

**Eastern Cape Department of Education**

**Budget Analysis**

**2008/09**

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**Key Findings and Recommendations**

**Finding**

The Department's overall budget is set to grow by 1.17 percent in real terms over the MTEF period. Between 2007/08 and 2008/09, the Department's allocation grew by 22.78 in nominal terms (15.62 in real terms), from R14.51 million to R17.81 million. The Department received this increase despite a cut in the adjustment budget for the 2007/08 financial year due to under spending.

**Recommendation**

The Department needs to urgently improve its spending to prevent this budget from being reduced during the adjustment budget. Such negative fluctuations in the budget can only undermine the intention of an increased allocation, which is to improve the quality of public education in the Eastern Cape.

**Finding**

Key non-personnel items have seen a sharp increase in allocation between 2007/08 and 2008/09. These include: (a) Goods and Services (31.76 percent), Non-Profit Institutions (68.45 percent) and Buildings and other fixed structures (50.07).<sup>1</sup> Some of the services provided under these line items include the provision of learner teacher support material, transfers to no-fee and Section 21 schools and the provision of infrastructure.

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<sup>1</sup> The percentages are in real terms.

### **Recommendation**

The responsibility now rests with the Department to ensure that these allocations do result in an improved expenditure pattern. Already in the 2008/09 budget, the Department's administration budget has placed emphasis on the Education management sub-programme which deals mainly with co-ordination and management at district levels. This long overdue emphasis on improving district management should be coupled with employing people with the necessary skills. Such action should help the Department to manage a significantly increased budget.

### **Finding**

In line with the national policy of prioritising early childhood development (ECD), the Department has received a welcome increase of 182 percent in real terms between 2007/08 and 2008/09. The budget for this programme grew from R91.51 million in 2007/08 to R274.40 million in 2008/09. Programmes 4 (Public Special Schools) and 5 (Further Education and Training) received an increase of 52.10 and 51.37 in real terms respectively. These two areas have also been prioritised nationally.

### **Recommendation**

Once again, as with other areas where the Department allocations have significantly increased, the Department needs to ensure that no monies at the end of the financial year are returned to the provincial revenue fund as a result of under expenditure. Be that as it may, the Department needs to maintain effective controls to avoid any possibilities of maladministration occurring.

### **Finding**

Between 2007/08 and 2008/09, the Department's "Building and other fixed structures" allocation rose from R715.72 million to R864.79 million. This increase is insufficient when compared with the Department's estimates of what is needed to eradicate the infrastructure backlog. The Department projects that R46.82 billion is needed to deal with the infrastructure backlog. The 2008/09 allocation represents only 1.85 percent of what is required by the Department to eradicate the backlog.

### **Recommendation**

For a significant increase, which is necessary, as well as further assistance from both the national government and the private sector, the Department needs to address its own deficiencies and ensure that it improves on its expenditure. This requires proper procurement processes, adequate verification of service providers, monitoring mechanisms as well as strict expenditure tracking systems, to avoid any possibilities of maladministration or corruption.

### **Finding**

The Department's entire budget for the current financial year is R17.81 billion. Of this, R13.84 billion will go towards compensation of employees while R4 billion is allocated for non-personnel items. This budget breakdown represents a 78:22 percent split between personnel and non-personnel items, indicating that the Department has achieved the national target of an 80:20 ratio. The Department also admitted that the proportion of funds spent on educators and non-educators is still below the nationally desired 85:15 ratio. The implications for this are that the Department still does not have the necessary non-educator personnel.

**Recommendation**

Non-educator personnel are vital in improving the spending capacity of the Department. The Department therefore needs to articulate plans to bring the budget split between educator and non educator personnel in line with the national norm.

## **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 2008/09 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 quality education and training to develop human capital and resources in the province.<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 remains central in government's priorities. This is reflected in the budget allocation for the Education Department which continues to receive the largest share of government allocations.<sup>5</sup> By investing in education, it is expected that this will result in an increase in employment and significant growth in the economy.<sup>6</sup>

The Eastern Cape Department of Education policy priorities appear to be in line with those of the national Department of Education. These will be highlighted and discussed

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<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, 2008/09, Bhisho, 11 March 2008, p. 1

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

<sup>5</sup> For the 2008/09 financial year, the Department has received R17.81 billion. As with the previous years' allocations it remains the largest departmental budget allocation in the Province, Eastern Cape Provincial Treasury, Budget Statement II, 2008/09, p.159.

<sup>6</sup> Medium-term priorities and public service delivery, 2008 Budget Review, Chapter 7, p. 114

in this section. The State of the Nation Speech and the National Budget Speech reflected on the following national education priorities:

- Infrastructure to achieve economic and social goals;
- Improve the quality and impact of education and training;
- Prioritise Further Education and Training (FET);
- Declare all schools in the lowest three quintiles as no-fee schools;
- Adult Basic Education and Training;
- Early Childhood Development; and
- Remuneration of educators.<sup>7</sup>

In addition to these, the following have also been prioritised at provincial level:

- The School Nutrition Programme (SNP);
- Public Special Schools (Inclusive Education); and
- Strengthening the Department's administrative capacity.<sup>8</sup>

The following policy priorities require additional explanation considering their importance within the Eastern Cape Education's Department's areas of priority:

1. No-Fee Schools policy

This policy exempts the poorest schools from charging school fees where these schools receive an adequate allocation from government.<sup>9</sup> According to the MEC's Policy Speech, 3 688 schools in the province will benefit from the no-fee school policy at an annual amount of R775 for quintile 1 and R711 for quintile 2, per learner, per year in 2008/09.<sup>10</sup> Despite the promised increase, the Department's target falls below what is required nationally. In the State of the Nation Address the President indicated that the three lowest quintiles would be exempted from paying school fees.<sup>11</sup>

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<sup>7</sup> State of the Nation Address, 8 February 2007, available at <http://www.info.gov.za/speeches/2008/08020811021001.htm>; 2008 National Budget Speech, 20 February 2008, available at <http://www.info.gov.za/speeches/2008/08022016151001.htm>.

<sup>8</sup> Eastern Cape Department of Education Policy Speech, 2008/09, Bhisho, 11 March 2008.

<sup>9</sup> 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>10</sup> Eastern Cape Department of Education Policy Speech, 2008/09, Bhisho, 11 March 2008, p. 4.

