

# SOUTH AFRICA



2018/19

2018/19

Education  
Budget Brief  
**South Africa**



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## Acronyms

**ASIDI** | Accelerated Schools Infrastructure Delivery Initiative  
**DBE** | Department of Basic Education and Training  
**DHET** | Department of Higher Education and Training  
**ECD** | Early Childhood Development  
**EFA** | Education for All  
**EIG** | Education Infrastructure Grant  
**GDP** | Gross Domestic Product

**MTEF** | Medium-Term Expenditure Framework  
**NDP** | National Development Plan  
**NSC** | National Senior Certificate  
**Orgs** | Organisations (as in Non-Profit Organisations)  
**PIRLS** | Progress in International Reading Literacy Study  
**Sen** | Senegal  
**SIBG** | Schools Infrastructure Backlogs Grant  
**SRN** | School Register of Needs

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## Preface

This budget brief is one of five that explores the extent to which the national budget and social services sector budgets address the needs of children under 18 years in South Africa. *This budget brief analyses trends in basic education expenditure and allocations at the national and provincial levels. In addition to examining broader spending and allocation trends, it focuses on the challenges and successes in infrastructure spending in provincial education departments.* It complements the budget brief on sub-national education spending and forms part of a wider series of publications that explores the extent to which the national and provincial budgets and social services sector budgets in 2017/18 and 2018/19 address the needs of children under 18 years in South Africa.

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## Key Messages and Recommendations

**South Africa plans to spend R246 billion or 16.7 per cent of total government resources on basic education programmes in 2018/19. Overall, the country spends more than 20 per cent of its resources on basic and higher education and its combined education spending is more than 6 per cent of the Gross Domestic Product (GDP).**

**Higher education has received a greater share of the education budget, while basic education programmes face stagnant budgets.** The Government is encouraged to:

- I. Preserve spending on basic education programmes in view of its dynamic contribution to the country's human resources development programme.
- II. End the reduction in public school infrastructure spending, especially for children in rural areas.

**While budgets in the basic education sector are constrained and projected to grow by a mere 0.4 per cent above inflation on average over the medium term, spending increases on Early Childhood Development (ECD) (3.5% average growth) and special needs education programmes (1.7% average growth) are welcomed.** The Government is encouraged to:

- I. Expedite the function shift in ECD from the social development sector to the basic education sector.
- II. Carefully monitor the implementation of the conditional grant on learners with profound intellectual disabilities, to prevent the unauthorised use of earmarked funds.

**Provincial education departments have achieved high actual spending ratios on the Education Infrastructure Grant (EIG). Against a background of reductions to education infrastructure budgets, this is a welcome development.** The Government is encouraged to:

- I. Publish actual expenditure data by district for infrastructure spending and all other service delivery programmes to enable better assessment of its spatial targeting approaches.
- II. Incentivise provinces to continue to set aside funding for infrastructure programmes from their own coffers to avoid complete reliance on national grant funding for infrastructure.
- III. Prioritise the timely publication of provincial infrastructure reports that are submitted to the Minister of Basic Education.

**While spending on infrastructure has improved, accumulating spending arrears have led to chronic under-spending in provincial education budgets. Under-spending in provincial education budgets now reflects a combination of poor planning and as a response to persistent cash flow problems.** Provincial Governments are encouraged to:

- I. Develop medium-term plans by sector for the gradual elimination of all historical spending arrears.
- II. Improve their capacities to model the impact of wage increases and pressures on service delivery schedules and programmes.

**The country-wide interim sanitation audit has produced sobering results. To bring all schools to appropriate sanitation standards requires a financial investment that is larger than the Government's total commitment to public school infrastructure spending.** The Government is encouraged to:

- I. Maintain the distinction between 'unacceptable' (supply problem) sanitation, and 'insufficient' (over-crowding problem) sanitation, in its data collection and reporting procedures because of the implicit emphasis on quantity and quality.
- II. Reprioritise existing infrastructure spending and publish a revised list of sanitation and broader infrastructure projects following the release of the interim sanitation audit results.

# SECTION 1.

## Introduction

### Governance and National Policy

The responsibility for providing and delivering education services is shared among the National and Provincial Government. The schooling system (public and private) caters for children between the ages of 5 and 17 years<sup>i</sup>, which includes a reception year (prior to Grade 1) and a final formal schooling year (Grade 12). The Department of Basic Education (DBE) is the national department responsible for policy-making and co-ordination for the schooling sector, while nine provincial education departments finance and implement national policy for this sector. The Department of Higher Education and Training (DHET) provides post-schooling opportunities at the tertiary level (universities), adult education programmes, and technical and vocational qualifications that straddle the schooling and post-schooling levels.

The two central documents that guide the development and implementation of education policy are the *National Development Plan 2030 (NDP)*<sup>ii</sup>, which sets quantitative goals for the schooling sector and the DBE's own strategic plan, namely *Action Plan to 2019: Towards the Realisation of Schooling 2030*.<sup>iii</sup>

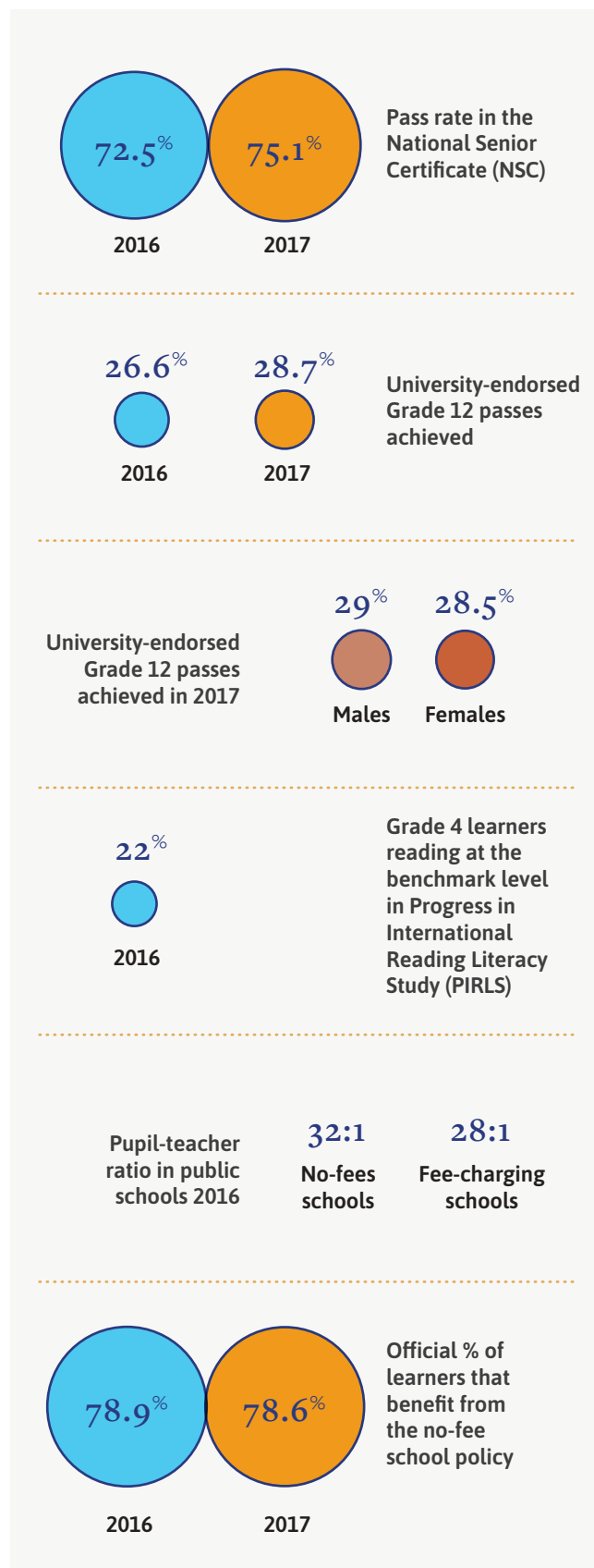
Some of the key goals to be realised by 2030 include:

- Ensure universal access to one phase of ECD, namely Grade R (Reception year prior to Grade 1);
- Improve South Africa's standing in international comparative standardised tests by providing performance benchmarks;
- Eradicate all infrastructure backlogs by 2030; and
- Ensure that all schools are funded at the minimum per learner levels determined nationally, and that funds are utilised transparently and effectively.

### Indicators on the Health of the Basic Education System

Of the learners who wrote the annual Grade 12 school-leaving examinations, 1 out of 4 achieved a university-endorsed pass in 2017, spread equally among male and female learners (Figure 1). Across all candidates who sat for the Grade 12 examinations, 3 out of 4 candidates managed to achieve an overall pass. At the other end of the system (primary schooling), only 22.0 per cent of South African children could read at the appropriate Grade level, suggesting that performance in the Grade 12 examinations

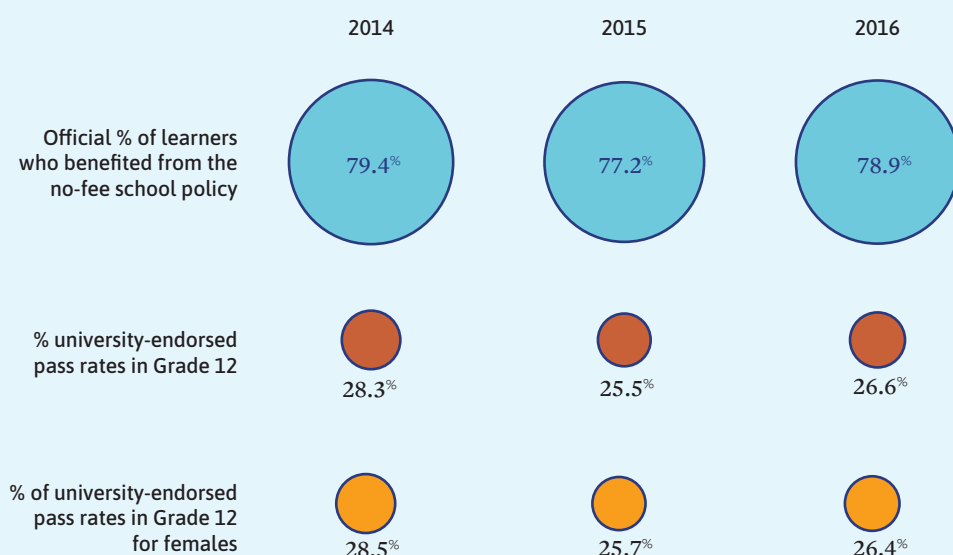
FIGURE 1:  
Key indicators on the health of the education system, 2015 to 2017<sup>iv</sup>







**FIGURE 2:**  
Basic education sector  
performance, 2014  
to 2016 (%) | Source:  
DBE 2017 and General  
Household Survey 2016



are applicable to a relatively small cohort of learners. A large percentage of learners continue to benefit from the school nutrition programme, while fee-charging schools, because of their ability to hire additional teachers, had significantly lower pupil-teacher ratios in 2016.

