

**AN ASSESSMENT OF SPENDING PATTERNS OF
PROVINCIAL DEPARTMENTS OF THE NORTH WEST
PROVINCE**

by

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Declaration

I declare that the Master's dissertation, which I hereby submit for the degree Master of Business Administration at the Graduate School Business and Government Leadership North West University, is my own work and has not previously been submitted by me for a degree at another university.



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ABSTRACT

The North West Province like any other province in South Africa receives transfers from national government, which get distributed accordingly to provincial departments. However, some provincial departments in the North West over the years have not been spending all the monies allocated to them by the provincial treasury. These monies are meant for the development of the province and consequently addressing of socio-economic ills that confronts the province. This study recognised this as a critical concern that warranted inquisitiveness. Whether this behaviour, namely, underspending could be predicted and consequently prevented was not clear and thus gave rise to this study. The purpose of this study, therefore, was to establish whether under-spending provincial departments and fully-spending departments, respectively, displayed a specific spending pattern throughout the financial year.

Data necessary to conduct this study was collected from Quarterly Provincial Expenditure Reports and Annual Reports of provincial departments of the North-West Provincial Government. The collected data was analysed by means of ratio analysis. The research results revealed that under-spending provincial departments and fully-spending departments, respectively, displayed spending patterns throughout the financial year, that are distinct to that of each other. The study further revealed that under-spending departments followed a slow pattern of spending. The converse was revealed for fully-spending departments. The study went on to suggest a blueprint pattern of spending that could be followed by departments throughout the financial year.

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CHAPTER 1

SCOPE AND SIGNIFICANCE OF THE STUDY

1.1 Introduction

With the advent of democracy in 1994, the African National Congress (ANC) led government established three spheres of government, namely, National, Provincial and Local, each with distinctive functional responsibilities yet inter-dependent and inter-related (The Constitution of the Republic of South Africa, Act 108 of 1996). The decentralised governance model was seen as a way to facilitate and expedite service delivery and promote national development objectives. In order to achieve this, governments in all three spheres are allocated funds in terms of the Division of Revenue Act (DORA) as required by the Constitution of South Africa (CSA). This fund allocation to the three spheres takes into account the powers and functions assigned to each sphere. The allocated funds are then expended on programmes in order to provide basic services to communities, thereby improving their living conditions.

This study focused on the provincial sphere of government, and paid particular attention to the spending patterns of provincial departments of the North-West Provincial Government (NWPG) in order to determine whether under-spending by anyone of them could be predicted and thus curbed. The focus on the said sphere was on the back of the following considerations:

- Provincial Government is the middle sphere of government that is a conduit of activities between national and local government;
- It is charged, constitutionally, with the responsibility of making sure that local government delivers on its mandate; and
- It resides with a significant proportion of government expenditure on service delivery in the areas of both primary and secondary education and health.

This chapter is organised as follows: it starts with a brief background to the study, followed by the problem statement and the underlying research objectives of the study which are presented in section 1.3 and 1.4 respectively. The key research questions are asked in section

1.5. The significance of the study is provided in section 1.6. The methodology and design of the study is given in section 1.7. The hypotheses and limitations of the study are presented in section 1.8 and 1.9 respectively. Section 1.10 defines terms relevant to the study. A summary of the chapter is provided in 1.11.

1.2 Background

Section 214 (1) of the CSA requires that every year the DORA determines the equitable division of revenue raised nationally between provincial spheres and other spheres of government. In meeting the requirements of the CSA, the Minister of Finance – whose powers are derived from the Public Financial Management Act 1 of 1999 (PFMA) – tables the annual budget in February each year. Subsequent to the tabling of the national annual budget, and not later than two weeks after the tabling of the national annual budget, the Member of Executive Committee responsible for finance in respective provinces is required by the PFMA to table the provincial annual budget. The annual budget outlines how government will raise revenue and how it will be spent (National Treasury, 2004). It also condenses the vision and strategies outlined in the government Strategic Plans and Annual Performance Plans into a specific implementation plan for a financial year (Anonymous, 2012).

The Strategic Plan sets out the institution's policy priorities, programmes and project plans for a five-year period, as approved by its executive authority, within the scope of available resources. The Annual Performance Plan, on the other hand, sets out what the institution intends doing in the upcoming financial year and during the Medium Term Expenditure Framework to implement its Strategic Plan (National Treasury, 2010a). These plans are dependent on the availability of funds for them to come into fruition. Therefore, these plans could remain merely plans until funds are allocated towards their achievement.

Even though the governance model is decentralised, the revenue side of government is fairly centralised, in that, provincial governments collect very little revenue and the income raised within the province typically amounts to less than 5% of the provincial budget (Ajam and Aron, 2007). The dependency of provincial governments on transfers from the national government to fund their programmes is therefore high. Provincial governments receive

conditional grants which are earmarked for pre-specified purposes, such as health, infrastructure, housing and social development, and non-earmarked grants which are referred to as equitable share grants (Ajam and Aron, 2007). The amount of conditional grants that a given province receives depends on a range of social and economic indicators, whereas the equitable share largely depends on the population size of the province.

Provinces in South Africa are faced with serious political, social and economic problems, with the viability of the new democracy being threatened by bureaucratic incapacity, the inability of the state to make meaningful progress in deracialising the economic system, and its failure to alleviate the widespread poverty and social deprivation inherited from apartheid (Terreblanche, 2002). The apartheid system was heavily biased towards providing health, education and housing services to the white minority, to the detriment of the black population who were denied the opportunity of accumulating human and physical capital (Alebiosu, 2005). The deprivation of basic services to the majority had resulted in an extensive backlog that may still be evident nearly two decades after the abolishment of apartheid policies.

According to Dollery (2003), inequalities persisted for an extended period of time in South Africa, and the effects thereof are still being felt, even post 1994. While acknowledging that significant improvements have occurred in the construction of new houses, the provision of essential services, like electricity and water, the extension of medical care and the expansion of the state-funded school feeding schemes, Terreblanche (2002) nonetheless contends that ‘unfortunately, there is a dark side to many of the bright things that have been accomplished since 1994’. The author further states that this includes the fact that many of the houses built are of poor quality and many of the electricity, water and telephone connections are cut off every month because users cannot afford to pay for them. While annual housing production was over 250 000 units and over 2.4 million housing units built in the last 12 years, the backlog was a staggering 2.2 million as at 2007 (Van Vuuren, 2007). In the same breath, Zuma (2012) observes that although a lot has been achieved in the extension of basic services since 1994 in turning South Africa around, much more still needs to be done.

While it is acknowledged that the steady, and in some cases not visible, progress of addressing deep-rooted social and economic ills that were entrenched over a number of centuries could not be addressed in just less than two decades, the Financial and Fiscal Commission (2011) identified under-spending as perpetuating poverty, and hampering

efficient and sustainable service delivery. Mukotsanjera and Giya (2009) also observed that the under-spending of funds allocated to service provision has been cited as one of the causes of slow progress in providing certain services. This under-spending of funds, that are immediately available to build infrastructure and provide for certain essential services could adversely affect the addressing of social and economic ills that continue to plague the communities in the provinces. This is a critical concern as it hampers the development and improvement of living conditions of communities and the provinces at large.

1.3 Problem Statement

In the face of the dissatisfaction of communities and many other affected groups, it is common to hear that there are insufficient resources to deliver the desired services, or to meet the demands of every community in South Africa (Skenjana, 2011). The author further states that this is in spite of disappointing reports of departments taking money back to Treasury at the end of each financial year – monies meant to facilitate the delivery of the very same services whose nonexistence elicits dissatisfactions which are sometimes expressed through violent protests.

Year after year, provincial government departments are allocated money to fund their programmes that are geared towards the improvement of the lives of communities. The provincial departments of the North-West Province (NWP) are not different from this. The province also receives the money and distributes it accordingly. However, some provincial departments in the NWP have over the years failed to spend all the monies allocated to them by the provincial treasury. In the 2010/2011 financial year, the NWPG's total allocation was R22.43 billion. Out of this, the province managed to spend only 97%, resulting in more than R500 million not being spent, with the Department of Sports, Arts and Culture being the main culprit, followed by the Department of Human Settlement which only spent 79% and 88% of their budget allocations respectively (Department of Finance, 2011). Funds that are meant to provide services that communities of NWP are in dire need of, end up being 'unspent' and thus returned to the national pool, and consequently redirected to other provinces that could perhaps use the funds effectively. Thus this makes the opportunity cost, of not spending funds transferred by national government, enormous.

Under-spending is a particular concern when taking into consideration that service delivery is poor in the Southern Africa. This bears down to the issue of competency in government, not only to manage the public service but also to render services to the citizens of the country (Schoeman, 2008). The persistence of lack of spending of funds allocated to provincial departments could mean that service delivery is stalled and that the socio-economic challenges that confront the communities in the NWP would continue as funds that are geared for such are not spent accordingly. This is a critical problem and begs for urgent remedial action, if the fruits of democracy are to be realised.

1.4 Research Objectives

The general aim of the study is to establish whether under-spending provincial departments and fully-spending departments, respectively, displayed specific spending patterns throughout the financial year. Two specific objectives burgeoned from this general aim, namely:

- The evaluation of how a particular spending pattern contributed to whether or not a department under-spent or fully-spent its budget allocation, and
- To assess how a particular spending pattern could signal imminent under-spending.

These objectives are explored at length in chapters 2, 4 and 5, and chapters 4 and 5 respectively. Setting these objectives was imperative for this study, as it proved to be an effective way of ensuring that the study is headed in the right direction, and places the work of the researcher within a relevant context.

1.5 Research Questions

The overarching question to be answered in this study can be formulated as: “Is under-spending by provincial departments predictable and preventable?”

In order to find answers to the main research question, the following sub-research questions are posed:

- Are there similarities in the spending patterns of departments that have under-spent on their budget allocation?
- Are there similarities in the spending patterns of departments that have fully-spent their budget allocation?
- Are there characteristics that were common among the departments that had under-spent and those that had fully-spent their budget allocation, respectively?

1.6 Importance of the Study

The findings of this study could be useful in providing early warning signals to the Department of Finance regarding departments that show signs of looming under-spending. Secondly, the Department of Finance, given that it is charged with the responsibility of managing the finances of the provincial government, could determine if departments are effectively utilising financial resources allocated to them and thirdly, the North-West Provincial Legislature, with its oversight function, could establish which departments require rigorous oversight and possibly interventions.

1.7 Research Design and Methodology

The research design comprises a literature analysis, representative sampling and data analysis.

1.7.1 Literature Analysis

The first part of the research involves a literature survey in the form of a descriptive research. A literature study is conducted to review firstly, the development and historical background of provincial spending with a view of gaining an understanding of how it has evolved over time. Secondly, the background of service delivery and the correlation thereof with provincial spending and thirdly, a literature review to define and explain descriptive terms used in the study as well as the objectives and uses of a financial analysis. A literature review

of the topic being studied as well as its related aspects had been sourced from a wide range of books, professional journals, theses, dissertations and technical reports.

1.7.2 Representative Sampling

One of the most important considerations in any analytical study is to collect accurate information or data on the domain of the phenomena being investigated. A number of provincial departments in the NWPG have been under-spending on their budget allocation over a number of years.

The study includes a list of four (4) provincial departments in the NWPG that have received national transfers between 2007 and 2012. Information about provincial departments that meet the criteria of this study was sourced from the provincial treasury and the annual reports of the individual provincial departments.

The provincial departments were individually analysed and summarised into two groups based on the results of the analysis. Group one consisted of provincial departments that had under spent on their budget allocation. Group two consisted of provincial departments that had spent all of their budget allocation. Critically worth noting is that, the study focused on under-spending departments as well as those that had spent their entire budgets. For this reason, the departments used over the period of analysis differed. The aim was to maintain, throughout the period of analysis, a number of under-spending departments of two and a number of those that had spent their entire budget allocations of two, notwithstanding that, not the same departments under spent or spent their entire budgets every financial year.

1.7.3 Data Analysis

The provincial departments were firstly individually analysed then subdivided into two groups based on the results of the individual analysis. The statistical method used in this study is the arithmetic mean and mode. This method has been used to determine a representative of each relation for the two groups of provincial departments.

The mean values are presented in a tabular format for each group of provincial departments being studied. Further steps include the graphical comparison of the two groups of departments as well as the evaluation and interpretation of patterns. These are followed by the presentation of the research findings and the identification of blueprint spending patterns that can be adopted by provincial departments to effectively spend their budget allocations in line with the findings of the study.

1.8 Hypotheses

This study seeks to confirm or reject the following hypotheses:

- There is a spending pattern that is unique to under-spending departments.
- There is a spending pattern that is unique to fully-spending departments and
- There is a marked difference between the spending patterns of Provincial Departments that had under spent and those that had fully-spent their budget allocation.

1.9 Limitations of the Study

- The study was limited to provincial departments in the NWPG and
- The study used information that was available on the public domain.

1.10 Definition of Terms

In order to be able to establish a firm understanding of the exact subject being researched, it is crucial to define certain keywords and concepts. These include inter alia:

Conditional grants – Funds allocated from one sphere of government to another, on condition that certain services being delivered comply with specified requirements.

Division of Revenue Act, 2011 – Provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2011/12 financial year and the responsibilities of all three spheres pursuant to such division.

Equitable share – means the allocation of revenue to the national, provincial and local spheres of government as required by the constitution.

Executive authority:

- (a) in relation to a national department, means the cabinet member who is accountable to Parliament for that department, and
- (b) in relation to a provincial department, means the member of the executive council of a province who is accountable to the provincial legislature for that department.

Financial year – means the accounting period of the Government starting 1 April and ending 31 March.

MEC for finance – refers to the member of an executive council of a province responsible for finance in the province.

Medium term expenditure framework (MTEF) – refers to the three-year spending plans of national and provincial governments published at the time of the budget.

Public Finance Management Act, No. 1 of 1999 – regulates the financial management in the national government and provincial government and ensures that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively in order to provide for the responsibilities of persons entrusted with financial management in those governments and to provide for matters connected therewith.

For the purpose of this study the Department of Finance and Provincial Treasury has been used interchangeably.

1.11 Summary

In this chapter, a brief background was discussed paying particular attention to the under-spending of funds allocated to the government departments which delayed the rolling out of basic services to the communities. The provincial departments in the North-West Province are not different to this. Some of these departments had been under-spending on their budget allocation. This was recognised as a critical concern that warranted investigation.

This chapter further discussed the problem statement and the underlying research objectives of the study. A sneak on methods and design of the study was provided. The key research questions were asked and the significance of the study was also provided herein. Hypotheses that are to be confirmed or rejected were put forward. Limitations of the study were also brought to the fore.

CHAPTER 2

LITERATURE ANALYSIS

2.1 Introduction

In chapter 1, Under-spending is identified as perpetuating poverty and hampering efficient and sustainable service delivery. It was also gathered, in chapter 1, that a number of provincial departments of the NWPG had been under-spending on their budget allocations. In this chapter, mechanisms underlying provincial spending which could offer assistance in explaining such behaviour are discussed. This chapter begins with an overview of the provincial sphere and continues to give a picture of the NWP and the state of service delivery. Discussion on the theme focal to this study, namely, under-spending, is also detailed in this chapter.

The process of writing a Constitution for a democratic South Africa was arguably the key component of the country's "negotiated revolution" in the 1990s (Sparks, 1994) as cited in Wehner (2000). Deliberations and bargaining processes gave birth to the Constitution of South Africa Act (CSA) 108 of 1996. It describes the country as "one sovereign democratic state" (Section 1) and at the same time establishes "national, provincial and local spheres of government which are distinctive, interdependent and interrelated" (Section 40). Thus the three spheres of government may need to interact with each other so that each sphere is conscious of its respective role and responsibilities, and that of others, in driving national development priorities and to ensure that local needs are considered in national and provincial decision-making processes. According to Rapoo (2005), National government has come to focus greater attention on policy formulation and law making at national level, with the understanding that the provinces participate in these national processes, while the provinces are mainly responsible for implementing these policies and delivery of basic services to citizens. Because the study focuses on the provincial sphere of government for reasons provided in chapter 1, the next section zooms into the provincial sphere only.

