

Budget Analysis¹

2009/2010

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Key Findings and Recommendations

Finding: R15.8 billion has been allocated towards compensating educators and administrative staff in the 2009/10 financial year. This amounts to 78% of the total departmental budget. Spending on personnel is set to increase in real terms by 4.37% from the R13.81 billion received in 2008/09.

Recommendation:

Despite massive financial investment in human resources, there is ongoing poor quality of education as reflected, for example, in low matric pass rates. This necessitates an improvement in monitoring and assessment of human resource performance in educator roles specifically.

Finding:

In line with national and provincial priorities for infrastructure development, the Provincial Infrastructure Grant (PIG) increases by 274% in real terms for 2009/10.

Recommendation:

In order to ensure that resources allocated for infrastructural developments are effectively used, the Department must make a concerted effort to closely manage and monitor expenditure.

Finding:

The School Nutrition Programme (SNP) conditional grant allocation has increased from R339.82 million to R486.69 million; an increase of 36% in real terms. The Department aims to extend the programme to feed learners on all school days as well as to secondary school learners in Quintiles 1 to 3.

¹ In producing this Budget Analysis the PSAM wishes to acknowledge the *Center on Budget and Policy Priorities (CBPP)* who has provided support via a grant from the *International Budget Partnership* of the CBPP.

Recommendation:

The Department must ensure that the funds allocated to this programme result in effective delivery – this presupposes the appointment of suppliers who have the capacity to deliver their contracted services. Regular school inspections by district offices with specific focus on the daily running of the programme should be undertaken and complaints received from schools regarding non-performance or erratic delivery of food by suppliers should be promptly investigated and dealt with to ensure improved performance of the SNP. Furthermore, in order to ensure that the programme sufficiently meets the needs of the learners whom it is intended to feed; a move towards more substantial provision in terms of nutritional value is crucial. Care must be taken that the extension of the programme over the school week does not occur at the expense of the nutritional value of meals served to learners. In addition, the timely and strictly monitored payment of suppliers is recommended. It is also important that the Department establish stronger links with other government departments such as Social Development and Agriculture.

Finding:

The allocation for infrastructural developments has increased by 1.27% to R83.52 million between 2008/09 and 2009/10.

Recommendation:

Given the ever increasing demand for infrastructure that can meet the demands of education provision it is vital that the Department's recently assembled Infrastructure Planning Team be adequately equipped to ensure that infrastructure plans are implemented and completed on time and within budget

Finding:

The allocation for the Public Ordinary School Education Programme (Programme 2) decreases by 0.54% in real terms between 2008/09 and 2009/10.

Recommendation:

Programme 2 plays an integral role in the Department's core functions. With this in mind, there needs to be careful attention to expenditure particularly in areas such as conditional grants.

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.² 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 2009/10 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

Section 29 of the South African Constitution provides for every citizen's right to a basic education, including adult basic education.³ The Department of Education's vision is *to offer a quality education and training system that transforms schools into centres of community life and promote shared moral values, good governance and sustainable development*.⁴ On both the national and provincial scale, spending on education remains the single largest government budget allocation. Provincially, education has been allocated R 19.4 billion (accounting for 46% of the province's budget)⁵ while nationally, education has been allocated 17% of the total budget for government expenditure for 2009/10.⁶ In 2007/08, the Eastern Cape Education Department spent 99.8% of its R14.5 billion budget⁷ and predictions for 2008/09 are that the Department may spend 99.9% of its R17.8 billion budget.⁸

The Department, however, has a history of high investment and poor returns particularly where Matric pass rates and infrastructure delivery are concerned.⁹ The Department reflects expenditure trends in

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

³ Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, Section 29; Subsection 1a.

⁴ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 189.

⁵ Eastern Cape Provincial Treasury, *Budget Statement I 2009/10*, p. 44.

⁶ Republic of South Africa, National Treasury, *Budget Review 2009*, p. 167.

⁷ Eastern Cape Department of Education, *Annual Report 2007/08*, p.106.

⁸ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 202.

⁹ The national average Matric pass rate was on a steady decline until 2006 while the provincial rates were increasing: 53.5% to 59.3% between 2004 and 2006. However, the Department has reported declining Eastern Cape pass rates from 2006 to 2009. An area of funding in which 'returns' in education are worrisome as this has effects on the overall growth of the country in terms of Accelerated and Shared Growth Initiative for South Africa (AgsiSsa) is the pass rates in Maths and Science. "The fact that pass rates for mathematics higher grade continue to be low or are even declining presents a challenge ..., especially as funding has been increasing" Republic of South Africa National Treasury Provincial Budgets and Expenditure Review 2003/04-2009/10, pp 26;30.

which “(T)here is not always a correlation between spending and outputs”.¹⁰ In order to avoid this continuing in the current fiscal period and in future; it is imperative that the Department strengthens expenditure monitoring and increases the efficiency with which the budget is spent. On a provincial level, the Administration programme has as one of its key priorities capacity-building in the areas of Finance, Human Resources and the Supply Chain Management Directorates.¹¹ National education expenditure has seen a 14% increase over the preceding three years.¹² However, a recurrent emphasis is the need for more effective and strategic expenditure for the Department across a number of key programmes.

National priorities include extending the No-Fees School policy, the expansion of the school nutrition programme, reduction of average class sizes, increasing infrastructure expenditure, improving teacher training colleges and the recapitalisation of technical high schools.^{13, 14} The Provincial Department continues to place emphasis on programmes that ameliorate the service delivery environment. This includes filling critical vacancies at schools and District Offices.¹⁵ There are a number of unique challenges that the Department faces; a number of which are made greater by the fact that it is the largest Provincial Education Department in relation to the number of schools within its jurisdiction. It is also the second largest, after KwaZulu-Natal, in terms of learner and educator numbers.¹⁶

A number of priorities have been identified by the Eastern Cape Education Department in alignment with the 24 National Priorities for Immediate Action; of which eight are directly related to education.¹⁷ Some of these priorities identified by Provincial government are discussed below.

No-Fee Schools

A priority highlighted by the Minister, Naledi Pandor, is the incorporation of more learners and schools in the No-Fee schools policy.¹⁸ The programme plays a key role in the Department’s commitment to the realisation of the Eastern Cape Provincial Growth and Development Plan (EC PGDP). The education sector is an integral aspect of the development plan. Two PGDP target areas are (1) cutting by 50% the illiteracy rate in the Eastern Cape by 2014 and (2) the achievement of universal primary education in the Province by 2014.¹⁹ Essentially, the Department aims to fund more schools within Quintile 3 as No-Fee schools in 2009. This increase is set to benefit an additional 400 000 learners in the Eastern Cape.²⁰ The gazetted allocation per capita for schools in Quintile 3 currently stands at R605 per learner.²¹ By the beginning of the 2008/09 financial year, 3 825 schools were

¹⁰ Republic of South Africa National Treasury Provincial *Budgets and Expenditure Review 2003/04-2009/10*, p.7.

¹¹ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 195.

¹² Minister Trevor Manuel, National *Budget Speech 2009*, p.12.

¹³ Eastern Cape Department of Education Annual Report 2007/08, p.iii.

¹⁴ Minister Trevor Manuel, National Budget Speech 2009 11 February 2009, p.11.

¹⁵ Eastern Cape Provincial Government Budget Statement II 2009/10, p.191.

¹⁶ Eastern Cape Department of Education, *Five-year Strategic Plan 2005/06-2009/10*, p.1.

¹⁷ Eastern Cape Provincial Government *Budget Statement II 2009/10*, p.191

It is interesting to note, however, the differences in policy emphasis between different Department outputs. Premier Kiviet in her State of the Province Address (June 2009) highlighted the Learner Attainment Improvement Strategy (LAIS) as a priority while this is not discussed to any great detail in MEC Qwase’s Budget and Policy Speech (June 2009).

¹⁸ Address by Naledi Pandor introducing the debate on the education budget vote, National Council of Provinces, 22 May 2008, South African Government Documents:

[http://www.search.gov.za/info/previewDocument.jsp?dk=%2Fdata%2Fstatic%2Finfo%2Fspeeches%2F2008%2F08052611451007.htm%40Gov&q=\(\(pandor\)%3CIN%3ETitle\)+%3CAND%3E\(+Category%3Cmatches%3Es+\)&t=N+Pandor%3A+Education+Dept+Budget+Vote+2008%2F09+debate%2C+NCOP](http://www.search.gov.za/info/previewDocument.jsp?dk=%2Fdata%2Fstatic%2Finfo%2Fspeeches%2F2008%2F08052611451007.htm%40Gov&q=((pandor)%3CIN%3ETitle)+%3CAND%3E(+Category%3Cmatches%3Es+)&t=N+Pandor%3A+Education+Dept+Budget+Vote+2008%2F09+debate%2C+NCOP).

¹⁹ Eastern Cape Department of Education *Annual Report 2007/08*, Foreword by the MEC for Education, p.ii.

²⁰ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.196.

