



Budget Analysis¹

2011/12

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Key Findings and Recommendations

Finding: The personnel budget is set to increase by 1.13% in real terms between 2010/11 and 2011/12.

Recommendation: While it is certainly crucial that the Department make attempts to shift the ratio of personnel to non-personnel spending closer to the 80:20 national norm, it is also essential that the current personnel constraints are taken into consideration. In the previous financial year, poor human resource and financial planning lead to over spending on this line item. The redeployment of temporary educators, for example, will add to the continuing budgetary constraints. It is thus important that ongoing priorities such as the Occupation Specific Dispensation are incorporated into the Departments plans.

Finding: Spending on the personnel line item exceeded the 2010/11 budget by an estimated R1.16 billion.

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

Recommendation: Person-to-post matching must become a Departmental priority. Teacher unions must become allies in improving management of personnel expenditure. This can be achieved through candid, regular dialogue and joint planning between the Department and organised labour in education. In addition, explicit plans must be implemented relating to the terms and conditions of employment of temporary educators. A concerted effort to assimilate staff that are additional to the establishment must be made. The Department must follow through on the recommendation and support systems likely to emanate from the current Section 100 intervention by the National Department of Basic Education.

Finding: The allocation of funds for the School Nutrition Programme (SNP) increases by 20% in nominal terms from 2010/11. This is attributed to the fact that funds for the SNP are to be transferred directly to schools following the revision of the current model.

Recommendation: In light of the programme's performance in the past as well as the varying degrees of capacity at school and community level, the decision to transfer financial administration warrants explicit planning and capacity development for administrative purposes.

Finding: The Department of Education has been placed under the administration of the National Department of Education as a result of a cabinet decision to intervene under Section 100 of the South African Constitution.

Recommendation: The National Minister of Basic Education has emphasised the need to provide sustainable changes in the provincial Department's operational environment. As such, it is recommended that in addition to providing human resource support and financial oversight, that the National Department assist in the implementation of department-wide human capacity assessment as well as comprehensive disciplinary action where necessary.

Finding: The proportional funding within the conditional grant for the School Nutrition Programme decreases from 68% in 2010/11 to 34% in 2011/12.

Recommendation: As the School Nutrition Programme is a cross-cutting socio-economic support programme, its funding must remain at the forefront of government planning in addition to being a key area for conditional grant spending improvement.

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 2011/12 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; commensurate with the recently developed delivery agreements. Education is ranked as a top priority; Outcome 1 being "Improved quality of basic education".⁵

This Budget Analysis seeks to explore the key priorities that the Department has highlighted in relation to the budget as well as in light of the immediate past and current events in the Department. These include expenditure on educator personnel; the

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 The Delivery Agreement is related to Government's Action Plan to 2014; a document detailing the 12 outcomes for work to be done by the South African Government in consultation with various stakeholders" The delivery agreement is intended to be "an important input into the budgeting process for 2011/12" and reviewed on an annual basis.

Department of Basic Education, *Republic of South Africa. Delivery Agreement For Outcome 1: Improved Quality of Basic Education(UNDATED)*.

Scholar Transport Programme, infrastructure as well as the School Nutrition Programme. On the 2nd March 2011, the Department was placed under National administration according to a Section 100 intervention by the Department of Basic Education.⁶ It is most disturbing to note that the principal problems identified by the Minister as having necessitated the Section 100 intervention have been constant problems in the Eastern Department.⁷

The MEC for Finance in his 2011/12 Budget Speech, highlighted provincial over expenditure on personnel as a result of over-expenditure in the departments of Health and Education as was the case in the previous fiscal period. The MEC stated the aim of ensuring that “there is no recurrence of personnel over-spending and non-personnel under-spending in the new MTEF period”⁸. This is encouraging, particularly in light of the fact that this has been a key failing in Education. A noteworthy provincial objective mentioned by the Finance MEC is that of working with national government to “give greater impetus” to Education and Health departmental turnaround strategies.⁹ That the Department both provincially and nationally is not performing up to the required standard is known by education stakeholders and Government alike.¹⁰ It is in this light that the upheaval in the Eastern Cape Department of Education has increasingly become a national concern.¹¹

The Scholar Transport Programme had to be suspended at the beginning of the 2011 academic year as a result of reported financial constraints. This programme is intended to assist with the transportation of learners who would otherwise have to walk more than 5 kilometres to the nearest school. However, the Department has redirected the

⁶ The Minister of Basic Education, Angie Motshekga on the 16th March 2011, in an address to the National Council of Provinces, announced the cabinet resolution to intervene in the administration of the Eastern Cape Department of Education according to Section 100 (1) (b) of the South African Constitution. The intervention, according to the Minister is aimed at dealing with the province’s most recent problems- over expenditure on personnel, failure to deliver learner teacher support materials, over-spending on and suspension of the Scholar Transport Programme and termination of the School Nutrition Programme amongst a host of other challenges.

Statement to the National Assembly on the Eastern Cape Education Department intervention by Mrs, Angie Motshekga, Minister of Basic Education. 16th March 2011. South African Government Information Website. Accessed 17th March 2011.

⁷ Ibid

⁸ Eastern Cape Provincial Treasury Budget Speech. Introduction to the Main Budget Estimates and Appropriation Bill 2011/12: Address to the Provincial Legislature. Honour able MEC Phumulo Masualle 11th March 2011

⁹ This is in reference to the current Section 100 intervention in the Eastern Cape Department of Education by the National Department of Basic Education.

Eastern Cape Provincial Treasury Budget Speech. Introduction to the Main Budget Estimates and Appropriation Bill 2011/12: Address to the Provincial Legislature. Honour able MEC Phumulo Masualle 11th March 2011. p.6.

¹⁰ The Problem Statement section in the Department of Basic Education’s Delivery Agreement states that “It is widely recognised that the country’s schooling system performs well below its potential...”

Department of Basic Education, *Republic of South Africa. Delivery Agreement For Outcome 1: Improved Quality of Basic Education.(UNDATED)*.

