

Tel: (046) 603 8358 Fax: (046) 622 7215 E-mail: [psam-admin@ru.ac.za](mailto:psam-admin@ru.ac.za)

## Eastern Cape Department of Education

### Budget Analysis

2007/08

May 2007

Lwandile Fumba

Monitoring and Research Programme, Public Service Accountability Monitor

For more information contact the PSAM, [psam-admin@ru.ac.za](mailto:psam-admin@ru.ac.za)

Tel: (046) 603 8358, Fax: (046) 622 7215

---

### Key Findings and Recommendations

- Allocations for the Department will increase from a total budget of R13.12 billion in 2006/07, to R14.73 billion in 2007/08. The Department's infrastructure budget will increase by 5.38 percent in 2007/08, and will rise on average by 18.35 percent over the next three financial years.

*The Department needs to drastically improve on its infrastructure spending considering current backlogs in the maintenance, renovation and construction of buildings used by the Department. Priority should be given to those schools within the province which have been declared disaster schools.*

- The Early Childhood Development (ECD) budget will increase by 35.91 percent in real terms over the MTEF period. Between 2006/07 and 2007/08, the budget for ECD is set to grow significantly by 56.38 percent in real terms from R69.94 to R105.75 million. The Department estimates that only 89.3 percent of ECD learners will be publicly funded by the 2009/10 financial year.

*The Department must ensure that it uses its greatly increased ECD allocation efficiently and effectively so that the Department's performance in this regard maintains alignment with the increased demand for ECD funding throughout the Province.*

- Over the MTEF period, the percentage of non-educator employees in the Department will increase from 11.88 percent of the Department's total employees in 2006/07, to 15.26 percent in 2009/10, while the percentage of educators will decrease from 88.12 percent to 84.74 percent over the same period.

*Given the negative impact that educator-personnel expenditure has had on non-educator personnel needs, the Department needs to bring forward its target date for reaching the national target of 85:15 between personnel and non-personnel expenditure.*

- Between 2006/07 and 2007/08 allocations for Administration will experience a negative real growth of 4.81 percent. This is despite the Department receiving eleven consecutive audit disclaimers from the Auditor-General.

*The Department must ensure that it uses the Administration programme's budget effectively in 2007/08 and accounts to the Legislature and Provincial Treasury on areas where the programme's mandate is negatively affected by the current allocation.*

- The Department currently has an overall vacancy rate of 55.5 percent. At District level the vacancy rates fluctuates from between 52.5 and 82 percent, while the Head Office experiences a 64.5 percent vacancy rate.

*The Department must take immediate steps to reduce its vacancy rate and must account in detail to the Legislature on the various obstacles which hinder the successful recruitment and retention of staff. The Department must consider the impact which ongoing vacancies have on its ability to improve on its financial management capacity.*

- The School Nutrition Programme (SNP) allocation will decrease by 3.22 percent in real terms between 2006/07 and 2007/08.

*This decrease in allocation is likely to exacerbate the manifest problems that the Department experiences with the School Feeding Programme. Clearly, the budget for this essential service should be increased to ensure that the Department finally meets the national target of feeding each child on every school day. However, before the budget is increased, the Department needs to properly plan for this important programme and ensure that it systematically monitors every aspect of its delivery to ensure that it is being run efficiently and effectively in the best interests of those children it is supposed to assist.*

- The allocation for no-fee schools for 2007/08 is R897.99 million, which is an 11.08 percent (15.34 percent in nominal terms) increase in real terms from the Department's 2006/07 allocation of R759.72 million. This increase is likely to be inadequate given the increase in the number of learners who are supposed to be benefiting from this programme during the year. The number of learners set to benefit from this programme has increased by 36.58 percent, from 761 015 to 1.2 million.

*The Department must ensure that it monitors the expenditure of this allocation in 2007/08 and accounts for any areas where it is unable to provide free tuition for learners in the poorest quintiles.<sup>1</sup>*

## **Introduction**

The South African Constitution commits government departments to the progressive realisation of various socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.<sup>2</sup> 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. 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 systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget. This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Education's 2007/08 budget and on its ability to implement effective and efficient service delivery and accountability systems in the up-coming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department's external and internal service delivery environment.

### **I. Policy Priorities**

The Department of Education in the Eastern Cape is mandated with providing public education in order to develop human capital.<sup>3</sup> The South African Constitution entrenches the right to basic education, including adult basic education and further education, which the state through reasonable measures must make progressively available and accessible.<sup>4</sup> This obligation commits the Department to effectively use its available resources to provide quality education to the citizens of the province. The provision of education is one of the government's central priorities, and the sector continues to receive the largest share of government spending.<sup>5</sup> Education also has a key role to play in the implementation of the Provincial Growth and Development Plan for the Eastern Cape (EC PGDP). The Department of Education's role in the PGDP is part of the human resource development programme which seeks to contribute to the eradication of poverty. This programme aims to do so by, amongst other things, improving levels of general education via the provision of full universal primary education (UPE), increasing participation in further education, and providing training in the intermediate technical skills needed in key growth sectors of the economy.<sup>6</sup>

At provincial level, these priorities have been expanded to include interventions aimed at improving the delivery of education to learners, such as the school nutrition programme, and schools infrastructure provision.<sup>7</sup> These policy interventions are designed to provide an enabling environment for improved service delivery which, it is hoped, will enhance the quality of education in public schools.

Given the fact that resources to address government policies are limited, government needs to prioritise areas where needs are most pressing. This Budget Analysis considers what resources that have been allocated to the Department, and how it plans to spend them in the 2007/08 financial year. It also reflects on the Department's challenges, and how these are affected by the budget allocation estimates for the 2007/08 to 2009/10 MTEF period.

The Eastern Cape Department of Education has highlighted a number of key policy areas which will receive special attention in the 2007/08 financial year:

- broadening the reach of no-fee schools in 2007;
- provision of learner-teacher support material (LTSM);
- the National School Nutrition Programme (NSNP);
- HIV/Aids and Life Skills Education;
- infrastructure, further education and training recapitalisation;
- the expansion of access to Early Childhood Development.<sup>8</sup>

Some of these policies have also been prioritised at national level. Additionally, three other key priority areas have been identified at national level. These are:

- to provide new support for adult literacy programmes;
- to ensure pay progression for educators;
- to increase the number of clerical and support staff in schools and districts<sup>9</sup>

One of the key challenges the Department faces is its spending capacity, in particular, its ability to efficiently allocate resources to policy priorities. The 2007 Budget Review makes reference to this issue, and recognises that the Department's coordination of policy development and its technical capacity to manage expenditure effectively need to improve.<sup>10</sup> The Department has received eleven consecutive audit disclaimers which demonstrate that it has generally failed to ensure that its budgets are spent effectively towards the realisation of its mandate. The Department's MEC drew attention to weak financial management capacity within the Department in his 2007/08 policy speech, and noted that considerable attention would be focused on improving financial management in the 2007/08 financial year.<sup>11</sup> It is clear that in order for its 2007/08 policy priorities to be realised, the Department needs to improve its capacity to spend its resources effectively.