²¹ Government Gazette, 17 October 2008 # 31498, Pretoria, South Africa.

declared No-Fee schools.²² This, therefore, means that 88% of the Province's 5 690 schools in Quintiles 1 to 3 are No-Fee schools.²³

Increasing expenditure on school infrastructure

The state of school infrastructure has continued to pose challenges nationally despite former President Thabo Mbeki's assurance that there would be no student learning "...under a tree, mud school or any dangerous conditions that expose learners and teachers to the elements" by the end of the 2005/06 financial year.²⁴ The infrastructure delivery backlog continues to characterise key departmental challenges in the 2009/10 fiscal period.²⁵ The Department's infrastructure programme has, as some of its priority areas, the eradication of mud structures, maintenance and provision of water and sanitation.²⁶ The elimination of mud structures in schools has been an ongoing policy emphasis. The primary objective is to complete this process by the end of the current financial year.²⁷ The public ordinary school programme under the Department caters for approximately 2 million learners. In general, provincial departments of education in South Africa show a projected growth rate of real average expenditure of 13.6% per annum from 2003/04 to 2009/10.²⁸

The Eastern Cape Education Department's equitable share allocation for infrastructure for 2009/10 amounts to R981.8 million, which is a decrease of 4% (in nominal terms) from the 2008/09 adjusted allocation. While this allocation would support a view that infrastructure is regarded as less of a priority when compared with last year's allocation, infrastructure funding in 2009/10 has been revised upwards significantly thanks to a drastic increase in the Provincial Infrastructure Grant (PIG) which grows from the R132.4 million (received in 2008/09) to R202.1 million in 2009/10. This equates to a 45% increase in real terms from the adjusted appropriation.²⁹ According to the Department, of the 826 mud schools identified in the Eastern Cape, 452 of these were to be replaced by the end of the 2008/09 financial year.³⁰ This is a priority area reflected in the allocation of conditional grant funding. As will be elaborated on, the Department has placed greater emphasis on infrastructure through the Provincial Infrastructure Grant (PIG) (see further in this regard, the section on Conditional Grants below).

Expanding the School Nutrition Programme

This programme is integral to the South African government's anti-poverty strategy.^{31, 32} The School Nutrition Programme (SNP) is one of the Department's greatest financial commitments while also having been an area of concern in terms of service delivery.³³ Recently Premier Kiviet acknowledged the need for vast improvement in the programme's general management and impact.³⁴ It is intended that the number of school gardens will rise from 1 211 to 1 411 as a means of enhancing the

²² Eastern Cape Department of Education *Annual Report 2007/08*, p.3.

²³ Eastern Cape Department of Education website: http://www.ecdoe.gov.za/news_articles/59/2009-National-Budget-Speech .

²⁴ Address by (former) President Thabo Mbeki to the First Joint Sitting of the 3rd Democratic Parliament, 21 May 2004 <http://www.anc.org.za/ancdocs/history/mbeki/2004/index.html>

²⁵ Eastern Cape Department of Education Annual Performance Plan: 2008/09-2010/11, p.3.

²⁶ Department of Education, Province of the Eastern Cape Infrastructure Delivery Plan 2008/09

²⁷ Eastern Cape Department of Education *Annual Report 2007/08*, Foreword by the MEC for Education, p.iii.

²⁸ The Development of Education: National Report of South Africa 48th International Conference on Education. 25-28th November 2008. Department of Education, South Africa The Development of Education: National Report of South Africa 48th International Conference on Education. 25-28th November 2008. Department of Education, South Africa.

²⁹ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 203.

³⁰ Department of Education, Province of the Eastern Cape Infrastructure Delivery Plan 2008/09

³¹ Eastern Cape Department of Education *Annual Report 2007/08*, p.49.

³² The Development of Education: National Report of South Africa 48th International Conference on Education. 25-28th November 2008. Department of Education, South Africa, p.10.

³³ Eastern Cape Department of Education *Annual Report 2007/08*.

³⁴ Premier Noxolo Kiviet, Eastern Cape State of the Province Address 12th June 2009.

sustainability of the programme.³⁵ This SNP is a sub-programme housed under Programme 2; Public Ordinary School Education.³⁶ One of the strategic goals of the sub-programme is to address social issues that affect learners and employees. Under the new model, School Nutrition has the aim of including the participation of communities to improve the cost-effectiveness of delivery.³⁷ The SNP saw positive improvements such as the percentage of learner days covered by food provision, which rose from an estimated target of 35% to an actual outcome of 80% in 2007/08.³⁸ Thus, the expansion of the programme in this aspect is feasible if previous growth is improved upon or, at the very least maintained. For 2009/10, the Department has prioritised the expansion of the SNP to include secondary school learners.³⁹

Recapitalising technical high schools

As already mentioned, the recapitalisation of technical schools is also a national priority. According to the Provincial Department,⁴⁰ the Further Education and Training conditional grant under which this sub-programme falls will be funded under the equitable share allocation received from Treasury from the beginning of the 2009/10 financial year. The aim of this sub-programme is to enhance the provision of vocational skills to unemployed adults and youth.⁴¹

³⁵ Eastern Cape Provincial Government *Budget Statement II 2009/10*, p.196.

³⁶ Eastern Cape Department of Education *Annual Report 2007/08*. p.49.

The primary objective of this sub-programme is to “use school nutrition as a vehicle to provide quality education through enhancing learners’ active learning ability by poverty alleviation, amongst other things.”

³⁷ Province of the Eastern Cape Department of Education: *Operational Plan 2008/2009*, p.257.

³⁸ Eastern Cape Department of Education *Annual Report 2007/08*, p.49.

³⁹ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.195.

⁴⁰ Eastern Cape Department of Education *Annual Report 2007/08*, p.4.

⁴¹ Eastern Cape Department of Education *Annual Report 2007/08*. p.67.

II. Budget Analysis

Table 1: Eastern Cape Department of Education by Economic Classification⁴²

(R' 000)	Outcome			Main Approp- riation 2008/09	Adjusted approp-riation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/9 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11			2011/12
Current payments	1,082,926	11,888,784	13,518,731	15,939,530	16,074,275	15,950,422	17,214,440	7.09	19,232,359	20,780,216	1.51	3.27
Compensation of employees	9,915,990	10,706,948	11,726,231	13,843,318	13,809,350	13,786,935	15,180,910	9.93	16,766,650	18,265,700	4.21	3.15
Goods and Services	911,903	1,181,836	1,792,410	2,096,212	2,264,925	2,163,487	2,033,530	-10.22	2,465,710	251,515	-14.89	
Interest and rent on land												
Financial transactions in assets and liabilities	33											
Unauthorised expenditure												
Transfers and Subsidies to	355,478	459,588	501,605	925,388	939,876	951,503	1,299,788	38.29	1,335,464	1,406,144	31.09	-0.44
Provinces and municipalities	29,134	8,252	3									
Departmental agencies and accounts												
Universities and technikons												
Public corporations and private enterprises												
Foreign governments and international organisations												
Non-profit institutions	279,180	381,266	448,783	855,194	870,706	870,668	1,227,206	40.94	1,259,325	1,326,579	33.60	-0.47
Households	47,164	70,070	46,371	62,528	62,528	72,262	64,571	3.27	67,735	70,783	-2.11	0.00
Payments for capital assets	339,754	524,371	454,798	945,279	906,625	887,063	933,279	2.94	1,319,164	1,584,751	-2.42	15.71
Buildings and other fixed structures	279,402	506,158	414,973	864,886	823,787	823,724	834,216	1.27	1,215,457	1,476,376	-4.01	17.31
Machinery and equipment	59,141	17,388	39,292	79,303	82,598	63,339	97,924	18.55	102,513	107,126	12.38	-0.07
Cultivated assets			17									
Software and other intangible assets	1,211	825	516	1,090	240		1,139	374.58	1,195	1,249	349.86	0.01
Land and subsoil assets												
Total economic classification	11,523,158	12,872,743	14,475,134	17,810,197	17,920,776	17,788,988	19,447,507	8.52	21,886,987	23,771,110	2.87	3.70

⁴² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, Table 6.3b, p.202.

Infrastructure:

Improving school and administrative infrastructure rank highly on both the National and Provincial Departmental agendas.⁴³ The majority of infrastructure activities occur within Programme 2; Public Ordinary School Education.⁴⁴ Programme 2 houses some of the Department's key priority areas such as the expansion of the School Nutrition Programme, reducing class sizes and elimination of unsafe schools structures. MEC Qwase stated that the school building programme 'has become' a priority in order to eradicate 860 mud schools within three years.⁴⁵ This target is contradicted by the Department's Physical Resourcing Unit who have indicated that the mud structure backlog would stand at 376 mud structures at the end of March 2009.⁴⁶ Provincial classroom shortages are made worse by destruction of school infrastructure resulting from natural disasters such as tornadoes.⁴⁷

It is estimated that in order to replace mud structures, lower classroom shortages, and provide basic amenities such as water and sanitation as well as to erect fences, telephone lines and sanitation systems, R42.79 billion at current costs is needed.⁴⁸ Additionally, for renovation and replacements, the Department estimates that this would amount to a further R4.03 billion.⁴⁹ Estimates indicate that by the end of the 2008/09 financial year, the Department will have under spent on the adjusted infrastructure budget of R 1.02 billion by R52.83 million.^{50 51} At the end of the MTEF (2011/12), it is projected that the infrastructure allocation will have reached the R1.65 billion mark.⁵² Thus, there is no budgetary scope for meeting the demands of upgrading the identified classrooms even within the forthcoming MTEF. Furthermore, there will be a decrease from 2008/09 to 2009/10 in the Buildings and other fixed structures line item of 4.01% in real terms (Table 1). MEC Qwase, however, stated that that the Department's aim was to complete the process of eliminating mud and unsafe structures in the 2009/10 financial year.⁵³ In his Budget and Policy Speech in 2008, then MEC Johnny Makgato noted that "all schools that are mud schools have been declared as unsafe schools and require to be replaced in 2008/09. Therefore 452 mud schools will be replaced in 2008/09".⁵⁴ This has not happened⁵⁵ and, in light of the observations made in this and previous PSAM outputs, the targets set by the Department are at risk of not being met. The fast-tracking of infrastructure delivery in 2010/11 is discussed by the current MEC (Qwase) through the use of "...alternative infrastructure technologies"⁵⁶ though the exact nature of these alternatives is not elaborated upon in the 2009 Policy Speech.

