and provide clear explanations of the links between policies and budgets, between budgets and actual spending and, finally, between spending and results.

The Committee is reminded of South Africa’s commitment to fiscal transparency, accountability and good governance. As a founding member of the Open Government Partnership (OGP), Cabinet endorsed the OGP Declaration of Principles, thereby committing itself to work with civil society towards enhancing transparency, public participation, accountability- one area of engagement is the Parliamentary process. One such important policy area is fiscal transparency which promotes openness across the budget and fiscal cycles⁷, legislative oversight being an integral part of the process. This process of openness and transparency allows citizens to hold their respective governments accountable and ensure that spending reflects the people’s interests and needs. The World Bank’s latest Public Expenditure and Financial Accountability (PEFA) report⁸ emphasised scrutiny of public finances by supreme audit institutions (SAIs) as a key area of public finance management (PFM). While many countries are strengthening their PFM arrangements over time - the regressions are noteworthy. Linked to this are concerns about the strength of oversight by parliament. Weaknesses in budget execution are especially crucial in the context of a pandemic that has dire impacts on the economy.

This underscores the importance of the role of the legislatures and SAIs in ensuring effective and efficient use of public resources. On 30 April 2020, the International Budget Partnership (IBP) released the outcomes of the 2019 OBS. South Africa’s transparency scores in the OBS were the highest of all countries, at 87 out of 100. Public participation in the budget process, however, received a dismal score at 24 out of 100. This indicator measures the formal opportunities offered to the public for meaningful participation in the different stages of the budget process⁹, including the legislative process. South Africans still have very little say in *how* public funds are raised and spent due to the manner in which these processes are conducted.

⁷ Open Government Partnership, Fiscal Openness. Accessed at: <https://www.opengovpartnership.org/policy-area/fiscal-openness/>

⁸ The report is an assessment of global public finance management systems

⁹ *Ibid.*

Ensuring meaningful public participation is a fundamental component of developing responsive, rights-based fiscal tools. The link between the budget and human rights is supported by various international and local standards. Article 25 of the International Covenant on Civil and Political Rights (ICCPR) provides for people's right to participate in processes that have a direct bearing on their civil rights. Section 195 of the South African Constitution places an obligation on the state to ensure that members of the public are included in the formulation and implementation of policy. For these decisions - there are various points within the budget cycle in which the executive can be held to account and obliged to explain and justify the use of public resources in the ways chosen. On the latter point - recent revelations emanating from the Commission on State Capture indicate fundamental problems in the ability of parliament and the legislature to effectively pursue the principles of accountability. And while questions of allocation and expenditure are important - greater emphasis should be placed on public participation and scrutiny throughout the entire fiscal cycle.

The PSAM urges the legislatures to proactively foster public participation in the formulation, implementation and evaluation of fiscal policy and budgets themselves.

In relation to oversight, South Africa scored 83/100. The oversight indicator examines the role that legislatures and supreme audit institutions (SAIs) play in the budget process and the extent to which they provide oversight; each country is scored on a scale from 0 to 100 based on 18 equally weighted indicators¹⁰.

Transparency alone is insufficient for improving governance. Inclusive public participation is crucial for realising the positive outcomes associated with greater budget transparency.

Ways by Which Parliament Can Strengthen Transparency for More Equitable Outcomes

There are multiple ways in which Parliament itself can foster greater transparency in order to buttress the developmental agenda;

- Call for sector budget transparency
- Call provincial treasuries to ensure timely reporting of expenditure at the subnational level
- Push for state-wide open data publication and reporting as well support for the development of open fiscal data

Collaboration with civil society and academia has the potential to support innovation to address some of the problems listed above. The National Treasury's collaboration with civil society to develop an online, open access database of geospatial infrastructure data to complement the

¹⁰ *Ibid.*

publication of open budget data via Vulekamali is an important enabler of oversight. The database provides data on approximately 17 000 public infrastructure projects (schools, hospitals, boreholes, libraries etc). This is in addition to the publication of budgeted and actual expenditure data by province, department or programme dating back to 2016/17. For budget analysts, data scientists and developers; the data on the portal are also available in the datastore and application programming interface (API).

However - data is only useful if it is used. Parliamentary Committee researchers should utilise this data to complement the research and oversight duties particularly where undertaken physical oversight visits to thousands of facilities across the country is impractical.

Ways by which Parliament can strengthen public participation

During the budget formulation phase, the National Treasury issues expenditure guidelines to government departments, informed by government policy, such as the National Development Plan (NDP). Parliament has a role to play during this drafting stage and - by extension - has the wherewithal to draw public input from the *earliest* stages of the budget process.

Presently, members of the public are able to, through the Appropriations Committees and others, raise issues of concerns and in theory influence deliberations of the committee which in turn could propose amendments to the budget. The influence of the public on committees in this regard and of committees themselves on the budget has been limited at best. And despite the powers of amendment afforded to Parliament by the Money Bills Amendment Procedures and Related Matters Act - it is notable that no amendment proposals have been tabled since the Bill's introduction.¹¹ A barrier to Parliament's ability to propose budget amendments may well be the aforementioned oversight timelines that would present a challenge for facilitating meaningful deliberations on the very technical and lengthy process of amending a national budget. The technical expertise required for such an exercise is unlikely to be held within committee structures. This reality is particularly stark when considering that the Parliamentary Budget Office is also beset with similar capacity constraints.

The Department of Public Service and Administration (DPSA) highlights public participation¹² as a process that seeks to influence and share control over development initiatives and the resources which affect [communities and people]. In this sense, public participation is underpinned by the right of those affected or interested in a decision, to be involved in the decision-making process. Implicit in the public participation process is the openness influenced decision making, democratic governance and community empowerment.'

¹¹ Steven Friedman, Rhodes University/University of Johannesburg, "A Right To Be Heard: Citizen Participation, Democratic Rights and the Budget in South Africa". Accessed at: <http://www.fiscaltransparency.net/resources/files/20150706116.pdf>

¹² The Department of Public Service and Administration (DPSA), "Guide On Public Participation In The Public Service". Accessed at: <http://www.dpsa.gov.za/dpsa2g/documents/cdw/2014/citizenengagement.pdf>

The PSAM recommends that the Committee engages Parliament's Public Education Office (PEO) to develop concurrent public education and participation mechanisms specifically targeting greater public knowledge of and more informed engagement with the Appropriations and related committees.

a) Improve Access to Information

A recent report entitled *Testing the Limits of Openness, Transparency and Access to Information* underscored weaknesses in the legislatures' ability to make additional information requested by parliamentary committees from government departments or other entities available to the public.¹³ Remedying this weakness is an important way of bolstering transparency in public affairs and, in turn, public trust in the legislatures;

By not ensuring that the information requested from departments is proactively made available to the public; by making it difficult for the public to obtain the documents; and by withholding some documents as confidential without justifying the decision, committees risk further undermining public trust. Given the exposure of the scale of state capture in our country, increasing transparency is an imperative. When information is not available to the public, regardless of the reasons for this, it can create the impression of something being hidden, and with that the question of 'why?'. As such, it threatens to undermine public trust both in elected representatives and the executive.