#### 1. No-Fee Schools policy<sup>12</sup>

This policy priority appears to be meant to realise one of the objectives of the PGDP, which is to provide universal access to primary education within the province. According to the MEC's Policy Speech, 3 825 poor schools in the province will benefit from the no-fee school policy at an average annual amount of R554 per learner, per year in 2007/08.<sup>13</sup>

#### 2. Infrastructure

The eradication of the school infrastructure backlog remains a key priority for the provincial Department of Education.<sup>14</sup> In particular, the eradication of all mud-structured schools by the end of the 2008 has been prioritised.<sup>15</sup> Provincially there is a huge backlog in schools infrastructure. The provincial Education Department estimates that at

least 82 percent of schools in the province range from very weak or mud-structured, to structures that need to be repaired.<sup>16</sup>

National Treasury, in partnership with the Development Bank of Southern Africa (DBSA) and the Construction Industry Development Board (CIDB) has introduced an infrastructure delivery improvement plan (IDIP) which is meant to address under spending in provincial capital infrastructure budgets.<sup>17</sup> In his Budget Speech, the MEC for Finance indicated that Provincial Treasury had also drafted an infrastructure plan for the Eastern Cape involving Public-Private Partnerships (PPPs) which, it is hoped, will accelerate the provision of infrastructure in the province.<sup>18</sup> In addition, the Provincial Infrastructure Grant (PIG) is designed to supplement departmental capital expenditure allocations to assist with addressing infrastructure backlogs.<sup>19</sup>

### 3. National School Nutrition Programme (NSNP)

The School Nutrition Programme (previously known as the Primary School Nutrition Scheme or Programme) was designed to:

contribute to the improvement of education quality by enhancing primary pupils' learning capacity, school attendance and punctuality and contribute to general health development by alleviating poverty. Educating pupils on nutrition and also improving nutritional status through micro-nutrition supplementation.<sup>20</sup>

School nutrition is administered through a conditional grant. While acknowledging the challenges that continue to face this programme, the MEC committed the Department to ensuring that effective and efficient spending takes place in 2007/08 so that this policy priority is met.<sup>21</sup>

### 4. HIV/Aids

The Department is mandated to develop and implement an integrated HIV/Aids policy that provides educational care and support for staff members and provides life-skills education to learners.<sup>22</sup> The MEC's policy speech provides an account of a plan of action for HIV/Aids education and life-skills programmes which includes a breakdown of allocation for each 2007/08 priority area.<sup>23</sup>

### 5. Further Education and Training

The recapitalisation of further education and training colleges is another key priority for the 2007/08 financial year.<sup>24</sup> In addition to the equitable share, a conditional grant, introduced in the 2006/07 financial year, has been allocated to the Department for this purpose.<sup>25</sup> This is meant to give effect to the objectives of the Accelerated and Shared Growth Initiative of South Africa ASGISA; to provide skills training, create employment, promote economic growth and fight poverty.<sup>26</sup>

### 6. Early Childhood Development (ECD)

In line with national policy which seeks to ensure that the ECD sector is strengthened to create a firm foundation for learning, the Department has prioritised ECD as one of its policy priorities.<sup>27</sup> According to the 2007/08 annual performance plan, ECD is a key

component of both national and provincial human resource development strategies which will result in more training, and increased remuneration for ECD practitioners.<sup>28</sup>

7. Adult Basic Education and Training (ABET)

While ABET has been flagged as a national priority area, the Department's policy speech does not appear to highlight it as a key priority area in the province.<sup>29</sup> The MEC does, however, indicate that the Department's ABET initiative incorporates the Adult Literacy and Skills Development Programme.<sup>30</sup>

8. Learner-Teacher Support Material (LTSM)

This policy priority falls under programme 2, Public Ordinary School Education. In his policy speech the MEC committed the Department to eliminating problems surrounding the delivery of LTSM to schools by re-evaluating the LTSM delivery model at use within the province.<sup>31</sup>

