

# Funding and Expenditure in the Basic Education sector: a look at key trends and issues.

November 2021

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## INTRODUCTION - THE RIGHT TO BASIC EDUCATION

Under South Africa's 1996 Constitution, basic education is a fundamental human right, not a privilege. In the decades since the democratic constitution entered into force, numerous court judgements on the right to basic education have affirmed the role that basic education plays in achieving equality, dignity, and freedom for all. The right to basic education consists of certain core components which include, among others, safe and appropriate infrastructure, furniture, teaching and learning materials such as textbooks, and scholar transport.<sup>1234</sup> However, unlike other socio-economic rights which the state must "realise progressively within its available resources", the right to basic education is an **immediately realisable right**<sup>5</sup>. This means that our Constitution requires government to prioritise the achievement of quality basic education for all, including in the budget. It also means that government must meet an extremely high standard in order to justify taking "retrogressive measures" against learners' right to basic education, such as funding cuts.

The right to basic education, along with other human rights, has implications for South Africa's economic and fiscal policies. These implications stem from both the country's Constitution and International law. The Constitutional Court has emphasised that the state must focus its economic policies on addressing historic inequalities through redistribution, and promoting equal access to resources and opportunities as a means to realising the Bill of Rights.<sup>6</sup> The International Covenant on Economic, Social and Cultural Rights (ICESCR), which South Africa has ratified, emphasises the need for governments to maximise available resources for the achievement of basic human rights.

Despite these provisions, we have witnessed the de-prioritisation of basic education funding in South Africa in recent years, with the COVID-19 pandemic accelerating this trend. This is in part due to government's adoption of austerity policies in response to rising public debt, which has resulted in social spending per capita being reduced. However it is not an issue of budget allocations alone. Weakened state capacity and corruption have also eroded government's ability to properly plan for and spend money allocated to it in the annual budget. Underspensing, irregular expenditure, and wasteful and fruitless expenditure are consistent issues in the basic education sector and fundamentally undermine government's functioning - including providing all learners with their constitutional right to basic education.

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<sup>1</sup> Tripartite Steering Committee and Another v Minister of Basic Education and Others 2015 (5) SA 107 (ECG) <sup>3</sup> Minister of Basic Education v Basic Education for All 2016 (4) SA 63 (SCA)

<sup>2</sup> See Equal Education v Minister of Basic Education on infrastructure, Madzodzo v Minister of Basic Education on furniture, Minister for Basic Education v Basic Education for All on textbooks, and Equal Education v MEC for Education, KwaZulu-Natal for transport.

<sup>3</sup> Minister of Basic Education v Basic Education for All 2016 (4) SA 63 (SCA)

<sup>4</sup> Madzodzo and Others v Minister of Basic Education and Others 2014 (3) SA 441 (ECM)

<sup>5</sup> Governing Body of the Juma Masjid Primary School v Essay NO 2011 (8) BCLR 761 (CC); 2011 ZACC 13 at para 37.

<sup>6</sup> Grootboom

## KEY PROBLEMS

### 1. Lack of progressive funding for the basic education sector

With the majority of learners attending fee-free public schools, government resources are critical in determining the quality of education that most learners receive. Therefore, a key way to realise all learners' right to basic education is through adequate and progressive government funding for the basic education sector. Simply put, this means providing the Department of Basic Education (DBE) and Provincial Education Departments (PEDs) with enough money to implement their constitutional obligation of ensuring that all learners have access to safe and adequate school infrastructure, materials, and support needed to meaningfully complete their schooling.

Progressive, pro-poor funding aims to ensure a more equitable distribution of resources and hence outcomes. Due to South Africa's deeply unequal schooling system, an equitable distribution of resources does not require all schools to be provided with the same funding. Instead government expenditure must be needs-based and aim to overcome inequities created by past racial discrimination, amongst other things. This includes taking into account apartheid's legacy of underinvestment in historically black schools as well as the differing costs of providing schools in different contexts with the same or similar resources, such as adequate school buildings and furniture, running water, electricity and internet access.<sup>7</sup>