<sup>11</sup> State of the Nation Address, 8 February 2007, available at <http://www.info.gov.za/speeches/2008/08020811021001.htm>;

## 2. Infrastructure

The eradication of the school infrastructure backlog remains a key priority both nationally and for the Eastern Cape Department of Education.<sup>12</sup> There are a number of initiatives to address infrastructure backlog in the province but these, as will be discussed in the following sections, have not been costed and therefore it is not clear how much has been dedicated to this programme.<sup>13</sup> The MEC has again made the commitment that mud-structured schools will be replaced in 2008/09.<sup>14</sup> The MEC for Education also added that 452 mud schools (including 150 schools affected by disasters) will be replaced in 2008/09.<sup>15</sup>

## 3. Early Childhood Development (ECD)

Early Childhood Development (ECD) is also a national priority – as it has been for the past two financial years, since being converted from a conditional grant to a stand alone programme in the equitable share. This programme has had its allocation increase significantly over the past three financial years. The MEC stated in his speech that the Department is in the process of phasing out stand alone ECD centres so that Grade R can be attached to public primary schools.<sup>16</sup>

## 4. The School Nutrition Programme (SNP)

According to the MEC, the total allocation for the School Nutrition Programme (SNP) in the 2008/09 financial year is R393 million.<sup>17</sup> This is set to benefit 1,342 million learners.<sup>18</sup> While the MEC did not give details on how this programme will be governed this year, he mentioned that the intention was to decentralise it to local communities and schools.<sup>19</sup> He added that there will be collaboration with the Departments of Agriculture, Health and Economic Development.<sup>20</sup>

## 5. Human Resources

The Department's plan to improve its human resources covers both educator and non-educator positions. In his speech, the MEC stated that the Department intended to "strengthen the executive management and leadership at head office" by creating two

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<sup>12</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008.

<sup>13</sup> Ibid, p. 8.

<sup>14</sup> Ibid

<sup>15</sup> Ibid.

<sup>16</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008. p. 7.

<sup>17</sup> Ibid, p. 3. Of this amount, R54 million is from the equitable share. For the first time the Department has topped-up this conditional grant. This should be welcomed given the fact that previous allocations were not enough to cover every school day.

<sup>18</sup> Ibid. In his speech the MEC also added that all learners in the lowest three quintiles in grade R-7, will benefit from the scheme, with the intention to include all quintiles and learners in senior secondary school in 209/10.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

executive positions.<sup>21</sup> In addition the MEC listed the following areas which will be prioritised to strengthen human resources capacity in the 2008/09 financial year:

- Addressing temporary educators;
- Recruiting more Maths and Science educators;
- Allocating more posts for Early Childhood Development (ECD);
- Inclusive Education;
- Posts will be created for the extension of ABET centres;
- Post have also been created for administrative support in schools to relieve educators from administrative duties;
- The continued Further Education and Training Colleges Recapitalisation still remains a priority in the current financial year.<sup>22</sup>

#### 6. Public Special Schools

In his policy speech, the MEC for Education indicated that 150 posts would be allocated to support inclusive education.<sup>23</sup> This programme is one of the key priority areas earmarked for special attention by the Department provincially. As will be shown later in this analysis, this programme has received a significant increase in its budget allocation.

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<sup>21</sup> Ibid, p. 2.

<sup>22</sup> Ibid, pp. 6-7.

<sup>23</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008. p. 7.

**Table 1: Eastern Cape Department of Education by Economic Classification, 2008/09-2010/11<sup>24</sup>**

(R' 000)	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate				%Real Change between 2007 and 2008	%Real Average Growth over MTEF
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% change from Adjusted Appropriation on 2007/08	2008/09	2009/10	2010/11		
<b>Current payments</b>	<b>9,988,939</b>	<b>10,827,926</b>	<b>11,922,861</b>	<b>13,438,603</b>	<b>13,368,251</b>	<b>13,368,251</b>	<b>15,939,530</b>	<b>19.23</b>	<b>16,726,535</b>	<b>17,819,376</b>	<b>12.27</b>	<b>0.62</b>
Compensation of employees	9,323,558	9,915,990	10,706,949	11,836,246	11,870,205	11,870,205	13,843,318	16.62	14,529,144	15,404,949	9.81	0.47
Goods and Services	665,381	911,903	1,215,912	1,602,357	1,498,046	1,498,046	2,096,212	39.93	2,197,391	2,414,427	31.76	1.63
Interest and rent on land												
Financial transactions in assets and liabilities		33										
Unauthorised expenditure												
<b>Transfers and Subsidies to</b>	<b>349,168</b>	<b>355,478</b>	<b>425,512</b>	<b>523,267</b>	<b>542,382</b>	<b>542,382</b>	<b>925,388</b>	<b>70.62</b>	<b>927,050</b>	<b>979,449</b>	<b>60.65</b>	<b>-1.19</b>
Provinces and municipalities	26,143	29,134	15,123									
Departmental agencies and accounts				7,350	5,826	5,826	7,666	31.58	8,011	8,371	23.90	-0.16
Universities and technikons												
Public corporations and private enterprises												
Foreign governments and international organisations												
Non-profit institutions	250,556	279,180	346,981	457,407	478,052	478,052	855,194	78.89	854,309	904,080	68.45	-1.23
Households	72,469	47,164	63,408	58,510	58,504	58,504	62,528	6.88	64,730	66,998	0.64	-0.79
<b>Payments for capital assets</b>	<b>316,339</b>	<b>339,754</b>	<b>524,370</b>	<b>764,191</b>	<b>594,630</b>	<b>594,630</b>	<b>945,279</b>	<b>58.97</b>	<b>1,227,552</b>	<b>1,439,368</b>	<b>49.69</b>	<b>11.54</b>
Buildings and other fixed structures	296,863	279,537	506,158	715,715	542,626	542,626	864,786	59.37	1,119,764	1,327,788	50.07	11.85
Machinery and equipment	19,476	59,006	17,387	44,768	48,296	48,296	79,403	64.41	106,649	110,390	54.81	8.21
Cultivated assets												
Software and other intangible assets		1,211	825	3,708	3,708	3,708	1,090	-70.60	1,139	1,190	-72.32	-0.17
Land and subsoil assets												
<b>Total economic classification</b>	<b>10,654,446</b>	<b>11,523,158</b>	<b>12,872,743</b>	<b>14,726,061</b>	<b>14,505,263</b>	<b>14,505,263</b>	<b>17,810,197</b>	<b>22.78</b>	<b>18,881,137</b>	<b>20,238,193</b>	<b>15.62</b>	<b>1.17</b>

<sup>24</sup> Eastern Cape Provincial Treasury, Budget Statement II, 2007/08, p. 168. In Tables 1, 2 and 3 in this analysis, the figures for 2004/05, 2005/06 and 2006/07 are audited expenditure, while the figures for 2007/08 are a combination of un-audited incurred expenditure and projected expenditure. Figures for 2009/10 and 2010/11 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 (2004/05-2010/11). The 'inflated/deflated' figures were then used to calculate the real growth percentages shown in the last two columns.