## II. Budget Analysis

**Table 1: Eastern Cape Department of Education by Economic Classification, 2007/08-2009/10<sup>32</sup>**

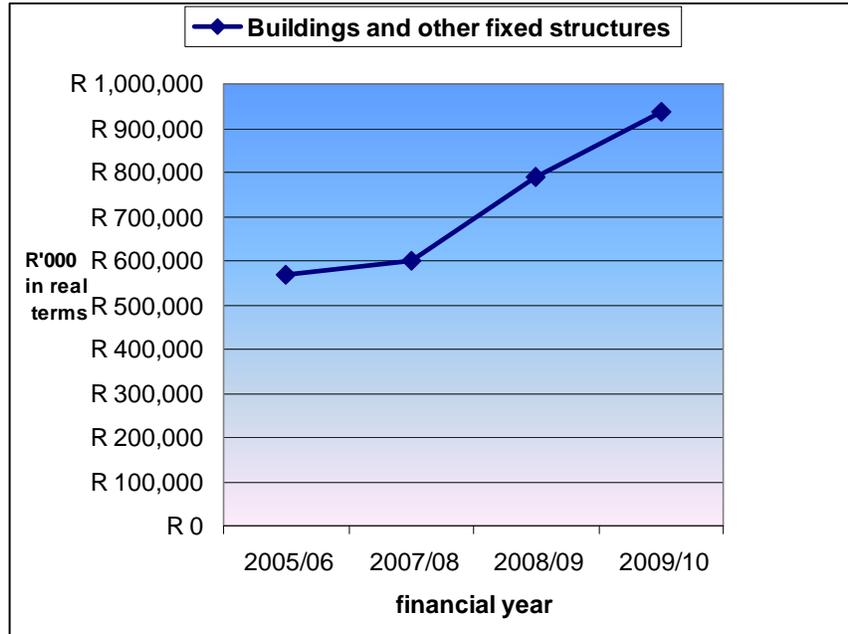
(R' 000)	Outcome			Main Appropriation 2006/07	Adjusted appropriation 2006/07	Revised estimate 2006/07	Medium-term estimate				Real Change between 2006 and 2007	Real Average Growth over MTEF
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised Estimate 2006/07		
<b>Current payments</b>	<b>9,412,025</b>	<b>9,988,939</b>	<b>10,827,926</b>	<b>11,630,157</b>	<b>12,016,735</b>	<b>12,019,517</b>	<b>13,438,603</b>	<b>14,786,569</b>	<b>15,477,505</b>	<b>11.81</b>	<b>6.41</b>	<b>3.89</b>
Compensation of employees	8,701,459	9,323,558	9,915,990	10,432,269	10,447,980	10,447,980	11,836,246	12,982,373	13,638,500	13.29	7.79	4.36
Goods and Services	710,470	665,381	911,903	1,197,888	1,568,755	1,571,537	1,602,357	1,804,196	1,839,005	1.96	-2.81	0.76
Interest and rent on land												
Financial transactions in assets and liabilities	91		33									
Unauthorised expenditure	5											
<b>Transfers and Subsidies to</b>	<b>628,702</b>	<b>349,168</b>	<b>355,478</b>	<b>701,175</b>	<b>439,880</b>	<b>439,879</b>	<b>523,267</b>	<b>713,741</b>	<b>748,698</b>	<b>18.96</b>	<b>13.18</b>	<b>14.61</b>
Provinces and municipalities	60,311	26,143	29,134	40,167	14,915	14,915				-100.00	-100.00	-100.00
Departmental agencies and accounts							7,350	7,666	8,011			
Universities and technikons	121,183											
Public corporations and private enterprises	62,840											
Foreign governments and international organisations												
Non-profit institutions	6,330	250,556	279,180	608,475	349,306	349,305	457,407	643,556	675,099	30.95	24.59	19.79
Households	378,038	72,469	47,164	52,533	75,659	75,659	58,510	62,519	65,588	-22.67	-26.42	-7.99
<b>Payments for capital assets</b>	<b>114,574</b>	<b>316,339</b>	<b>339,754</b>	<b>733,690</b>	<b>665,472</b>	<b>662,691</b>	<b>764,191</b>	<b>1,115,765</b>	<b>1,454,748</b>	<b>15.32</b>	<b>9.26</b>	<b>24.49</b>
Buildings and other fixed structures	84,905	296,863	279,402	642,638	646,233	646,233	715,715	986,611	1,219,800	10.75	5.38	18.45
Machinery and equipment	29,669	19,476	59,141	88,223	17,710	14,929	44,768	125,286	231,053	199.87	140.52	128.10
Cultivated assets												
Software and other intangible assets			1,211	2,829	1,529	1,529	3,708	3,868	3,895	142.51		
Land and subsoil assets												
<b>Total economic classification</b>	<b>10,155,301</b>	<b>10,654,446</b>	<b>11,523,158</b>	<b>13,065,022</b>	<b>13,122,087</b>	<b>13,122,087</b>	<b>14,726,061</b>	<b>16,616,075</b>	<b>17,680,951</b>	<b>12.22</b>	<b>6.78</b>	<b>5.46</b>

### Infrastructure

Reflecting on national and provincial policy priorities, the infrastructure budget allocation is set to increase by 18.45 percent in real terms over the MTEF period. This growth trend in the budget allocation for infrastructure between 2005/06 and 2009/10, as illustrated in Figure 1 below, reflects national government's broader policy to prioritise the provision of infrastructure. According to the MTEF estimates, R2.9 billion will be available for infrastructure between 2007/08 and 2009/10.<sup>33</sup> However, the Department estimates that R15.9 billion is needed to overcome the current backlog.<sup>34</sup> While the Department argued in 2005 for an increased infrastructure budget, its current allocations clearly remain inadequate and will not significantly reduce the backlog.<sup>35</sup> The Department's infrastructure allocation grew from R238 million in 2005/06, to R715.72 million in 2007/08<sup>36</sup>, an increase in real terms of R342.94 million. While this increase is welcomed, it remains inadequate if the Department is to properly address the infrastructure backlog in the province.

Worryingly, infrastructural problems have been further exacerbated by the Department's inability to spend its allocations effectively. At the end of the 2005/06 financial year, the Department had only spent R93 million, or 32.8 percent of its R283 million infrastructure budget.<sup>37</sup> In the same year, the Department had to return an unspent R22 million to the European Union which had donated R105 million to the Department to build schools.<sup>38</sup> Given this history of chronic under-spending it remains to be seen whether the Department has the capacity to even spend the inadequate increases which it is set to receive for infrastructural development.

Figure 1



Personnel vs. Non-personnel spending

This increase in the capital budget alluded to above is in line with national education targets on personnel versus non-personnel spending. According to the national Department of Education, the budget split between personnel and non-personnel should be 80:20, with 20 percent of the budget going towards non-personnel education services.<sup>39</sup> Allocations for the year under review seem to be moving towards this target with R11 billion out of the total allocation of R14 billion going towards compensation of employees. This represents a 79:21 split in the budget, meaning that more money is available for non-personnel services such as the acceleration of schools infrastructure provision.<sup>40</sup> It should be noted, however, that while the Department may appear to have met the national target, vacancies still remain high in critical areas within the Department as discussed in the analysis of the Administration programme below.