While the growth over the period between 2009/10 and 2011/12 of 17.31% is comparatively greater than the MTEF allocations between 2008/09 and 2010/11 of 11.85% in real terms; it is unlikely that the allocation will sufficiently meet infrastructure needs. As the elimination of mud structures is an intensive process that involves the replacement of school buildings with safer structures that are conducive to learning; this will also come with increased equipment provision needs. This should be

⁴³ Eastern Cape Department of Education *Annual Report 2007/08*, p.45.

⁴⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203.

⁴⁵ MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education *Budget and Policy Speech 2009*.

⁴⁶ Eastern Cape Department of Education *Annual Report 2007/08*, p.168.

⁴⁷ Eastern Cape Department of Education *Annual Report 2007/08*, p.45.

⁴⁸ Eastern Cape Department of Education *Annual Performance Plan: 2008/09- 2010/11*, p. 16.

⁴⁹ Eastern Cape Department of Education *Annual Performance Plan: 2008/09- 2010/11*, p. 16.

⁵⁰ Eastern Cape Department of Education *Annual Performance Plan: 2008/09- 2010/11*, p.203.

⁵¹ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203 (Table 6.3c).

⁵² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203 (Table 6.3c).

⁵³ Eastern Cape Department of Education *Annual Report 2007/08*, Foreword by MEC p.iii.

⁵⁴ Former MEC for Education Johnny Makgato, Province of the Eastern Cape Department of Education Budget and Policy Speech 11th March 2008.

⁵⁵ Eastern Cape Department of Education *Annual Performance Report 2008/09*, p.363. The report reflects that 137 schools with mud and unsafe structures were eradicated at the end of the 4th quarter of 2008/09.

⁵⁶ MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2009.

met with an increase in the current allocation particularly in light of the amount needed for the upgrading of school classrooms. However, in real terms, between 2008/09 and 2009/10, the budget for this line item decreases by 4.01%. Conditional Grant allocations towards infrastructure, made via the PIG have thankfully increased substantially in 2009/10 as will be covered in more detail below. Table 1 shows the 15.71% average growth in payments for capital assets over the MTEF.

With the projected growth, however, a crucial point to consider is the nearly stagnant reduction in mud structure backlog in the Eastern Cape. The initial goal of eliminating 54% of the 826 classified as mud schools by the end of 2008⁵⁷ was subsequently deferred to the end of the 2009/10 fiscal year⁵⁸ in which all such structures are to be replaced. The delay is partly attributed to challenges faced within the construction industry, leading to “slow delivery and under expenditure”.⁵⁹

In the past, the Department has made significant cuts in the infrastructure budget in order to increase spending on personnel which in turn resulted in poor infrastructure service delivery.⁶⁰ Policy emphasis has as a result had to shift towards infrastructure development and allocation trends have reflected this change (see Figure 2c below) with personnel allocations moving from 86.13% of the total budget in 2003/04 to 76.84% planned for 2011/12. Figure 1 below illustrates the Department’s allocation trends for this line item. Since the 2005/06 financial year, there has been a steady decrease in the overall percentage of the budget spent on compensating employees (Figure 2c). Figure 1 represents trends in the infrastructure budget of the Department’s equitable share while conditional grant allocations for infrastructure (PIG) have been analysed separately.

The Software and other Intangibles line item receives the greatest increase in budget between 2008/09 and 2009/10 amounting to an increase of 349.86% in real terms as illustrated in Table 1 above. The increase over the MTEF accords with the Department’s objective of improving school and administrative equipment and, more specifically, in order to assist with the rollout of Information and Communications Technology (ICT).^{61,62}

Another area where the allocation has increased significantly is in the Machinery and Equipment line item which rises by a substantial 46.55% from 2008/09 to 2009/10 which may provide the necessary support for the new school buildings.

⁵⁷ Eastern Cape Department of Education *Annual Performance Plan: 2008/09- 2010/11*. p. 16
While this figure is also quoted in the 2007/08 *Annual Report* (p.163 Table 5.1.1), there appear to be discrepancies in the targets quoted between Department documents. As stated in the above text, the Department has indicated the target of 860 mud schools while simultaneously aiming to eliminate 826 mud schools.

⁵⁸ Eastern Cape Department of Education *Annual Report 2007/08*, p.163.

⁵⁹ Eastern Cape Department of Education *Annual Report 2007/2008*, p.78. According to the report, changes that have occurred in the Eastern Cape construction industry have had negative impacts on the Department’s delivery on infrastructure targets. These impacts, for example include “excessive delays in completion of new schools”.

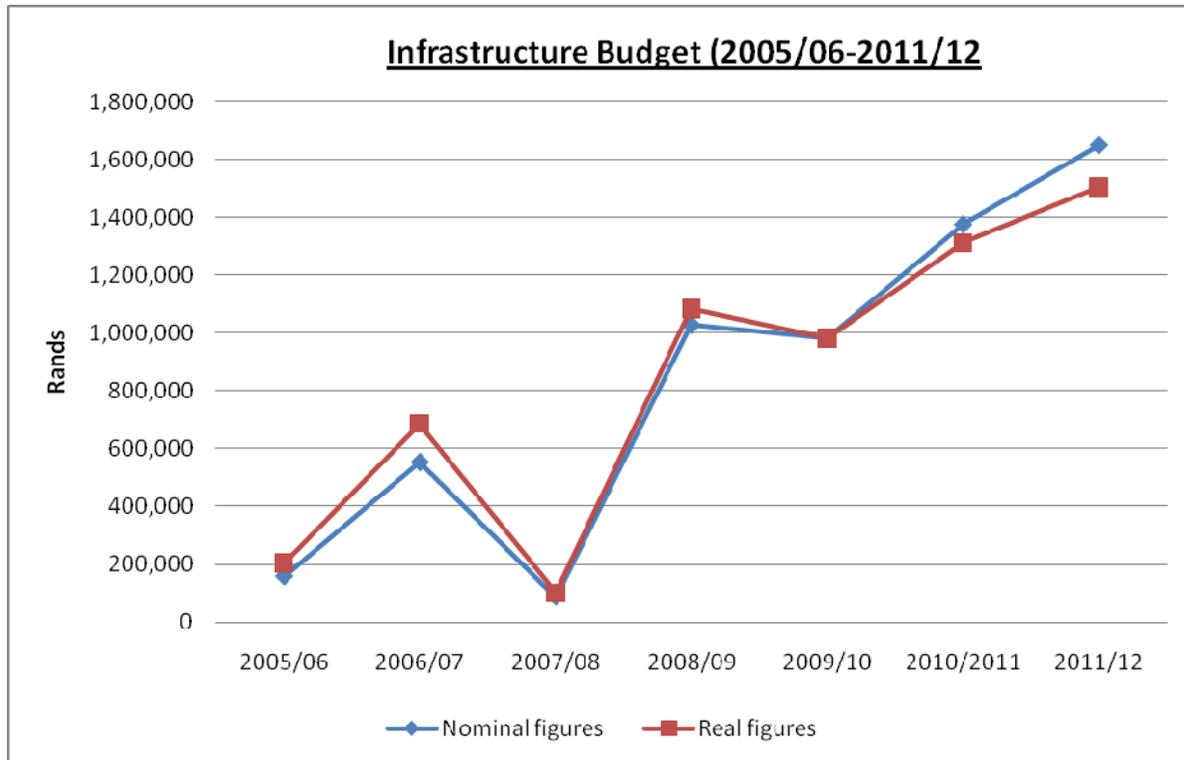
⁶⁰ Dalton, D. 2007. Classroom Crisis: Public Service Accountability Monitor Research Report.

⁶¹ Eastern Cape Provincial Treasury *Budget Statement II* p.202.

⁶² According to the Department, a White Paper on e-Education drafted in 2003 is intended to have significant implications of allowing all learners in the country in the general and further education training bands to be able to use ICT “confidently and creatively” by 2013.

Eastern Cape Department of Education Annual Report 2007/08, p.9.

Figure 1: Trends in Allocation of the Infrastructure Budget from 2005/06 to 2011/12⁶³



As reflected in Figure 1 above, total Department infrastructure⁶⁴ allocations have been increasing since 2007/08. The increase over the MTEF in the Department's infrastructure budget will be further assisted by the PIG conditional grant allocation which places an emphasis on school infrastructure priorities and which experiences a drastic increase over the MTEF.⁶⁵ Figure 1 also reflects the negative change between 2008/09 and 2009/10; a decrease in infrastructure allocation of R46 094.00. Table 1 above projects improved infrastructure expenditure in the 2008/09 financial year (only projecting under-expenditure of R63 000) as compared to 2007/08 (where under expenditure was R912 000).⁶⁶

However, in real terms, the allocation for the Buildings and Other Items line item is set to decrease by 4.01% from 2008/09 (see Table 1 above). This improvement in spending, matched with a decreased allocation in real terms, may jeopardise the plans to meet infrastructure delivery needs in schools and district offices.

