



# department of education

eastern cape, south africa



budget analysis 2010/2011



zukiswa kota

# Acknowledgements

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*"We must promote democracy at every level of society. The best and most effective means of ensuring human rights and to promote the eradication of racism and sexism is to enable the full and unqualified participation of all races, sexes and classes in all aspects of society ... Democracy and human rights are inseparable. We cannot have the one without the other."*

Nelson Mandela 1993

## Budget Analysis<sup>1</sup>

2010/11

June 2010

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### **Key Findings and Recommendations**

**Finding:** Spending on personnel compensation is set to decrease within the medium term (2010/11- 2012/13) by a real average of 0.07%.

**Recommendation:** In light of the current employee challenges, the Department must implement stringent measures to ensure accountability of Department officials across all programme areas. Adequate responses to the findings and recommendations made by the Auditor General are vital to this process and should thus form part of the Department's strategic planning going forward.

**Finding:** The R 1.32 billion budgeted for infrastructure delivery is unlikely to meet the Department's objectives.

**Recommendation:** Beyond budget constraint challenges, the Department must first deal with what has thus far been inadequate and, at times disjointed planning in relation to infrastructure prioritisation and delivery. In addition to improved planning, the Department must take advantage of the Infrastructure Improvement Delivery Programme.

**Finding:** Despite the implementation of the Audit Improvement Plan (AIP) in 2008/09 under Programme 1, the Department of Education received a third adverse audit opinion in 2008/09.

**Recommendation:** It is imperative that the Department take decisive action to address the concerns raised by the Auditor General. It is also recommended that the Department expedite corrective action against officials implicated in alleged acts of misconduct.

**Finding:** While the Department committed to eradicating mud schools by the end of 2009, there still remain approximately 1483 mud schools in the Eastern Cape.

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<sup>1</sup> 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:** Staff shortages must be addressed within the relevant units and programmes concerned with infrastructure. Improved planning and budgeting, aligned with the needs of the province must be carried out.

## Introduction

The South African Constitution commits government departments to the progressive realisation of various socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.<sup>2</sup> The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget. This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Education's 2010/11 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.<sup>3</sup> 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*.<sup>4</sup> On both the national and provincial scale, spending on education remains the single largest government budget allocation. The Department has been allocated 47% or R22.67 billion of the total payments to the province.<sup>5</sup>

Of the R73 billion allocated to the Department of Education over the upcoming MTEF, priority service delivery areas include school infrastructure, the SNP, scholar transport and the improvement of employees working environment.<sup>6</sup> Finance MEC Jonas, in his 2010/11 budget speech highlighted a) scholar transport b) expansion of the SNP c) No Fee school extension d) infrastructure improvement e) Learner Teacher Support Material (LTSM) f) enhancing school safety and security and g) Early Childhood Development

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

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

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

<sup>5</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.36.

<sup>6</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.273.

programme expansion.<sup>7</sup> In his budget and policy speech, the MEC for Education discussed a wide range of areas in a notably less concise manner as compared to the 2009/10 speech. Amongst others, the MEC mentioned the need for the Department to adopt an outcomes approach towards implementing government priorities.<sup>8</sup> Consequently, all of the priorities mentioned by the MEC for finance and several others were mentioned by the MEC for Education. Amongst these were the creation of “(C)ohesive and sustainable communities” through education, “(e)conomic, efficient an effective employment of resourcing” and the rationalisation of schools.<sup>9</sup>

Of the over-arching national key priorities mentioned by Finance Minister Pravin Gordhan, the improvement in quality of basic education is amongst the six.<sup>10</sup> Provincial priorities that are explicitly aligned to the national budget include improving foundation phase literacy (ECD) and expanding and improving teacher training (FET colleges).<sup>11</sup> However, as will be discussed below - alignment of national and provincial plans in education is still somewhat inconsistent. This is a challenge that has been highlighted by Minister Gordhan; “...to achieve the outcome we have set ourselves in education and health, we need better coordination and alignment between national policy imperatives and provincial budgets. A breakdown in this regard is a recipe for failure.”<sup>12</sup>