2.2 Role of Provincial Sphere

The CSA created nine provinces. These provinces are governed by provincial governments which form the middle layer of government, between the national government and the local government. Chapter six of the CSA establishes the provincial governments and defines the structure thereof. These provincial governments are structured according to a parliamentary system in which the executive is dependent on and accountable to the legislature. In each province the provincial legislature is directly elected by proportional representation and the legislature in turn elects one of its members as premier to head the executive. The premier appoints an executive council (a cabinet), consisting of members of the legislature, to administer the various departments of the provincial administration.

The powers and functions of the provincial governments are circumscribed by the constitution and are enumerated in two schedules namely, schedule 4 and 5. Schedule 4 enumerates areas in which the provincial governments' powers are concurrent with those of the national government, while schedule 5 enumerates areas in which the provincial governments have exclusive powers and responsibilities. Section 40 and 41 of the CSA prescribes a principle of 'co-operative government' whereby all spheres of government and all organs of state within each sphere must co-ordinate their actions and legislation; it also lays down a series of rules for resolving conflicts between national and provincial legislation. This may be necessary in harmonising the decisions and actions of various spheres.

The following are amongst the functional areas enumerated in Schedule 4

- Health services,
- Housing,
- Education (excluding higher education),
- Welfare services,
- Agriculture,
- Urban and rural development,
- Environment,
- Industrial promotion,
- Policing,
- Cultural matters,

- Public transport,
- Regional planning,
- Trade,
- Tourism and
- Public works only in respect of the needs of provincial government departments.

Functional areas listed in Schedule 5 are as follows:

- Abattoirs;
- Ambulance services;
- Archives other than national archives;
- Libraries other than national libraries;
- Liquor licenses;
- Museums other than national museums;
- Provincial planning;
- Provincial cultural matters;
- Provincial recreation and amenities;
- Provincial sports;
- Provincial roads and traffic and
- Veterinary services excluding regulation of the profession.

In addition to these functional areas, Section 139 and 155(6)(a) of the CSA mandates the provincial government to supervise, monitor and support the local authorities within their areas of jurisdiction and where necessary intervene by taking any appropriate steps to ensure fulfilment of certain obligation. In turn, provincial governments are supervised by national government in terms of Section 100 of the CSA. The enumeration of the specific powers and functions of the provinces in the constitution was meant to serve as a constitutional ‘check and balance’ to enhance the security of the provinces with regard to their constitutional powers (Rapoo, 2005). This is captured well in the report by the presidency which highlighted that provincial governments have a daunting task since they need to ensure not only that provincial policy and planning frameworks are aligned with national plans and priorities but also that local government integrated development plans (IDPs) are also harmonised with provincial growth and development strategies and reflect national priorities. In addition, they need to ensure that there is a bottom-up feedback: that provincial department

plans are indeed responsive to IDPs, enabling the IDPs to inform the alignment of policies, planning and budgeting of all three spheres of government (The Presidency, 2008).

Even though the CSA spells out the powers and functions of provincial governments, the actual discharging of these powers and functions may not be a walk in the park. According to Simeon and Murray (2001), the greatest challenge facing the provinces in discharging their duties as outlined in the constitution, has been to develop efficient, honest and effective public administration. They further state that the provinces inherited three sets of problems. First, in a number of cases, they were required to absorb the civil servants who had previously worked for the deeply flawed homeland governments. Second, as they took on responsibility for delivering health care, education and welfare, they were required to amalgamate Bantustan and provincial administrations. Third, large numbers of formerly national public servants were transferred to provincial payrolls. These may have disadvantaged the provincial governments, in that, instead of going forward and concentrating on the rolling out of services, provincial governments may have been required to go back and deal with the set of problems inherited.

Personnel are not the only problem. Provinces have had difficulty building effective administrative structures and processes for management and delivery of services (Simeon and Murray, 2001). A 1997 provincial review report [Cited in (Simeon and Murray, 2001)] on provincial administrations found that provinces were insufficiently focused on delivering services to citizens; management was over centralised; there was too much political interference in administration; strategic planning and organisational design were inadequate; lack of discipline and misconduct were rife; financial management and information systems were inadequate and the civil service was still unrepresentative in terms of race and gender. Simeon and Murray (2001) observed that there was a critical need to increase staff skills, increase accountability and improve control of misconduct. It may be imperative for provincial governments to seek to address these problems in order to build a well functioning government.

2.3 The Situational Analysis of the North-West Province

The North-West Province is mostly rural with low population densities and inadequate infrastructure, especially in the remote areas in the west. The Province contributes about 6.5% to the country's economic growth through its various economic sectors such as mining, agriculture and tourism (Department of Economic Development, Tourism and Conservation, 2010).

According to Statistics South Africa (2012), the NW provincial population is estimated at approximately 3.4 million people in 2010. The report also indicates that adult literacy rate stood at 66.8% as at 2009. Unemployment rate stood at 28.1% during the quarter of April to June 2010.

Prior to 1994, the Province was territorially divided into six areas that made up the 'national state' of Bophuthatswana, part of the so-called independent 'homelands' and the rest of the province was under the separate provincial administrations of the then Cape Province and the then Transvaal (Bradshaw, Nannan, Laubscher, Groenewald, Joubert, Nojilana, Norman, Pieterse and Schneider, 2000). The advent of democracy saw these territorial divisions being invalidated.

Currently, the NWP has 4 district municipalities and 19 local municipalities. The Province initially consisted of 27 municipalities. After the demarcation of cross-boundary municipalities in 2005 and again in 2009 these numbers reduced to 4 districts and 20 local municipalities. In 2011 two of the local municipalities merged bringing the numbers of local municipalities to 19. Approximately 12 000 people are employed by municipalities in the province (Local Government Sector Training Authority, 2010).

The Provincial Government relative to municipalities has more muscle with approximately 71 159 public servants in its employ as at 31 August 2007 (Public Service Commission (PSC), 2007a). These public servants are pivotal in the functioning of provincial government, as their respective and/or joint roles contribute towards the fulfilment of the constitutional mandate of provincial government. The successful fulfilment of the constitutional mandate of the provincial government may be dependent on constant availability of the public servants.

Therefore the absence of these public servants may hinder on successful discharging of the constitutional mandate of the province. According to the PSC (2010), it is of paramount importance that the leave of absence of public service employees is managed properly to avoid lack of capacity which has a negative impact on service delivery. The Commission further indicated that abuse and poor management of sick leave does not only impact negatively on service delivery but also has serious financial implications for government as a whole. Below Table 2.1 shows the total number of sick leave days and cost for the period January 2004 to June 2009 in the Department of Health and Department of Education of the NWP.

Table 2.1: Total number of sick leave days and cost for the period January 2004 to June 2009 in the Department of Health and Department of Education

Department	January 2004 to December 2006		January 2007 to June 2009	
	No. of days	Cost in Rands	No. of days	Cost in Rands
Education	324 258	119 405 344	239 734	113 124 042
Health	123 882	34 149 838	201 514	72 470 441

Source: PSC, 2010

Table 2.1 above shows that during the period January 2004 to December 2006 the number of sick leave days taken were 324 258 and 123 882 and costing R119 405 344 million and R34 149 838 million for Department of Education and Department of Health respectively. The period January to June 2009 was marked by a mixed bag in the trends of the total number of sick leave days taken per level and cost. The Department of Education showed a decrease whilst the Department of Health showed an increase. It is manifested on Table 2.1 that the NWP loses money and days of work on account of sick leave. Therefore, the reduction of the rate of absenteeism and managing the abuse of sick leave may result in availability of capacity that is needed to deliver services to communities in the province.

The NWP is also marked by grievances of the same public servants that are pivotal to the successful fulfilment of its constitutional mandate. The Province had 299 grievances reported in 2008/09 and 269 in 2009/10 (PSC, 2011). These grievances portray unsatisfactory by some public servants on matters pertinent to their work. PSC (2011) pointed out that it is common knowledge that the attitude of employees who are aggrieved in the workplace may

have a negative impact on their performance. Therefore it may be imperative for the province to have in its system public servants that are not aggrieved in order to successfully fulfil their constitutional mandate.

Another element that is worth looking at is the administration leadership in the public service. Administration leaders, known as heads of departments (HoDs), are the main drivers of the administrative machinery of government (PSC, 2010). The Commission further pointed out that these administrative heads of departments in the Public Service drive the implementation of government programmes and strategic objectives.

Administration leadership can be said to be a key component in the organisation and its effect can shape or break the organisation. The economic and producing power of the organisation lies more in its intellectual and service capabilities than its hard assets, ie land, buildings and equipment (Nahapiet and Ghoshal, 1998). It could be meaningless for a department to have state-of-the-art hard assets and equipment but lacks the necessary skills, experience and knowledge to organise those assets towards the provision of service to the masses. Goods and services of organisations, including that of the government, do not produce themselves. They have to be executed or enabled by capable people. Therefore, departments would need to have leadership to make decisions and drive the implementation thereof. The absence of leadership, due to non-appointment, could negatively affect the performance of the department in discharging its mandate. Table 2.2 below shows Statistics on the HoDs Vacancy rate as at 30 November 2009.

Table 2.2: Statistics on the HoD Vacancy rate as at 30 November 2009

Department	No of HoD Posts	No of filled HoD Posts	No of vacant HoD posts	% Vacancy Rate
North-West	11	10	1	9
Limpopo	11	11	0	0
Gauteng	11	3	8	73

Source: PSC, 2010

Table 2.2 above provides statistics with regards to the number of filled and vacant posts of HoDs within the Public Service, at provincial levels as at 30 November 2009. The data presented is categorised in terms of the total number of funded HoD positions within the public service, the total number of filled positions, vacant positions and the percentage vacancy rate.

The table shows that Gauteng had the highest vacancy rate at 73%, followed by the North-West at 9%, amongst the three provinces. The Limpopo province on the other had no vacancy post.

From the information above, it is evident that during 2009 certain departments of provincial governments including that of the NWPG were without HoDs. This could impact on the ability of the departments to effectively and efficiently implement their strategic objectives and thus affecting the roll out of services to the citizens and subsequently result in the affected departments under-spending on their budget allocation.

2.4 Service Delivery

One of the latent desires of the black people to fight apartheid was living a better life. This entailed having access to government services. The desire has changed from latent to patent with the advent of democracy. As a result, a number of policies that would facilitate the delivery of services to the people were developed. Hemson (2004) mentioned that the quest for the better life, a derivative of access to services amongst others, is putting human development in the hands of the planners (legislators), those drawing up budgets and those implementing (or spending). McLennan (2007) cited in Makananisa (2011) pointed out that the delivery of the services is a political issue which involves a complex relationship between stakeholder participation, power and authority, which legitimises the distribution of resources for development on behalf of government.

2.4.1 Legislative Framework for Enhancing Service Delivery

There are several pieces of legislation that inform the agenda of government for enhancing service delivery to the communities. Some of the pertinent legislations are discussed concisely hereunder:

The Constitution of the Republic of South Africa, 1996 (Act 108 Of 1996)

Section 2 of the Constitution stipulates that this Constitution is the supreme law of the Republic, law or conduct inconsistent with it is invalid and the obligations imposed by it must be fulfilled.

Section 26 and 27 stipulates that everyone has the right to have access to housing and health care, food, water and social security. It is further stipulated in these sections that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights.

Section 195 (1) stipulates that public administration must be governed by the democratic values and principles enshrined in the Constitution. It further enumerates the principles that inform service delivery hereunder as follows:

- A high standard of professional ethics must be promoted and maintained;
- Efficient, economic and effective use of resources must be promoted;
- Public administration must be development-oriented;
- Services must be provided impartially, fairly, equitably and without bias;
- People's needs must be responded to and the public must be encouraged to participate in policy-making;
- Public administration must be accountable;
- Transparency must be fostered by providing the public with timely, accessible and accurate information;
- Good human-resource management and career-development practices, to maximise human potential, must be cultivated; and

- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

Section 196 gives effect to the Public Service Commission. It stipulates that the commission is independent and must be impartial and must exercise its powers and perform its functions without fear, favour or prejudice in the interest of the maintenance of effective and efficient public administration and a high standard of professional ethics in the public service. The commission must be regulated by national legislation.

Furthermore, in section 197(1), it is stipulated within public administration there is a public service for the Republic, which must function and be structured in terms of national legislation and which must loyally execute the lawful policies of the government-of-the-day.

White Paper on the Transformation of the Public Service, 1995

The White Paper on the Transformation of the Public Service (WTPPS), published on 24 November 1995, aims to establish a framework to guide the introduction and implementation of new policies and legislation aimed at transforming the South African public service. The WTPPS set out eight transformation priorities, fundamental amongst them is transforming service delivery.

White Paper on Transforming Public Service Delivery, 1997

The White Paper on Transformation of the Public Service Delivery (WTPSD) 1997, also known as Batho Pele policy, was introduced to provide a policy framework and practical implementation strategies for transformation of public service delivery. The WTPSD emphasises the transformation of the South African public service into a coherent, representative, competent and democratic instrument for executing government policies and meeting the needs of the people. The intention of WTPSD is to improve the efficiency and effectiveness of the way in which the services are delivered by building a public service that is equal to the challenge of improving the delivery of services to the communities in South Africa. WTPSD sets out eight service delivery principles, namely:

- Consultation
- Service standards
- Access
- Courtesy
- Information
- Openness and transparency
- Redress
- Value for money

In realising the principles of the Batho Pele, four categories of initiatives were classified by Diphofa (2002) as promoting public service delivery:

- Efforts that seek to transform and improve the back office operations – including the improvement of systems, work processes and institutional structures that collectively make service delivery possible.
- Efforts that seek to transform and improve the front office operations of government – the actual interface between government and the public, representing how the public experiences government.
- Efforts that seek to improve internal communication – involving efforts to promote communication within government about service delivery transformation and about the critical role that the public service plays in the lives of citizens.
- Efforts that focus on external communication – to inform and build awareness among citizens as to their rights and reasonable expectations in service delivery.

The adoption of a transformed regime in the public service obviously calls for the re-engineering of the public service (Khoza, 2002). Thus, a public service that fundamentally rethinks how it does things in order to dramatically improve is essentially focal in ensuring service delivery that is envisaged in the constitution and the Batho Pele. In essence the effectiveness of the Batho Pele as a mechanism of service delivery is largely dependent upon a transformed public service capable of implementing existing and proposed government policies effectively.

Over time, service delivery models have been devised to meet the interest of sectors of society. These models are informed by government's strategic direction, national policies,

public participation, local government commitment and an enabling institutional capacity (Karodia, 2010). The author further mentions that these national policy directives that have informed the key components of the service delivery model have been framed within national economic development policy frameworks, specifically the Reconstruction and Development Programme (RDP: 1994), the Growth, Employment and Redistribution Strategy (GEAR: 1996), the Accelerated and Shared Growth Initiatives for South Africa (AsgiSA: 2006) and National Growth and Development Strategy (NGDS: 2009).

According to Karodia (2010), the new government's service delivery model has not met the expectations of the majority of the people of South Africa, especially the marginalised communities. The consequence has been an increase in community resistance, a rise in social movements and a revival of the working class (Karodia, 2010). While mechanisms have been devised to give effect and facilitate service delivery, the rise in social movements or rather protest may be a signification of dissatisfaction that results from unmet expectation.

Burger (2009) states that many reasons for these protests are offered, however, the primary reason, it would appear, is dissatisfaction with the delivery of basic municipal services such as running water, electricity and toilets, especially in informal settlements. He added that unemployment (officially at around 23%), high levels of poverty, poor infrastructure and the lack of houses also add to the growing dissatisfaction. This comes in the wake of political promises during the election period that all or most of these issues will be addressed once the new government was in place.