## 1. Infrastructure

The maintenance and provision of school infrastructure is one of the Eastern Cape Department of Education's key priorities. It is also a national priority. Yet the provincial Department has not been able to effectively spend its infrastructure allocation over the past few years. Despite this under expenditure, the Department's allocation for infrastructure has continued to rise significantly. As Table 1 above illustrates, between 2007/08 and 2008/09, the Department's "Building and other fixed structures" allocation rose from R715.72 million to R864.79 million. This represents an increase of 13.77 percent in real terms. Over the MTEF period, this is set to grow by 11.85 percent in real terms.<sup>25</sup> This increase is insufficient when compared with the Department's estimates of what is needed to eradicate the infrastructure backlog. The Department projects that R46.82 billion is needed to deal with the infrastructure backlog.<sup>26</sup> The 2008/09 allocation represents only 1.85 percent of what is required by the Department to eradicate the backlog.

Should the Department continue to under spend on the "Buildings and other fixed structures" line item, it is likely that the backlog will increase perpetually. It is also unlikely – if not impossible – that mud-structured schools will be eradicated by the end of 2008/09 in line with assurances made by the MEC for Education during his 2008/09 policy speech. This challenge is due to the fact that insufficient resources have been allocated to eradicating such schools during 2008/09. The Department has 6 302 schools in the province.<sup>27</sup> According to the Department's Infrastructure Delivery Plan for 2008/09, there are 826 mud-structured schools in the Eastern Cape.<sup>28</sup> The number of mud structures represents 13.11 percent of the total number of schools in the province. As noted in the previous paragraph, the Department will only receive in 2008/09 funding equivalent to 1.85 percent of the projected budget needed to address its infrastructure backlog.

For a significant increase, which is necessary, as well as further assistance from both the national government and the private sector, the Department needs to address its own deficiencies and ensure that it improves on its expenditure. This requires proper procurement processes, adequate verification of service providers, monitoring mechanisms as well as strict expenditure tracking systems, to avoid any possibilities of maladministration or corruption. Such action would help improve the Department's ability to administer the transfer of funds and monitor the construction of much needed infrastructure, whilst also providing additional grounds for motivating for increased funding in the outer years of the MTEF should their infrastructure spending capacity improve.

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<sup>25</sup> Table 1 (see page 8) reflects an increase of 50.07 percent for buildings and other fixed structures between 2007/08 and 2008/09 in real terms. This figure was calculated using the adjusted appropriation, when the Department had already had a cut in its budget due to under spending.

<sup>26</sup> Eastern Cape Department of Education, Annual Performance Plan, 2008/09, p. 16.

<sup>27</sup> Eastern Cape Department of Education, Annual Performance Plan, 2008/09, p. 16.

<sup>28</sup> Eastern Cape Department of Education, Infrastructure Delivery Plan, 2008/09.

## **2. No-Fee Schools**

The Department has committed to meet the national requirement for learner per capita funding in the 2008/09 financial year.<sup>29</sup> In his 2008/09 Policy Speech, MEC Makgato made a commitment that the Department would allocate R775 per learner per year for schools in quintile 1, while R711 would be made available for learners in Quintile 2.<sup>30</sup> As indicated in the previous section the Eastern Cape Department has not been able to meet the national target of exempting all schools in the lowest three quintiles from paying school fees in the current financial year. However the MEC promised that quintiles 3 to 5 will be included in 2009/10.<sup>31</sup> For the current financial year, 1.250 million learners are set to benefit from the no-fee schools policy.<sup>32</sup> While the Department's effort to meet the national target should be encouraged, it is not clear whether this target will be met as there is no indication of how much will be allocated to no-fee schools this year. In the past two financial years, the Department failed to meet the national minimum targets.<sup>33</sup> It is therefore difficult to evaluate whether the Department will meet the national targets as the figures for such analysis are not available.<sup>34</sup> It is important to note (see Table 1 on page 8), however, that transfers to non-profit institutions which includes transfers to no-fee schools, has risen by 78.89 percent in nominal terms (68.45 in real terms), from R478.05 million to R855.19 million between 2007/08 and 2008/09.<sup>35</sup>

### **Personnel vs. Non-personnel spending**

As Table 1 (on page 8) records, the total budget for the current financial year is R17.81 billion. R13.84 billion of this amount will go towards compensation of employees while R4 billion is allocated for non-personnel items.<sup>36</sup> This budget breakdown represents a 78:22 percent split between personnel and non-personnel items, indicating that the Department has achieved the national target.<sup>37</sup> According to the national Department of Education, the budget split between personnel and non-personnel should be 80:20, with

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<sup>29</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008.

p. 4.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> See PSAM Budget Analysis of the Eastern Cape Department of Education, 2007/08, p. 14.

available at <http://www.psam.org.za/department.php?did=2&output=1&year=2007-08>

<sup>34</sup> Neither the MEC's Policy Speech nor the Annual Performance Plan for 2008/09 indicate how much will be allocated for no-fee schools in the current financial year.

<sup>35</sup> While this has not been addressed explicitly in the 2008/09 budget statements this amount could also include transfers made to section 21 schools and the increase could be attributable to both the increase in the number of learners benefiting from the no-fee policy as well as the number of schools that have been awarded a section 21 status. It is also possible that the Auditor-General's finding on the Department's reporting on transfers relating to no-fee schools had an indirect impact on this remarkable increase. See (Eastern Cape Department of Education, Annual Report, 2006/07 p.102.)