In terms of the challenges faced by the Provincial Department of Education, MEC Jonas stated that the real challenge was less budget constraint related and more of an issue of “...the sheer scale of our educational establishment”.<sup>13</sup> The Department, however, has a history of high investment and poor returns particularly where matric pass rates and infrastructure delivery are concerned.<sup>14</sup> The Department reflects expenditure trends in which “(T)here is not always a correlation between spending and outputs”.<sup>15</sup> 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. The Administration programme has as one of its key priorities

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<sup>7</sup> Province of the Eastern Cape Budget Speech 2010, MEC Mcebisi Jonas, 3<sup>rd</sup> March 2010, Eastern Cape Provincial Treasury. p.11.

<sup>8</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010. p.1.

<sup>9</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010.

<sup>10</sup> National Budget Speech 2010, Minister Pravin Gordhan, 17<sup>th</sup> February 2010, National Treasury Available [www.treasury.gov.za](http://www.treasury.gov.za). p.16.

<sup>11</sup> Province of the Eastern Cape Budget Speech 2010, MEC Mcebisi Jonas, 3<sup>rd</sup> March 2010, Eastern Cape Provincial Treasury. p.11.

National Budget Speech 2010, Minister Pravin Gordhan, 17<sup>th</sup> February 2010, National Treasury Available [www.treasury.gov.za](http://www.treasury.gov.za). Pp. 16-17.

<sup>12</sup> National Budget Speech 2010, Minister Pravin Gordhan, 17<sup>th</sup> February 2010, National Treasury Available [www.treasury.gov.za](http://www.treasury.gov.za). p.17.

<sup>13</sup> Province of the Eastern Cape Budget Speech 2010, MEC Mcebisi Jonas, 3<sup>rd</sup> March 2010, Eastern Cape Provincial Treasury. p.11.

<sup>14</sup> 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” National Treasury Provincial Budgets and Expenditure Review 2003/04-2009/10, pp 26;30.

<sup>15</sup> National Treasury Provincial *Budgets and Expenditure Review* 2003/04-2009/10,p.7.

capacity-building in the areas of Finance, Human Resources and the Supply Chain Management Directorates.<sup>16</sup>

At both national and provincial levels, the improvement of learning and teaching in schools is a key priority area. According to the MEC for Education, in an estimated 80% of schools in the province, the quality of teaching and learning is below standard.<sup>17</sup> Similarly, a target of 80% improvement in the quality of learning and teaching has been set for enhancing the quality of learning across all South African public schools in all provinces.<sup>18</sup> This has also been identified as the biggest single service delivery challenge for the Department.<sup>19</sup> The Department has identified key areas with which to align its service delivery improvement with the National Ten Point Plan which was launched in November 2009.<sup>20</sup> Over the course of 2010, the Eastern Cape government aims to implement a Master plan targeted at improving learning and teaching in schools.<sup>21</sup> The 12 projects included within this plan are intended to encompass "...resourcing of schools, the QUIDS-UP Programme, the declaration of all Quintile 1-3 schools as No-Fee schools, the compensation of Quintile 4 and 5 schools that have exempted poor learners from the payment of schools fees...the provision of learner transport services, the provision of school furniture, the provision of resources and subsidise hostels." (sic)<sup>22</sup> Other<sup>23</sup> Surprisingly, however, this was not mentioned by the Premier of the Eastern Cape in her 2010 Address. Priorities highlighted by the Premier remained much the same as last year; an emphasis on Early Childhood Education (ECD), the SNP, No Fee schools and the Learner Attainment Improvement Strategy (LAIS). Infrastructure delivery was not mentioned in the context of Education in the Eastern Cape although the Premier committed her government, through the Provincial Strategic Framework, to "(S)trengthening education and building a skills and human resources base" and to "(B)uilding social and economic infrastructure".<sup>24</sup> The MEC for Education does, however, stress the importance of the Learner Attainment Improvement Strategy (LAIS) in conjunction with the development of another plan - the "Master Plan for Total Learner Performance and School Management Improvement".<sup>25</sup>

In the previous financial year, the PSAM noted that various priorities were identified by the Eastern Cape Education Department in alignment with the 24 National Priorities for Immediate Action; of which eight were directly related to education.<sup>26</sup> It is worrying that these seem to have been replaced with new plans albeit with a similar ambit within a single fiscal period. In the current budget documents, there is no mention of links to the

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<sup>16</sup> Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p. 195.