## Performance of the Basic Education System

Although university-endorsed passes have much room to improve, it is encouraging to see that such passes are spread equitably among males and female learners (Figure 2). Despite the financing challenges affecting the education sector, more than 3 out of 4 learners continue to participate in the school nutrition programme.

## TAKEAWAYS

- » South African education authorities have remained committed to support a large percentage of poor learners through the country's no-fee school policies and the national school nutrition programme.
- » The schooling system continues to face quality challenges and the latest Grade 4 reading results reveal that only 22 per cent of children can read with meaning at the appropriate Grade level.
- » More than 3 out of 4 learners who wrote the school-leaving examinations achieved an ordinary pass, while 1 out of 4 learners obtained a university-endorsed pass.

## SECTION 2.

### Education Spending Trends

#### Size of Spending

The national DBE and the nine provincial education budgets are projected to spend roughly R246 billion in 2018/19. Almost R18 billion of the DBE's budget consists of transfers to provincial education departments, which leaves this policy-making entity with 2.1 per cent of consolidated basic education resources. At the provincial education level, KwaZulu-Natal has the largest budget (almost R51 billion), while the Northern Cape allocates just more than R6 billion for basic education.

Consolidated basic education as a share of consolidated government expenditure is set to decline from 16.7 per cent in 2016/2017 to 16.0 per cent in 2020/21. Over the same period, consolidated basic education expenditure constitutes between 4.7 and 5 per cent of the GDP.

Consolidated education spending (inclusive of basic education, technical colleges and the higher education institutions) is equal to 6.4 per cent of the country's GDP in 2018, which is broadly in line with the 6 per cent international benchmark (Figure 4). South Africa's overall spending compares well with peer countries such as Mauritius (5%) and Kenya (5.3%). However, it is below that of Zimbabwe (7.5%) and eSwatini (7.1%), but these are smaller countries that do not have the same demographic base or similar income status as South Africa.

**TABLE 1:**

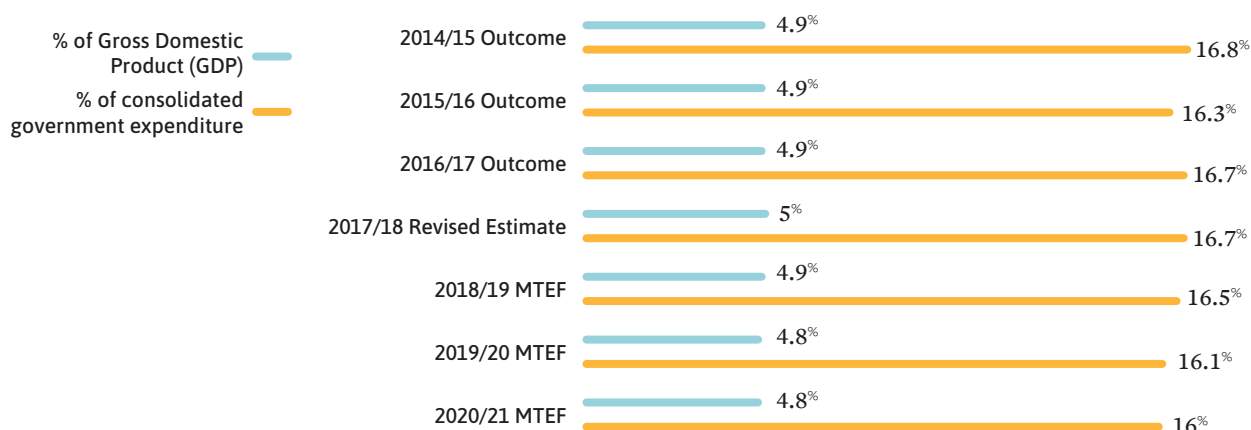
Summary of nominal national and provincial basic education budgets, 2018/19 (ZAR billion) | Source: Estimates of National Expenditure 2018 and Estimates of Provincial Revenue and Expenditure 2018

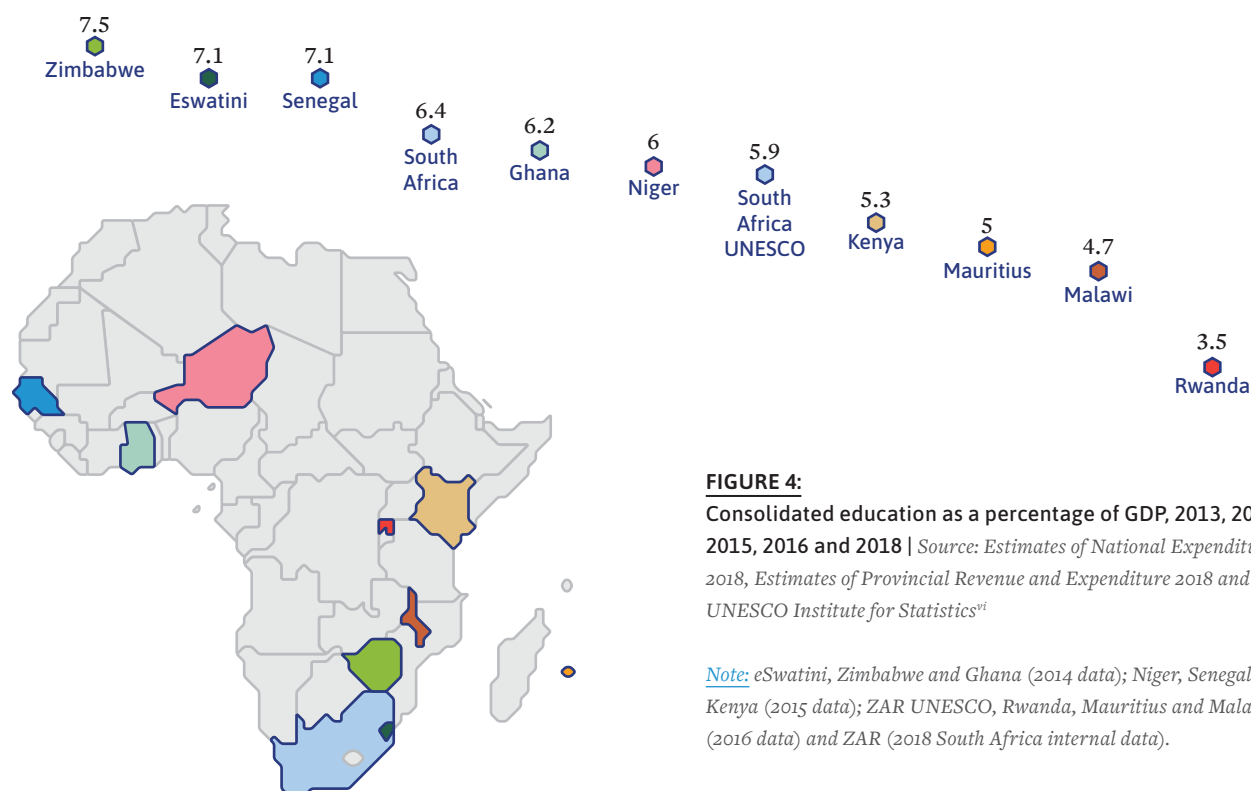
*Note: To promote readability of the numbers, numbers have been rounded up so will differ from the presentation of numbers in the official provincial and national education budgets.*

	National	Provincial	% of total
National Basic Education	22.7		2.1
National Basic Education transfer to provinces	17.5		
Combined provincial education budgets		240.8	97.9
Eastern Cape		34.8	
Free State		13.6	
Gauteng		45.2	
KwaZulu-Natal		50.9	
Limpopo		30.5	
Mpumalanga		21.0	
Northern Cape		6.4	
North West		16.2	
Western Cape		22.2	
Consolidated Basic Education Budget	246.0		

**FIGURE 3:**

Consolidated basic education expenditure as % of consolidated government expenditure\* and the GDP, 2014/15 to 2020/21 | Source: Estimates of National Expenditure 2018, Estimates of Provincial Revenue and Expenditure 2018 and Budget Review 2018





## The Priority of Basic Education in the Budget

The share of basic education of total government expenditure is reduced from 16.8 per cent in 2014/15 to 16 per cent in 2020/21 (Figure 5). Over the same period the share of health spending increased from 12.9 per cent to 13.2 per cent, while the spending shares of social development remain relatively constant over the present Medium-Term Expenditure Framework (MTEF). Collectively, education, social development and health, consume 42.1 per cent of total government allocations in 2018/2019.

	Health	Social Development	Basic Education
2014/15 Outcome	12.9%	12.8%	16.8%
2015/16 Outcome	12.8%	12.4%	16.3%
2016/17 Outcome	13.2%	12.7%	16.7%
2017/18 Revised Estimate	13.8%	12.8%	16.7%
2018/19 MTEF	13.4%	12.9%	16.5%
2019/20 MTEF	13.3%	12.9%	16.1%
2020/21 MTEF	13.2%	12.9%	16%

**FIGURE 5:**  
Social service sectors as a % of consolidated government expenditure, 2014/15 to 2020/21 | Source: Estimates of National Expenditure 2018 and Estimates of Provincial Revenue and Expenditure 2018

*Note:* Spending on public entities attached to departments is included in the final calculation.



In terms of the Education for All (EFA) international spending benchmark, consolidated education (inclusive of basic education, technical colleges and the higher education sector), consumes between 21 per cent and 23 per cent of total government spending over the period 2014/15 to 2020/21. South Africa meets both international benchmarks for spending (as a % of GDP and a % of total government expenditure), but this does not imply that such spending is adequate or that the country has successfully translated input gains into recognised achievement goals.

## Spending Changes

Spending on basic education is under pressure as can be seen in the slow rise of inflation-adjusted spending depicted in Figure 6. Between 2017/18 and 2019/20, consolidated basic education budgets are not projected to grow above inflation, while a small rise is projected for the end of the MTEF. Over the entire six-year period depicted in Figure 3, basic education spending grew on average by 1.1 per cent above inflation, while over the present MTEF period, it achieves a meagre 0.4 per cent average annual growth.