Despite positive statements from government on the importance of basic education to democracy and the economy, a worrying trend of budget cuts and underspending on basic education funding has emerged over the years as National Treasury has introduced austerity budgeting and education departments have failed to make the most of the funding that was available. This was already a concern before the COVID-19 pandemic as South Africa was experiencing systemic underinvestment in key social and economic sectors, with the poorest citizens shouldering the cost.<sup>8</sup> However, COVID-19 dramatically accelerated the trend as basic education was considered a "donor sector" and had to give up funding to other sectors such as health, social development, and the police and army as part of government's response to the pandemic.<sup>9</sup> This means that the sector received no additional support to help with COVID-19 costs and instead experienced several funding cuts (as will be outlined below). This has forced the national and provincial education departments, and schools themselves, to reallocate their already overstretched budgets. A consequence of this is schools being unable to maintain and upgrade dilapidated or dangerous infrastructure, and being unable to purchase school furniture or other teaching and learning support materials.<sup>10</sup>

#### Basic education sector funding trends

##### i. Consolidated basic education budget

Despite a large portion of consolidated (total) government expenditure going to basic education over the years, the percentage allocation for basic education; specifically, programme offerings and

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<sup>7</sup> available at: <https://section27.org.za/wp-content/uploads/2017/02/Chapter-2.pdf>

<sup>8</sup> Budget Justice Coalition - Imali Yesizwe (Our Nation's Money). available at:

<https://budgetjusticesa.org/media/budget-justice-coalition-imali-yesizwe-our-nations-money/>

<sup>9</sup> <https://www.groundup.org.za/article/education-spending-falling-covid-19-budget-has-slashed-it-further/>.

<sup>10</sup> The Daily Maverick, *Limpopo schools face an impossible choice – sanitiser vs basic necessities*

available at:

[www.dailymaverick.co.za/article/2020-05-26-limpopo-schools-face-an-impossible-choice-sanitiser-vs-basic-necessities](http://www.dailymaverick.co.za/article/2020-05-26-limpopo-schools-face-an-impossible-choice-sanitiser-vs-basic-necessities)

conditional grants, has been and continues to decrease.<sup>11</sup> For example, while the basic education sector received 14.8% of the consolidated budget in 2017/2018<sup>12</sup>, this had dropped to 14.3% in 2019/2020<sup>13</sup>. COVID-19 accelerated this trend with basic education receiving a further drop in funding to 13.4% of the consolidated budget in 2021/2022.<sup>14</sup> A continued deprioritisation of basic education is seen in the National Treasury's projections for basic education funding, which would accordingly see the sector reduced to 13.3% of the consolidated budget by 2023/24<sup>15</sup>.

**Figure 1: Total basic education budget and annual % change (constant 2021/22 Rands)**

Real 2021/22 Rands	Outcome	Estimate	Medium-term estimates			2019/20 – 2023/24
	2019/20	2020/21	2021/22	2022/23	2023/24	
Real consolidated basic education budget (billions)	R281.6	R274.3	R272.3	R265.9	R257.5	-R24.1
Annual % change	1.7%	-2.6%	-0.7%	-2.4%	-3.2%	-8.6%

Source: National Treasury and own calculations.

The deprioritisation of basic education can also be seen in the rate of growth of basic education funding. Figure 1 shows the rate of growth of basic education funding between 2019/2020 and 2020/2021 as well as the projected growth rate from 2021/2022 to 2023/2024. According to the calculations, between 2019/2020 and 2023/2024, the basic education budget will have shrunk by 8.6% (once inflation is taken into account). This means that, if the projections are not revised, the basic education budget will not grow in real terms for four years. As there are no current projections past 2023/2024 it is possible that the basic education budget will continue to shrink in real terms.

## ii. Per learner expenditure

When looking at large figures, it is sometimes hard to understand what these budget trends mean for each learner. Therefore, it is also helpful to look at how the basic education budget compares to the number of learners in the schooling system. Taking account of rising school enrolments due to population growth is important because it helps us see that, even if funding were increasing year on year, the funding per learner may not be as the money must be spread amongst more learners.

**Figure 2: the budget per learner and annual % (National Treasury)**

Real 2021/22 Rands	Outcome	Estimate	Medium-term estimates			2019/20 – 2023/24
	2019/20	2020/21	2021/22	2022/23	2023/24	
Number of learners	12,861,760	13,021,000	13,195,000	13,361,620 *	13,531,930 *	5.20%

<sup>11</sup> 2019 Estimates of National Expenditure (Vote 14)

<sup>12</sup> 2017/2018 Budget Review - National Treasury

<sup>13</sup> 2019/2020 Budget Review - National Treasury

<sup>14</sup> 2021/2022 Budget Review - National Treasury

<sup>15</sup> 2020/2021 Medium Term Budget Policy Statement - National Treasury

Basic education budget per learner	R21,893	R21,063	R20,640	R19,903	R19,027	-R2,866
Annual % change	1.9%	-3.8%	-2.0%	-3.6%	-4.4%	-13.1%

Source: National Treasury and own calculations. \* Projection based on the average of the previous years' increases.