<sup>17</sup> . MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010, p.3.

<sup>18</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.269.

<sup>19</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.269.

<sup>20</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.269.

<sup>21</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.270.

<sup>22</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.270.

<sup>23</sup> Minister Trevor Manuel, National Budget Speech 2009 11 February 2009, p.11.

<sup>24</sup> Speech of the Honorable Premier Noxolo Kiviet, 19<sup>th</sup> February 2010.

<sup>25</sup> MEC for Education Mahlubandile Qwase, Eastern Cape Department of Education Budget and Policy Speech 2010.

<sup>26</sup> Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.191



24 National Priorities for Immediate Action nor is there any mention of them in the National Budget Speech of 2010. The Infrastructure Improvement Delivery Programme (IDIP), for example, was highlighted in the 2009/10 Budget Statement II in reference to staff recruitment to begin implementation.<sup>27</sup> It is not referred to in the current Budget Statement. The IDIP has a potentially vital role to play in the improvement of infrastructure delivery to schools in the province. It is a collaborative programme involving the National Treasury and Public Works Department as well as Departments of Health and Education.<sup>28</sup> The Master Plan discussed by the MEC also appears to have been introduced in 2010/11. The recapitalisation of Further Education and Training (FET) colleges, a priority listed in 2009 is not emphasised this year despite a lack of evidence that this programme has met its objectives. In reference to FET, the MEC briefly announced the establishment of a Transfer Oversight Committee and 6 national teams along with duplicate provincial task teams.<sup>29</sup>

**These key overarching policy priorities will now be considered in greater detail below:**

### **No-Fee Schools**

The No-Fee Schools 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.<sup>30</sup> The Department intends to have declared 5134 schools as No Fee schools in the Province within the 2010 financial year.<sup>31</sup> This increase is set to benefit an additional 400 000 learners in the Eastern Cape.<sup>32</sup> The gazetted allocation per capita for schools in Quintile 3 currently stands at R605 per learner.<sup>33</sup> By the beginning of the 2008/09 financial year, 3 825 schools were declared No-Fee schools.<sup>34</sup> By the end of the year, the number had increased by a further 140 000 learners. This, therefore, means that 88% of the Province's 5 690 schools in Quintiles 1 to 3 are No-Fee schools.<sup>35</sup>

### **Increasing expenditure on school infrastructure**

The infrastructure delivery backlog characterised key departmental challenges in the 2009/10 fiscal period.<sup>36</sup> The Department's infrastructure programme has, as some of its priority areas, the eradication of mud structures, electrification of 215 schools, sanitation

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<sup>27</sup> Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.203.

<sup>28</sup> National Treasury, Infrastructure Improvement Delivery Programme Available Online: <http://idip.treasury.gov.za/default.aspx>

<sup>29</sup> MEC for Education Mahlbandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010.

<sup>30</sup> Eastern Cape Department of Education *Annual Report 2007/08*, Foreword by the MEC for Education, p.ii.

<sup>31</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.270.

<sup>32</sup> Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p.196.

<sup>33</sup> Government Gazette, 17 October 2008 # 31498, Pretoria, South Africa.

<sup>34</sup> Eastern Cape Department of Education *Annual Report 2007/08*, p.3.

<sup>35</sup> Eastern Cape Department of Education website:

[http://www.ecdoe.gov.za/news\\_articles/59/2009-National-Budget-Speech](http://www.ecdoe.gov.za/news_articles/59/2009-National-Budget-Speech) .