2.4.2 Indicators in respect of infrastructure (service delivery) in the North-West Province

Since 2004, South Africa has experienced a movement of local protests amounting to a rebellion of the poor (Alexander, 2010). This has been widespread and intense, reaching insurrectionary proportions in some cases. On the surface, the protests have been about service delivery and against uncaring, self-serving and corrupt leaders of government (Alexander, 2010). The NWP is not different to this. A number of protests have occurred in the province, according to Municipal IQ (2012), the NWP's service delivery protests accounted for 12% of the total protests that occurred in South Africa between 2004 and first quarter of 2012. This reflected the third highest number of protests. With this in mind,

detailing of levels of access to basic services affords one a snapshot of the status quo vis-à-vis infrastructure provision. Such an assessment needs however to be complemented by a more comprehensive analysis of progress made.

Table 2.3: An overview of the changing situation

Basic Services within the competency of the province per schedules	2001	2004	2007	2009
Housing				
House or brick structure on a separate stand or yard		76%	60.42%	
Traditional dwelling/hut/structure made of traditional material		1.3%	2.29%	
Informal dwelling/shack in backyard		1.8%	7.78%	
Informal dwelling/shack NOT in backyard		6.7%	16.04%	
Education				
Functional literacy	70.8	61.9%		66.8%
Senior certificate pass rate	62.5	64.5		67.5
Health Services				
District hospital per 1000 people		0.01	0.006	
Health centres per 1000 people		0.005	0.1	
Medical doctor per 1000 people		0.1	0.07	
Professional nurse per 1000 people		0.8	0.6	
Employment				
Unemployment rate		29.5		27

Statssa (2004)

Statssa (2011)

Department of Education, 2004 (cited in statssa, 2004)

Department of Health, 2004 (cited in statssa, 2004)

The picture portrayed above presents a mixed bag regarding progress made with service delivery. It is almost impossible to derive any conclusive assessment as to whether the North-West is improving or not. Table 2.3 reveals that:

About 76% of the North-West households in 2004 lived in formal houses, which were built on separate stands, compared to 60.42% in 2007. This indicates a decline in the proportion of people living in formal structures. In 2001 only 6,7% of households lived in informal dwellings or shacks that were not in the backyard compared to 16.04% in 2007 indicating an increase in shack dwellers.

Education literacy levels stood at 70.8% in 2001 then deteriorated to 61.9% in 2004 before improving to 66.8% in 2007. Even though there have been improvements over the period 2004 to 2007, these improvements dwarfs the literacy level recorded in 2001.

With regards to health services, it is indicated that the province in 2004 had 0.01 district hospitals per 1000 people compared to 0.006 in 2007. This indicates that there were lesser district hospitals to service people in 2007 than there were in 2004. In 2004 medical doctors per 1000 people were 0.1 compared to 0.07 in 2007 indicating that one medical doctor serviced more people in 2007 than he/she did in 2004.

The unemployment figure improved from 29.5% in 2004 to 27% in 2007 indicating that more people are getting employed.

In some fronts there has been improvement in the service delivery situation in NWP while in some fronts there have been deterioration. The performance, whether improved or deteriorated in terms of service delivery, may have a direct impact on the lives of citizens. The demand for results for their tax money by citizens is ever increasing (Organisation for Economic Cooperation and Development (OECD), 2007). Zafar (2008) pointed out that in order to create the conditions in which better public service outcomes are forged in partnership with citizens, performance that is intertwined with the budget, is necessitated

2.5 Performance Budgeting

The budget serves as a basis for resource allocation. These resources are limited and the demand thereof always exceeds the available supply (United States General Accounting Office (GAO), 1997). Tight budgets and demanding citizens put governments under increasing pressure to show that they are providing good value for money (OECD, 2007).

The need for the government to show performance, in the fronts such as service provision, which is visible to citizens, is increasing. Thus, the strengthening of the link between resources and performance is viewed as important (United States Government Accountability Office (GAO), 2005). Performance budgeting which aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to results [(Robinson, 2009) cited in Ouda (2011)], has been adopted by South Africa and many other countries including Tanzania, Ghana and Bolivia (Andrews, 2006). The use of a performance budget was envisaged to correct weaknesses in budget formulation and presentation as well as improving the administration and management of authorised programs (GAO, 1997) and thus improving performance in the fronts such as service provision.

According to Harrison (2003) performance budgeting is important to governments for a number of reasons, including the following: It

- Provides accountability to the public.
- Drives redesign of programs (focuses on improvements).
- Helps rationalise budget allocations (uses performance information as a basis of evidence).
- Improves understanding of crosscutting programs in government.
- Helps agencies link their daily activities to overall government outcomes and similar activities of other agencies.
- Compares cost effectiveness between programs and
- Helps align government spending with overall goals.

Governments, including the North-West Government, can use performance measurement as a guide for decisions to fund or cut programs, for budget presentation and justification, to assess efficiency of programs, to determine service costs, to streamline program and budget structures, to curb departmental flexibility regarding fund transfers and to eliminate programs illustrated by the measures as poorly performing (Harrison, 2003).

There is no one single definition of performance budgeting. A review of the literature does, however, suggest what it commonly means. Mercer (2002) states that performance budget is an integrated annual performance plan and annual budget that show the relationship between program funding levels and expected results. Navin (2003) indicated that performance

budgeting relates to funding linked to expected “results” or “outcomes” – what programmes are able to accomplish. He further mentions that accountability is for results or performance achieved. The OECD (2007) has in the same breadth described performance budgeting as budgeting that links the funds allocated to measurable results. According to Mercer (2002), performance budgeting indicates that a goal or a set of goals should be achieved at a given level of spending. He further points out that an effective performance budget does more than act as an object class, program or organisational budget with anticipated outcomes. While performance budgeting may be fostering value for money through forged relationship between rand spent and results, the non-spending of funds allocated might negate the meaning of performance budgeting.

McGill (2001) mentions four general principles of performance budgeting:

- Performance budgeting includes both a strategic framework (however defined) and the mechanics of resource allocation in relation to performance. Performance budgeting is therefore conceptually redundant without a strategic context to condition the process.
- The strategic context for performance budgeting is being satisfied increasingly through public annual reporting; embracing both a declaration of the strategic intention and the outcome of performance. Performance budgeting therefore emphasises the trace of the causal connection between outputs and impact. Funds spent would need to tie in with the results achieved. However, the non-spending of funds allocated might not yield any output or rather outcome but maintains the status quo.
- Performance budgeting assumes that future budget allocations will be influenced by performance-informed decisions (which presupposes a targeted strategic framework from which to make such decisions). This could mean that information on inputs needed and outcome envisaged may be crucial in making decisions on what to budget for and how much to budget.
- Performance budgeting requires four basic performance tests to exist; inputs, outputs, efficiency tests and impact assessment. These tests may need to be performed by government departments in order to derive value from performance budgeting. This could mean that programmes may need to prove their efficacies before funds are made

available to their effect. While emphasis might be placed on plans and turning those into outcomes, the non-spending of funds could result in plans not turned into reality.

The notion of performance budgeting could be dependent on value for money spending of funds allocated on identified programs thus resulting in achieving the outcome envisaged. The non-spending on the other hand could mean that no value for money is derived and no outcome is realised. No plan, whether strategic or annual, may be able to come to fruition if funds allocated to realise the plan are not spent accordingly.

McGill (2001) proposes four questions in analysing budgetary performance:

- First, has the budget been spent as planned? This entails ascertaining whether the funds have actually been given to the department to spend and whether spending has been according to the levels approved.
- Second, has the expenditure achieved its outputs? This entails the question of whether annual targets, in terms of service delivery, have been achieved.
- Third, can the outputs be defined in terms of unit costs, to attempt a specific efficiency test? For some departments, calculating the unit cost in a particular year might not be straightforward while the converse might be true for others.
- Finally, have the outputs had a (cumulative) discernible impact in terms of development? This entails ascertaining whether inputs employed have resulted in visible impact on development.

Comparative analysis of the adoption of Performance Budgeting

The adoption of performance budgeting has resulted in a mixed bag among countries. Some countries exhibit improvements in financial and resources management while others show disarray. In Tanzania, for instance, steady progress has been made on performance budgeting as far as implementation thereof on central ministries and departments is concerned; in contrast, performance budgeting in local government has been less successful (Poverty Reduction and Economic Management Performance Anchor (PREMA) and Public Sector Group (PSG), 2005). The advent of Performance budgeting in Netherlands saw accounting, audit and reporting systems strengthening (Arizti, Brumby, Manning, Senderowitsch and

Thomas, 2010). Korea's adoption of performance budgeting resulted in a drop in ineffective programs and a twofold increase in effective sub programs between 2005 and 2007 (Arizti et al, 2010).

According to Arizti et al (2010) the implementation of performance budgeting is faring well in South Africa. While there might be positive progress on the implementation of performance budgeting in South Africa, the sustenance of the momentum might be dependent on improved value for money spending of government funds. However, the non-spending of funds could demean the purpose of performance budgeting because non-spending could mean that certain outcomes cannot be realised.

2.6 Under-spending

Financial resource availability shapes many of the outcomes that matter to public administration, including the effectiveness of public service delivery networks (Provan and Milward 1995) cited in (Kioko, Marlowe, Matkin, Moodys, Smith and Zhao, 2011). While funds may be made available for departments to facilitate the discharging of their constitutional mandate or rather implementing programmes that would eventuate in improved living conditions of communities, those funds may be useless if they are not spent. More often than not, under-spending of a departmental budget, according to Cloete (1994) cited in Lewis (2005), happens. A number of government departments fail to spend their entire annual budgets before the end of the financial year (Claassens and Whelan, 2002). This lack of timeous spending (often termed under-spending), as they further aver, means that some citizens will not receive essential government services. A 'none-spending mindset' and under-spent funds negatively impact on service delivery (United Nations Development Programme (UNDP) Report, 2003) cited in Lewis (2005). Lewis (2005) adds that today, under-spending of departmental budget votes, against the backdrop of so many socio-economic needs in South African communities, equates to an act of criminality. The inability of government to spend as planned and under-spend as a result of poor planning both have negative economic effects, on economic growth (Siswana, 2007).

According to Hickey (2001), under-spending at the provincial level is an urgent and critical problem. Siswana (2007) noted under-spending as a matter of concern. A portrait of a

situation of under-spending is captured in the report by the Auditor-General of South Africa (AGSA) entitled 'Consolidated General Report on Provincial Audit Outcomes 2010-11', wherein it has been highlighted that forty three departments (2009-10: 32) materially under-spent their votes by a total amount of R6,4 billion (2009-10: R2,8 billion). Seven of these departments had under-spending on both their votes and conditional grants. An aggregate amount of approximately R1 billion was under-spent by 14 departments (2009-10: 10). Of the 50 departments that under-spent their votes or conditional grants, 19 departments also under-spent their votes or conditional grants in the previous financial year. The Department of Health in KwaZulu-Natal alone under-spent its budget by R1,4 billion in the 2010-11 financial year (AGSA, 2011).

According to PSC (2007b) it should be pointed out that from a growth and development perspective, it is still a concern that under-spending is taking place. The commission further states that although some of these percentages may appear insignificant, in rand terms the amounts involved are worth watching closely. A 2% under-spending of the budget by a department could be said to be miniature, however, in rand terms, the figure could run into millions and billions and given the socio-economic ills that confront the South African communities such behaviour may not be affordable.

The biggest under-spending problem in provinces continues to be the slow rate of spending (National Treasury, 2005). Financial Fiscal Commission (2011) adds that the slow pace on infrastructure grants spending, in a particular financial year, has a direct bearing on the realisation of the economic and social rights. The commission further states that under-spending and/or slow pace of spending of infrastructure grants translate into deprivation of the basic services for some population segments. This sluggish spending of the budget allocated could result in some deliverables planned to be realised in a particular financial year not being realised.

PSC (2007b) points out that there are already concerns that the highly uneven quarterly spending patterns of departments may be sending a signal that funds are not always used efficiently and effectively. The commission further mentions that in certain instances departments tend to spend a large portion of their budget during the last month of the financial year, for example, in the 2003/4 financial year, the Department of Communications spent 49,72% of its total budget in the last month of the financial year and the trend was

continued in 2004/5 where the department spent just over 50% of its budget in a period of one month (March). A department having started off slow in terms of expending its budget allocation could try to recover from sluggish start off by spending a large portion of its budget allocation just before the fall of a financial year. This could involve taking big bites of the budget allocation in order to make up for the lost time.

Even though it may seem noble and arguably that a department that have been spending its budget allocation at a snail pace, would try to make up for the lost time by exponentially increasing its spending during the last part of the year, according to PSC (2007), there are concerns that such spending may be motivated by an attempt to simply ‘get rid’ of funds as a way of avoiding under-spending and the consequences that go with it in terms of the provisions of the Public Financial Management Act. The commission further mentions that such behaviour would be unacceptable on the part of departments, as it would effectively be a last minute ‘dumping’ of resources into less pressing priorities as a result of poor planning and implementation.

Claassens and Whelan (2002) provide three explanations to explain the problem, namely, lack of institutional gearing, lack of lead times for projects and lack of financial and managerial capacity. Hemson (2004) adds that the poor capacity to spend and manage spending on infrastructure can lead effectively to under-spending and the reallocation of funding to other provinces. The author further mentions that under-capacity can lead to under delivery and deny rural residents the urgently needed services to end poverty and destitution. Lack of capacity could mean that certain projects or services may not be undertaken or provided because people of the right calibre may not be available to plan and initiate action that results in funds being spent. Adding to the explanation for under-spending, National Treasury (2011) advances the following reasons for under-spending (on infrastructure):

National government

- Lack of critical skills to plan, manage risk and execute projects.
- Service-level agreements between departments and implementing agents that are difficult to enforce and
- Lack of flexibility in choosing procurement and project implementation agents that would ensure delivery of projects on time and on budget.

Provincial government

- Lack of integrated planning for health, education, housing infrastructure.
- Poor supply chain management, inadequate risk management and
- General lack of skills, especially in project management.

Local government

- Unrealistic financial targets result in cost overruns and funding shortfalls.
- Inefficient supply-chain management.
- Subdued revenue levels and
- Lack of capacity to plan and meet requirements for conditional grants.

Non-financial public enterprises

- Recession – Downward revisions in plans and a postponement of projects, higher borrowing costs, delays in drawing down World Bank loan to Eskom.
- Signoff deadlines on agreements between departments and commercial project partners not met or treated with urgency.
- Delays in procurement of inputs.
- Inclusion of projects on budget that are not yet ready for implementation and
- Decline in construction material costs, leading to lower budgets.

While reasons may be advanced for under-spending, it could offer little or no relieve to those South African communities that are in need of basic services from the government. As ‘unspent’ funds could mean that certain projects or services may need to be put off until a future date because funds allocated for particular projects or service provision were not spent.

Over time, a system that severely punishes over-spending but not under-spending will result in levels of program activity consistently below those that legislatures selected when they passed appropriations acts (Super, 2005). Under-spending could persist if control or deterrence measures do not exist. Thus parliament and legislatures could continue passing budgets that are aligned to certain strategic objectives and programmes, however, some programmes may not be undertaken and some strategic objectives may not be realised as planned as funds allocated to realise the said would have not been spent.

According to Siswana (2007), matters relating to under-spending and over-spending could be detected if early warning signal are functional. Under-spending of budget allocation could be

said to be a process that unfolded over a period of time and not just an event. Thus, it could be said that before an under-spending occurs at the end of the financial year there may be critical signs that existed during the financial year that may have signalled that the department was likely to under spend on its budget allocation. Heeding to these red flags could result in a department averting to under spend.

2.7 Summary

In this chapter, a background of the provincial sphere of government was discussed clearly outlining its role, responsibilities and competencies in terms of the constitution. The situational analysis of the North-West Province was also undertaken in order to understand the structure and development within the province. The legislative framework for enhancing service delivery was also discussed and thus gaining a perspective of how it came about and what it set out to achieve. Statistics pertaining to the province's service delivery was scanned and it revealed a mixed bag regarding progress made with service delivery whereby some aspects improved while others deteriorated.

