

CHAPTER 2

FUNDING BASIC EDUCATION



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INTRODUCTION

This chapter looks at how basic education is funded in South Africa, and provides an overview of how the budget process works.

The guarantee of a right on paper means little if it does not find expression in the budget. Teachers must be trained, employed on an appropriate salary, and supported throughout their careers. Schools must be built, maintained, and when necessary, upgraded. A curriculum must be designed and effective learning and teaching materials, both physical and digital, must be provided. All of these, and the many other inputs to the education system, cost money.

Furthermore, South Africa has the additional – and costly – challenge of transforming an education system which was designed based on racist policies. During apartheid, schools serving black communities received as little as one tenth of the funding provided to schools serving white communities. Overcoming this legacy requires significant investment in schools serving the vast majority of learners.

The policy guidelines adopted at the 1992 National Conference of the African National Congress (ANC) and published in 'Ready to Govern' committed the ANC

to "equalising the per capita expenditure between black and white education" and ensuring that "resources are redistributed to the most disadvantaged sectors of our society, in particular, women, rural and adult students, and mentally or physically disabled children and adults".

The question of how to achieve equal access to quality education remains central to education policy, and the budget is a key mechanism for achieving this.

OVERVIEW

This chapter has been written in three parts. Section 1, *The budget and the Constitution*, builds on Chapter 1 by summarising the constitutional and human rights principles that apply to basic education funding. These include the principles of universal access, equity and redress, immediate realisation, maximum available resources, transparency and access to information, public participation, and accountability.

Section 2, *Understanding the budget process*, explains how budgeting goes hand in hand with planning and evaluation

processes both in the executive and in parliament. Key legislation governing the budget process is outlined and a guide to the key stakeholders, events in the budget calendar and the budget documents themselves is provided. Lastly, because the budget process is complex and sometimes quite confusing, the chapter shares tips and tricks for how education advocates can engage with the budget process and hold government accountable, and provides a critique of the current avenues that are available for engagement.

Section 3, *How basic education is funded*, breaks down the flow of money from the total national expenditure on basic education to the funding of national and provincial education departments. It also focuses on key funding areas such as personnel (staff in the education sector) and non-personnel funding (e.g. school infrastructure). Throughout, it provides analysis of funding trends, in particular the impact of budget cuts which have been implemented across government – including the basic education sector – in recent years.

The chapter argues that fiscal austerity (see glossary) is undermining the achievement of equal and quality public education in South Africa.

KEYWORDS

Austerity Also known as *fiscal consolidation*. Reductions in government expenditure and/or tax increases implemented in order to reduce a budget deficit.

Budget balance The difference between the total revenue generated by government (such as through taxes) and total government expenditure. These are rarely equal, and most countries regularly run a budget deficit, in which total expenditure is greater than total revenue. A budget deficit is generally financed by government borrowing from financial markets by issuing bonds, which are repaid with interest. Unlike a household, governments can borrow money indefinitely as long as they spend the money wisely and the economy grows, because this enables the savings, investment and revenue needed to continue to borrow and pay back existing debt.

Austerity is usually implemented when policymakers perceive a fiscal crisis in which economic growth and revenue growth are too low and/or public debt levels and repayments are too high (or increasing too rapidly). The austerity response is to reduce spending and borrowing and/or increase taxes to raise revenue. However, many people contest the logic that expenditure cuts and tax rises are the best way to balance a budget, because of the harm these do to lives, livelihoods and ultimately the economy itself. They argue that austerity can prolong, rather than solve, the underlying

problems in an economy. Of course, much depends on what else government is doing in addition to its fiscal policy (i.e. its overall budget policy); and the external environment also plays a major role.

In general, most governments aim to achieve a budget balance over time by borrowing less and accumulating savings in the good times so that they can spend more to support their economies in the bad times (known as a fiscal stimulus). Unfortunately, implementing this classic 'Keynesian' recipe (named after British economist John Maynard Keynes) is rarely simple in the real world of complex, globalised economies and financial markets.

Debt service costs Also referred to as *interest payments*, these are the repayments that government is making on its loans.

Expenditure Often referred to in budgets as *payments*, government expenditure can be broken down in various ways; but for the purposes of this chapter, we'll focus on two. *Total government expenditure* includes all government spending at national, provincial and local governmental level, including debt service costs, which are paid by national government. *Non-interest expenditure* is all government expenditure except debt service costs. *Non-interest expenditure* is often used as the benchmark for assessing whether the total government budget, for all its activities, goods and services, is growing or not. This can be thought of as

government's *discretionary* expenditure, because while many line items such as wages are more or less fixed in the budget, the government does ultimately decide how much non-interest expenditure to budget for each year and what to spend it on. This is not the case with debt service costs, for which the government has no discretion over whether to pay or not.

Equity/equitable Often juxtaposed with *equality*, which means treating everyone the same (in the budget this could mean taxing everyone at the same rate no matter what their income, or spending the same amount of money on every learner no matter what their circumstances), *equity* means treating people in accordance with their circumstances. This generally means spending more money on – and implementing policies designed to uplift – people who have been disadvantaged until now.

Financial year For national and provincial government departments the financial year runs from 1 April to 31 March. A calendar year, by contrast, is 1 January to 31 December.

Gross domestic product (GDP) The sum monetary value of all goods and services produced in an economy (e.g the South African economy) during one year.

Revenue Income that goes to the government from taxes, customs, levies, duties, royalties, surcharges and other mechanisms.



THE BUDGET AND THE CONSTITUTION

Chapter 1 of this book comprehensively set out and explored the constitutional framework for basic education in South Africa. Constitutional and human rights principles and normative standards impact how basic education is funded, in multiple and overlapping ways.

Table 2.1 below summarises these. In the sections which follow, readers may find it useful to refer to this table when thinking about whether the budget process and funding model for basic education that has been established since 1994 is in line with the progressive vision for equal rights contained in South Africa's founding document.

Table 2.1 Key constitutional and human rights principles which underpin basic education funding

PRINCIPLE	WHAT IT MEANS	IMPLICATIONS FOR BASIC EDUCATION FUNDING	SOURCE(S)
Universality	<p><u>Everyone</u> has the right to a basic education.</p> <ul style="list-style-type: none">✓ Everyone must have access to schooling regardless of colour, creed, nationality, disability, sexual orientation or any other distinction.✓ The government must ensure that every single child of schoolgoing age is placed in a school.✓ Basic education must be physically and economically accessible to all.	<ul style="list-style-type: none">• Government cannot deny someone access to schooling on the basis of a lack of budget. Basic education funding must therefore be responsive to enrolment numbers so that there are sufficient numbers of classrooms, teachers and textbooks to accommodate every child.• The principle of physical accessibility means that schools must be within a reasonable distance of communities; and where there are learners who live beyond a reasonable distance to a school, the state must budget for and provide safe transport to the nearest school.• Sufficient provision must be made in education budgets for the needs of disabled learners, who may require special assistance to access and learn at their local school or to attend a special school.• The principle of economic accessibility means that no one may be denied access to their nearest public school due to an inability to pay school fees.	<ul style="list-style-type: none">• Constitution: Section 29.• ICESCR: Article 13.

Equity and redress	<ul style="list-style-type: none">✓ Every child must have access to basic education of an acceptable quality.✓ A progressive funding model is required to rebalance the unequal funding provided to black and white schools and communities during apartheid.	<ul style="list-style-type: none">• All schools must have the physical, human and technological resources that are necessary to provide a quality basic education.• Schools and communities that were discriminated against in the past will require significant investments in infrastructure, human resources and technology, among others, to enable them to provide quality education.• Revenue (i.e. resources) must be shared equitably between the provinces, which are responsible for implementing basic education, taking into account economic disparities and developmental needs.	<ul style="list-style-type: none">• Constitution: Preamble; Section 9 and Section 214,• ICESCR: Article 2.2.
Immediate realisation	<ul style="list-style-type: none">✓ Unlike other socio-economic rights, the SA Constitution does not limit the right to basic education to 'progressive realisation within available resources'. The right may only be limited by a law of general application which is 'reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom.'✓ Basic education of an acceptable quality must be provided and made available to all immediately.	<ul style="list-style-type: none">• While government cannot create a totally transformed education system that guarantees every child access to high-quality education overnight, the 'immediately realisable' nature of the right to basic education is understood to mean that government must prioritise this right in the budget, to enable it to guarantee the right to all in the shortest possible period.• This also means that a very high level of justification is required for the state to take deliberate steps backwards – known as 'retrogressive measures' – to the right to basic education, such as funding cuts which reduce the state's capacity for providing quality basic education to all.	<ul style="list-style-type: none">• Constitution: Section 29.
Maximum available resources	<ul style="list-style-type: none">✓ The government must maximise the resources available to basic education.	<ul style="list-style-type: none">• Comprehensive national, provincial and local government budget information, including on basic education budgets, must be published in a timely and transparent manner and in formats which are accessible to the public, in all its diversity.• The public must have the opportunity to participate meaningfully in policymaking and budgeting processes.	<ul style="list-style-type: none">• Constitution: Sections 32, 57(1)(b); 70(1)(b); 116(1)(b); 195(e), (g); 215(1); 216(1); 217(1);
Accountability	<ul style="list-style-type: none">✓ This is a core principle throughout the Constitution.✓ In relation to budgets, it means that there must be accountability for failures to allocate sufficient funding to basic education and to spend basic education budgets equitably, efficiently, effectively and in full.	<ul style="list-style-type: none">• The Minister and Deputy Ministers of Finance and Basic Education, the provincial Members of Executive Council (MECs) for Education and Finance, and national and provincial education and treasury officials must be held accountable when their actions violate the principles and standards described in this table.• Violations could include: not allocating sufficient resources to the basic education sector to enable quality education; not prioritising basic education in national and provincial budgets; not allocating basic education funding equitably between provinces, communities and schools; Auditor General findings of irregular or fruitless and wasteful expenditure; failing to spend budgets in full.	<ul style="list-style-type: none">• Constitution: Sections 195(f); 215(1).

UNPACKING THE BUDGET PROCESS

Every politician's promise, every government policy, and all the day-to-day decisions taken by government officials have budgetary implications. As a result, the budget process is central to the whole operation of government. It is intimately tied up with planning, implementation and evaluation processes, and it is for this reason that the two budget speeches made by the Minister of Finance each year receive so much attention: everyone knows that if their policy priority doesn't make it into the budget speech (or the lengthy documents tabled with it), it probably won't be implemented that financial year.

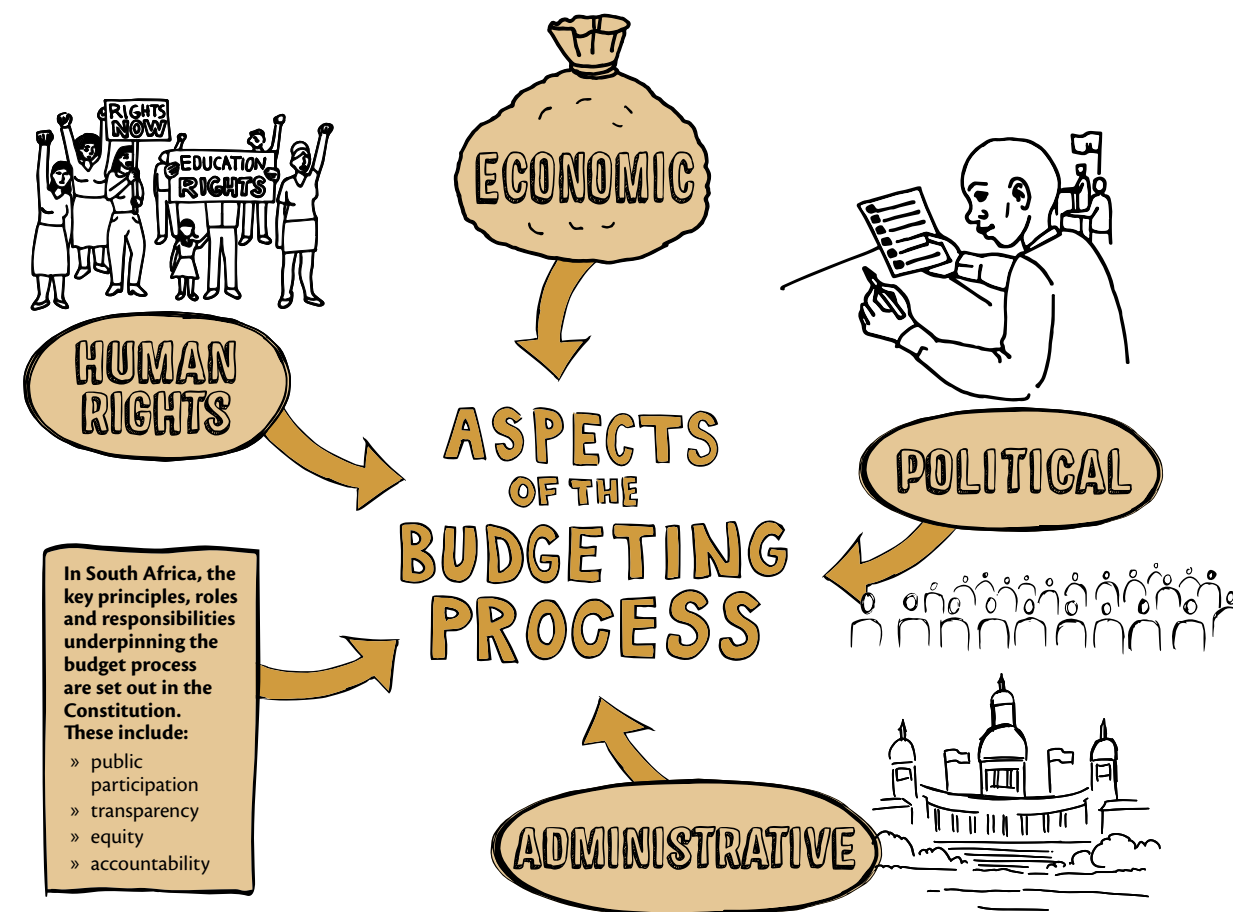
This section unpacks how the budget process works for people who have never engaged with government budgets before, to enable first-time readers to take the plunge and go and find out exactly how government is spending public money. However, the section also covers a variety of aspects of the budget process so that more experienced readers may also find valuable insights into or perspectives on this many-layered, multi-stakeholder enterprise.