<sup>36</sup> Eastern Cape Department of Education Annual Performance Plan: 2008/09-2010/11, p.3.



systems in 815 schools and increasing the number of schools with media centres by 23%.<sup>37</sup> The elimination of mud structures has been an ongoing policy emphasis. In the 2007/08 Annual Report, the MEC stated that the primary objective was to complete this process by the end of the 2009/10 financial year.<sup>38</sup> Unfortunately, mud structures still remain a reality in the province. In the 2008/09 Annual Report, the MEC made little reference to this, merely stating that his Department would "...also be tackling backlogs in our school-building programme to intensify our efforts to eradicate mud schools and classroom backlogs."<sup>39</sup> The public ordinary school programme under the Department caters for approximately 2 million learners. The School Infrastructure Recovery Plan is only mentioned in the 2010/11 Budget Statement<sup>40</sup> but is not referred to at all in either the national budget speech nor in the MEC's speech for 2010. The Eastern Cape Education Department's equitable share allocation for infrastructure increased from R981.8 million in 2009/10 to R1.32 billion in the current fiscal year, a nominal increase of approximately 35%.<sup>41</sup> The Provincial Infrastructure Grant (PIG) which grew in real terms by 274% from R132.4 million to R202.1 million in 2009/10 in line with the Department's commitment to infrastructure delivery, is not explicitly outlined in the 2010/11 statement.<sup>42</sup>

### **Expanding the School Nutrition Programme (SNP)**

This programme is integral to the South African government's anti-poverty strategy.<sup>43, 44</sup> The SNP is one of the Department's greatest financial commitments while also having been an area of concern in terms of service delivery.<sup>45</sup> The SNP was one of four priority areas under which the Department allocated additional funds in the 2008/09 fiscal period.<sup>46</sup> Recently Premier Kiviet acknowledged the need for vast improvement in the programme's general management and impact.<sup>47</sup> This, however, appears to have had minimal impact on the efficient running of the SNP and timely payment of food suppliers.<sup>48</sup>

<sup>37</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010. p.8.

<sup>38</sup> Eastern Cape Department of Education *Annual Report 2007/08*, Foreword by the MEC for Education, p.iii.

<sup>39</sup> Eastern Cape Department of Education *Annual Report 2008/09*, Foreword by the MEC for Education, p.4.

<sup>40</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*. p.271.

<sup>41</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.275.

<sup>42</sup> Eastern Cape Provincial Treasury, *Budget Statement II 2009/10*, p. 203.

<sup>43</sup> Eastern Cape Department of Education *Annual Report 2007/08*, p.49.

<sup>44</sup> The Development of Education: National Report of South Africa 48th International Conference on Education. 25-28<sup>th</sup> November 2008. Department of Education, South Africa, p.10.

<sup>45</sup> Eastern Cape Department of Education *Annual Report 2007/08*.

<sup>46</sup> Eastern Cape Department of Education *Annual Report 2008/09*, Foreword by the MEC for Education, p.4. The MEC highlighted other programmes towards which additional funds were made available which included FET college recapitalisation, learning and teaching support material and Infrastructure.

<sup>47</sup> Premier Noxolo Kiviet, Eastern Cape State of the Province Address 12th June 2009.

<sup>48</sup> According to a media report, the Eastern Cape Department of Education has failed to cater for all learners in schools under the SNP due to food shortage and has also been unable to pay various food suppliers since the end of 2009. Available online-

<http://www.theherald.co.za/article.aspx?id=560231> Article accessed May 2010.

It is intended that the number of school gardens will rise from 1 211 to 1 411 as a means of enhancing the sustainability of the programme.<sup>49</sup> The SNP is a sub-programme of Programme 2; Public Ordinary School Education.<sup>50</sup> 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.<sup>51</sup> 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.<sup>52</sup> Thus, the expansion of the programme in this aspect is feasible if previous growth is improved upon or, at the very least maintained. The MEC has highlighted the two main priorities in this programme for 2010. Firstly, to ensure that all 4 588 SNP schools receive nutritious cooked meals. Second is the creation of 1 700 school gardens and the appointment of 7 135 meal servers or volunteer food handlers.<sup>53</sup>