The budget has been identified as a mechanism to allocate resources, which are scarce and not sufficient to satisfy the needs of every citizen at once. Performance budgeting, which aims to link rand spent with results, has been adopted by the South Africa Government. It was highlighted that the implementation of performance budgeting yielded mixed results. Comparative analysis of the adoption of performance budgeting was also discussed.

While funds are allocated to departments to pursue their strategic objectives thus improving the living condition of South African communities, there have been departments that have not been spending all the funds allocated to them. This has been highlighted as an urgent and critical problem as this negatively impacts on service delivery. It has also been highlighted that under-spending does not just happen but there could be critical signs that could point to a looming under-spending. Accordingly heeding to these signs could result in departments averting under-spending.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapters gave a background of the subject under investigation and the literature review. In this chapter, the research outlook presents research methods to obtain answers to the research question and sub-questions. According to Cooper and Schindler (2001) cited in Govender-Van-Wyk (2007), the design of appropriate research methods is actually the blueprint for fulfilling the objectives and answering pivotal research questions for a study. This chapter concludes by highlighting the ethical issues taken into consideration.

3.2 Research Design

According to Blanche and Durrheim (1999), research design is a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research. They further aver that research designs are plans that guide the arrangement of conditions for collection and analysis of data in a manner that aims to combine the relevance to the research purpose with economy in procedure. Having a strategy may be important for research such as this, as it maps out the approach that will be employed to answer the question and sub-question. This research was conducted through the use of quantitative approach to gain relevant information. Quantitative research, according to Leedy and Ormrod (2001), is used to answer questions about relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. They further mention that a quantitative research study usually ends with confirmation or disconfirmation of the hypotheses that were tested. This research design has been employed to establish whether under-spending provincial departments and fully-spending departments, respectively, displayed specific spending patterns throughout the financial year.

Characteristics of Quantitative Research (Leedy and Ormrod, 2001):

- Purpose: Quantitative researchers seek explanations and predictions that will generalise to other persons and places. The study's intent is to establish and confirm whether or not there is a particular pattern followed by under-spending departments, then develop generalisation that contribute to theory of spending.
- Process: Because quantitative studies represent the mainstream approach to research, carefully structured guidelines exist for conducting them. Like any other quantitative research concepts, variables, hypotheses and methods of measurement were defined before the study began and remained the same throughout.
- Data collection: Quantitative researchers identify one or a few variables that they intend to study and collect data specifically related to those variables. In this study, spending data of North-West Provincial Departments, particular to the study, was collected and studied
- Data analysis: All research requires logical reasoning. As in any other quantitative researches the researcher relied more heavily on deductive reasoning, beginning with hypotheses which were stipulated in Chapter 1 and then drawing logical conclusions in relation to them.
- Reporting findings: Quantitative researchers typically reduce their data to numbers, which they then present as results of statistical tests. Relationship between numbers, namely, ratio, was studied in this study and the results thereof were helpful in drawing a particular inference

According to Steinberg, Bringle and Williams (2010), quantitative research holds the following types of research design, non-experimental designs, experimental designs and quasi-experimental designs. A distinction of these research designs is shown in the table below:

Table 3 – 1: Research Design – Quantitative

Design	Sample	Sample Allocation	Features	Outcome
Experimental	2 or more groups	Random	Groups get different treatments	Cause and effect relationship
Quasi-experimental	One or more groups	Random	One variable has not been manipulated or controlled (usually because it cannot be	Cause and effect relationship but less powerful than experimental
Non-experimental eg descriptive and Includes: cross-sectional correlational comparative longitudinal studies	One or more groups	Not applicable	Discover new meaning Describe what already exists Measure the relationship between two or more variables	Possible hypothesis for future research Tentative explanations

Source: Coughian, Cronin and Ryan (2007)

For the purpose of this research, a non-experimental design is chosen. Steinberg, Bringle and Williams (2010) point out that non-experimental design do not involve random assignment of subjects to groups, nor is there a control or comparison group. They further mention that non-experimental designs also do not involve multiple waves of measurement. Belli (2008) aver that, in contrast to experimental research, non-experimental research involves variables that are not manipulated by the researcher and instead are studied as they exist. This research focuses on funds expended and those that were not expended at a particular point in time.

These variables of concern have already been incurred, hence, the appropriateness of non-experimental research design.

Belli (2008) states that non-experimental research can be classified based on time as well as purpose. He further identified categories of the first dimension namely, classification based on purpose, as follows:

- Descriptive non-experimental research, in which the primary focus for the research is to describe some phenomenon or to document its characteristics. Such studies are needed in order to document the status quo or do needs assessment in a given area of interest.
- Predictive non-experimental research, in which the primary focus for the research is to predict some variable of interest (typically called the criterion) using information from other variables (called predictors). The development of the proper set of predictors for a given variable is often the focus of such studies.
- Explanatory non-experimental research, in which the primary focus for the research is to explain how some phenomenon works or why it operates. The objective is often to test a theory about the phenomenon. Hypotheses derived from a given theoretical orientation are tested in attempts to validate the theory.

The categories of the second dimension namely, Classification Based on Time, for classifying non-experimental research, are (Belli, 2008):

- Cross-sectional research, in which data is collected at one point in time, often in order to make comparisons across different types of respondents or participants.
- Prospective or longitudinal research, in which data is collected on multiple occasions starting with the present and going into the future for comparisons across time. Data is sometimes collected on different groups over time in order to determine subsequent differences on some other variable.
- Retrospective research, in which the researcher looks back in time using existing or available data to explain or explore an existing occurrence. This backwards examination may be an attempt to find potential explanations for current group differences.

This research sought to establish whether or not there was a spending pattern that under-spending and fully-spending departments individually followed throughout the fiscal year. The analysis of year on year spending of the identified provincial departments over a particular period of time could reveal that. Furthermore, the existence of a particular pattern could offer assistance in predicting future patterns.

3.3 Data Collection

One of the most important considerations in an analytical study is to collect accurate information or data on the domain of the phenomena being investigated. A number of provincial departments of the NWPG have been under-spending on their budget allocation over a number of years.

The study includes a list of four (4) provincial departments of the NWPG that have received national transfers between 2007 and 2012. Information about provincial departments that meet the criteria of this study was sourced from the Provincial Treasury and the annual reports of the individual provincial departments. Critically worth noting is that the study focused on under-spending departments as well as those that have spent their entire budget allocations, thus, the departments used over the period of analysis differed. The aim was to maintain, throughout the period of analysis, a number of under-spending departments of two and a number of those that had spent their entire budget allocations of two, notwithstanding that, not the same departments under spent or spent their entire budgets year after year.

Using document data

The use of document data refers to the process of using any kind of documents, films, television programmes and photographs, as well as written sources for analysis in relation to a particular research question (Saeidi, 2002). The author continues to state that usually written documents include official and unofficial records, minutes, personal accounts, books, scientific papers, web sites, databases, newspapers, magazines, memos, transcripts of conversations, annual reports, letters and statistical records. The researcher used data from the departmental quarterly reports and the annual reports, official and unofficial documents in

the departments, articles as well as media reports. All information collected was documented carefully and analysed to formulate conclusions based on the research objectives.

The advantages of using this technique, according to Saeidi (2002), are:

- It is cheap and unobtrusive.
- Events can be compared over time.
- Data never changes and can be subject to re-analysis.
- Existing records often provide insights into a setting and/or group of people that cannot be observed or noted in another way and
- For some topics, it is the only way to do research.

Saeidi (2002) points out that the disadvantages include issues such as the inaccuracy of recorded data, the evidence may be out of date, limitations of available documents and it can be time consuming. Accuracy and accessibility may be key in defining the level of usefulness of the documents. Accurate and accessible documents could be valuable as opposed to those that are inaccurate and inaccessible. In order to alleviate this challenge, the researcher used documents that had been tabled in the North-West Provincial Legislature as well as those that had been made available for public scrutiny.

3.4 Data Analysis

Analysing data, according to Mouton (1996), involves two steps: first, reducing to manageable proportions the wealth of data that one has collected or has available and second, identifying patterns and themes in the data. Analysis involves breaking up the data into manageable themes, patterns, trends and relationships. The main aim of the analysis is to understand the various constitutive elements of one's data through an inspection of the relationships between concepts, constructs or variables and to see whether there are any patterns or trends that can be identified or isolated or to establish themes in the data (Mouton (2001) cited in Kigozi (2008).

The spending figures of the identified provincial departments, sourced from quarterly and annual reports, were firstly individually analysed in order to be easily understood, sub-

divided into two groups based on the results of the individual analysis. The statistical method used in this study is the arithmetic mean. This method has been used to determine a representative of each relation for the two groups of provincial departments.

The mean values are presented in a tabular format for each group of provincial departments being studied. Further steps include the graphical comparison of the two groups of departments as well as the evaluation and interpretation of patterns. These are followed by the presentation of the research findings and the identification of blueprint pattern of spending that could be followed by provincial departments to effectively spend their budget allocations in line with the findings of the study.

3.5 Validity and Reliability

Research efforts are worth researcher time and effort only to the extent that it allows the researcher to draw meaningful and defensible conclusions from the data (Leedy and Ormrod, 2001). The research methodology chosen to conduct this study was chosen in a view of the fact that it would assist in fulfilling the objectives and answering pivotal research questions of the study. In order to ensure confidence that conclusions drawn from data collected are reliable, the research design selected has been evaluated on how well it meets the primary objective, namely adequately answering the research question or validating a hypothesis.

Reliability

According to Adams, Khan, Raeside and White (2007), reliability estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Babbie (2008), in the same light, avers that reliability is a matter of whether a particular technique, applied repeatedly to the same object, yields the same result each time. The figures (spent funds) that have been used in this study are the actual figures at a given year and have already been incurred thus could be reliably measured.

Reliability is premised, according to O'Leary (2004), on the notion that there is some sense of uniformity or standardisation in what was being measured and that methods needs to

consistently capture what is being explored. The author further points out that reliability is thus the extent to which the measurement, procedure or instrument provides the same result on repeated trials. The study categorises departments between two groups according to the actual figures (the actual spent funds), group two being those departments that have spent all their allocations and group one being those departments that have not spent all their allocations. Given that those figures have already been incurred, the departments that have not spent all their allocations will remain consistent irrespective of when or by what these departments are measured. The same goes for departments that have spent all their allocations.

Validity

Validity refers to the extent to which a research design is scientifically sound or appropriately conducted (Struwig and Stead, 2001). Validity is premised on the assumption that what is being studied can be measured, captured and seeks to confirm the truth and accuracy of any findings or conclusions drawn from the data (O'Leary, 2004). The author further points out that it indicates that the conclusions drawn are trustworthy. Like any other research, this study sought to solve a problem. The solution proposed/proclaimed herein may have been dependent upon the appropriateness and soundness of a research design. A research design should be evaluated on how well it controls for internal validity and external validity (De Vos, Strydom, Fouche, and Delport, 2011).

Internal Validity

The internal validity of a research study, according to Leedy and Ormrod (2001), is the extent to which its design and the data that it yields allows the researcher to draw accurate conclusions about cause-and-effect and other relationships within the data. The emphasis of this study was on the use of accurate data which has been sourced from the Department of Finance of the NWPG and National Treasury, as well as the use of techniques and methods deemed to be appropriate by the researcher.

External validity

The external validity of a research study is the extent to which its results apply to situations beyond the study itself – in other words, the extent to which conclusions drawn can be generalised to other contexts (Leedy and Ormrod, 2001). The study attempted to establish whether there was a particular pattern that was pertinent to under-spending that could be used across the provinces to give early warning signals, of looming under-spending, to the Department of Finance regarding departments that show patterns similar to those of the under-spending departments at a certain point in time.

Research conclusions, according to Leedy and Ormrod (2001), are valid and meaningful only to the extent that they are warranted based on the data collected and have applicability beyond the specific research situation itself. O’Leary (2004) points out that there is a clear relationship between reality that is studied and the reality that is reported, cohesion between the conceptual framework, questions asked and findings evident. The author further mentions that conclusions need to be justified from what was found and what was found needs to accurately reflect what was being studied.

3.6 Ethical consideration

“Researchers are unconditionally responsible for the integrity of the research process. The power to produce knowledge requires responsibility for integrity in its production. Similarly, the power relation inherent in researcher-researched interaction requires responsibility to ensure the dignity and wellbeing of the researched. Ethics is fundamental to all research; with power comes responsibility” (Leary, 2004).

In terms of ethical issues, the researcher informed the North-West Department of Finance (Provincial Treasury), in writing, of the proposed study, its objectives and purpose prior to the commencement of the study. Subsequently, the Provincial Treasury gave the green light to the study. Permission was sought from Provincial Treasury based on the following reasons:

- It is responsible for financial matters in the province (of all provincial departments).

- It has the responsibility to promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities and
- It has the responsibility to exercise control over the implementation of the provincial budget.

As the central department, as far as financial matters of provincial departments are concerned, the Provincial Treasury was appropriate to give a green light to the study.

The researcher attempted to exercise integrity and diligence when collecting and analysing data and subsequently drawing conclusions. Accurate information as well impartiality was critical in this respect.

3.7 Summary

This chapter discussed, in detail, the research design and methods, which were employed when this study was undertaken. A sneak explanation was provided on how data would be analysed. This chapter ended by touching on issues of ethics, clearly defining what the researcher has done as far as ethical consideration is concerned. The following chapter describes and discusses the results of data collected

CHAPTER 4

PATTERN ANALYSIS OF PROVINCIAL DEPARTMENTS

4.1 Introduction

The overarching question that sought to be answered, by means of pattern analysis, was whether under-spending by provincial departments is predictable and preventable. In order to find solutions to the main research question the following sub-research questions were posed. Firstly, whether there were similarities in the spending patterns of departments that had under spent on their budget allocation. Secondly, whether there were similarities in the spending patterns of departments that had fully-spent their budget allocation and thirdly, whether there were characteristics that were common among the departments that had under spent and those that had fully-spent their budgets allocations, respectively.

To answer these questions, a technical approach in terms of a pattern analysis over a particular period, in this case five years, was used to establish the existence of patterns as highlighted above.

This chapter provides a presentation of the pattern analysis of provincial departments by comparing departments that had under spent and those that had spent their entire budget allocations.

4.2 Pattern Analysis of Provincial Departments

In this section the provincial departments that had under-spent and those that had fully-spent their budget allocations were individually analysed, then grouped together. The mean values (of aggregate quarterly spending as a percentage of total budget allocations of provincial departments that had under-spent and those that had spent their entire budget allocation) were tabulated, and then compared graphically over a period of five years, and on quarterly basis. This was to highlight the differences as well as the patterns of spending followed by these provincial departments.