Figure 2 shows that between 2019/2020 and 2023/2024, according to available data and projections, the basic education budget per learner will decrease by 13.1%. This is an incredibly concerning statistic as it highlights the effects of not increasing the basic education budget alongside the increasing school enrollment.

However, it would be an error to think that this is simply a recent phenomenon. At the end of apartheid, black learners were woefully underfunded relative to their white counterparts. Recent work has emphasised that while there were substantial increases in post-apartheid allocations to public basic education, real resources per learner have never reached the levels of the allocations to white learners under apartheid. It is estimate that average allocations per learner in the post-apartheid period (1996-2018) were only 40% of the average allocations per white learner towards the end of apartheid (1981-1992).<sup>16</sup> This is contrary to common narratives that have downplayed the significance of resource constraints for poorer schools and emphasises the need for closer scrutiny of public spending trends to more effectively inform progressive policy decisions.

A lack of progressive funding for the basic education sector limits the ability of all levels of government to fulfil their constitutional obligation to realise the right to basic education for all learners. As will be discussed in the recommendations section, civil society, schools, and communities can play a vital role in advocating for both national and provincial treasuries to prioritise basic education funding.

## 2. Underspensing

The quality of basic education is not only determined by the budget allocated to the sector but also the capacity of national and provincial departments to spend these funds effectively. In its report on the *25 Year Review of Progress in the Basic Education Sector*<sup>17</sup>, the DBE stated that:

*“When the capacity to support quality education is limited, the impact of otherwise good policies and programmes is restricted.[...]many feel that the main challenge now is about effective implementation rather than about new or better policies [...]”*

One of the ways that national and provincial departments weaken effective policies is through underspending, an issue which has been particularly prevalent in school infrastructure. The Financial and Fiscal Commission (FFC) has highlighted<sup>18</sup> the challenge of underspending in basic education stating that on average, only 70% of funds allocated to the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) have been spent. This means that in total R4.1 billion allocated to the initiative for school infrastructure has been lost since the inception of the project.

<sup>16</sup> Muller, S. and Mahabir, J. 2021. Public Funding of Schooling from Apartheid to the Present. Public and Environmental Economics Research Centre, University of Johannesburg.

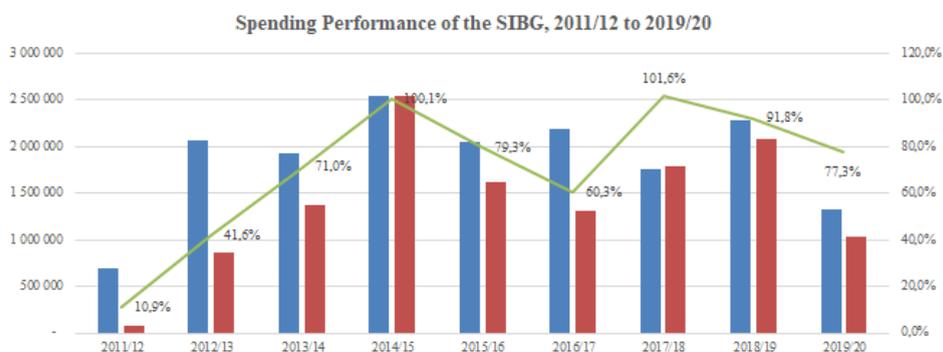
<sup>17</sup> available at:

<https://www.education.gov.za/Portals/0/Documents/Reports/DBE%2025%20Year%20Review%20Report%202019.pdf?ver=2019-12-13-133315-127>

<sup>18</sup> The Financial Fiscal Commission (FFC) presentation, Parliament's Joint Meeting of the Portfolio Committee on Basic Education and the Select Committee on Education and Technology, Sports, Arts and Culture, 3 November 2020. Accessed at <https://pmg.org.za/committee-meeting/31355/>

The below graph highlights this trend:

**Figure 2: Spending Performance of the School Infrastructure Backlog Grant 2011/12 - 2019/20 (blue indicates allocation while red indicates expenditure)**