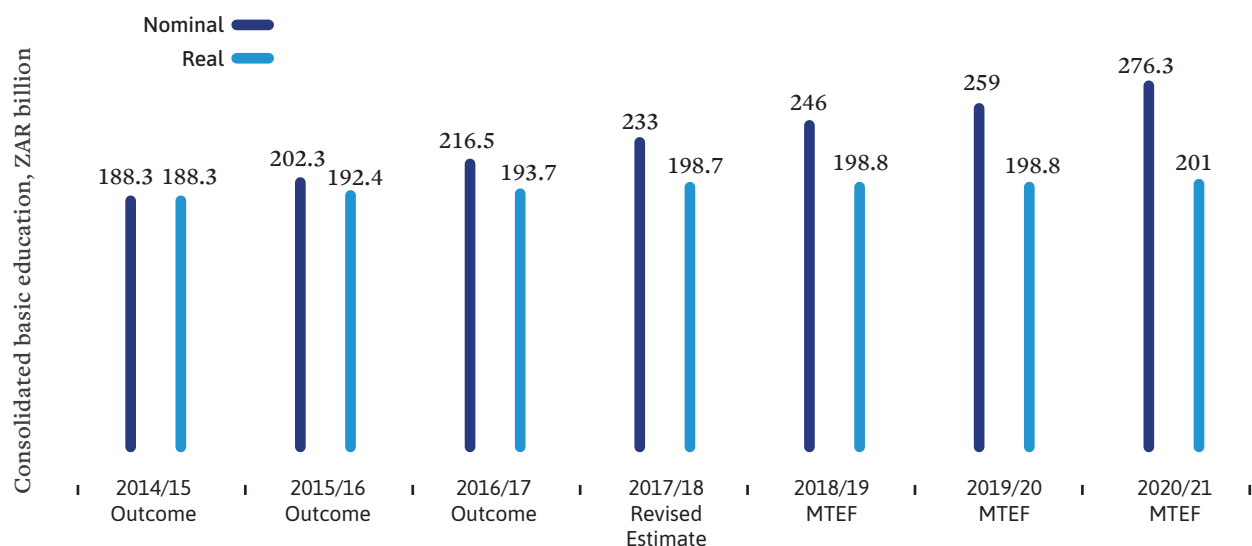
## TAKEAWAYS

- » South Africa plans to spend R246 billion or 16.7 per cent of total government allocations in 2018/19.
- » Basic education allocations as a share of the total government budget are set to decline from 16.7 per cent in 2014/15 to 16 per cent in 2020/21, while the share of health allocations increases from 12.9 per cent to 13.2 per cent over the same period.
- » Basic education, social development and health consume more than 42 per cent of total government allocations in 2018/19.
- » South Africa spends more than 20 per cent of its total budget on education (inclusive of basic and higher education) and its combined education spending is more than 6 per cent of its GDP. It meets, therefore, all the main international spending benchmarks.
- » Despite the good news, allocations to basic education are constrained over the MTEF, and are projected to grow by a mere 0.4 per cent on average.

**FIGURE 6:**

Nominal and inflation-adjusted consolidated basic education spending trends, 2014/15 to 2020/21 (ZAR billion): 2014/15=100 | Source: Estimates of National Expenditure 2018 and Estimates of Provincial Revenue and Expenditure 2018

*Note: To promote readability of the numbers, numbers have been rounded up so will differ from the presentation of numbers in the official provincial and national education budgets.*



## SECTION 3.

### Composition of Education Spending

#### Composition of Spending by Department

Spending and allocations on the higher education budget consistently outperformed that of comparable allocations in the basic education sector (Figure 7). Over the six-year period depicted in Figure 7, the higher education budget grew by almost 9 per cent above inflation on average, while the basic education budget managed growth rates just above the 1.0 per cent mark. This suggests a direct trade-off between the rapid expansion of higher education and training spending and the slow, but positive growth in provincial basic education budgets. Nowhere is this more evident than over the present MTEF where the higher education and training budget achieves annual growth rates of 25 per cent in 2018/19 and 14 per cent in 2019/20 against real declines of 4 per cent and 1.3 per cent in the budget of the DBE.

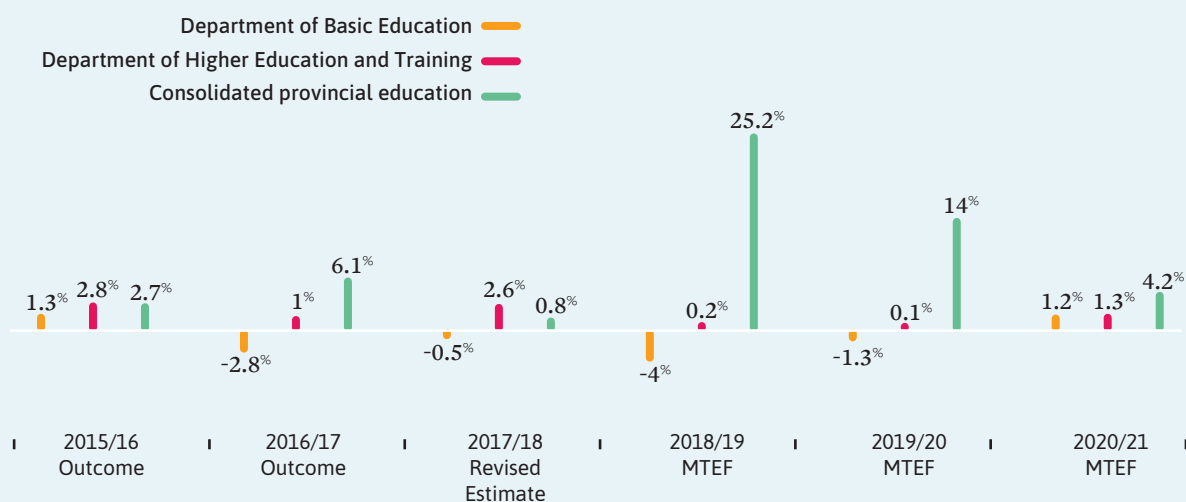
#### Composition of Spending by Programme: Provincial Education Budgets

The combined provincial education budget is R241 billion in 2018/19 and is projected to grow to R271 at the end of the present MTEF (Table 2). Provincial education budgets grow by less than 1 per cent above inflation on average over the medium term. Allocations to the infrastructure programme are planned to be reduced by more than 8 per cent annually (after inflation), while the independent schools budget remains virtually unchanged over the same period. The reduction in spending on school infrastructure does not correspond to reduced needs in the sector, but relates to government's programme of cutting costs. The largest programme, public ordinary schools, is projected to grow by 1 per cent above inflation on average over the next three years, but recent wage negotiations meant that this number is likely to be larger to accommodate new wage pressures.

Positive, however, is the growth on the ECD budget, which is set to grow by 4 per cent above inflation over the medium term. This is consistent with national survey data, which point to an increase in children accessing both public and private ECD services. The public special needs education programme expands by almost 2 per cent above inflation over the medium term due to the introduction of the conditional grant for learners with profound intellectual disabilities.

**FIGURE 7:**  
Inflation-adjusted spending trends in education departments, 2017/18 to 2020/21  
(2014/15=100) | Source: Estimates of National Expenditure 2018 and Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

*Note:* Transfers from DBE to provincial education departments are not netted out because of the need to examine expenditure by administrative unit(s).



## Composition of Spending by the Type of Expenditure: Provincial Education Budgets

Basic education is a labour-intensive sector and Figure 8 shows that compensation of employees consumes about 80 per cent of available provincial education resources. While the aggregate number is unlikely to be changed even if the

new wage agreement is factored in, this may have negative implications for all provinces, irrespective of their relative spending on wages. The shares of Goods and Services (mostly budgets for non-section 21 public schools) and Transfers to Non-Profit Organisations (mostly budgets for section 21 public schools) remain similar over the six-year period and the new MTEF. The share of spending on buildings and fixed structures decreases from 5.2 per cent of total spending in 2017/2018 to 3.5 per cent at the end of the present MTEF.

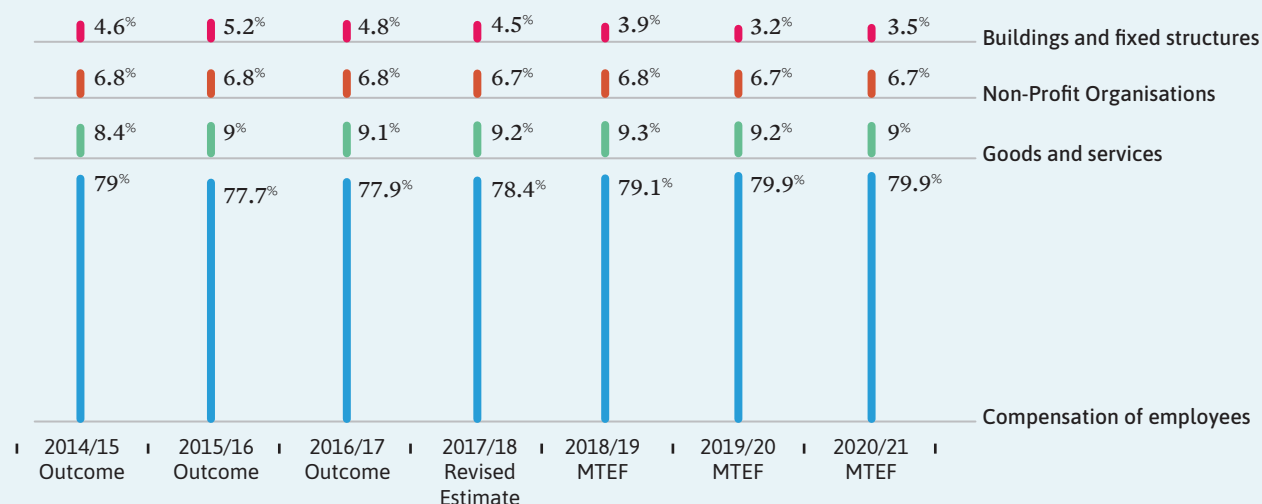
**TABLE 2:**

Programme expenditure in the consolidated provincial education budget, 2014/15 to 2020/21 (ZAR billion) | Source: Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