### **Learner Attainment Improvement Strategy (LAIS)**

Noteworthy is the MEC's focus on this strategy as compared to 2009/10 when the PSAM highlighted the different emphases placed on LAIS - with the Premier highlighting its importance in her address while the MEC focussed on other issues instead.<sup>54</sup> In his 2010 budget and policy address and during his announcement of the 2009 National Senior Certificate results, the MEC, stressed the Department's plans to improve learner attainment. The MEC also stated the need to curb spending on any activities not related to the basics of teaching and learning.<sup>55</sup> Having now briefly outlined the key policy priorities of the Department, consideration will now be given to the manner in which the Department's 2010/11 budget has been allocated in order to ascertain whether it will give effect to these priorities and ultimately improve access to education.

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<sup>49</sup> Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.196.

<sup>50</sup> 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."

<sup>51</sup> Eastern Cape Department of Education: *Operational Plan 2008/2009*, p.257.

<sup>52</sup> Eastern Cape Department of Education *Annual Report 2007/08*, p.49.

<sup>53</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010. p.6.

<sup>54</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2009.

<sup>55</sup> MEC for Education Mahlubandile Qwase, Speech on the release of the 2009 NSC Examination Results at the Christian Centre, Abbotsford, East London, 7<sup>th</sup> January 2010. p.2.

## II. Budget Analysis

**Table 1: Eastern Cape Department of Education by Economic Classification<sup>56</sup>**

(R' 000)	Outcome			Main Approp- riation 2009/10	Adjusted appro-riation 2009/10	Revised estimate 2009/10	Medium-term estimate				Real Change between 2009/10 and 2010/11	Real Average Growth over MTEF
	Audited 2006/07	Audited 2007/08	Audited 2008/09				% change from Adjusted Appropriation 2009/10	2010/11	2011/12	2012/13		
<b>Current payments</b>	<b>11,882,143</b>	<b>13,518,730</b>	<b>15,965,740</b>	<b>17,214,440</b>	<b>18,327,833</b>	<b>18,848,815</b>	<b>19,781,839</b>	<b>7.93</b>	<b>21,276,663</b>	<b>22,009,464</b>	<b>1.82</b>	<b>0.11</b>
Compensation of employees	10,706,948	11,726,254	13,755,201	15,810,910	16,258,191	16,817,643	17,372,413	6.85	18,630,223	19,222,683	0.80	-0.07
Goods and Services	1,175,195	1,792,476	2,210,539	2,033,530	2,069,642	2,031,172	2,409,427	16.42	2,646,440	2,786,782	9.83	1.42
Interest and rent on land												
Financial transactions in assets and liabilities												
Unauthorised expenditure												
<b>Transfers and Subsidies to</b>	<b>465,729</b>	<b>501,606</b>	<b>965,458</b>	<b>1,299,788</b>	<b>1,334,072</b>	<b>1,405,392</b>	<b>1,644,053</b>	<b>23.24</b>	<b>1,732,877</b>	<b>1,814,391</b>	<b>16.26</b>	<b>-0.16</b>
Provinces and municipalities	8,252	2										
Departmental agencies and accounts	6,141	6,448	6,642	8,011	8,011		10,373	29.48	10,751	11,190	22.16	-0.91
Universities and technikons												
Public corporations and private enterprises												
Foreign governments and international organisations												
Non-profit institutions	381,266	448,782	885,315	1,227,206	1,261,248		1,501,810	19.07	1,587,216	1,664,751	12.33	-0.01
Households	70,070	46,374	73,501	64,571	64,813		131,870	103.46	134,911	138,450	91.95	-1.80
<b>Payments for capital assets</b>	<b>524,371</b>	<b>454,798</b>	<b>943,995</b>	<b>933,279</b>	<b>867,583</b>	<b>887,063</b>	<b>1,253,894</b>	<b>44.53</b>	<b>1,619,637</b>	<b>1,737,001</b>	<b>36.35</b>	<b>7.70</b>
Buildings and other fixed structures	506,168	414,973	853,829	834,216	838,917	823,724	1,148,174	36.86	1,503,356	1,611,830	29.12	8.18
Machinery and equipment	17,388	39,292	89,934	97,924	27,527	63,339	104,418	279.33	114,823	123,640	257.86	2.21
Cultivated assets		17										
Software and other intangible assets	825	534	232	1,139	1,139		1,302	14.31	1,458	1,530	7.84	1.96
Land and subsoil assets												
<b>Total economic classification</b>	<b>12,872,243</b>	<b>14,475,134</b>	<b>17,875,193</b>	<b>19,447,507</b>	<b>20,529,488</b>	<b>17,788,988</b>	<b>22,679,786</b>	<b>10.47</b>	<b>24,629,177</b>	<b>25,560,856</b>	<b>4.22</b>	<b>0.55</b>

