

Expenditure Tracking Report

Infrastructure Spending in the Eastern Cape Department of Education

November 2015

Zukiswa Kota

Public Service Accountability Monitor

**For more information contact the PSAM, psam-admin@ru.ac.za
Tel: (046) 603 8358, Fax: (046) 622 7215**

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights, including the right to education, healthcare, housing and social welfare, within available resources. The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services.¹ In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery processes. These include: planning and resource allocation processes; expenditure management processes; performance monitoring processes; integrity management processes; and, oversight processes. Together these processes combine to form a *social accountability system*, which acts as the central pillar of a responsive democratic state.

The effectiveness of these processes can be established by monitoring their information outputs. To evaluate the social accountability system, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each process. This report focusses specifically on the area of expenditure management within the Eastern Cape Department of Education and seeks particularly to interrogate infrastructure expenditure in the 2014/15 financial year.

¹ *Constitution of the Republic of South Africa*, sections 26, 27 and 29.

Infrastructure Spending: The Equitable Share and Conditional Grant Allocations

This report focuses on the implementation of an effective expenditure management process by the Eastern Cape Department of Education (hereafter ‘the Department’) within its infrastructure delivery programmes. It also provides a brief account of what funds were available and whether they were spent efficiently and effectively during the financial year under review.

An overview of the Department’s recent performance in terms of audit outcomes reveals positive changes. Shifting from a history of recurrent audit Disclaimers from the office of the Auditor General, the Department’s most recent audit resulted in a Qualified opinion.² Over the past 3 financial year, the Department has managed to maintain these improvements in financial governance prompting “the full restoration of decision-making and decision management in the Department”.³ Despite these positive trends, however, the Department itself acknowledges fundamental limitations in institutional administrative capacity;

“Department does not on its own have the capability to remedy the current situation and that the status quo necessitates that the Provincial Government itself under the stewardship of the Premier handle these perpetual challenges. The intervention is thus anchored around the provisions of Section 125(2)(b), (d) and (e) of the Constitution, which enjoins the Premier to implement all national legislation within functional areas in Schedule 4 or 5, to implement provincial policy and to coordinate the functions of the provincial administration and its departments. The intervention is also implemented in terms of Section 18(2) (g) and Section 36(3) of the Public Finance Management Act (PFMA), 1999”⁴

These observations are informed, according to the Department, by situational analysis conducted by the Technical Support Unit in the Office of the Premier and Provincial Treasury. This is a significant intervention supported by the provincial Executive Council that has the potential to further enhance gains made in the Department’s financial management as well as to bolster delivery in the identified problem areas. These include fast tracking school infrastructure delivery which has been a recurrent weakness in the Eastern Cape.

² Eastern Cape Department of Education, *Annual Report 2014/14*.

³ Eastern Cape Department of Education, *Annual Report 2014/15*, p.55.

⁴ Eastern Cape Department of Education, *Annual Report 2014/15*, p.55 (emphasis added)

The vision of the Department of Education is to “...provide learners with opportunities to become productive and responsible citizens through quality basic education”.⁵ Both the vision and mission are supported by values founded on Batho Pele principles.⁶ The Department has the following programmes (listed with their final appropriations in 2014/15):⁷

Programme 1: Administration (R 2.1 billion)

Programme 2: Public Ordinary Schools (R 21.8 billion)

Programme 3: Independent Schools (R 100.1 million)

Programme 4: Public Special School Education (R 494.6 million)

Programme 5: Further Education and Training⁸ (R 297.8 million)

Programme 6: Adult Basic Education and Training⁹ (R 378.5 million)

Programme 7: Early Childhood Development (R 447.8 million)

Programme 8: Infrastructure Development (R 1.6 billion)

Programme 9: Examination and Education Related Services¹⁰ (R 312.5 million)

The Department’s Appropriated Adjusted allocation for 2014/15 was R 28 283 403 billion (R 28.3 billion). A total of R 2 577 538 billion of this amount accounts for conditional grants, leaving R 25 705 865 billion for the total equitable share. Of interest for purposes of this report are programme 8 within the equitable share and the related conditional grant; the Provincial Infrastructure Grant allocated specifically to address school infrastructure needs. In the 2014/15 financial year, the Department received a total of 9 conditional grants; namely;