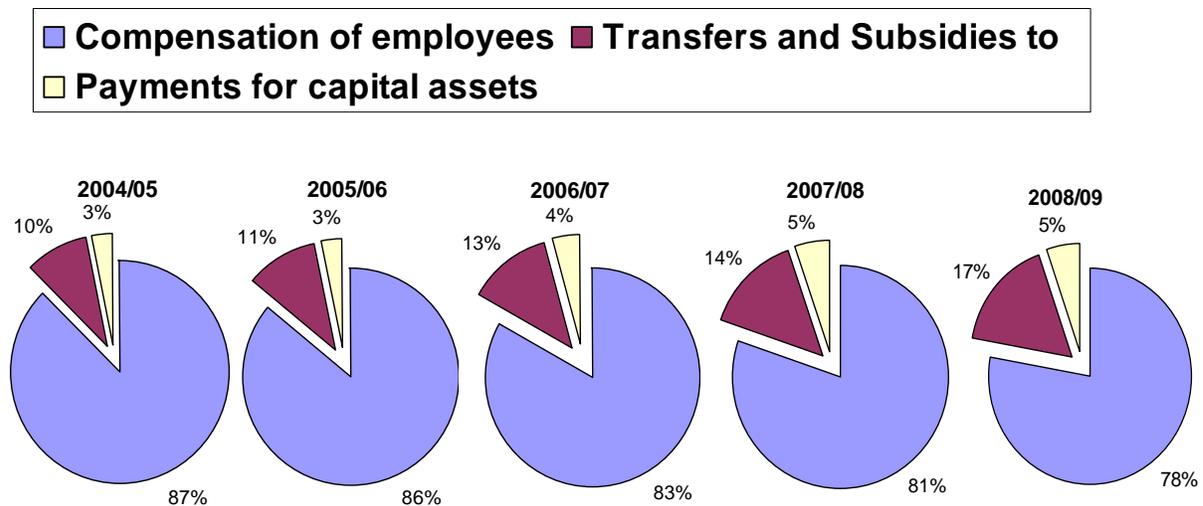
<sup>36</sup> Eastern Cape Provincial Treasury, Budget Statement II, 2007/08, p. 168.

<sup>37</sup> This is based on the PSAM's own calculations and could be different from a formula used by the Department. According to the 2008/09 Annual Performance Plan, the personnel versus non-personnel split was 82:18 at the end of 2006/07. While this may appear as an improvement in the Department's budgeting and expenditure relating to personnel, excess staff remain a huge burden. According to the Department's 2006/07 Annual Report (page 188), as at 31 March 2007, there was a total of 12 198 employees regarded as additional to what the Department required.

20 percent of the budget going towards non-personnel education services.<sup>38</sup> Graph 1 (below) shows that the Department has, over the years, gradually moved towards the national requirement. 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>

The Department also admitted that the proportion of funds spent on educators and non-educators is still below the nationally desired 85:15 ratio.<sup>40</sup> The implications for this are that the Department still does not have the necessary non-educator personnel. It is, however, difficult to ascertain how much of the personnel budget funds non-educator employees as the Department fails to provide a breakdown in this regard. It remains unclear how the Department will absorb new personnel both educator and non-educators in order to meet both nationally and provincially stated priorities of strengthening its human resources.<sup>41</sup>

**Graph 1. Budget split between personnel and non-personnel items<sup>42</sup>**



<sup>38</sup> Norms and Standards for School Funding in terms of the South African Schools Act, No. 84, 1996, Part I (2) 26.

<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> Eastern Cape Department of Education, Annual Performance Plan, 2008/09, p. 54.

<sup>41</sup> The Department's Annual Performance Plan for 2008/09 does not provide any information on the Department's current vacancy rate. It is therefore impossible to evaluate whether the current increase in the personnel budget will meet the Department's human resources needs.

<sup>42</sup> The Goods and Services line item has been included in the non-personnel items in order to isolate the compensation of employees' line items.

**Table 2: Eastern Cape Department of Education outcomes and estimates by Programme, 2008/09-2010/11<sup>43</sup>**

Programme (R '000)	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate			% Real Change between 2007 and 2008	% Real Average Growth over MTEF	
	Audited 2004/05	Audited 2005/06	Audited 2006/07				%Change from Adjusted Approp 2008/09	2009/10	2010/11			
1. Administration	673,525	796,219	858,107	968,591	1,041,922	1,041,922	1,156,412	10.99	1,208,074	1,244,760	4.51	-0.64
2. Public Ordinary School Education	9,330,214	10,009,326	11,152,847	12,609,444	12,417,313	12,417,313	15,021,023	20.97	15,909,377	16,967,525	13.91	0.97
3. Independent Schools	15,557	18,342	25,130	35,241	35,433	35,433	44,418	25.36	53,301	63,428	18.04	9.18
4. Public Special Schools	185,497	210,394	249,388	336,880	305,222	305,222	493,013	61.53	564,564	591,402	52.10	3.02
5. Further Education and Training	169,876	167,932	222,330	302,200	266,534	266,534	428,460	60.75	335,719	395,817	51.37	-5.57
6. Adult Basic Education and training	126,047	136,348	155,802	149,383	149,215	149,215	152,180	1.99	159,277	167,191	-3.97	0.04
7. Early Childhood Development	36,937	38,823	46,313	105,753	91,513	91,513	274,397	199.84	395,539	539,922	182.34	21.49
8. Auxiliary and Associated Services	116,793	145,774	162,826	218,569	198,111	198,111	240,294	21.29	255,286	268,149	14.21	0.56
<b>Total payments and estimates</b>	<b>10,654,446</b>	<b>11,523,158</b>	<b>12,872,743</b>	<b>14,726,061</b>	<b>14,505,263</b>	<b>14,505,263</b>	<b>17,810,197</b>	<b>22.78</b>	<b>18,881,137</b>	<b>20,238,194</b>	<b>15.62</b>	<b>1.17</b>

This section looks at allocations per programme, and specifically those that relate to the Department's stated policy priorities. Programmes 1 (Administration) and 2 (Public Ordinary School Education) are the key programmes in the Department. Programme 1 is responsible for the "overall administration of the education system in accordance with the National Education Policy Act, the Public Finance Management Act, and other policies."<sup>44</sup> Programme 2, which is responsible for the provision of public ordinary education from grades 1 to 12 in accordance with the South African Schools Act, received the largest portion of the Department's total allocation.<sup>45</sup> As illustrated in Table 2 above, Programmes 4 (Public Special Schools), 5 (Further Education and Training), and 7 (Early Childhood Development) have received significant increases, which rose above 50 percent each in real terms.

