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.
Key messages and recommendations

South Africa plans to spend 263 billion rand (R) or 14.4 per cent of total government resources on basic education programmes in fiscal year (FY) 2019. 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).

Learning outcomes in the basic education sector have improved between 2003 and 2011, but these sought-after gains appear to have plateaued. The government is responding by increasing its investment in early childhood development (ECD) and improving learners’ access to mathematics and English language workbooks. The national and provincial governments are thus encouraged to:

1. Continue to increase real per learner basic education expenditure.
2. Follow through on existing reading initiatives focusing on Grade R to Grade 3, because they provide learners with foundational reading and numeracy skills.
3. Reduce class sizes at the primary school level, but especially Grade R to Grade 3, because teaching young children to read is more difficult in over-crowded classrooms.
4. Remove constraints blocking the implementation of ECD policy, focusing on addressing resource constraints, weak intergovernmental coordination, and more effective stakeholder engagement to gain support for legislative changes.

The distribution of basic education resources in the total government budget does not yet reflect the vision of equitable access. Both the combined national and provincial education budgets, and provincial education budgets on their own, are projected to grow by less than 1 per cent on average in real terms over the 2019 Medium Term Expenditure Framework (MTEF). The national government is encouraged to:

1. Sustain increases to the ECD and special needs programmes, which are projected to grow by 3.5 per cent and 4.9 per cent respectively, in real terms on average over the 2019 MTEF.
2. Carefully consider the balance between basic education and post-school education and training, which is projected to grow by 6.3 per cent in real terms on average over the 2019 MTEF.
3. Conduct public expenditure reviews at the provincial level to understand better the relationship between allocated expenditure and access to resources, because provinces’ relative budget autonomy means that learners’ geographical location influences the quality of education received at public schools.
4. Build on progress made to enhance the accuracy of the provincial equitable share (PES) formula to consider issues affecting more equitable expenditure per learner, such as migration, learning backlogs and differences in urban-rural education costs.

Underspending continues to plague provincial budgets, mainly due to supply chain management problems (procurement) and pressures associated with cash flow challenges. Furthermore, underspending on the ECD and infrastructure development programmes are worrying and must be addressed. Provincial governments are encouraged to:

1. Reduce delays in procurement for infrastructure and capital items.
2. Improve their capacities to model the impact of wage increases and pressure on service delivery schedules and programmes.
3. Develop medium-term plans for the gradual elimination of all historical spending arrears to promote predictability in planning and programme implementation.
1. Introduction

Governance and national policy

South Africa’s education system has three broad levels. The first level is early childhood development (ECD)\(^1\) for children between 0 and 6 years of age. Children 4 years of age and under attend ECD centres, while children aged between 5 and 6 years are enrolled in pre-Grade R and Grade R, which are reception programmes to equip learners for primary school. The Department of Basic Education (DBE) is responsible for ECD curriculum development as well as the budget and procurement processes for training ECD practitioners. Provincial education departments are responsible for training, implementing and monitoring curriculum-related activities. Following the President’s 2019 State of the Nation Address, the management of ECD centres will be transferred from the Department of Social Development to the DBE, and two years of preschool education will become mandatory.

The second level of education caters for children aged 7–18 years and includes primary (i.e. Grades 1–7) and secondary (Grades 8–12) education. Provinces are the on-the-ground implementers (e.g. finance and provision of education), and the DBE is responsible for policy design, resource allocation and coordination, as well as oversight. The Department of Higher Education (DHET) is responsible for all post-school education, which includes adult education, tertiary (e.g. universities) and technical and vocational qualifications from Grade 9, which marks the end of compulsory schooling.

The National Education Policy Act, 1996 (Act 27 of 1996) gives the DBE its mandate and clarifies roles and responsibilities between national and provincial authorities. Other important legislation and emerging policy informing the basic education system’s work are the:

- **South African Schools Act, 1996 (Act 84 of 1996)** – ensures access to quality education without discrimination and compulsory schooling for 7–15-year-olds
- **Employment of Educators Act, 1998 (Act 76 of 1998)** – regulates the professional, moral and ethical responsibilities of educators and competency requirements
- **National Curriculum Statement Policy (2002)** – sets out the content of the curriculum for Grades R–9
- **National Education Information Policy (2003)** – creates a framework that allows for the coordinated and sustainable development of education information systems
- **Education Laws Amendment Act, 2005 (Act 24 of 2005)** – authorises the declaration of schools in poverty-stricken areas as ‘no-fee’ schools
- **National Integrated Early Childhood Development Policy (2015)** – ensures equitable access to ECD services, coordinates a multisectoral approach to ECD provision, and ensures adequate budgeting and monitoring of ECD services
- **Basic Education Laws Amendment Act (2017)** – amends the South African Schools Act and the Employment of Educators Act, and changes school governance mechanisms focusing on reducing the authority of school governing bodies (SGBs) to manage school resources independently without approval from the Department of Basic Education.
Table 1: Summary of the DBE’s goals and policy objectives

<table>
<thead>
<tr>
<th>Department’s 2030 targets</th>
<th>Department’s priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal access to one phase of ECD, namely Grade R. Ninety per cent of children in Grades 3, 6 and 9 achieve 50 per cent or more on annual national assessments. Improvement in South African learners’ comparative performance on international standardised tests by providing performance benchmarks. No infrastructure backlogs by 2030. Schools are funded at the minimum per learner levels determined nationally, and funds are utilised transparently and effectively.</td>
<td>Improve teacher competency, supply, availability and utilisation. Increase access to high-quality learning materials and infrastructure, including information and communication technology. Establish a quality standardised national assessment system for Grades 1–9. Universalise access to Grade R and improve the quality of ECD. Ensure a focused planning-accountability system by strengthening school management, promoting functional schools and enhancing the capacity of district offices.</td>
</tr>
</tbody>
</table>

Source: DBE website; UNICEF Education Briefs 2017 and 2018.