In addition - the report emphasises the value of improved information sharing of committees with civic actors;

The nature of the links between elected representatives and the public can have a strong impact on MPs' incentives to conduct effective oversight. This requires improving communication mechanisms between elected representatives, committee staff, departments, civil society organisations, and the wider public.

b) Strengthen Public Education

The PSAM is encouraged by the acknowledgment of Parliament for the need to deepen public awareness of the roles and functions of various committees that oversee public finances as well as of opportunities for public participation.¹⁴ The work of the Public Education Office (PEO) in this regard can be strengthened. The provision of information and education is fundamental to enabling meaningful participation and should be adequately resourced.

There is limited public knowledge of the avenues available for participation in government and Parliamentary processes. This in itself hinders the concept of public participation, facilitating the

¹³ Dullah Omar Institute, University of the Western Cape and the Parliamentary Monitoring Group, 2021: <https://pmg.org.za/blog/TESTING%20THE%20LIMITS%20OF%20OPENNESS,%20TRANSPARENCY%20AND%20ACCESS%20TO%20INFORMATION>

¹⁴ Media Statement, 2020 issued by Selection Committee on Appropriations

participation of a limited number of relatively well-resourced civil society actors with the requisite expertise and reach to participate. In order to reach the public more broadly, Parliament must publicise these opportunities and create the space for mechanisms informed by the needs of those they are elected to serve. This must go beyond a placement of media advertisements and announcements via the Parliamentary website;

- Introduce regular, free public training on how to make submissions in addition to the guides currently available. These can be done in partnership with community activists and academic institutions
- South Africa is highly unequal and there needs to be a manner that reaches the majority who are not computer literate and cannot spend days researching and compiling policy and budget analysis for committees.
- Parliament already has media platforms; these can then be used to broadcast content that informs the public of its role and functions and mechanisms that are available for citizens to participate in its work.
- Parliament can disseminate educational information or updates on its work through social media accounts, as a cost-effective practice, particularly through Facebook, and Twitter which are the most widely used in South Africa.

The Public broadcasting of Parliamentary sittings via Youtube and the dedicated DSTV channel have an important informative (rather than participatory) role.

c) Participation mechanisms

By collaborating with the National Treasury, Parliament can introduce more progressive forms of participation such as creating opportunities for the public to make submissions before the tabling and approval of the budget. In September each year - the Medium-Term Expenditure Committee (MTEC) makes recommendations to Ministers' Committee on the Budget (MINCOMBUD). At this point - there Parliament and the Treasury should provide opportunities for inputs from the public on budget priorities and channel these into the subsequent months' deliberations. There are other mechanisms that Parliament can take up in order to open up the process and include new, different and broader voices. These include:

- **Public participation offices** - these can provide a point of contact for citizens to get information, share concerns and submit proposals.
- **Ad-hoc Meetings or Workshops with Civil Society Organizations** - Parliament can establish partnerships with civil society and community-based organisations to receive briefings or workshops hosted by these organisations on their area of expertise, so as to build Parliamentary skills and knowledge on a particular subject.
- **Focus Groups** - Parliamentary committees can arrange facilitated discussions with demographically diverse focus groups on specific legislative proposals. These can help

highlight the public's main concerns in relation to the issue at hand and gauge public opinion on proposed reforms

The National Treasury itself is taking some steps to open up the fiscal policy space to participatory mechanisms. One example is the *Fiscal Openness Accelerator Project* supported by International experts such the International Budget Partnership (IBP), the Global Initiative on Fiscal Transparency (GIFT) and local civil society organisations and government departments.¹⁵ The initiative is part of a broader project to deepen effort towards improving transparency and enhancing public participation in fiscal policies in Benin, Liberia, Nigeria, Senegal, and South Africa.

The PSAM urges the Committee to consider leveraging this pilot and engaging the executive as part of a broader budget and legislative openness and participation reform process.

Public Finances and Human Rights: Who is Accountable for Regressive Fiscal Policies?

The Public Finance Management Act (PFMA) places the National Treasury, Minister of Finance and accounting officers of departments at the centre of the accountability cycle for public finances. But who is accountable for ensuring corrective action when it becomes evident that the executive is failing to meet its basic constitutional and human rights obligations in the manner in which it raises revenue, allocates, spends and audits public funds? What does this look like in relation to meeting positive human rights obligations? The International Budget Partnership (IBP) argues that one way is by developing evidence of human rights efforts using a variety of tools. The IBP and UN OHCHR assert that a government budget is *"the most important economic policy and planning document, and is an essential means by which to assess government's efforts for the realization of human rights"*.¹⁶ And yet much of the planning and decision-making pertaining to public budgets seems to be left in the hands of a select few (in a few disciplines). Pre-1994 budgeting processes were dominated by the executive with parliamentary committees primarily playing the nefarious role of rubber-stamping budget proposals. While there have been some important legislative changes as highlighted earlier - more must be done to centralise human rights.

The UN Office of the Commissioner for Human Rights (UNOCHR) trains its field officers to better understand the links between public budget and human rights and to work with governments and civil society to deepen their understanding. Despite South Africa's ratification of the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 2015, many civil society formations have turned to the courts in the face of economic and social rights (ESR) breaches by government departments. This last resort path has all too often become the most effective way to force the hand of the state to devise human rights-centred policy and law. However - if the core tenet of ESR were meaningfully integrated into decision and policymaking about state resources and programmes - this route would be far less common.

The Committee on Economic, Social and Cultural Rights (ComESCR) - among others - has used various frameworks to interrogate and categorise economic and social rights obligations. More importantly - these have been used to link ESRs to decision-making in the domain of public budgeting. It is possible -

¹⁵ See more here: <http://www.fiscaltransparency.net/foaproject/>

¹⁶ IBP. 2017. Available Online: <https://www.ohchr.org/Documents/Publications/RealizingHRTThroughGovernmentBudgets.pdf> (page 7)

and necessary - to analyse budget decision-making using international ESR frameworks. In 2009 - Jean-Paul Fitoussi, Joseph Stiglitz and Amartya Sen were commissioned by erstwhile French President Nicholas Sarkozy who was dissatisfied with the state of statistical data relating to the economy and social well-being to produce alternatives. Amongst the recommendations of the commission that ultimately emerged was that it was time to shift emphasis from measuring economic production to measuring people's well-being beginning with the measurement of living standards.¹⁷ New Zealand developed its first wellbeing budget in 2019; prioritising people's wellbeing over economic growth.