1. Dinaledi School Grant (R 13.3 million)
2. **Education Infrastructure Grant (R 1.2 billion)**
3. HIV and AIDS Grant (R 37 million)
4. National School Nutrition Programme (R 984.5 million)
5. Technical School Recapitalisation Programme (R 32.9 million)
6. Extended Public Works Incentive Programme (R 6.6 million)
7. Further Education and Training (R 319.5 million)
8. Extended Public Works Integrated Programme (R 2.6 million)
9. OSD¹¹ for Therapists Grant (R 3.1 million)

⁵ Eastern Cape Department of Education, *Annual Report 2014/15*, p.19.

⁶ Eastern Cape Department of Education, *Annual Report 2014/15*, Ibid.

⁷ Eastern Cape Department of Education, *Annual Report 2011/12*, p.63.

⁸ Programme 5 will become “Early Childhood Development” as of 2015/16

⁹ Programme 6 will become “Infrastructure Development” as of 2015/15

¹⁰ Alternately referred to as “Auxiliary and Associated Services”- this will become Programme 7 as of 2015/16 with the shifting of Adult Education and Further Education and Training to the National Department of Education.

As can be noted in the list above- the Education Infrastructure Grant is the largest single grant received by the Department (R 1 177 914.00 allocated in 2014/15) followed closely by the School Nutrition Programme at R 984 548.00– a significant programme targeted at alleviating the impact of poverty on learners’ wellbeing..

Table 1: Key performance targets and expenditure (2014/15)¹²

Programme	Performance Measure/Programme Objective	Performance Target (2014/15)	Actual Performanc (2014/15)	Variance	Main Appropriation	Actual Expenditure	% of Funds Unspent	% of Funds Spent
Infrastructure Development					R 1,237,092	R 1,100,072	11.1%	88.9%
Education Infrastructure Grant	Number of schools provided with water	157	242	85	R 1,177,914	R 996,571	15.4%	84.6%
Education Infrastructure Grant	Number of public schools provided with electricity	87	85	-2				
Education Infrastructure Grant	Number of public schools provided with sanitation facilities	154	180	26				
Education Infrastructure Grant	Number of classrooms built in public schools	763	821	58				

The 2015 Adjusted Appropriation of the national education budget reflects that of the total R 224.7 million unspent funds for Vote 14, 72.5% is attributed to under expenditure within the Education Infrastructure Grant. Continued fluctuation in expenditure on this conditional grant has a direct bearing on allocations from Treasury. In the case of provinces that are able to effectively manage expenditure on the EIG, performance-based incentives are effected. On 15 July 2015, the National Treasury published a report on the 4th quarter provincial budgets that revealed, for instance, that an amount of R 397.7 million would be converted from the indirect, national school infrastructure backlogs grant to (direct) EIG for the Western Cape province.

There is a need for additional infrastructure information to be made publicly available. This includes financial oversight information that is detailed and updated on a regular basis. It must be acknowledged that both provincial and national Treasury annually provide certain infrastructure project lists that are complementary to the Division of Revenue allocations. However, information relating to school-level priority projects and progress is not as easy to access. In order for school communities (principals, school governing bodies, parents etc) to track progress and perform public monitoring and oversight, information pertaining to delivery targets,

¹¹ ‘Occupation Specific Dispensation’

¹² Figures sourced from 2014/15 ECDoE Annual Report

implementing agents and progress must be made available at the school level on an ongoing basis. Such information can be made available jointly with the assistance of provincial Treasury and the ECDoE as guided by the Portfolio Committees on Education and Finance and Provincial Expenditure.

As an example of an area where a greater level of detail is necessary for community and general oversight is illustrated by gaps in the departmental documents. The ECDoE's six-monthly financial oversight report does not present disaggregated infrastructure targets by quarters which make it impossible to gauge progress towards gauging target completion in-year for certain infrastructure targets. Examples include the following;

- i. PPM 603; the number of public ordinary schools to be provided with sanitation facilities (246 in 2015/16)¹³
- ii. PPM 606: Number of new schools completed and ready for occupation (includes replacement schools (24 by the end the of the 4th quarter)

Table 4 below illustrates allocations and expenditure within the Education Infrastructure Grant by province beginning with audited figures from 2011/12. Performance on specific infrastructure targets as at the end of the 2014/15 financial year indicates that 15.4% of the total budget available for education infrastructure via the EIG was not spent by the Department. This level of under expenditure is concerning given the vast need for school infrastructure across the Eastern Cape Province. An additional reason that this underspending should be warned against is the perverse implications that this has on the overall allocations for this grant. The Eastern Cape Treasury has highlighted that amongst challenges related to conditional grant allocations in the province are the quality of business plan inputs as well as the slow rate of spending by departments.