<sup>43</sup> Eastern Cape Provincial Treasury Budget Statement II, 2008/09, p. 167

<sup>44</sup> Ibid, p. 171.

<sup>45</sup> Ibid, p. 172.

## **1. Programme 1 (Administration)**

The budget for Programme 1 has increased from R968.59 million in 2007/08 to R1.156 billion in 2008/09 (see Table 2 on page 12). This represents a rise of 12.42 percent in the budget in real terms.<sup>46</sup> The adjustments made to the budget during the course of the 2007/08 financial year resulted in a decline in the real percentage increase (4.51 percent) as is reflected in Table 2. This increase has benefited the Education management sub-programme which deals mainly with co-ordination and management at district levels. This long overdue emphasis on improving district management is to be welcomed but this needs to be coupled with employing people with the necessary skills to be able to manage a significantly increased budget.<sup>47</sup> This sub-programme received an increase of 27.58 percent in nominal terms.

Given that the Department had reported a vacancy rate of up to 80 percent in some districts in 2007, such an increase for the education management sub-programme needs to be coupled with a significant increase in the compensation of employees budget. According to the 2008 Provincial Budget Statements, the compensation of employees budget increased from R801.10 million in 2007/08 to R848.59 million in 2008/09 representing a 5.81 percent increase in nominal terms.<sup>48</sup>

While this increase is noted, it is not possible in this analysis to evaluate whether such an increase will address the critical vacancy rates experienced at district level due to the fact that there is no indication as to what the vacancy rates are and how much it will cost the Department to fill those vacancies.

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

As stated earlier, this is the main programme of the Department. As Table 2 records, this programme received R15.02 billion of the Department's total R17.81 billion budget for the 2008/09 financial year.<sup>49</sup> This represents 84.3 percent of the total departmental budget. The School Nutrition Programme (SNP) falls under this programme. This programme's increase seems to be in line with the Department's priorities to recruit more personnel, in particular Maths and Science educators, as well as non-educator, school based administrators. Between 2007/08 and 2008/09, the budget for this programme increased from R12.42 billion to R15.02 billion. This represents an increase of 20.97 percent in nominal terms and 13.91 percent in real terms. The compensation of employees line item has increased by 16.13 percent in nominal terms, with a budget increase from R10.52 billion to R12.22 billion between 2007/08 and 2008/09.<sup>50</sup>

The goods and services line item experienced a 45.97 increase in nominal terms from R1.16 billion in 2007 to R1.69 billion in 2008. The provision of Learner, Teacher Support

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<sup>46</sup> The percentage reported in-text indicating real change between 2007/08 and 2008/09 is different from the one reflected in Table 2. This is because calculations for the in-text percentage were done using the Main Appropriation column, while the percentage appearing in the table was calculated from the Adjusted Appropriation column.

<sup>47</sup> Eastern Cape Provincial Treasury Budget Statement II, 2008/09, p. 172.

<sup>48</sup> Ibid. This line item received a significant upward adjustment in the adjusted appropriation for 2007/08.

<sup>49</sup> Ibid, p. 175.

<sup>50</sup> Ibid.

Material (LTSM) falls under this category. Such an increase should ensure that enough learning and teaching materials are delivered in time for tuition.

Under transfers and subsidies, the non-profit institutions line item received an increase of 116.46 percent in nominal terms from R260.51 million in 2007/08 to R563.91 million in 2008/09.<sup>51</sup> The importance of this increase should be emphasised especially, in light of the fact that these transfers include money going to Section 21 and no-fee schools. An increased allocation for no-fee schools will ease the burden of demanding school fees from learners who cannot afford to pay them.

### **3. Programme 4 (Public Special Schools)**

This programme is responsible for ensuring that all learners with special educational needs in the province are enrolled in public special schools as required by law.<sup>52</sup> Over the past four years, the budget for Public Special Schools has grown significantly and it is also set to increase by 3.03 percent in real terms over the medium term period. (See Graph 2 on page 16). The budget for this programme has increased significantly from R305.22 million in 2007/08 to R493.01 million in 2008/09.<sup>53</sup> In nominal terms this is a 61.53 percent increase while in real terms; it has increased by 52.10 percent. This budget has placed emphasis on the provision of infrastructure in special schools. The budget for buildings and other fixed structures is R188.50 million for 2008/09, up from R75.78 million in 2007/08, representing a 148.75 percent increase in nominal terms.<sup>54</sup> The Department must ensure that this budget is spent effectively given that this programme serves some of the most vulnerable citizens of our province. Should the Department fail to spend the budget in its entirety; it is unlikely that it will receive similar increases in the outer years of the MTEF. This is likely to result in Eastern Cape learners with special needs not receiving enhanced and progressive levels of quality education specifically aimed at their particular circumstances.

As indicated earlier, the MEC stated that 150 posts would be budgeted for this programme. The Department's budget for compensation of employees has increased from R176.64 million to R239.40 million between 2007/08 and 2008/09 thus increasing by 42.81 percent in nominal terms.<sup>55</sup> Given these positive increases for personnel and infrastructure, the Department should be able to utilise its available budget for this programme so as to progressively ensure that all learners with special education needs do receive the necessary support. With the available budget for personnel, the Department should be able to fill all vacancies. This will hopefully address the challenges faced by the Department as documented in its 2006/07 Annual Report.<sup>56</sup> These include

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<sup>51</sup> Ibid. Transfers to no-fee schools and the SNP grant fall under this line item. This also includes transfers to section 21 schools. It is therefore impossible to ascertain how much went into no-fee schools as there is no breakdown of allocation as per these items listed above.

<sup>52</sup> Eastern Cape Provincial Treasury Budget Statement II, 2008/09, p. 177

<sup>53</sup> Ibid, p. 179.

<sup>54</sup> Ibid. It should be noted though that the Department received a downward adjustment in the adjustment budget due to under spending therefore some of these huge increases are as a result of the fact that calculations were done using the adjusted appropriation and not the main appropriation.

<sup>55</sup> Ibid.