The section begins by looking at four aspects of the budget process: the economic, the political, the administrative and the human rights aspects. It then explores the obligations of government stemming from the Constitution and the

Public Finance Management Act to ensure transparency, access to information and public participation in the budget process. An overview is provided of the main stakeholders and documents produced in the budget process, with a specific focus on basic education. Throughout, diagrams and timelines are provided so that readers can visualise what happens and when. The section then provides a snapshot of what can be described as the first two 'steps' in the budget process: deciding on a Fiscal Framework, and then the Division of Revenue between national, provincial and local government, and between the provinces and municipalities. It concludes with practical tips for education advocates on how to engage with the budget process

to influence outcomes or hold government accountable for its commitments in the budget, and offers a critique of these processes and how they could be enhanced to reflect the vision of a representative and participatory democracy as it is envisioned in the Constitution.

Since basic education is a concurrent responsibility of national and provincial government, and since local government budget processes are distinct and governed by different legislation to national and provincial budgets, this section focuses only on national and provincial budget processes. For a guide to local government budget processes, visit: <https://section27.org.za/2011/08/making-local-government-work-an-activists-guide>.



FOUR ASPECTS OF THE BUDGET PROCESS

Budgeting is an exercise in politics, economics, administration and human rights. Although it is useful to view the budget process through each of these lenses, it is important to remember that they are inter-related and influence one another in multiple ways. What they share, however, is that they are all arenas of contestation or debate in which multiple perspectives and interests compete for dominance.

The budget process is thus highly **political**: various groups compete through

the process for their share of the budget pie. Deciding how to divide resources should take into account economic, human rights and administrative factors, as we'll see; but power and politics play a large role, and often dominate. Influencing the budget process so that basic education's priority status in the Constitution is reflected, and ensuring that budget allocations are progressive and provide resources to marginalised groups, thus entails **building political power**.

The budget process is also about **economics**: the budget is the government's

main tool for intervening in the economy. Decisions about taxes and social grants affect the distribution of income in the country, while levels of funding for basic education impact the quality of education available to most people. This in turn impacts the levels of skills in the country and the ability of young people to participate in the economy. Also, many budget decisions are looked at as 'investment' decisions, meaning that government decides whether and how to fund a policy based on whether it will return 'value for money' or have

CASE STUDY

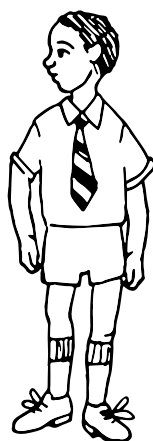
Cases which have developed the law on budgeting for socio-economic rights, including basic education

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY V BLUE MOONLIGHT PROPERTIES LTD AND ANOTHER

This case, referred to as Blue Moonlight for short, involved a community of 86 occupiers of a disused property in Johannesburg. The owner of the property wished to evict the occupiers and the court was asked whether the City of Johannesburg was under an obligation to provide alternative accommodation if they were evicted. The City of Johannesburg claimed that it lacked the resources to do so. The Supreme Court of Appeal (SCA) found that the City was under this obligation because the alternative would be to render the occupiers homeless, and the Constitutional Court upheld this order.

The case is important because it showed that government cannot simply blame a lack of available resources for not protecting and fulfilling human rights. It also showed that courts would issue remedies with budgetary implications if the circumstances necessitated it. The City of Johannesburg was found to be under a 'duty to plan and budget proactively for situations like that of the Occupiers' (para 67) and that its failure to do so was due to its incorrect understanding of the law and the right of access to adequate housing enshrined in the Constitution. The SCA stated plainly that 'it is not good enough for the City to state that it has not budgeted for something, if it should indeed have planned and budgeted for it in the fulfilment of its obligations' (para 74).

'The budget is the skeleton of the state stripped of all misleading ideologies.'
(Goldscheid, 1917)

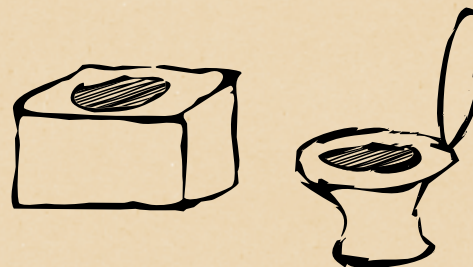


a 'multiplying' effect on economic variables such as unemployment. The tools of economics are thus utilised in making and evaluating budget choices. This means that one's perspective on the economy matters a great deal, because this impacts what problems you try to solve, which tools you choose to employ, and how you analyse the results that emerge.

The 1996 Constitution is clear that the budget process – and all other activities of government – must primarily be about respecting, protecting, promoting and fulfilling human rights. Therefore, the overriding factor to consider in budget decisions is their impact on people's rights. This includes decisions about how to raise money, such as through taxes, and how to spend it. The Bill of Rights, in particular, must inform budget prioritisation. Whether it is the right to a fair trial or the right to basic education, these are the 'fundamentals' which the government must deliver

on and which must therefore be adequately funded in the budget.

The extent to which the South African budget process is based on human rights is a subject of debate. The National Treasury argues that human rights are appropriately prioritised in the budget, and this is evidenced by most of the funding going towards items such as education, housing, health care and social grants. On the other hand, many human rights advocates argue that budget decisions are more often the result of power struggles between ruling elites, and also reflect elite perspectives on the economy, resulting in neoliberal policies such as fiscal austerity and an under-capacitated public sector. Evidence for this view can be found in decisions of recent years to cut funding for socio-economic rights such as basic education and health care, while reducing taxes for high-income earners and corporations and bailing out poorly managed state-owned enterprises.



CASE STUDIES

Cases which have developed the law on budgeting for socio-economic rights, including basic education

KOMAPE AND OTHERS V MINISTER OF BASIC EDUCATION, MEMBER OF EXECUTIVE COUNCIL, LIMPOPO DEPARTMENT OF EDUCATION AND OTHERS

Michael Komape drowned in a pit latrine at his school in rural Limpopo in 2013. He was five years old. According to the government's 'Minimum Uniform Norms and Standards for Public School Infrastructure', published in 2013, the unimproved pit latrine in which Michael died was illegal, and government had been under an obligation to eradicate this type of ablution facility by 2016. Michael's family sued the national and provincial education departments, as well as the principal and school governing body, for failing in their duty to protect Michael from the foreseeable harm the toilet could cause him; but also asked the court for 'structural relief' that would require the government to eradicate all unsafe pit latrines in Limpopo schools.

The court found partly in favour of the Komape family, and required the government to provide it with a list of all schools in Limpopo that still used unimproved pit latrines and a 'detailed programme', with timeframes, for replacing or improving those toilets so that they would be legal and safe for use, and to report to the court and the parties to the case regularly on the progress they were making towards the eradication of these latrines. One of the reasons cited for making the order was the court finding that the evidence presented to

it on the failure to plan, budget and spend money effectively on the government's school infrastructure programme clearly demonstrated "a total lack of urgency or commitment to use the funds allocated".

The government duly submitted its report but claimed that it could only eradicate pit toilets by 2030 because of budget constraints. The case was appealed by the Komape family to the Supreme Court of Appeal (SCA) because the High Court had failed to grant the family damages for emotional shock and grief. The SCA was also asked to review the lengthy timeframe the government had submitted to eradicate illegal pit latrines.

The SCA awarded the family the damages and made several important findings about the budgetary arguments raised by the government as excuses for the slow pace of its pit-toilet-eradication programme. The SCA required the government to adjust its budgets if necessary to prioritise the eradication of unsafe toilets in schools: "Urgent and effective steps are needed. There is little doubt that adjustments need to be made with regard to the budget and the allocation of funds to cater for this project. It is not business as usual. The replacement of pit toilets is a national emergency and must be treated accordingly..." (page 3).

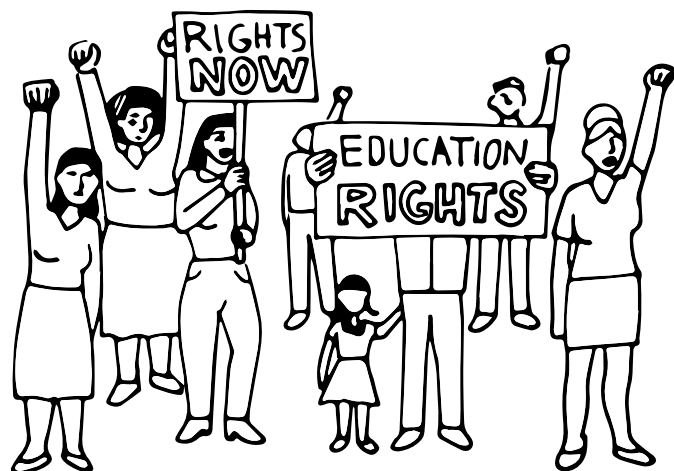
MADZODZO AND OTHERS V MINISTER OF BASIC EDUCATION AND OTHERS

This case is important because the Eastern Cape High Court, partly drawing on Blue Moonlight, found that government has a duty to provide adequate school furniture for all schools, because this is an essential component of the right to basic education. This confirmed that the state must plan and budget to ensure the full and equal enjoyment of fundamental human rights, and that claims to a lack of resources, as the Eastern Cape Department of Education made in this case, are insufficient to justify a failure to fulfil its basic duties.

MINISTER OF BASIC EDUCATION V BASIC EDUCATION FOR ALL

In this case involving an education rights advocacy group based in Limpopo province, Basic Education For All (BEFA), the provincial education department was challenged on its repeated failure to provide textbooks for all learners at the start of the school year. The national and provincial departments of education cited budgetary constraints as one reason for their failure to procure and deliver textbooks to every learner on time.

The High Court in Limpopo declared that this represented a violation of the learners' rights to basic education and found that the government had presented no evidence to show why it could not amend its budget, if necessary, to ensure the provision of textbooks to all learners without delay. It ordered the department to provide the textbooks within two weeks and undertake a catch-up plan for those who had been learning without textbooks. This showed once again that government could not blame its failure to fulfil the fundamentals of the right to basic education on resource constraints. This is particularly true when the failure makes existing inequalities worse by further disadvantaging already disadvantaged schools.



Another way in which the human rights aspect of the budget process is contested is through debates about what the scope and content of rights are, and what obligations they place the government under. As South Africa is a relatively young constitutional democracy, many of these questions remain unanswered. Does the right to basic education entitle all learners to a free basic education? Or, to look at it another way, is free primary education the most effective and efficient way to budget for equal access to quality basic education? The debates, court judgements and government policies on these matters have strong political and economic angles, and ultimately inform funding decisions and the way that budgets for rights are structured.

Finally, the budget is an **administrative** process, because it is central to the planning, coordination, control and evaluation of government activities. Policies and plans must be costed and

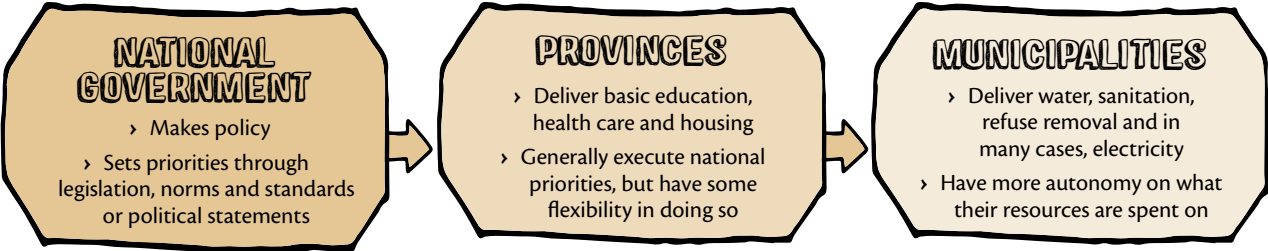
must fit alongside other priorities within the budget envelope, while any evaluation of the implementation of government plans must include questions about how the budget was spent: did it go to the right things, was it spent efficiently, was it spent in full, was it wasted or lost to corruption?

While the administrative processes are fairly consistent, with government departments having to account to parliament at regular intervals and budgets being tabled and adjusted at specific points in the calendar each year, they are also an arena of contestation and development in our young democracy. The planning, amending, implementation and evaluation of budgets and the performance of government requires significant capacity in government and parliament. If government departments or parliament lack the tools and human resource skills – or the political will – to carry out these tasks, they may fail to do so adequately, with dire economic and human rights consequences.

The public also has a crucial role to play in contesting the budget through these political, economic, human rights and administrative aspects of the budget process. Doing so introduces perspectives from the users of public goods and services and ‘people on the ground’ which can be very different from those held by members of parliament and government officials.

Whether politics, economics, human rights or the bureaucratic-administrative processing of the budget dominates, the outcomes of any particular budget decision will depend on a number of factors, and vary constantly. For the purposes of advocacy, it is important to recognise these different factors and ‘arenas of contestation’ when engaging with the budget process, and to devise strategies which bear each of them in mind, as too much focus on one (for example, human rights) could narrow one’s chances of success.

Difficult though it may be, budget advocacy requires one to navigate the political, economic, human rights and administrative aspects of any given budgetary issue.



BASIC EDUCATION AS A CONCURRENT FUNCTION

Schedule 4 of the Constitution establishes that basic education is a concurrent function between national and provincial government.