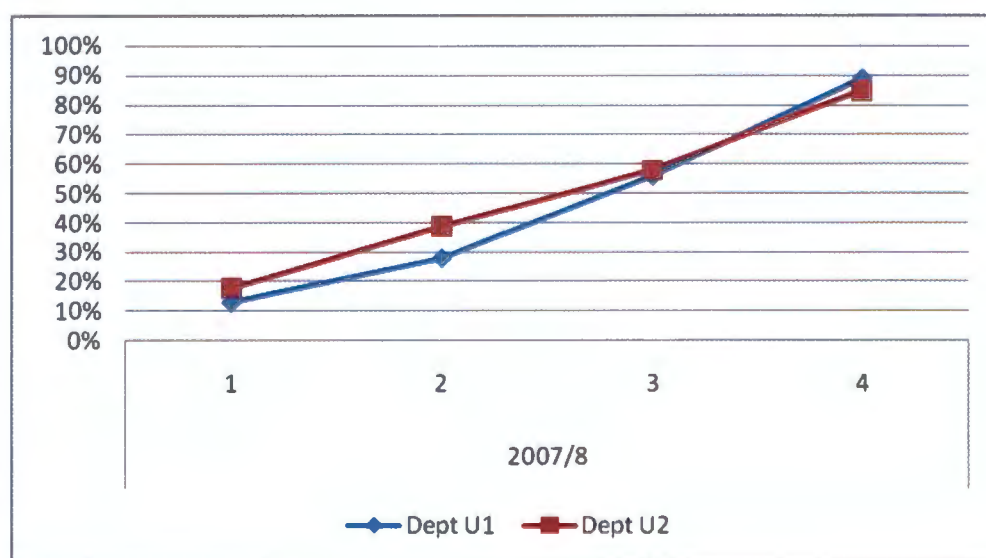
4.2.1 Analysis of Spending Patterns of Departments that had under spent

The following are the computed aggregate quarterly spending as a percentage of total budget allocation for the two under-spending provincial departments. The two provincial departments selected from a population of provincial departments that had under spent on their budget allocation in a particular year during the period under review were compared against one another in order to establish whether there were similarities in their spending patterns. The first of the two departments was denoted as Under-spending Department 1 (UD1) while the second was denoted as Under-spending Department 2 (UD2). These provincial departments were analysed from 2007 to 2012.

Table 4 – 1: Comparison of Department 1 and Department 2 that have under spent

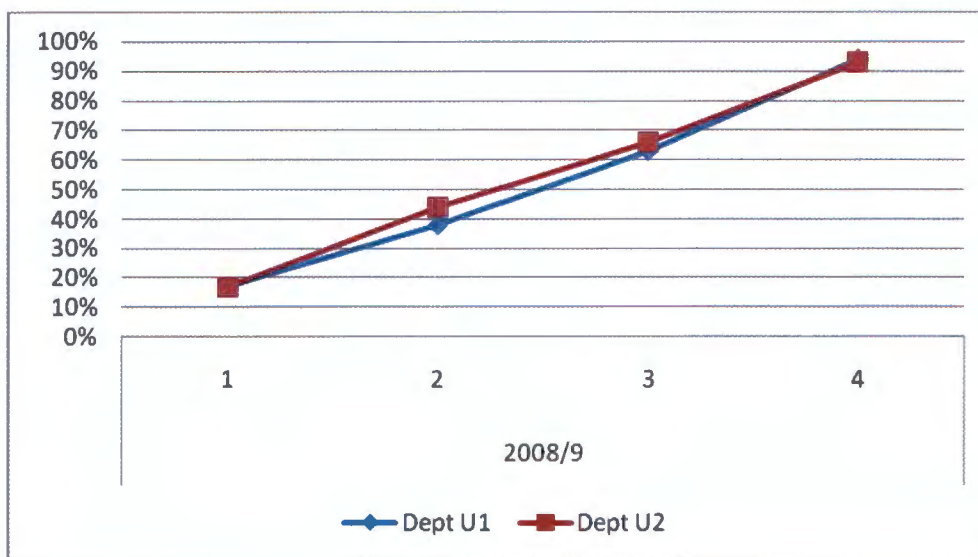
	Q1 - UD1	Q1 - UD2	Q2 - UD1	Q2 - UD2	Q3 - UD1	Q3 - UD2	Q4 - UD1	Q4 - UD2
2007/8	13%	18%	28%	39%	56%	58%	89%	85%
2008/9	17%	17%	38%	44%	63%	66%	94%	93%
2009/10	17%	17%	24%	33%	67%	58%	91%	82%
2010/11	14%	14%	36%	42%	59%	59%	88%	79%
2011/12	16%	19%	40%	39%	58%	60%	84%	84%

Graph 4 – 1: Department 1 vs Department 2: Under spent – 2007/8



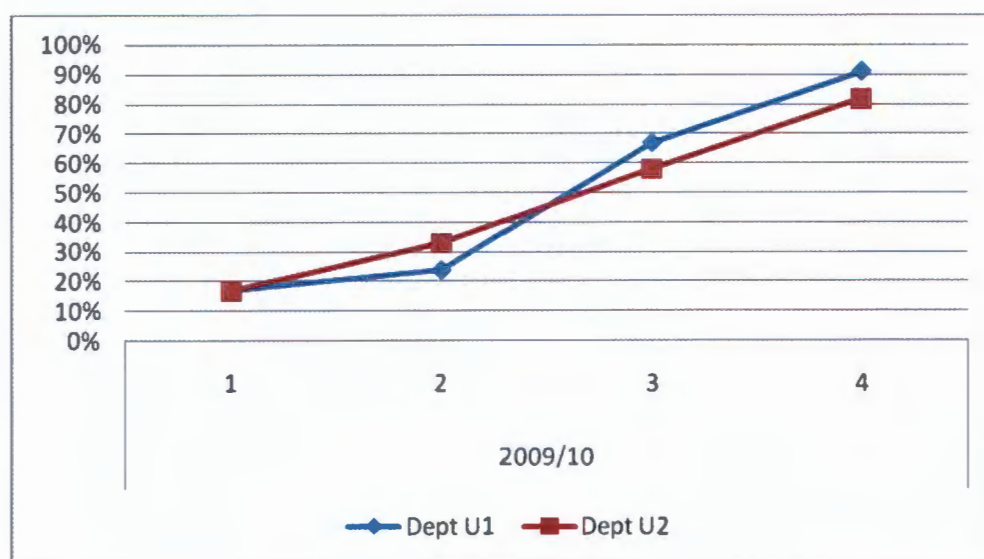
The differentials in the aggregate quarterly spending rates of under-spending department 1 and 2 for the 2007/08 financial year are marginal at 5% maximum with the exception in the second quarter where the variance was 11%. As indicated in Graph 4.1, the spending patterns of the two under-spending departments were relatively in congruent with one another with the exception of the second quarter which was extreme relative to other quarters. Both had a sluggish spending pace which eventuated in both departments not spending their entire budget allocation by the end of the financial year 2007/8.

Graph 4 – 2: Department 1 vs Department 2: Under spent – 2008/9



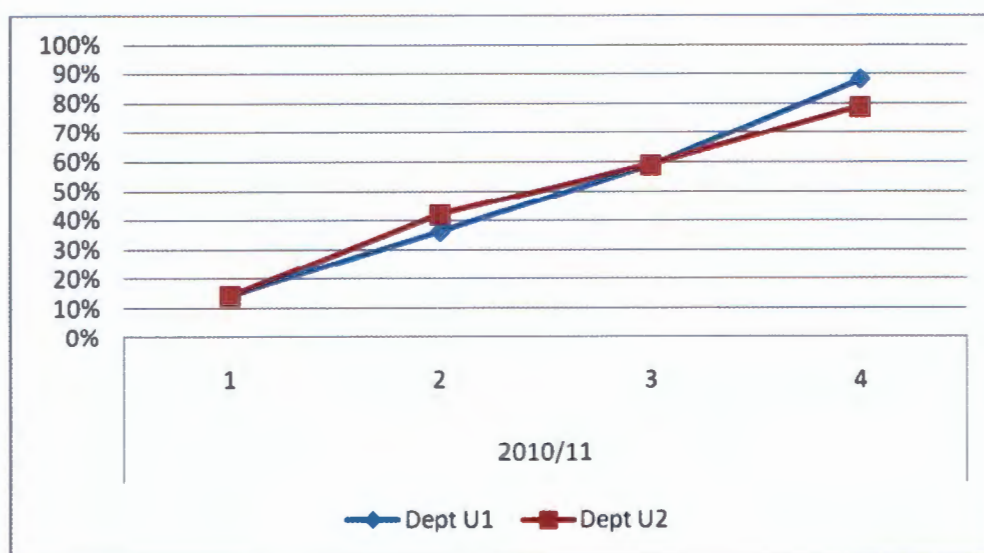
The graph above indicates that spending patterns of under-spending departments 1 and 2 for the 2008/09 financial year flushes with each other with the exception in the second quarter whereby the margin on the spending rates of the two departments was significant at 6% relative to other quarters of the financial years which had margins of 0% in the first quarter, 3% in the third quarter and 1% in the last quarter. The marginal and non-existence of margins between the spending rates of two departments shows that the two departments had identical spending patterns, with both departments starting out slow with the spending of their budget allocations and ending up under-spending.

Graph 4 – 3: Department 1 vs Department 2: Under spent – 2009/10



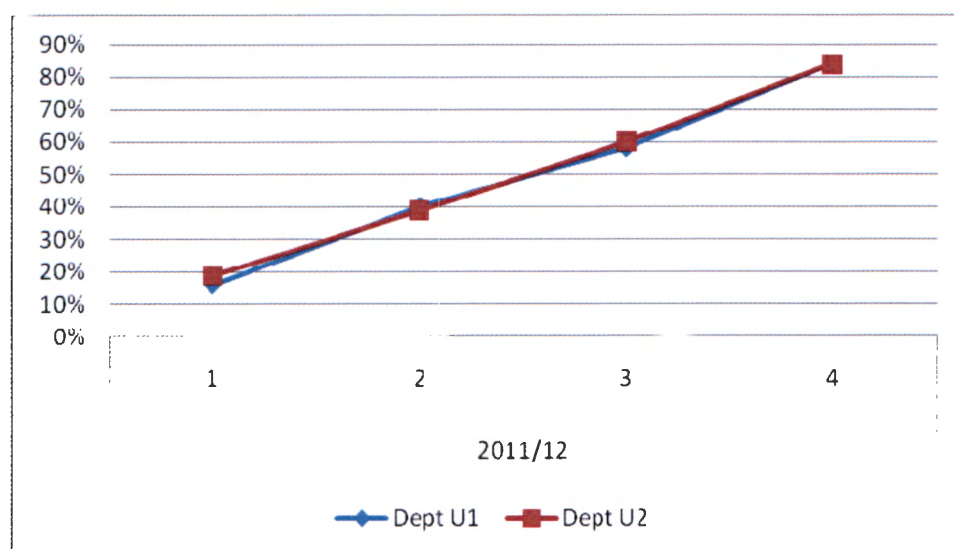
The spending pace of the under-spending department 1 and 2 in the first quarter was even at 17%. This meant that after three months into the 2009/10 financial year the proportion of the amount spent by two under-spending departments individually to the total budget allocation was the same. The last three quarters of the financial year was marked by zigzagging spending patterns of the two departments. This is attributed to differentials in the spending rates of the two departments wherein the margin of the spending rates of the two departments was constant at 9% in the last three quarters of the financial year. While there were margins between the spending rates of the two departments, both departments finished the financial year with 'unspent' funds.

Graph 4 – 4: Department 1 vs Department 2: Under spent – 2010/11



The two departments were on par with regards to spending levels at the end of the first and third quarter. The percentage of the budget allocation spent at the end of the first quarter was even for the two departments at 14% a piece. The third quarter also saw the spending pace of the two departments equalising at 59%. The second quarter and fourth quarter saw the emergence and re-emergence respectively of margins of spending rates between the two under-spending departments. While the margin between the spending rates of the two departments was significant in the fourth quarter at 9%, both departments had under spent by a large margin with department 1 under-spending by 12% whilst department 2 under spent by almost double the figure of department 1.

Graph 4 – 5: Department 1 vs Department 2: Under spent – 2011/12



The above graphical presentation in Graph 4.5 shows that the spending patterns of department 1 and 2 dovetails well with one another in all the four quarters of the 2011/12 financial year. The spending pace of two departments was relatively even differing marginally with the exception of the last quarter spending rates which were at equilibrium at 84% a piece. The evenly 2011/12 aggregate quarterly spending rates of the two departments, resulted in a synchronisation of the spending patterns thereof. This meant that the degree with which the spending takes place in the said departments was relatively the same.

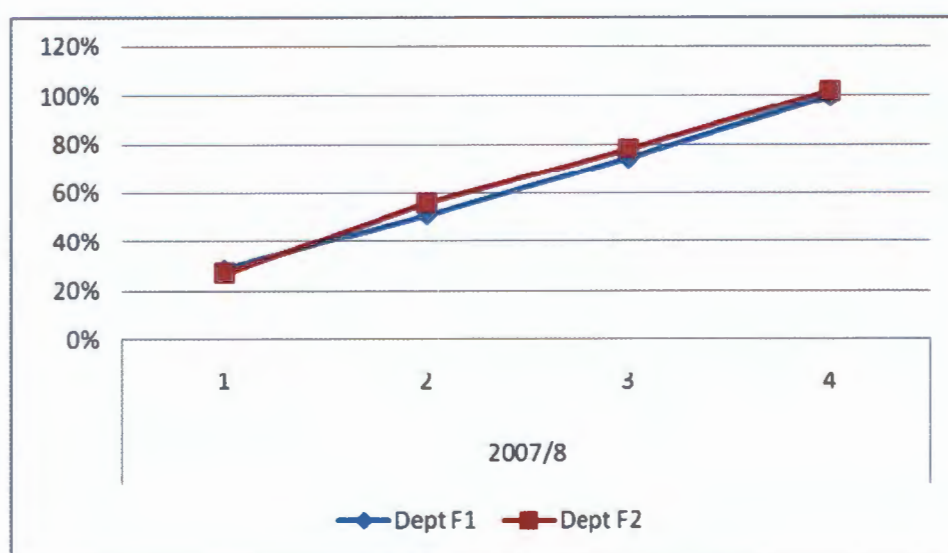
4.2.2 Analysis of Spending Patterns of Departments that have fully-spent their budgets

The following are the computed aggregate quarterly spending as a percentage of total budget allocation for the two provincial departments that have fully-spent their budget allocations between the period 2007 and 2012. The two provincial departments selected from a population of provincial departments that had fully-spent their budget allocations in a particular year during the period under review were compared against one another in order to establish whether there were similarities in their spending patterns. The first of the two departments was denoted as Fully-Spending Department 1 (FD1) while the second was denoted as Fully-spending Department 2 (FD2).