<sup>56</sup> Eastern Cape Department of Education, Annual Report, 2006/07, p. 61. By the end of March 2007, the Department had not ensured that the JJ Serfontein School of industries (youth care facility) was fully functionally as per a High Court order.

the provision of infrastructure to special schools, more enrolment of learners with special needs and improving the quality of education learners get through the employment of qualified practitioners able to cope with the needs of learners falling within this programme.

#### **4. Programme 5: Further Education and Training (FET)**

The FET budget has for 2006/07 and 2007/08 received a top-up in its budget in the form of a conditional grant. This is set to continue in 2008/09, with the programme receiving a 60.75 percent increase overall. The budget increased from R266.53 million to R428.46 million between 2007/08 and 2008/09. This will be the last year in which the Programme receives a conditional grant for recapitalisation. As Graph 2 on page 16 illustrates, there will be a decline in the programmes allocation in 2009/10 as a result of the discontinuation of the grant.<sup>57</sup> The budget for transfers to colleges within this programme has increased by 60.97 percent in nominal terms from R104.91 million to R168.87 million between 2007/08 and 2008/09. The buildings and other fixed structures line item increased from R20.95 million to R86.50 million between 2007/08 and 2008/09, representing an increase of 312.91 in nominal terms. As with other programmes and line items, these increases should result in improved spending and administration, which will in turn enhance service delivery.<sup>58</sup>

#### **5. Programme 7 : Early Childhood Development (ECD)**

Early Childhood Development (ECD) sees its budget allocation grow significantly by 21.49 percent in real terms over the MTEF period. Between 2007/08 and 2008/09, the budget for ECD is set to grow by 182.34 percent in real terms, from R91.51 million to R274.40 million.<sup>59</sup> This increase confirms the Department's commitment to ensuring that ECD is included in formal schooling.<sup>60</sup> The Department, however, still falls short of ensuring that all learners eligible for ECD are publicly funded. According to the Department, 150 336 children in the Eastern Cape are five years old.<sup>61</sup> The Department aims to fund 132 599 ECD learners in the 2008/09 financial year, up from 124 573 in 2007/08.<sup>62</sup> The Department's targeted number of learners falling within this category therefore represents 88.2 percent of eligible learners in the Eastern Cape. The Department should be able to fund all learners eligible for ECD, given that the budget increased by more than 100 percent between 2007/08 and 2008/09. The responsibility rests with the Department to ensure that all learners in the Grade 5 age cohort are

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<sup>57</sup> According to the National Education Minister Naledi Pandor, the aim of the re-capitalisation Further Education and Training colleges is to ensure that these Colleges become attractive first choice options for more young learners to enrol in quality programmes that meet the needs of the economy.

<sup>58</sup> All the line items, except compensation of employees, received a downward adjustment in the 2007/08 adjusted appropriation. Reasons given for this adjustment were that the Department had under spent its budget.

<sup>59</sup> Six of the eight programmes, including ECD, had their budget reduced in the adjustment budget. The Main Appropriation as shown in Table 2 above shows an allocation of R105.75 million for 2007/08. As mentioned earlier this budget was reduced due to under spending.

<sup>60</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008.

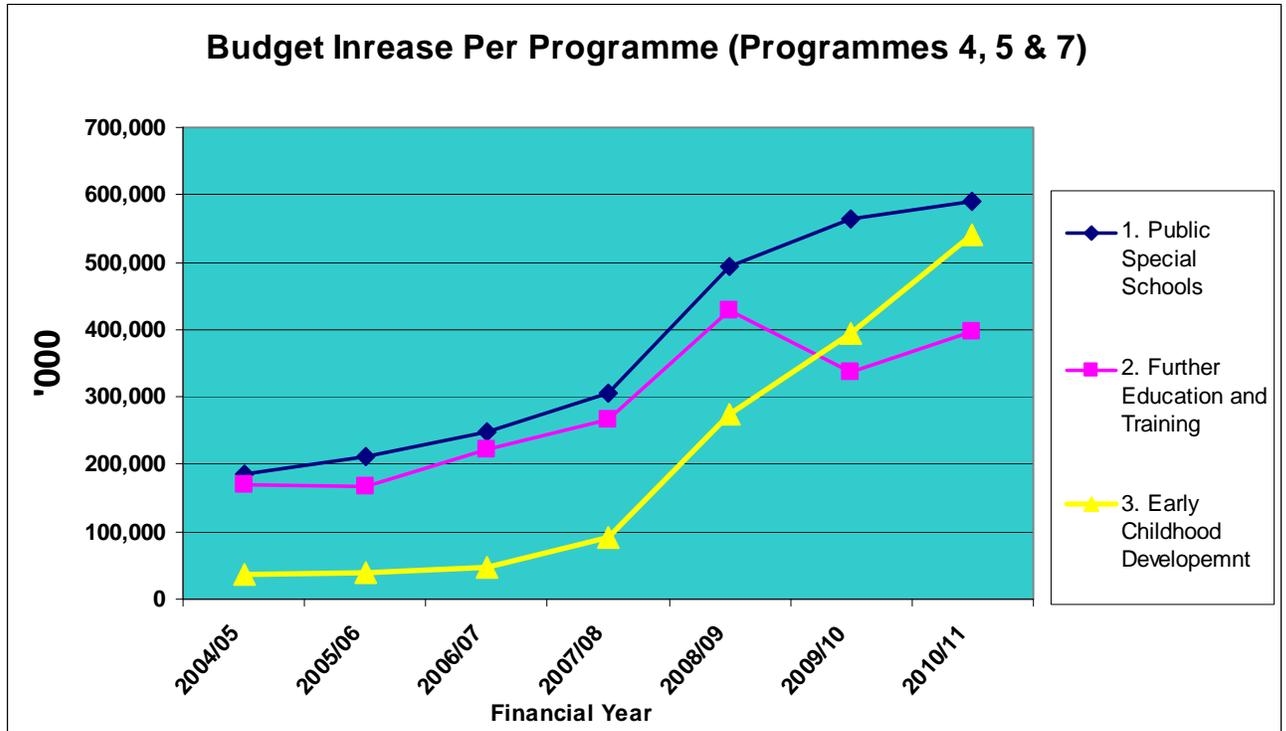
p. 7.

<sup>61</sup> Eastern Cape, Department of Education, Annual Performance Plan, 2008/09, p. 233.