The 'Building and other Fixed Structures' line item reflects an increase of 17.13% over the MTEF (Table 1) while 'Compensation of Employees' increases by 3.15% over the same period. These

⁶³ This figure illustrates the changes in infrastructure allocation as depicted in the Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, Table 6.3, p. 203. This infrastructure allocation caters for new and existing assets as well as the rehabilitation and refurbishment of assets. This figure does not include any conditional grant allocations directed towards infrastructure provision.

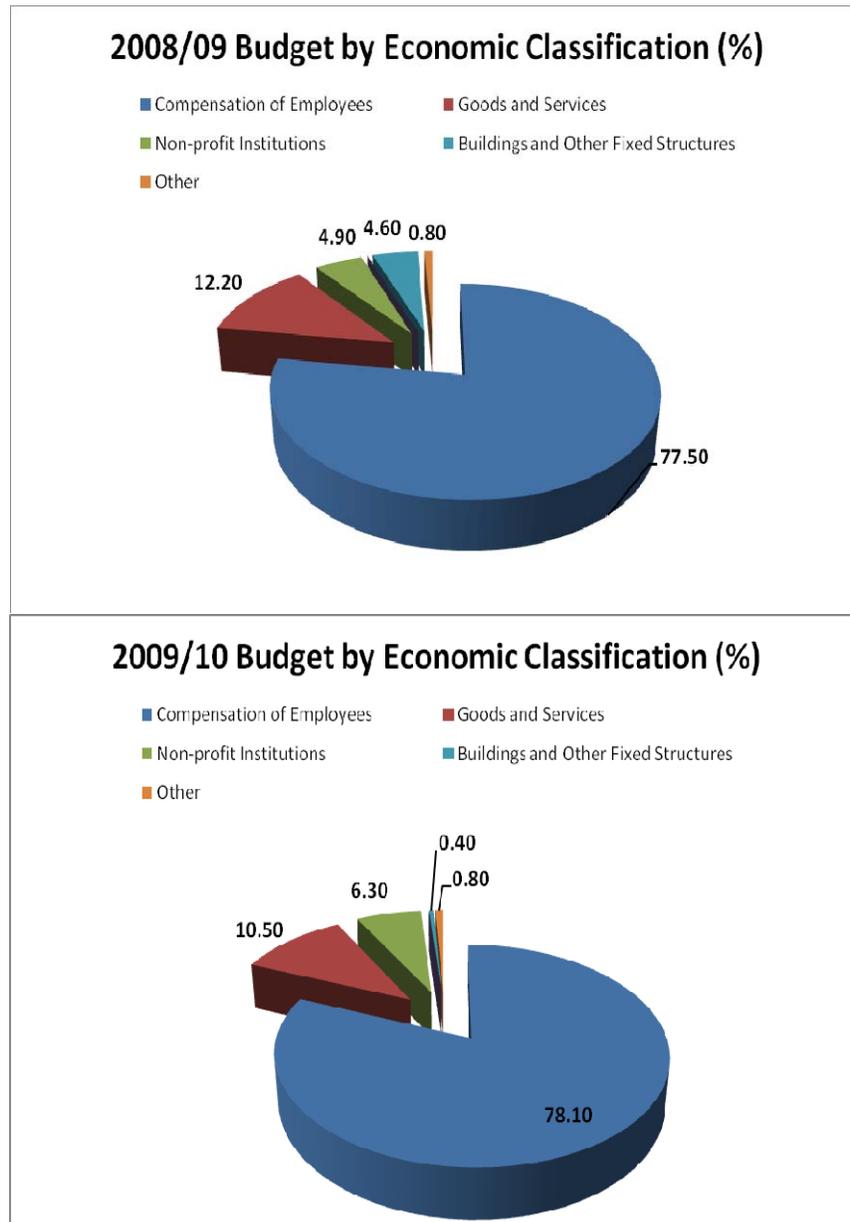
⁶⁴ These figures refer to "Payments on Infrastructure" for the vote and are inclusive of both capital and current expenditure between 2005/06 and 2011/12. Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203.

⁶⁵ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 203. See further below at page 25 where the PIG is considered.

⁶⁶ Ibid., p.202. This information is reflected in the "Buildings and Other Fixed Structures" line item.

changes are depicted in Figure 2c below. Viewed comparatively, the trade-off between budget allocations for personnel and infrastructure is evident in the inverse relationship shown graphically in Figures 1 and 2c. Also evident is the decrease in infrastructure allocations from 2008/09 to 2009/10 and the correlating increase in employee compensation over the same period.

Figure 2a & 2b: Eastern Cape Department of Education by Economic Classification, 2008/09 and 2009/10⁶⁷



Compensation of Employees:

The Department accounts for 64.42% of the Eastern Cape’s more than 135 000 personnel across the Province.⁶⁸ On a provincial scale, the compensation of employees is a significant area of expenditure;

⁶⁷ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.201.

taking up 60.2% of the overall budget for 2009/10.⁶⁹ In terms of the above, one of the key line items that the Department needs to focus on is the provision of trained staff to fill new positions opened up with potential increases in class streams. In line with national priorities, the Compensation of employees line item reflects the greatest budget allocation (R15.18 billion).⁷⁰ Furthermore, the much needed reduction in class sizes will necessitate an increase in number of class rooms; increasing demand on the infrastructure budget.⁷¹

The South African Schools Act stipulates that the Ministry of Education's funding ratio for personnel and non-personnel spending in public ordinary schools should be 80:20.⁷² The Department has, in recent years maintained this nationally stipulated 80:20 ratio between personnel and non-personnel spending. In terms of the proportion of the budget allocated to each line item; compensation of employees has remained a national and Provincial priority; with some emphasis on teaching staff. Interestingly, while mention of the insufficient remuneration of teachers was made in the 2009 national budget speech⁷³ no explicit commitments to respond to this problem were discussed.

As indicated in Table 1 above, departmental allocations have risen from R13.81 billion in 2008/09 to R15.18 billion in 2009/10 for payment of personnel; an increase of 4.21% in real terms and 10.11% in nominal terms. Over the upcoming MTEF the Department intends to spend R50.91 billion on staff compensation, accounting for 78.19% of the total MTEF allocation of R65.10 billion.

Spending on infrastructure over the MTEF will amount to 5.42% of the total budget while spending for compensation of employees will amount to 78.19%. In line with the need to reduce class sizes, the compensation of educator staff will become of increasing importance.

A new occupation specific dispensation (OSD) was signed by the National and Provincial departments in order to enable the upward movement of teaching staff and to reward long-serving, high-performing educators in April of 2008.⁷⁴ Reference was made to the strides on a national scale towards the new salary dispensation for educators and

Minister Trevor Manuel referred to the 'new Evaluation Unit'⁷⁵ that is yet to be implemented. However, there have been challenges faced by the Department both nationally and provincially with regards to the OSD. The major driver of personnel expenditure is, according to Provincial Treasury, payment of educator salaries, and this is set to rise nominally by 9.19% from R158 000 to R174 000 per educator.⁷⁶ While the figures present both educators and non-educators, the highest personnel numbers are naturally to be found under Programme 2. As at 31 March 2009, personnel in Programme 2 accounted for 80% of all the Department's programmes.⁷⁷

In 2008/09, 4.6% of the total budget for education was allocated to infrastructure while in 2009/10, this will account for 0.4% of the budget; also reflected in figure 2c below. The overall proportion of the

⁶⁸ Estimated personnel numbers from 31st March 2009; Eastern Cape Provincial Treasury, *Budget Statement I*, p.48.

⁶⁹ Eastern Cape Provincial Treasury, *Budget Statement I*, p.48.

⁷⁰ Eastern Cape Provincial Treasury, *Budget Statement II*, p.202.

⁷¹ Minister Naledi Pandor in an interview with the Mail and Guardian, May 7th 2009, Johannesburg. The Minister discussed the national Department's move towards the employment of more teachers particularly in rural areas where the number of learners per class often exceed the national average of 34 to one teacher; up to an average of 45 to one.

⁷² Norms and Standards for School Funding in terms of the South African Schools Act.

⁷³ Minister Trevor Manuel, National Budget Speech 2009 11 February 2009, p.11.

⁷⁴ Republic of South Africa National Treasury, *Provincial Budgets and Expenditure Review 2003/04-2009/10* Eastern Cape Department of Education *Annual Report 2007/08*.

