

Budgets, performance, efficiency and the constitutional right to basic education

Executive Summary

The right to basic education is one of numerous justiciable socioeconomic rights enshrined in the Constitution. South Africa allocates a significant portion of its consolidated spending to basic education. However, over the last few years and, more specifically, since the onset of the COVID-19 pandemic, spending on basic education has been impacted by the need to reprioritise and cut spending across government. The question of resources, especially financial resources, is central to any discussion on the fulfillment of socioeconomic rights, such as basic education, as it enables the practical implementation and enforcement of rights. With the growing need for fiscal prudence, due to continued social and economic challenges, there is a justifiable concern that the fulfilment of basic rights is being compromised due to declining allocations to services, such as basic education. However, funding cannot be viewed narrowly without factoring in the consideration of the prudent utilisation of existing scarce public resources and whether such resources are being used efficiently and effectively to achieve intended outputs and outcomes. The Commission thus undertook an analysis to examine the link between existing resources and performance in the sector to determine the efficiency of education spending, and thus comment on the aspect of value for money. While data constraints presented a particular challenge, the analysis recommends, among other things, that government protects the redistributive nature of education funding. This is because the impact of funding cuts to schools is likely to have asymmetric impacts across quintiles, with a greater negative impact on lower quintile schools. The Commission also advised government to improve the consistency, comparability and integratedness of the various education data sources collected, as this is key to enable value for money analysis.



THE FINANCIAL AND FISCAL COMMISSION

The Financial and Fiscal Commission is a body that makes recommendations and gives advice to organs of state on financial and fiscal matters. As an institution created in the Constitution of the Republic of South Africa, it is an independent juristic person subject only to the Constitution itself, the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended) and relevant legislative prescripts. It may perform its functions on its own initiative or at the request of an organ of state.

The vision of the Commission is to provide influential advice for equitable, efficient and sustainable intergovernmental fiscal relations between national, provincial and local spheres of government. This relates to the equitable division of government revenue among three spheres of government and to the related service delivery of public services to South Africans.

Through focused research, the Commission aims to provide proactive, expert and independent advice on promoting the intergovernmental fiscal relations system using evidence-based policy analysis to ensure the realisation of constitutional values. The Commission reports directly to both Parliament and the provincial legislatures, who hold government institutions to account. Government must respond to the Commission's recommendations and the extent to which they will be implemented at the tabling of the annual national budget in February each year.

The Commission consists of commissioners appointed by the President: the Chairperson and Deputy Chairperson, three representatives of provinces, two representatives of organised local government and two other persons. The Commission pledges its commitment to the betterment of South Africa and South Africans in the execution of its duties.

Background

Access to education is widely accepted, internationally, as a fundamental human right. In South Africa, the right to basic education is a justiciable socioeconomic right enshrined in the Constitution. What sets the right to basic education apart from other rights outlined in Chapter 2 of the Constitution is that it is not subject to “progressive realisation”. This is interpreted to mean that the right to basic education is one that must be realised immediately and at all times. The Constitution does not, however, explicitly define basic education or say anything about what would constitute its provision other than in the form of access. That leaves matters of extent and quality relatively open. From a financing perspective, this is significant because access (quantity) and quality are the two fundamental determinants of cost. The 1995 Education White Paper on Education interprets the constitutional requirement as being met by universal access from Grade 1 to Grade 9. With respect to funding, the South African Schools Act of 1996 states that government must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in education provision. It is also important to note that South Africa is a signatory of the International Covenant on Economic, Social and Cultural Rights (ICESCR) through the United Nations, which enjoins countries to take steps to ensure that all rights covered by the covenant are progressively realised through all appropriate means possible, including the adoption of legislative measures. Given these principles and commitments, there are strong grounds for a regular assessment of the degree to which fiscal allocations to basic education are sufficient to meet these obligations. That is especially the case where reductions are made, or are intended, to education allocations – whether in nominal, real or real per-capita terms. Further to this, while it is important to ensure adequacy of basic education resources, it is equally important for existing resources to be used efficiently and effectively. Inefficient spending can equally compromise the delivery of basic education services and result in sub-standard education outcomes. Therefore, while acknowledging the importance of adequate resources for basic education services in the face of a tight fiscal framework, the Commission undertook an assessment of the efficiency of current basic education resources to determine “value for money” with current spending in the sector.

Research findings

1. Overall, it is important to note that the likely impact of reductions in public expenditure from the perspective of an education production function suggests that, in less well-resourced contexts, any negative impact of expenditure cuts is likely to be larger than any positive impact of resource increases – due to the generic principle of higher marginal returns at lower levels of resourcing. The same logic applies within the range of a country’s own experiences, so that cutting expenditure from a higher base may have lower negative effects than cutting expenditure from a lower base. However, it is also important to point out that even simpler intuition suggests that reductions in resource allocation for the provision of a public good will lower the quality or quantity of that good. In terms of spending effects, the following is noted.
 - Public expenditure on schooling that is not personnel-related, through the quintile formula, is inequality-reducing. This suggests that funding tools such as the annually gazetted per-learner amounts, which focus on non-personnel, non-capital expenditure, can play an important role in reducing inequality.
 - Public expenditure on schooling personnel is not progressive and could be argued to be regressive, since it allocates approximately the same resources per learner regardless of a learner or school’s socioeconomic background or a school’s access to private financing (through fees).
2. Notwithstanding the fact that the econometric efficiency analysis was significantly constrained by the absence of sufficient data on socio-economic factors which play an admittedly critical role in educational outcomes, the following is noted:
 - Four estimations were undertaken to determine the impact of resource use on outcomes and to compute the efficiency of resource use. In terms of the results of the former, across all models, a higher pupil-teacher ratio was associated with worse school outcomes. This suggests that better school performance is associated with a lower number of pupils being taught by a teacher.