The PSAM urges the Committee to engage the National Treasury to consider similar efforts particularly in light of emerging plans to undertake state-wide public expenditure reviews to inform zero-based budgeting and the pressing need to develop truly gender responsive budgets.

The need for reform, however, extends beyond the ambit of the National Treasury and must - for participatory democracy to be achieved - extend to the legislative, SAI, NEDLAC and entirely new avenues.

2021 Budget Allocations, Spending and In-year performance

The Department of Education (DBE) received R27.02 billion¹⁸ in the February 2021/22 national budget, whilst the Eastern Cape Department of Education (ECDOE) was allocated R35.07 billion¹⁹. These high figures are not just for the delivery of programmes, but a significant percentage is used for salaries as well as purchasing actual learning and teaching material.

However, the education outcomes of South African schools mirror the financial standing of the population, with notable outliers across both ends of the spectrum. What is critical to understand in South Africa is that financial investment is not the only main issue when it comes to education outcomes, infrastructure development or performance targets. Basic education receives a considerable portion of the national fiscus, which on average is above the Organisation for Economic Co-operation and Development (OECD) average of 3.1% of GDP.

For this submission, we will focus on the spending trends of the nationally administered infrastructure programme - the Accelerated Schools Infrastructure Delivery Initiative (ASIDI), looking at annual target delivery and in-year performance.

The DBE has a history of sustained underspending when it comes to infrastructure and basic service delivery. Funding for infrastructure delivery forms a small percentage of the overall allocation, which is why it's spending, and implementation is of high priority. The department of education has a history of under-expenditure of allocations which has detrimental effects on the in-year performance of government departments.

¹⁷ Report by the Commission on the Measurement of Economic Performance and Social Progress, 2009. Available Online: <https://www.insee.fr/en/information/2662494>

¹⁸ National Treasury. 2021 Estimates of National Expenditure. Accessed at: <http://www.treasury.gov.za/documents/national%20budget/2021/ene/FullENE.pdf>

¹⁹ Eastern Cape Provincial Treasury. 2021 Estimates of Provincial Revenues and Expenditure Accessed at: <https://www.ectreasury.gov.za/Files.aspx>

Infrastructure Delivery

In its report on “25 Year Review of Progress in the Basic Education Sector”²⁰ the DBE stated that:

“The development of children is influenced by the physical and social environments they find themselves in. In the education sector, school infrastructure is important in facilitating the delivery of education and creating an atmosphere conducive for learning”.

The DBE has over the years failed to prioritise the delivery of physical infrastructure through its two programmes, the Education Infrastructure Grant (EIG) and the School Infrastructure Backlog Grant (SIBG), which funds the Accelerated School Infrastructure Delivery Initiative (ASIDI).

The SIBG, therefore ASIDI was established in 2011 “to eradicate the Basic Safety Norms backlog in schools without water, sanitation and electricity and to replace those schools constructed from inappropriate material (mud, plankie, asbestos) to contribute towards levels of optimum learning and teaching.”²¹ Since its introduction, the DBE has failed to meet annual targets under this programme, quoting implementation agents, community interference as well as other myriad of systemic issues, including internal capacity as reasons for slow delivery.

Table 1: Infrastructure Allocations 2019/20 to 2021/22 (including 2020 Supplementary Budget)

R'000	Education Infrastructure Grant				
	2019/20	2020/21	June 2020	October 2020	2021/22
Education Infrastructure Grant	10 514 478	11 007 967	8 786 967	8 786 967	11 688 936
School Infrastructure Backlog Grant	2 027 044	1 736 413	2 330 413	2 414 955	2 283 564
Total Infrastructure Allocation	12 541 522	12 744 380	11 117 380	11 201 922	13 972 500

²⁰ A 25 Year Review of progress in the basic education sector 2019. Accessed at: <https://www.education.gov.za/Portals/0/Documents/Reports/DBE%2025%20Year%20Review%20Report%2019.pdf?ver=2019-12-13-133315-127>

²¹ National Treasury, 2016 Division of Revenue Bill. Available at: http://www.treasury.gov.za/legislation/bills/2016/bills2016_bill02-2016.pdf

The above tables show the level of expenditure allocation that has been directed to school infrastructure programmes over the past three years. However, the question then becomes why are so many schools still without basic services or so many learners still being taught in inadequate schools?

If the issues are not solely funding related (even though in past submission the PSAM has argued that this is one of the issues in the education sector) there must be other contributing factors.

Over the years, billions of Rands have been allocated to the DBE to address school infrastructure issues. The ASIDI programme - funded by the SIBG - had very specific targets when it was introduced and comprises four sub-programmes.²² At its inception, the programme identified a set of delivery targets over the medium-term (initially 2011/12-2301/14), these were:

- 510 schools that were built with inappropriate structures are being replaced with brand new schools that meet the department's standards of basic functionality.
- 939 schools that previously did not have any access to sanitation will be supplied with a basic level of sanitation.
- 932 schools will get electricity for the first time.
- 1 145 will be provided with basic water supplies for the first time.

Almost a decade since the introduction of the ASIDI programme, the condition of infrastructure and basic service delivery in many schools is still inadequate and delays in infrastructure improvements remain a major obstacle to the realisation of the right to education for millions of learners.

Spending trends

The above historical expenditure allocations to the DBE and more specifically the infrastructure programmes show that allocations, as much as in some instances has lowered, cannot be the absolute blame for how the department has failed to address infrastructure challenges or eradicate pit latrines and mud schools. Below, this analysis will look at two possible contributing factors - underspending and procurement challenges within the sector.

Underspending and annual delivery performance

The quality of basic education is not only determined by the amount of funding provided to the sector but also by national, provincial and local government's capacity to effectively manage the

²²Department of Education, ASIDI programme. Accessed at: <https://www.education.gov.za/Programmes/ASIDI.aspx>

spending of these funds for their allocated purposes. The department acknowledges in its “25 Year Review of Progress in the Basic Education Sector”²³ report that:

“When the capacity to support quality education is limited, the impact of otherwise good policies and programmes is restricted...many feel that the main challenge now is about effective implementation rather than about new or better policies (for example, OECD, 2008).”