¹¹ Statement to the National Assembly on the Eastern Cape Education Department intervention by Mrs, Angie Motshekga, Minister of Basic Education. 16th March 2011. South African Government Information Website. Accessed 17th March 2011.

management of this programme to the Department of Transport for the 2011/12 financial year, according to both the MEC for Transport and the MEC for Education in their respective budget speeches. The transfer came into effect on 1st April 2011 and is due to be made more comprehensive in 2012/13.¹² Approximately R 206 million has been made available to the Department of Transport for the transfer of transport in rural schools outlined by the Department of Education. In addition, a staff complement of more than 50 has been added to the Department of Transport to facilitate the running of the programme¹³

As in previous years, the Department continues to prioritise the School Nutrition Programme, expenditure on infrastructure and the recapitalisation of technical high schools. However a certain degree of “reprioritisation” has been flagged by the Department and, according to Provincial Treasury assumptions, this has been done “because of financial resource constraints that the Department is experiencing”.¹⁴

The Scholar Transport Programme is a key delivery priority. On a national level, MEC Masualle highlighted the need to “intensify the drive towards improving the quality of schooling” along with:

1. expanding no-fee schools
2. providing learner-teacher support material
3. improving the school nutrition programme and
4. enhancing the matric pass rate

On a national level, President Jacob Zuma has prioritised what he terms the “Triple T”; teachers, time and textbooks.¹⁵ On a provincial level, the MEC highlighted the fact that the bulk of the budget would be allocated to Programme 2 - Public Ordinary School Education which will receive R 20.4 billion.¹⁶ It is important, then, that the Department aligns the budgeting process between now and 2014 with both these pronouncements as well as with those highlighted within Outcome 1 of the national delivery agreement and the vision of the Action Plan to 2014, mentioned previously. To ensure that an environment conducive to learning and teaching is created, the President in his State of the Nation address called on teachers to be in the classroom on time and teaching “for at least seven hours a day”.¹⁷ In addition, the national Department has introduced the annual national assessment in literacy and numeracy in grades 3, 6 and 9 following the

¹² 12th April 2011: An informal telephonic discussion with an official in the Transport Operations directorate of the Department of Transport revealed that the Department of Transport has, as yet “not even a sign or an office” relating to Scholar Transport.

¹³ Presentation of Vote 10: Transport to the Eastern Cape Legislature by Honourable Thandiswa Marawu, MEC for Transport, Roads and Public Works. 24th March 2011. South African Government Information. Available Online:

<http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=17292&tid=30799>.

¹⁴ Eastern Cape Provincial Treasury *Provincial Revenue and Expenditure* 2011/12, p.295.

¹⁵ President Jacob Zuma. Unabridged State of the Nation Address 2011. Available Online: http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=13538:unabridged-state-of-the-nation-address&catid=86:parliamentary-questions&Itemid=187

¹⁶ This in turn relates to the Compensation of Employees line item within

¹⁷ President Jacob Zuma. Unabridged State of the Nation Address 2011. Available Online: http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=13538:unabridged-state-of-the-nation-address&catid=86:parliamentary-questions&Itemid=187

introduction of standardised testing in grades 1 and 6 in 2008.¹⁸ Included in the aims of the introduction of the Annual National Assessments is to create a more accountable schooling system.

It was notable, however, that the State of the Nation Address paid limited attention to the state of basic education in particular. The roll-out, on a national basis, of the infrastructure funds to be allocated by National Treasury to provinces was not articulated either.

Table 1 below indicates that the highest annual real term allocation increases are to be in the following line items: Software and Other Intangible Assets¹⁹ (124%), Non-profit institutions (61%), and Building and other fixed structures (40%). Increases for Compensation of Employees (1%) and Universities and Technikons (3%) are amongst the lowest. Decreases in allocation between 2010/11 and 2011/2 are budgeted for Goods and Services (36%) , Households (25%) and Machinery and Equipment (27%). Encouragingly, expenditure in the previous financial year in Software and Other Intangible Assets was comparatively positive. However, the 'expenditure trends' section of Vote 6 does not address the reasons for the 124% increase in real terms in relation to 2011/12 departmental policies.²⁰

It is imperative that such information be included for the sake of clarity and better alignment of budget and policy. In real terms, there is an indiscernible growth envisaged for the personnel line item over the 2011/12 MTEF; likely to be problematic within the short to medium term. This appears to be short-sighted in light of the problems and planned changes related to staff and staffing in the near future.

¹⁸ Department of Basic Education, *Republic of South Africa. Delivery Agreement For Outcome 1: Improved Quality of Basic Education.(UNDATED)*.

¹⁹ This line item is defined as "computer software and mineral exploration as well as any other intangible assets that can be used repeatedly in production for at least one year ". National Treasury Republic of South Africa. Definitions to Support the New Economic Reporting Format Available Online:

<http://scoa.treasury.gov.za/Documents/Reference%20Guide%20to%20the%20New%20Economic%20Reporting%20Format%20-%20Part%204%20-%20Definitions%20to%20support%20the%20new%20economic%20reporting%20format.pdf>

²⁰ National Treasury guidelines stipulate that government departments must, under expenditure trends "Provide explanations for significant increases or decreases in expenditure, as well as the underlying policies and factors that inform the trends, also considering changes in economic classifications". While this extract is taken from a guide for national level reporting- it is not unreasonable to expect that there would be an explanation relating to this significant budgetary increase.

National Treasury Republic of South Africa. Treasury Guidelines Preparation of the Estimates of National Expenditure 2010. November 2009.