This means that both national and provincial government are responsible

for various aspects of the basic education system. Section 40 of the Constitution states that the national and provincial (and local) ‘spheres’ of government are “distinctive, interdependent and interrelated”. So while there are divisions of responsibility between national and provincial government

for basic education provision and management, many responsibilities overlap, and the two spheres must work very closely and coordinate effectively to achieve their shared goals. In the basic education sector, the roles of national and provincial departments of education are as follows:

Table 2.2: Roles of national and provincial government in basic education

	NATIONAL MINISTER AND DEPARTMENT OF BASIC EDUCATION	PROVINCIAL MECS AND DEPARTMENTS OF EDUCATION
Policy and legislation	<ul style="list-style-type: none"> ✓ Makes the majority of education policy and develops national legislation and regulations on most education matters, including: <ul style="list-style-type: none"> • Curriculum design • School infrastructure • Exams and other learner performance assessments • School funding • School fees and fee exemption policy • Post provisioning (i.e. teacher allocation) • School nutrition. 	<ul style="list-style-type: none"> ✓ Implement national policies and legislation ✓ Have some responsibility and flexibility in policymaking and implementation for: <ul style="list-style-type: none"> • Scholar transport • School admissions • Numbers of and location of schools within the province.
Budgeting	<ul style="list-style-type: none"> ✓ Only 2% of the basic education budget is spent by the DBE ✓ However, DBE transfers conditional grants to provinces, which gives it some control over a further 7% of the basic education budget, because provinces must spend these grants in accordance with conditions set out by the DBE. Examples of such grants include school infrastructure and school nutrition programme grants. ✓ The DBE budget is decided by Cabinet, set out in the Appropriations Bill, and scrutinised and voted on in the National Assembly. 	<ul style="list-style-type: none"> ✓ 98% of the basic education budget is spent by provincial education departments and the individual schools under their jurisdiction. ✓ Implement conditional grants, which are negotiated by national and provincial stakeholders but ultimately approved by Cabinet, set out in the Division of Revenue Bill and scrutinised and voted on by a joint sitting of the National Assembly and National Council of Provinces. ✓ Provincial education budgets are decided by Provincial Executive Councils, set out in provincial Appropriations Bills, and scrutinised and voted on in provincial legislatures.

	NATIONAL MINISTER AND DEPARTMENT OF BASIC EDUCATION	PROVINCIAL MECS AND DEPARTMENTS OF EDUCATION
Personnel	<ul style="list-style-type: none">✓ Only hire staff employed by the DBE (no teachers, district or school staff)✓ Develops national guidelines for hiring teachers and support staff at the provincial level through the Post Provisioning Formula and regulations.	<ul style="list-style-type: none">✓ Hire teachers, school support staff, district and circuit officials, and at the provincial education headquarters✓ Mostly implement the Post Provisioning Formula, but not in all cases.
Procurement	<ul style="list-style-type: none">✓ Generally only procures goods and services used by the DBE (not for provinces or schools)✓ Undertakes the procurement of some goods and services related to exams and assessments✓ Manages some national-level procurement of learner-teacher support materials along with the National Treasury through ‘transversal contracting’, which provincial education departments can opt in or out of.	<ul style="list-style-type: none">✓ Procure goods and services related to:<ul style="list-style-type: none">• School infrastructure (although some schools such as fee-charging schools may also undertake their own school infrastructure projects)• School nutrition programme (though some schools budget and procure for the programme themselves)• Learner-teacher support materials if the province has not opted into the national transversal contracts for these.
Management and oversight	<ul style="list-style-type: none">✓ Oversees provinces✓ Provides support to the provinces to help them deliver quality education, for example by undertaking capacity building or supporting additional teacher training.	<ul style="list-style-type: none">✓ Manage and oversee school districts✓ Oversee individual schools together with school districts and circuit managers.
Accountability	<ul style="list-style-type: none">✓ Accountable to the President and Cabinet, the National Assembly (especially the Portfolio Committee on Basic Education), individual learners and the general public.	<ul style="list-style-type: none">✓ Accountable to the Premier and Provincial Executive Council, the provincial legislature (especially the provincial Portfolio Committee on Basic Education, the National Council of Provinces (NCOP Committee on Basic Education), individual teachers, support staff and learners.

In the sections which follow, it will be useful to readers to refer to the following text box and diagrams which highlight the main stakeholders in the budget process, the key documents produced, and the timeline of the budget calendar.

ROLES OF THE MAIN STAKEHOLDERS IN THE BUDGET PROCESS AND THE KEY DOCUMENTS PRODUCED (focusing on basic education)

Minister’s Committee on the Budget (Mincombud) – a subcommittee of Cabinet which comprises the Finance Minister and a selection of other ministers, Mincombud discusses the overall budget environment and advises **Cabinet and the President**, who is responsible for the final approval of the budget.

National Treasury (NT) – led by the **Minister of Finance**, NT is responsible for managing the government’s finances and the budget process. This includes advising Cabinet on the state of the economy and government finances, overseeing expenditure by national departments and monitoring the implementation of provincial budgets. NT also develops a three-year Medium Term Expenditure Framework (MTEF), which is the basis for discussions with departments, which in turn leads to the Medium-Term Budget Policy Statement (MTBPS), which is tabled at least three months before the budget speech and sets out the government’s financial plans for the next three years. NT also issues guidelines for departments to complete their own MTEF and Estimates of Expenditure. Finally, NT prepares the Division of Revenue Bill, Appropriation Bill, Estimates of National Expenditure and Budget Review for presentation to parliament in the budget speech.

Provincial Treasuries – led by each province’s **MEC for Finance**, provincial treasuries are responsible for managing provincial government finances and budget processes, including facilitating each province’s MTBPS and the provincial budget, which includes an Appropriation Bill and Estimates of Provincial Revenue and Expenditure (EPRE). Provincial Treasuries also monitor and support the implementation of the provincial budget by provincial departments.

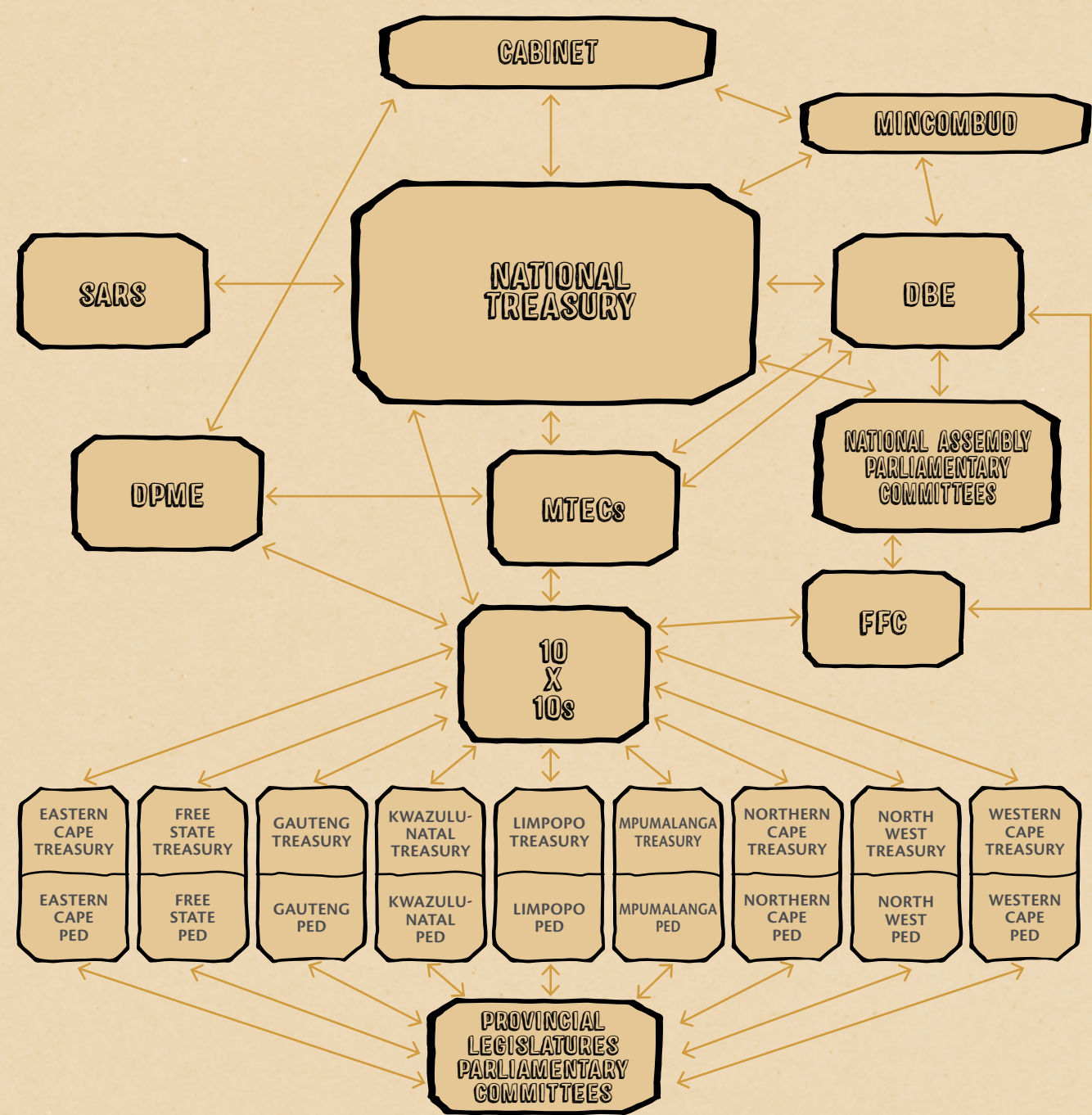
Medium Term Expenditure Committee (MTEC) – consists of senior officials from NT and other departments, including basic education. It is responsible for hearing and scrutinising the budget submissions made by each department to ensure they are aligned to Cabinet’s policy and budgetary priorities. In addition, there are eight Formal Functional MTECs based on functional groupings known as ‘clusters’, which also scrutinise and help departments develop budgets that are in harmony with the plans and priorities of other departments in that cluster.

10x10 working group on basic education – the management and provision of basic education is a concurrent function, meaning that the implementation of basic education is

carried out by the national Department of Basic Education together with (or concurrently with) provincial education departments. To ensure a cohesive planning and budgeting process, the 10x10 working group is convened by NT to bring the chief role-players in national and provincial education departments together with national and provincial treasuries. The 10x10 group therefore includes the Minister of Basic Education and the nine provincial MECs for education, plus representatives from NT and the nine provincial treasuries, hence the name of the group: ‘10x10’.

National Department of Basic Education (DBE) – led by the **Minister of Basic Education**, the DBE oversees the basic education sector as a whole, including the implementation of national legislation and regulations by provinces (including the National Norms and Standards for School Funding), and manages conditional grants to provinces together with NT. The DBE takes part in Mincombud, the MTECs and 10x10 working group on basic education. Through these interactions, the DBE plays an important role in establishing the national education policy priorities and therefore the outlines of the total national budget for basic education.

Figure 2.2: Diagram of the budget process and key stakeholders



Provincial Education Departments (PEDs) – led by each province’s MEC for education, PEDs oversee and manage the basic education system within their jurisdiction, including the provincial education budget. Provincial treasuries, together with PEDs, determine how much of their total provincial budget will be allocated to basic education. Following national guidelines, PEDs and Provincial Treasuries also decide the precise allocations to schools and how the provincial education budget will be divided between personnel and non-personnel expenditures, as well as how much money will be allocated to other expenditures required for the provision of basic education such as the payment of teachers and the upgrading of infrastructure.

Department of Planning, Monitoring and Evaluation (DPME) – located in the Presidency, the DPME is responsible for planning and monitoring the implementation of national priority outcomes as identified in the National Development Plan (NDP) and elaborated every five years in the Outcome Agreements of the Medium Term Strategic Framework (MTSF). The DPME produces a ‘mandate paper’ which seeks to align budget priorities with policy priorities and takes part in Mincombud, MTECs and 10x10 working groups.

Financial and Fiscal Commission (FFC) – the FFC is mandated by Chapter 13 of the Constitution to provide independent advice to government on financial and fiscal matters. The FFC conducts research and investigations into basic education budgeting and expenditure and makes recommendations to National Treasury, MTEC, the 10x10 working group members and parliament’s Portfolio Committee on Basic Education.

Parliamentary Committees in the National Assembly – consisting of 15-20 MPs broadly representative of the parties in the National Assembly, Parliamentary Committees monitor the activities and budgets of national departments and hold them accountable. Committees also debate and provide input into the development of bills and can receive petitions from members of the public, and often issue calls for comment by the public on proposed bills as well as issues relating to the budget. The committees therefore provide a platform for the public to put their views across directly to MPs. Three National Assembly committees are particularly important for the basic education budgeting process:

- **The Portfolio Committee on Basic Education** oversees the activities, spending and budgeting of the DBE and produces reports on the basic education budget into which the public can provide written or verbal input.
- **The Standing Committee on Finance** oversees and holds NT accountable and provides inputs into the budget process.
- **The Standing Committee on Appropriations** primarily advises NT on the Appropriations Bill, including considering public comments.

Parliamentary Committees in the National Council of Provinces (NCOP) – play a similar role to the National Assembly committees but at the provincial level. They are made up of provincial MPs and hear public petitions and comments on the budget and proposed bills. The committees involved in the basic education budget process are the NCOP Education and Recreation, NCOP Finance and NCOP Appropriations.

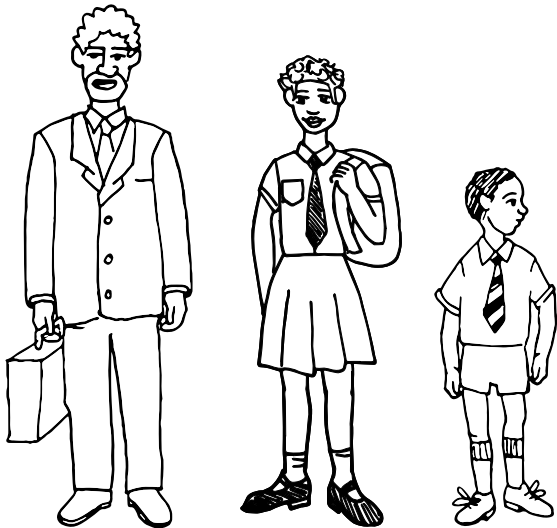
Committees in Provincial Legislatures – play a similar role to NA and NCOP committees, but each is focused on the budget in their particular province.