The above quotation drives the point home - implementation of current policies and programmes is the problem restricting the department from faring well. The patterns of underspending have become systematic and an annual issue, which can point to capacity issues within the department, especially in the Eastern Cape.

The UNICEF 2019/20 budget brief²⁴ rightly points out that “underspending continues to plague provincial budgets, mainly due to supply chain management problems (procurement) and pressures associated with cash flow challenges. Furthermore, underspending on the...infrastructure development programmes are worrying and must be addressed.”

The above quotation is an appropriate representation of what has taken place with the department of education both nationally and provincially in the Eastern Cape.

Issues of underspending have been particularly prevalent in school infrastructure. The Financial Fiscal Commission (FFC) highlighted the issue of underspending in basic education in a presentation to Parliament’s Joint Meeting of the Portfolio Committee on Basic Education and the Select Committee on Education and Technology, Sports, Arts and Culture (Basic Education Committees) on 3 November 2020²⁵. The FFC noted that on average only 70 per cent of funds allocated to the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) have been spent. This means that, since inception, R4.1 billion rand that was allocated to the initiative for school infrastructure has been lost.

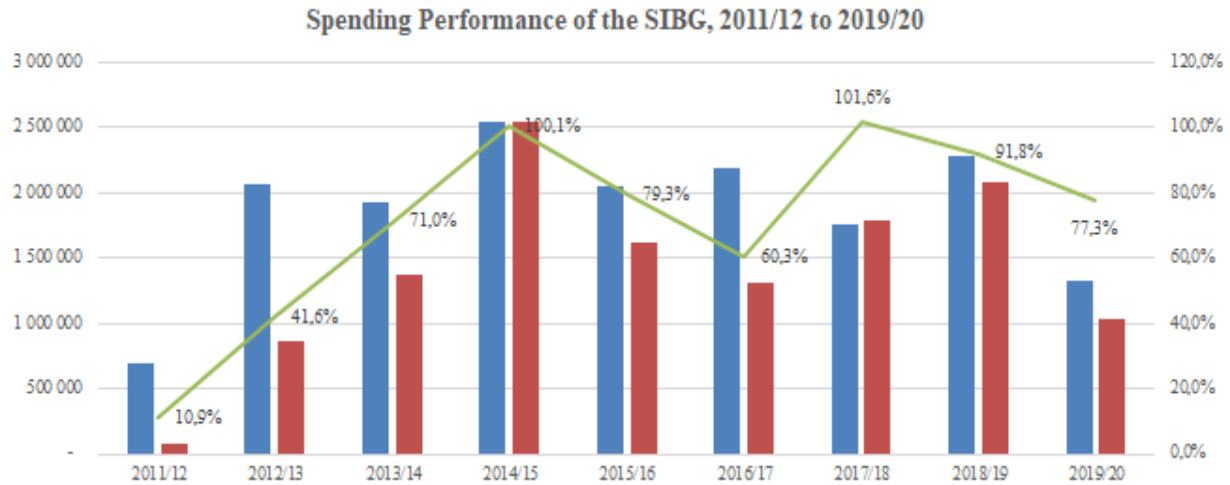
The below graph highlights this trend:

²³ A 25 Year Review of progress in the basic education sector 2019. Accessed at: <https://www.education.gov.za/Portals/0/Documents/Reports/DBE%2025%20Year%20Review%20Report%2019.pdf?ver=2019-12-13-133315-127>

²⁴ UNICEF, Basic Education Brief South Africa 2019/20. Accessed at: <https://www.unicef.org/esa/media/4981/file/UNICEF-South-Africa-2019-2020-Education-Budget-Brief.pdf>

²⁵ The Financial Fiscal Commission (FFC) presentation, Parliament’s Joint Meeting of the Portfolio Committee on Basic Education and the Select Committee on Education and Technology, Sports, Arts and Culture, 3 November 2020 Accessed at <https://pmg.org.za/committee-meeting/31355/>

Figure 1: Spending Performance of the School Infrastructure Backlog Grant 2011/12 - 2019/20



Source: Presentation by FCC to the Basic Education Committee on 3 November 2020²⁶

The SIBG is administered by the national DBE, it was first introduced in 2011 as a three-year programme. As figure 1 above highlights, the programme only managed to spend all funds allocated in the 2014/15 financial year. The other years have proven to be difficult, with the first year only spending 10% of the allocation, with 2019/20 only spending 77.3% of the fund.

Below are the annual allocations, subsequent in-year adjustments and level of underspending of the SIBG since 2016/17:

- In 2016/17, the SIBG was allocated R2,37 billion²⁷– The grant was adjusted to R2,18 billion²⁸ in October, but “due to delays in reaching the required consensus with communities, resulting in delayed implementation of projects that had already been allocated to implementing agents,”²⁹ **the grant was underspent by R490 million.**
- In 2017/18 the allocation was R2,59 billion³⁰ with an October **adjustment of R415 million**³¹ due to the poor spending performance as a result of delays in appointing contractors, finalising the merger and rationalisation of schools in the Eastern Cape and in reappointing contractors where the services of non performing contractors were terminated.

²⁶ The Financial Fiscal Commission (FFC) presentation, Parliament’s Joint Meeting of the Portfolio Committee on Basic Education and the Select Committee on Education and Technology, Sports, Arts and Culture, 3 November 2020 Accessed at <https://pmg.org.za/committee-meeting/31355/>

²⁷ National Treasury, 2016 Division of Revenue Bill. Available at: http://www.treasury.gov.za/legislation/bills/2016/bills2016_bill02-2016.pdf

²⁸ National Treasury, 2016 Division Of Revenue Amendment Bill. Accessed at: [http://www.treasury.gov.za/legislation/bills/2016/Division%20of%20Revenue%20Amendment%20Bill%20\(Bill%2015%20of%202016\).pdf](http://www.treasury.gov.za/legislation/bills/2016/Division%20of%20Revenue%20Amendment%20Bill%20(Bill%2015%20of%202016).pdf)

²⁹ *Ibid*

³⁰ National Treasury, 2017 Estimates of National Expenditure. Accessed at: <http://www.treasury.gov.za/documents/national%20budget/2017/ene/FullENE.pdf>

³¹ National Treasury, 2017 Division Of Revenue Amendment Bill. Accessed at: [http://www.treasury.gov.za/legislation/bills/2017/\[B24-2017\]%20\(Division%20of%20Revenue%20AB\).pdf](http://www.treasury.gov.za/legislation/bills/2017/[B24-2017]%20(Division%20of%20Revenue%20AB).pdf)

- The 2018/19 allocation was R1,47 billion³² this year however, the grant received an **additional R800 million** in the October budget³³ “for the completion of school infrastructure projects where plans have already been approved and are ready for implementation. This addition seeks to accelerate the pace of delivery of safe school facilities.”
- In 2019/20, the SIBG was allocated R2,02 billion³⁴ which was adjusted to R1,98 billion³⁵ in October, a **R40 million decrease** which was unspent due to the slow implementation of projects to provide water and sanitation facilities at schools.
- In February 2020, the SIBG was allocated R1,73 billion³⁶ for the 2020/21 financial year. Due to the Coronavirus pandemic, this allocation was increased by an overall R540 million to meet water and sanitation needs in schools.