The National Development Plan 2030 sets the tone for the basic education system’s priorities because it informs the Medium Term Strategic Framework 2014–2019 and its 14 outcomes. The DBE was allocated Outcome 1: Quality Basic Education. Its aligned policy targets and priorities are summarised in Table 1.

Indicators on the performance of the basic education system

Level of learner participation

Learners’ participation in primary education has stabilised above 99 per cent since 2010. Secondary education and Grade R (6-year-olds that attend an educational institution) have the next highest participation rate of roughly 90 per cent since 2009. In contrast, ECD and post-secondary education have low participation rates. In 2017, 42.2 per cent of children aged 0–4 years attended an ECD facility, but access steadily improved from 2009 to reach its highest level of 48.3 per cent in 2014. Participation rates of learners fall from 16 years of age because school attendance is not compulsory. For example, in 2017, only 1 per cent of 7–15-year-olds did not attend an education institution. The percentage jumped to 14 per cent of 16–18-year-olds and reached a staggering 67 per cent of 19–23-year-olds.

Figure 1: Age-specific enrolment rates for children aged 0–23 years by age category, 2010–2017 (percentage)

Source: Statistics South Africa (2018: 13–18)  Note: Percentage of 0–4-year-olds attending ECD facilities is based on a 95 per cent confidence interval.
International test results

Based on the Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS) results, learning outcomes improved between 2003 and 2011 but they have stagnated since 2011 (Spall, 2019a).

Table 2: Summary of South African learners’ TIMSS (2015) and PIRLS (2016) scores

<table>
<thead>
<tr>
<th>Test</th>
<th>Average score and country position</th>
<th>Actual impact on learner achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIMSS, Grade 9 maths, 2015</td>
<td>372 (scores 400 and 475 points are achievement at a low level), and second last position out of 39 countries.</td>
<td>34 per cent of Grade 9 learners demonstrated the minimum competency.</td>
</tr>
<tr>
<td>TIMSS, Grade 5 maths, 2015</td>
<td>376 (centre point is 500), and second lowest out of 48 countries.</td>
<td>39 per cent demonstrated the minimum competency.4</td>
</tr>
<tr>
<td>PIRLS Grade 4, 2016</td>
<td>Mean score of 320 (centre point is 500), and last out of 50 countries.</td>
<td>78 per cent of Grade 4 learners cannot read for meaning and retrieve basic information from text to answer simple questions, compared to 4 per cent internationally.</td>
</tr>
</tbody>
</table>

Source: Reddy et al. (2016a), Reddy et al. (2016b) and Howie et al. (2017)

Level of learner repetition and progression

Between 2015 and 2017 the percentage of learners repeating a grade was generally below 10 per cent for primary school (e.g. Grades 1 to 7), and it steadily increased in secondary school to reach its peak of above 20 per cent in Grade 10 (Figure 2). This spike in repetition in Grade 10 and Grade 11 is a symptom of the low standard of education at the primary school level. International test scores indicate primary schools provide learners with inadequate literacy and numerical skills to pursue secondary education, and as a result, throughput rates to university are low. According to research conducted by Van Broekhuizen et al. (2016), for every 100 learners that start school, approximately 50–60 reach matric, 40–50 pass matric, 14 achieve a university pass, and six receive an undergraduate degree within six years (Spaull, 2019a: 1).

Figure 2: Percentage of learners who repeated a grade, 2015 to 2017

Source: Statistics South Africa (2018: 32)
Resource disparities at the provincial level

In 2018 there was significant variation of the lowest and highest learner–educator ratios (LER) between the provinces, which includes educators who are paid by both the state and school governing bodies (Figure 3). For example, the Northern Cape’s LER was 28.5 compared to 32.1 for Limpopo. If the calculation of the LER excludes teachers paid by school governing bodies, the LER across all provinces increases and each province’s relative position also changes. For example, the Western Cape (36.9) and Gauteng (35.3) had the first and second highest LER based on state-paid educators only, but their LER shed at least five points when educators paid by school governing bodies were included. This LER difference indicates the impact that school governance models have on the allocation and distribution of resources, which raises the question of why some provinces managed to draw more substantially on educators paid by school governing bodies than others.

Figure 3: Learner-educator ratio for ordinary public schools in 2018

Learners’ access to mathematics workbooks also varies among provinces. In FY2017, 96 per cent of Grade 1–9 learners in South Africa had access to mathematics workbooks, and four provinces did not meet this national standard. In the bottom three provinces (i.e. KwaZulu-Natal, Gauteng and Limpopo) roughly 94 per cent of Grade 1–9 learners had access to mathematics workbooks. In the top provinces, the Western Cape and the Free State, roughly 99 per cent of Grade 1–9 learners had access to mathematics workbooks.

The provision of language workbooks follows similar trends to mathematics at the national and provincial levels. At the national level, 96.5 per cent of Grade 1–9 learners had access to language workbooks. At the provincial level, the same provinces were at the bottom and top end of the performance spectrum. The only exception was KwaZulu-Natal, which was better at providing language than mathematics workbooks in FY2017. For example, 96.6 per cent of Grade 1–9 learners had access to language workbooks in FY2017, which just surpassed the national average.