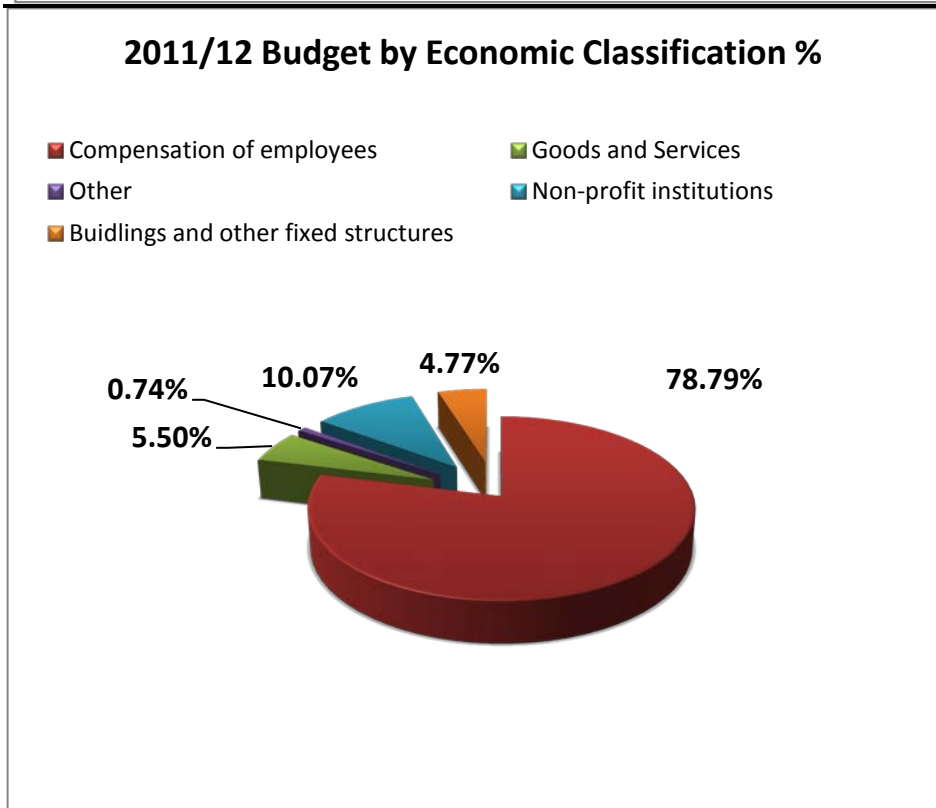
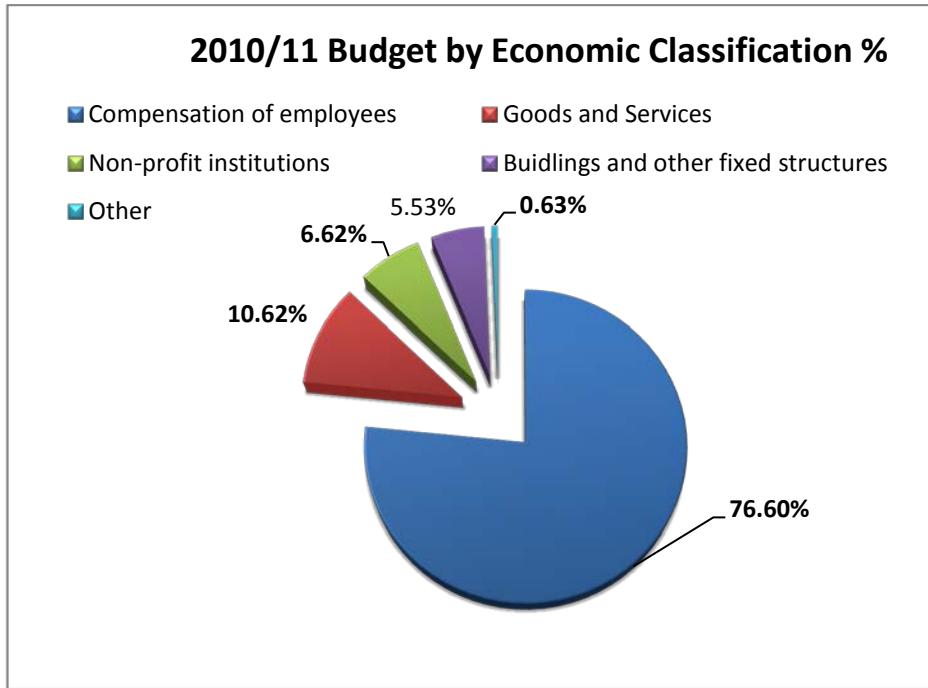
II. Budget Analysis

Table 1: Eastern Cape Department of Education by Economic Classification²¹

(R' 000)	Outcome			Main Appropriation 2010/11	Adjusted appropriation 2010/11	Revised estimate 2010/11	Medium-term estimate			Real Change between 2010/11 and 2011/12	Real Average Growth over MTEF	
	Audited 2007/08	Audited 2008/09	Audited 2009/10				2011/12	% change from Adjusted Appropriation on 2010/11	2012/13			2013/14
Current payments	13 514 374	15 592 878	18 592 891	19 471 513	20 355 521	21 827 855	20 765 504	2.01	21 579 517	22 898 936	-2.57	-0.06
Compensation of employees	11 721 693	13 755 201	17 112 266	17 372 414	18 332 259	19 500 284	19 410 179	5.88	20 188 465	21 439 070	1.13	0.00
Goods and Services	1 792 681	1 837 677	1 480 625	2 099 099	2 023 262	2 327 571	1 355 325	-33.01	1 391 052	1 459 893	-36.02	-100.00
Interest and rent on land												
Transfers and Subsidies to	516 326	981 365	1 288 517	1 661 625	1 631 828	1 616 587	2 614 888	60.24	2 795 999	2 959 298	53.05	0.81
Provinces and municipalities	2											
Departmental agencies and accounts	6 448	6 642	8 011	10 373	10 373	8 404	11 633	12.15	12 168	12 777	7.11	-0.19
Universities and technikons	15 720	15 907	16 702	17 571	17 571	17 571	18 937	7.77	19 317	20 476	2.94	-0.71
Public corporations and private enterprises												
Foreign governments and international organisations												
Non-profit institutions	448 782	885 355	1 162 924	1 501 811	1 472 013	1 471 012	2 481 347	68.57	2 655 130	2 811 192	61.00	0.85
Households	46 274	73 461	100 880	131 870	131 871	119 600	102 971	-21.92	109 384	114 853	-25.42	0.32
Payments for capital assets	454 798	943 995	868 024	1 253 892	903 335	897 735	1 254 315	38.85	1 358 652	1 431 464	32.62	1.09
Buildings and other fixed structures	414 972	853 946	852 995	1 148 174	803 963	803 989	1 176 191	46.30	1 275 017	1 343 706	39.73	1.13
Machinery and equipment	39 292	89 959	14 254	104 417	98 070	92 444	75 076	-23.45	80 569	84 562	-26.88	0.65
Software and other intangible assets	534	90	775	1 301	1 302	1 302	3 048	134.10	3 067	3 195	123.59	-1.73
Payments for Capital Assets		5 454	919									
Total economic classification	14 485 498	17 523 692	20 750 351	22 387 030	22 387 030	24 342 177	24 634 708	10.04	25 734 169	27 289 725	5.10	0.10

²¹ Eastern Cape Provincial Treasury *Provincial Revenue and Expenditure* 2011/12, Table 6.9, p.296..

Figure 1a & 1b: Eastern Cape Department of Education by Economic Classification, 2010/11 and 2011/12^{22 23}



²² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.201.

²³ Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p275.