	2014/15 Outcome	2015/16 Outcome	2016/17 Outcome	2017/18 Revised Estimate	2018/19 MTEF	2019/20 MTEF	2020/21 MTEF	Real change between 2017/18 and 2018/19 (%)	Real average annual change over MTEF (%)
Public Ordinary Schools	145.6	155.7	168.1	180.5	192	204.3	218.1	0.8	1
Independent School Subsidies	1	1.1	1.2	1.3	1.4	1.4	1.5	-0.6	-0.1
Public Special School Education	5.7	6.2	6.8	7.5	8.2	8.8	9.3	3.3	1.7
Early Childhood Development	2.9	3.3	3.8	4.2	4.9	5.2	5.5	10.7	3.5
Infrastructure Development	10.1	12.8	12.4	12.9	11.6	10.3	11.4	-14.3	-8.3
Other	17.1	18.1	19.3	21.3	22.6	23.8	25.4	0.3	0.5
<b>Grand Total</b>	<b>182.3</b>	<b>197.2</b>	<b>211.6</b>	<b>227.8</b>	<b>240.8</b>	<b>253.8</b>	<b>271.2</b>	<b>0.2</b>	<b>0.5</b>

**FIGURE 8:**

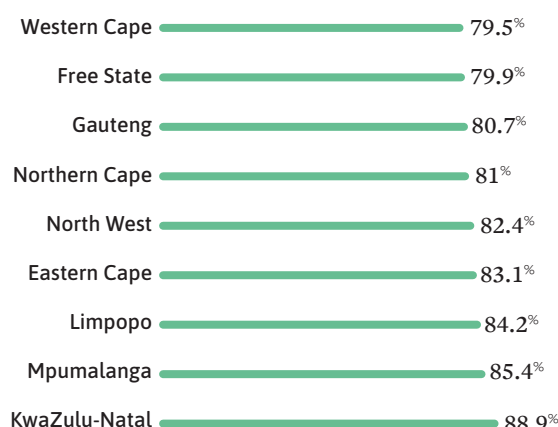
Expenditure by type in the consolidated provincial education budgets, 2014/15 to 2017/18 (%) | Source: Estimates of Provincial Revenue and Expenditure 2018



Provincial education departments allocate between 80 per cent and 89 per cent of its total budget to compensation (inclusive of wage and non-wage benefits). While it is fair to suggest that all provinces will be negatively affected by the rise in their wage bills, a province such as KwaZulu-Natal has less fiscal space to absorb the increases against provinces such as Western Cape, Free State, Gauteng and the Northern Cape that have some fiscal room. However, growing spending arrears as recorded in provincial education budgets, will complicate service delivery programmes in all provinces.

**FIGURE 9:**

Compensation as a % of provincial education budgets, 2018/19(%) | Source: *Estimates of Provincial Revenue and Expenditure 2018* (own calculations)



## TAKEAWAYS

- » Basic education faces stagnant budgets while large increases are projected for higher education. The higher education budget is projected to grow nine times faster than the budget for basic education.
- » There are substantial variations in spending on compensation between provinces with Western Cape and Free State allocating less than 80 per cent, whereas KwaZulu-Natal allocates almost 90 per cent on compensation. This leaves little fiscal room for new programme implementation and expansion.
- » Spending shares that relate directly to public schools, such as Goods and Services (for non-section 21 schools) and Transfers to Non-Profit Organisations (for self-managing public schools) remain constant over the medium term at 9 per cent and 7 per cent of total spending respectively.
- » Budget cuts to school infrastructure spending do not match the aim to provide quality sanitation and eradicate inappropriate school structures.

## SECTION 4. Budget Credibility and Execution

### Budget Credibility: Department of Basic Education and Provincial Education Departments<sup>vii</sup>

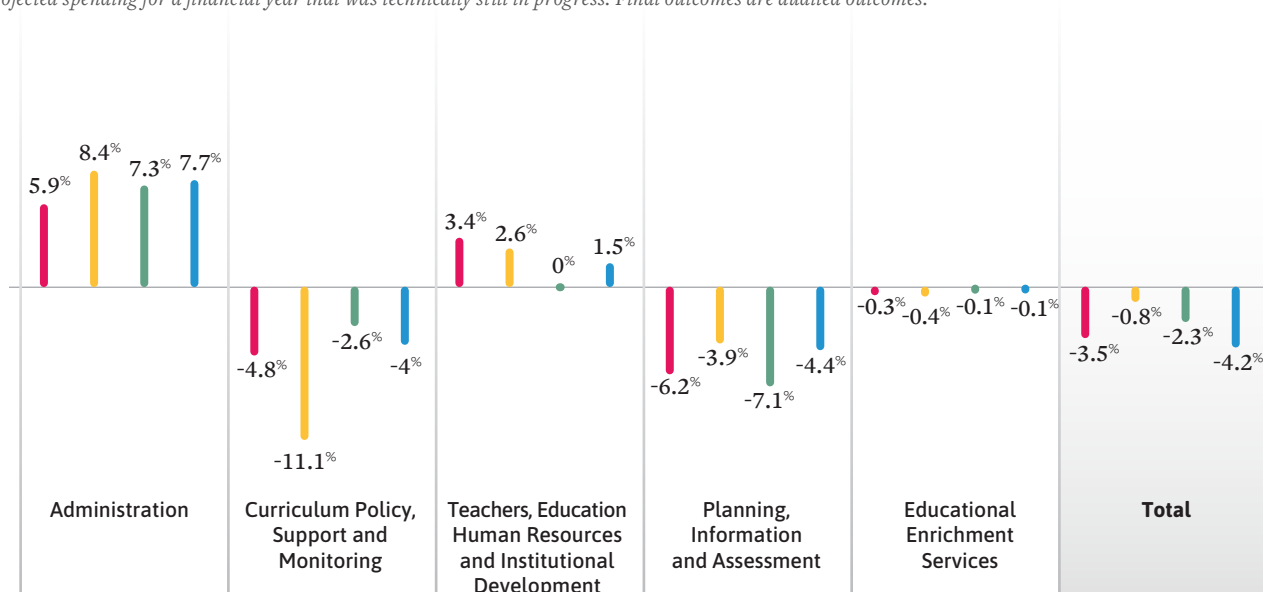
Negative deviations (or under-spending), between adjusted and final spending, differ by as little as 0.8 per cent in 2014/15 and as much as 4.2 per cent in 2016/17 in the budget of the DBE (Figure 10). In 2013/2014, the largest deviations were recorded in the Planning, Information and Assessment programme (-6.1%) due to under-spending on the indirect school infrastructure backlogs grant and the infrastructure grant provided to provincial education departments. The liquidation of service providers' contracts, the time it took to replace them with new contractors, and grant funding that was withheld for provinces due to poor spending, are some of the main reasons for the deviations. The deviations for the remainder of the period include infrastructure under-spending, low take-up rate of paid volunteers in an adult basic education and training programme, and the non-submission of expense claims by provinces participating in a nationally-sponsored programme.

Negative deviations (or under-spending) between adjusted and final spending have been the norm for provincial education budgets in the period under consideration (Figure 11). Collectively, provinces under-spent by 3.8 per cent in 2013/14, 1.4 per cent in 2014/15, 1.6 per cent in 2017/18 and less than 1 per cent in 2016/17. A superficial analysis might suggest that budget execution is improving, but departments' persistent under-spending involves serious cash flow challenges, which lead to failure to pay service providers. Cash flow problems are caused by personnel budgets that grow in an unplanned and unpredictable manner. The result has been a situation where transfers to educational entities are not made and conditional grants are used in an unauthorised manner to compensate for the loss in cash resources. While under-spending was usually associated with poor spending capacity in provinces, the underlying under-spending trends observed here are indicative of poor planning and an inability to eliminate spending arrears.

**FIGURE 10:**

Comparing adjusted expenditure with final outcomes in the budget of the Department of Basic Education, 2013/14 to 2016/17 (%) | Source: Estimates of National Expenditure 2018 (own calculations)

*Note: Adjusted expenditure is inclusive of annual adjustments (including virements, carry-overs etc.) and projected spending for a financial year that was technically still in progress. Final outcomes are audited outcomes.*

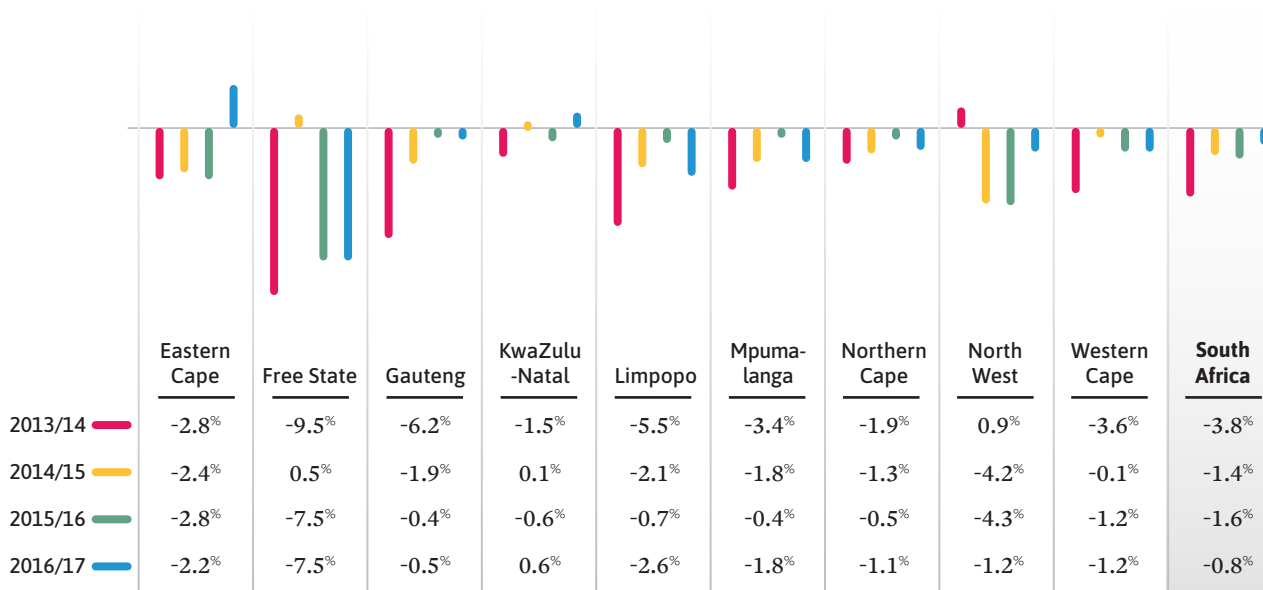


**FIGURE 11:**

Comparing adjusted expenditure with final outcomes in the budget of provincial education departments<sup>viii</sup>, 2013/14 to 2016/17 (%) | Source:

Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

*Note: Adjusted expenditure is inclusive of annual adjustments (including virements, carry-overs etc.) and projected spending for a financial year that was technically still in progress. Final outcomes are audited outcomes.*





## Budget Execution Rates in the Basic Education Sector

The aggregate provincial spending ratios hide the degree of under-spending among provinces and as can be seen below, Free State, under-spent by close to 10 per cent of its budget in 2013/14, and just short of 8 per cent for some of the other financial years (Figure 12). The Free State Department of Education under-spent heavily in 2013/14 due to lower transfers to independent schools and public special educational needs schools because of its cash flow challenges. Gauteng's low spending ratio of 93.8 per cent in 2013/14 was due to under-spending on infrastructure, lower transfer rates to educational institutions on the departments' books, and delays in spending due to cash flow problems in two of the four schooling quarters. It is not clear from the Annual reports whether under-spending on educational institutions also includes public schools that receive direct transfers into their schools' accounts.