Grade 10–12 learners’ access to study materials is less than other grades, and there was greater variation in provinces’ performance in FY2017. Only 62.5 per cent and 69.7 per cent of learners in KwaZulu-Natal and Mpumalanga had access to textbooks for all their subjects, roughly 20 percentage points behind the Northern Cape (88.8 per cent) and the Western Cape (88.4 per cent).
Takeaways

• South Africa’s education system has achieved key milestones, such as universal access to basic education from Grades 1–9 and improved learning outcomes between 2003 and 2011 but gains in learning outcomes have plateaued.

• The education system faces three principal challenges, namely improving access to ECD, improving access to post-secondary education and providing learners with high-quality basic education.

• Although allocating additional resources to education will help address these challenges, it is not enough. The way basic education is delivered needs to be reformed, paying attention to governance and accountability problems and the standard of teaching.

• The shift in function of ECD from the Department of Social Development to the DBE holds great promise but is likely to be administratively and financially challenging.

• Learners’ access to resources varies among provinces. The Western Cape has performed the best in terms of providing access to teachers’ and learning materials. The Free State provided the best access to learning materials for Grade 1–9 learners in FY 2017, and the Northern Cape achieved the same feat, by providing textbooks for Grade 10–12 learners for all their subjects in FY 2017.
2.

Education spending trends

Size of spending
The DBE and the nine provincial departments of education are expected to spend R263 billion on basic education in FY2019. After transfers to provinces are considered, the DBE’s allocation constitutes 2.3 per cent of the consolidated basic education budget. On top of transfers, provinces also receive textbooks and learning materials for teachers and learners from DBE out of its budget, which represents approximately 30 per cent of the department’s allocated expenditure for goods and services.

Priority of the basic education budget
Basic education’s share of the consolidated government budget is expected to decline marginally from 14.8 per cent in FY2015 to 14.2 per cent in FY2021. In the present fiscal year (FY2019), consolidated basic education’s estimated spend is 14.4 per cent of the national budget. Similarly, basic education’s share of GDP moves within a narrow band over the seven-year budget cycle from 4.9 per cent in FY2015 to 4.7 per cent in FY2021.

In contrast to basic education, the social development sector increased its share of national resources from 11.2 per cent in FY2015 to 11.6 per cent in FY2018, while maintaining a stable share of roughly 11.4 per cent of total government resources over the 2019 MTEF. Over the seven-year budget cycle,

Figure 4: Consolidated basic education expenditure as a percentage of consolidated government expenditure and GDP, FY2015–2021

Source: Own calculations based on National Treasury figures (2019b and 2019c) Note: FY2015–2017 (actual), FY2018 (revised estimate), FY2019–2021 (medium-term estimates). Consolidated basic education means that the budget of the national DBE plus the nine provincial education budgets and transfers to provincial education departments are netted out of the national DBE budget to avoid double-counting. Calculation is based on consolidated government expenditure that includes debt-service costs and the contingency reserve
combined expenditure on basic education, social development and health averages around the 38–39 per cent mark of total government resources (inclusive of debt) and between 42 and 43 per cent if debt-servicing costs are excluded.

**Spending changes**

**Expenditure allocated to basic education barely keeps pace with inflation over the seven-year period represented below, and not surprisingly, the real average annual growth rate registers a relatively low 1.2 per cent.**

Although the nominal value of basic education expenditure steadily increases year-on-year, when the effect of inflation is considered, the increase in expenditure is flat, starting at R202 billion in FY2015 and peaking at R217 billion at the end of the 2019 MTEF. While the overall real average annual rate for the seven-year period is boosted by the additional resources allocated to basic education (increase in infrastructure spending) in FY2018, over the 2019 MTEF, consolidated basic education budgets are projected to grow by a mere 0.6 per cent, which is indicative of the negative impact of fiscal consolidation in the social services sector specifically. A major concern is that the real growth of basic education expenditure is below the growth in learners entering the school system. For example, Gustafsson (2018) found that between 2009 and 2015 there was a 13 per cent increase in Grade 1 enrolments.

**Investment priority of consolidated education and international targets**

Over the seven-year budget cycle (FY2015–2021), consolidated education’s share of the national budget (inclusive of higher education and post-school education and training) increases marginally from 19.1 per cent to 20.6 per cent, and it receives the largest share of the national budget. A concerning trend is the rising share of debt-service costs from 9.4 per cent of the national budget in FY2015 to 11.8 per cent in FY2021. Escalation of debt will reduce resources available for social expenditure. Debt service costs are expected to be the fastest growing expenditure category, reaching 5.9 per cent average annual real growth for FY2016–2021, and education is next in line with 3.2 per cent. The only reason that consolidated education grows this robustly, as opposed to the low growth of the basic
education budgets, is the concerted effort to spend more resources in the tertiary education sector. Furthermore, according to the National Treasury (2019a), over the medium term, government will spend 62 per cent more on debt service costs than transfers to local government.

**South Africa’s expenditure on consolidated education as a percentage of GDP is expected to increase from 6.5 per cent in FY2015 to 7.2 per cent in FY2021.** According to the UNESCO Education for All Global Monitoring Report, low and middle-income countries should spend a minimum of 5.4 per cent of GDP on education, and the Incheon Declaration and Framework for Action calls for at least 4–6 per cent of GDP. In addition, the country’s allocated expenditure on education over the budget cycle is above the Education for All’s target of 20 per cent of national budgeted expenditure. In summary, South Africa’s allocated expenditure on consolidated education from FY2015–FY2021 meets international benchmarks.