Compensation of Employees:

The allocation for the Compensation of Employees line item increases by 1.13% in real terms and 5.88% in nominal terms. This line item presents some of the greatest challenges in the Department and has also been a key area of overspending. The percentage change between the previous financial year and the current equates to 10.04% in nominal terms and 5.10% in real terms. Of particular interest is the budgeted change in real terms in the Compensation of Employees line item over the medium term expenditure framework (MTEF) of 0.002%. This is in keeping with the Department's aim to decrease personnel spending. A concern, however, remains the need for the completion of compensation according to the Occupation Specific Dispensation as well as the redeployment of temporary teachers across the province to fill vacant posts. This will inevitably require financial resourcing. Departmental expenditure in 2009/10 included over expenditure attributed to "underfunding in the budget for Occupational Specific Dispensation"²⁴. This is disconcerting when one takes into account the fact that the first payment to educators according to the dispensation for "good and outstanding performance" is due in July 2011.²⁵ It is thus crucial that the Department initiate communications with organised labour regarding the exact plans, procedures and dispensation due to educators; if this has not already occurred. Previous poor communication and misunderstanding between the Department and unions has come at the cost of the sector at large.

The personnel line item has traditionally been the key spending area in the Department's budget; owing partly to the substantial staff component (approximately 67 000 across the province). Figure 2 (below) highlights the proportion of the overall budget that has been used to pay employees over the period between 2007/08 and the current financial year. The decrease from 82% in 2010/11 to 79% is in keeping with the Department's aims to align personnel spending with the national norm of a 80:20 personnel to non-personnel spending. Currently, spending exhibits a ratio of 87:13.²⁶ There may be added pressure on this line item if capacity is to be duly increased for the facilitation of the new School Nutrition Programme as highlighted in a later section of this analysis. It is unfortunate that the expenditure trends relating to personnel remain as they have for a number of years, oscillating primarily above average as can be seen from Figure 2, the proportional allocation decreased from 2009/10 to 2010/11 which still resulted in over-expenditure by end of the 2010/11 financial year in the personnel line item. Over expenditure on personnel has, this year, come at the expense of learners in the sense that funding to schools has had to be decreased by approximately R78 million from the

²⁴ According to the narrative in the 2009/10 Annual Report the Department of Education "received smaller amounts than requested both for the carry through costs of the OSD1 collective agreement 01 of 2008 and the funding for the OSD2 and ICS for 2009/10. There has been an increase in the number of temporary educators appointed in the system – this is due to **double-parked educators** in some schools" (emphasis added)
Province of the Eastern Cape Education Annual Report 2009/10, p.15.

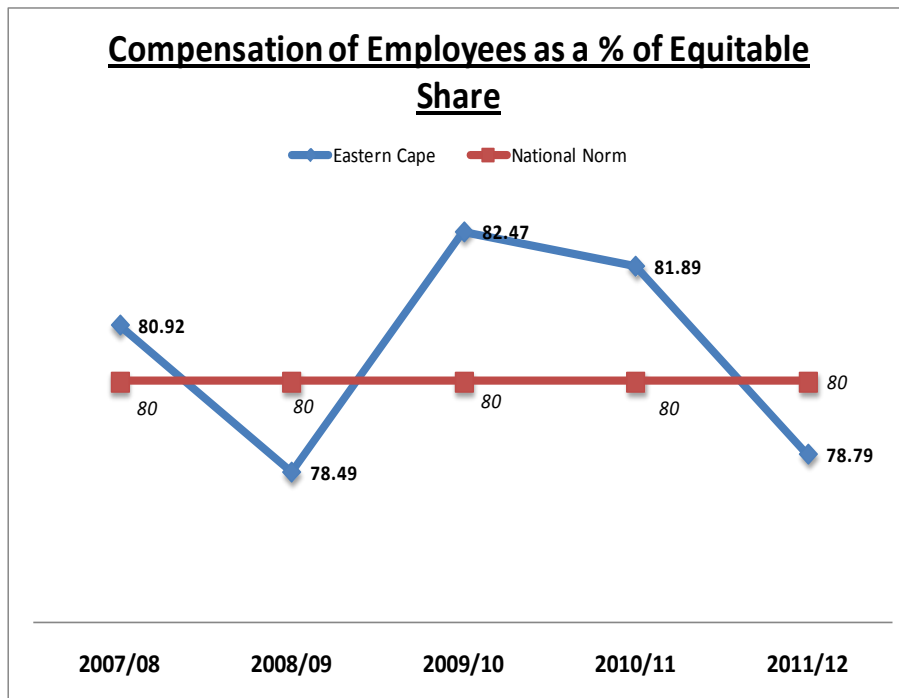
²⁵ Department of Basic Education Republic of South Africa, April 2008 Press release. Minister Pandor signs OSD for educators. Available Online:
<http://www.education.gov.za/Newsroom/MediaReleases/2008/tabid/244/ctl/Details/mid/590/ItemID/2865/Default.aspx>

²⁶ Eastern Cape Department of Education *Budget and Policy Speech* 2011/12 by MEC Mandla Makuphula 23rd March 2011.

national school funding norm. This, according to MEC Makuphula, is a result of “current personnel cost pressures”. This funding to schools would normally cater for learner teacher support material (LTSM) and school maintenance, amongst others.²⁷ As will be discussed in the infrastructure section; maintenance has been a sore point in departmental planning and implementation. Concerning LTSM, it is indeed a pointed failing as this has been an area of sub standard delivery. In a number of Eastern Cape schools, LTSM were not delivered at all at the beginning of the 2011 academic year and the same was true in 2010.²⁸ President Zuma insisted that 2011 was to be the year that every South African learner possesses their own textbooks. Cutting funds for LTSM seems counter to national prioritisation. Funding in these key areas must be optimised.

Thus, it would be recommendable for the Department to formally co-opt an implementing agency such as the Independent Development Trust to facilitate well-considered maintenance plans within available resources. Secondly, guidelines need to be strengthened for the reporting of maintenance of school assets via infrastructure committees and Education Development Officers at district level.