ACRONYMS

- DBE Department of Basic Education
- DPME Department of Planning, Monitoring and Evaluation
- MEC Member of (provincial) Executive Council
- MINCOMBUD Ministers Committee on the Budget
- MTEC Medium Term Expenditure Committee
- MTSF Medium Term Expenditure Framework
- MTBPS Medium Term Budget Policy Statement
- NA National Assembly
- NCOP National Council of Provinces
- NDP National Development Plan
- NT National Treasury
- PED Provincial education department

Figure 2.3: Timeline of the basic education budget process and where the public can provide input

In this figure, underlined words (such as Appropriations Bill) indicate that a document with that name is produced in the budget process, and that this document is published and available for public scrutiny.



TRANSPARENCY, ACCESS TO INFORMATION AND PUBLIC PARTICIPATION IN THE BUDGET PROCESS

TRANSPARENCY AND ACCESS TO INFORMATION

Section 195 of the Constitution provides the “Basic values and principles governing public administration”, and 195(1)(g) states that “Transparency must be fostered by providing the public with timely, accessible and accurate information”. This general obligation is given further weight in relation to budgets by Section 215(1), which states that “National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and effective financial management”.

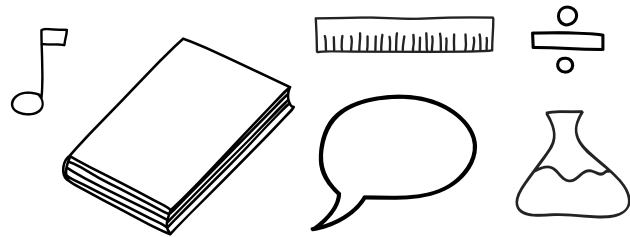
The legislation which gives effect to Section 215 and which governs the budget process is the Public Finance Management Act (Act 29 of 1999, as amended, henceforth PFMA).

The object of the PFMA is to “secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of [national and provincial government]”. The municipal budget process is governed differently, under the Municipal Finance Management Act (Act 56 of 2003).

The PFMA prescribes the role of the National Treasury in bearing overall responsibility for managing the budget process, which includes to “promote and enforce transparency”. At the same time, the Constitution states in Section 32(1)(a) that “Everyone has the right of access to any information held by the state”. This right of access to information is prescribed by the Promotion of Access to Information Act (Act 2 of 2000). Read together, these

rights and the legislation which gives effect to them place government under far-reaching obligations to ensure both the transparency of, and public access to, a wide range of budget information.

This means that if someone is denied access to information on the budget that they feel they are entitled to, or if government refuses to publish some budget information as a matter of policy, or an individual feels that the PFMA-associated regulations do not go far enough in securing adequate access to budget information, they could invoke their Constitutional and legislated right of access to that information and challenge the government in court. This is a good example of how having fundamental rights enshrined in a constitution ensures government is always kept on its toes.



HOW TRANSPARENT IS THE SOUTH AFRICAN BUDGET PROCESS?

For the past ten years, South Africa has been ranked among the top six countries in the world for the transparency of its budget process, in the international Open Budget Survey (OBS). This means that a large amount of information on the budget is made available by National Treasury, as well as national and provincial governments, in a timely and accessible manner. Much of this information is published online at www.treasury.gov.za. All the key budget documents mentioned in this chapter are available online.

However, with budgets the devil is in the detail; and since the OBS is an international survey, it only looks for high-level budget information that could (or should) be available in every country. For example, it asks if a Budget Speech and Budget Review and key national budget legislation are published, as well as annual reports of government departments. In South Africa, these documents are published in a timely manner online and do provide significant amounts of budget information. However, while such documents are published regularly for national government, at the level of provincial and local government, access to budget information is much patchier, and there is no guarantee you will be able to find the annual report or budget of a provincial education department at this time. In some cases,

you may need to contact a department directly and ask for these documents.

Also, as one goes ‘further down’ into the budgets of school districts and individual schools, one finds little to no budget information publicly available. This means that a community advocate who wants to know their district education plans, or a learner who wants to know if their school has an infrastructure upgrade budget, may not have access to the information they need. This severely limits active citizens’ ability to undertake budget advocacy.

VULEKAMALI.GOV.ZA

Vulekamali.gov.za (‘open money’, in isiZulu) was launched in 2018. This is a website specifically dedicated to increasing access to national and provincial budget information to the public, and to facilitating greater participation by the public in the budget process. Phase 1 of the website was developed in partnership with a coalition of civil society organisations called the Imali Yethu Coalition for Open Budgets.

Vulekamali provides easier access to budget documents, including national and provincial department budgets, as well as accessible visualisations and charts to help people who are new to the budget process to understand the information that is available. Guides to budget documents are available in the ‘Learning’ section

of the website and videos have been produced in five South African languages on subjects such as ‘The budget process’, ‘How to participate in the budget process’, and ‘A budget document explained’.

The website also includes an interactive ‘Guide to Procurement’ which sets out how public procurement processes work and what information is publicly available about these processes to help users dig for information and raise the alarm when necessary. It also contains a searchable database of national and provincial government infrastructure projects, enabling users to find significant information about projects including the total project budget, how much has been spent to date, the implementation timeframe and a map of where the project is taking place.

A Phase 2 of the website is intended to be completed by 2024, and is expected to include:

- Much more comprehensive integration of budget and performance data
- More public procurement information
- Information from the Basic Accounting System of government that will allow users to look at individual transactions by government departments and data at the facility (i.e. school) level.
- More information relating to personnel
- Feedback loops between the website and government, so that members of the public who wish to report

service delivery issues relating to a national or provincial government department can do so via the website.

- Budget information for state-owned enterprises and other public entities.

If you want to get involved in the design and implementation of Phase 2 of Vulekamali, visit the Imali Yethu Coalition website and follow the links to get in touch.

PUBLIC PARTICIPATION IN BUDGET PROCESSES

Transparency and access to information are essential for enabling people to scrutinise and participate in the budget process. Section 195(1)(e) of the Constitution states that “People’s needs must be responded to, and the public must be encouraged to participate in policymaking”. On top of that, Sections 57(1)(b), 70(1)(b) and 116(1)(b), which deal with the internal arrangements of the National Assembly, National Council of Provinces and the provincial legislatures respectively, require that the proceedings of the legislatures pay “due regard to representative and participatory democracy, accountability, transparency and public involvement.”

In 2006, in the *Doctors for Life* judgment, the Constitutional Court made it clear that public involvement in parliamentary processes is an

essential requirement in South Africa’s democracy. The historic judgment confirmed that elected representatives have a responsibility to ensure that legislatures are inclusive of those who “have been victims of processes of historical silencing”. The Court stressed that this must include people “who are relatively disempowered in a country like ours where great disparities of wealth and influence exist”. The court stated emphatically that public participation “is not just a matter of legislative etiquette or good governmental manners. It is one of constitutional obligation.”

There are thus very strong constitutional obligations on the state to ensure that the public can participate in policymaking, and this includes the budget process. Parliament’s Budget Analysis Manual recognises this, by stating that:

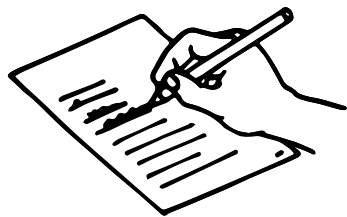
Participation is an indispensable principle in the budget process [...] and is likely to result in more equitable expenditure patterns than a process which is dominated by the powerful sectors of society. Effective participation can also serve to ensure efficient provision and more equitable distribution of budgetary allocations. Through active participation in the budget process, people could challenge programmes or policies that are potentially threatening to the enjoyment and guarantee of constitutional rights.

However, as ‘public forums’, these obligations are strongest for the legislatures. While national and provincial

executive government departments do occasionally seek public engagement on policies that relate to the budget process (for example, National Treasury provided an opportunity for comment on the 2020 Public Procurement Bill before it was sent to Cabinet for approval), there are no regularised opportunities for public input on the budget prior to the tabling of budget proposals in Parliament.

Civil society organisations have argued that this is a flaw in the budget process, because once budget proposals are tabled in Parliament, there is little practical scope for Parliament to amend them. This is mainly because of timing: budgets are tabled about a month before they are due to be implemented and some public hearings on the budget happen after the start of the financial year in which they become operational.

This means that any changes to those budgets could have an impact on plans and projects already being implemented by departments. Moreover, any amendment to increase the budget for one area, such as basic education, would have to be balanced by a cut to something else, such as housing, since the fiscal framework – which sets an effective expenditure ceiling for the government for the coming financial year – is the first part of the budget to be approved in parliament. In addition, the essence of this expenditure ceiling is determined by National Treasury in its



‘Medium Term Expenditure Framework Guidelines’ which are sent to departments many months before the budget is tabled, advising them on what level of increase they can budget for, if any, in their budget submissions for the next financial year (more information on these ‘stages’ of the budget process is provided below).

Therefore, meaningful public involvement in budgeting will require reforms to how National Treasury conducts the budget process prior to the tabling of budget proposals in Parliament.

For the time being, the main avenues through which the public can participate in the budget process are likely to remain in the legislatures.

PARLIAMENT AND THE PROVINCIAL LEGISLATURES

Parliament consists of the National Assembly and the National Council of Provinces (NCOP), which are both based in Cape Town. There are also provincial legislatures in each of the nine provinces. Section 42(3) of the Constitution says that “The National Assembly is elected to represent the people and to ensure government by the people under the Constitution. It does this by choosing the President, by providing a national forum for public consideration of issues, by passing legislation and by scrutinising and overseeing executive action”. The NCOP on the other hand “represents the provinces to ensure that provincial

interests are taken into account in the national sphere of government. It does this mainly by participating in the national legislative process and by providing a national forum for public consideration of issues affecting the provinces”.

Like the national and provincial departments of education, the National Assembly and NCOP thus also have distinct but overlapping roles in the budget process. As a result, both houses of Parliament have their own committees which scrutinise the budget while also having joint committees which digest the budget together and which issue joint reports. The fiscal framework is voted on by a joint sitting of the two houses, and the budget legislation (known as ‘Money Bills’) is voted on by each house before being sent to the President for assertion.

The National Assembly and NCOP consider and vote on the overall amounts allocated to national departments and to the provincial and local spheres of government. But the provincial legislatures are responsible for considering the specifics of their own provincial budget. The provincial budget process thus progresses one step behind the national budget process. To understand the roles of the National Assembly, NCOP and provincial legislatures in the budget process and the opportunities they provide for public input, it is necessary to explain the law which governs the budget process in the legislatures, and in so doing, some of the

key terms and budget documents and bills which constitute the budget itself.

THE MONEY BILLS AMENDMENT PROCEDURE AND RELATED MATTERS ACT

The budget process in parliament and the provincial legislatures is governed by the Money Bills Amendment Procedure and Related Matters Act, originally passed in 2009 and amended in 2018 (henceforth the Money Bills Act).

As per Section 77 of the Constitution, a Money Bill is a bill that appropriates money or imposes, amends or grants exemptions to taxes, levies and duties. The Money Bills Act provides for procedures in parliament and the provincial legislatures to amend Money Bills which are tabled for the executive by the Minister of Finance. Money Bills themselves are developed by national and provincial treasuries in consultation with the three spheres of government, before being approved by Cabinet or the Provincial Executive Council and tabled in the Budget Speech to National Parliament by the Minister of Finance or to the Provincial Legislature by an MEC for Finance.

According to the Money Bills Act, the Money Bills procedures “ensure public participation in the budget process”. This is because they afford certain opportunities for the public to comment on Money Bills during the budget process.

The fiscal framework = overall revenue, spending and borrowing

Table 2.3: The roles of the Finance and Appropriations Committees in the National Assembly and NCOP

COMMITTEES ON FINANCE	COMMITTEES ON APPROPRIATIONS
National macro-economic and fiscal policy	Spending issues
Fiscal framework, revised fiscal framework, bills and amendments	Division of Revenue Bill, Appropriation Bill, Supplementary Appropriation Bills, Adjustments Appropriation Bill, and amendments
Actual revenue published by the National Treasury	Recommendations of the Financial and Fiscal Commission, including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997)
Any other related matter set out in the Act	Reports or statements on actual expenditure published by the National Treasury
	Any other related matter set out in the Act

The main Money Bills are the Division of Revenue Bill and the Appropriations Bill, but the Act also speaks to “related fiscal instruments”, and this refers to the Fiscal Framework.

The fiscal framework = overall revenue, spending and borrowing

The Fiscal Framework And the Medium Term Expenditure Framework

The fiscal framework refers to the levels of revenue, expenditure and borrowing that government proposes for the three years of the Medium Term Expenditure Framework (MTEF). The MTEF covers a

three-year period in order to provide a forward-looking view of the government finances. This provides transparency and helps to set expectations about the overall levels of revenue (i.e. from taxes), spending and government’s financing/ borrowing needs for the medium term.

Table 2.4: Consolidated government fiscal framework for the 2021 MTEF

R BILLION/ PERCENTAGE OF GDP	2020/21	2021/22	2022/23	2023/24
	REVISED ESTIMATED	MEDIUM-TERM ESTIMATES		
Revenue	1362.7	1520.4	1635.4	1717.2
	27.7%	28.4%	28.9%	28.6%
Expenditure	2052.5	2020.4	2049.5	2095.1
	41.7%	37.7%	36.2%	34.9%
Budget balance	-689.8	-500.0	-414.1	-377.9
	-14.0%	-9.3%	-7.3%	-6.3%



Table 2.4 above uses a table from the 2021 Budget Review to show the fiscal framework for the 2021 MTEF. It shows that for the 2021/22 financial year, government expected to raise R1 520.4 billion in revenue from taxes, levies, duties and other revenue instruments, and to spend R2 020.4 billion on public services. It further shows that the budget balance would be in deficit by R500 billion. This budget deficit would be financed from borrowing, which comprises mainly the sale of long-term government bonds to banks and investors, which are repaid with interest.