**Table 2: Eastern Cape Department of Education outcomes and estimates by Programme, 2007/08-2009/10<sup>41</sup>**

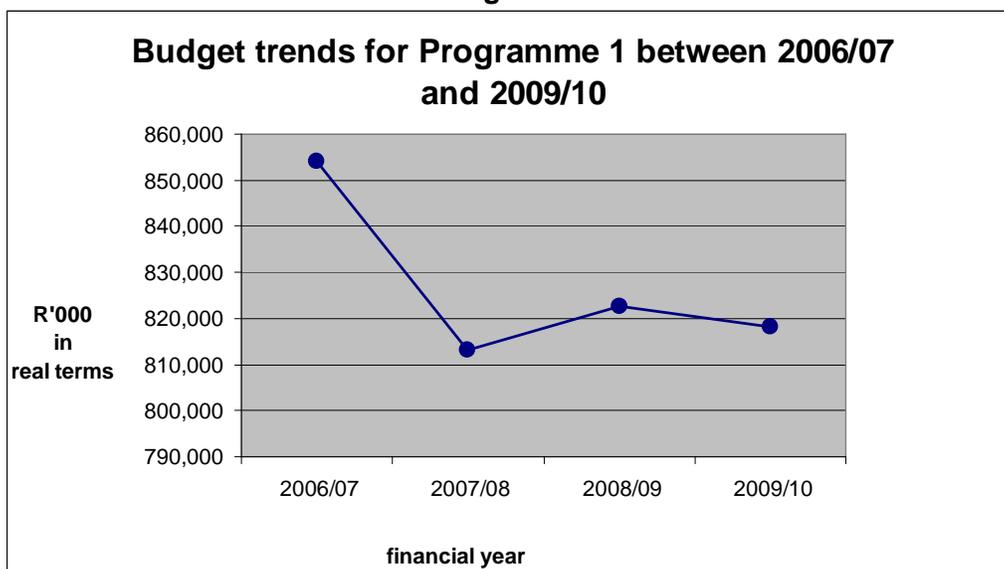
Programme (R '000)	Outcome			Main Appropriation 2006/07	Adjusted appropriation 2006/07	Revised estimate 2006/07	Medium-term estimate			%Change from Revised estimate	Real Change between 2006 and 2007	Real Average Growth over MTEF
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10			
1. Administration	825,935	673,525	796,219	881,902	968,143	968,143	968,591	1,026,061	1,066,337	0.05	-4.81	-1.39
2. Public Ordinary School Education	8,725,982	9,330,214	10,009,326	11,144,848	11,169,342	11,169,342	12,609,444	14,176,744	15,324,441	12.89	7.42	6.08
3. Independent Schools	18,696	15,557	18,342	27,770	27,770	27,770	35,241	46,756	58,410	26.90	20.75	22.34
4. Public Special Schools	188,706	185,497	210,394	334,487	312,201	312,201	336,880	461,005	354,298	7.90	2.67	2.31
5. Further Education and Training	140,198	169,876	167,932	267,965	246,528	246,528	302,200	362,737	323,147	22.58	16.63	5.51
6. Adult Basic Education and training	136,292	126,047	136,348	149,775	143,069	143,069	149,383	164,262	173,073	4.41	-0.65	1.73
7. Early Childhood Development	27,305	36,937	38,823	69,941	64,346	64,346	105,753	150,343	181,550	64.35	56.38	35.91
8. Auxiliary and Associated Services	92,187	116,793	145,774	188,334	190,688	190,688	218,569	228,167	199,695	14.62	9.06	-2.49
<b>Total payments and estimates</b>	<b>10,155,301</b>	<b>10,654,446</b>	<b>11,523,158</b>	<b>13,065,022</b>	<b>13,122,087</b>	<b>13,122,087</b>	<b>14,726,061</b>	<b>16,616,075</b>	<b>17,680,951</b>	<b>12</b>	<b>6.78</b>	<b>5.46</b>

### 1. Programme 1 (Administration)

The objective of this programme is to provide 'overall management of the education system in accordance with the Public Finance Management Act.'<sup>42</sup> This programme consists of, amongst others, the following key sub-programmes; corporate service, education management, human resources development, conditional grants and education management information systems. Administration is an essential programme within the Department, given its extensive responsibilities, and the administrative problems that persist within the Department as a whole. In order to address these problems, the Department needs to have a recruitment and retention plan costed in its budget. This will allow for the Department to improve its administrative capacity.

As illustrated in Figure 2, the Department's allocation for administration will decline over the coming MTEF period in real terms, experiencing a negative growth of 1.39 percent. Between 2006 and 2007, the budget for administration falls significantly from R854.10 million to R813.02 million, a decrease of 4.81 percent in real terms. This is concerning given that the Department faces serious capacity and organisational challenges. According to the Department, as of January 2007, vacancy rates at district level ranged from 52.5 to 82 percent; the head office had an average vacancy rate of 64.5 percent while the overall vacancy rate in the Department was 55.5 percent.<sup>43</sup> The policy priorities set by the Department are unlikely to be realised given the current vacancy rates, particularly in its administration programme. The decrease in allocation over the MTEF period, coupled with the Department's crippling vacancy rates in non-educator personnel, will further exacerbate its lack of administrative capacity. Significantly increased allocations should be made to this programme (should it display an ability to utilise its current allocation effectively and for its intended purposes) to enable it to address its staff shortages and manage its administrative obligations, including those relating to financial management, more effectively.

Figure 2



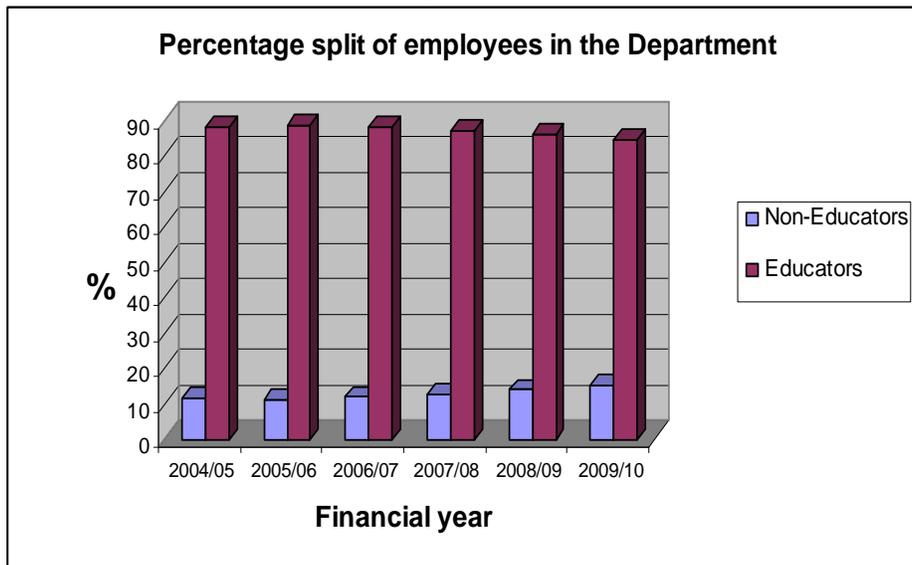
The reduction in budget allocation to programme 1 over the MTEF is likely to make it even more difficult for the Department to meet its already overdue obligations in terms of educator and non-educator staff ratios.<sup>44</sup> By 2005 the Department was supposed to have established a personnel vs. non-personnel ratio of 85:15.<sup>45</sup>

As Figure 3 demonstrates, there has been a marginal increase in the number of non-educator personnel in the Department, while the number of educator personnel has continued to slowly decline. However, the Department has not yet reached the 2005 target. The ratio for the year under review stands at 87:13, with the Department predicting that it will only meet the 2005 target in the 2009/10 financial year.<sup>46</sup> This means that personnel funds, which should be allocated to funding non-educator posts, will still be spent on educators over the MTEF period. This is concerning given the fact that the Department lacks the necessary administrative capacity, a problem which continues to have a negative impact on its ability to deliver against its mandate.