Table 4 – 2: Comparison of Department 1 and Department 2 that have spent their budget in full

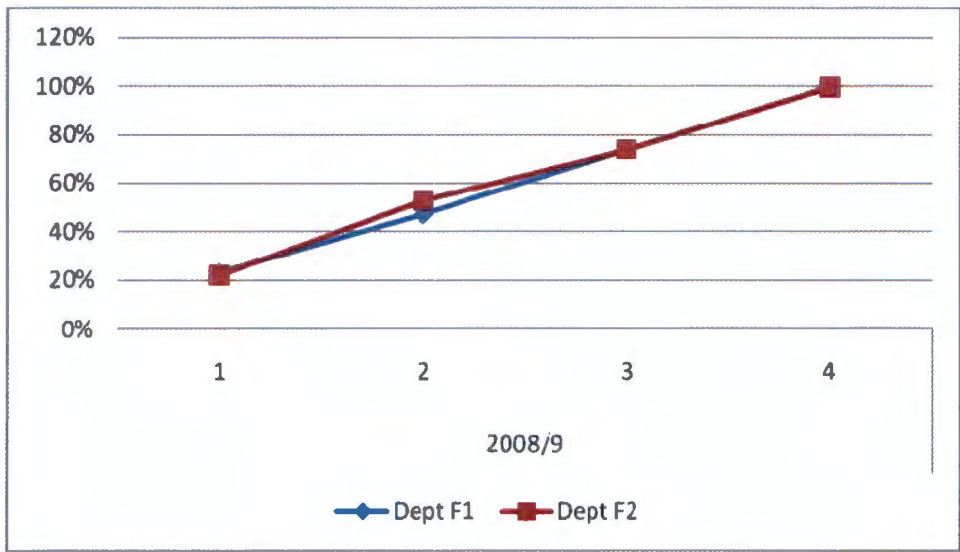
	Q1 - FD1	Q1 - FD2	Q2 - FD1	Q2 - FD2	Q3 - FD1	Q3 - FD2	Q4 - FD1	Q4 - FD2
2007/8	29%	27%	51%	56%	74%	78%	99%	102%
2008/9	23%	22%	47%	53%	74%	74%	100%	100%
2009/10	24%	24%	49%	51%	75%	75%	99%	100%
2010/11	22%	25%	46%	51%	72%	76%	100%	101%
2011/12	22%	19%	48%	47%	71%	75%	100%	99%

Graph 4 – 6: Department 1 vs Department 2: Fully-Spent 2007/8



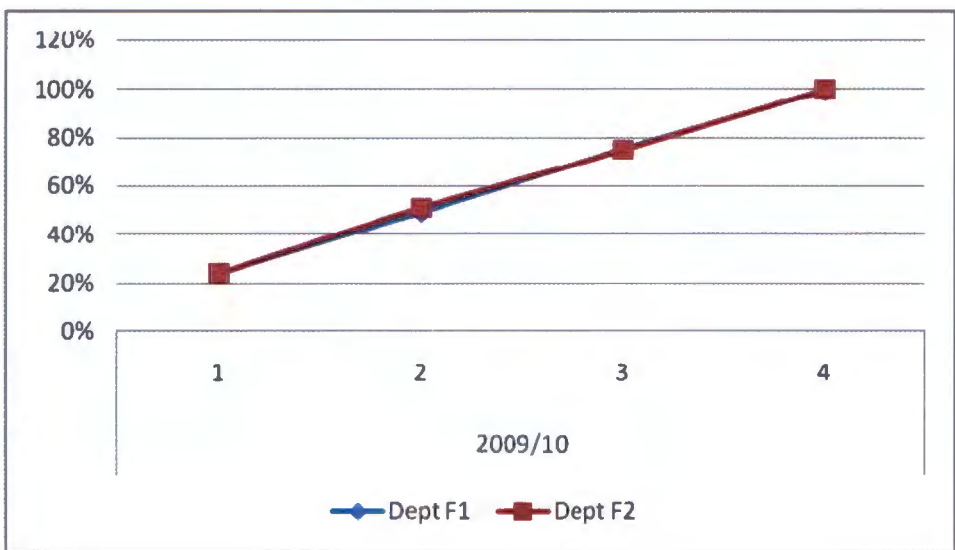
The above graphical presentation in Graph 4.6 indicates relative congruency in the spending trends of departments 1 and 2 in the financial year 2007/8 with the exception in the second quarter where the trend of the two departments marginally strayed away from each other. This is due to a slightly larger margin of 5% between the spending rates of the two departments in the second quarter as compared to the margin of 1% in the first quarter, 4% in the third, and 3% in the fourth quarter.

Graph 4 – 7: Department 1 vs Department 2: Fully-spent – 2008/09



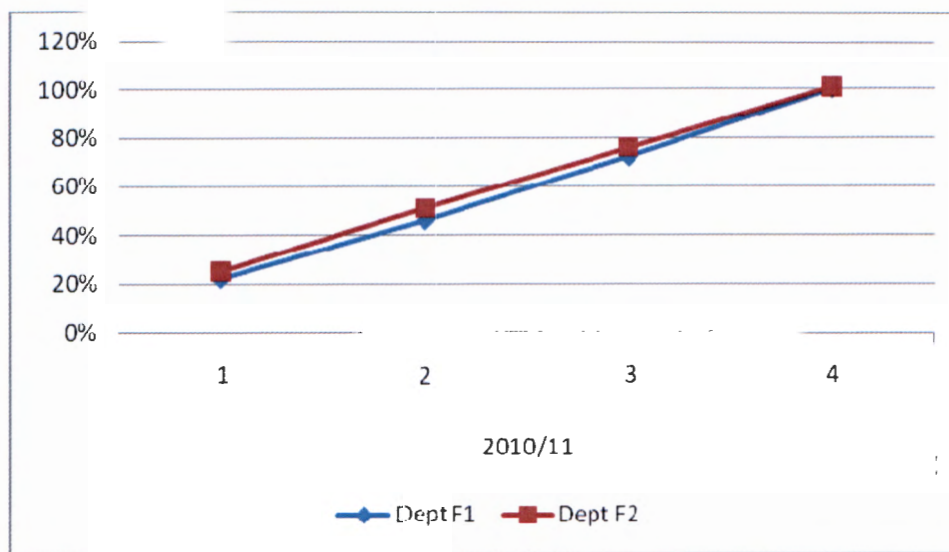
The 2008/9 spending rates of department 1 and 2 is a replica of one another with the exception in the second quarter where the margin between the spending rates of the two departments was 6%. The above graph 4.7 further indicates that the two departments followed the same spending patterns except in the second quarter where the spending pace of department 1 slipped behind that of department 2. The aggregate quarterly spending as a percentage of the total budget allocation of both departments was at 74% in the third quarter. The two departments ended the financial year with entirely exhausted budget allocations.

Graph 4 – 8: Department 1 vs Department 2: Fully-spent – 2009/10



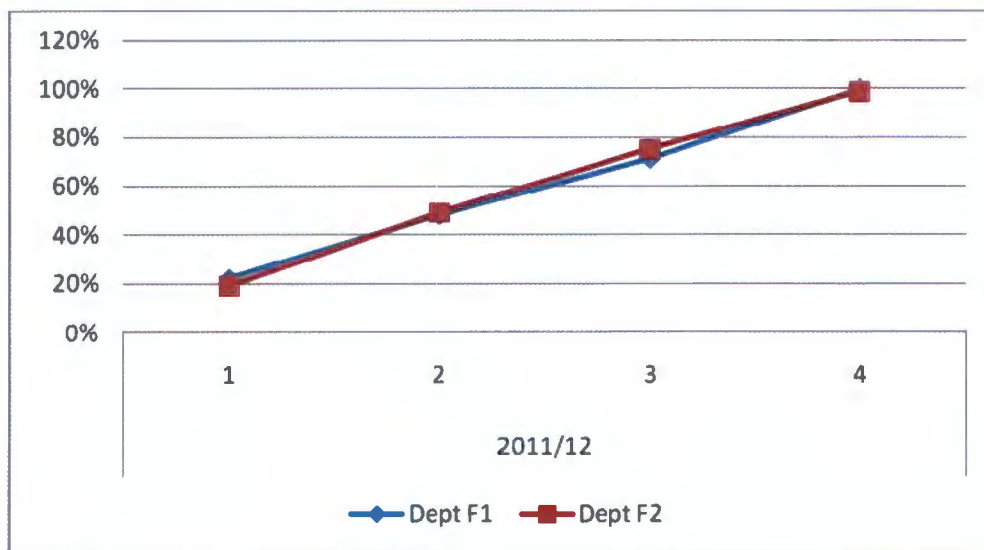
The above graphical presentation in graph 4.8 shows that the 2009/10 spending pattern of department 1 was congruent with that of department 2 and vice versa. While there were margins between the spending rates of the two departments, they were miniature with the margin in the second quarter being 2% and in the fourth quarter being just 1%. Both departments managed to deplete their budget allocations within the 12 month period allocated for such.

Graph 4 – 9: Department 1 vs Department 2: Fully-spent – 2010/11



The aggregate quarterly spending rates of department 1 outpaced that of department 2, however, the gaps between the spending rates of the two departments were miniature, thus resulting in department 1 and department 2 following spending patterns that are consistent with one another. While the spending pace of department 2 indicates to have slightly slipped behind that of department 1 throughout the three quarters of the 2010/11 financial year, both departments fully-spent their budget allocations by the end of the financial year.

Graph 4 – 10: Department 1 vs Department 2: Fully-spent – 2011/12



The above graphical presentation in graph 4.10 indicates that the two departments followed the same pattern of spending throughout the financial year of 2011/12. The graphs of spending rates of the two departments snake-tied themselves around each other as the spending advanced through the quarter marks of the financial year with slopes that flushes as evident in the above graphical presentation.

4.2.3 A comparison of Spending Patterns of Departments that have under-spent and those that have fully-spent their budget

The following are the computed mean ratios for the two sets of provincial departments, namely, departments that had under-spent and those that had fully-spent their budgets for the period 2007 to 2012. The departments that had under-spent their annual budget allocations were grouped together and denoted herein as Group 1 and departments that had fully-spent their annual budget allocations were denoted as Group 2.

Table 4 – 3: Quarterly Spending as a percentage of Total Allocation – Group 1

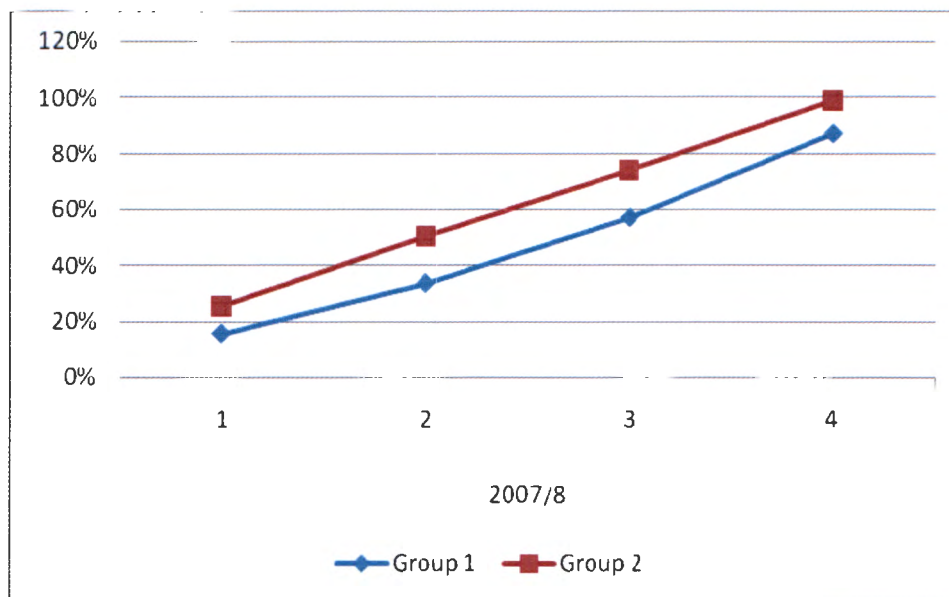
	Q1	Q2	Q3	Q4
2007/8	16%	34%	57%	87%
2008/9	17%	41%	65%	94%
2009/10	17%	29%	63%	87%
2010/11	14%	39%	59%	84%
2011/12	18%	40%	59%	84%
Five-Year Average	16%	37%	61%	87%

Table 4 – 4: Quarterly Spending as a percentage of Total Allocation – Group 2

	Q1	Q2	Q3	Q4
2007/8	28%	54%	76%	101%
2008/9	23%	50%	74%	100%
2009/10	24%	50%	75%	100%
2010/11	24%	49%	74%	101%
2011/12	21%	49%	73%	100%
Five-Year Average	24%	50%	74%	100%

The aggregate quarterly spending of the 2 groups of provincial departments, as indicated in Table 4.3 and Table 4.4, displays a marked different trend over time, with group 2 showing larger proportion of aggregate quarterly spending as a percentage of total budget allocation when compared to group 1. Evidenced from the above tables, group 2 provincial departments spent its allocation much quicker than provincial departments in Group 1.

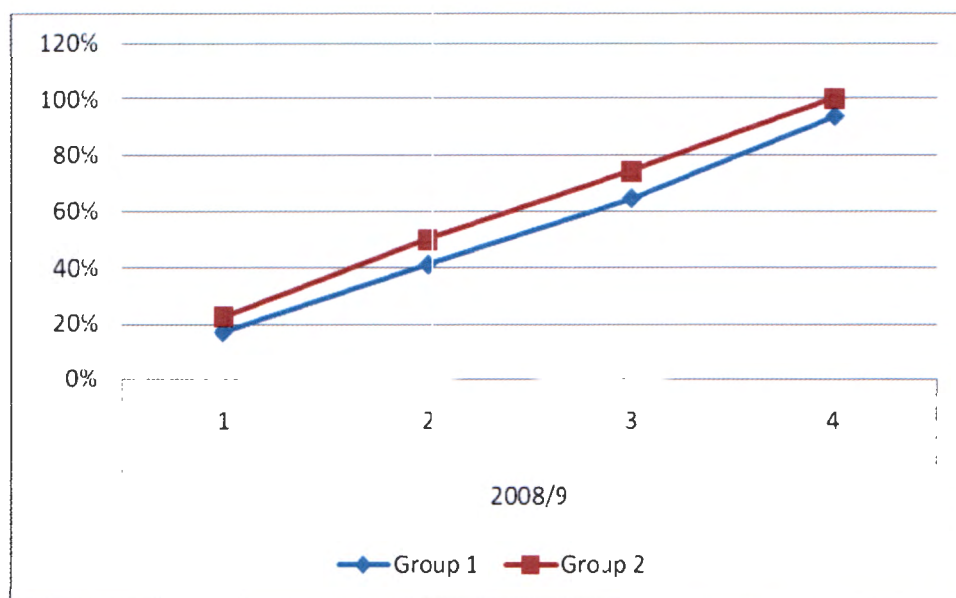
Graph 4 – 11: Group 1 vs Group 2: 2007/08



The aggregate quarterly spending for the first year of the period under review was at 16% and 28% for the first quarter for group 1 and group 2 departments respectively. The spending of group 1 departments and group 2 departments respectively moved to 34% and 54% for the second quarter, then to 57% and 76% for the third quarter. This aggregate quarterly spending indicates that group 2 departments took bigger bites of the budget allocation quarterly, as compared to group 1 departments that only took small bites. The year ended with group 1 departments spending only 87% of its total budget allocation while group 2 departments spent just over its year's budget allocation by 1%. The spending of group 1 departments had been slow or lower than that of group 2 departments from the inception of the year 2007/8 as evidenced by large margins between the spending rates of the two departments.

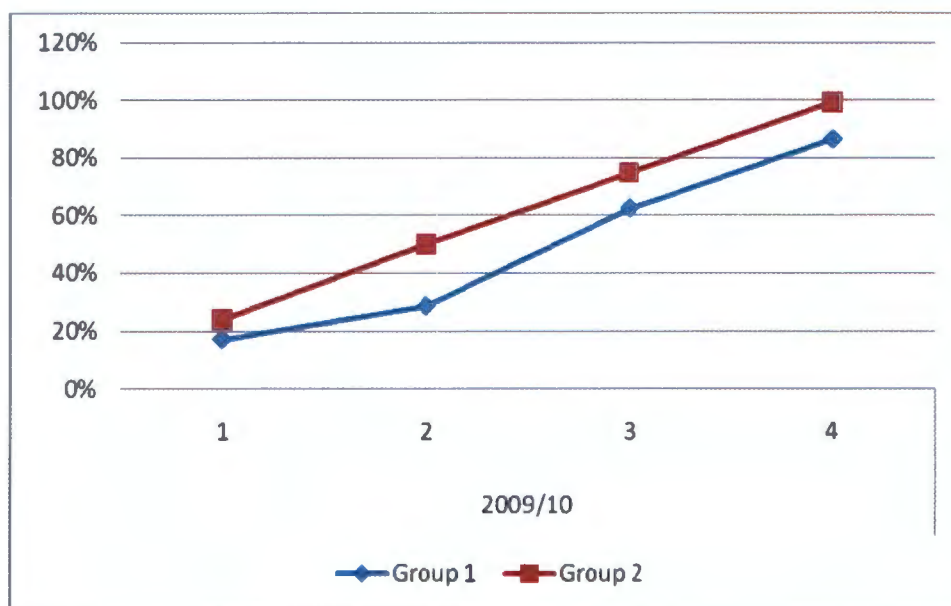


Graph 4 – 12: Group 1 vs Group 2: 2008/09



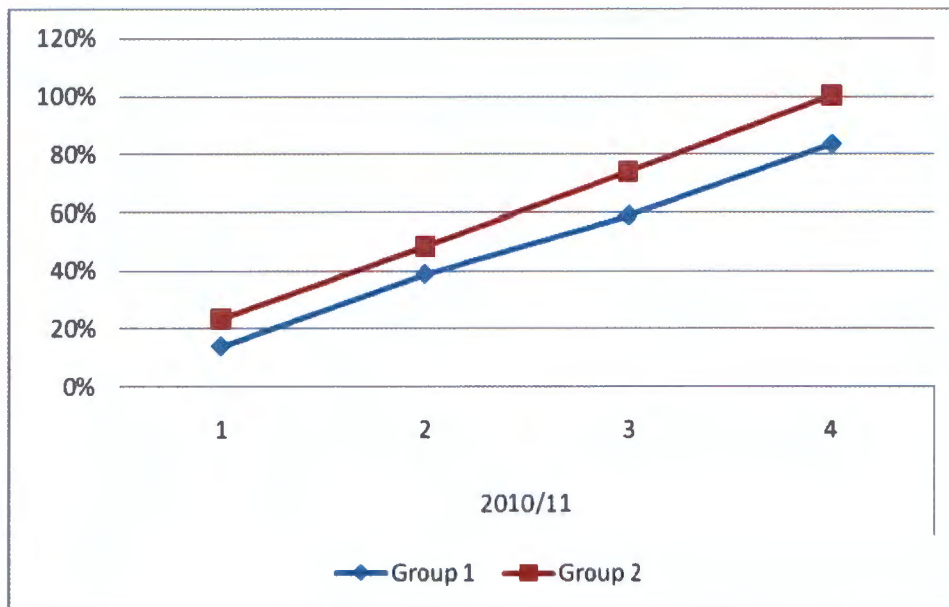
The spending at the end of the first quarter of the second year of the period under review was at 17% for group 1 departments and 23% for group 2 departments. By the end of the second and third quarter the group 1 departments had spent 41% and 65% respectively compared to 50% and 74% spent by group 2 departments. The year ended with group 1 departments spending only 94% of its total budget allocation whereas the group 2 departments spent fully its budget allocation. The spending trend for group 1 departments in the second year of the period under review lacked behind that of group 2 departments. While the spending trend for group 1 in the second year of the period under review improved compared to the first year, the improvement was not significant enough to enable 100% spending of the allocated budget.