The table also translates these absolute numbers into a percentage of gross domestic product (GDP) for each year of the MTEF. This gives readers a sense of the relation between the levels of revenue, spending and borrowing, and the overall size of the economy. In the 2021 MTEF, the fiscal policy of the government was to try to increase the amount of revenue it was generating, both in absolute terms and in relation to GDP, while reducing the amount of expenditure in absolute terms between 2020/21 and 2021/22, and

as a share of GDP throughout the MTEF. By increasing revenue and decreasing spending, government planned to reduce the budget deficit during the period of the MTEF. These fiscal policy decisions and the impact of the COVID-19 pandemic are discussed further below.

How does this relate to basic education?

The first opportunity for the public to provide input on the budget is for the fiscal framework. Once the fiscal framework is tabled by the Minister of Finance in the Budget Speech, and detailed in the Budget Review, the Money Bills Act prescribes that the Finance Committees in the National Assembly and NCOP must conduct joint public hearings on the fiscal framework and then report to the NA and NCOP within 16 working days. This report must include a clear statement from the Committees indicating their acceptance of, or amendments to, the fiscal framework.

It is important that the public participates in the hearings on the fiscal framework, because the fiscal policy of government directly affects

the overall levels of spending available for basic education and other socio-economic rights. If the fiscal policy of government is to increase spending on public services, then the basic education sector may stand to benefit from that spending. But if the fiscal policy is to reduce spending, then that could entail cuts to basic education budgets, which would negatively impact the ability of government to improve or maintain levels of quality in the basic education system.

Basic education advocates should thus seek to engage on fiscal policy, possibly working in collaboration with other organisations and progressive economists, to lobby the state and campaign for a fiscal framework which gives adequate priority to basic education and to socio-economic rights more broadly.

The Budget Justice Coalition is a coalition of about twenty South African civil society organisations which provides a forum and vehicle for civic voices to meet and engage on cross-cutting fiscal and budgetary issues.

THE DIVISION OF REVENUE

The first major division of government revenue is the **vertical division of revenue** between the three spheres of government: national, provincial and local. Each year, the Minister of Finance presents a Division of Revenue Bill in the budget speech, which once passed by parliament becomes the **Division of Revenue Act**. This Act gives effect to the division of revenue among the three spheres, as per Section 214(1) of the Constitution.

Section 241(2) of the Constitution requires that the Division of Revenue Act (DoRA) can only be enacted after provincial governments, organised local government through the South	African Local Government Association (SALGA) and the Financial and Fiscal Commission have been consulted and their recommendations considered. The amount of money that is	divided between and distributed directly to the three spheres of government is known as each sphere's equitable share .
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Table 2.5: Vertical division of revenue, 2017/18 – 2023/24 (National Treasury, 2021 Budget Review)

R BILLION/ PERCENTAGE OF GDP	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	OUTCOME			ESTIMATE	MEDIUM-TERM ESTIMATES		
DIVISION OF AVAILABLE FUNDS							
National departments	592.6	634.3	749.7	804.5	763.3	736.3	739.0
Provinces	538.6	572.0	613.4	628.3	639.5	643.3	646.8
Local government	111.1	118.5	123.0	138.5	138.1	146.1	148.4
Non-interest allocation	1242.3	1324.8	1486.2	1571.3	1552.5	1557.8	1567.5
PERCENTAGE SHARES							
National departments	47.7%	47.9%	50.4%	51.2%	49.5%	48.3%	48.2%
Provinces	43.4%	43.2%	41.3%	40.0%	41.5%	42.2%	42.2%
Local government	8.9%	8.9%	8.3%	8.8%	9.0%	9.6%	9.7%



THE NATIONAL EQUITABLE SHARE, INCLUDING CONDITIONAL GRANTS

The national share pays for all the functions and activities of national departments and debt service costs, as well as conditional grants which are transferred to the provinces. Conditional grants are funds that National Treasury allocates to the national departments to pay for **specific programmes and activities** that will be implemented by the provinces and local government.

THE PROVINCIAL EQUITABLE SHARE

The provincial equitable share is the main source of income for provinces and must cover all the functions and activities of provincial governments. Over 90 per cent of education spending by the provinces is based on equitable share funding. In addition to the equitable share, provinces receive conditional grants from national departments which allow them to undertake further activities as determined by National Treasury in conjunction with relevant national departments. However, **provinces decide how they will spend their equitable share allocation.**

This explains why conditional grants are used by national government: it gives them more control and oversight over certain functions carried out by the provinces, as these funds are provided conditionally on their undertaking of specific programmes and activities.

THE EQUITABLE SHARE FORMULA

The provincial equitable share is further divided 'horizontally' between the nine provinces. This is known as the **horizontal division of revenue**. The determination of each province's share of the provincial sphere's share of revenue follows a formula called the **equitable share formula**. This formula is designed to divide these funds equitably between the provinces based on criteria established by Section 214(2) of the Constitution, which includes:

- (b) the need to ensure that the provinces are able to provide basic services and perform the functions allocated to them
- (f) developmental and other needs of the provinces
- (g) economic disparities within and among the provinces.

The equitable share formula devised by National Treasury consists of six separate components, which aim to

divide revenue among the provinces equitably based on the above criteria.

- *Education component* (weighted: 48%), based equally on the size of the school-age population in each province and the number of learners enrolled in public ordinary schools.
- *Health component* (weighted: 27%) based on province's risk profile and health system case load
- *Basic component* (weighted: 16%) derived from each province's share of the national population
- *Institutional component* (weighted: 5%) divided equally between the provinces
- *Poverty component* (weighted: 3%) distributed progressively based on the number of people living in each province who fall in the lowest 40% of household incomes
- *Economic output component* (weighted: 1%) distributed regressively based on regional GDP

At 48%, the education component therefore determines nearly half of each province's equitable share. This means that in 2021/22, 48 per cent of the R639.5 billion allocated to the provinces, amounting to R307.0 billion, was divided among the provinces based on the number of learners in each province.

ENGAGING WITH THE BUDGET PROCESS

There are opportunities for members of the public to engage and provide input into the budget process, either as individuals or collectively through a non-governmental organisation or community organisation. These include:

- | | | |
|--|--|---|
| <ul style="list-style-type: none">• Making written or oral submissions or petitions in any of the official languages of South Africa to the parliamentary committees of the National Assembly and National Council of Provinces.• Requesting MPs to ask questions on your behalf in the parliamentary committees and in the weekly sessions to the executive.• Participating in public hearings on the budget organised by national and provincial treasuries.• Reaching out to the <u>Budget Justice Coalition</u> and participating in collective civil society advocacy on the budget, such as by developing an 'Alternative Budget Speech'.• Lobbying the DBE and/or PEDs on their budget submissions as well as on their performance and spending of their budgets, by sending letters and emails, using social media or organising | <ul style="list-style-type: none">a picket at their head offices.• Submitting 'Budget Tips' to the Minister of Finance by visiting www.treasury.gov.za• At the school level, joining the school governing body (SGB) to participate in the budgeting and spending of funds allocated to the school.• Making a complaint to the South African Human Rights Commission which is mandated by the Constitution to monitor and hold government accountable for its human rights obligations.• Making a submission to the Financial and Fiscal Commission, which is mandated by the Constitution to advise government on its budget policy choices.• Litigation. If engaging with the state through its official channels in parliament and lobbying the Executive fail to change a budget | <p>policy, members of the public may approach the courts for a remedy.</p> <p>All of these channels may be used to demand changes to budgets and budget policies as well as to draw attention to how budgets are being spent, or misspent, by government departments. In doing so, members of the public can highlight corruption and wasted money, which in some cases may be the causes of failures in the basic education system, rather than a lack of available funds. Submissions to official bodies such as parliament (whether online or hardcopy) will be recognised through confirmation of receipt, including the following measures possibly being adopted in response to your submission: a summary of your input may be included in a committee report, or you may be asked to give an oral presentation of your submission either in person or online.</p> |
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THE BASIC EDUCATION BUDGET

FISCAL POLICY AND ITS IMPACT ON FUNDING BASIC EDUCATION

The National Treasury's 2021 Budget Review states that "Government's balanced and prudent fiscal strategy is designed to stabilise the public finances." It was noted in section 2 of

this chapter that at the time of writing government is implementing fiscal consolidation, also known as austerity measures, by cutting government expenditure. This is meant to reduce the need for government borrowing and so reduce public debt, which has

grown as a percentage of GDP in recent years. The government says that its implementation of 'structural reforms' will lead to economic growth that will benefit citizens. Figure 2.4 sets out key fiscal indicators to demonstrate what this looks like in practice.

Figure 2.4: GDP growth, real revenue growth, net government debt as a percentage of GDP, and real per capita non-interest expenditure (constant 2021/22 Rands)

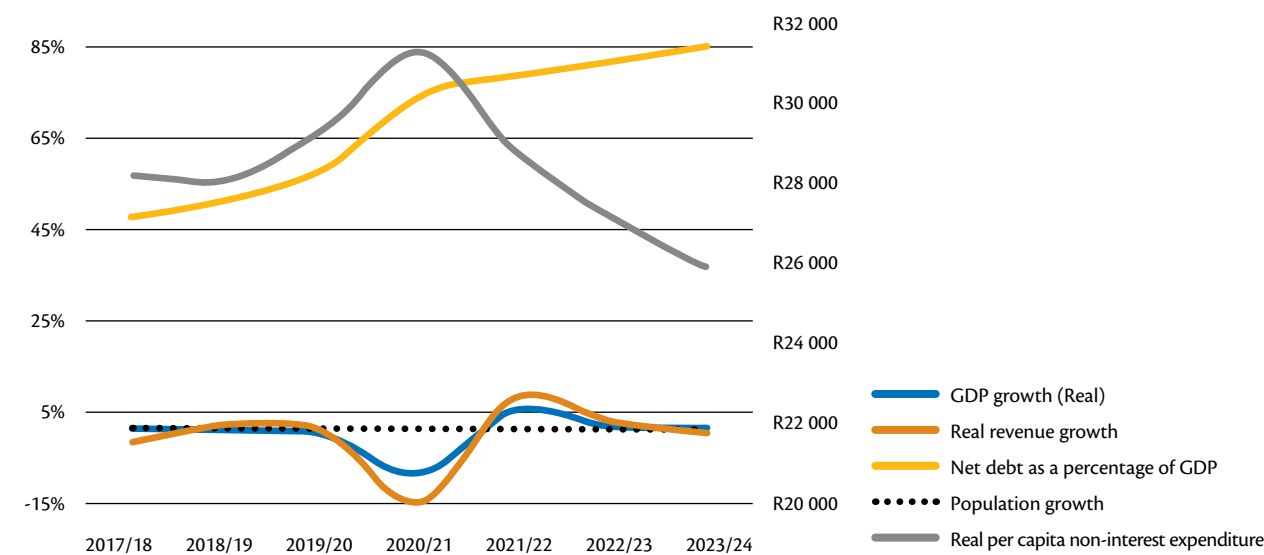


Figure 2.4 shows that economic (GDP) growth and government revenue growth were very low from 2017/18 – 2019/20. In these three years before the COVID-19 pandemic, economic growth and government revenue – which is used to fund public services – did not even keep up with population growth. At the same time, non-interest expenditure (which includes all spending by government except debt service costs) per person (i.e. per capita) was stagnant in 2018/19 but grew in 2019/20. Unfortunately, most of this increased spending went to paying off the debts of state-owned companies and was not matched by an increase in economic growth or revenue. As a result, net public debt (which is the total of government borrowing minus government assets) grew from 47.9% in 2017/18 to 58.2% in 2019/20.

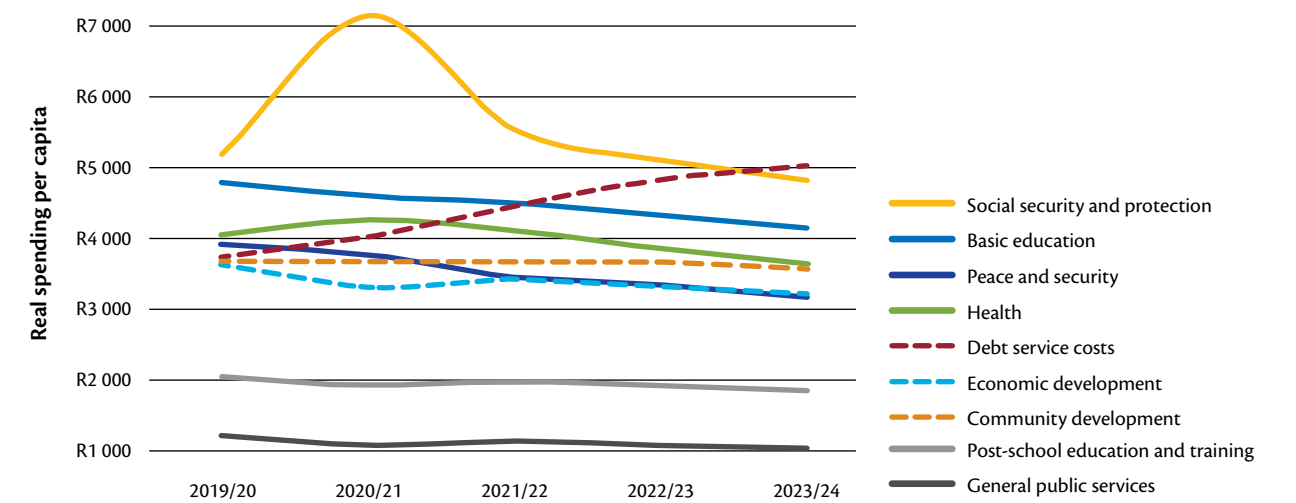
In 2020/21, the COVID-19 pandemic and lockdowns implemented to curb the spread of the coronavirus resulted in sharp contractions in economic activity and therefore in revenue (which is made up of taxes, levies and customs charges on economic transactions). Government increased spending on health care, social grants, the police and defence, and this meant that public borrowing increased very sharply, to 74.3% of GDP. This story was repeated all over the world, as countries mounted fiscal responses to cushion their economies and societies from the impacts of the pandemic.