- Related to the above, personnel expenditure is the largest component of education spending, as it should be and is the case in other countries. It is therefore likely that any large cuts will target this component of expenditure. One consequence of such cuts would be a reduction in the number of educators. Although the causal relationship between pupil-teacher ratio and education outcomes remains contentious, there is a clear association in South Africa between lower ratios (in Quintile 5 and private schools) and better performance. Furthermore, although it has not been examined here, in the absence of adequate data on class sizes, it remains unclear whether class size norms and standards in policy are being met, even prior to any such cuts. Some evidence¹ suggests that they are not despite official assertions (Equal Education, 2021). Reduction in educators could therefore exacerbate already inadequate personnel numbers, depending on how such reductions are distributed. An obvious equity-protecting measure would be to target cuts at well-resourced Quintile 5 schools, preferably taking into account the extent to which such schools are able to raise private funding².
 - While the data constraints and their implications for the analysis are emphasised, the modelling framework offers a sense of the efficiency of resource use across schools, despite not being able to fully quantify the level of efficiency. The efficiency results of the basic school production function models appear to support the notion that higher quintile schools are more efficient than lower quintile schools. Even with the significant limitations of using only quintiles as environmental variables to proxy for socioeconomic factors, the efficiency scores of lower quintile schools increase, on average, while the efficiency scores of higher quintile schools decrease, on average. Thus, despite not being able to comment on the exact extent of efficiency or inefficiency, it is possible that there are challenges (relating perhaps to coordination, implementation and service delivery), which, if addressed, could lead to schools being able to derive greater value for money.
3. Specific mention must be made of the data challenge that hampered this research. The research initially envisaged the analysis of trends in education expenditure and outcomes, and the assessment of education efficiency using school level data over a 10-year period from 2008 to 2018. The data required for an analysis of schooling outcomes and public resource allocation is not available from a single institutional source, or a single dataset. Instead, there are a range of datasets from different government departments that provide different pieces of the information that is needed. At the core of the analysis was the use of administrative data at the level of schools from two main sources: education system data from the Department of Basic Education (DBE) and public expenditure data from National Treasury. However, the frequency and quality of the data received from the respective departments varied considerably across the requested years for analysis, i.e. variables and information was not consistent over the 10-year period at the school level. One of the reasons for this was the change in the data collection method used by the DBE from the Annual Survey of Schools from 2008 to 2014 to the South African School Administration and Management System (SA-SAMS) from 2015 onwards. This made it difficult to reconcile the data from both collection instruments and resulted in issues of data quality. Furthermore, the national DBE does not keep a comprehensive dataset of non-personnel allocations at the school level, thus necessitating the research team to source such data directly from the provincial education departments, with varying levels of success. From this experience, it is clear that, while the administrative systems for public finance and education collect very useful information, more needs to be done to integrate these data sources in a systematic way.

¹ See Equal Education (2021): 'No Space For Us' (<https://equaleducation.org.za>).

² In other words, the reduction in personnel should be larger for schools with more private funding per learner.

Conclusion

The Commission makes the following recommendation:

1. *A proper costing of the delivery of education services should be undertaken to address the cost drivers of education and differences in spending pressures across provinces to assess the adequacy of basic education spending.*

It is important to emphasise that, while spending efficiency can be improved in education, the research does not directly address the issue of the adequacy of education allocations. The issue of adequacy of spending is a complex, but imperative matter. The Commission has made it clear that the current provincial equitable share formula does not account for cost drivers and cost differences across provinces and, as a result, one cannot determine whether the basic education allocations are a true reflection of expenditure needs. A proper costing framework and exercise needs to be undertaken to determine the adequacy of basic education spending and to appropriately quantify the impact of budget cuts on the delivery of basic education services.

2. *Government needs to protect the redistributive nature of the basic education funding system in the face of potential basic education budget constraints.*

Existing evidence suggests that, if expenditure cuts were to be implemented, they should be apportioned in a way that reduces existing inequities in the system – such as relatively high personnel expenditure allocations to Quintile 5 schools – rather than exacerbating them. Schools that perform relatively better and have a higher quantity and quality of resources are in a better position to absorb budget constraints vis-à-vis poorly performing and poorly resourced schools. It is important that Quintile 1 to 3 schools are protected from budget issues. The impact of funding cuts to schools is likely to have asymmetric impacts across quintiles, with a greater negative impact on lower quintile schools.

3. *The Department of Basic Education should leverage the collection of data via the South African School Administration and Management System and other sources of school-level data to compile a consolidated basic education sector database that integrates the financial and non-financial aspects of basic education.*

Currently, different institutions are responsible for different aspects of education data. While this is not an issue per se, it makes it difficult to get a consolidated education dataset for analysis and results in certain departments, giving more attention to their responsible areas at the expense of data quality. For example, the South African School Administration and Management System has a financial section. However, it is under-reported, as the Department does not make its completion compulsory.

Enquiries:

Sasha Peters

Sasha.Peters@ffc.co.za

Jugal Mahabir

jugal.mahabir@icloud.com

Sean Muller

sean.muller@gmail.com

Financial and Fiscal Commission

Montrose Place (2nd Floor), Bekker Street
Waterfall Park, Vorna Valley, Midrand

Private Bag X69, Halfway House, 1685

www.ffc.co.za

Midrand Office Telephone: +27 (0) 11 207 2300

Cape Town Office Telephone: +27 (0) 21 487 3780