It is also interesting to note that despite the fact that the Department spent its entire personnel budget during the 2005/06 financial year, vacancies in non-educator personnel still remain a major challenge within the Department.<sup>47</sup>

The increase in the baseline budget for the Department is meant to improve the level of remuneration of educators and enable the Department to hire more staff for schools administration and support.<sup>48</sup> Given the fact that the Department is still spending too much on educator personnel, it is possible that this increase will not be effectively used for its intended purposes. According to the 2007/08 provincial budget speech, R300 million of wasteful expenditure was spent on educators in 2006/07 through double-packing of educators.<sup>49</sup> Within this context, it becomes imperative for the Department to fill critical administrative posts so that it can prevent wasteful expenditure.

Figure 3 <sup>50</sup>



## 2. Programme 2 (Public Ordinary School Education)

Programme 2, Public Ordinary School's Education gets the largest budget share, with 86 percent of the Department's total allocation going towards this programme. The average real growth over the MTEF period for this programme is 6.08 percent, which demonstrates strong real growth.<sup>51</sup> This, however, has to be measured against the responsibilities and mandate of this programme. The no-fee schools policy and the school nutrition programme are funded by this programme, while R10.58 billion, or 83.78 percent of the total budget for this programme, goes towards the compensation of employees.<sup>52</sup>

Given the increase in the number of schools declared as no fee schools, and the increase in funding per learner, the Department clearly requires sufficient funding to enable it to meet the revised national target of R554 per learner, per year for 2007/08. According to the Premier, 1.2 million learners are set to benefit from the no-fee policy in 2007.<sup>53</sup> In 2006/07 there were 761 015 learners in 2074 no-fee schools in the province.<sup>54</sup> The number of no-fee schools in the province has been increased to 3825 in 2007, which means that 61 percent of all public schools in the province will be no-fee schools.<sup>55</sup> This represents an increase of 36.58 percent from 2006/07.

The allocation for 2007/08 is R897.99 million, which is an 11.08 percent increase in real terms from the R759.22 million the Department was allocated in 2006/07.<sup>56</sup> According to the Department, the average per learner allocation (in the Province) for 2006/07 was R262, or 50 percent less than the national target (R527 in 2006/07) per pupil.<sup>57</sup>

Given the increase in the number of learners benefiting from the no-fee school policy, it is unlikely that the 2007/08 national target (of R554 per pupil) will be met given the fact that the average allocation per learner (in the Eastern Cape Province) in the 2006/07 financial year, was by the provincial Department's own admission, less than half the national target at that stage.<sup>58</sup> This means that the allocation would have to be doubled in order to meet the national target. The Department therefore needs to provide an explanation of how the target will be met.

### 3. Programme 7 (Early Childhood Development)

Programme 7, Early Childhood Development's (ECD) sees its budget allocation grow significantly by 35.91 percent in real terms over the MTEF period. Between 2006/07 and 2007/08, the budget for ECD is set to grow by 56.38 percent in real terms, from R69.94 to R105.75 million. This appears to be in line with the Premier's stated intention to prioritise ECD, and increase remuneration of ECD practitioners.<sup>59</sup> While the increase is welcome, it should be measured against the demand for ECD in the province which has risen significantly as increasing numbers of children have enrolled for ECD in schools. The number of learners funded through ECD rose from 64 000 in 2004/05 to 130 277 in 2006/07.<sup>60</sup> According to the Department, only 45 percent of Grade R learners were funded by the Department in 2004/05.<sup>61</sup> While it is encouraging to note that the Department appears to have met its target of ensuring that 85 percent of learners enrolled in Grade R will have been publicly funded by 2006/07 it seems unlikely that all the learners in the Province eligible for ECD funding will benefit from the programme.<sup>62</sup> The Department itself estimates that only 89.3 percent of ECD learners will be publicly funded in the 2009/10 financial year.<sup>63</sup>

**Table 3: Eastern Cape Department of Education, Conditional Grant allocations**

Conditional Grant Allocation (R ' 000)	Outcome			2006/07	Medium-term estimate				Real Change between 2006 and 2007	Real Average Growth over MTEF
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	% Change from Revised estimate		
1. Early Childhood Development	13,810	2,470								
2. HIV/AIDS (Life Skills Education Grant)	27,238	16,716	27,816	25,113	26,797	28,542	30,168	6.71	1.53	1.47
3. Further Education and Training College Recapitalisation				61000	78,815	115,788		29.20	22.94	-12.25
4. Quality Enhance and Financial Management	21,864	21,683								
5. National School Nutrition Programme		177,259	237,602	233,882	237,885	255,537	273,168	1.71	-3.22	0.56
6. Provincial Infrastructure					50,000	64,000	64,000			8.97
<b>Total payments and estimates</b>	<b>62,912</b>	<b>218,128</b>	<b>265,418</b>	<b>319,995</b>	<b>393,497</b>	<b>463,867</b>	<b>367,336</b>	<b>22.97</b>	<b>17.00</b>	<b>1.79</b>

#### 1. Further Education and Training (FET) College Recapitalisation Grant

Conditional grant allocations have increased by 17 percent in real terms between 2006 and 2007. A significant increase of 22.94 percent in the Further Education and Training (FET) College Recapitalisation Grant and the introduction of the Provincial Infrastructure Grant are the main reasons for this increase. The FET recapitalisation grant is part of the national policy priority to provide skills training by upgrading and renewing FET colleges in the province. It also aims to increase the current enrolment of trainees/learners in these colleges.<sup>64</sup> According to the 2006/07 fourth quarter spending results, the Department had transferred 100 percent of the grant to colleges. Spending by colleges, however, is not as encouraging, as they had only spent R51.57 million, or 84.54 percent of their total allocation of R61 million by 31 March 2007.<sup>65</sup> If this under-spending by colleges is not addressed, it is likely that the recapitalisation of FET colleges will not proceed as planned. The Department clearly needs to capacitate its colleges to ensure that the money transferred to them is effectively utilised.

#### 2. Provincial Infrastructure Grant (PIG)

The Provincial Infrastructure Grant (PIG) is part of government's broader infrastructure provisioning strategy aimed at addressing provincial infrastructure backlogs.<sup>66</sup> It is

designed to supplement capital budgets within the equitable share allocation of the Departments of Health, Transport and Education.<sup>67</sup> As mentioned earlier in this report, the Department's own spending record on infrastructure has been poor as it has consistently failed to make effective use of its limited resources to address school infrastructure backlogs in the Province. As the PIG is meant to supplement the Department's equitable share allocation for capital expenditure, it is clear that PIG funds need to be properly managed. This means that the Department must develop comprehensive plans which detail how PIG funds will be allocated and monitored to ensure that capital spending in the province improves. Over the MTEF period the Department will receive an additional R150 million from the PIG which it is supposed to spend on infrastructure.<sup>68</sup> While the increase is welcome, it will do little to address the huge infrastructure backlog in the Department.