The implications of ineffective, inefficient spending on the school infrastructure grant are felt directly by learners.

¹³ The report does however indicate that 12 schools were provided with sanitation facilities in the first quarter of the year and 49 in the second quarter; leaving a total of 185 to be built in the 3rd and 4th quarters of 2015/16)

Table 2: Allocation and Expenditure: The EIG by Province and School Infrastructure Backlogs Grant (2011/12 to 2015/16 MTEF)

Education Infrastructure Grant (EIG) by Province (000 Rand)	2011/12	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18	Nominal Change Over MTEF	Nominal Change Between 2014 and 2015 (%)	Real Change Between 2014 and 2015 (%)	
Eastern Cape	797,187	937,140	1,130,962	1,177,914	1,177,914	1,228,269	1,703,877	1,532,003	1,400,000	-6.34	44.65	38.04
Free State	420,881	512,348	476,218	554,313	607,581	531,146	762,553	707,553	742,931	-0.87	25.51	19.77
Gauteng	473,393	512,866	537,892	623,602	623,602	623,602	935,725	1,274,825	1,428,566	15.15	50.05	43.19
Kwazulu Natal	1,175,956	1,413,001	1,306,421	1,385,781	1,385,781	1,385,781	1,978,683	1,857,648	1,950,530	-0.48	42.78	36.25
Limpopo	897,937	942,091	1,225,382	1,108,625	1,108,625	1,108,625	805,128	845,384	953,589	5.80	-27.38	-30.70
Mpumalanga	590,184	530,711	536,370	623,602	623,602	623,602	857,247	802,247	842,359	-0.58	37.47	31.18
North West	522,021	295,637	587,459	623,602	695,787	695,787	995,107	853,678	842,359	-5.40	43.02	36.48
Northern Cape	290,426	248,939	364,966	364,445	364,445	364,445	446,998	359,545	300,000	-12.45	22.65	17.04
Western Cape	385,039	431,397	821,831	485,024	1,021,334	1,021,334	1,032,237	874,263	860,226	-5.90	1.07	-3.56
National School Infrastructure Backlogs Grant (SIBG)	76,084	859,628	1,370,124		2,513,627		2,024,310	2,348,743	2,590,590	8.57	-19.47	-23.15

Note: a detailed analysis of Table 2 as well as the 2015 adjustments is contained in a comprehensive Expenditure Tracking Report.

The budget decreases in real terms between 2014 and 2015 are well worth noting (23.15% for the SIBG, 30.7% for EIG in Limpopo) as well as the nominal decrease of 6.34% over the MTEF for the EIG in the Eastern Cape. In the absence of concrete, credible and up-to-date information pertaining to progress in meeting schools infrastructure targets it is difficult to determine whether or not the province will be in a position to accept decreased EIG allocations. Further to this, the information collected by Equal Education outlining gaps in the priority listing of schools suggests an incomplete database where provincial infrastructure needs are concerned. The findings by the AG relating to information gaps must also be taken into consideration when motivating for funding for infrastructure as well as in determining areas where strategic support is needed.

a. ‘UNVIABLE’ SCHOOLS AND THE SCHOOL RATIONALISATION POLICY

Sections 33 and 12A of the South African Schools Act provides the MEC with guidelines for the closure and merger of schools respectively. Further to this, a document entitled “*Guidelines for Rationalisation of Small or non-viable Schools*” published by the national Department of Education in 2009 represents a foundational guide for the process of closing down or merging South African public schools. Notably, however- several structures outlined within this document have since been phased out in the current education set-up of the DBE- prompting questions about the need to revise the guidelines.