Figure 2: Compensation of Employees as a Percentage of Equitable Share (2007/08-2011/12)



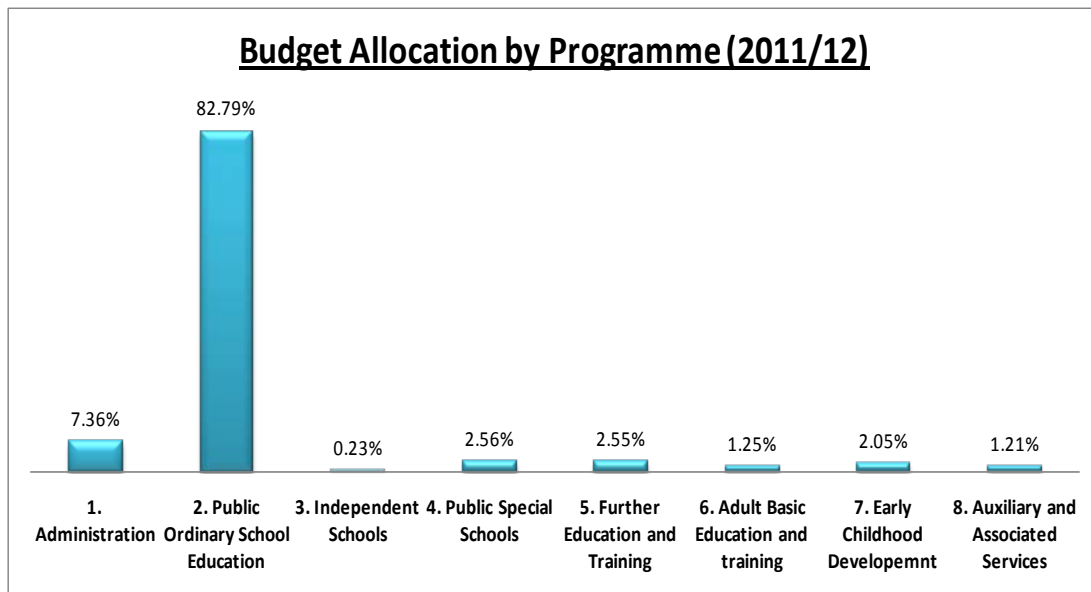
²⁷ Eastern Cape Department of Education *Budget and Policy Speech 2011/12* by MEC Mandla Makuphula 23rd March 2011.

²⁸ Media Statement by the Minister of Basic Education on the State of education in the Eastern Cape. 3rd March 2011. Available Online: South African Government information: <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=16714&tid=29334>.

Table 2: Eastern Cape Department of Education Budget Allocation by Programme, 2007/08- 2013/14²⁹

Programme (R '000)	Outcome			Main Appropriation	Adjusted appropriation	Revised estimate	Medium-term estimate			Real Change between 2010 and 2011	Real Average Growth over MTEF	
	Audited 2007/08	Audited 2008/09	Audited 2009/10				2011/12	Adjusted Appropriation	2012/13			2013/14
1. Administration	1 044 427	1 406 686	1 564 788	1 683 830	1 784 225	1 806 447	1 813 079	1.59	1 865 393	1 958 857	-3.03	-0.74
2. Public Ordinary School Education	12 369 931	14 636 544	17 577 976	18 520 389	18 870 971	20 392 075	20 395 865	7.48	21 315 840	22 611 489	3.13	0.12
3. Independent Schools	34 842	43 517	46 692	54 220	54 220	54 220	56 659	4.30	59 492	62 467	-0.19	-0.06
4. Public Special Schools	288 389	400 732	417 558	470 677	514 384	514 384	629 429	18.28	670 556	704 584	14.44	0.44
5. Further Education and Training	321 978	416 259	450 238	555 208	559 963	496 299	627 611	10.78	681 826	761 118	6.59	3.16
6. Adult Basic Education and training	155 013	153 879	213 427	299 269	299 269	299 269	307 625	2.72	324 784	341 023	-1.86	0.12
7. Early Childhood Development	79 298	249 108	267 621	528 492	528 492	528 492	505 360	-4.58	525 210	558 693	-9.49	0.03
8. Auxiliary and Associated Services	191 620	216 967	212 051	274 945	279 160	250 991	299 080	6.66	291 067	291 495	2.27	-4.09
Total payments and estimates	14 485 498	17 523 692	20 750 351	22 387 030	22 890 684	24 342 177	24 634 708	7.08	25 734 168	27 289 726	2.71	0.10

Figure 3: Eastern Cape Department of Education by Programme, 2010/11³⁰



²⁹ Eastern Cape Provincial Treasury *Eastern Cape Provincial Revenue and Expenditure 2011/12*, p.295..

³⁰ Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.274. The figures depict programme allocation as a percentage of the total budget allocated for the 2010/11 financial year.

Programme Priorities 2011/12

Public Ordinary School Education (Programme 2) is 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.”³¹ As such, spending in this programme affects a myriad of departmental activities that form the back bone of teaching and learning.

Programme 2 remains the highest funded programme for the reasons stated above with 83% of the total programme budget allocated to it. This, along with Programme 1 (Administration) has been one of the areas in which the Department has had serious difficulties in a variety of areas including financial mismanagement and wasteful expenditure.³² A glance at Figure 2 shows that the current change in proportional allocation for personnel is much the same as was the case moving from 2007/08 to 2008/09 in which the change was from about 81% of the total budget to 78%, only to increase again in the course of the following financial year. As it is to be expected that Programme 2 will continue to be a Departmental priority due to its over-arching import; it is especially crucial that the financial management across all Public Ordinary School Education sub-programmes is improved drastically. The current section 100 intervention outcomes must have a lasting impact on this and all other Eastern Cape Education programme areas.

³¹ Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 207.

³² Province of the Eastern Cape Education *Annual Report 2009/10*, Report of the Auditor General, p.116.-123.