From the above analysis, the programme has been met with spending issues. The key drivers have been in some cases; implementing agents not delivering, therefore having to be replaced which delayed projects. There have also been issues with communities and not getting the required by-in and in others, general slow implementation in the delivery of new schools and the supply of water and sanitation facilities at schools.

As stated above, this was an initial three-year, short term programme which is still being rolled-out in 2021 with targets being far from being met.

Underspending does not happen in a vacuum and has other implications - like lower allocations in the following year due to the department’s inability to use the funds. This also means that there are millions of learners who go without proper school buildings and access to water and sanitation.

The implications of unspent funds go beyond a slow roll-out of delivery programmes and in the case of infrastructure - schools and basic services. Underspending compromises the ability of the DBE to realise learners' right to basic education. In particular underspending of school infrastructure grants undermines the department's ability to meet the Minimum Norms and Standards. Underspending also makes it harder to advocate for money to be allocated to basic education, if it is unable to spend the funds that are already provided. Eradicating underspending

³² National Treasury, 2018 Estimates of National Expenditure. Accessed at: <http://www.treasury.gov.za/documents/national%20budget/2018/ene/FullENE.pdf>

³³ National Treasury, 2018 Division Of Revenue Amendment Bill. Accessed at: [http://www.treasury.gov.za/legislation/bills/2018/\[B34-2018\]%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2018/[B34-2018]%20(Division%20of%20Revenue%20Amendment%20Bill).pdf)

³⁴ National Treasury, 2019 Estimates of National Expenditure. Accessed at: <http://www.treasury.gov.za/documents/national%20budget/2019/ene/FullENE.pdf>

³⁵ National Treasury, 2019 Division Of Revenue Amendment Bill. Accessed at: [http://www.treasury.gov.za/legislation/bills/2019/\[B15-2019\]%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2019/[B15-2019]%20(Division%20of%20Revenue%20Amendment%20Bill).pdf)

³⁶ National Treasury, 2020 Estimates of National Expenditure. Accessed at: <http://www.treasury.gov.za/documents/national%20budget/2020/ene/FullENE.pdf>

is also a complex problem which requires internal work to be done within the DBE and grant structures in order to build capacity for planning and implementation of projects.

Procurement: failures and impact of social sectors

According to the World Bank³⁷, public procurement is a necessary strategic development instrument to promote good governance and to embed the effective and efficient use of public resources, which ultimately results in higher levels of service delivery. Given the ever-increasing focus on sustainable development, the role and focus of public procurement has evolved from a predominantly technical and administrative process to a series of processes built around efficiency, transparency and accountability in using public resources. In pursuit of better development outcomes and economic growth, sound public procurement and management of contracts are essential³⁸.

Public procurement encompasses a broad spectrum of activities within government entities towards delivery of public services and goods. These interventions are either directly or indirectly aimed at the government's social and political aims and range from “routine items to complex development and construction projects.”³⁹

Value for money for the taxpayer can therefore only be achieved by means of effectively managed, carefully planned and well-executed procurements⁴⁰. In doing so, optimum utilisation of scarce budgetary resources is guaranteed. In recent years, the effective use of state funds for procurement purposes has increasingly been posited to be a lever for improving the efficiency and effectiveness of public spending. Currently, the government procurement budget exceeds its employee compensation budget. At around R926 billion in 2018, public procurement accounts for approximately one fifth of South Africa’s gross domestic product (GDP)⁴¹ - making it a pivotal area for oversight and transparency.

The South African public sector supply chain management (SCM) has become a popular topic for discussion and debate amongst management practitioners and public policy researchers. This focus is largely a result of the increasing emphasis on the role of public SCM in the fulfilment of the socio-economic imperatives set by the government. Starting in 1995, a South African public procurement reform initiative focused on addressing two main aspects, firstly the “promotion of the principles of good governance”, and secondly, the introduction of a “preference system to

³⁷ World Bank. Procurement for Development. 2020, pp. 1–4. Accessed at:

<https://www.worldbank.org/en/topic/procurement-for-development>

³⁸ *Ibid.*

³⁹ Ambe, I.M.; Badenhorst-Weiss, J.A. Procurement challenges in the South African public sector. J. Transp. Supply Chain Manag. 2012, 6, 243–261. Accessed at:

<https://jtscm.co.za/index.php/jtscm/article/view/63>

⁴⁰ Mazibuko, G.; Fourie, D.J. Manifestation of unethical procurement practices in the South African public sector. Afr. J. Public A. 2017, 9, 106–117.

⁴¹ Brunette, R.; Klaaren, J. The Public Procurement Bill Needs Muscle to Empower Whistle-Blowers.

The Daily Maverick. 5 March 2020. Accessed at: <https://www.dailymaverick.co.za/article/2020-03-05-the-public-procurement-bill-needs-muscle-to-empower-whistle-blowers/>

address specific socio-economic objectives". The reform was underpinned by the introduction of various legislative measures, such as the Public Financial Management Act (PFMA) and the Preferential Procurement Policy Framework Act (PPPFA).⁴²

It is under the aspect of socio-economic objectives that procurement practices form an important part of this submission.

During a moment of crisis reliance on procurement may increase in order to meet or respond to unexpected needs. This was the case in March 2020 when the country went into lockdown due to the Coronavirus pandemic. In order to curb the spread of the virus, President Cyril Ramaphosa announced a national lockdown beginning on [26 March 2020](#). Related regulations were subsequently issued in terms of Section 27(2) of the Disaster Management Act, 2002.⁴³

COVID-19 procurement issues

The COVID-19 pandemic was an opportunity for the South African government to double down on service delivery, prioritise school infrastructure and permanent basic services like water, sanitation and electricity. However, when the [R500 billion COVID-19 relief package](#), R130 billions of which was reprioritised from the existing national budget of February 2020, was announced - public procurement was the key vehicle in which most departments were to respond.