*Figure 6: Real basic education expenditure and growth rate trends, FY2015–2021 (billion rand and percentage growth), FY2015=100*

![Graph showing real basic education expenditure and growth rate trends, FY2015-2021](image)

> Source: Own calculations based on National Treasury figures (2019b and 2019c)

*Figure 7: Consolidated education’s share of the consolidated national budget compared to other spending priorities, FY2015–2021 (percentage)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Education</th>
<th>Social development</th>
<th>Health</th>
<th>Debt-service costs</th>
<th>Community development</th>
<th>Economic development</th>
<th>Other</th>
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</thead>
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<tr>
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<td>18.9</td>
<td>17.4</td>
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<td>17.1</td>
<td>17.1</td>
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<tr>
<td>2016</td>
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<td>17.2</td>
<td>17.1</td>
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<tr>
<td>2017</td>
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<td>10.2</td>
<td>11.9</td>
<td>11.6</td>
<td>11.5</td>
<td>11.3</td>
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<tr>
<td>2018</td>
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<td>12.3</td>
<td>12.5</td>
<td>10.5</td>
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<td>11.6</td>
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<tr>
<td>2019</td>
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<td>12.5</td>
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<td>10.9</td>
<td>11.1</td>
<td>11.8</td>
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<tr>
<td>2020</td>
<td>20.7</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
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<tr>
<td>2021</td>
<td>20.5</td>
<td>12.3</td>
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<td>12.3</td>
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<td>12.2</td>
<td>12.2</td>
</tr>
</tbody>
</table>

> Source: National Treasury, Consolidated Pivot Table (2019).
Takeaways

• Social sector spending stabilises at around 37–38 per cent of total government spending during the period FY2015–2021.

• Consolidated basic education’s share of the national budget is trimmed from 14.8 per cent in FY2015 to 14.2 per cent in FY2021.

• This is further reflected in the slow and low rate of growth in basic education budgets, once inflation is accounted for: basic education budgets are projected to grow by less than 1 per cent over the 2019 MTEF.

• Even though basic education expenditure is projected to remain flat in real terms over the FY2015–2021 period, increasing demands are being placed on the education sector. More learners are entering the education system, and they require a deeper skills base to participate in South Africa’s knowledge and service-based economy.

• The low growth rate of budgeted expenditure on basic education is counterbalanced by robust growth in the higher education sector.

• The consolidated education budget (inclusive of basic and higher education) grows rapidly at 3.2 per cent on a real average annual basis for FY2016–2021.

• Higher education consumes an increasingly larger share of the consolidated education budget. Consequently, at an aggregate level, expenditure on total education meets international targets over the seven-year budget cycle.
3.

Composition of education spending

Composition of spending by department
Real growth in the budget of the DHET stands head and shoulders above that of comparable growth in the national DBE budget and that of the combined nine provincial education budgets (Figure 8). The DHET’s real average annual growth over the FY2016–2021 period is an impressive 8.8 per cent compared to a meagre 1.3 per cent for combined provincial education departments. The DBE budget allocation over the corresponding period is expected to decline by 0.1 per cent on a real average annual basis.

The rapid rise in funding available to the higher education sector has reduced expenditure available for basic education, even though the most significant factor informing which learners reach university is the quality of the education they receive. A 2016 study of university access and success of a 2008 matric group by Van Broekhuizen et al. (2016) found “A clear positive association between school performance and university access, and strong evidence that access to university among the poor is largely constrained by poor school results in poorer schools, rather than other barriers to access.” (Van der Berg et al. 2018: 25).

Composition of spending by level
Between FY2015 and FY2021, basic education’s share of the consolidated education budget declines from 79 per cent to 72 per cent while the post-schooling education and training sector increases its share from 21 per cent to 29 per cent. This trend indicates that

Figure 8: Inflation-adjusted spending trends in education departments, FY2016–2021 (FY2015=100)

Source: Own calculations based on National Treasury figures (2019b and 2019c) Note: FY2015–2017 (actual), FY2018 (revised estimate), FY2019–2021 (medium-term estimates). Calculation for DBE is on its full budget allocation before transfers to provinces are deducted.
expenditure on basic education is losing ground to higher education. An analysis of real growth rates over the budget cycle also indicates the increased prioritisation of higher education. The real average annual growth rate for consolidated basic education over the seven-year period is 1.2 per cent compared to the 8.8 per cent for post-school education and training. Over the 2019 MTEF, allocations to the post-school education and training sector is projected to grow by 6.3 per cent on average, whereas consolidated basic education increases by a corresponding 0.6 per cent over the same period.

Composition of spending by programme at the provincial level

**Consolidated provincial education spending is projected to increase from R243 billion in FY2018 to R290 billion in FY2021.** The real average annual growth of provincial consolidated expenditure is expected to be less than 1 per cent over the MTEF period. The fastest growing programmes, based on their real average annual growth rate, are public special schools (4.9 per cent) and ECD (3.5 per cent) over the MTEF period due to DBE’s initiatives to formalise the provision of these education streams. Despite infrastructure backlogs, spending on infrastructure development is projected to fall by 3.3 per cent on a real average annual basis, because of a tighter fiscal space (mainly from greater debt payments) and funding the formalisation of ECD.