Figure 4: Eastern Cape Department of Education Infrastructure allocation by line item, 2011/12

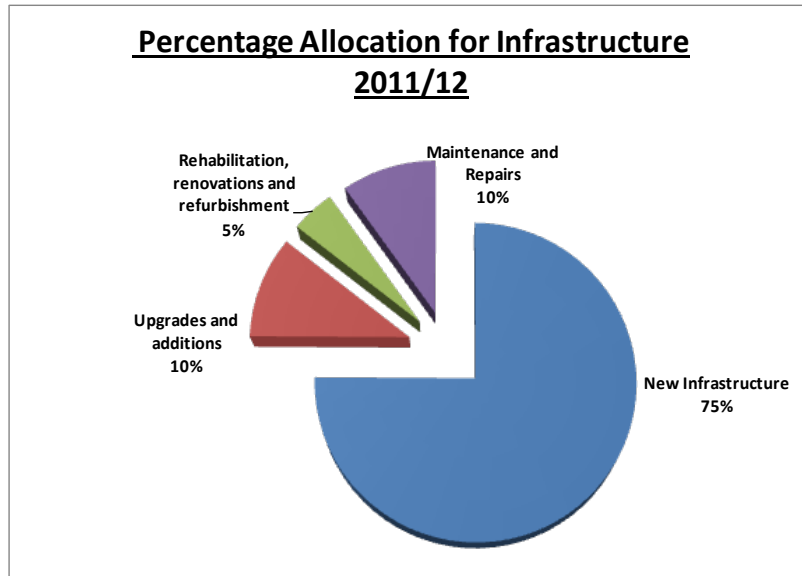


Table 4a: Trends in Allocation of the Infrastructure Budget from 2005/06 to 2011/12³³

(R ' 000)	Outcome			Main Appropriation on 2010/11	Adjusted Appropriation 2010/11	Revised Estimate 2010/11	Medium-term estimate				Real Change between 2010 and 2011	Real Average Growth over MTEF
	2007/08	2008/09	2009/10				2011/12	2010/11	2012/13	2013/14		
New Infrastructure	43 938		484 678	889 928	889 928	153 871	978 698	9.97	1 133 820	1 232 016	5.04	7.97
Existing Infrastructure Assets	490 658	987 032	408 260	433 555	433 555	84 868	324 558	-25.14	218 766	193 050	-28.50	-15.90
Upgrades and additions	327 896	807 264	171 162	201 634	201 634	16 307	136 677	-32.22	131 771	107 128	-35.26	-7.80
Rehabilitation, renovations and refurbishment	25 398	47 242	176 035	50 287	50 287	64 282	59 480	18.28	18 029	13 096	12.97	-39.62
Maintenance and Repairs	137 364	132 526	61 063	181 634	181 634	4 279	128 401	-29.31	68 966	72 826	-32.48	-17.22
Infrastructure Transfers	17 741											
Current infrastructure	137 364	132 526	181 634	181 634	181 634	4 279	128 401	-29.31	68 966	72 826	-32.48	-17.22
Capital infrastructure	414 973	854 506	1 141 849	1 141 849	1 141 849	234 460	1 174 855	2.89	1 283 620	1 352 240	-1.73	4.80
Total Departmental Infrastructure	1 595 332	987 032	892 938	1 323 483	1 323 483	238 739	1 303 256	-1.53	1 488 253	1 425 066	-5.95	3.02

³³ This figure illustrates the changes in infrastructure allocation as depicted in the Eastern Cape Provincial Treasury *Estimates of Provincial Revenue and Expenditure*, Table 6.15, p. 298. 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.

Table 4b: Trends in Allocation of the Infrastructure Budget from 2005/06 to 2011/12

(R ' 000)	Outcome			Main Appropriation on 2010/11	Adjusted Appropriation 2010/11	Revised Estimate 2010/11	Medium-term estimate					Real Change between 2010 and 2011	Real Average Growth over MTEF
	2007/08	2008/09	2009/10				% change from Adjusted Appropriation 2010/11	% change from Revised Estimate 2010/11	2011/12	2010/11	2012/13		
New Infrastructure	43 938		484 678	889 928	889 928	153 871	978 698	9.97	536.05	1 133 820	1 232 016	5.04	7.97
Existing Infrastructure Assets	490 658	987 032	408 260	433 555	433 555	84 868	324 558	-25.14	282.43	218 766	193 050	-28.50	-15.90
Upgrades and additions	327 896	807 264	171 162	201 634	201 634	16 307	136 677	-32.22	738.15	131 771	107 128	-35.26	-7.80
Rehabilitation, renovations and refurbishment	25 398	47 242	176 035	50 287	50 287	64 282	59 480	18.28	-7.47	18 029	13 096	12.97	-39.62
Maintenance and Repairs	137 364	132 526	61 063	181 634	181 634	4 279	128 401	-29.31	2 900.72	68 966	72 826	-32.48	-17.22
Infrastructure Transfers	17 741												
Current infrastructure	137 364	132 526	181 634	181 634	181 634	4 279	128 401	-29.31	2 900.72	68 966	72 826	-32.48	-17.22
Capital infrastructure	414 973	854 506	1 141 849	1 141 849	1 141 849	234 460	1 174 855	2.89	401.09	1 283 620	1 352 240	-1.73	4.80
Total Departmental Infrastructure	1 595 332	987 032	892 938	1 323 483	1 323 483	238 739	1 303 256	-1.53	445.89	1 488 253	1 425 066	-5.95	3.02

Depicted in Figure 4 above is the 75% allocation of the infrastructure budget to new infrastructure across the province with the remaining 25% allocated to rehabilitation, upgrades and maintenance of existing assets. Maintenance of existing buildings has been inadequate in some instances which has the potential to create a counter-productive cycle in which schools are built and not sufficiently maintained. For 2011/12, 10% of the budget has been allocated to maintenance and repairs; amounting to a nominal figure of about R128 million; a 32% decrease in real terms from 2010/11. The infrastructure budget is projected to grow by a mere 3% in real terms over the 2011/12 MTEF (Table 4). With a projected R1.48 billion to be allocated in 2013/14, the Department undoubtedly needs the additional financial support to be provided by the Department of Basic Education over a 3-year period.

In terms of further financial constraints in infrastructure, the Eastern Cape was one of 8 provinces 'penalised' by Finance Minister Pravin Gordhan for previous maladministration of the infrastructure grant.³⁴ The penalty, according to Section 17 of the Division of Revenue Act, allows for funds to be withheld from a province if, for example, there is continuous non-compliance with national legislation or if National Treasury anticipates substantial under spending by a province.³⁵ It is a great cause for concern that, despite the various infrastructure needs in the province, the Department under spent hugely in 2010/11. Table 4 above reflects that of the budgeted R 1.32 billion for 2010/11, more than R 1 billion was not spent with a revised estimate of approximately R 238 million. The (alternative) Table 4 above (which also includes a column for "percentage change from REVISED ESTIMATE") highlights the various areas where there is a jarring increase from the previous year's expenditure. The overall infrastructure increase from 2010/11 amount to an enormous 445.9% (see 2nd Table 4). The table above also reflects the dismal spending on maintenance; equating to an increase in excess of 2 000%. The MEC states that one of the focus areas in infrastructure for 2011/12 will be the improvement of "...infrastructure delivery capacity".³⁶ Thus, it is important that a comprehensive expenditure management and infrastructure delivery plan takes the questionable spending capacity already exhibited from the previous years. Given the Department's track record in this area- there is no question that the outcomes of the current Section 100 intervention would be found wanting were a directive on infrastructure spending to be omitted.