### 3. HIV/Aids

In the year under review, R4 million has been allocated for advocacy to support the Life-skills and HIV/Aids Programme; R4.56 million for the integration of HIV/Aids into the curriculum; R3.78 million for peer education programmes; R5.18 million for the support of those infected and affected by HIV/Aids, and R8 million for a workplace HIV/Aids programme.

It is encouraging to note that the Department appears to have a comprehensive programme and plan in place to address HIV/Aids and life-skills education both within the Department and within schools.<sup>69</sup> Overall the HIV/Aids grant has increased by 1.53 percent in real terms between 2006 and 2007. In 2004/05 the Department only spent 70 percent of its allocation.<sup>70</sup> However, spending improved dramatically in 2005/06 when the Department spent 97 percent of this grant.<sup>71</sup> Fourth quarter spending results released by the National Treasury demonstrate that the Department overspent this conditional grant in 2006/07 by R866.000.<sup>72</sup> This over-spending may illustrate that additional resources are required in order to enhance life skills and HIV/Aids education.

Given the prevalence of HIV/Aids among the youth and the reported increase in the rate of pregnancies in schools in the province, it is clear that increased resources need to be made available for this programme so as address alarming increases HIV/Aids infections and teenage pregnancies.<sup>73</sup> In addition, as with other programmes, adequate allocations should be made for the required human resources to administer this grant effectively.

### 4. The School Nutrition Programme

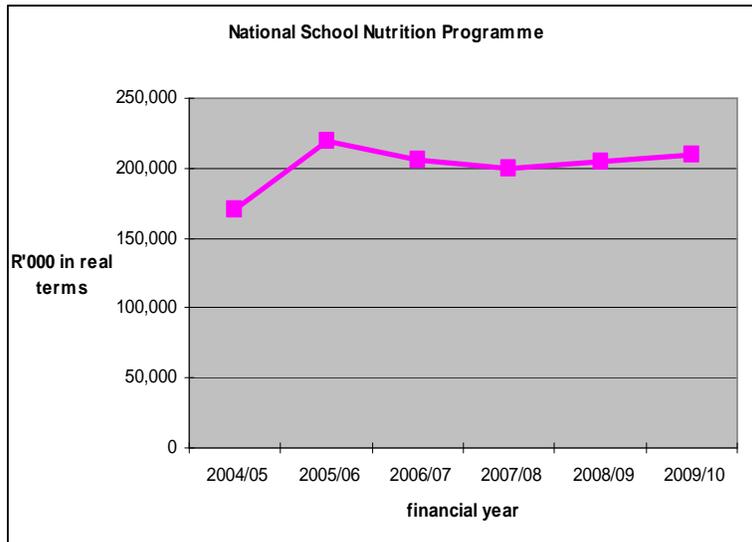
The School Nutrition Programme (SNP) conditional grant increased from R234.99 million in 2006/07 to R237.89 in 2007/08.<sup>74</sup> This equates to an increase of 1.71 percent in nominal terms, but, in real terms, actually represents negative growth of 3.22 percent. Over the entire MTEF period, this conditional grant is set to grow by 0.56 percent in real terms. This increase may not be enough to ensure that learners are fed for five days a week throughout the school year.

The increase in funding reflected in Figure 4 for the 2005/06 financial year included a rollover of un-spent funds from the 2004/05 financial year. In 2006/07, the Department again failed to effectively spend its allocation for SNP. Fourth quarter spending results for 2006/07, record that the conditional grant was under spent by R133.24 million, or

28.7 percent. This demonstrates once again that the Department lacks the capacity to be able to spend this conditional grant effectively.<sup>75</sup>

For the year under review, the allocation for SNP will decline by 3.22 percent in real terms. When inflation is taken into account this means that the Department has less money to spend on school feeding in this financial year than it had in 2006/07. As indicated below, allocations for SNP will not increase by any significant amount over the MTEF period. The Department needs to drastically improve its management and spending performance with regard to the SNP in order to fulfil its obligations to learners of the province who qualify for school feeding. .

**Figure 4**



### III. Conclusion

The overall budget allocation for the Department of Education has increased by 6.78 percent in real terms from R13.12 to R14.73 billion between 2006/07 and 2007/08, which has resulted in real increases for certain programmes and line items. In general the budget seems to be consistent with the Department's stated policy priorities

The significant increase in funding for ECD should ensure that more eligible learners will benefit from this critical programme. While the 18.45 percent increase in the infrastructure budget over the MTEF period is welcome, it is clearly not enough to address the Departments infrastructure needs and questions remain about the Department's ability to even spend its increased allocation.

Alarming, Programme 1: Administration, will experience a negative real growth of 4.81 percent over the MTEF period. Given the numerous responsibilities that this programme has, and the effect that incapacity within this programme has on the performance of other programmes within the Department, the budget for this programme should be increasing not decreasing.<sup>76</sup>

The marginal increase of 4.36 percent in real terms in the personnel budget, as opposed to larger increase in the infrastructure budget, is indicative of the broader government's plan to prioritise infrastructure over the next three financial years. Despite this, the Department needs to ensure that its personnel budget is spent on non-educator personnel in order to improve its capacity to utilise its budget effectively. This is especially important at district level where the Department reports crippling vacancies in financial administration.

From 2007 the PSAM will produce seven main outputs: 1. Budget Analysis; 2. Strategic Plan Evaluation; 3. Expenditure Tracking Report; 4. Service Delivery Report, 5. Accountability to Oversight Report, 6. Scorecard; 7. Integrity Systems Evaluation. Together, these publications provide a comprehensive overview of the performance of government service delivery departments in respect of their implementation of accountability and service delivery systems necessary to realise socio-economic rights to education, health care, housing and welfare. The Budget Analysis and Strategic Plan Evaluation are forward-looking research outputs, produced at the beginning of the financial year. These outputs analyse the likely impact of policy priorities, budget allocations and planned activities on each department's ability to implement effective accountability and service delivery systems in the upcoming financial year. The remaining outputs are retrospective, and provide an analysis of each department's actual performance in the previous financial year. The current outputs, and those which will be completed during the course of 2007, can be accessed via [www.psam.org.za](http://www.psam.org.za).