<sup>62</sup> Ibid.

enrolled in all Grade R centres in the province. It is not clear why the Department is targeting to fund 88.2 percent of Grade R learners and not all eligible learners.

Graph 2



**Table 3: Eastern Cape Department of Education, Conditional Grant allocations, 2008/09-2010/11.<sup>63</sup>**

Conditional Grant Allocation (R ' 000)	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate			% Real Change between 2007 and 2008	% Real Average Growth over MTEF	
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% Change from Adjusted Appropriation	2008/09	2009/10			2010/2011
1. Early Childhood Development	1,692	778										
2. HIV/AIDS (Life Skills Education Grant)	19,516	31,202	25,979	26,797	26,797	26,797	28,542	6.51	30,168	32,156	-0.55	0.85
3. Further Education and Training College Recapitalisation			61,000	78,815	78,815	78,815	115,506	46.55			36.84	-100.00
4. Quality Enhance and Financial Management	3,056	16,741										
5. National School Nutrition Programme	170,910	211,726	166,642	237,885	237,885	240,895	339,816	42.85	390,321	504,846	33.38	10.59
6. Provincial Infrastructure				50,000	50,000		132,432	164.86	202,141	208,357	147.31	12.73
<b>Total payments and estimates</b>	<b>195,174</b>	<b>260,447</b>	<b>253,621</b>	<b>393,497</b>	<b>393,497</b>	<b>346,507</b>	<b>616,296</b>	<b>56.62</b>	<b>622,630</b>	<b>745,359</b>	<b>46.24</b>	<b>3.26</b>

The Department's overall budget, including conditional grants, has increased significantly in the current financial year. Over the MTEF period, the budget for conditional grants is set to grow by 3.26 percent in real terms. For the current financial year, the Department received four conditional grants. These will be discussed below.

<sup>63</sup> Eastern Cape Provincial Treasury Budget Statement II, 2008/09, p. 166. It should be noted that the Provincial Infrastructure Grant (PIG) does not have any figures reflected on the Revised Estimates column. This is because this is a Schedule 4 grant and is subsumed into the Department's infrastructure budget and therefore does not have to be reported against.

## **1. HIV/Aids (Life Skills Education Grant)**

This conditional grant is set to grow by 0.85 percent in real terms over the MTEF period. The Department's spending on this conditional grant has significantly improved over the past three financial years.<sup>64</sup> Between 2007/08 and 2008/09, the budget for this grant has increased from R27.78 million to R28.52 million. When inflationary pressures are taken into account, this represents a decline of -0.55 percent. This is concerning given that this grant was overspent in the 2006/07 financial year.<sup>65</sup> Such over expenditure could mean that the Department's activities in HIV/AIDS education need more funding.<sup>66</sup> This decline in the budget implies that the Department has not prioritised HIV/Aids life Skills, despite reports in 2007, which revealed that the Eastern Cape has the most pregnancies in South Africa.<sup>67</sup> While this should not rest solely on the Department, as it involves behavioural issues as well, it should be reflected on in the Department's priorities as its impact is so great that it could affect the provision of quality education in the province.<sup>68</sup>

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

Between 2007/08 and 2008/09, the FET Recapitalisation grant increased by 36.84 percent in real terms, from R78.82 million to R115.51. The FET recapitalisation grant is part of the national policy priority to provide skills training by upgrading and renewing FET colleges in the province. This will be the last year (2008/09) in which the FET Recapitalisation grant will be received by the Department. From 2009/10 onwards, only three conditional grants will be made available to the Department. (see Table 3 on page 17). According to the Department, FET colleges are recapitalised to improve infrastructure, educator training, and to ensure that college sites and workshops are upgraded.<sup>69</sup>

The 2007/08 fourth quarter spending results show a significant improvement in the Department's expenditure of the grant. By the end of March 2008, colleges had already spent R90.17 million or 99.8 percent of the R90.34 million transferred to them.<sup>70</sup> Should this good spending trend continue, the Department is likely to see an improvement in the

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<sup>64</sup> Eastern Cape Department of Education Annual Report, 2005/06, p. 172, Eastern Cape Department of Education Annual Report, 2006/07, p. 126, The 2007/08 Fourth Quarter Spending Results show that the Department had by the end of the March 2008, spent R26.53 million of the R26.80 million that was available.

<sup>65</sup> See page 126, Eastern Cape Department of Education Annual Report, 2006/07

<sup>66</sup> One of the constraints reported in the 2008/09 Annual Performance Plan for the Eastern Cape Department of Education is that district Chief Education Specialists (CES) have too many responsibilities and this has a negative impact on the management of HIV/AIDS Life Skills programmes. The Department has indicated that more official will be appointed to address this constraint.

<sup>67</sup> "EC has most teenage pregnancies in SA", *Daily Dispatch*, 20 April 2007. According to the article, it was revealed during an education portfolio meeting in Bhisho that more than 5 000 school girls fell pregnant in 2006. This meant that the Department needed to step up its campaigns and educational initiatives.

<sup>68</sup> The MEC speech did not make any mention of HIV/AIDS interventions by the Department.

<sup>69</sup> Eastern Cape Department of Education, Annual Performance Plan, 2008/09, p. 212.

<sup>70</sup> Statement of Receipts and Payments for the 4th Quarter ended 31 March 2008. Available at [http://www.treasury.gov.za/comm\\_media/press/monthly/monthly\\_2008.aspx](http://www.treasury.gov.za/comm_media/press/monthly/monthly_2008.aspx). The Third Quarter results also revealed that the colleges had by 31 December 2007, spent 58.67 percent of the available budget for 2007/08 indicating a huge improvement from 2006/07.

provision of quality FET education in the province despite the planned discontinuation of the FET recapitalisation grant.

### **3. Provincial Infrastructure Grant (PIG)**

This grant is meant to supplement the funding of infrastructure programmes to address provincial infrastructure backlogs.<sup>71</sup> The PIG is part of government's broader infrastructure provisioning strategy aimed at helping "accelerate construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in education, roads, health and agriculture;...and to enhance capacity to deliver infrastructure."<sup>72</sup> The PIG budget increased by 147.31 percent in real terms, from R50 million in 2007/08 to R132. 43 million in 2008/09. Over the MTEF, this grant is set to grow by 12.73 in real terms. As indicated earlier in this report, the Department's allocations for infrastructure still fall short of meeting the backlog requirements despite the addition of this conditional grant as a top-up to its capital assets budget. Given the Department's poor spending on infrastructure, it is likely that the MTEF allocation will drop in the next financial year.