³⁴ While this is a *provincial* problem, this is also likely to have repercussions for Education as the infrastructure grant pertains to education and health amongst others.

The Citizen Online. 7th April 2011. WCape only province to receive full infrastructure grant.

Available Online: <http://www.citizen.co.za/citizen/content/en/citizen/local-news?oid=185682&sn=Detail&pid=334&WCape-only-province-to-receive-full-infrastructure-grant>

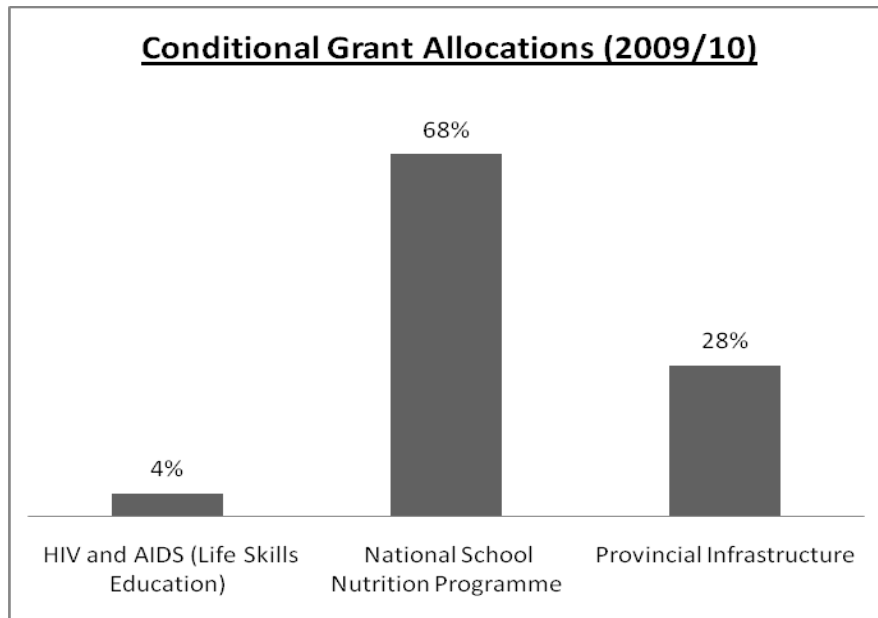
³⁵ Government Gazette Republic of South Africa Vol. 537 Cape Town 31 March 2010 No.33801. No.1. 2010 Division of Revenue Act of 2010. Section 17.

³⁶ Eastern Cape Department of Education *Budget and Policy Speech* 2011/12 by MEC Mandla Makuphula 23rd March 2011.

Table 5: Eastern Cape Department of Education, Conditional Grant allocations, 2009/10³⁷

Conditional Grant Allocation (R' 000)	Outcome			Main Appropriation 2010/11	Adjusted Appropriation 2010/11	Revised Estimate 2010/11	Medium-term estimate			Real Change between 2010 and 2011	Real Average Growth over MTEF	
	2007/08	2008/09	2009/10				% change from Adjusted Appropriation on 2010/11	2012/13	2013/14			
1. Dinaledi Schools Grant							8 400		12 000	12 660		10.91
2. Education Disaster Management Grant												
3. HIV and AIDS (Life Skills Education)	26 394	28 542		28 542	29 479	30 168	34 346	16.51	35 322	37 265	11.28	-0.60
4. National School Nutrition Programme	291 180	405 664	479 760	702 936	702 936	702 936	845 166	20.23	909 644	959 674	14.84	0.92
5. Technical Secondary Schools Recapitalisation Grant				9 549	9 549	9 549	37 584	293.59	39 464	41 635	275.92	0.10
6. Further Education and Training College Sector Grant		114 937		559 964	559 964	496 688	627 611	12.08	681 826	761 118	7.05	3.16
7. Education Infrastructure Grant	294	156 679	123 987	504 179	504 179	504 179	968 435	92.08	1 058 635	1 116 860	83.46	1.45
8. EPWP							711					-100.00
Total payments and estimates	317 868	705 822	603 747	1 805 170	1 806 107	1 743 520	2 522 253	39.65	2 736 891	2 929 212	33.38	1.68

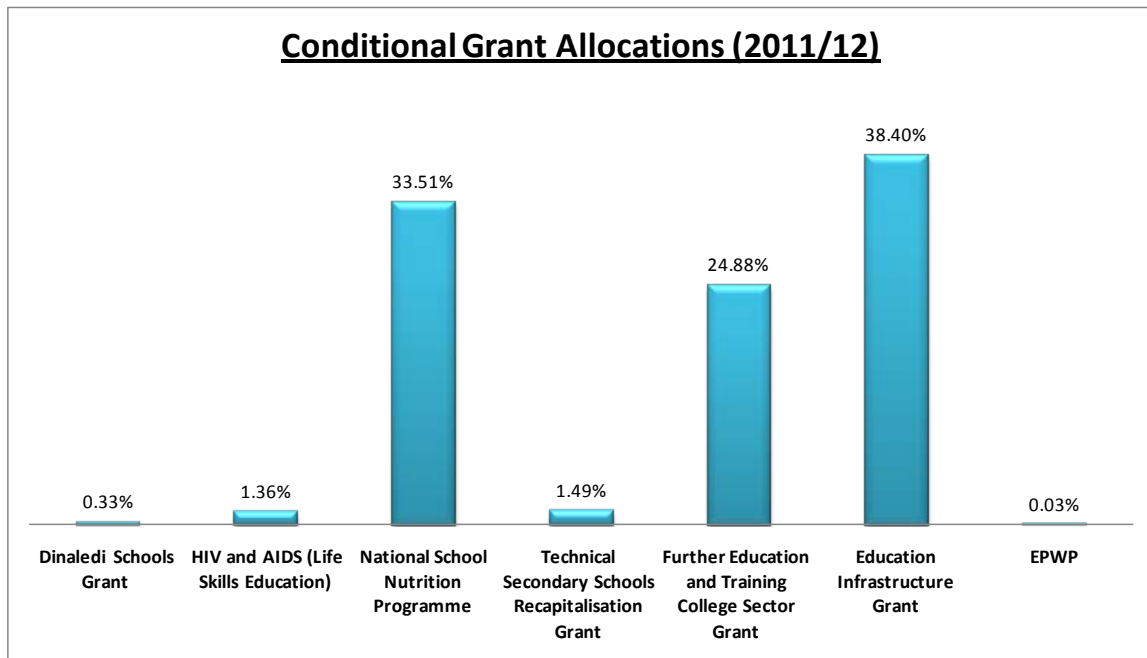
Figure 5a: Eastern Cape Department of Education Conditional Grant Allocation, 2009/10³⁸



³⁷ Eastern Cape Provincial Revenue and Expenditure 2011/12, p.297.