Faranaaz Veriava- a South African human rights lawyer- argues that while there may be numerous cogent reasons for the closure of some schools- particularly those in which learners’

education is negatively impacted- there is a related risk of restriction of much-needed public participation in the process of closing schools.¹⁴ This, Veriava outlines, relates to the Minister of basic education's announcement of her department's decision to close thousands of small schools across the country.

While the ECDoE acknowledges that the rationalisation of very small and small schools must be taken into consideration in the process of replacing existing inappropriate and unsafe structure, there remains inadequate information relating to;

- a. *The expected impact of school mergers on the implementation of the norms and standards plans*
- b. *The impact on the overall number of learners that will subsequently need scholar transport as a result of school closure*
- c. *The overall cost of school mergers/closures with respect to infrastructure and the delivery of new infrastructure*
- d. *The total number of educator and non-educator staff that schools mergers are envisioned to affect. This is particularly significant where educator staff provisioning is concerned*

The Eastern Cape Plan recognises that the programme of rationalising schools in the Province will have significant implications for the implementation of the Norms and Standards. This notwithstanding, the Plan fails, largely, to give any real guidance about (a) which schools will be rationalised, (b) when precisely these schools will be rationalised; and (c) what the implications of specific rationalisation projects would be for surrounding schools/new schools.

The Project List indicates that about 61 named schools will be re-aligned and a budgeted amount is allocated to each school for this purpose. However, the bulk of schools to be rationalised are not named or accounted for at all in the Project List and the Plan. Also, there is no indication in the Project List or the Plan as to which schools will be closed.

This gap regarding rationalised schools in the Eastern Cape Plan seriously hinders the utility of the plan as a public tool for effectively implementing the Norms and Standards. Additionally- the ECDoE places emphasis on the presence of 'unviable' schools within the province as a risk to the Department.¹⁵ According to the 2014/15 Annual Report of the ECDoE, "approximately one third" of schools in the province are not viable in that they have learner enrolment numbers below

¹⁴ Mail and Guardian, Veriava, F. 23 January 2015. Public Participation in Education Under Threat. Available online: <http://mg.co.za/article/2015-01-23-public-participation-in-education-under-threat>

¹⁵ Eastern Cape Department of Education *Strategic Plan 2015-2015*. p.21.

135.¹⁶ This likely also means that many of these schools are affected by multi-grade teaching as will be discussed in sections to follow.

Figure 2: Utilisation of School Space in the Eastern Cape by School Type and Phase¹⁷