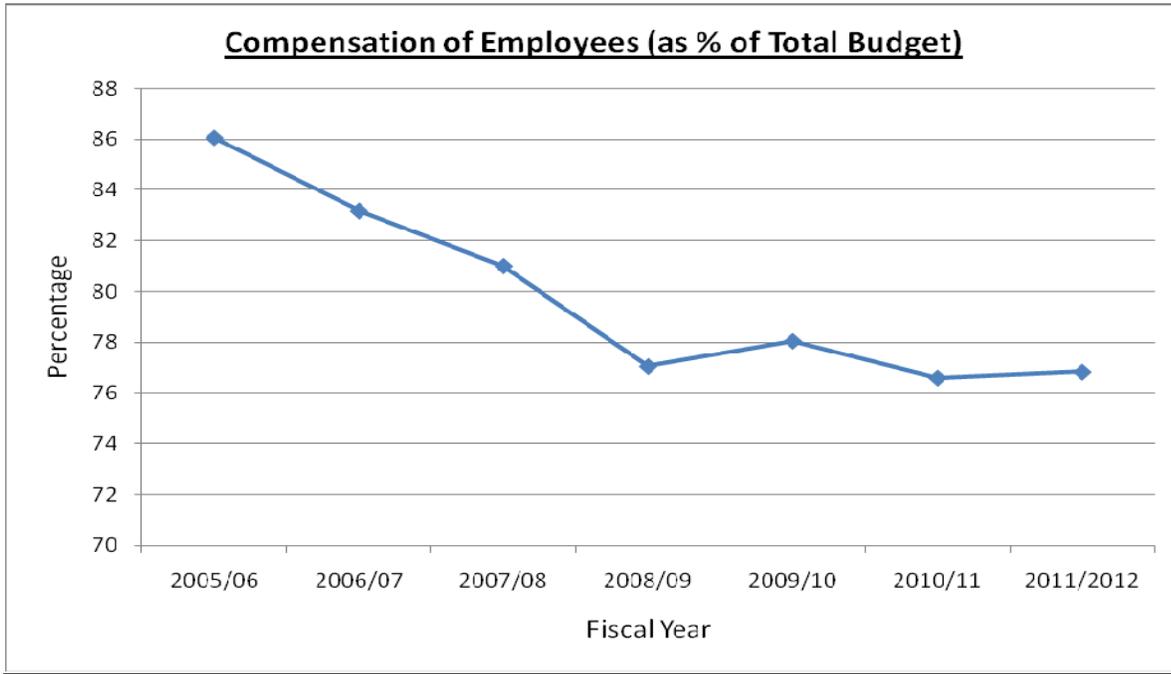
⁷⁵ Minister Trevor Manuel, *National Budget Speech 2009 11 February 2009*, p.13.

⁷⁶ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.219.

⁷⁷ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.219.

budget allocated to compensation of employees is set to decrease from 77.5% in 2008/09 to 78.1% in 2009/10.

Figure 2c: Compensation of Employees: 2005/06- 2011/12



The payment of education personnel (educators and non-educators) is set to decrease over the MTEF in line with Department plans to increase spending in other priority areas (see Figure 2c and Table 1).

Table 2: Eastern Cape Department of Education Budget Allocation by Programme, 2005/06- 2009/10⁷⁸

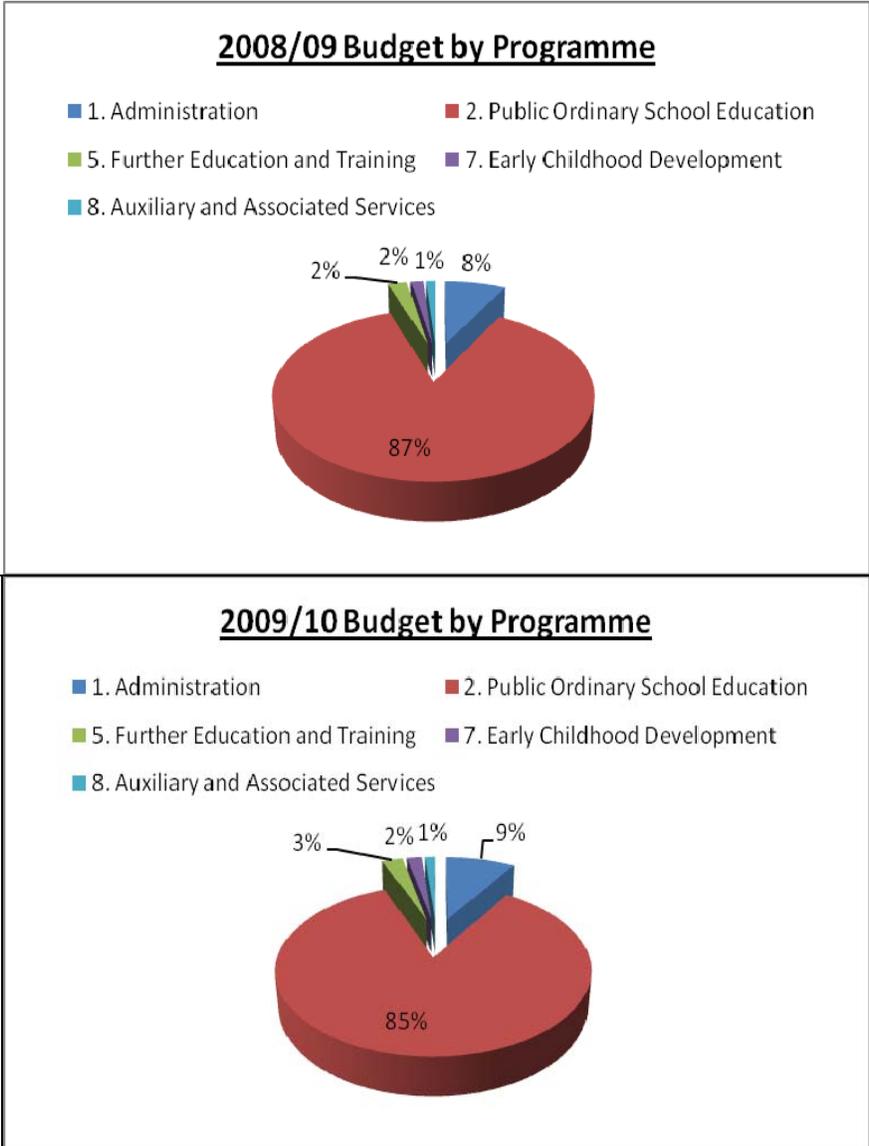
Programme (R' 000)	Outcome			Main Appropriation 2008/09	Adjusted appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate				Real Change between 2008 and 2009	Real Average Growth over MTEF
	Audited 2005/06	Audited 2006/07	Audited 2007/08				2009/10	%change from Adjusted Appropriation 2008/09	2010/11	2011/12		
1. Administration	796,219	858,107	1,034,268	1,156,412	1,326,635	1,316,553	1,662,765	25.34	1,759,836	1,839,029	-14.72	0.30
2. Public Ordinary School Education	10,009,326	11,152,847	12,369,931	15,021,023	15,101,517	14,948,352	15,966,352	5.73	17,966,888	19,455,191	-0.54	3.59
3. Independent Schools	18,342	25,130	34,842	44,418	44,418	43,220	50,366	13.39	54,219	56,659	0.00	0.87
4. Public Special Schools	210,394	249,388	288,389	493,013	403,013	445,489	505,917	25.53	570,614	734,018	18.26	9.79
5. Further Education and Training	167,932	222,330	321,773	428,460	416,476	410,701	485,253	16.51	509,030	531,937	2.80	0.00
6. Adult Basic Education and training	136,348	155,802	155,013	152,180	150,680	159,866	161,297	7.05	169,620	176,813	0.99	0.00
7. Early Childhood Development	38,823	46,313	79,298	274,397	270,067	256,996	367,316	36.01	595,864	704,324	1.58	32.71
8. Auxiliary and Associated Services	145,774	162,826	191,620	240,294	207,970	207,811	248,241	19.36	260,915	273,139	13.45	0.12
Total payments and estimates	11,523,158	12,872,743	14,475,134	17,810,197	17,920,776	17,788,988	19,447,507	8.52	21,886,986	23,771,110	-0.62	3.70

This section of the budget analysis focuses on the various programmes of the Department - particularly those which seek to respond to the aforementioned policy priorities: Programmes 1 and 2.⁷⁹

⁷⁸ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 201.

⁷⁹ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.195-196.

Figure 3: Eastern Cape Department of Education by Programme, 2008/09 and 2009/10⁸⁰



⁸⁰ Programme information relates to Programmes 1, 2, 5, 7 and 8 in order to illustrate the main allocation trends. The figures depict programme allocation as a %age of the total budget allocated for the financial year. Programmes 3 (Independent Schools), 4 (Public Special Schools) and 6 (Adult Basic Education and Training) have been omitted from the Figures.

Eastern Cape Provincial Treasury *Budget Statement II 2009/10*.

Programme 1: Administration

Improving financial management within this Department should be a major priority given the Department's unacceptable audit record over the past 14 years, characterised by consecutive years of audit disclaimers and adverse opinions in the last two years.⁸¹ Programme 1 is integral in improving and maintaining acceptable levels of financial management and has to date displayed an inability to make significant gains in this regard. The Department sought to improve financial management during 2008/09 by implementing an Audit Improvement Plan (AIP).⁸² The 2008/09 audit results which are normally released in October each year will reveal whether the AIP has had any impact.

The Department maintains that during 2009/10 it will undertake capacity building within the following chief directorates of Programme 1: Finance, Human Resource and Supply Chain Management.⁸³ It will become evident below that "capacity building" includes attempts to reduce previous extremely high vacancy rates within this vital programme.

Table 2 above shows that in real terms, the budget for Programme 1 has decreased by 14.72% from the 2008/09 financial year; the greater of two programme decreases (the other programme to experience a decrease in allocation is Programme 2). In nominal terms, Programme 1 is set to increase by 25% (Table 2) with an allocation for 2009/10 of R1.66 billion; representing 8.6% of the total budget (Figure 3 above). Real average growth over the medium term amounts to 0.30% (Table 2).