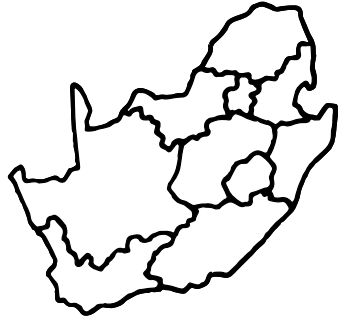
However, the South African government believes that public debt as a percentage of GDP is now too high and must be reduced. Despite the fact that poverty and inequality have

increased as a result of the pandemic and economic slump, government plans to reduce spending on public goods and services every year from 2021/22 to 2023/24. This will reduce government spending in real terms (i.e. with CPI inflation and population growth accounted for) from R31 274 per person per year in 2020/21 to R25 948 per person per year in 2023/24.

These drastic spending reductions will be accompanied by a return to the low levels of pre-pandemic economic and revenue growth while debt-to-GDP growth moderates, the National Treasury predicts. Every area of government spending from the provision of health care services to education will be affected by severe cuts in the years ahead, as Figure 2.5 illustrates.

Figure 2.5: Real government spending per capita on key functions, debt service costs, and revenue per capita, 2019/20 – 2023/24.





AUSTERITY, HUMAN RIGHTS, AND THE PRINCIPLE OF 'NON-RETROGRESSION'

Figure 2.5 on the previous page shows that government plans to reduce spending on everything from social grants to basic education to health care. The justification provided in the Budget Review is that the cuts are necessary to counter rising public debt and debt service costs, which the Treasury sees as an existential threat to the public finances. However, civil society organisations and coalitions such as the Budget Justice Coalition have challenged the logic of austerity in parliament and at pre-budget public hearings convened by the Treasury. One reason for this is that government revenue is expected to be stable in the medium term, and therefore revenue-boosting measures – such as higher taxes on the wealthy and high-income earners – provide both a more plausible and a fairer way to reduce government borrowing. Another is that cuts to public spending and investment today have many negative consequences which make it altogether harder to grow the economy and pay back debt in the medium-to-long run. These include limiting people's access to education, health care, housing and income (through state pensions and grants), all of which erode human development and constrain economic development.

In human rights law, the principle of 'non-retrogression' means that governments must provide a very high level of justification for taking any measures which have the effect of reversing previous gains made towards the realisation of socio-economic rights.

In 2018, prior to the period covered in Figure 2.5, South Africa was reviewed by the UN Committee on Economic, Social and Cultural Rights. The Committee found that while some progress had been made in realising socio-economic rights since 1994, the turn to austerity budgeting since 2013 "had resulted in significant budget cuts in the health, education and other public service sectors" which could undermine these gains and "further worsen inequalities". The Committee has set out human rights standards which countries that respect human rights, such as South Africa, must meet in order to justify budget cuts. If the government implements budget cuts which do not meet the following standards, it could be in violation of a range of socio-economic rights:

- **Temporary:** budget cuts must only be in place **so long as they are absolutely necessary**
- **Reasonable:** the government must show that the funding cuts are the **most effective way of achieving government's larger aims**

- **Necessary:** alternative financing measures including income, wealth and corporate taxes must have been exhausted
- **Proportionate:** the government must demonstrate that the human rights benefits of any funding cuts outweigh their costs
- not directly nor indirectly **discriminatory:** this applies not only to specific budget cuts but to 'fiscal consolidation' as a whole, which must be based on a fair sharing of burdens between social groups such as the rich and poor, the old and the young, women and men, and present and future generations
- implemented **transparently** and only after completing an assessment of their potential impact, which must be based on the **meaningful participation of affected groups;** and
- subject to meaningful **review and accountability procedures.**

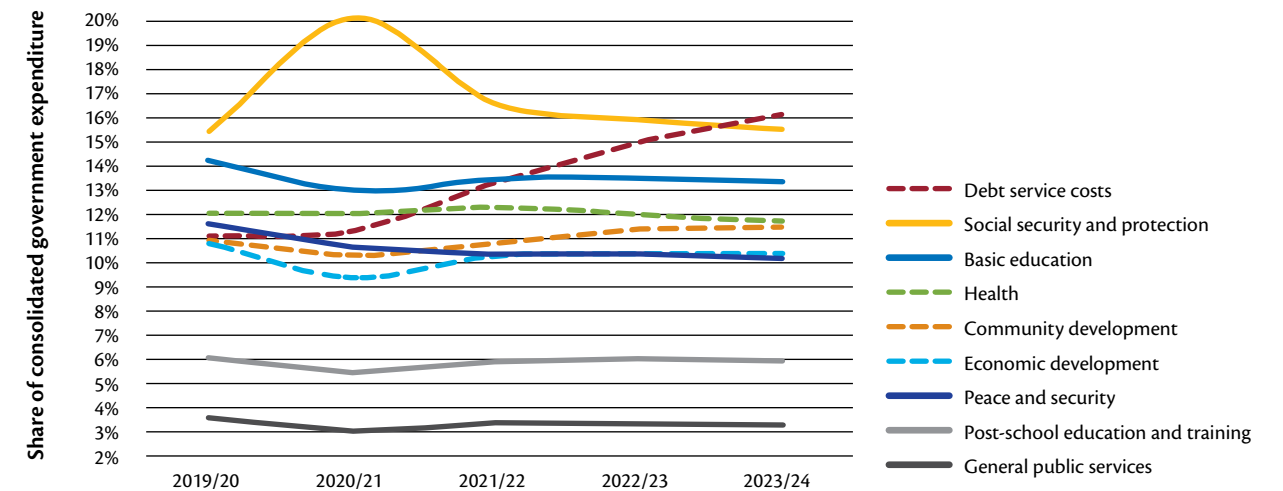
It remains to be seen whether the government's chosen path of fiscal austerity will be challenged in court as a retrogressive step that is violating South Africans' hard-won socio-economic rights.

THE LEVEL OF PRIORITISATION GIVEN TO BASIC EDUCATION IN THE BUDGET

In terms of government's priorities, for some time now basic education has been the second-largest discretionary (i.e. non-interest) expenditure area after

social security and protection. However, the share of the budget allocated to basic education has been falling in recent years, as Figure 2.6 demonstrates.

Figure 2.6: How the budget is split between key line items, 2019/20 – 2023/24



After attaining a 14.2 per cent share of the budget in 2019/20, government plans to reduce the share of the budget allocated to basic education to 13.3 per cent by 2023/24. This shows that government is currently deprioritising basic education in the budget. The same trend of deprioritisation is also impacting on budgets for health, peace and security, and social security and protection, although this last is coming down from a

huge leap in 2020/21 due to the increased grant payments during that financial year as part of government's response to COVID-19. Spending areas whose share of the budget is essentially staying the same during this period include economic development, post-school education and training, and general public services. The one discretionary line item that is increasing consistently since 2020/21 is

community development, which includes budgets for housing, local government, public transport and water and sanitation. It is very clear from Figure 2.6 that government's number-one fiscal priority over the medium term is paying off public debt, as a greater and greater share of the budget is devoted to debt service costs, while most other line items in the budget are reduced.

THE TOTAL CONSOLIDATED BASIC EDUCATION BUDGET

Austerity budgeting affects the amount of money available to spend on basic education, and this impacts the possibilities for quality and equal education provision in SA.

The 2021 budget cut R265 billion from public spending, and the National Treasury acknowledged in the 2021 Budget Review that budget cuts would “reduce the number of available teachers. This, coupled with a rising number of learners, implies

larger class sizes, especially in no-fee schools, which is expected to negatively affect learning outcomes”. Table 2.6 sets out the trend in the total consolidated (i.e. national and provincial) basic education budget since 2019/20.

Table 2.6: Total basic education budget, annual % change and the budget per learner (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	
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%
Number of learners	12 861 760	13 021 000	13 195 000	13 361 620*	13 531 930*	5.2%
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.

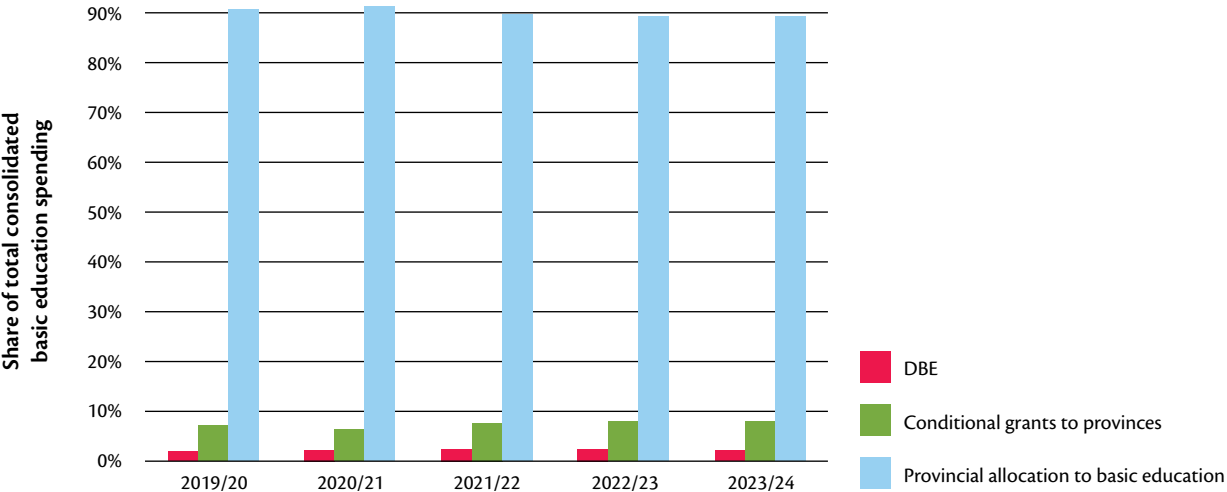
Table 2.6 makes for very worrying reading. It shows that government plans to reduce spending on basic education in absolute terms and on a per-learner basis for the current and the next two financial years. This is the first time in the democratic era that funding for basic education is being cut back in real terms. Between 2019/20 and 2023/24, government plans to cut spending on basic education in real terms by R24.1 billion, or 8.6 per cent. At the same time, the number of learners is expected to increase at a similar rate to recent years, so the budget available per learner will decrease even faster. Compared to 2019/20, there will be approximately R2 866 less to spend on basic education per learner in 2023/24, as the budget

available to spend drops from R21 893 per learner in 2019/20 to approximately R19 027 per learner in 2023/24. This represents a huge reduction, of 13.1%. Yet readers will know that the public education system in South Africa is already unable to provide the level of quality and decency that parents, teachers and learners would want. Severe budget cuts of this magnitude and over such a sustained period will almost certainly make the quality of public education available in South Africa worse, as the National Treasury acknowledges in the 2021 Budget Review. Such budget cuts, and the recognition of their impact by National Treasury, undermine the jurisprudence on the right to basic education highlighted

above, which requires the state to eradicate dangerous pit latrines in schools and ensure all schools have adequate furniture, for example. To understand the basic education budget better, and to see which parts of the budget are facing the toughest cuts, we need to break the total consolidated budget down into smaller chunks. In the sections which follow, we’ll look at how the basic education budget is shared between national and provincial education departments, the role that conditional grants play in funding education priorities, and how much of the total basic education spend goes to key line items such as teacher wages, school buildings and learner and teacher support materials.

To understand the basic education budget better, and to see which parts of the budget are facing the toughest cuts, we need to break the total consolidated budget down into smaller chunks.

Figure 2.7: Share of total basic education funding allocated to DBE, as conditional grants to provinces, and as provincial government allocations.



SHARE OF BASIC EDUCATION FUNDING BETWEEN NATIONAL AND PROVINCIAL GOVERNMENT

Figure 2.7 shows that only about 2 per cent of spending on basic education in South Africa is done by the national Department of Basic Education. The overwhelming majority of spending – about 98 per cent – is done by provincial education departments. This includes

conditional grants which are allocated to provinces by the national DBE in order to fulfil certain priority policy objectives. THE NATIONAL DBE BUDGET The national Department of Basic Education (DBE), based in Pretoria, is responsible for developing and overseeing the implementation of

national education laws and policies. This means that when it comes to advocating for changes to overall school funding policies or for new policies, citizens should focus their advocacy efforts on the DBE, and the Portfolio Committee on Basic Education in Parliament, which holds the DBE accountable and assists in the development of new and amended law and policy.

Table 2.7: Department of Basic Education, total budget, 2019/20 – 2023/24 (2021/22 Rands)

REAL 2021/22 RANDS (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES		
	2019/20	2020/21	2021/22	2022/23	2023/24
Department of Basic Education	R25.589	R24.091	R27.018	R27.051	R26.532
Annual % change	-2.7%	-5.9%	12.2%	0.1%	-1.9%

Table 2.7 shows that the DBE’s budget has ranged from a low of R24.1 billion in 2020/21 to a high of R27.1 billion in 2022/23. The DBE has faced a budget cut in three out of five financial years from 2019/20 to 2023/24. However, after two years of cutbacks in 2019/20 and 2020/21, a large increase of 12.2 per cent in real terms

in 2021/22 – which government does not plan to reverse in 2022/23 – means that more money is planned to be allocated to the DBE by 2023/24 than was allocated in 2019/20, even though the budget will be cut again in real terms in 2023/24. A closer look at the DBE’s budget is required to see which areas of

spending have been protected or boosted during this period, and which have lost out the most to funding cuts. The DBE budget is split between five overarching programmes. Three of these programmes allocate conditional grants to provinces, as per the following table:

Table 2.8: DBE programmes and which programmes are responsible for which conditional grants

DBE PROGRAMME	CONDITIONAL GRANT TRANSFERRED TO PROVINCES
1. Administration	No conditional grants
2. Curriculum Policy, Support and Monitoring	<div><ul style="list-style-type: none">Maths, Science and Technology grantLearners with Profound Intellectual Disabilities grant</div>
3. Teachers, Education Human Resources and Institutional Development	No conditional grants
4. Planning Information and Assessment	<div><ul style="list-style-type: none">Education Infrastructure Grant</div>
5. Educational Enrichment Services	<div><ul style="list-style-type: none">National School Nutrition Programme grantHIV and AIDS (life skills education) grant</div>

Table 2.9 below provides the real budget for these programmes since 2019/20, along with the budgets

of the conditional grants and a selection of other key spending areas. To assist in reading the table, years

in which budgets were cut in real terms (compared to the previous year) are highlighted in red.