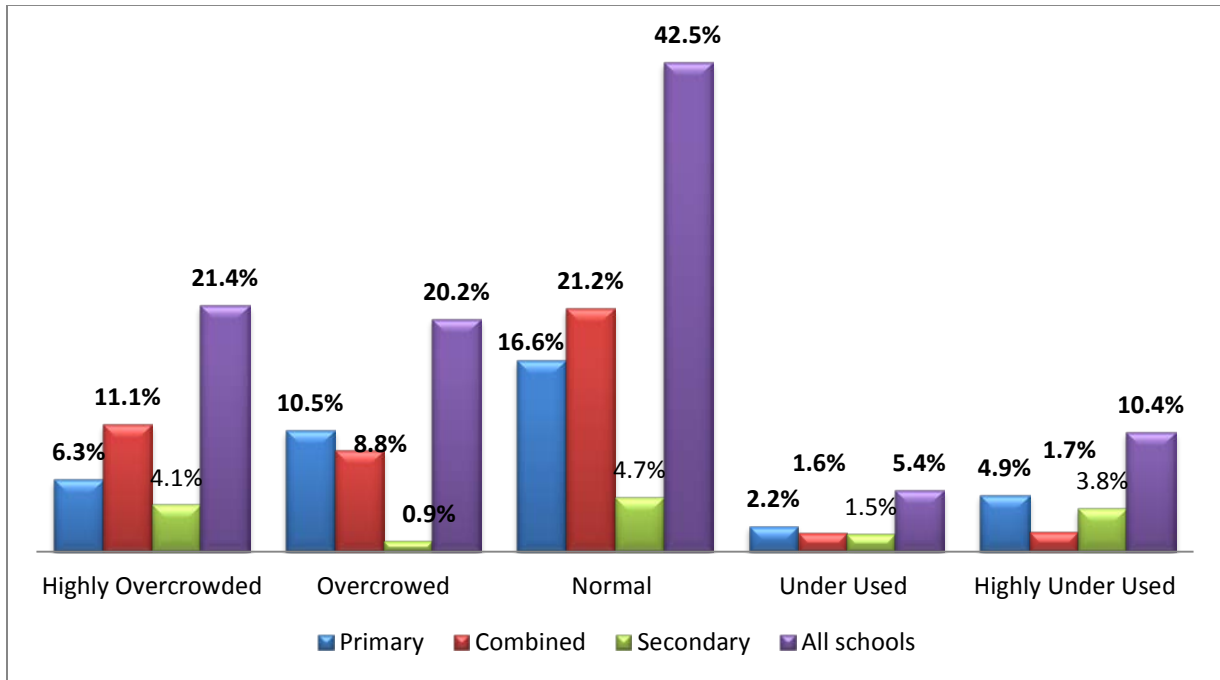


Figure 2 illustrates the overall usage of space per school type and overall in the province as at September 2013. During this period, statistics reported by the ECDoE’s Education Management Information System (EMIS) indicated that 41.6% of Eastern Cape schools were categorised as overcrowded or highly overcrowded. Three years later, the ECDoE EMIS statistics indicate that the status quo has hardly changed with 41% of schools reportedly overcrowded or highly crowded as at March 2015 (see Figure 3 below).¹⁸ This is rather perplexing given a) the progress in addressing school infrastructure reported by the DBE and ECDoE and b) the oft-reported rates of learner out-migration to other provinces in South Africa to the extent of a reduction in the provincial equitable share to the point at which budget allocations are reduced.

The current budget caters for the replacement of inappropriate structures as well as various maintenance projects. While there is clear quantification of the over-crowding and under use at

¹⁶ Eastern Cape Department of Education *Annual Report 2014/15*. p.55.

¹⁷ The categories used are those identified by the ECDoE and relate to the population of schools/class rooms in relation to optimum numbers for teaching and learning as well as in the optimum use of space and resources including educators. The ideal category in this case is ‘normal’.

¹⁸ According to the EMIS database from which this information was elicited- the statistics were last updated in March 2015

schools, the Department is noticeably quiet on the budgetary implications of this situation. This observation was also made in a previous report by the PSAM in 2012.

Alongside the current infrastructure implementation plans catering for Norms and Standards within the province, it is imperative that the ECDoE proactively addresses the needs for a sustainable infrastructure provisioning plan with the requisite budgetary allocation to reducing constraints in overcrowded and highly overcrowded Eastern Cape schools.

The current situation has dire implications for teaching and learning in affected schools. In cases where teaching and learning occurs under conditions of over crowdedness and poor infrastructure, there is added strain on educators and learners alike in the immediate term- as the case studies illustrate.

In the long term- this will also have adverse implications for the maintenance and longevity of current and new infrastructure. A thorough audit of the total cost to the Department emanating from under-utilised schools in terms of personnel and operational costs is recommended. It is recommended that the Department should present a succinct plan to address underutilised schools which also add pressure to an already strained, poorly managed budget in the Public Ordinary School Programme.