Provincial education departments have seven programmes (Table 3), and the public ordinary school programme is allocated roughly 80 per cent of the consolidated provincial budget every year. Over the seven-year budget period, the administration programme (allocated an average annual share of 6.5 per cent) and the infrastructure development programme (allocated an average annual share of 5.2 per cent) take second and third position. Over the same period, the ECD programme is earmarked to receive the second-lowest share of consolidated provincial spending (1.9 per cent on an average annual basis). Over the MTEF period, the ECD programme’s allocation of the consolidated provincial budget improves slightly (by roughly 2.0 per cent) but the infrastructure development programme’s share falls within the 4 per cent range.

Composition of spending by economic classification at the provincial level

Over the seven-year budget cycle, the top four expenditure items, in descending order, are employee compensation (78.9 per cent on an average annual basis), goods and services (9.1 per cent on an average annual basis),
only employee compensation is expected to increase its share of the consolidated provincial budget from 77.8 per cent in FY2015 to 80.0 per cent in FY2021. In contrast to employee compensation, the other expenditure items’ share of consolidated provincial expenditure either remains largely unchanged (i.e. goods and services and non-profit institutions) or falls (buildings and other fixed structures).

Real growth rates over the MTEF period indicate that the fiscal space is tight and expenditure is constrained, as real expenditure on core items either declines or achieves negligible growth. Using 2015 as a base year, employee compensation is expected to achieve a real average annual growth rate of 1.3 per cent over the MTEF period, and it is the only core expenditure item whose real growth rate is above 1 per cent. In contrast, over the same time period, real average annual growth on goods and services as well as buildings and other fixed structures is expected to contract by 2.9 per cent and 2.3 per cent, respectively.

A large portion of the basic education budget is allocated to employee compensation, but the delivery of basic education is inherently teacher intensive. Employing fewer teachers to reduce the share of employee compensation is not a practical solution. The learner-educator ratio in ordinary public schools is high, and it has increased between 2011 and 2016. According to the the PIRLS Literacy 2016 Study, learners per Grade 4 class in an ordinary public school increased from 40 to 45 over the period (Howie et al., 2017: 7). Furthermore, according to Spaull (2019b: 6), “Among the poorest 60 per cent of learners, class sizes increased from 41 to 48 learners per class between 2011 and 2016.” There is no scope to employ fewer teachers, and consequently, the key policy issue is reducing teacher absenteeism and improving the quality of teaching.¹⁰

### Table 3: Programme spending and allocation trends in the consolidated provincial education budget, FY2015–2021 (billion rand and real changes in percentages): FY2015=100

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018 Revised estimate</th>
<th>FY 2019 MTEF</th>
<th>FY 2020 MTEF</th>
<th>FY 2021 MTEF</th>
<th>Real change between FY2018 and FY2019 (%)</th>
<th>Real average annual change over MTEF (%)</th>
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</thead>
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<tr>
<td>Administration</td>
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<tr>
<td>Public ordinary</td>
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<td>194.2</td>
<td>204.9</td>
<td>218.9</td>
<td>230.9</td>
<td>0.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>school</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public special school</td>
<td>6.2</td>
<td>6.8</td>
<td>7.4</td>
<td>8.3</td>
<td>9.2</td>
<td>9.9</td>
<td>11.2</td>
<td>5.1%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Consolidated</td>
<td>196.9</td>
<td>211.3</td>
<td>225.2</td>
<td>242.9</td>
<td>256.7</td>
<td>272.7</td>
<td>289.8</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>provincial budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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¹ Source: National Treasury (2019c) ¹¹ Note: Nominal programme expenditure in rand, except for the last two columns of the table, which are inflation-adjusted growth rates.
Basic education’s share of the consolidated education budget is projected to shrink over the seven-year budget cycle and the 2019 MTEF period, despite large basic infrastructure backlogs. According to the DBE (2018b) in January 2018 there were 23,471 public ordinary schools nationally. Thirty-seven of these schools had no ablution facilities and were in the Eastern Cape. Furthermore, 8,702 schools used pit ablution facilities, and they were predominately located in the Eastern Cape, KwaZulu-Natal and Limpopo. Even though expenditure on infrastructure has slowed, the government has allocated R34.3 billion through the education infrastructure grant over the MTEF period to build new schools and maintain school infrastructure (National Treasury, 2019b: 53).

The government has also prioritised addressing basic infrastructure issues. An additional R2.8 billion has been allocated to the school infrastructure backlogs grant to replace pit latrines at over 2,400 schools, replace 147 inappropriate and unsafe schools and provide water to 352 schools over the MTEF period (National Treasury, 2019b: 53). The DBE will manage and spend these grant funds directly, instead of allocating them to provinces, which have a track record of underspending on infrastructure (National Treasury, 2019c: 69).
Takeaways

• A growing higher education budget has crowded out expenditure on basic education. The best policy decision is finding a middle ground that supports the strategic plans of the basic and post-school education and training systems.

• Allocations to the post-school education and training budget are projected to grow by 6.3 per cent on average over the next three years, while the corresponding rate of growth for basic education is less than 1 per cent.

• The policy decision to allocate larger funds to the higher education sector means that basic education’s share of total education declines from 79 per cent in FY2015 to 72 per cent in FY2021, a full seven percentage-point shrinkage. The post-school education and training sector experiences an 8 per cent increase and overall shares are projected to grow to 29 per cent.

• Consolidated provincial education budgets are projected to grow at less than 1 per cent in real terms over the 2019 MTEF.

• Using FY2015 as the base year, only employee compensation on the consolidated provincial budget is expected to achieve a real average annual growth rate above 1 per cent over the MTEF period, while other core expenditure items, such as goods and services, and buildings and other fixed structures contract.