### Challenges

The reasons for under-spending in the basic education sector are different for the national policy-making DBE and the implementing nine provincial education departments. For the DBE, lack of supervision of spending, done on its behalf in provinces, is a concern, especially on the schools' infrastructure backlogs grant. In the case of provinces, their growing spending arrears are causing serious cash flow problems, which stem in part from wage pressures in

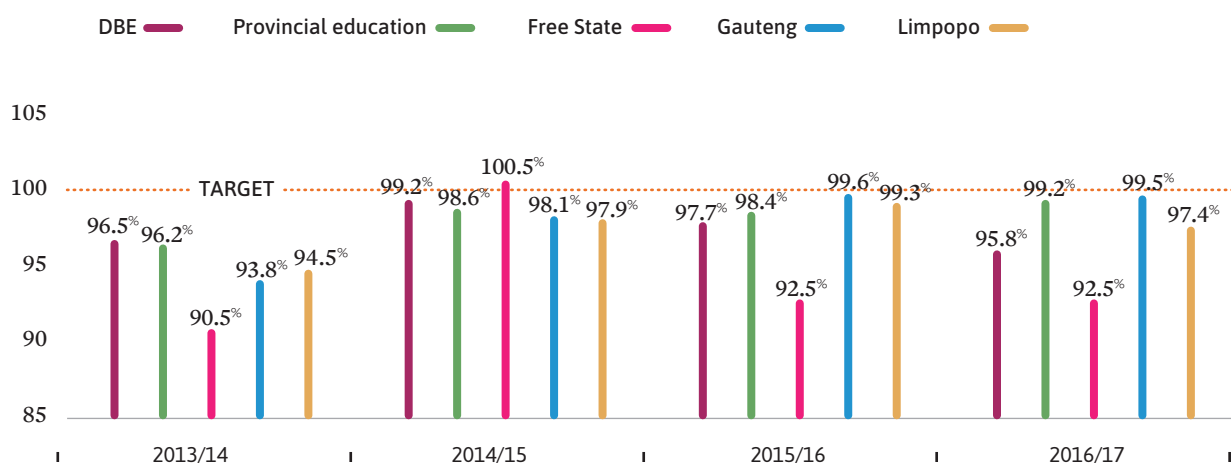
their budgets. Deferred payments have a knock-on effect on payments that are scheduled for a specific financial year, thus introducing general instability in the service delivery schedules of departments. Unchecked growth in the wage bills of provincial governments (including provincial education departments), will put further strain on the ability of these departments to manage and provide services that enhance the equity and quality of school education. Programmes that fall outside of the larger public schools' programme are particularly vulnerable, thus making the implementation of national policies difficult.

### TAKEAWAYS

- » Provincial education budgets are chronically under-spent due to a host of reasons including cash flow problems that emanate from wage pressures, reduced spending baselines that are part of the fiscal consolidation programme, and under-spending of school infrastructure funding.
- » This suggests that under-spending can no longer be thought of as indicative of poor-spending capacities alone, but that there are serious structural problems in education financing that render provincial education accounts less reliable.
- » The DBE appears less vulnerable to these problems, but must address the issue of service provider management and intermediary agents that deliver infrastructure projects in provinces.
- » Budget execution rates vary among provinces in any specific year and no province seems immune to the pressures of under-spending.
- » These spending patterns are likely to continue in the near future, especially in view of the public sector wage agreement, which hiked wage increases above the country's consumer inflation rate.

**FIGURE 12:**

Budget execution in the basic education sector, 2013/14 to 2016/17 (%) | Source: Estimates of Provincial Revenue and Expenditure 2018 and Estimates of National Expenditure 2013/2014 to 2018/2019 (own calculations)



## SECTION 5.

### Equity in Education Spending

#### Spending and Allocations on Sub-National Budgets: Provincial Education Budgets

Allocations on provincial education budgets are projected to increase from R229 billion in 2017/18 to R271 billion in 2020/21 at a real average annual rate of less than 1 per cent. Allocations in the budgets of the Free State and Limpopo show a small real decline and most of the remaining departments project maintenance budgets over the same period. Gauteng projects the largest real positive average growth (1.2%) with North West following closely at 1.1 per cent.

#### Spending Disparities in Provincial Education Programmes

The overall level of per-pupil spending in public school budgets has not changed much between 2015 and 2016 and there is a large degree of convergence in per-pupil spending across provinces. This result is due, in part, to the established nature of the public schools' programme, and the fact that it has benefited most from systemic governance and funding reforms after 1994. The convergence in per pupil spending is reflective of spending on personnel and does not imply that all historical backlogs —especially infrastructure backlogs— have benefited from this spending convergence. Positive discrimination towards provinces with greater infrastructure needs and poor educational outcomes would still be required to achieve equitable outcomes.

**TABLE 3:**  
Spending and allocation trends in provincial education budgets, 2014/15 to 2020/21 (ZAR billion) | Source: Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

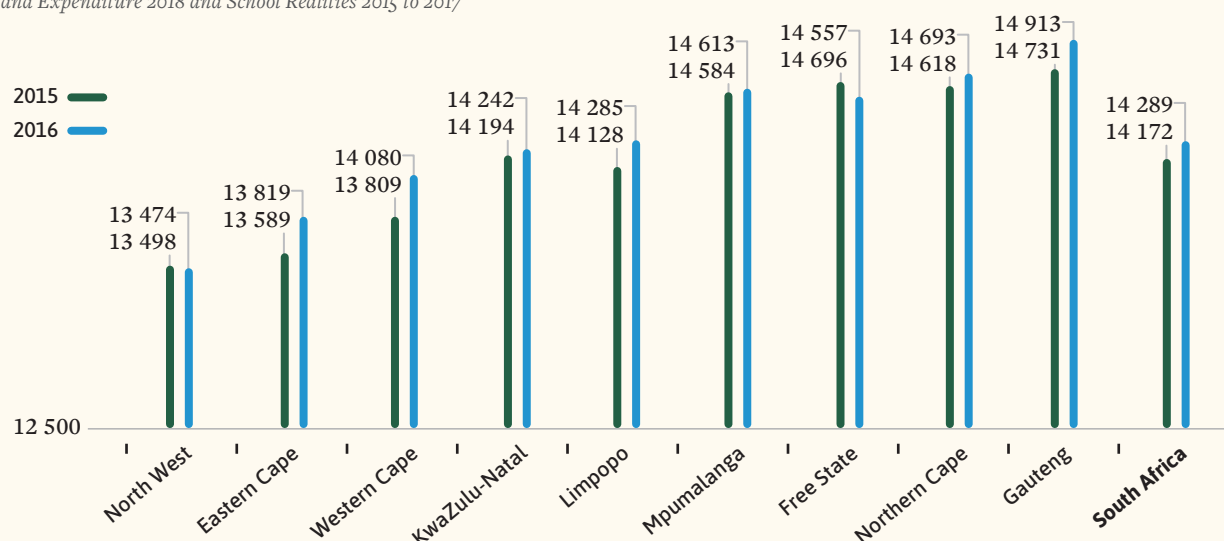
	2014/15 Outcome	2015/16 Outcome	2016/17 Outcome	2017/18 Revised Estimate	2018/19 MTEF	2019/20 MTEF	2020/21 MTEF	Real change between 2017/18 and 2018/19 (%)	Real average annual change over MTEF (%)
Eastern Cape	27	28.4	31	33.3	34.8	36.8	39.3	-1.2	0.2
Free State	11	11.3	11.8	13.5	13.6	14.4	15.6	-4.9	-0.4
Gauteng	31.6	36.3	39.4	41.8	45.2	47.8	50.7	2.6	1.2
KwaZulu-Natal	39.3	43.1	45.9	48.3	50.9	53.8	57.9	0	0.8
Limpopo	24.4	25.1	26.8	29.3	30.5	32.3	34.2	-1.1	-0.1
Mpumalanga	15.7	17.1	17.8	19.5	21	21.8	23.2	1.8	0.5
Northern Cape	4.7	5.1	5.5	6.1	6.4	6.7	7.1	0.2	0
North West	12.1	13.1	14.1	15.3	16.2	17.1	18.5	0.5	1.1
Western Cape	16.6	17.6	19.3	20.7	22.2	23.1	24.5	1.5	0.4
Grand Total	182.3	197.2	211.6	227.8	240.8	253.8	271.2	0.2	0.5

**FIGURE 13:**

Real per-pupil expenditure in public ordinary schools, 2015

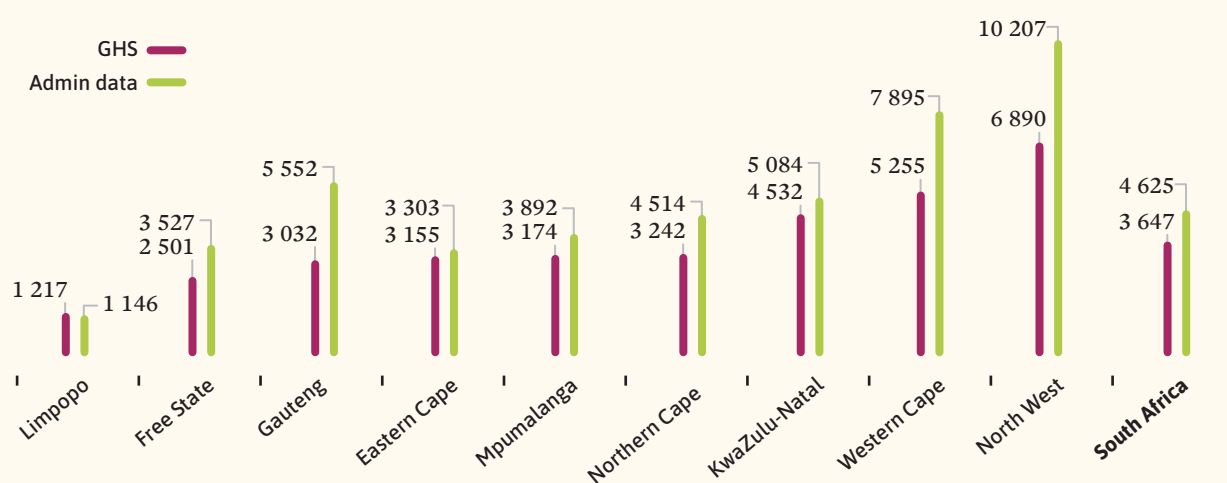
and 2016 (ZAR): 2017/18=100 | Source: Estimates of Provincial