Graph 4 – 13: Group 1 vs Group 2: 2009/10



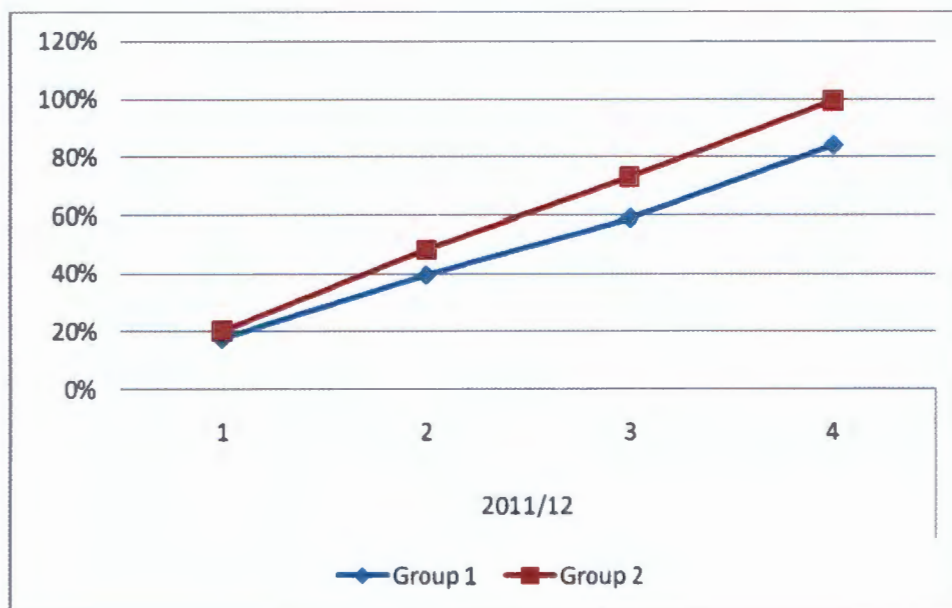
Overall spending of group 2 departments at the end of the first quarter was 7% higher than that of group 1 departments. The gap or margin increased by a bigger proportion to 21% at the end of the second quarter before easing to 12% at the end of the third quarter. The fiscal year-end spending margin or gap between the two groups of departments was 13%. The spending trend of group 2 departments had been higher than that of group 1 departments throughout the fiscal year 2009/10 which is attributed to the quicker aggregate quarterly spending of the allocated budget by group 2 departments relative to spending by group 1 departments.

Graph 4 – 14: Group 1 vs Group 2: 2010/11



Graph 4.14 above indicates that the overall spending for group 1 departments has been slow throughout fiscal year of 2010/11 relative to the overall spending for group 2 departments, with the first quarter spending for group 1 departments ending at its low level in the period of analysis at 14% which is 10% less than that of group 2 departments. The second and third quarter ended with group 1 departments spending 39% and 59% of its budget allocation cumulatively, respectively, whereas group 2 departments at the end of the same quarters, spent 49% and 74%, which was higher by 10% and 15% respectively to the spending of group 1 departments. The two groups ended with a margin between their overall year spending of 17%, with group 2 departments spending its full budget allocation while group 1 departments managing to spend only 84%.

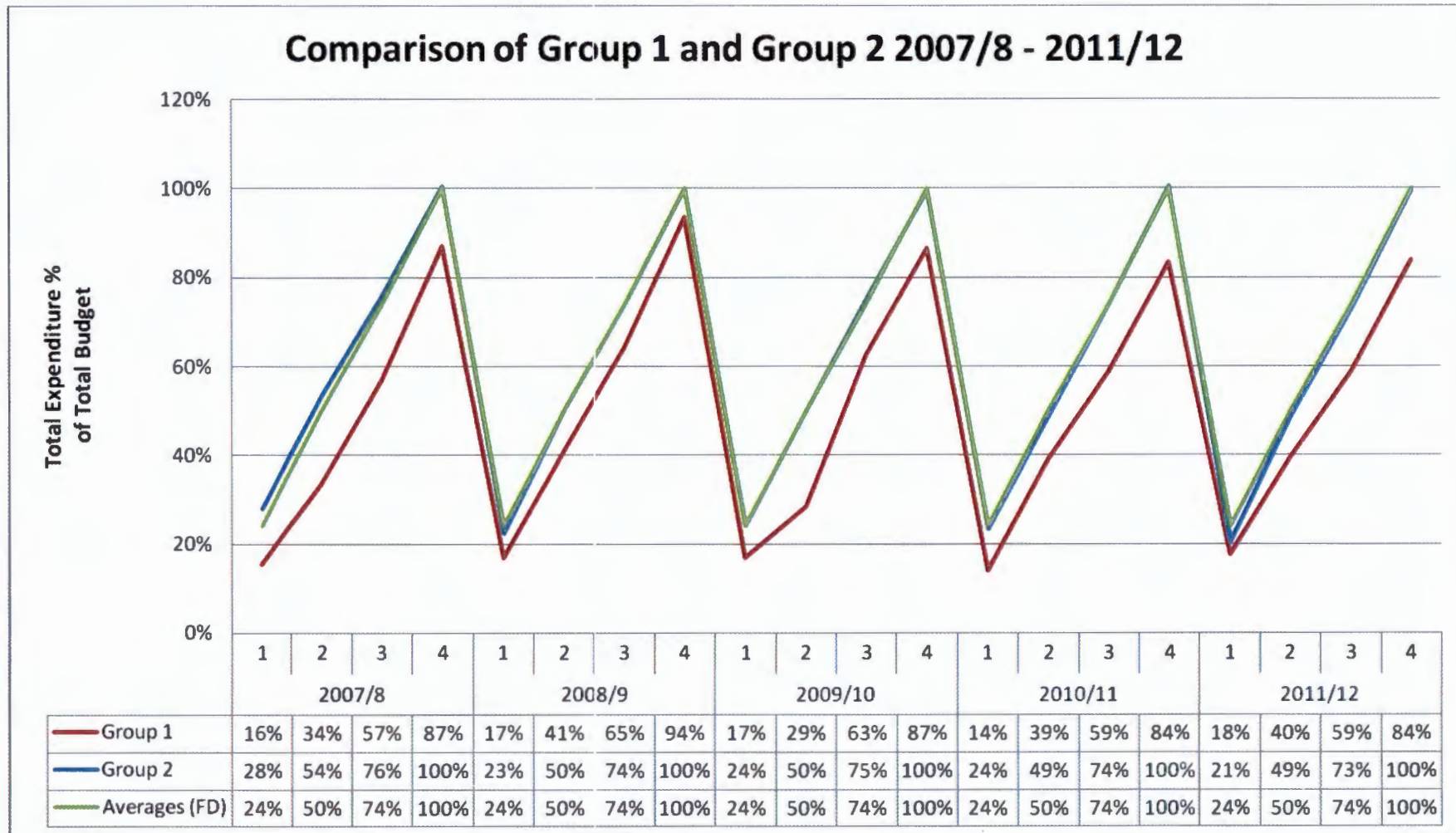
Graph 4 – 15: Group 1 vs Group 2: 2011/12



Overall first quarter spending for group 1 departments was at 18%. Group 2 departments on the other hand, recorded a spending of 21% at the end of the first quarter which was 3% more than that incurred by the group 1 departments.

By the end of the second and the third quarter, spending by group 1 departments was at 40% and 59% respectively compared to 49% and 73% by group 2 departments. While group 1 departments got off at a higher start relative to other four years but lower as compared to the group 2 departments, it could not keep up the momentum. Thus managing to spend only 84% of its total budget allocation at the end of the fiscal year compared to group 2 departments which got off at a slow pace compared to the other four years but higher compared to group 1 departments, however managed to spend 100% of its budget allocation.

Graph 4 – 16: Group 1 vs Group 2: 2007/08 to 2011/12



The above graphical presentation manifests a clear gap between the spending patterns of group 1 departments and group 2 departments. The spending graph of group 1 departments has throughout the year subordinated to that of group 2 departments. This is attributed to the slow spending pace of the group 1 departments relative to group 2 departments. In the five years of analysis group 1 department starts out slow spending only 16%, 17% 14% and 18% in the first quarters of 2007/8, 2008/9, 2010/11 and 2011/12 respectively as compared to group 2 departments whose spending rates in the first quarters were 21% and above. Having been starting out slow, the group 1 departments relative to group 2 departments progressed slowly quarterly in so far as spending their budget allocations was concerned ending up not spending their entire budget allocations.

The above graphs also show that the group 2 departments followed the same pattern of spending quarterly during the period of analysis as evidenced by a pattern that is consistent with that of five-year average spending pattern of group 2 departments. Over the five-year period, the first quarter spending of group 1 departments had not breached the 19% mark whereas the lowest first quarter spending rate recorded by group 2 departments was 21% which was higher than any first quarter spending rate recorded by group 1 departments in the five-year period. The second quarter's spending rate for the group 1 departments had dwarfed that of group 2 departments in the five-year period of analysis, recording a high of only 41% compared to that of group 2 departments which remained buoyant around the 50% mark. The third quarter exhibited the same behaviour wherein during the period under review group 1 departments had not breached the 66% mark whereas their counterpart on the other hand sustained spending that was 73% and above.

The group 1 departments in the period under review could not exhaust their yearly budget allocation whereas group 2 departments spent their budget allocated exhaustively as evidenced by a ratio of aggregate fourth quarter spending to the total budget allocation of 1.

The five-year average spending rates showed that group 2 departments having followed the spending pattern of 24% for the first quarter, 50% for the second quarter, 74% for the third quarter, they managed to spend 100% of their budget allocation. This is tantamount to dividing 100% being the total budget allocation by four quarters which gives 25% per quarter, denoting that a quarter of the budget allocation is apportioned to each quarter which

meant that aggregate spending rates by all accounts for the first quarter was 25%, for second quarter 50%, third quarter 75% and 100% for the fourth quarter.

In the period under review, the spending rate of group 1 departments had been sluggish as compared to that of group 2 departments which took big bites as far as spending of the allocated budget was concerned. The lacking behind of spending of group 1 departments relative to group 2 departments eventuated in group 1 departments not spending their entire budget allocation as compared to group 2 departments which fully-spent their budget allocation.

4.3 Summary

This chapter set out to establish, using pattern analysis, firstly, whether there was a particular pattern of spending that was followed by the departments that had fully-spent on their budgets. Secondly, whether there was a particular pattern of spending followed by departments that had under-spent on the budget and thirdly, whether there was a marked difference between the patterns followed by departments that fully-spent on the budget and those that under spent on the budget allocation. To establish the aforementioned, spending data of both departments that had fully-spent their budgets and those that had under spent on their budgets was compiled. Departments that had fully-spent as well as those that had under-spent were analysed individually to establish their individual spending patterns and then group together into two groups of departments. The average of the each group was analysed to establish their pattern and distinctiveness when grouped together.

CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In the previous chapter an analysis of provincial departments was undertaken with a view of establishing whether there was a spending pattern that under-spending and fully-spending departments respectively followed throughout the fiscal year. Empirical evidence has shown the usefulness of ratios in analysing spending patterns. While pattern analysis may be useful in revealing the behaviour of departments as far as spending is concerned, it can be even more useful if it could be geared towards preventing unwanted behaviour, in this instance under-spending.

The presentation and interpretation of theoretical as well as empirical evidence is the focal point of this chapter. Empirical evidence is set out in terms of each hypothesis as outlined in chapter 1.

The identification of spending patterns of provincial departments is crucial in this study, because they are presumed to have an influence on whether or not departments fully-spend their budget allocation for a particular fiscal year. In light of this, a blueprint spending pattern that can be followed or rather adopted by departments as they spend their budget allocations to discharge their mandate is discussed.

5.2 Theoretical Evidence

This section presents major findings of literature analysis with a view of correlating it to the overarching question that sought to be answered by the study, namely, whether under-spending by provincial departments is predictable and preventable.

Cloete (1994) cited in Lewis (2005) states that under-spending of funds allocated to departments is common. Claassens and Whelan (2002) in the same breath added that a number of government departments fail to spend their entire annual budgets before the end of

the financial year. They further indicate that the lack of timely spending tantamount to services denied to some citizens. Budgets are passed annually by provincial legislatures and parliament to enable the departments to carry out their constitutional mandates; however, some departments fail to spend their allocated funds accordingly. These 'unspent' funds, when expressed in percentages, may seem small but in rand terms it could be millions and billions.

According to the National Treasury (2005), slow rate of spending continues to be a concern. Financial Fiscal Commission (2011) went on further to state that the slow pace spending in a particular financial year, could be an impediment to addressing socio-economic ills in the country. In a race to get through to the finish line, that is to deliver by the end of the financial year the planned deliverables given a particular budget allocation, starting off slow could jeopardise the realisation of the planned deliverables or targets set. Slow spending of the budget allocation could result in a department not spending its budget allocation in full which means that certain targets would be missed or rather planned deliverables would not be delivered as planned. In essence slow spending could result in departments being off targets and having to put off certain targets to a future date.

The unevenness of quarterly spending patterns of departments could signify inefficient and ineffective usage of funds (PSC, 2007b). Departments that start off slow in terms of spending their budget allocations could soon realise that financial year end is peeping and that there is little time to acquire goods and services that would facilitate the departments discharging their constitutional mandates. This could trigger departments to increase their spending pace exponentially in order to make up for the lost time. Thus eventuating in quarterly spending that is uneven, with the small proportion of the budget being spent in the beginning part of the year while a larger proportion being spent, in order to make up for the lost time, in the last part of the financial year. The increased spending pace could be too little, and too late thus resulting in departments under-spending.

Well functional financial management systems could give early warning signals of imminent under-spending and over spending (Siswana, 2007). A slow start off by departments in spending their budget allocation could signal a looming under-spending. A department that struggles to spend or spend its budget allocation slow could find it difficult to fully-spend its budget allocation by the end of the financial year. In essence the department that lacks

behind in terms of spending its budget allocation could signal the likelihood that it would not get through its budget allocation by the end of the financial year.