• A substantial portion of the consolidated provincial budget is allocated to employee compensation but reducing this expenditure through employing fewer teachers is not a viable option because of large class sizes. The policy issue would benefit more from this expenditure by reducing teacher absenteeism and improving their subject knowledge and pedagogical capabilities.

• Greater expenditure for ECD and public special schools programmes is being planned, but expenditure increases are off a very low base.

• Reduced projected spending for infrastructure over the MTEF period increases the importance of rigorous poverty-targeting to determine priority schools that deserve immediate attention.
Budget credibility and execution

Budget credibility: DBE and provincial education departments

Negative deviations (or underspending), between adjusted and final spending, differ by as little as 0.8 per cent in FY2014 and as much as 4.2 per cent in FY2016 in the budget of the DBE (Figure 11). Challenges in effectively coordinating nationally appointed service providers to implement infrastructure projects in provinces are the main reasons for the deviations in the national DBE in the pre-2017 period. A much lower rate of underspending occurred in 2017 and the main deviations were caused by relatively minor over-spending on infrastructure projects and the withholding of funds for the profound intellectual disability grant for four provinces, due to low levels of spending (DBE 2018).

Between FY2015–2017, six of nine provinces underspent their allocated budget for three consecutive years. On a consolidated provincial basis, underspending was -1.8 per cent in FY2015, -0.8 per cent in FY2016 and -0.3 per cent in FY2017. In addition, over this period, consolidated provincial budget expenditure, as well as each province’s expenditure, stayed within the public

Figure 11: Comparing adjusted expenditure with final outcomes in the budget of the Department of Basic Education, FY2014–2017 (percentage)

Source: Estimates of national expenditure 2018 and 2019 (own calculations)
expenditure and financial accountability’s (PEFA) target of a 5 per cent deviation between actual and allocated expenditure (UNICEF 2019).

The high execution rate of provincial education budgets is because approximately 80 per cent of allocated expenditure is on employee compensation. Over this period, the execution rate for employee compensation moved within a narrow band of -1.7 per cent and 0.5 per cent, and the average annual underspending rate was -0.6 per cent. The execution rate for ‘building and other fixed structures’ was more volatile between FY2015 and FY2017, reaching a low of -9.0 per cent in FY2016 and a high of 1.3 per cent in FY2017.
The level of spending credibility across the seven provincial programmes significantly differs between FY2015 and FY2017. The public ordinary school education programme had the highest execution rate over the three-year period that moved within a narrow band of -1.3 per cent and 0.6 per cent, equating to an average annual underspending rate of -0.2 per cent. On the other side of the spectrum, budget execution rates for the early childhood development programme were the lowest, with an average annual underspending rate of -10 per cent. Underspending across the seven programmes arose from internal inefficiencies in the delivery of education (such as poor interdepartmental coordination), non-transparent, cumbersome public procurement processes, and limited teacher support. The infrastructure development programme had the most volatile year-on-year execution rates from FY2015–2017 (Figure 14).

Challenges

According to a 2019 International Monetary Fund (IMF) social spending assessment, the efficiency of South Africa’s basic education expenditure is poor. Inefficiencies are traced mainly to the education system rather than public finance management (PFM) practices. These include managing political and economic factors affecting wage bill management, providing tertiary education subsidies at the expense of basic education and weak governance, especially public procurement practices. Provincial education departments rely on procurement to implement their programmes, and supply chain challenges are one of the main reasons for variable spending performance. The government plans to improve public procurement by “enforcing adherence to existing laws and leveraging digitalization for monitoring and transparency” (IMF: 2018: 24).
National Treasury has also announced measures to improve infrastructure spending at the provincial level. DBE will develop performance evaluation frameworks for the provincial infrastructure grants under their control. National Treasury, in collaboration with the Department of Planning, Monitoring and Evaluation, will consult DBE on the development of these frameworks for implementation in the 2020 Budget (National Treasury, 2019a).
Takeaways

• The drivers of underspending in provincial education departments have remained relatively stable and include factors such as reduced levels of transfers to educational institutions, the inability to manage ballooning personnel budgets and historical poor rates of spending on infrastructure.

• Due to the large transfers made to provincial education departments, the national DBE achieved a small underspending ratio of 0.3 per cent in FY2017, primarily due to the withholding of conditional grant resources to four provinces that did not spend satisfactorily on the profound disability conditional grant.

• Between FY2015 and FY2017, six of nine provinces underspent their allocated budget, but each province met the PEFA ‘A’ benchmark target of 5 per cent deviation.

• The provinces’ relatively high execution rates of their education budgets is due, in part, to the dominance of employee compensation, which comprises at least 80 per cent of their total expenditure.

• The credibility of budgets at the programmatic level is low and volatile, especially in the infrastructure development and ECD programmes.
Key spending trends at the provincial education level

Spending and allocations on provincial education budgets

Over the MTEF period, the consolidated provincial budget’s positive real growth-rate barely keeps pace with inflation and averages less than 1 per cent. In addition, expected real growth rates among provinces differ substantially over the MTEF period. For example, the education budget of the Eastern Cape (-1.3 per cent) and the Northern Cape (-0.7 per cent) are expected to decline, whereas Gauteng (2.5 per cent) and the North West (1.3 per cent) grow over the MTEF period.