In order to meet the envisioned need for personal protective equipment (PPE) and other resources needed to prepare the public sector to deal with the virus - National Treasury issued an Instruction Note 8 of 2019/20⁴⁴ which relaxed public procurement measures in order to deal with the state of disaster. This measure was to speed up the procurement of goods/ commodities required to reduce and control the spread of the virus.

This urgency was however met with opportunism which resulted in President Ramaphosa tasking the Special Investigations Unit (SIU) with investigating irregular expenditure on COVID-19 procurement practices. This included procurement and provision of contracts for PPE, construction funds, infrastructure development, food parcel delivery, ventilators and disinfecting equipment. According to a SIU briefing on 19 August, more than R5 billion in questionable COVID-19 tenders were being investigated.⁴⁵

⁴² David Fourie and Cornel Malan, "Public Procurement in the South African Economy: Addressing the Systemic Issues". Accessed at: <https://doi.org/10.3390/su12208692>

⁴³ Disaster Management Act, 2002. Accessed from: https://www.gov.za/sites/default/files/gcis_document/202003/regulations.pdf

⁴⁴ National Treasury Instruction 08 2019-2020. Emergency Procurement in response to National State of Disaster. Accessed at: https://www.saica.co.za/portals/0/documents/Att%20D%20National%20Treasury%20Instruction%2008%202019_2020.pdf

⁴⁵ Refer to SIU briefing to Standing Committee on Public Accounts, 19 August 2020 <https://pmg.org.za/committee-meeting/30873/>

The SIU investigated a range of allegations across most provinces in South Africa, however, the National focus was on⁴⁶:

- Procurement of PPE's
- Irregular process followed
- Awarding contracts to officials and friends
- Unemployment Insurance Fund (UIF)
- Supply of Water Tanker to Schools
- Infrastructure and Installation

The slides below indicate the amounts of public funds under investigation:

LIST OF MATTERS UNDER INVESTIGATION

No.	Province	Departments/ Entities under investigation	Number of companies/ contracts	Amount Involved
1	Gauteng	Department of Health	157	R2.2 billion
2	KZN	Department of Social Development	22	R43.6 million
		Department of Education	57	R514 million
3	Eastern Cape	Department of Health	239	R622.4 million
		Department of Education	1	R740 million
		Department of Labour	2	To be established
		Nelson Mandela Bay Municipality	1	R680 00
		O.R Tambo Municipality	1	R4.2 million
		Department of Public Works		
		- Infrastructure projects	81	581 million
		- Goods and services	24	2.4 million
		Mhlonto Municipality	1	To be established
4	Western Cape	Matzikama Local Municipality	1	R400 000
		Laingsburg Municipality	1	R400 000
		Provincial Department of Health	1	R9 000 000
		Provincial Department of Education	1	R111 826 721.55
		Department of Agriculture, Fisheries and Forestry	1	To be established

⁴⁶ *ibid.*

No.	Province	Departments/ Entities under investigation	Number of companies/ contracts	Amount Involved
5	Limpopo	Sekhukhune District Municipality	8	R26.3 million
6	Mpumalanga	Department of Health	6	R 18 948 023.33
7	North West	JB Marks Local Municipality;	5	R11.4 million
		Ratlou Local Municipality;	7	R141 986.97
		NW Department of Health;	1	R8 million
		NW Department of Education;	1	To be established
		NW Department of Social Development	1	R8 445 936.90
8	Free State	FSP Provincial Treasury	10	R46 million+
9	Northern Cape	Kareeberg Municipality	2	Unknown
10	National Departments	Department of Labour (UIF)	1	To be established
		Department of Education	1	R40 million
		Department of Defence	1	To be established
		Department of Public Works	1	R40 435 914.98
		Department of Correctional Services	22	R53.9 million
Total			658	5,083,478,584

A total of **over R5 billion** was mismanaged over the course of four months - proving the corruption landscape government currently operates within.

Auditor-General South Africa Special Reports Audit Outcomes

On request of the President, the AGSA undertook a real time audit of 16 of the key Covid-19 initiatives introduced by the government and the management of R147,4 billion of the funds made available for these initiatives. In the offices media statement at the release of the first report, then Auditor-general (AG), Kimi Makwetu, reported that the relief package redirected by government as a response to the Covid-19 pandemic, “landed in a weak control environment”⁴⁷

In 2020, the DBE was allocated R5.6 billion to meet the demand for PPE, emergency water and sanitation across select schools in South Africa. However, by 30 September 2020, only 34%⁴⁸ of appropriated funds were spent.

⁴⁷ Auditor-General South Africa, 2020 Covid-19 Media Release. Accessed at:

<https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Covid-19%20Special%20report/2020%20Covid-19%20Media%20Release%20FINALISED.pdf>

⁴⁸ Auditor-General South Africa, Second special report on the financial management of government's covid-19 initiatives. Accessed at: [https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Covid-19%20Special%20report/Second%20special%20report%20on%20financial%20management%20of%20government's%20Covid19%20inititatives%20-%20FINAL%20PDF%20\(interactive\).pdf](https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Covid-19%20Special%20report/Second%20special%20report%20on%20financial%20management%20of%20government's%20Covid19%20inititatives%20-%20FINAL%20PDF%20(interactive).pdf)

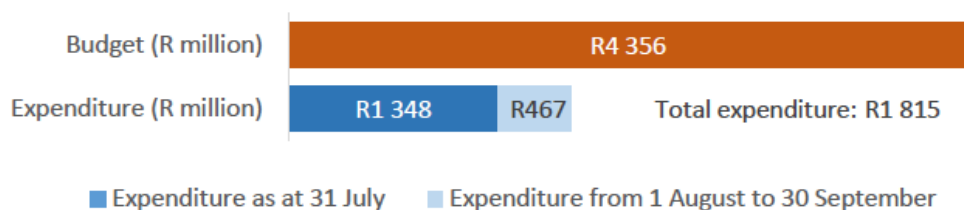
The first in a series of Special COVID-19 audit reports by the Auditor General’s Office highlighted various problems related to COVID-19 procurement for schools which included delays in the delivery of water tanks, PPE and related materials:

“The water supply initiative is behind schedule – the planned installation date for tanks across 3 401 informal settlements was the first week of May 2020 but by 31 July 2020 only 69% were reported to have been installed. The Department of Education only transferred the first funds to Rand Water by 26 May 2020, which delayed the start of the emergency response. The delayed start and pressure due the reopening of schools resulted in corners being cut in the installation of water tanks and the design specifications for foundations and hydraulics not always being followed.” - Office of the Auditor-General

While some of these problems emerged as a consequence of the emergency of COVID-19 - many of the problems reflect existing systemic problems.