Table 2.9: Five programmes and key line items of the DBE, 2019/20 – 2023/24

REAL 2021/22 RANDS (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES		
	2019/20	2020/21	2021/22	2022/23	2023/24
1. Administration	R0.546	R0.526	R0.523	R0.510	R0.496
2. Curriculum Policy, Support and Monitoring	R2.018	R1.899	R2.034	R1.987	R1.920
<i>Learner and Teacher Support Material (LTSM)</i>	R1.120	R1.131	R1.180	R1.146	R1.095
<i>Maths, Science and Technology grant (MST)</i>	R0.450	R0.353	R0.412	R0.391	R0.367
<i>Learners With Profound Intellectual Disabilities grant (LWPID)</i>	R0.296	R0.198	R0.242	R0.222	R0.205
3. Teachers, Education Human Resources and Institutional Development	R1.468	R1.458	R1.448	R1.434	R1.382
<i>National Student Financial Aid Scheme (NSFAS)</i>	R1.313	R1.330	R1.308	R1.301	R1.253
<i>South African Council for Education (SACE)</i>	R0.021	R0.013	R0.018	R0.018	R0.017
4. Planning, Information and Assessment	R13.503	R12.050	R14.580	R14.652	R14.264
<i>Education Infrastructure Grant (EIG)</i>	R11.280	R9.048	R11.689	R11.742	R11.761
<i>Umalusi Council for Quality Assurance</i>	R0.144	R0.140	R0.137	R0.136	R0.132
<i>National Education Evaluation and Development Unit (NEEDU)</i>	R0.017	R0.018	R0.016	R0.016	R0.014
<i>National Education Collaboration Trust (NECT)</i>	R0.159	R0.119	R0.118	R0.116	R0.112
5. Educational Enrichment Services	R8.054	R8.158	R8.432	R8.468	R8.471
<i>National School Nutrition Programme grant (NSNP)</i>	R7.709	R7.894	R8.115	R8.165	R8.179
<i>HIV and AIDS (life skills education) grant</i>	R0.276	R0.193	R0.242	R0.231	R0.223
Total DBE budget	R25.589	R24.091	R27.018	R27.051	R26.532

Table 2.9 above highlights the extent of cuts within the DBE budget in recent years. It shows that in 2020/21, the first year of the COVID-19 pandemic, significant cuts were made to almost every area of the budget. In absolute Rand terms, the largest of these was to the education infrastructure grant, which was cut by R2.2 billion in 2020/21. In relative terms, the Learners With Profound Intellectual Disabilities grant suffered the largest cut, of 32.5%, followed by the HIV and AIDS (life skills) grant, which was cut by 30.1% during that year, and the maths, science and

technology grant, which was cut by 21.6%. Table 2.9 above shows that most of the increase in the 2021/22 DBE budget went to the Education Infrastructure Grant, which returned to its pre-COVID level with a R2.6 billion boost. In 2022/23 and 2023/24, most areas of the DBE budget are subject to further cutbacks. In these ‘outer’ years of the 2021 MTEF, only the Education Infrastructure Grant (EIG) and the National School Nutrition Programme (NSNP) are protected from cuts. This highlights the extent and severity of the government’s austerity programme. Only the two grants

responsible for the fundamentals of school buildings and child nutrition are spared from cutbacks (although, as noted above, the EIG was cut significantly in 2020/21). This may be due to the public campaigns which have taken place for school infrastructure and for school nutrition, which put these essential programmes under the spotlight and arguably made it harder for the government to justify funding cuts. Table 2.10 below provides a trend analysis to help us understand which areas of the budget have been most affected by cuts during this period.

Table 2.10: Key line items within the DBE budget, 2019/20 – 2023/24 (2021/22 Rands)

	Years of cuts	Average annual % change	Total % change, 2019/20 - 2023/24	Rands gained / lost from 2019/20 – 2023/24
Learners With Profound Intellectual Disabilities grant	4	-6.1%	-30.7%	-R91 million
National Education Evaluation and Development Unit	4	-8.1%	-15.6%	-R3 million
Maths, Science and Technology grant	4	-3.9%	-18.4%	-R83 million
National Education Collaboration Trust	4	-0.9%	-29.8%	-R47 million
HIV and AIDS (life skills education) grant	4	-2.3%	-19.3%	-R53 million
Umalusi Council for Quality Assurance	4	-1.8%	-8.8%	-R13 million
Administration	4	-1.3%	-9.2%	-R51 million
South African Council for Education	3	2.4%	-20.2%	-R4 million
Learner and Teacher Support Material	3	-1.5%	-2.3%	-R25 million
Education Infrastructure Grant	2	1.9%	4.3%	R481 million
National School Nutrition Programme grant	0	1.4%	6.1%	R469 million

Table 2.10 above provides an indication of which areas of the DBE budget have been most affected by cuts in recent years and in the years ahead. It does this by ranking spending areas according to those that have experienced the most years of cuts, the highest average annual cut to their budget, and the largest cuts in real terms between 2019/20 and 2023/24.

The Learners with Profound Intellectual Disabilities (LWPID) grant has been the worst affected by budget cuts. The budget for this grant was cut in four of the five years under review, with an average annual budget cut of -6.1%. In total, the budget of the LWPID grant was cut by -30.7% between 2019/20 and 2023/24. In real terms, the budget for LWPID is cut from R296 million in 2019/20

to a planned R205 million in 2023/24. Table 2.10 above details deep and sustained budget cuts to a number of other critical expenditure areas, from maths, science and technology to HIV and AIDS (life skills education). Notably, the only two spending items which have been protected from cuts are the EIG and the NSNP grant.

PROVINCIAL EDUCATION BUDGETS

About 75 per cent of the DBE budget is transferred directly to provinces as conditional grants. These grants top up provinces' equitable share allocations and allow them to address nationally identified priorities, such as school infrastructure and learner nutrition. Table 2.10 above showed that conditional grants and provincial equitable share allocations to basic education together make up 98 per cent of all basic education funding in South Africa. Understanding provincial education budget trends is therefore essential. The provincial equitable share is by far the largest contributor to provincial

education budgets. For example, in KwaZulu-Natal the equitable share allocation made up 80 per cent of the budget in that province in 2021/22, and in Gauteng the figure was 78 per cent. The next biggest contributor to provincial budgets is conditional grants. These are grants which national government provides to the provinces for **specific purposes**. While provinces have discretion on what to spend their equitable share allocation on, they must spend conditional grants on activities which are determined together with national government. For example, the EIG is a conditional grant transferred to provinces which must be spent on improving school infrastructure.

In KwaZulu-Natal, conditional grants made up 17 per cent of the total provincial budget in 2021/22, while in Gauteng they made up 18 per cent. The schedules for conditional grants can be found in the Division of Revenue Bill/ Act as well as at www.vulekamali.gov.za. Provinces have limited powers to raise their own revenue, for example from gambling and liquor licences; and in KwaZulu-Natal and Gauteng, these sources of own revenue made up 3 per cent and 5 per cent of the total provincial budget respectively in the 2021/22 financial year. Information on the donor funding received by provinces is not easily available, but probably makes up no more than 1 per cent of any province's education budget.

Table 2.11: Provincial equitable share and conditional grants to provinces, 2019/20 – 2023/24

REAL 2021/22 RANDS (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES			2019/20 – 2023/24
	2019/20	2020/21	2021/22	2022/23	2023/24	
Provincial equitable share	R542.4	R536.2	R523.7	R503.2	R483.9	-R58.5
Annual % change	2.7%	-1.1%	-2.3%	-3.9%	-3.8%	-10.8%
Conditional grants to provinces	R115.8	R110.8	R115.8	R114.5	R111.9	-R3.8
Annual % change	1.4%	-4.3%	4.5%	-1.1%	-2.2%	-3.3%

Source: National Treasury, 2021 Budget Review and own calculations.

Table 2.11 above shows the total equitable share allocated to the nine provinces each financial year from 2019/20 – 2023/24, as well as the total (i.e. not just basic education) conditional grants allocated to provinces. It shows that the provincial equitable share is being reduced in real terms every year from 2020/21 onwards, as part of the government's austerity drive. Since provinces rely on the equitable share for about 80 per cent

of their education budget, any cut to this will almost certainly impact the provinces' ability to provide quality basic education. How each province deals with these cuts will be crucial in minimising damage to service delivery. In addition to the challenge of budget cuts, poorer and more rural provinces may not benefit as much as they need to from the equitable share formula. This is because a mere 3 per cent of funds allocated by the formula are divided among the provinces

based on the relative poverty of the province. Neither does the formula take into account the unequal cost of providing education in rural and urban settings, the proportion of schools in each province that are classified as poor (quintiles 1 to 3), or the relative burden of poverty and unequal development in each province. In addition to equitable share cuts, government plans to spend R3.8 billion less on conditional grants to provinces in 2023/24 compared to 2019/20.

Figure 2.8: Provincial basic education budgets, 2019/20 – 2023/24 (Real 2021/22 Rands)
Source: National Treasury, tabled provincial budget – 2021 MTEF and own calculations.

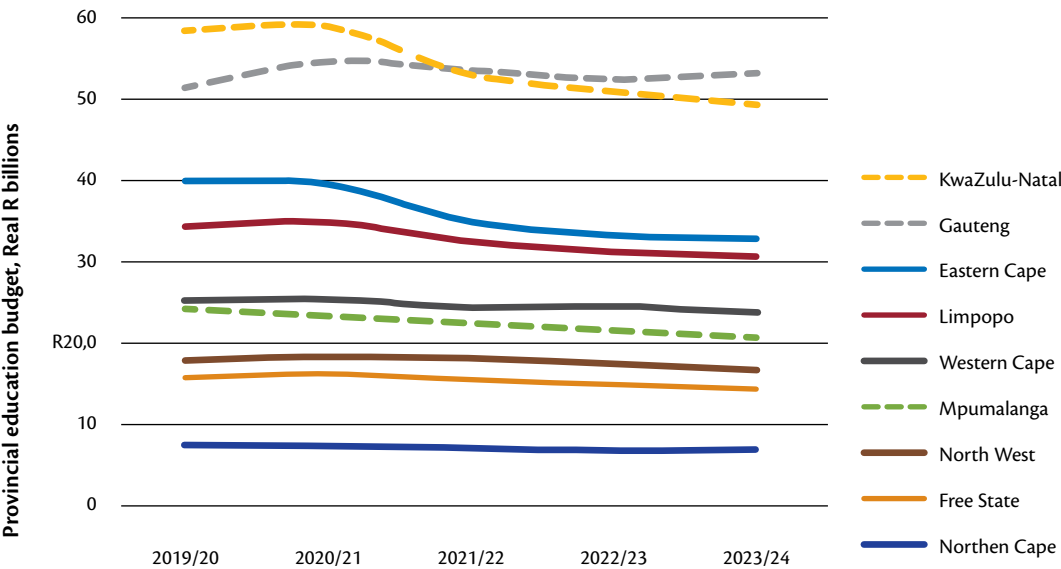


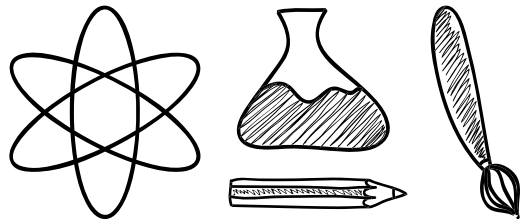
Figure 2.8 above shows how some provinces have been able to absorb cuts to the provincial equitable share without making significant cuts to basic education spending, while others have had to reduce spending on basic education significantly. Only one province, Gauteng, will be spending more money on basic education in 2023/24 than it was spending in 2019/20. Every other province is spending less and less money on basic education

each financial year. The provinces worst affected by basic education cuts during this period are the Eastern Cape (17.1 per cent cut), KwaZulu-Natal (15.0 per cent cut), Mpumalanga (13.5 per cent cut) and Limpopo (10.0 per cent cut). The value of the basic education budget available to spend in Free State, Northern Cape, North West and Western Cape declines by 4 per cent to 8 per cent during this period.

Which areas of the provincial basic education budgets are most affected by cuts? A key division in the budget is between 'personnel costs', which includes all payments to people working in the basic education sector (which is mostly teachers); and 'non-personnel costs', which includes everything else, from workbooks to school nutrition to school infrastructure.

Table 2.12: Total provincial expenditure on personnel and non-personnel costs

REAL 2021/22 RANDS (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES			2019/20 - 2023/24 difference	2019/20 - 2023/24 % change
	2019/20	2020/21	2021/22	2022/23	2023/24		
Personnel	R217.4	R214.1	R204.4	R196.3	R193.5	-R24.0	-11.0%
Non-personnel	R56.9	R63.7	R57.3	R57.4	R56.4	-R0.6	-1.0%



PERSONNEL AND NON-PERSONNEL EXPENDITURE

Table 2.12 above shows that the area of the provincial education budget that has been most affected by cuts is personnel expenditure. This has declined by R24.0 billion between 2019/20 and 2023/24, severely impacting provinces' ability to hire and retain sufficient numbers of teachers. Provincial non-personnel budgets have not been as badly affected by cuts. These budgets were increased substantially in 2020/21 and then reduced to a level in 2023/24 which is R600 million less than what was available for non-personnel costs in 2019/20. As a result, the share of basic education expenditure which is spent by provinces on personnel costs has decreased on average across the provinces during this period, from 79.3 per cent in 2019/20 to a projected 77.4 per cent in 2023/24, as Figure 2.9 demonstrates.