---

<sup>1</sup> Public schools in South Africa are divided into five categories, called 'quintiles' from the poorest to the least poor (School Fees: Your Rights, Education Law Project, available at <http://www.law.wits.ac.za/cals/SCHOOL%20FEES%20BOOKLET%20-%20APRIL%202006.pdf>). Each category contains 20 percent of all learners. In terms of the Norms and Standards for School Funding, the category a school belongs to is decided by: where the school is located; the wealth of the community (measured by household incomes, numbers of dependants and household education levels); and physical conditions at the school.

<sup>2</sup> Constitution of the Republic of South Africa. Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

<sup>3</sup> Eastern Cape Department of Education, Policy Speech, 2007/08, Bhisho, 16 March 2007, p. 2

<sup>4</sup> Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, Section 29 (1).

<sup>5</sup> Medium-term priorities and public service delivery, 2007 Budget Review, Chapter 7, p. 125. For example, the Department has a total allocation of R14.73 billion for the 2007/08 financial year which is the largest departmental budget allocation in the Province, Eastern Cape Provincial Treasury, Budget Statement II, 2007/08, p.147.

<sup>6</sup> Ibid, p. 254.

<sup>7</sup> Eastern Cape Department of Education Policy Speech, Bhisho, 16 March 2007.

<sup>8</sup> Eastern Cape Department of Education Policy Speech, 2007/08, Bhisho, 16 March 2007.

<sup>9</sup> State of the Nation Address, 9 February 2007, p.10 available at <http://www.info.gov.za/speeches/2007/07020911001001.htm>; and National Budget Speech, 21 February 2007, p. 7 available at <http://www.info.gov.za/speeches/2007/07022115261001.htm>

<sup>10</sup> Medium-term priorities and public service delivery, 2007 Budget Review, Chapter 7, p. 118.

<sup>11</sup> Eastern Cape Department of Education Policy Speech, 2007/08, Bhisho, 19 March 2007, p. 3

<sup>12</sup> This policy exempts the poorest schools from charging schools fees where these schools receive an adequate allocation from government. [Education Laws Amendment Bill \[B23-2005\]](#), Section 39 (4) (b). Available at [www.polity.org.za/attachment.php?aa\\_id=2096](http://www.polity.org.za/attachment.php?aa_id=2096).

<sup>13</sup> Eastern Cape Department of Education Policy Speech, 2007/08, Bhisho, 19 March 2007, p. 5,

<sup>14</sup> State of the Province Address, 16 February, 2007, Eastern Cape Provincial Budget Speech, 2 March, 2007, Eastern Cape Department of Education Budget and Policy Speech, 2007/08, 16 March 2007.

<sup>15</sup> Eastern Cape State of the Province Address, East London, 16 February, 2007, p. 6.

<sup>16</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 9  
2007 Budget Review, p. 140.

<sup>18</sup> Eastern Cape Provincial Budget Speech, Bhisho, 02 March, 2007, p. 9

<sup>19</sup> Division of Revenue Act, No 2, 2006 Section, 9 (1).

<sup>20</sup> White Paper on Reconstruction and Development, p. 46. available at <http://www.info.gov.za/gazette/whitepaper/1994/16085.pdf>

<sup>21</sup> Eastern Cape Department of Education, Policy Speech, 2007/08, Bhisho, 19 March 2007, p.4.

<sup>22</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 239.

<sup>23</sup> Ibid, pp.7-9

<sup>24</sup> State of the Nation Address, 9 February 2007 and National Budget Speech, 21 February 2007, Eastern Cape Department of Education Policy Speech, 2007/08, State of the Province Address, 16 February, 2007, Eastern Cape Provincial Budget Speech, 2 March, 2007.

<sup>25</sup> Funds distributed to provinces by the National Treasury are known as equitable share allocations. These funds are allocated to enable provinces to provide basic services and perform the functions for which they are responsible. Equitable share allocations are unconditional – provinces determine how their equitable share is distributed to particular departments and programmes in line with national policies and priorities. In addition to its equitable share allocation, departments may receive conditional grants. In effect, they are supplementary funds given to Departments to address specific, high-priority, needs. They are usually transferred from national departments to provincial departments and, unlike the department's equitable share allocation, may only be spent in a way that is consistent with their intended use.

<sup>26</sup> State of the Province Address, p. 5, East London, 16 February 2007,

<sup>27</sup> Eastern Cape Department of Education, Policy Speech, 2007/08, Bhisho, 19 March 2007, p.7.

<sup>28</sup> Eastern Cape Department of Education Annual Performance Plan, 2007/08, p. 229.

- 
- <sup>29</sup> Eastern Cape Department of Education, Policy Speech, 2007/08, Bhisho, 19 March 2007, p.7.
- <sup>30</sup> Ibid.p. 5.
- <sup>31</sup> Ibid, p.4.
- <sup>32</sup> Eastern Cape Provincial Treasury, Budget Statement II, 2007/08, p. 265.
- <sup>32</sup> In Tables 1, 2 and 3 in this analysis, the figures for 2003/04, 2004/05 and 2005/05 are audited expenditure, while the figures for 2006/07 are a combination of un-audited incurred expenditure and projected expenditure. The outer years are MTEF projections (projected allocations). All figures (R'000) are nominal (they do not factor in the effect of inflation on buying power). The percentages in the last two columns were calculated using real figures. CPIX (projected inflation figures) were used to calculate what the real buying power would be for each of the budget allocations in the budget horizon (2003/04-2009/10). The 'deflated' figures were then used to calculate the real growth percentages shown in the last two columns. The deflators for each year are: 2003/04 – 1; 2004/05 – 1.043; 2005/06 – 1.084; 2006/07 – 1.134; 2007/08 – 1.191; 2008/09 – 1.247, 2009/10 – 1.303.
- <sup>33</sup> Eastern Cape Provincial Treasury Budget Statement II 2007/08, p.147.
- <sup>34</sup> Eastern Cape, Department of Education Annual Performance Plan, 2007/08, p. 6.
- <sup>35</sup> Eastern Cape Department of Education, A Transformation Agenda for the Eastern Cape Department of Education (2005-2014); Progress Report on Implementation of 2005 Summit Resolutions, 2006, p.45.
- <sup>36</sup> This amount includes both the equitable share and the Provincial Infrastructure Grant (PIG) allocations. The PIG is an add-on to the equitable share and not necessarily a stand alone grant to Departments. Eastern Cape Provincial Treasury Budget Statements II, 2007/08, p. 145. You need to reference the source(s) for this figure.
- <sup>37</sup> Eastern Cape Department of Education, Annual Report, 2005/06, p.155.
- <sup>38</sup> 'R64M Gift to Education sent back to donor' Sunday Times, 29 Jan 2006. According to the 2006/07 Fourth Quarter unaudited spending results, the Department failed to spend 21.1 percent, or R140 million, of its capital budget.
- <sup>39</sup> Norms and Standards for School Funding in terms of the South African Schools Act, No. 84, 1996, Part I (2) 26.
- <sup>40</sup> According to the 2007/08 Annual Performance Plan, the Department has set a 14.8 percent target for spending on non-personnel items for the 2007/08 financial year. This is in contrast with the PSAM's own calculations which indicate a 21 percent allocation for non-personnel items.
- <sup>41</sup> Eastern Cape Provincial Treasury Budget Statement II, 2007/08, p. 264
- <sup>42</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 43.
- <sup>43</sup> Ibid, p. 23.
- <sup>44</sup> According to the National Norms and Standards for School Funding, teaching personnel costs should be targeted at 85 percent, within the total personnel allocation in Provincial Education Departments, to allow for the appointment and proper distribution of administrative and support staff. Norms and Standards for School Funding in terms of the South African Schools Act, No. 84, 1996, Part I (2) 27.
- <sup>45</sup> Ibid
- <sup>46</sup> Eastern Cape Department of Education, A Transformation Agenda for the Eastern Cape Department of Education (2005-2014); Progress Report on Implementation of 2005 Summit Resolutions, 2006, p.39.
- <sup>47</sup> Eastern Cape Department of Education Annual Report, 2005/06, p. 166. The 2006/07 Fourth Quarter spending results reflect an over expenditure of 2.4 percent on personnel despite these vacancies. This could either be as a result of the Department's recruitment failures (see page 9), or spending on excess personnel. In 2005/06 the Department had 10 925 excess staff.
- <sup>48</sup> Eastern Cape Provincial Budget Speech, 2007/08, Bhisho, 2 March 2007, p. 19. According to the Department, double-packing occurs when the number of educators employed at a school proportionately exceeds the number of learners in terms of the learner: educator ratio. Telephonic conversation with Mr Loyiso Pulumani, Eastern Cape Department's spokesperson, 26 April 2007.
- <sup>49</sup> Ibid.
- <sup>50</sup> Source: Eastern Cape Department of Education, Annual Performance Plan 2007/08, p. 35.