Source: Presentation by FCC to the Basic Education Committee on 3 November 2020<sup>19</sup>

While underspending is not prevalent exclusively in the basic education sector it has been, it appears to be getting worse. The DBE's 2019/2020 Annual Report highlighted an increase in under-expenditure of roughly R328 million between the 2018/2019 and 2019/2020 financial year.<sup>20</sup>

Underspending compromises the ability of the DBE and PEDs to realise learners' right to basic education. Underspending also makes it harder to advocate for money to be allocated to basic education, if the sector is unable to spend the funds that are already provided. Eradicating underspending is a complex problem which requires internal work to be done within the DBE, PEDs and grant structures in order to build capacity for planning and the implementation of projects. However, as will be discussed in the recommendations section below, civil society, schools, and communities can play an important role in monitoring and holding government accountable for underspending.

### 3. Irregular expenditure

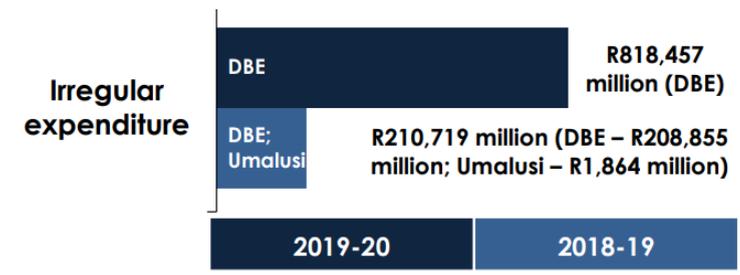
Another key way to realise all learners' right to basic education is to address the issue of irregular expenditure. The 2019/2020 Budget Review and Recommendations Report (BRRR) highlighted R818 million rand was spent 'irregularly' or in a fraudulent manner in that financial year alone. This is more than double the irregular expenditure for 2018/2019 (R210 million).<sup>21</sup>

<sup>19</sup> Ibid

<sup>20</sup> Department of Basic Education Annual Report 2019/2020. Accessed at: <https://www.education.gov.za/Portals/0/Documents/Reports/Annual%20Report%20FY1920.pdf?ver=2020-11-06-165526-607>

<sup>21</sup> Available at: <https://static.pmg.org.za/201103AGSA.pdf>

**Figure 3 : Irregular Expenditure in the basic education sector in 2018/2019 and 2019/2020 financial years**



Source: *The 2019/2020 Budget Review and Recommendations Report*<sup>22</sup>

COVID-19 has led to a sudden increase in procurement-related activity in the basic education sector as the DBE and PEDs scrambled to provide schools with the necessary Personal Protective Equipment (PPE), sanitation, water, and infrastructure needed to remain open during the pandemic. As an issue that exists across all sectors of government, decreasing irregular expenditure and fighting fraud and corruption, especially in public procurement, is extremely difficult. However, there are some basic steps that civil society, schools and communities can undertake to help monitor and advocate for the eradication of irregular expenditure.

#### **4. Fruitless and Wasteful Expenditure**

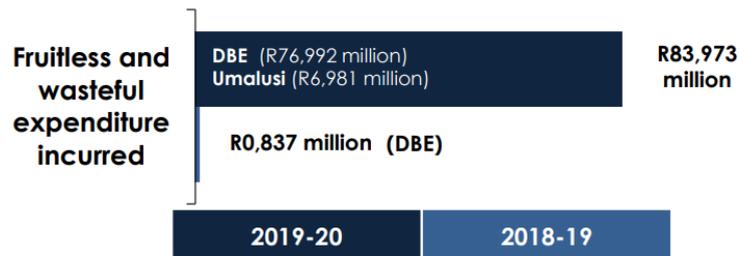
Fruitless and wasteful expenditure is defined as spending which was made in vain and could have been avoided had reasonable care been exercised. According to the 2019/2020 Basic Education BRRR, fruitless and wasteful expenditure, along with irregular expenditure, was one of the top non-compliance. This shows an increase in the severity of fruitless and wasteful expenditure as it was not listed as one of the key non-compliance issues in 2018/2019.<sup>23</sup>

As illustrated in the table below, fruitless and wasteful expenditure totalled R84 million in 2019/2020. This is more than eightyfold the amount for 2018/2019, which was just under R1 million. This shows an exceptionally worrying trend and should be closely monitored moving forward.