Figure 3: School size by phase: 2015

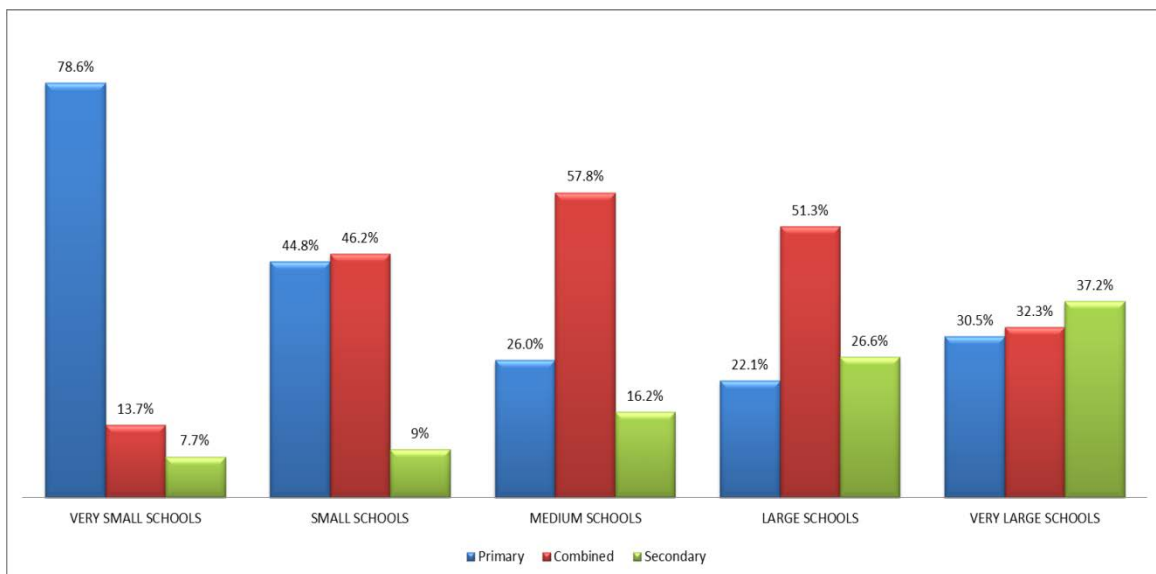


Table 3: Descriptions of school size category¹⁹

SIZE CATEGORY	DESCRIPTION	PERCENTAGE OF ALL SCHOOLS
VERY SMALL SCHOOLS	<100 learners	16.3%
SMALL SCHOOLS	>100 and <250	33.0%
MEDIUM SCHOOLS	>250 and <500	29.2%
LARGE SCHOOLS	<500 and <750	11.7%
VERY LARGE SCHOOLS	>750 learner	9.7%

Figure 3 above illustrates the percentages of each school phase by size category in 2015 while Table 3 directly below it quantifies the size categories and type of schools including Early Childhood Development (ECD) and LSEN (schools for learners with special education needs). The highest percentage of schools categorised as “very small” are found within the primary school phase. This means that of the estimated 934 schools in the Eastern Cape in this category approximately 734 cater for primary school learners and their educators. Combined schools and secondary school account for a further 13.7% and 7.7% respectively. Approximately 33% of all schools in the Eastern Cape are categorised as small schools and a further 16.3% are within the smallest size category; schools that accommodate less than 100 learners in total.

The continued presence of combined schools in itself poses a challenge to provisioning in the province and is an issue deserving of speedy resolution- in part through the implementation of decisive school infrastructure plans.

Recommendations

The under-expenditure on infrastructure in 2014/15 and projected under expenditure in 2015/16 does not bode well for schools in need of new classrooms. Additional financial management support is imperative to ensure sustained improvement in expenditure within this conditional grant. The Provincial Treasury, working with the MEC for Education must expedite the process of filling vacant posts within the infrastructure unit.

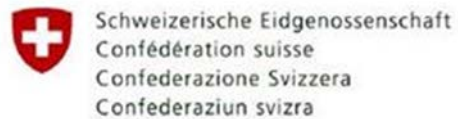
¹⁹ As per EMIS data available via www.ecdoe.gov.za

While the Department clearly articulates the significance of the process of merging and rationalising ‘unviable’ public schools, there is no explicit indication of the impact this will have on critical programmes such as infrastructure development, scholar transport, personnel and the overall implementation of the Norms and Standards for school infrastructure. A hiatus and uncertainty in this process also has a direct bearing on the teaching load in small schools as these also often bear the burden of being multi-grade schools. This detail must be explicitly incorporated into the departmental statutory planning and financial documents to avoid potential under-prioritisation at the expense of communities served by schools identified as ‘unviable’.

The planned closure of schools will continue be a significant challenge with which communities and education stakeholders must contend. Complementary to efficient budget execution and planning must be robust consultation of all affected stakeholders.

Acknowledgements

The PSAM acknowledges with gratitude the financial support of the Swiss Agency for Development and Cooperation (SDC), the Open Society Foundations (OSF), the Open Society Foundation for South Africa (OSF-SA), the Open Society Initiative for Southern Africa (OSISA) the Hewlett Foundation, the Beit Trust and Heinrich Böll Foundation.



Swiss Agency for Development and Cooperation SDC