The Department explains that the increase will be used to "fill critical post (sic) in finance, human resources, infrastructure, supply chain management, and to address the realignment of the salaries of office-based educators to this programme from Programme 2."⁸⁴ The appreciable increase to this programme is needed given that as at 31 March 2008, the programme had a 46% vacancy rate.⁸⁵ The Department has since reported that personnel within Programme 1 increased from 3 381 as at 31 March 2008 to 4 548 as at 31 March 2009, an increase of 1 167 staff during the year.^{86 87} Consideration of the "Compensation of Employees" line item for this programme confirms that in 2009/10, payments for salaries will increase by 41.78% from R1.25 billion in 2008/09 to R1.61 billion in the current year to accommodate the additional staff recruited last year.⁸⁸

Programme 2: Public Ordinary School Education

As stated by the Department, Programme 2 "houses the core function of the department, and its aim is the provision of public ordinary schools from Grades 1 to 12, in accordance with the South African Schools Act."⁸⁹ Figure 1 above illustrates that the largest proportion of the Departmental budget is allocated to Programme 2 (85%) while the average real growth over the MTEF for the programme is predicted at 3.59%. Similar allocation trends are shown in the 2008/09 figures; 87% of the budget was allocated to Programme 2 as shown in the figure above. This clearly highlights the importance of this programme. The Compensation of Employees line item within Programme 2 accounts for 80.34%;

⁸¹ Eastern Cape Department of Education *Annual Report 2007/08*, p.iii.

⁸² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 194.

⁸³ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 194.

⁸⁴ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 201.

⁸⁵ Eastern Cape Department of Education *Annual Report 2007/08*, p.44.

⁸⁶ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 219.

⁸⁷ The Department, in terms of the provisioning of human services funded "400 administrative support costs and 698 office based educator posts". This is intended to have positive impacts on the Department's "performance" in 2009.

Eastern Cape Department of Education *Annual Report 2007/08*, p.44.

⁸⁸ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 206.

⁸⁹ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 207.

R12.83 billion of the budget for the programme.⁹⁰ It is unfortunate, however, that there are currently no details aligned with the Occupation Specific Dispensation (OSD)⁹¹ which would allow an analysis of Department spending plans for educator personnel. In recent times, the payment of educators has increasingly become a contentious issue; with particular reference to the lack of clarity and implementation regarding the OSD.⁹²

Programme 2 experiences a decrease in real terms of 0.54% between 2008/09 and 2009/10. Table 2 highlights the R153.6 million under expenditure expected at the end of the financial year. Some of the funding priorities of this programme, according to the Department, include the intention to “bridge the gap between current allocations and the targets prescribed by the norms and standards within the (South African Schools Act) for primary and secondary public schools”. In addition, this is intended to fund additional teachers and education personnel “required to fund the national priority of reducing the teacher/learner ratio in Quintile 1 schools”.⁹³ In view of the decrease in allocation as well as the under spending, the extent to which these multiple priorities will be addressed within the specified time frame is doubtful.

Programme 2 is also responsible for a number of key priorities and interventions, including the School Nutrition Programme and the No Fee Schools Programme.⁹⁴ The former receives funding via a conditional grant while the latter’s allocation is in the form of transfers to Section 20 and 21 schools accounted for under the line item within Transfers and Subsidies described as “Non-profit Institutions”. Both of these key priorities experience appreciable increases in 2009/10 as is evidenced by Table 3 below.

The Non-Profit Institutions line item reflects a 44.38% increase in real terms between 2008/09 and 2009/10. It is notable, however, that the line item is not predicted to have any budget allocation growth over the MTEF.

⁹⁰ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.208.

⁹¹ According to the former Superintendent-General in the Eastern Cape Department of Education Annual Performance Plans (2008/09-2010/11) details of the strategy are yet to be made available. The objectives of this strategy are to enhance educator remuneration.

⁹² One of the aims of the OSD is to attract and retain skilled employees through improved payment. For school based educators and principals, the intention was to begin the process by 1 January 2008. However, recent media reports have covered the poor or absent implementation of the OSD.

South African Government Information. Occupation Specific Dispensation (OSD) in the Public Service. 12 June 2007. Available Online: <http://www.info.gov.za/speeches/2007/07061811451001.htm>.

⁹³ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.201.

⁹⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.196.

Table 3: Budget by Economic Classification: Programme 2⁹⁵

(R' 000)	Outcome			Main Appropriation 2008/09	Adjusted appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/9 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2009/10	2010/11	2011/12			
Current payments	9,509,406	10,494,778	11,787,183	13,910,133	13,873,231	13,723,722	14,441,417	4.10	16,138,247	17,526,696	-1.33	3.45
Compensation of employees	8,908,917	9,619,423	10,332,651	12,215,571	12,042,930	12,106,007	12,826,765	6.51	14,168,366	15,540,492	0.96	3.39
Goods and Services	600,489	875,355	1,454,532	1,694,562	1,830,301	1,707,715	1,614,652	-11.78	1,969,881	1,986,204	-16.38	3.92
Transfers and Subsidies to	212,579	226,017	247,388	616,604	632,021	651,916	936,683	48.20	982,580	1,026,797	40.48	0.00
Provinces and municipalities	25,821	7,184										
Non-profit institutions	147,286	155,126	208,467	563,913	579,330	585,214	882,391	52.31	925,628	967,281	44.38	0.00
Households	39,472	63,707	38,921	52,691	52,691	64,771	54,292	3.04	56,952	59,515	-2.33	0.00
Payments for capital assets	287,341	432,052	335,360	494,286	596,265	572,714	588,252	-1.34	846,061	901,699	-6.48	11.82
Buildings and other fixed structures	235,111	431,667	313,258	45,436	554,587	533,343	518,580	-6.49	772,975	825,324	-11.36	13.23
Machinery and equipment	52,230	385	22,102	39,900	41,678	39,371	69,672	67.17	73,085	76,375	58.46	0.00
Total economic classification	10,009,326	11,152,847	12,369,931	15,021,023	15,101,517	14,948,352	15,966,352	5.73	17,966,888	19,455,191	0.22	3.59

⁹⁵ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.208.

The Department intends to assist an additional 400 000 Eastern Cape learners by adding Quintile 3 schools to the No-Fee school programme.⁹⁶ In addition, growth is planned for school feeding programmes in order to comply with national norms.⁹⁷ With the expansion that the Department is hoping for in both these areas; commensurate allocations are vital. However, the 2008/09 allocation reflects that the comparative proportion allocated to Programme 2 was greater in 2008/09 (at 87% of the total programme budget) than is planned for 2009/10. A trade-off is evident in the increased allocation for Programme 1; the Department states that the intention is to fund additional employees.⁹⁸

The Department has seen a number of challenges in overall management and administration; evidenced by the recent section 100 intervention by the National Department of Education as well as the 'revolving-door' changes of leadership in the Department's administration.⁹⁹

The budget for this programme rose from R15.10 million in 2008 to R15.97 million in 2009. While nominally this is an increase of 6%, in real terms this represents a decrease of 0.54%. This is cause for concern particularly in consideration of the significant role that the sub-programmes in the Public Ordinary School Education Programme play – as has already been mentioned. The MEC has highlighted that the matric pass rate should not be used as the sole indicator for the Department's successes or otherwise. Instead, the Department emphasises the importance of the Learner Attainment Improvement Strategy (LAIS) to contribute to improving learning and teaching. It has been noted across all Eastern Cape districts under the Department that funding for the LAIS has been insufficient in the past and continues to be a challenge.¹⁰⁰ It is also notable that the Department aims to increase the matric (grade 12) pass rate by 5% per annum.¹⁰¹ As reflected in Table 3, the Department expects to overspend on compensating employees by R63 077. 000 and has allocated an increase of less than 1% for this line item in 2009/10.

⁹⁶ Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.196.

⁹⁷ The Department, under Programme 2, intends to "Enhance learning capacity through school feeding, promote and support the implementation of food production initiative (sic) in schools in order to improve household food security and to strengthen school nutrition education for school communities. Compliance with the norm for (the) feeding of 1,076 million learners in Quintile 1 to 3 schools, 5 380 meal servers, provision of gas to 5 000 schools. The number of existing school food gardens increased from 1 211 to 1 411 to ensure sustainability of the SNP" Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.196

⁹⁸ Under Programme 1, the Department aims to employ more personnel "in the finance, supply chain management, human resource management and infrastructure components in an effort to improve financial management and infrastructure delivery".

Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.206.

⁹⁹ Address by the Minister of Education, Naledi Pandor, at the Eastern Cape Provincial Education Summit, 13th March 2009 <http://www.info.gov.za/speeches/2009/09031314451003.htm>.

¹⁰⁰ Eastern Cape Department of Education *Annual Performance Plan* (2009/08-2010/11), p.17.

¹⁰¹ Eastern Cape Department of Education *Annual Report* 2007/08, p. 166.