5.3 Major findings of the study: Confirmation or rejection of hypotheses

This section presents and interprets the major empirical findings of this study which are derived from the results presented in the previous chapter and are set out according to each hypothesis as outlined in chapter 1. This is presented together with the confirmation or rejection of the hypotheses.

5.3.1 Under-spending departments follow a particular spending pattern

The first hypothesis states that there is a particular pattern that is followed by under-spending departments. This hypothesis was confirmed by the results of the analysis of the ratio, namely the Quarterly Aggregate Spending to Total Budget Allocation of the Department.

Over the five year period of analysis, group 1 departments i.e. provincial departments that had been under-spending in the five years, had been starting out slow in terms of spending their budget allocations. Spending by respective departments in group 1 in the five-year period hovered below 20% after three months into the financial year. The analysis also revealed that half way through the financial year all departments within group 1 spent way below half of the annual total budget allocation. The snail pace spending continued throughout the third quarter and fourth quarter resulting in departments under-spending on their budget allocation at the end of the financial year. It was further found that the spending at the end of the third quarters of each year of the five-year period under review departments in group 1 had been below 68% notwithstanding that the financial year was 75% complete. This meant that in order for the departments to exhaust their budget allocations they had to spend just about a third of their budget allocations within the remaining quarter of the year. In other words, by the end of the third quarter, the remaining budget of 32% remained to be spent in the remaining 25% of the financial year.

Further revelation was that, over the five-year period of analysis there had been no congruency between the spending rates of individual departments in group 1 and the lapsing

rate of the year. The year lapsed faster than the budget was spent during the financial year and this precipitated under-spending by these departments.

The analysis revealed that the spending pace of individual departments in group 1 during the five-year under review had been generally congruent with one another with differentials being miniature and in some instances non-existent. The spending rates of departments within group 1 had been similar in temperament in the five-year period of analysis. The snail pace spending has been common within group 1 departments throughout the financial years of the five year period under review.

The analysis also revealed a positive correlation between sluggish spending by provincial departments and under-spending. In other words, it was found that departments that start out slow in terms of spending their budget allocation had shown to under-spend their annual budget allocations at the end of the financial year.

5.3.2 Fully-spending departments follow a particular spending pattern

The second hypothesis states that there is a particular pattern that is followed by departments that had spent their entire budget allocations. This hypothesis is confirmed by the result of the ratio analysis, namely the quarterly aggregate spending to total budget allocation of the department.

The analysis of the ratio for departments in group 2 revealed that, generally, spending by these departments started at above 20% at the end of the first quarter of the period under review. An assessment of the spending pattern also revealed that in the five-year period of analysis the spending levels of provincial departments within group 2 hovered around 24% after 25% of the year had elapsed or rather after 3 months into the financial year.

The findings of the analysis show that half way through the financial year, in the five-year period under review, the spending levels of departments in group 2 was generally above the 50% mark. The same precedence continued through to the third quarters of the five financial years under review, whereby after 75% of the financial year elapsed, the spending levels of the departments in group 2 hovered around 75%. The financial years of the departments in group 2 ended with departments exhausting their budget allocations. In other words, after the

financial year had been 100% complete, the departments' spending on their allocated budget was generally 100%

The findings reveal that generally there has been congruency between the levels of spending by the departments in group 2 and the time of the financial year elapsed in the five year period of analysis. Put differently, there has been alignment between the pace of spending of the departments and the stage at which the financial year is complete. Generally the spending of individual departments within group 2 progressed at a rate that is the same as the pace that the financial year lapsed

Further revelation was that, spending rates of individual departments within group 2 had been generally congruent with one another during the period under review with differentials being miniature and in some instances non-existent. The spending rates of departments within group 2 have been similar in temperament in the five year period of analysis.

5.3.3 There is a marked difference in the spending pattern of fully-spending departments and under-spending departments

The third hypothesis states that there is a marked difference in the spending pattern of fully-spending departments and under-spending departments. This hypothesis is also confirmed by the result of the ratio analysis, namely the quarterly aggregate spending to total budget allocation of the department.

The analysis revealed that group 1 departments and group 2 departments followed patterns that were not in synchrony, with the spending by group 1 departments lacking behind that of group 2 departments throughout the financial years of the five year period of analysis. After three months into the financial year of each year of the five-year period under review the spending level of group 1 departments was lower hovering around 17% relative to group 2 departments which hovered around 24%, indicating that group 1 departments started off slow relative to group 2 departments in terms of their spending on their allocated budgets. The analysis also revealed that the same trend continued throughout the rest of the quarters of financial years in the five-year period of analysis. Half way through the financial year, group 1 departments' spending rates were hovering around 40% whereas that of group 2 departments hovered around the 50%. After 75% of the financial year has elapsed, group 1

departments were at around 60% in terms of their spending of the budget allocated whereas group 2 departments' spending was around 74%. Further revelation was that the sluggish spending by group 1 departments precipitated under-spending of the budget allocated to them. Group 2 departments' spending on the other hand, had been ahead of group 1 departments throughout the financial year, resulting in group 2 departments spending a higher proportion of their budgets relative to group 1 departments by the end of the financial year.

The assessment of spending patterns revealed that during the five-year period of analysis the spending pace of group 1 departments had been lower than that of group 2 departments, with the margins between the spending rates of group 2 departments and group 1 departments being significant as indicated above. This manifested a difference in the spending behaviour of group 1 departments and group 2 departments.

It is also revealed that group 2 departments' spending had generally been congruent with the percentage of the year elapsed. The converse has been found regarding the spending by group 1 departments.

5.4 The usefulness of ratios

The usefulness of the ratio analysed in this study qualified in terms of its ability to underscore spending trends of provincial governments, year on year, over a particular period of time, in this instance five years. The patterns of the ratio analysed also provides evidence that ratios analysed possess elements that can reveal the spending behaviour over time.

The aggregate quarterly spending to total budget allocated ratio of the group 1 departments relative to that of group 2 departments indicates a sluggish spending pattern followed by departments in group 1 which precipitated under-spending by the departments in group 1. In contrast, the fast paced spending of group 2 departments relative to group 1 departments as deduced from the aggregate quarterly spending to total budget allocated ratio of the group 2 departments led to group 2 departments fully-spending on their budget allocation.

The analysis of quarterly spending to total budget allocated ratio of the two groups of departments was able to bring to the fore the distinct patterns of spending followed by the two groups of departments.

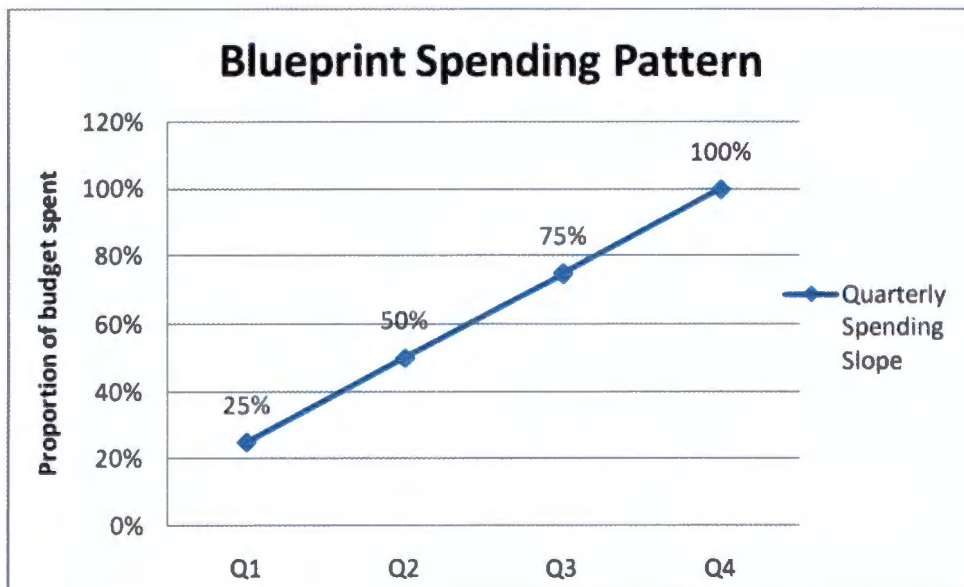
The next section discusses a blueprint spending pattern that can be followed or rather adopted by departments as they spend their budget allocations to discharge their mandate.

5.5 Blueprint Spending Pattern for departments

As to whether or not departments would spend their allocated budgets exhaustively is determined by the rate at which departments expend the funds allocated to them. As discussed above, slow spending departments are likely to under-spend their budget allocations; the converse is also true for fast spending departments.

The departments race against time to spend their budgets before the end of the financial year as ‘unspent’ funds may be forgone to other departments and/or provinces. A department that is time conscious in terms of spending its budget is likely to get through the race track, i.e. the financial year, before the time or period allocated to get through elapses. Thus spending that is intertwined with time of the year elapsed could be ideal as it would make obvious departments that lack behind in spending their budget allocations. Figure 5 – 1 shows a blueprint spending pattern for departments, which is a spending pattern that is intertwined with time of the year that has elapsed, that could be followed by departments as they spend their budget allocations.

Figure 5 – 1: Blueprint Spending Pattern for departments



Source: Own observation

The spending that is constantly congruent throughout the financial year with the time of the year elapsed, could give certainty that a department would fully-spend its budget allocations by the fall of the financial year. The converse could also hold. The meaning of this is that by the end of the first quarter of the financial year the aggregate quarterly spending should be hovering around 25%. That is after 25% of the financial year has elapsed, a department would need to have spent 25% of its budget allocation. By the end of the second quarter, that is after 50% of the year has elapsed, aggregate quarterly spending should be in the region of 50%. Furthermore, by the end of the third quarter, with 25% of the year remaining before the financial year lapses, the remaining funds to be spent should be lingering around 25%. By the fall of the financial year, that is after 100% of the financial year has elapsed, 100% of the funds allocated should have been spent.

Aggregate quarterly spending that is less than the percentage of the time of the financial year elapsed could signal imminent under-spending. In contrast, aggregate quarterly spending that is more than the percentage of the time of the financial year elapsed could signal imminent over spending, that is spending more than what has been allocated. On the other hand, aggregate quarterly spending that is congruent with the percentage of the time of the financial year elapsed could signal that a department is likely to fully-spend its budget allocation. Thus following a blueprint spending pattern can offer assistance to the departments in terms

of guidelines as to whether or not they are lacking behind or moving too fast in spending their budget allocation.

5.6 Application of the theory

The purpose of this study was to establish whether under-spending provincial departments and fully-spending departments, respectively, displayed a specific spending pattern throughout the financial year. The discussion in the previous sections indicated that this study has established that under-spending departments and fully-spending departments, respectively, followed a particular spending pattern as they spent the budget allocated to them. Furthermore, this study has established that under-spending provincial departments and fully-spending departments followed a particular pattern that is distinct from each other. The findings of this study highlight a pattern that can be adopted by departments as they spend funds allocated to them. Departments that are showing signs of imminent under-spending should not be allowed to under-spend.

A department that has adopted a pattern that may lead to it under-spending or over-spending, may require, as a matter of urgency, a revisiting of decisions impacting on the spending pace in the light of the blueprint spending pattern for departments

The occurrence of under-spending could mean that certain services that should be provided by a department as per the constitution may have to be delayed or rather the provision thereof being put off until the future date. These often happen as captured in the literature analysis. As funds are allocated for a specific purpose, e.g. procuring of medical equipments and medicines, the opportunity cost of not spending such funds could be exacerbated poor health situation of communities as monies that could have bought medicines that could alleviate or treat the illnesses and equipment that could be used to examine patients and accurately give a diagnosis are not spent.

Spending patterns that are not matched with the time of the financial year elapsed could lead to the department falling short to spend its budget allocation or spending beyond what it has been allocated to it. Also captured in the literature is the concern over highly uneven quarterly spending patterns of departments that may be sending a signal that funds are not always used efficiently and effectively. Running out of time to spend its budget allocation,

on the back of a slow start off, a department may exponentially increase its spending pace in order to make for the lost time, resulting in small proportion the budget being spent in the beginning part of the year whereas a larger proportion is spent in the last part of the year in efforts to off load funds.

Departments that are seeking to avert over-spending/under-spending may have to consistently intertwine their spending with the time of the year elapsed. This may involve taking certain actions that would deter factors that could lead to under-spending. These factors had been put forward in the previous discussion. While a department may address factors that could lead to it under-spending on its budget allocation, through certain actions and decisions, a blueprint spending pattern could serve as a management tool that would give an indication to a department as to whether or not it had undertaken appropriate action to deal with factors that give rise to under-spending. Action that is not appropriate could be manifested by spending that is lacking behind whereas action that is appropriate could result in spending being congruent with the time of the financial year elapsed.

5.7 Conclusion

Like any other scientific study or research, this study was set to solve a certain problem. The stated problem of this study was as follows: Is under-spending by provincial departments predictable and preventable?

The problem has been solved or at least answered, to the extent that it has been established that under-spending provincial departments and fully-spending departments, respectively, displayed spending patterns that were distinct from one another throughout the financial year. The patterns followed by departments determined whether or not the department under-spent or fully-spent its budget allocations.

The research problem gave rise to the two study objectives. Firstly, the evaluation of how a particular spending pattern contributed to whether or not a department under-spend or fully-spend its budget allocation. Secondly, to assess how a particular spending pattern could signal imminent under-spending. It is within the abovementioned context and the arguments presented in the course of this study that the researcher believes that all the objectives of this study have been met fully, practically supported and asserted.

5.8 Recommendations

This study was set to establish whether under-spending provincial departments and fully-spending departments, respectively, displayed a specific spending pattern throughout the financial year. Based on the results obtained from this study, it has been established and confirmed that under-spending provincial departments and fully-spending departments, respectively, displayed spending patterns that were distinct from one another throughout the financial year. Recommendations presented here are mainly applicable to government departments that are allocated yearly budgets and seek to avert under-spending.

The following recommendations are provided as a consequence of the findings of this study and are not intended to undermine policies and management methods adopted by departments in conducting their business affairs.

- Under-spending negatively impacts on the delivery of services. It therefore goes without saying that elements that contribute or rather give rise to under-spending will have to be eliminated in order to allow departments to exploit the use of their allocated budgets in discharging their constitutional mandate.
- The blueprint spending pattern should be adopted in order to guide the level of spending of a department at a particular time. This can also serve as a guide to the management of the department in taking action that would deal with factors that give rise to under-spending.
- Departments that are spending their budget allocations are desirable; however, the notion of over-spending should not be overlooked. A department should spend while keeping reasonable control and balance to ensure it does not spend beyond what it has been allocated.
- It is recommended that emphasis be placed on the effectiveness of operations in order for the department to realise objectives and targets that the department have set for itself.
- It is also recommended that the findings be replicated across a larger database of provincial departments in the future.

5.9 Summary

This chapter discussed the results of the research on the premise of determining whether under-spending could be predicted and prevented. This entailed establishing whether under-spending provincial departments and fully-spending departments, respectively, displayed a specific spending pattern throughout the financial year. The analysis of the financial ratio, namely, aggregate quarterly spending to total budget allocation, proved to be useful in determining these patterns. From the findings of this study, it can be concluded that the ratio analysed in this study is a good measure of patterns. The evaluation of the research hypotheses in this study also revealed distinct patterns followed by under-spending and fully-spending departments throughout the financial year.

Having confirmed the research hypotheses in the chapter, the recommendation of a blueprint spending pattern that can be followed by departments seeking to avert over-spending or under-spending as they spend their yearly budget allocation was made. The blueprint spending pattern discussed focused primarily on correlating the aggregate quarterly spending with the time of the financial year elapsed. This blueprint spending pattern was also suggested as a critical management tool that would serve as a guide to the management of departments in taking action that would deal with factors that give rise to under-spending.

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