The second report published in December 2020, showed DBE spending was still falling behind even during a pandemic. Below are screenshots as published by the AGSA⁴⁹:

PPE budget and expenditure



Supply of PPE to school was so slow, that by 30 September, only R1.8 billion of R4.3 billion was spent. This has significant implications to schools who end up having to spend their own funds to supply PPE to learners and staff or the burden lie on families who were already under strain.

Emergency water and basic sanitation services budget and expenditure



⁴⁹ Ibid,

Water and sanitation - critical services in the fight against COVID-19 were slowly delivered, with R160 million spent against an allocation of R1.3 billion. This amount could have been used to supply permanent solutions instead of these temporary rollouts.

Based on the importance of procurement practices in the provision of services to the public sector and the delivery of socio-economic rights, Parliament has an obligation to ensure that National Treasury and the Office of the Chief Procurement Officer make procurement and spending information publicly available.

Zero-Based Budgeting

In the June 2020 Supplementary Budget, Minister Mboweni first introduced the concept of zero-based budgeting “which will be applied as a series of overlapping evaluation exercises targeted at large programmes.”⁵⁰ What this means as highlighted by national treasury in a response to Parliament is,

*“a zero-based budgeting process for the whole of government is not proposed in the present circumstances...[as] complexity of zero-based budgeting make it impractical. However, in depth analysis of departmental budget baselines is conducted annually where nonrecurrent allocations are removed from baselines prior to consideration of increases or decreases. **The aim is not only to focus on costing of programmes, but to encourage departments to constantly review their budget baselines and make the necessary trade-offs between different ways of delivering on programmes within limited resources.** Departments are expected to conduct zero-based budgeting for new programmes/projects or initiatives, and in periodic reviews of existing programmes.”⁵¹*

What is zero-based budgeting?

Zero-based budgeting (ZBB) is a concept that looks at each line-item on a budget and related activities from scratch. In principle it has been reported that when done well - ZBB can provide and drive significant, sustainable savings and enables efficient resource allocations. What ZBB requires is justification for all expenditure on a programme - the department's existence, their activities, way of working, and their expenses are all put under review. The planning stage always starts from zero and requires the cost and benefit of every activity to be placed under the microscope.⁵²

⁵⁰ 2020 Supplementary Budget Speech. Accessed at:

<http://www.treasury.gov.za/documents/national%20budget/2020S/speech/speech.pdf>

⁵¹ National Assembly Question For Written Reply Question Number 3533 [Nw4237e]. Accessed at:

[http://www.treasury.gov.za/publications/other/MinAnsw/2011/Reply%20to%20PQ%203533%20\[NW4237E\].pdf](http://www.treasury.gov.za/publications/other/MinAnsw/2011/Reply%20to%20PQ%203533%20[NW4237E].pdf)

⁵² Zero-based Budgeting: A Practical Understanding. Accessed at:

<https://www.accountancysa.org.za/zero-based-budgeting-a-practical-understanding/>

The objective is to review, justify and control all planned expenditure so that money will only be spent if and when it is needed. The hoped-for outcome: money will only be spent on the immediate needs of each department for the coming year

Below are some principles/common steps to successful ZBB⁵³:

a. Understand what you are spending now

What's critical in this step is understanding how much each department is spending now, on what, with which suppliers, for what purposes.

b. Question everything you are doing now

Under this step, department heads will be required to:

- Explain how each line-item in their department budget contributes to the department's purpose and mission
- Explain why each programme or activity should exist, its benefits, perceived value and its costs

When deciding on priorities, the reviewers will question whether:

- The organisation needs the particular activity at all
- The scope of the activity should be reduced (trim the fat)
- It should be done internally or contracted out
- The same end result could be achieved in a more effective way, and
- Objectively – how much should it reasonably cost to deliver this service?

c. Decide what you are going to change

ZBB forces choices on where to spend or, more accurately, where not to spend. Making the actual spending decision is the hardest part of ZBB. During the analysis you are likely to find several cost-saving opportunities which are also good projects and have merit. Someone must decide which projects to fund and which projects to delay or re-scope.

From the above, there are some good benefits to a process of evaluating public expenditure and seeing if programme offerings within governments are still relevant to the country in its current form. There are activities that have been in budgets for over 20 years potentially and those can no longer respond to the current climate, ways of working or even technological advancements.

What has been done so far?

⁵³ *Ibid.*

Since June 2020, the National Treasury has been reviewing government spending to improve efficiency. More than 30 spending reviews⁵⁴ across all functions have been conducted. The reviews make use of large data systems to understand service-delivery outcomes, and how these might change under different scenarios. Preliminary findings indicate that:

- Many policies are designed and adopted without considering their total costs and affordability.
- Multiple institutions share overlapping responsibilities or mandates, leading to duplication of work.
- In several high-spending procurement areas, including information and communications technology, and infrastructure, it appears that the government is overpaying for goods and services.

[The Government Technical Advisory Centre's on-line knowledge hub](#) has uploaded the Performance and Expenditure Reports conducted in 2013 across a select few of departments and programmes. This process was initiated by the National Treasury, in partnership with the Department of Performance Monitoring and Evaluation in the Presidency.

PERs involve the close scrutiny of both expenditure and programme performance data, and are widely used for quantifying, assessing and improving the cost effectiveness of public policy and the cost-effectiveness of public spending. They are also used to cost the implications of legislative changes and policy choices. In cases in which policy is weakly formulated or institutions are not properly aligned for the achievement of programme objectives, policymakers use their findings to reconfigure policies, institutions and activities. In this way, PERs help improve budget planning and reporting.

The 2021 Budget Review states the below in support of ZBB⁵⁵:

“South Africa does not get good value for money in public spending. Waste and inefficiency reduce developmental impact and become a glaring problem in the context of limited state resources. In April 2020 the government launched a series of spending reviews, 30 of which have been conducted to date. They have highlighted significant restructuring opportunities – including merging or closing entities to reduce duplication of functions – and noted massive inefficiencies in some infrastructure programmes. The reviews have revealed the limits of incremental budgeting, especially where technology has the potential to transform service delivery. And they have observed cases where guaranteed budget increments create perverse incentives to enter into contracts that have high unit costs for the delivery of certain services.”