Over the MTEF period, each province has allocated at least 75 per cent of their budget to employee compensation. However, at the upper end of the scale, four provinces (e.g. KwaZulu-Natal, the Eastern Cape, the Free State and Limpopo) have allocated at least 80 per cent to employee compensation. In comparison, Gauteng’s and the Western Cape’s expected expenditure on employee compensation is relatively low, as it falls within the 75 per cent range. Although the differential between provinces’ expenditure on employee compensation is small, this differential is much larger for goods and services. Over the MTEF period, Gauteng has set aside 12.5 per cent of its education budget on goods and services compared to the Free State’s 6.0 per cent. The differences in provinces’ budget allocation decisions indicates there is considerable budget autonomy at the province level.

Table 4: Spending and allocation trends in provincial education budgets, FY2015–2021 (billion rand and real changes in percentage): FY2015=100

<table>
<thead>
<tr>
<th>Province</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 revised estimate</th>
<th>FY2019 MTEF</th>
<th>FY2020 MTEF</th>
<th>FY2021 MTEF</th>
<th>Real change between FY2018 and FY2019 (%)</th>
<th>Real average annual change over MTEF (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>28.4</td>
<td>31.0</td>
<td>32.8</td>
<td>35.4</td>
<td>36.3</td>
<td>38.3</td>
<td>39.8</td>
<td>(2.34)</td>
<td>(1.27)</td>
</tr>
<tr>
<td>Free State</td>
<td>11.3</td>
<td>11.8</td>
<td>12.9</td>
<td>14.2</td>
<td>14.7</td>
<td>15.9</td>
<td>17.1</td>
<td>(1.09)</td>
<td>1.02</td>
</tr>
<tr>
<td>Gauteng</td>
<td>36.3</td>
<td>39.4</td>
<td>41.4</td>
<td>45.7</td>
<td>49.8</td>
<td>52.9</td>
<td>57.6</td>
<td>3.58</td>
<td>2.49</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>42.9</td>
<td>45.6</td>
<td>48.3</td>
<td>51.0</td>
<td>54.0</td>
<td>57.7</td>
<td>60.9</td>
<td>0.72</td>
<td>0.68</td>
</tr>
<tr>
<td>Limpopo</td>
<td>25.1</td>
<td>26.8</td>
<td>29.0</td>
<td>30.7</td>
<td>32.3</td>
<td>34.1</td>
<td>36.3</td>
<td>(0.15)</td>
<td>0.28</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>17.1</td>
<td>17.8</td>
<td>19.3</td>
<td>21.0</td>
<td>21.9</td>
<td>23.3</td>
<td>24.5</td>
<td>(1.07)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>5.1</td>
<td>5.5</td>
<td>6.0</td>
<td>6.6</td>
<td>6.9</td>
<td>7.1</td>
<td>7.5</td>
<td>0.14</td>
<td>(0.66)</td>
</tr>
<tr>
<td>North West</td>
<td>13.1</td>
<td>14.1</td>
<td>15.1</td>
<td>16.3</td>
<td>17.3</td>
<td>18.6</td>
<td>19.8</td>
<td>0.85</td>
<td>1.31</td>
</tr>
<tr>
<td>Western Cape</td>
<td>17.6</td>
<td>19.3</td>
<td>20.6</td>
<td>22.1</td>
<td>23.7</td>
<td>25.0</td>
<td>26.6</td>
<td>1.58</td>
<td>0.82</td>
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<tr>
<td>South Africa</td>
<td>197.0</td>
<td>211.3</td>
<td>225.3</td>
<td>242.9</td>
<td>256.9</td>
<td>272.8</td>
<td>290.0</td>
<td>0.51</td>
<td>0.67</td>
</tr>
</tbody>
</table>

Source: Own calculations based on National Treasury (2019c)  
Note: Nominal expenditure values are quoted
provincial level, and this autonomy means that learners’ geographical locations influence the quality of education they receive at a public school.

**Spending disparities in provincial education budgets at the programme level**

Provinces real per learner expenditure at the ECD level increased from R4,762 in FY2016 to R5,271 in FY2018. All provinces increased their real ECD expenditure per learner, excluding the Western Cape which declined by R150 from R8,188 in FY 2016 to R8,037 in FY 2018. The ranking of provinces based on their real ECD expenditure per learner remained the same in FY2016 and FY2018, with Limpopo, the Eastern Cape and the Free State at the lower end of spectrum and Gauteng, the Western Cape and North West at the upper end. An encouraging sign between FY2016 and FY2018 is a drop in the difference in real ECD expenditure per learner between provinces with the highest and lowest per learner spending rates. Variability of expenditure across provinces is indicative of the informalisation of ECD (including Grade R). Nevertheless, the expenditure gap is large, as North West spent eight times more per ECD learner than Limpopo in 2018. Formalising ECD is needed to improve access, quality and affordability of ECD education. Although policy supports ECD formalisation, it has been delayed due to resource constraints, weak intergovernmental coordination and political-economic concerns, such as the public response to the Basic Education Laws Amendment (BELA) Bill released in 2017.

**Differences across provinces’ real per-learner expenditure at the public ordinary school level were minimal between FY2016 and FY2018 (Figure 16).** The difference between the province reporting the highest compared to the lowest real per-learner expenditure rose from R1,296 in FY2016 to R1,911 in FY2018. An important trend over the FY2016–2018 period is the increase in real per learner expenditure at the public ordinary school level in the Eastern Cape, which spent the second lowest in FY2016 compared to the third highest in FY2018 (Figure 18). This province’s jump in real per learner expenditure arises from the fall in learner enrolments of 6.5 per cent being greater than the 5.1 per cent real growth in public ordinary school expenditure between FY2016 and FY2018. The factors contributing to this trend are a more accurate application of the provincial equitable share (PES) formula and migration patterns. From 2018, the PES formula was based on more accurate data sources, such as the DBE’s LURITS database and annually updated Statistics South Africa mid-year population estimates (National Treasury, 2019a: 24). In addition, between 2002 and 2017 the number of children living in the Eastern Cape dropped by 13 per cent compared to Gauteng and the Western Cape, where the number of children increased by 40 per cent and 21 per cent respectively (Hall et al., 2018: 132).