- 
- <sup>51</sup> The Department projects an average annual growth of 4.1 percent over the next MTEF period, which is less than the figure reflected in this analysis, Eastern Cape Department of Education, Annual Performance Plan 2007/08, p.137.
- <sup>52</sup> Eastern Cape Provincial Treasury Budget Statements II, 2007/08, p. 153
- <sup>53</sup> State of the Province Address, East London, 16 February, 2007, p. 5.
- <sup>54</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 141. Schools in quintile one are given this status because they are in the poorest communities in the province.
- <sup>55</sup> Eastern Cape Department of Education Policy Speech, 2006/07, Bhisho, 23 March 2007 p. 23;
- <sup>56</sup> Eastern Cape Department of Education Policy Speech, 2007/08, Bhisho, 19 March 2007, p. 5.
- <sup>57</sup> Eastern Cape Department of Education Policy Speech, 2007/08, Bhisho, 10 March 2007, p. 5.
- <sup>58</sup> Eastern Cape Department of Education Annual Performance Plan, 2006/07 p. 69.
- <sup>59</sup> According to the 2006/07 Annual Performance Plan, the average allocation per learner per year, was R262 for 2006/07, p. 69.
- <sup>60</sup> Eastern Cape, State of the Province Address, East London, 16 April 2007, p.5.
- <sup>61</sup> Eastern Cape Department of Education, Policy Speech, 2006/07, Bhisho, 23 March 2007 p.16;
- <sup>62</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 229.
- <sup>63</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 44.
- <sup>64</sup> Ibid, according to the Plan, the Eastern Cape had a total population of 152 552 children in the Grade R age cohort in 2006. The Department was able to provide funding for 130 277 or 85.40 percent.
- <sup>65</sup> Eastern Cape Department of Education, Annual Performance Plan, 2007/08, p. 227.
- <sup>66</sup> Eastern Cape Department of Education, Policy Speech, 2006/07, Bhisho, 23 March 2007 p.12.
- <sup>67</sup> Further Education and Training College Sector Recapitalisation Grant by College, 4<sup>th</sup> Quarter Ended 31 March 2007, available at <http://www.treasury.gov.za/>.
- <sup>68</sup> Division of Revenue Act, No 2, 2006Section, 9 (1).
- <sup>69</sup> Ibid.
- <sup>70</sup> Eastern Cape Provincial Treasury Budget Statement II 2007/08, p.145.
- <sup>71</sup> Eastern Cape Department of Education, Policy Speech, 2007/08, Bhisho, 19 March 2007 pp 7-9.
- <sup>72</sup> Eastern Cape Department of Education, Annual Report, 2004/05, p.157.
- <sup>73</sup> Eastern Cape Department of Education, Annual Report, 2005/06, p.195.
- <sup>74</sup> Conditional grants transferred from national departments and actual payments made by provinces, Eastern Cape Province, 4th quarter results for the year ended 31 March 2007, available at <http://www.treasury.gov.za/> . According to a press statement released by National Treasury on 3 May 2007, the Department of Education has spent more than 100 percent of this grant.
- <sup>75</sup> 667 000 people are infected in the Eastern Cape, with 17 percent of the infected persons being females between the ages of 15 and 24. This is according to: *The demographic Impact of HIV/AIDS in South Arica: National and Provincial Indicators for 2006*. Cape Town: Dorrington, R. Johnson, L. Bradshaw, B. and Daniel, T. The Centre for Actuarial Research, the Burden of Disease Research Unit and the Actuarial Society of South Africa.
- According to the Eastern Cape Department of Education's MEC, more than 5015 Eastern Cape schoolgirls fell pregnant in 2006. This figure was almost double the number of pregnancies recorded in 2004, where 2615 school pregnancies were reported. See further in this regard: <http://www.dispatch.co.za/2007/04/20/Easterncape/apreg.html>
- <sup>76</sup> In his 2007/08 policy speech, the MEC for Education reported that the conditional grant for SNP would be R245, 576 million in the present year. This figure is different from the one presented in the Provincial Budget Statement and the Annual Performance Plan for 2007/08.
- <sup>77</sup> Conditional grants transferred from national departments and actual payments made by provinces, Eastern Cape Province, 4th quarter results for the year ended 31 March 2007, available at <http://www.treasury.gov.za/> .
- <sup>78</sup> Provided that the Department can effectively utilise the Administration Programme's allocation in 2007/08 for its intended purposes and account for constraints which it had faced due to limitations placed on the allocation in this regard.