Revenue and Expenditure 2018 and School Realities 2015 to 2017

**FIGURE 14:**

Per pupil expenditure in Grade Reception (Grade R) using administrative and population data, 2016 |

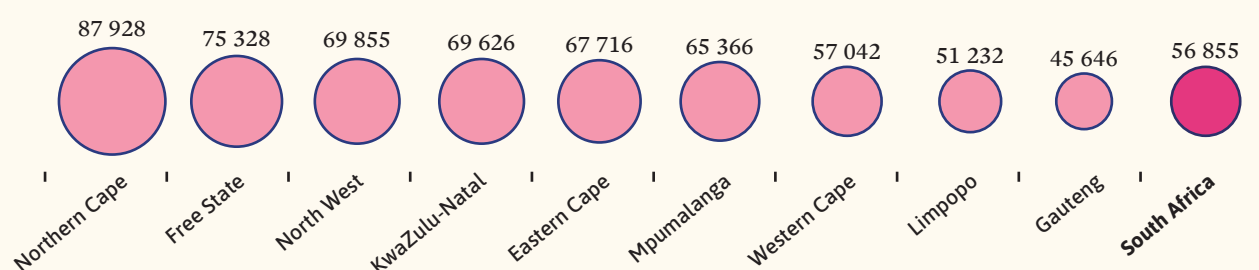
Source: School Realities 2016 and General Household Survey 2016 (own calculations)

**FIGURE 15:**

Per-learner expenditure in the special needs education programme by provincial

education department, 2016 | Source: Estimates of Provincial Revenue and Expenditure 2018

and DBE Presentation to Portfolio Committee on basic Education, May 2017







The difference in per-pupil spending, generated by different source data, is indicative of the extent to which provinces have been able to enrol all eligible six-year olds in official Grade R programmes (Figure 14). The difference in spending is caused by the degree of formalisation related to the teaching personnel who operate in each of the sectors. The formalisation of Grade R teaching requirements is underway and will have a significant impact on future per-pupil spending levels in this important sector.

Not only are per-pupil spending levels unequal across the two sectors, but within the two sectors, per-pupil spending patterns reflect the (unequal) state of governance and funding reforms (Table 4). On average, per-pupil spending in public schools differs by a small margin (ZAR 336), whereas comparable data for Grade R, indicates that the variation around the national average is much larger (ZAR, 1930). In public ordinary schools, poor provinces spend very similar amounts as per the national average, whereas in Grade R programming, poor provinces spent less than 70 per cent of the national per-pupil average. The proposed function shift of ECD from the Department of Social Development to DBE, and the formalisation of teaching standards (content and personnel), will go a long way to raise per-pupil spending levels and place the ECD sector on a more sustainable footing.

**TABLE 4:**  
Comparing inequality measures<sup>ix</sup> in public ordinary schools and Grade Reception (Grade R) in provincial education budgets, 2016 | Source: *Estimates of Provincial Revenue and Expenditure 2018* (own calculations)

*Note: The Eastern Cape, KwaZulu-Natal and Limpopo were defined as 'poor provinces.'*

	Public schools	Grade R
Coefficient of variation	0.0319	0.5332
Mean absolute deviation (in ZAR)	336	1,930
Per-pupil expenditure in poor provinces as a factor of the national average	0.99	0.69

Per-pupil spending on the public special needs education programme varies greatly with the bottom spender (Gauteng) spending slightly more than half than the top spender (the Northern Cape). In 2016, South Africa spent roughly ZAR 57,000 on each special needs child (inclusive of staff and operational costs), which is 4 times the outlays invested in public ordinary schools and about 14 times the corresponding investment in Grade R. This spending does not include investments on learners with disability who are attending public ordinary schools, although such spending is substantially smaller than comparable spending on special needs centres. Spending trends on public special schools reflect, in part, differential service delivery burdens, and the ability of households in more affluent provinces, to use private means to educate children with disabilities.

## TAKEAWAYS

- » Provincial education budgets are severely constrained and are projected to grow by 0.5 per cent above inflation on average over the next three years.
- » This aggregate trend is felt differently in service delivery programmes based on resources commitments, the state of governance and funding reforms, and service delivery burdens.
- » Per-pupil spending in public schools across provinces is converging, whereas Grade R and special needs programming has much larger spending variations for the reasons indicated above.
- » Policy and funding changes around teaching personnel in Grade R will help to raise per-pupil spending levels in that sector, while the introduction of a new conditional grant should marginally benefit spending on special needs education programmes.
- » Despite the favourable spending ratios across provinces in the public schools' programme, the government has recognised that inherited infrastructure backlogs must be addressed through different funding mechanisms.

## SECTION 6.

### Key Policy Issues - A Focus on Infrastructure Spending in Public Schools

#### What is the Policy and Financing Issue?

South African schools were treated unequally under the apartheid dispensation and race was not the only variable that predicted differential provision, but this also included ex-Department, location (urban or rural) and whether the newly-established provinces incorporated some of the former Homelands (or Bantustans). Every single category of expenditure was allocated unequally, including staffing, maintenance and larger capital expenditures.<sup>x</sup> To quantify the state of infrastructure provisioning after 1994, the Government conducted country-wide surveys called the School Register of Needs (in 1996 and 2000).<sup>xi</sup>

Despite efforts to eradicate infrastructure backlogs, not enough funding and efforts was directed towards providing poor schools with a minimum level of infrastructure provisioning. This led to intense campaigning by civil society and in 2013, the Government published the *Regulations Relating to Minimum Uniform Norms and Standards for Public School Infrastructure*.<sup>xii</sup> Key elements of the new policy framework included that every school must

be provided with water, electricity and sanitation; schools made of inappropriate materials to be replaced within three years following the publication of the regulations; detailed physical norms that should be followed when building new schools or updating existing infrastructure; and a requirement for provinces to submit annual reports to the Minister of Basic Education about progress in implementing the norms and standards.

The Government prioritised three funding mechanisms to target infrastructure backlogs, namely, an indirect grant provided by the DBE, and implemented in provinces by intermediary agencies (the Schools Infrastructure Backlogs Grant); a direct conditional grant intended to supplement existing provincial infrastructure allocations (the Education Infrastructure Grant); and provinces' use of their own resources to address infrastructure backlogs.

#### Trends in Public School Infrastructure Provisioning

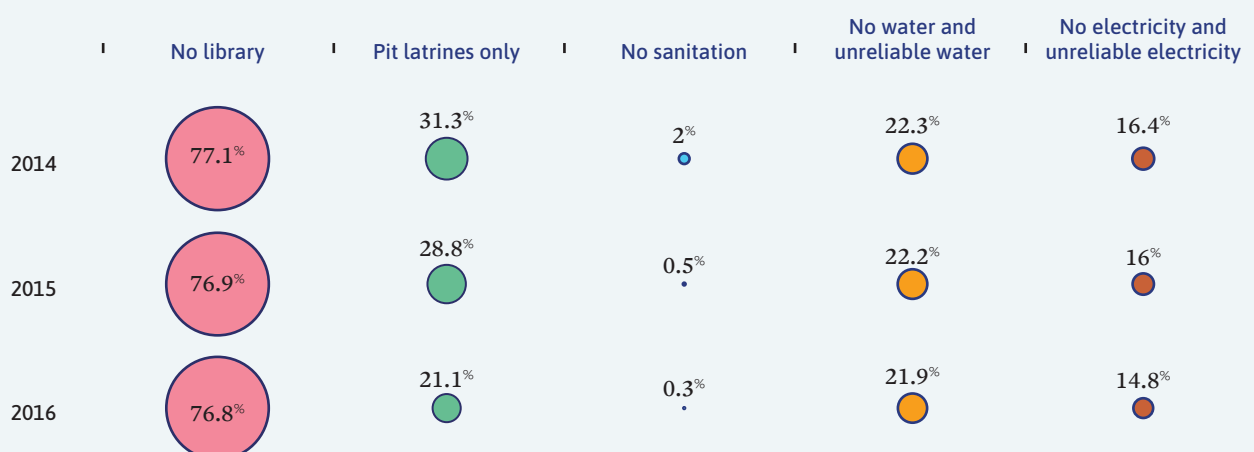
Except for the provision of school libraries, the Government appears to have made substantial inroads in the delivery of vital school infrastructure (Figure 16). Public schools that had access to pit latrines only were reduced from one third of all schools in 2014 to roughly one fifth of all schools in 2016. Similarly, 2 per cent of schools were classified as having no sanitation facilities in 2014 and that number was reduced to 0.3 per cent in 2016. Less dramatic reductions were achieved for water and electricity provisioning, but the general trend indicates a decline in number of schools that suffer poor and degrading infrastructure conditions.

**FIGURE 16:**

Trends in infrastructure provisioning at public schools, 2014 to 2016 (%)<sup>xiii</sup> | Source: National Education

Infrastructure Management System, DBE: 2014, 2015 and 2016

*Note:* The total number of schools are 23,740 (2014); 23,589 (2015) and 23,577 (2016)





Following the death of a five-year old pupil, who fell into a pit latrine in a school in the Eastern Cape, the President of the Republic of South Africa ordered an immediate audit into public schools' sanitation facilities and for costed implementation plans.<sup>xiv</sup> Close to half of South African public schools (45.4%) indicated some issue with sanitation, thus drawing attention to the quality of the sanitation facilities (Figure 17). These schools are disproportionately represented in provinces such as the Eastern Cape, KwaZulu-Natal, Mpumalanga, the North-West and the Western Cape. The latest results also indicate that further progress was made regarding schools that have access to pit latrines only, and this number now stands at 16.6 per cent of all schools. Nationally, 9 per cent of public schools are now classified as having insufficient sanitation (e.g., over-crowding) and this is particularly pronounced in the North-West province (44.4%), Gauteng (21%) and Limpopo (16%).