Figure 4: Allocation Trends in the Public Ordinary School Education in the Eastern Cape

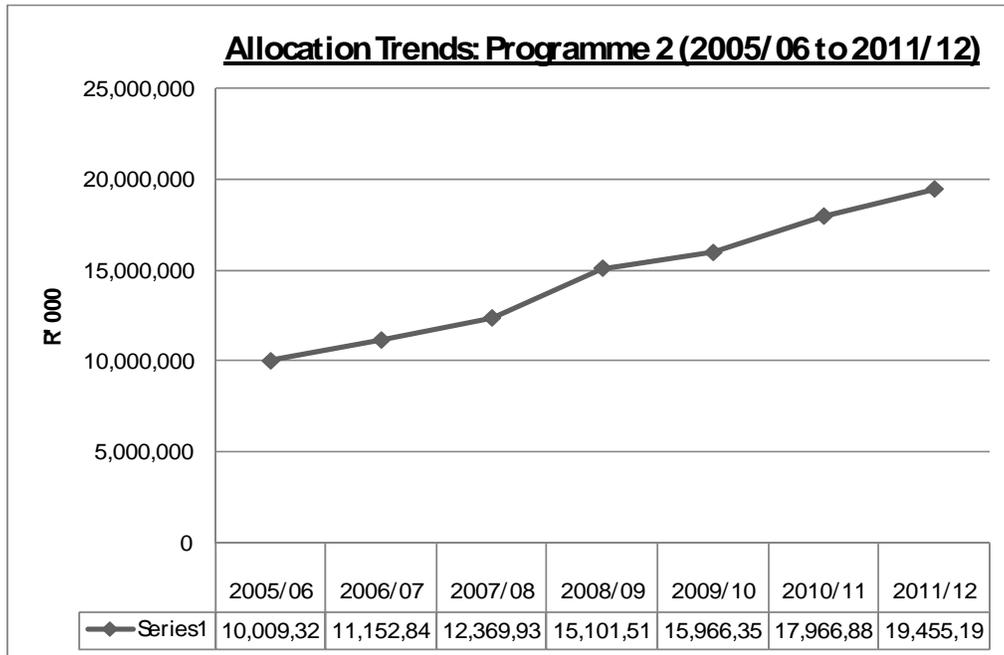


Figure 4 above reflects the trends in budget allocations for Programme 2. In real terms, the Department has been gradually increasing allocations to the programme; the real average growth for MTEF period being 3.59% and 9.32 in nominal terms. The budget allocation for the 2009/10 financial year is R15.97 billion (Figure 4) which, in real terms, is a decrease from the previous financial year of 0.22% (Table 3). This budget decrease may have negative impacts on the ongoing backlog of infrastructure development in the Eastern Cape; specifically in relation to mud structures and improving the School Nutrition Programme. The on-average increase in total budget for the programme may allow the Department to begin to meet some of the strategic goals over the medium term.

Table 4: Eastern Cape Department of Education, Conditional Grant allocations, 2009/10¹⁰²

Conditional Grant Allocation (R '000)	Outcome			Main Appropriation 2008/09	Adjusted Appropriation 2008/09	Revised Estimate 2008/09	Medium-term estimate				Real Change between 2008 and 2009	Real Average Growth over MTEF	
	2005/06	2006/07	2007/08				2009/10	% change from Adjusted Appropriation		2010/11			2011/12
							2008/09	2008/09	2008/09	2010/11			2011/12
1. Early Childhood Development	778												
2. Financial Management and Quality Enhancement	16,741		294										
3. Further Education and Training		61,000	90,172	115,506	115,506	2,331							
4. College Recapitalisation													
5. HIV and AIDS (Life Skills Education)	31,202	25,979	26,394	28,542	28,542	27,967	30,168	6	32,156	34,086	2	-1	
6. National School Nutrition Programme	211,726	166,642	291,180	339,816	339,816	437,601	486,695	43	702,935	845,166	36	14	
7. Provincial Infrastructure				132,432	132,432	51,298	202,141	53	508,525	722,633	274	46	
Total payments and estimates	260,447	253,621	408,040	616,296	616,296	519,197	719,004	17	1,243,616	1,601,885	31	26	

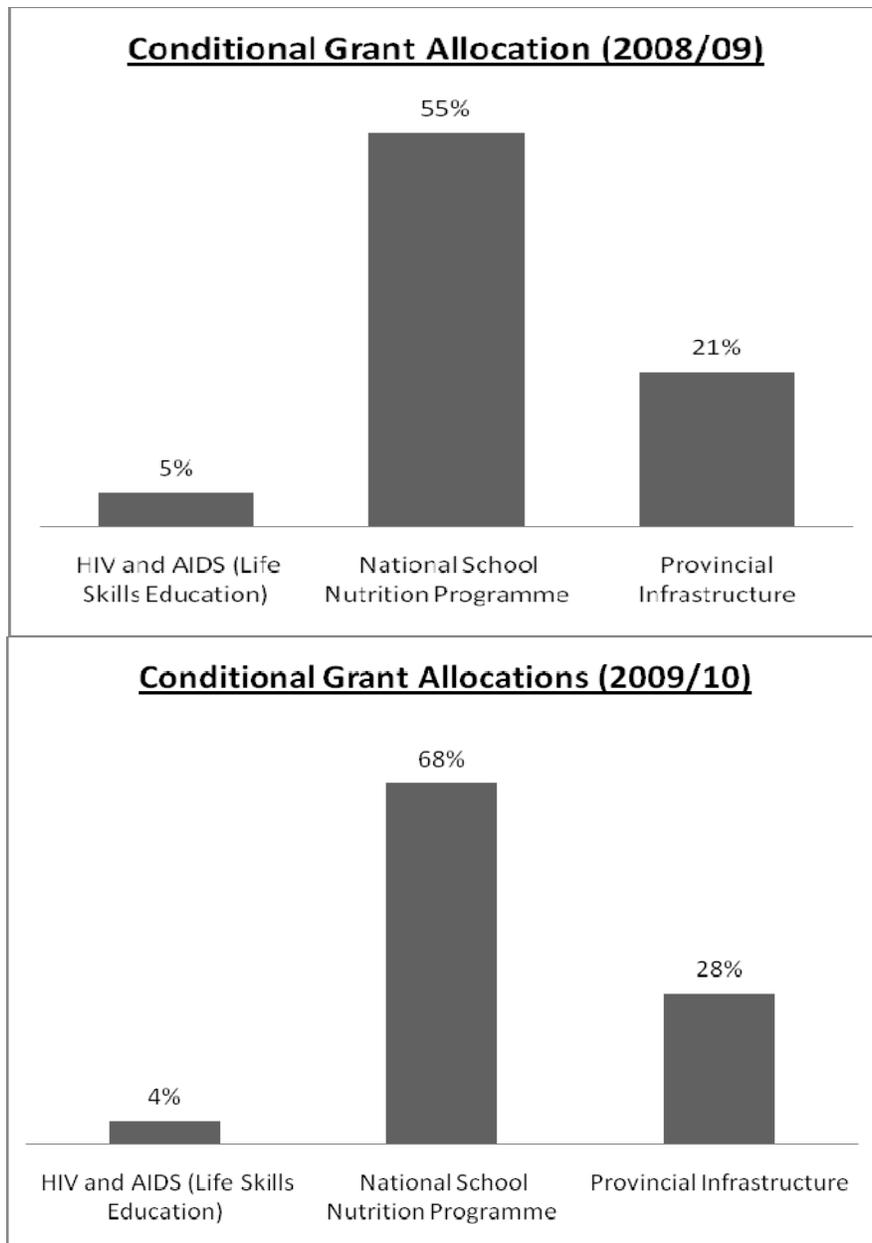
For the 2009/10 fiscal period, Education in the Eastern Cape received three conditional grants: the HIV and AIDS (Life Skills Education), School Nutrition Programme (SNP) and the Provincial Infrastructure Grant (PIG). This is one less programme allocated than in 2008/09 as the Further Education and Training sub-programme will no longer be funded from the conditional grant allocation. The new Further Education and Training Act came into practice in January 2008¹⁰³; the reason for the absence being that allocation of FET funds will be received from the equitable share allocation as of the 2009/10 fiscal year.

Conditional Grant allocations have increased, in real terms, by 31% between 2008 and 2009. Over the MTEF, real average growth is projected at 26 % for all grant allocations. This increase occurs despite the R97.1 million under expenditure expected at the end of 2008/09 (Table 4). The PIG under-expenditure is the most substantial of all the grants, as is discussed below. The SNP is expected to exceed the allocated funds while the HIV and AIDS Life Skills grant is set to spend R575 000 below budget (Table 4). Funding for the HIV and AIDS Life Skills Programme sees a reduction of 1% in real terms over the medium term and a 2% increase from 2008/09. Of all three grants, the Life Skills grant reflects not only the lowest proportion of allocated funds (Figure 5) but also the lowest growth year on year and over the MTEF (Table 4 and Figure 6). As reflected in Figure 5, the HIV/AIDS grant will be allocated less of the total conditional grant budget in 2009/10 than in the previous year, highlighting the increasing emphasis in the SNP and PIG.

¹⁰² Eastern Cape Provincial Government *Budget Statement II 2009/10*, p.199.