The Department's performance and the current increase in allocations seem to contradict the Division of Revenue Act, No 2, 2008 provision, in regard to spending capacity of the Department.<sup>73</sup> What is even more difficult to ascertain is whether the Department was able to effectively utilise the infrastructure allocation from this grant as the money from this grant is subsumed in its capital assets budget and does not get reported against. For Departments like Education in the province, this needs to be ring-fenced and has to be a stand alone grant to ensure that it gets used for the intended purpose and also that it is properly accounted for. It is also important to note that such increase can only be welcomed if there is capacity to ensure that the allocations are fully utilised. The Department has in the past failed to effectively utilise its available resources to address backlogs in the province.

### **4. The School Nutrition Programme (SNP)**

For the first time the Department allocated money from the equitable share, in addition to the conditional grant for the School Nutrition Programme (SNP).<sup>74</sup> Between 2007/08 and 2008/09, the SNP budget increased by 33.38 percent in real terms, from R237.88 million to R339.86 million. In addition, R54 million has been allocated from the equitable share

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<sup>71</sup> Division of Revenue Act 2008 (No 2 of 2008), Section 14 (1) available at <http://www.treasury.gov.za/legislation/acts/2008/Division%20of%20Revenue%20Act%202%20of%202008.pdf>

<sup>72</sup> Division of Revenue Act 2008 (No 2 of 2008), Explanation of schedule 4 allocations. Available at <http://www.treasury.gov.za/legislation/acts/2008/Division%20of%20Revenue%20Act%202%20of%202008.pdf>.

<sup>73</sup> Division of Revenue Act 2008 (No 2 of 2008) Section 14(3) (a). This section provides that "A province, in allocating the Infrastructure Grant to Provinces— (i) must take into account the capacity of the receiving provincial department to spend and manage infrastructure, based on the extent of any approved roll-overs in the 2006/07 financial year and any projected roll-overs in the 2007/08 financial year.

<sup>74</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008, p. 3.

to benefit 1.3 million learners in the lowest three quintiles.<sup>75</sup> The current programme is meant to feed learners from grades R to 7.<sup>76</sup> The grades from which the beneficiaries have been selected have not changed from the 2007/08 financial year. When presenting its plan to the Education Portfolio Committee in 2007, the Department's target was "public primary schools and ECD sites servicing the poorest communities, with particular priority given to farm, rural and informal settlements for school feeding grades R-7 in the case of quintiles 1-3."<sup>77</sup> Over the entire MTEF period, this conditional grant is set to grow by 10.59 percent in real terms. The Department's failure to indicate how many days in the week will be feeding days, is most unfortunate. Such information is important to ensure transparency. If the current budget cannot meet the five days, the Department should provide an explanation why it cannot be met. The MEC also added during his speech that the intention was to include all public schools including secondary school in the SNP.<sup>78</sup> The MEC for Education said the programme would be reviewed in the current financial year to decentralise it to local communities and schools. He also added that the Department would partner with Agriculture, Health and Economic Development in the running of the programme.<sup>79</sup>

The Department's problems with regard to SNP extend beyond budgetary issues. Without addressing these problems, the Department could fail to deliver on SNP as it has in the past. In a study conducted by the PSAM in 2007, a wide range of problems were found. Among these were;

- Ineffective monitoring the performance of suppliers;
- Critical shortages of departmental personnel, particularly at district level, which impacted negatively on the Education Department's ability to administer and monitor the SNP;
- Non-payment of meal servers; and
- Serious delays in payments made to suppliers by the Department.<sup>80</sup>

In order to ensure that the delivery of the School Nutrition Programme improves, the Department needs to address the issues mentioned above. Strengthening capacity both at head office and at district level is vital as the effective spending of the grant relies heavily on those responsible for managing it.

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<sup>75</sup> Ibid, pp.3-4. The number of learners benefiting from the programme has risen by 6.08 percent from 1265 million in 2007/08.

<sup>76</sup> Ibid.

<sup>77</sup> Eastern Cape Department of Education Progress Report on School Nutrition Programme, 09 May 2007.

<sup>78</sup> Eastern Cape Department of Education Budget and Policy Speech, 2008/09, 11 March 2008, p. 4. This target has been set for 2009/10.

<sup>79</sup> Ibid, p.3 According to recent media reports, the Department also intends reintroducing the failed cooked meals at the beginning of July. This may explain the 33.398 percent increase between 2007/08 and 2008/09- "Bhisho unveils "cooked meal" plans for schools", *Daily Dispatch*, 12 May 2008.

<sup>80</sup> Fumba, L. 2007. A study into the delivery of the School Nutrition Programme (SNP) in selected schools and districts in the Eastern Cape, PSAM. Available at <http://www.psam.org.za/research-item.php?rid=18>

### III. Conclusion

Rises in the budget could be and sometimes are correctly regarded as a positive development, especially when there is more demand than there is supply for services. However this alone cannot result in improved service delivery. The Eastern Cape Department of Education has had a remarkable improvement in the budget for the 2008/09 financial year and over the MTEF period. In terms of increases by economic classification, goods and services, non-profit institutions and buildings and other fixed structures have had their allocations rise to above 30 percent each in real terms. While this is overdue, it is commendable given the extent of the need for an improved public education system in the province.

Increases by programme show a real growth of over 50 percent in the current financial year. Despite these increases, however, the infrastructure budget falls short in addressing all backlog challenges facing the Eastern Cape Department of Education. According to the Department, R46.82 billion is needed to deal with the infrastructure backlog and the allocation represents only 1.85 percent of what is required by the Department to eradicate the backlog.

Between 2007/08 and 2008/09, the FET Recapitalisation grant experienced a real growth of 36.84 percent, while the National School Nutrition Programme (SNP) increased by 33.38 percent in real terms. The Provincial Infrastructure Grant grew by 147.31 percent in real terms between 2007/08 and 2008/09.

For this budget increase to be sustained, the Department needs to demonstrate during at the end of the current financial year that such increases have resulted in improved spending and ultimately have impacted positively on the quality of public education. Such action would also provide additional grounds for motivating for increased funding in the outer years of the MTEF period.

The PSAM produces 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).