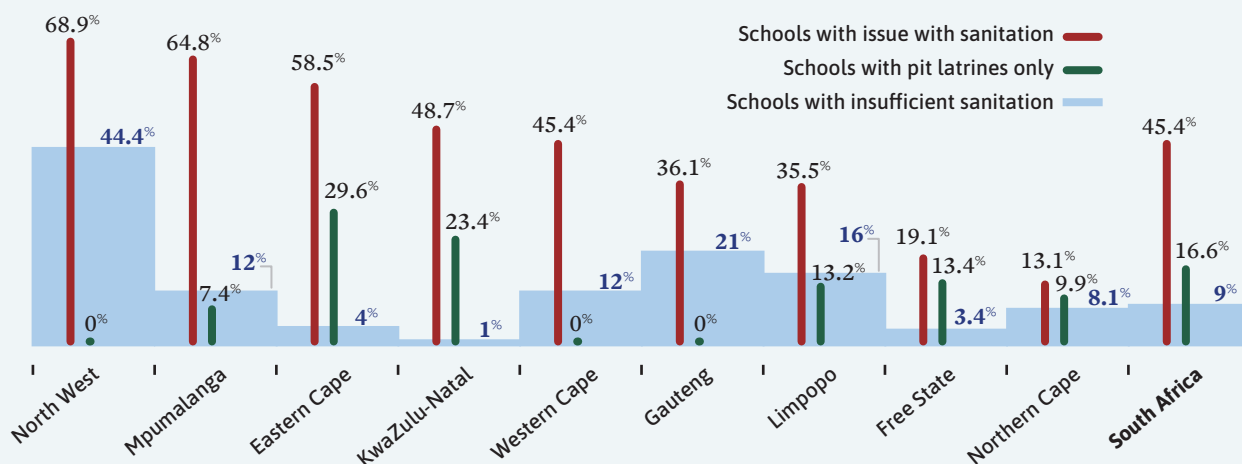
## Trends in Public School Infrastructure Spending

Despite a dominant narrative that provinces generally spend poorly on their infrastructure grants, Figure 18 provides evidence that shows that such trends are not backed by the evidence. Except for 2014/15 and 2016/17, provinces appeared to spend almost 100 per cent of the conditional grant funding made available. In 2014/2015, less than 6 per cent of the funding was not utilised, while in 2016/2017, less than 4 per cent of funding was not spent. In 2017/18, provinces are projected to have spent ZAR 10.6 billion of the ZAR 10.7 billion allocated, which represents 99 per cent of planned funding.

**FIGURE 17:**

Results of the interim sanitation audit in public ordinary schools by province in 2018<sup>xv</sup> | Source: Personal communication with the DBE, July 2018, and National Education Infrastructure Management System, DBE: 2018 (accessing total school numbers)

*Note: The blue bar represents the percentage of schools that indicated they have some issue with sanitation at their respective schools.*

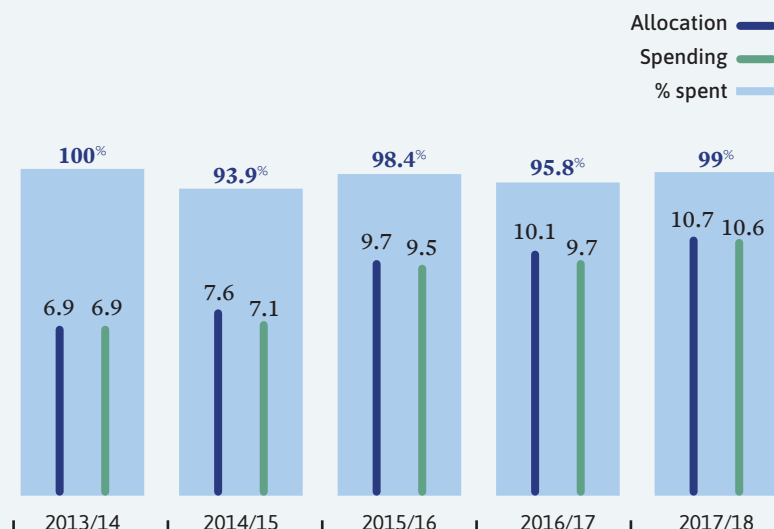


**FIGURE 18:**

Expenditure trends on the Education Infrastructure Grant, 2013/14 to 2017/18

| Source: National Treasury Presentation to Portfolio Committee on Basic Education, 30 May 2018

*Note: The numbers provided are different from numbers in the official 2018 budget documents*



Observers in the National Treasury are of the view that provincial education departments have done well to spend the direct grant component of their infrastructure funding effectively. However, a concern has been raised that the grant, which is intended to supplement provinces' own allocations to infrastructure, has provided a disincentive for provinces to allocate financing from their equitable shares. The Eastern Cape (95%), Free State (97%), the Northern Cape (98%) and North West (99.8%) appear to confirm this observation. It is further alleged that under-spending on infrastructure is more prevalent for non-grant spending.

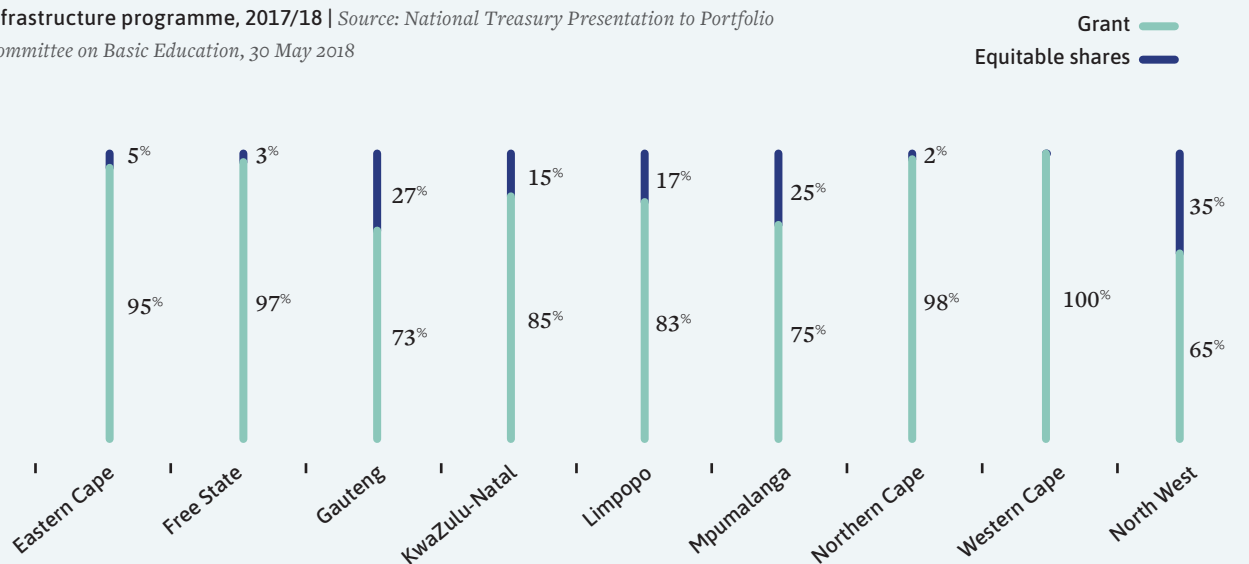
An additional source of funding for public school infrastructure is the Schools Infrastructure Backlogs Grant (SIBG), which represents spending undertaken by the DBE on behalf of provincial education departments.<sup>xvi</sup> The DBE

uses intermediary agencies to carry out the spending on its behalf and the beneficiaries are the respective provinces within which boundaries such projects are implemented (hence, an indirect grant). Unlike the EIG, spending rates have been variable and range from 11.0 per cent and 42.0 per cent in 2011/2012 and 2012/2013 respectively, while improving to 79.0 per cent in 2017/2018. In 2016/2017, only 60 per cent of allocated resources were spent, while a small over-spending of 2 per cent is projected for the past financial year.

To give effect to the President's call for a sanitation audit and accompanying costed plans, the DBE estimates that to remedy this situation requires more funding than what is available in the entire provincial infrastructure budgets. Figure 21 shows that the sanitation requirement is almost

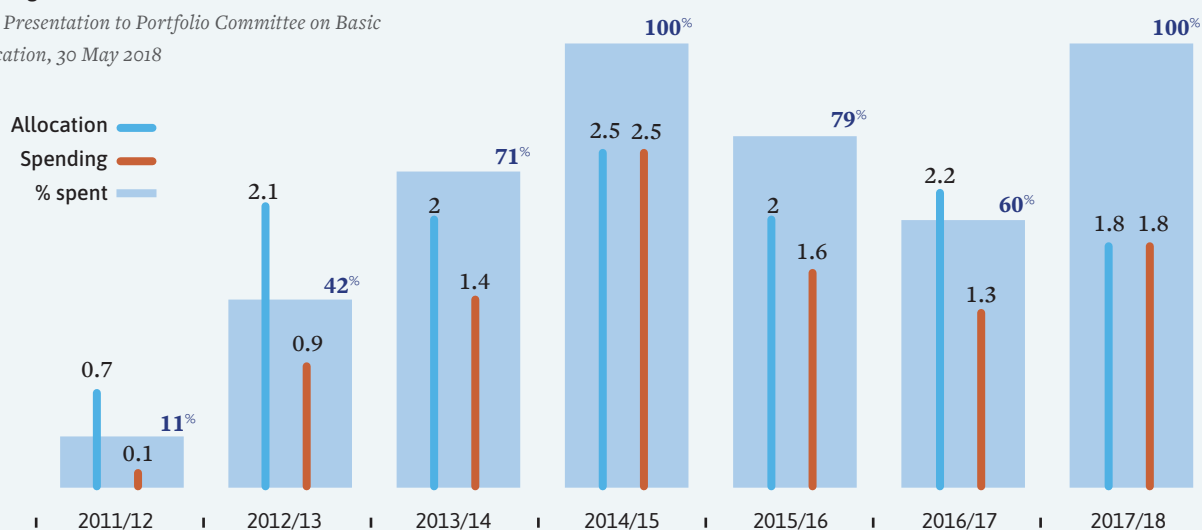
**FIGURE 19:**

The composition of infrastructure funding in provincial education departments' infrastructure programme, 2017/18 | Source: National Treasury Presentation to Portfolio Committee on Basic Education, 30 May 2018