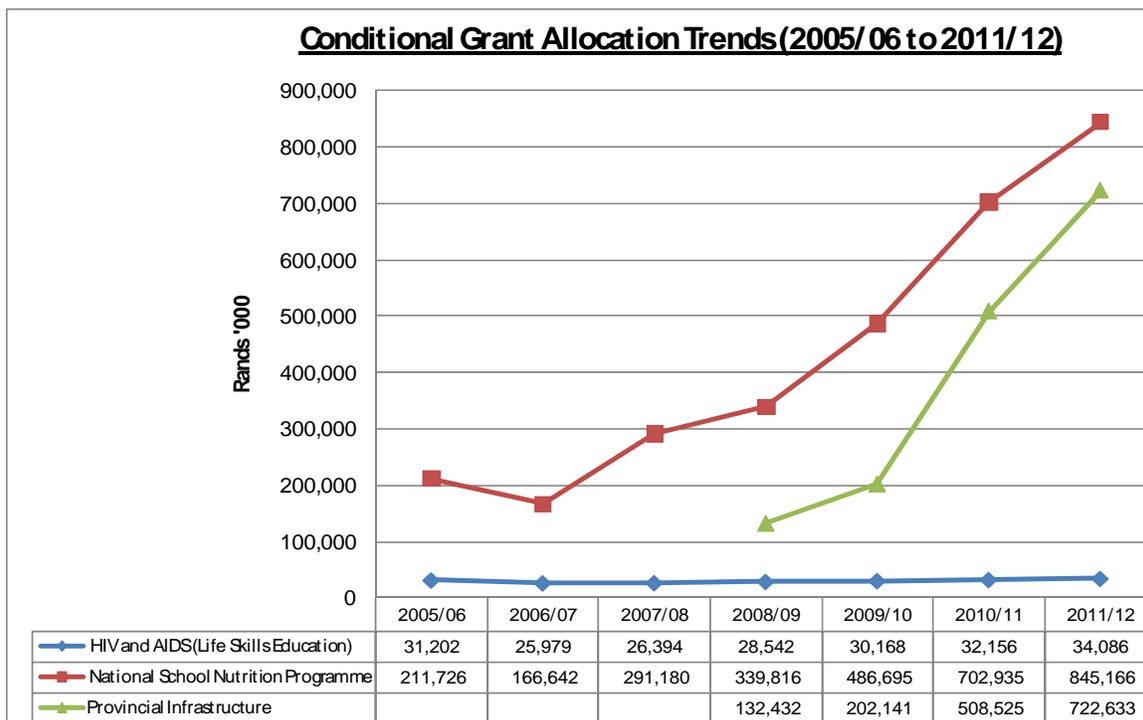
¹⁰³ Eastern Cape Department of Education *Annual Report 2007/08*, p.iii.

Figure 5: Eastern Cape Department of Education Conditional Grant Allocation, 2008/09 and 2009/10¹⁰⁴



¹⁰⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.199.

Figure 5: Conditional Grant Allocation for the HIV/AIDS (Life Skills), SNP and PIG Conditional Grants: 2005/06- 2011/12



1. Provincial Infrastructure Grant (PIG)

A growing priority area reflected in the allocations is the attention to provincial infrastructure (PIG). Along with classroom shortages, mud structures in schools, lack of sanitation, electricity and fencing and maintenance of existing structures are challenges faced by education institutions across the Eastern Cape.¹⁰⁵ The Provincial Infrastructure Grant (PIG) aims to address the infrastructure service delivery backlog across the Eastern Cape and is supplementary to the infrastructure budget.

In 2009/10, the Provincial Infrastructure Grant experiences the largest percentage increase of 274% in real terms and a real average MTEF growth of 46% as seen above (Table 4; Figure 1). However, as pointed out in previous PSAM outputs, increases in budget allocation do not necessarily translate into better service delivery.¹⁰⁶ The Province has significant infrastructure backlogs; with 376 mud structure schools outstanding by the end of the 2007/08 fiscal period.¹⁰⁷ By 2008/09 there were 374 schools still reportedly “not on programme” and 54.7% (452) mud structure schools to be eradicated of the 826.¹⁰⁸ This, according to the Department accounts for a mud school backlog of 45.3%.¹⁰⁹ However, a recent media report quoted the Department as having 552 schools in rural areas requiring rebuilding; a project that would reportedly cost R23 billion.¹¹⁰ It is concerning to note that

¹⁰⁵ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203.

¹⁰⁶ Fumba,L. Eastern Cape Department of Education Budget Analysis, June 2008, Public Service Accountability Monitor, Grahamstown.

¹⁰⁷ Eastern Cape Department of Education *Annual Report 2007/08*, p. 168.

¹⁰⁸ Department of Education, Province of the Eastern Cape Infrastructure Delivery Plan 2008/09, Mud Structure Intervention.

¹⁰⁹ Department of Education, Province of the Eastern Cape Infrastructure Delivery Plan 2008/09. Mud Structure Intervention.

¹¹⁰ Eastern Cape Department of Education spokesperson Loyiso Phumlani in a report by Daily Dispatch report Bongani Hans “Fed-up Communities build own classrooms” (Saturday Dispatch , May 16 2009, p.8). The

while R132.43 million was allocated to the PIG in 2008/09, the Department projects that it will only spend R51.3 million of the initial allocation by year end.¹¹¹ The under-expenditure evident in the PIG allocation will have further delaying effects on infrastructure service delivery if the Department does not implement effective expenditure management strategies. In fact, in the preceding financial year, under expenditure was attributed to, amongst other reasons, low availability of construction material, compulsory grading of public sector contractors and delays in completion of new schools.¹¹²

To cater for infrastructure demands in 2009/10, the Department has allocated R202.14 million from the PIG, accounting for 1.04% of the total Treasury funding.¹¹³ Figure 5 reflects the changes over the MTEF that each of the three grants will experience and a key priority for the Department must be to ensure effective project implementation and expenditure to avoid the transfer of vital funds. This is particularly true of the SNP and PIG. In order to prevent the need for re-allocation of infrastructure funds as a result of poor expenditure, the Department will have to implement efficient expenditure management and tracking systems.

2. School Nutrition Programme

With the Departmental priorities at both national and Provincial level in mind, it is evident that the School Nutrition Programme (SNP) is an important grant (Figure 4). Provincial conditional grants have been allocated R1.9 billion towards the SNP.¹¹⁴ In nominal terms, the School Nutrition Programme shows a 43% increase (from R339.82 million in 2008 to R486.69 million in 2009).¹¹⁵ This represents an increase of 36% in real terms. The growth of this grant over the MTEF is projected at 14%. This growth reflects the Department's increased commitment to meeting the requirements of the School Nutrition Programme. Approximately 68% of the total conditional grant budget is allocated to the School Nutrition Programme; as illustrated in Figure 5 above.

The Departmental allocations for the School Nutrition Programme have been increasing steadily since the 2007/08 financial year in real terms as reflected in Figure 5 above. This is in an attempt to respond to increased demand for school meals around the province. Additionally, the growth over the MTEF has positive implications for the Department's ability to meet the projected growth of the School Nutrition Programme from 40% to 60%.¹¹⁶ The exponential rise in funding for this conditional grant must, as with the PIG allocations, be monitored and closely managed.¹¹⁷ With the piloting of a new programme concept for the SNP 2008/09¹¹⁸, the results of this intervention are yet to be seen. Of particular importance to the successful running of the SNP is the employment and compensation of food handlers and food contractors.

Department reports that the infrastructure budget "stands at R981 837 million" and that the R23 billion reported above would be the cost of eradicating "the scourge of unsafe and mud structures". The infrastructure figure quoted, however, is at odds with the figure that the Department has been allocated for 2009/10 (see Table 4 above). According to Phumlani, "the infrastructure rollout is indeed ongoing...It's just that the scale of the challenge is huge and requires much more than the department is allocated".

¹¹¹ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 199.

¹¹² Eastern Cape Department of Education *Annual Report 2007/08*, p.78.

¹¹³ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.199.

¹¹⁴ Primarashni Gower "Education gets 'some relief'", Mail and Guardian 25th 2008, Johannesburg, South.

Available Online: <http://www.mg.co.za/article/2008-10-30-education-gets-some-relief>.

¹¹⁵ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*. p.199.

¹¹⁶ National *Budget Speech 2009/10*, p.13.

¹¹⁷ The Department intends to strengthen "monitoring and evaluation" of the SNP "...as a basis for enhancing the efficiency, effectiveness and sustainability of the SNP" Eastern Cape Provincial Government Budget Statement II 2009/10, p.196.

¹¹⁸ "Lessons learnt in...(2007/08) have to a large extent provided an opportunity to identify and understand the kind of interventions that are required for improvement of delivery in SNP" Eastern Cape Department of Education *Annual Report 2007/08*, p. 61.

As the Department intends to increase the number of learner days covered by the Programme from the estimated 79.6% in 2007/08 to 90% and 95% in 2009/10 and 2010/11 respectively, allocations for the compensation of food handlers in terms of stipends will have to be increased. In past years, this has proven to be a challenge, necessitating a re-evaluation of food handlers' pay.¹¹⁹ What the Department refers to as the "near collapse" of the SNP was a result of a number of factors such as vacancy in critical posts, poor payment of suppliers and high food prices.¹²⁰ In relation to the latter challenge, the Department stated that increasing food and commodity prices "continue to undermine efforts to expand to higher grades and also causes management of finances of the programme to be difficult".¹²¹ The staffing of the SNP is of importance especially in light of past challenges relating both to non-payment of food handlers and shortages of monitoring personnel at the district level.

¹¹⁹ Eastern Cape Department of Education *Annual Report 2007/08*, p.4.

¹²⁰ Eastern Cape Department of Education *Annual Report 2007/08*, p.4.

¹²¹ Eastern Cape Department of Education *Annual Report 2007/08*, p. 62.