³⁸ Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.199.

Figure 5b: Eastern Cape Department of Education Conditional Grant Allocation, 2011/12³⁹



As indicated in the figures above, the Department continues to receive priority funding in the areas of school nutrition and infrastructure; both key delivery areas in the Eastern Cape. Two new conditional grants; the Dinaledi Schools and Expanded Public Works Programme (EPWP) Grant have been introduced in 2011/12. These are aimed at enhancing delivery in maths and science literacy as well as infrastructure respectively. The proportional allocation for infrastructure has increased from 28% in 2009/10 to 38% in 2011/12. Contrastingly, the nutrition programme allocation has gone from 68% in the same year to 34% in the current year. There are four additional conditional grants obtained by the Department for 2011/12 (Figure 5b).

1. Provincial Infrastructure Grant (PIG) or Education Infrastructure Grant (EIG)

School infrastructure in South Africa is inadequate. With a reported 70% of schools having some overcrowded classrooms and 80%⁴⁰ of South African schools not having science laboratories, the need for a concerted effort to remedy this is only too obvious. Approximately 38% of the budget for conditional grants has been allocated for infrastructure in the Eastern Cape (see Figure 5b above) while 36% goes to school nutrition. The next highest allocation is for the Further Education and Training Sector Grant at 25%. According to Provincial Treasury, the equitable share funding for

³⁹ Eastern Cape Provincial Revenue and Expenditure 2011/12, p.297.

⁴⁰ 2010 Media Statement by the Department of Basic Education quoted in Daily Dispatch article 26th June 2010-official statement to be sourced). The article also mentioned a government gazette setting out national standards for school construction as well as the setting aside of a sum of R 9.7 billion for the project...

Programme 5; Further Education and Training has a trend of being spent “effectively and efficiently” within a model where the budget has always been decentralised.⁴¹

2. School Nutrition Programme

The School Nutrition Programme (SNP) has experienced severe problems in its running, almost since inception. A study carried out by the Public Service Accountability Monitor in 2010 to track expenditure in the SNP drew attention to the fact that the programme is in need of efficient, tighter financial controls and simplified record-keeping both at school delivery level and elsewhere. In addition, a host of challenges that present obstacles to delivery such as teacher absenteeism, inadequate monitoring and lack of human capacity and adequate infrastructure exist.⁴² Maladministration and mismanagement of funds has also been reported by, for example, oversight bodies such as Education Portfolio committees and corruptions has also been sighted as culminating in the need to suspend both the School Nutrition and Scholar Transport Programmes.⁴³

The Department, as of the current financial year, has announced that the SNP will be run using a revised model.⁴⁴ This will involve the transfer of funds directly to schools which, according to the Provincial Revenue and Expenditure estimates has necessitated the allocation of R2,24 billion over the 2011/12 medium term expenditure framework.⁴⁵ In light of the aforementioned problems, a notable concern is the ability of schools to take on the added burden of fulfilling obligations under this new model. Currently, some schools in the province face educator shortages and the PSAM study also revealed that the efficient running of the SNP is heavily dependent on informed, trained staff. It would be prudent of the Department to roll out an extensive skill and SNP educator facilitation process throughout the province. The findings of the study also revealed the need to increase the complement of SNP-specific posts at larger schools in particular. It seems that this will be especially important when schools will be tasked both with managing their own SNP budgets as well as with sourcing and paying meal service provider et cetera.

While there have been reported investigations and suspensions underway in the Department in relation to various mismanagement in this and other programmes, there is a need for decisive and permanent disciplinary action in the face of continued financial losses at the expense of learners across the province. Within the new model of the SNP, more is needed beyond mere ‘community-based’ support. Explicitly speaking, radical changes must be made in the following areas:

1. Database and management of credible, reliable suppliers
2. Rigorous training and supervision of all SNP officers; particularly if, as the new model implies more responsibilities will lie with schools. It is unreasonable to expect educators and non-educator staff at schools to become more involved in

⁴¹ Eastern Cape *Estimates of Provincial Revenue and Expenditure 2011/12*,

⁴² Dr. Neil Overy. *An Evaluation of the School Nutrition Programme in the Grahamstown Education District, Eastern Cape, South Africa*. August 2010.

⁴³ Speech by Hon. Hope H. Malgas in response to the Minister of Basic Education’s Departmental Intervention in the Eastern Cape. 16th March 2011.

⁴⁴ Eastern Cape Department of Education *Budget and Policy Speech 2011/12* by MEC Mandla Makuphula 23rd March 2011.

⁴⁵ Eastern Cape *Provincial Revenue and Expenditure 2011/12*, p.299.

- administering SNP services without offering both support and a more user-friendly system.⁴⁶
3. Provision of basic equipment to all SNP centres such as mobile kitchens and gas cylinders
 4. Timely delivery of fresh food by 10h00 on school feeding days to prevent disruptions of the school day and promote quality learning for learners

In summary, the Eastern Cape Department of Education still has a substantial legacy of failing to address, infrastructure needs primarily in Programmes 1 and 2 as well as in and the key conditional grants. However, it is hoped that the Section 100 intervention will not only have immediate positive outcomes but will also result in sustainable administrative capacity building and strengthening of the key weaknesses in oversight, budgeting and planning exhibited by the provincial Department. This is especially critical in the rollout of infrastructure budgets and planning for all infrastructure projects in the Department. Through the Section 100 intervention it is hoped that the Department will reap tangible benefits in the alarming expenditure trends highlighted in infrastructure and other programme areas highlighted above.

⁴⁶ See Dr. Neil Overy. *An Evaluation of the School Nutrition Programme in the Grahamstown Education District, Eastern Cape, South Africa*. August 2010.