**FIGURE 20:**

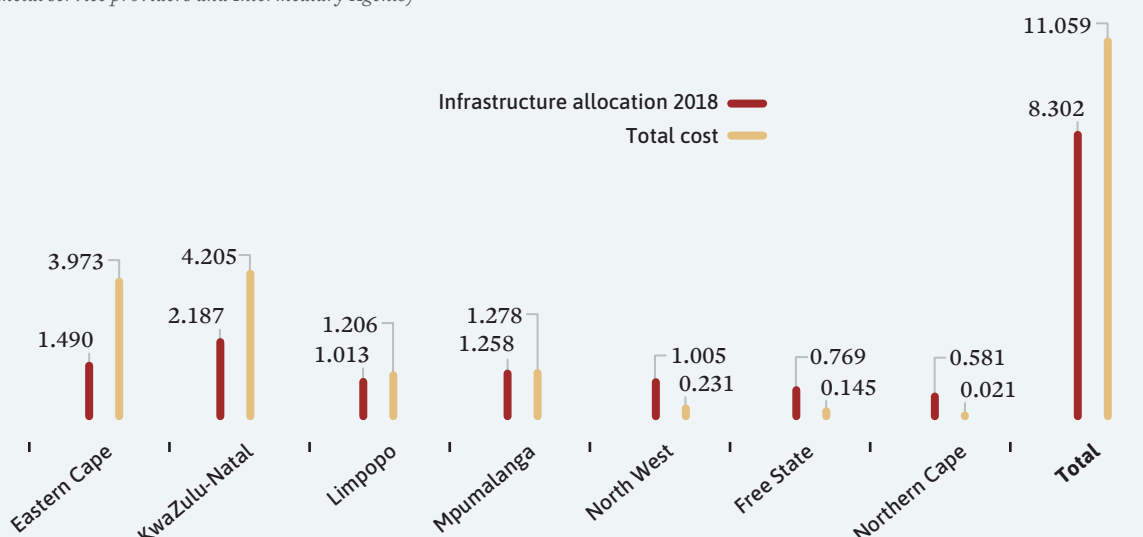
Expenditure trends on the School Infrastructure Backlogs Grant, 2011/12 to 2017/2018 | Source: DBE Presentation to Portfolio Committee on Basic Education, 30 May 2018



**FIGURE 21:**  
Comparing estimated costs from sanitation audit to allocations  
from infrastructure budgets by province, 2018 (ZAR billion)<sup>xvii</sup> |

Source: DBE Presentation to Portfolio Committee on Basic Education, 30 May 2018 and Estimates of Provincial Revenue and Expenditure 2018

*Note: Consolidated costs include the costs for sanitation, sanitation and demolition of pit latrines and the construction of boreholes (inclusive of fees for provincial service providers and Intermediary Agents)*



three times the entire school infrastructure budget in the Eastern Cape and half the infrastructure budget in KwaZulu-Natal. The data clearly shows that these two provinces are most in need of sanitation infrastructure and are likely to be prioritised in national funding instruments. In some provinces, such as the North-West, sanitation costs represent a small fraction of the available infrastructure budget (roughly 20%), whereas in Limpopo, the needed sanitation costs are almost on par with what these departments presently spend on their entire school infrastructure budgets. The scenario sketched in Figure 21 will call for creative financing solutions in an already tight fiscal environment.

## TAKEAWAYS

- » Since the publication of infrastructure regulations in 2013, public schools have seen remarkable improvements to their infrastructure stocks.
- » Except for the provision of school libraries, infrastructure deficits in other categories, such as the use of pit latrines only, schools with no sanitation, and no and unreliable water and electricity, were reduced across provinces.
- » Provincial education departments have spent a substantial portion of their education infrastructure grants, but this success has come at the cost of provinces relying increasingly on grant funding alone, and neglecting to supplement grant funding from the Government.
- » Much more variable spending rates are observed for the indirect school infrastructure backlogs grant, which reflects on the suitability of a funding mechanism driven by the Government without any direct supervision of project activities.
- » The recently-conducted sanitation audit conducted at the behest of the President of South Africa confirms the positive infrastructure improvement trends, but also adds a quality dimension to the delivery of sanitation.
- » The result of adopting a quality approach to reporting is seen in the total percentage of schools (almost half of all schools) that indicated some issue with sanitation (either unacceptable or insufficient). This type of reporting represents a significant advance in realising children's right to education, instead of a strictly counting or numbers approach.
- » However, this approach has inflated the finances required to deliver sanitation to set standards, and exceeds the total available school infrastructure budget, thus raising prioritisation issues and questions about sustainable sources of funding.<sup>xviii</sup>
- » While aggregate costs per provinces are important, the publication of accurate expenditure data by District will promote a rigorous assessment of infrastructure needs and promote transparency in the use of scarce government resources.

## Endnotes

i. The reality is that although the school-age population is defined as including 5-17 year olds, the system caters for and includes those who are 18 years and above.

ii. The Presidency, *The National Development Plan 2030: Our Future - make it work*, Pretoria, Government Printers, 2011

iii. Department of Basic Education, *Action Plan to 2019: Towards the Realisation of Schooling 2030*, Pretoria, Government Printers, 2016

iv. The Grade 12 performance data was obtained from the *National Senior Certificate Examination Report 2016 and 2017*; Information on no-fee school funding was obtained in personal communication with the DBE; data on the South African PIRLS results were obtained from <https://nicspaul.com/2017/12/05/the-unfolding-reading-crisis-the-new-pirls-2016-results> <accessed June 2018> and <http://timssandpirls.bc.edu/pirls2016/international-results/pirls/about-pirls-2016> <accessed June 2018>; data on the learner-educator ratio by status of the school was obtained from the *DBE Schools Master List of public ordinary schools 3/2016*.

v. Our definition of consolidated government expenditure does not include provision for debt, but includes provision for the unallocated contingency reserve over the present MTEF. Excluding debt service costs provides a more accurate estimate of the quantity of resources available for service delivery. Unlike the 2017 Budget Series, the totals also include allocations to public entities attached to departments.

vi. The South African data is from the Estimates of National Expenditure 2018 and the Estimates of Provincial Revenue and Expenditure 2018, while international data for the country and others was obtained from the UNESCO Institute for Statistics, <http://uis.unesco.org> <accessed June 2018>.

vii. Actual expenditure data was obtained in the Annual Reports 2014, 2015 and 2016 of the DBE.

viii. The Annual Reports of Free State, Gauteng, Limpopo and the Western Cape provincial education departments were consulted for actual expenditure and explanations of deviations from the adjusted budgets.

ix. The coefficient of variation measures the degree of dispersion of data points around the mean, while the mean absolute deviation does something similar but ignores the sign of the deviation. Per-pupil expenditure, as a factor of the national average, takes the average per-pupil spending of the 'poorest' provinces and expresses this as a factor of the national per-pupil average.

x. Wildeman, RA (2003) *Public expenditure on education in Human Resources Development Review: education, employment and skills in South Africa*. Pretoria: Human Science Research Council.

xi. For the original School Register of Needs (SRN) report, please see <http://microdata.worldbank.org/index.php/catalog/1271/download/22806> <accessed June 2018> and for a record of Parliamentary meetings about the SRN, see <https://pmg.org.za/committee-meeting/486> <July 2018>.

xii. DBE (2013) *Regulations Relating to Minimum Uniform Norms and Standards for Public School Infrastructure*, Government Notice R920 in Government Gazette 37081 of 29 November 2013

xiii. See the Annexure for the 2017 data on infrastructure provisioning.

xiv. To date, two reported cases that led to wide media coverage involve a five-year old, Michael Komape who died when he fell into a pit latrine toilet in Limpopo in 2014, while in 2018, five-year old Lumka Mkhethwa drowned in a pit latrine at her school in the Eastern Cape.

xv. For easy cross-referencing to the recent spending trends, Table A2 in the Annexure provides useful information on the real growth of school infrastructure budgets, thus putting into perspective the government's decision to cut infrastructure financing versus the growing need for financing shown in Figure 17.

xvi. The SIBG – commonly known as the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) – was first introduced in 2011 as a short-term measure to fast-track the eradication of inappropriate school infrastructure, and to provide water, sanitation and electricity to specific schools (most of which are in the Eastern Cape).

xvii. While consolidated costs by province are a useful indication of the resources needed to meet the President's and education-specific policy targets, it might be more useful to provide expenditure data down to the District level. Please see Figure A3 in the Annexure for an example of District-level spending in the Western Cape Department of Education in 2016 and 2017.

xviii. In a recent judgement in the Eastern Cape, the High Court invalidated the provision of the Norms and Standards for Public School Infrastructure that limited the fulfilment of the norms by recourse to resource limitations and co-operation across governments; furthermore requiring that all schools that are built using inappropriate building materials must be replaced as per the norms and standards; and formally requiring public reports that describe progress in implementing the norms and standards must be made public. See Equal Education vs the Minister of Basic Education here <https://equaleducation.org.za/2018/07/19/statement-victory-for-ee-and-sas-learners-as-court-orders-government-must-fixthenorms> <accessed July 2018>.

## Annexure

**TABLE A1:**

The state of infrastructure provisioning at public schools in 2017 | Source: National Education Infrastructure Management System, DBE: 2018

*Note:* Because the data was reported differently in the 2018 publication, it cannot be compared to the 2014 to 2016 series.

	Number	%
No electricity supply	269	1.1%
No water supply	0	0.0%
No sanitation	37	0.2%
Pit latrines only	4,358	18.6%
No library	18,019	76.8%

**TABLE A2:**

Real Spending on the Public Schools Infrastructure Programme by Province, 2014/2015 to 2017/2018 (2014/15=100) | Source: Estimates of Provincial Revenue and Expenditure 2018 and National Treasury Presentation to Portfolio Committee on Basic Education, 30 May 2018

*Note:* Numbers in table are inflation-adjusted

	2014/15 Outcome (ZAR billion)	2017/2018 Outcome (ZAR billion)	2016/17 Outcome (ZAR billion)	2017/2018 Provisional Outcome (ZAR billion)
Eastern Cape	1.1	1.4	1.5	1.4
Free State	0.5	0.7	0.5	0.7
Gauteng	1.8	2.7	2.6	1.7
KwaZulu Natal	2.2	2.5	2.3	2.1
Limpopo	1.3	1.0	0.7	0.9
Mpumalanga	0.8	1.0	0.7	0.8
Northern Cape	0.4	0.4	0.4	0.5
North West	0.6	1.0	1.0	0.9
Western Cape	1.4	1.5	1.4	1.4
South Africa	10.1	12.2	11.1	10.5

**FIGURE A3:**

Plotting infrastructure spending for the child population in Districts in the Western Cape Education Department, 2016/2017 and 2017/2018 (ZAR) | Source: Western Cape Provincial Estimates of Revenue and Expenditure 2018 and Living Conditions Survey 2015 (own calculations)

*Note:* The data labels are used to demonstrate the wide discrepancies in per-pupil spending between two consecutive financial years.