Figure 2.9: Share of provincial expenditure on personnel and non-personnel costs

But what does the personnel/non-personnel trend look like in each of the provinces individually?

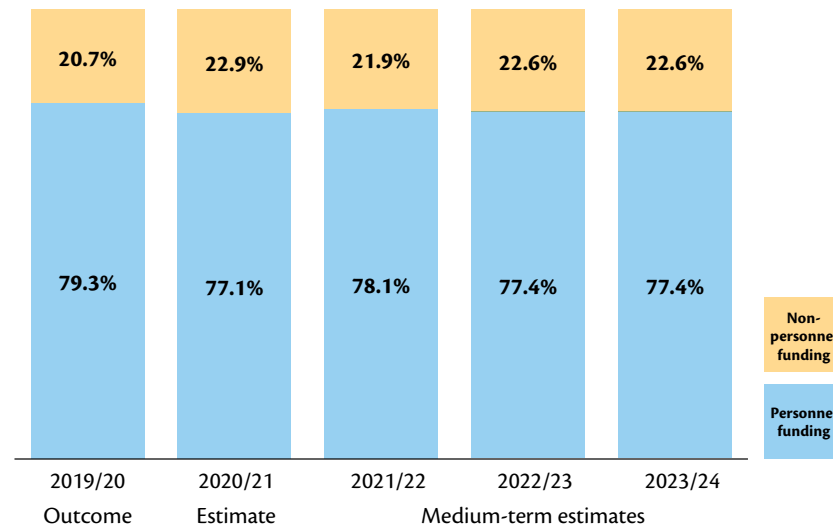


Table 2.13: Personnel expenditure per province, 2019/20 – 2023/24 (Real 2021/22 Rands)

REAL PERSONNEL 2021/22 Rands (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES			2019/20 - 2023/24 difference	2019/20 - 2023/24 % change
	2019/20	2020/21	2021/22	2022/23	2023/24		
Eastern Cape	R31.4	R31.7	R28.5	R27.0	R26.8	-R4.6	-14.7%
Free State	R12.6	R12.3	R11.9	R11.6	R11.3	-R1.2	-9.8%
Gauteng	R38.9	R39.3	R39.0	R38.4	R39.9	R1.0	2.6%
KwaZulu-Natal	R48.7	R47.6	R44.1	R42.0	R40.5	-R8.2	-16.9%
Limpopo	R28.1	R27.1	R24.9	R23.9	R22.9	-R5.2	-18.6%
Mpumalanga	R18.9	R18.2	R18.6	R16.8	R16.4	-R2.5	-13.0%
Northern Cape	R5.7	R5.6	R5.4	R5.2	R5.4	-R0.3	-4.5%
North West	R14.4	R14.1	R13.8	R13.4	R12.9	-R1.5	-10.7%
Western Cape	R18.7	R18.1	R18.1	R17.9	R17.4	-R1.4	-7.4%

Table 2.13 above shows that every province except Gauteng is currently experiencing a severe and sustained reduction in

education budgets for personnel costs. This represents a serious crisis for public education. The worst-affected provinces

are Limpopo, KwaZulu-Natal, the Eastern Cape and Mpumalanga, with North West and Free State not far behind.

Table 2.14: Non-personnel expenditure per province, 2019/20 – 2023/24 (Real 2021/22 Rands)

REAL NON-PERSONNEL 2021/22 Rands (BILLIONS)	OUTCOME	ESTIMATE	MEDIUM-TERM ESTIMATES			2019/20 - 2023/24 difference	2019/20 - 2023/24 % change
	2019/20	2020/21	2021/22	2022/23	2023/24		
Eastern Cape	R8.5	R7.7	R6.6	R6.4	R6.3	-R2.2	-25.9%
Free State	R3.2	R3.9	R3.5	R3.3	R3.1	-R0.1	-4.5%
Gauteng	R12.6	R15.1	R14.4	R14.0	R13.2	R0.6	4.9%
KwaZulu-Natal	R9.7	R11.3	R9.0	R9.1	R9.1	-R0.5	-5.7%
Limpopo	R6.1	R7.7	R7.7	R7.5	R8.0	R1.8	29.8%
Mpumalanga	R5.2	R4.9	R3.8	R4.5	R4.4	-R0.8	-15.3%
Northern Cape	R1.7	R1.7	R1.8	R1.7	R1.7	-R0.1	-4.1%
North West	R3.5	R4.1	R4.2	R4.1	R4.1	R0.6	17.9%
Western Cape	R6.4	R7.2	R6.4	R6.7	R6.5	R0.1	1.9%

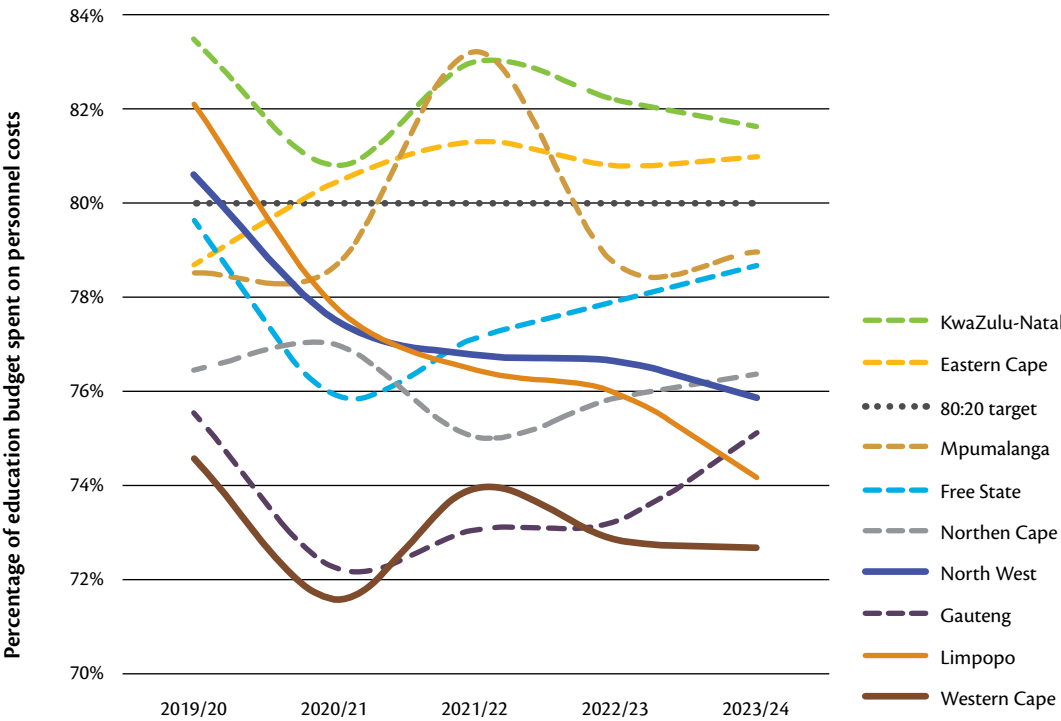
Table 2.14 above shows that five provinces are facing reductions to their non-personnel expenditure budgets, with Eastern Cape and Mpumalanga the worst affected. Limpopo and North West are outliers in seeing large increases to their non-personnel education budgets since 2019/20. Despite facing

significant cost-cutting pressure during this period, Gauteng and Western Cape also plan to spend more on their non-personnel education budgets in 2023/24 than they were spending in 2019/20.

Figure 2.10 below shows how the trends described above have impacted

the portion of each province's education budget that is spent on personnel costs. The DBE sets a target ratio of 80:20, meaning that provinces should aim to spend 80 per cent of their education budget on personnel costs and 20 per cent on non-personnel costs.

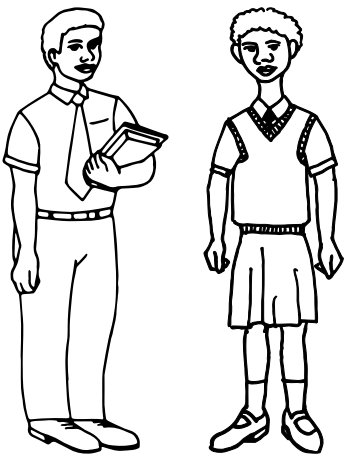
Figure 2.10: Share of provincial education budgets spent on personnel costs, 2019/20 – 2023/24



The trends demonstrated in Figure 2.10 above provide an indication of what level of priority has been given to personnel vs non-personnel costs in the education budgets of each province since 2019/20. It shows that two of the nine provinces fail to meet the 80:20 target ratio for personnel:non-personnel costs established by the DBE in its Norms and Standards

for School Funding regulations: KwaZulu-Natal and the Eastern Cape. However, while KwaZulu-Natal appears to be moving closer to this target over time, the Eastern Cape provincial education department is moving further away from it, spending an increasing share of its diminishing budget on personnel costs. Mpumalanga clearly prioritised personnel costs in 2021/22,

leading to their share of that province's total education budget leaping up from 78.7 per cent in 2020/21 to 83.2 per cent in 2021/22. The two provinces with by far the most marked decline in the share of their budgets allocated to personnel expenditures are Limpopo and North West. This indicates that these provinces are prioritising non-personnel costs at this time.



SCHOOL BUDGETS AND MINIMUM PER-LEARNER FUNDING LEVELS

The trend of decreasing overall real per-learner funding for basic education also shows up in the fact that some

provinces are not funding schools at the minimum per-learner threshold established annually by the Minister of Basic Education in the Minimum Norms and Standards for School Funding.

Table 2.15 below shows that in the 2020 school year, the Northern Cape,

KwaZulu-Natal, and Mpumalanga did not meet the minimum per learner funding threshold of R1 466 for no-fee (quintile 1-3) schools. KwaZulu-Natal's no-fee schools received the least amount per learner at only R955, which is significantly below the minimum threshold.

Table 2.15: Per learner allocation for the 2020 school year for quintile 1-3 (no fee), quintile 4 and quintile 5 schools in each province

PROVINCE	NO FEE PER LEARNER ALLOCATION	FEE PAYING PER LEARNER ALLOCATION Q4	FEE PAYING PER LEARNER ALLOCATION Q5
Gazetted Target per learner amount	R1 466	R735	R254
Eastern Cape	R1 466	R735	R254
Free State	R1 466	R735	R254
Gauteng	R1 466	R735	R735
KwaZulu-Natal	R955	R522	R179
Limpopo	R1 466	R735	R254
Mpumalanga	R1 370	R692	R240
Northern Cape	R1 134	R765	R354
North West	R1 466	R735	R254
Western Cape	R1 466	R1 200	R395

The minimum per learner funding allocation transferred to schools is meant to cover all non-personnel costs. This includes textbooks, furniture, electricity and maintenance. Funding no-fee schools – where parents or caregivers do not pay school fees – below this minimum amount is particularly worrisome, because in most cases there is no other source of funding available.

Basic Education Minister Angie Motshekga's remarks in response to a parliamentary question on this matter imply that underfunded non-fee schools should simply attempt to raise the revenue shortfall themselves by implementing compulsory school fees for learners. But this statement shows a disregard for the dire socio-economic contexts in which many of these schools exist.

It also shows a faulty understanding of government's constitutional responsibilities to fund basic education adequately and fulfil learners' rights to basic education and equality. In addition, the disparity in provincial per-learner spending exacerbates the historic and systemic inequalities in our national education system and further undermines learners' rights to basic education.

CONCLUSION AND WAY FORWARD

There has been deep and sustained austerity in basic education funding in recent years, and this 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 means that education advocates of all stripes need to work together to contest regressive funding policies and protect the public education system from further damage caused by funding cuts in the years ahead.

While contesting harmful austerity policies may be the biggest challenge for the public education sector at this time, many reforms are also necessary to address how resources are allocated and distributed throughout the basic education system.

Many of the chapters in this handbook provide recommendations which have budgetary implications, such as on post provisioning and the quintile system used to allocate funding to public schools. Some of the major reforms to basic education funding which require consideration are:

- An end to budget austerity by increasing provincial equitable shares and conditional grants at least in line with inflation and learner enrolment numbers.
- Immediately ensuring that provincial education departments have sufficient funds to comply with the Minimum Norms and Standards for School Funding and for School Infrastructure. Provincial education departments, the national DBE and national and provincial treasuries must ensure that schools are being funded at annually prescribed

minimum levels. Failure to fund schools at minimum prescribed levels, as is currently the case in many provinces, affects schools' ability to run effectively.

- The equitable share formula that divides revenue between the provinces needs to take into account the relative poverty of and unequal starting points for schools in different provinces, and the unequal costs of providing education in rural and urban settings. This could enable provinces to uplift their rural and most disadvantaged schools.
- Norms and standards for post provisioning should be established to ensure that provinces have effective 'personnel: non-personnel cost' and 'educator: support staff' ratios in place. Provincial education departments should be trained to initiate procedures set out in Collective Agreement No. 2 of 2003 governing the transfer of serving educators in terms of operational requirements. The role of organised labour in the post provisioning process should also be reviewed to ensure that the interests of learners are of paramount importance when provinces make post provisioning determinations.
- Poverty classifications of schools should better reflect the poverty characteristics of the actual learners who attend the

schools and not just the surrounding school communities. Provincial education departments must ensure that schools are being funded at annually prescribed minimum levels, and the DBE must use its oversight role to monitor and enforce compliance with these.

- Provincial education departments must take steps to ensure that schools are acting transparently and appropriately when making determinations on applications for **fee waivers**. Education districts should monitor determinations made and proactively offer support to parents of learners who have been improperly denied admission or fee waivers. Further efforts should also be made by national and provincial education departments to ensure that parents understand their rights when it comes to applying for fee waivers.
- Ensuring that disciplinary action is taken against officials involved in financial and other irregularities, that errant contractors are reported to the Treasury for blacklisting, and that proper capacity within provincial education departments is established to develop and maintain school infrastructure, so that the reliance on implementing agents (and opportunities for corruption) may be reduced.

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To learn more about the budget process and access a wide range of budget data, visit the SA Budget Portal: www.vulekamali.gov.za.

FURTHER READING

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