![Figure 16: Provincial real per-learner expenditure for public ordinary schools, FY2016–2018 (rand): 2016=100.](image-url)

Source: DBE (2019, 2018c and 2016) for number of enrolled learners; National Treasury (2019c) Note: Provincial expenditure for 2018 is a revised estimate. Calculation for South Africa is consolidated provincial education spending divided by the number of learners enrolled in public ordinary schools nationally.
Takeaways

• Total provincial education budgets continue to be under strain and are projected to grow by less than 1 per cent on a real average annual basis over the 2019 MTEF. This is unlikely to change the relative ranking of provinces or the overall inequality in spending (as measured by the per-learner numbers).

• Three provinces (Eastern Cape, Mpumalanga and the Northern Cape) project small negative real average annual growth rates over the MTEF period compared to Gauteng Province, which is expected to achieve 2.5 per cent growth.

• Differences in provinces’ budget allocation decisions on core budget items indicate considerable budget autonomy, which means that learners’ geographical locations influence the quality of education they receive at a public school.

• The public ordinary school programme is well established, and as a result, there is only slight variation among provinces’ real expenditure per learner. In contrast, the provision of ECD is less structured, which has contributed to large differences among provinces’ real expenditure per ECD learner.

• The formalisation of ECD is envisaged to reduce expenditure variation among provinces. Even though an ECD policy exists, policy implementation has been delayed because of resource constraints, weak intergovernmental coordination and political-economy concerns, such as the public response to the Basic Education Laws Amendment (BELA) Bill released in 2017.

• National Treasury’s decision in 2018, to base the PES formula on more accurate data sources such as the DBE’s LURITS database and annually updated Statistics South Africa mid-year population estimates, is expected to improve the equitable allocation of education expenditure across provinces.

• Although the migration of children impacts provincial expenditure per learner, this factor is only indirectly considered in the PES formula. There is an opportunity to better understand the effect of migration on per learner expenditure.
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National Treasury. 2019a. 2019 Division of Revenue Bill Standing Committee on Appropriations & Select Committee on Appropriations presentation. Intergovernmental Relations Branch, National Treasury, 7 March 2019.


Endnotes

1. The Department of Basic Education, Department of Social Development and the Department of Health are responsible for implementing ECD, but these departments have different roles.

2. All the data used to describe trends in learner participation are from Statistics South Africa (2018).

3. Statistics South Africa’s approach uses the age-specific enrolment rate to describe trends in primary and secondary education participation rates. Although the official primary education age is 7–13 years of age, this statistic can include learners enrolled in secondary education. The official secondary school age is 14–18 years of age, but repetition or accelerated performance means learners in this age group might not be in secondary school. For example, in 2018, 25.1 per cent of 14-year-olds attended primary school.

4. Learners could add and subtract whole numbers, understand multiplication by one-digit numbers and solve simple word problems.

5. The data for this analysis is from Statistics South Africa (2018: 28).

6. Ibid.

7. The data for this analysis is from Statistics South Africa (2018: 29).

8. If debt-service costs are excluded from the consolidated government budget, basic education’s share of consolidated government budget slightly increases. In FY2015 its share was 16.3 per cent and in FY 2021 it is expected to be 16.1 per cent.

9. South African public schools are classified as Section 21 schools (high level of managerial autonomy) and non-Section 21 schools (school budgets managed by the provincial education departments) and hence expenses for critical school-level items (books, utilities, minor maintenance, etc.) are reflected in the ‘goods and services’ category (for schools whose budgets are managed by provincial education departments) and ‘transfers to non-profit organisations’ (schools that can self-manage their budgets).

10. The quality of teaching in South Africa is poor. According to Spaull (2019a: 1), “the majority of teachers (80 per cent) lack the content knowledge and pedagogical skill to teach the subjects they are currently teaching” [and] “79 per cent of Grade 6 mathematics teachers cannot get 60 per cent on a Grade 6/7 level maths test.”

11. Guidelines for Developing an Education Budget Brief (UNICEF 2019) refers to the public expenditure and financial accountability (PEFA) assessment and PEFA questionnaire as a resource to provide guidance on acceptable levels of deviations from the approved budget. The PEFA scoring system for budget reliability and transparency of public finances considers no greater than a 5 per cent deviation in aggregate and/or expenditure by classification as an ‘A’ score.

12. According to the IMF (2019: 68) these include weak training and accountability of teachers, ineffective targeting of education resources between urban and rural areas, infrequent mandatory national assessments that are externally monitored, and inadequate provision of vital resources per learner (e.g. textbooks).

13. UNICEF calculates real per-learner expenditure using the consumer price index to deflate nominal budgeted education expenditure. Spaull (2019a) argues that using the consumer price index provides a conservative view on changes in real per-learner education expenditure, as more than 80 per cent of the basic education budget is allocated to teacher salaries, and their salaries have increased by 57 per cent over this period compared to 38 per cent for the average basket of goods. Subsequently, Spaull argues that the rise in teachers’ salaries should be used to deflate nominal budgeted education expenditure.