<sup>22</sup> Ibid

<sup>23</sup> Accessed at: <https://static.pmg.org.za/201103AGSA.pdf>

Figure 4 : Fruitless and Wasteful expenditure in the basic education sector in 2018/2019 and 2019/2020 financial years



Source: The 2019/2020 Budget Review and Recommendations Report<sup>24</sup>

Fruitless and wasteful expenditure is not only an issue in basic education but is prevalent across sectors. Fighting fruitless and wasteful expenditure at all levels and across all sectors is important. According to the 2018/2019 Auditor General’s (AG’s) Report<sup>25</sup> fruitless and wasteful expenditure across government amounted to R849 million for the 2018/19 financial year alone. The Report also noted that between 2014/15 and 2018/2019, government has lost R4.16 billion to fruitless and wasteful expenditure.

## RECOMMENDATIONS

### 1. More Progressive Funding

There has been deep and sustained austerity in basic education funding in recent years and this deprioritisation of basic education is set to continue under current government policy. Basic education spending per learner in South Africa is in freefall and the National Treasury admits that this will impact the quality of public schooling available to the majority of people in the country. This trend has been accelerated by the Covid-19 pandemic.

BJC demands an end to budget austerity by increasing provincial equitable shares and conditional grants at least in line with inflation and learner enrolment numbers.

Civil society, communities, schools, teachers and learners need to make the case for why basic education should be a top priority and receive the funding needed. **Advocating for basic education to receive more government funding requires us to articulate why basic education should be a priority.**

<sup>24</sup> Accessed at: <https://static.pmg.org.za/201103AGSA.pdf>

<sup>25</sup> Accessed at: [https://equaleducation.org.za/wp-content/uploads/2020/02/Equal-Education-pre-budget-speech-2020-media-statement\\_23022020.pdf](https://equaleducation.org.za/wp-content/uploads/2020/02/Equal-Education-pre-budget-speech-2020-media-statement_23022020.pdf)

During the pandemic, this means arguing that basic education should be a frontline sector. After the pandemic, this will require reinforcing how basic education is a right not a privilege and is fundamental to achieving freedom, equality and dignity for all.

Why basic education must be a frontline sector:

- Schools are at the centre of many communities and on the frontline of community safety.
- Schools should be considered as sites of support for the Departments of Health in a national Covid-19 prevention response.
- Schools are important public spaces where, in the normal course, over 9 million learners receive a daily nutritious meal that is essential for their health and learning.
- If schools do not receive sufficient support, it will jeopardise their reopening. This will have devastating effects on learners' right to basic education and may lead to a “lost generation of learners”.

The role of basic education in achieving freedom, dignity, and equality:

- Education allows learners to realise their full potential;
- It helps build an equal society by equipping learners with the skills and knowledge they need to advance in life;
- It helps build a more engaged and healthy democracy; and
- It provides learners with the opportunity to rise out of poverty or their socio-economic status.

## **2. Underspending**

Civil society, and oversight entities need to remain engaged in monitoring the appropriations to and expenditure of the DBE, PEDs and all relevant bodies. This can include:

- Deepening advocacy relating to budget transparency and open data to ensure proactive, reliable disclosure by government departments
- Fighting for comprehensive publication by the DBE and PEDs with regard to full cycle project data (from planning to implementation)
- Advocating for capacity building in the DBE and PEDs, which includes establishing and strengthening anti-corruption units as envisaged in the National Anti-Corruption Unit .
- Raising collective awareness/applying public pressure regarding underspending.

## **3. Irregular expenditure and fruitless and wasteful expenditure**

There are many steps that civil society, communities, learners and schools can take to help prevent irregular and fruitless and wasteful expenditure. These include:

- Advocating for proper investigations of instances of fruitless and wasteful expenditure and/or irregular expenditure.
- Monitoring procurement related activities which make up a large portion of PEDs expenditure.
- Where fruitless and wasteful expenditure and/or irregular expenditure is discovered, pushing for investigation and penalties for individuals involved.
- Holding MEC's to account for fruitless and wasteful expenditure and/or irregular expenditure occurring under their watch.

- Educating schools, learners and teaching staff about how fruitless and wasteful expenditure and/or irregular expenditure directly affects them.
- Bringing media attention to the fruitless and wasteful expenditure and/or irregular expenditure.

**SUBMISSION ENDORSED BY:**

**The following organisations endorse this submission:**

1. Equal Education
2. The Public Service Accountability Monitor
3. Equal Education Law Centre
4. SECTION27