⁵⁴ National Treasury, 2020 Medium Term Budget Policy Statement, Chapter 4. Accessed at: <http://www.treasury.gov.za/documents/mtbps/2020/mtbps/Chapter%204.pdf>

⁵⁵ National Treasury, 2021 Budget Review, Chapter 1: Renewing The Economy And Restoring The Public Finances. Accessed at: <http://www.treasury.gov.za/documents/National%20Budget/2021/review/Chapter%201.pdf>

These reviews will help improve the efficiency of spending as part of adopting zero-based budgeting principles. During 2021/22, the Department of Public Enterprises and the National Treasury will be the first departments to pilot a new budgeting methodology, with the intention of producing significantly re-costed budgets from 2022/23.”

Given the realities of public spending by the South African government, the introduction of a process that requires project justification can be worthwhile. ZBB and the PERs can therefore be positive for meaningful expenditure management in South Africa, however, there are concerns that this process is usually introduced by a government looking to justify cutting public expenditure as has been the case in South Africa over the past few years under sustained austerity.

If the use of ZBB is to cut on service delivery cost and social services, then Parliament needs to scrutinise the process and ask for transparency from the National Treasury at every turn. There needs to be public publication and education on the treasury's approach as well as updates on which departments and what programmes are under review.

In reality, analysis by Peter Attard Montalto⁵⁶ reminds us of the current state of the budget -

“There is substantial ring-fencing (in the budget) – of around 62.8% that cannot be touched... Of this, 32.7% is public sector employment levels; debt service costs are 12.7%; and 17.4% for social security grants. If one starts considering political ring-fencing of things like non-wage related higher education, health and education spending (approximately 12.1% in total) then we get up to 74.9% of the medium-term expenditure framework (MTEF) is ring-fenced,”

This leaves only R450 billion approximately to see zero-based budgeting applied to – a large part of which is infrastructure as well as core administration costs at various levels of government.

The Parliamentary Budget Office had the below as a way to show the advantages and disadvantages in their presentation to the Committee last year August⁵⁷:

⁵⁶ <https://businesstech.co.za/news/finance/417457/the-big-problems-with-treasurys-zero-based-budgeting-plan/>

⁵⁷ Presentation to Parliament

ZBB advantages and disadvantages

In instances where government has established processes for conducting regular programme-effectiveness reviews on a periodic basis, ZBB could be disruptive, potentially to a prohibitive degree

Advantages	Disadvantages
<ul style="list-style-type: none"> • Budget that is well justified and aligned to strategy; • Catalyse broader collaboration across an organization; • Support savings by encouraging active resource allocation; • Increase government efficiency; • Improve public support through perceived increases in transparency and accountability; 	<ul style="list-style-type: none"> • Costly, complex and time consuming: has to be rebuilt from scratch; • Cost-prohibitive for departments with limited funding; • Risky when potential savings are uncertain; • Execution could be derailed by budget cycle timing constraints; • Requires specialised training of personnel to accomplish; • Challenge for public-sector organisations with limited funding; • Face extreme constraints relating to their ability to complete ZBB within a budget cycle • ZBB prioritization process may be problematic for departments with intangible outputs to which it is difficult to assign a monetary value • Presents problems for the credibility of a medium term ¹⁶ budget framework

In order for ZBB to be effectively implemented in South Africa, the following needs to be in place⁵⁸:

1. **Resources.** ZBB is far more resource intensive than traditional budgeting, and the current (historic) resource allocation for the budgeting exercise would have been aligned to traditional budgeting, so resource allocation will need to realign to a ZBB approach.
2. **Training.** Government employees that typically worked on budgets in the past as well as those supporting perhaps for a fixed term need to be trained on how to execute their work to support a ZBB approach.
3. **Technology adoption.** Finally, even if we look beyond the technology requirements linked to the training needs, there will also be technology requirements (software and hardware) post the ZBB training and into the ZBB execution phase.

Finally - we reiterate the call made in November 2020 for a cautious but open process to implementing such a policy. Zero-based budgeting has been shown to have some advantages and a multitude of potential disadvantages. Despite calls for the National Treasury to outline the efforts to be taken to ensure adequate participatory and transparent processes to meet the demands of zero-based budgeting - very little additional information has been provided in this regard. It is also vital for clarity to be provided on efforts to address the very real institutional capacity constraints across the public service in the face of a such an intensive programme.

⁵⁸ <https://iqbusiness.net/zero-based-budgeting-and-the-promise-of-leaner-government-spending/>

Key Recommendations

The International Budget Partnership released its findings on the rapid assessment on COVID-19 funds management⁵⁹, below are some key recommendations that could be useful to the Committee to consider especially for oversight in times of crisis:

Recommendation 1: Act now to strengthen accountability in ongoing responses to the COVID-19 crisis.

Based on our findings, it is imperative for governments to take immediate action on a set of measures to address the accountability shortcomings in their COVID-19 fiscal policy responses. The measures use existing data and resources, and include:

- a. Publishing monthly progress reports on policy implementation (or regularly updating implementation information on web portals) including data and analysis on budget execution and performance, disaggregated by impact on disadvantaged groups, including women and girls,
- b. Disclosing all details related to procurement contracts linked to emergency spending, wherever possible in open formats
- c. Empowering and resourcing SAIs to conduct expedited audits on emergency spending programs, and ensuring governments take remedial measures in response to audit findings,
- d. Restoring the role of legislatures as keepers of the public purse, including approving expenditures, consulting with the public and interest groups, monitoring policy implementation and following up on audit findings, and,
- e. Putting in place adequate mechanisms for citizen participation in the formulation, approval, and execution of additional emergency fiscal policy packages. These can include mechanisms used by the executive, legislature and SAI.

⁵⁹ International Budget Partnership, Managing COVID Funds: The Accountability Gap. Accessed at: https://internationalbudget.org/covid/wp-content/uploads/2021/05/Report_English-2.pdf

Recommendation 2: Strengthen capacities and basic systems for accountability in the annual budget cycle, to be better prepared for future crises.

Findings show that countries with stronger budget systems are generally better able to maintain sound accountability practices during the pandemic. These include assessing performance and impact, producing disaggregated information by gender and other dimensions, and disclosing contracts.

Strengthening such systems during normal times is therefore very important. However, it is also clear that some adjustments are necessary to make budget accountability systems more resilient to periods of crisis.

To this end, governments can:

- a. Introduce and/or review and update the legal and regulatory framework to clarify roles, responsibilities and approaches to be adopted during times of crisis, for example in the areas of resource management, procurement, oversight and participation.
- b. Integrate innovations and good practices that emerged during the COVID-19 crisis—such as user-centred information, enhanced procurement transparency or innovative monitoring and auditing practices—into regular budget processes and procedures going forward.