<sup>56</sup> Eastern Cape Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, Table 6.3 b, p.275..

## **Infrastructure**

Of the Department's main programmes, Programmes 2, 4 and 7 have been allocated the largest share of the infrastructure budget; (22.5%, 11.8% and 9.6%) while the conditional grant, at R 457.78 million equates to 33.3%.<sup>57</sup>

In order to address the Department's backlog, it is estimated that that the Department would require R 23.39 billion and that to upgrade mud structures at present day costs, R 1.55 billion is needed with R 3.59 billion for maintenance. Thus, it is estimated that it would take 13 years to eliminate the current backlogs and 6 years to "Upgrade (i.e. replace unacceptable structures... (sic)."<sup>58</sup> A rough estimate using the Department's reports and projections shows that if the reported progress in mud structure eradication is anything to go by, then all mud structures should be upgraded by 2014/15 - at a rate of 73 per annum.

However, the definition of mud structures continues to confuse the issue as figures relating mud school/structure/classroom backlogs constantly change or differ. According to the 2008/09 Annual Report<sup>59</sup>, the Department reports that with the redefinition of mud structures - there are now 1 483 Eastern Cape schools with one or more mud/clay constructed classroom. During 2008/09, 64 classrooms that were previously mud/clay were constructed in 12 schools across the province.<sup>60</sup> This would mean that there had been a total of 1 495 schools with at least one mud classroom at the beginning of 2008/09. However, the Department reported the intention of eliminating mud structures by 2010 through the eradication of 450 in 2007/08 and 376 after March 2009.<sup>61</sup>

This target is difficult to evaluate as the 'new definition' relating to mud structures places the count of such structures upwards of 1 400 while this relates to 826 structures. In addition, in response to a parliamentary question after the publication of the 2008/09 Annual Report, the MEC said that 574 mud structures still remained at an estimated cost of R 1.55 billion to eradicate.<sup>62</sup> The confusion is fuelled by the Department's own Strategic Plan (2005/06-2009/10) which reports that there are 939 mud structure schools in the province. This implies that the number of mud schools has increased since then to the current 1 483 estimate. It is recommended that with the new definition of mud structures, the Department needs to firstly ensure compatibility across all planning and implementing documents and activities as well as consistency in future service delivery initiatives.

Between 2008/09 and 2009/10, the infrastructure budget saw a decrease in allocation of approximately R 46 million from R 1.03 billion to R 981.8 million.<sup>63</sup> While the growth of 17.31% over the period between 2009/10 and 2011/12 is comparatively greater than the MTEF allocations between 2008/09 and 2010/11 of 11.85% in real terms; it is unlikely that

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<sup>57</sup> Eastern Cape Department of Education Infrastructure Plan 2005-2014, 2010/2011 Version-Draft 1.0. p.43.

<sup>58</sup> Eastern Cape Department of Education Infrastructure Plan 2005-2014, 2010/2011 Version-Draft 1.0. p.39.

<sup>59</sup> See pp.44-45.

<sup>60</sup> Eastern Cape Department of Education Annual Report 2008/09, p18.

<sup>61</sup> Eastern Cape Department of Education Annual Report 2008/09, p.209.

<sup>62</sup> Eastern Cape Department of Education Parliamentary Question No. 96 IQP 9/2009 13<sup>th</sup> August 2009. Available Online:

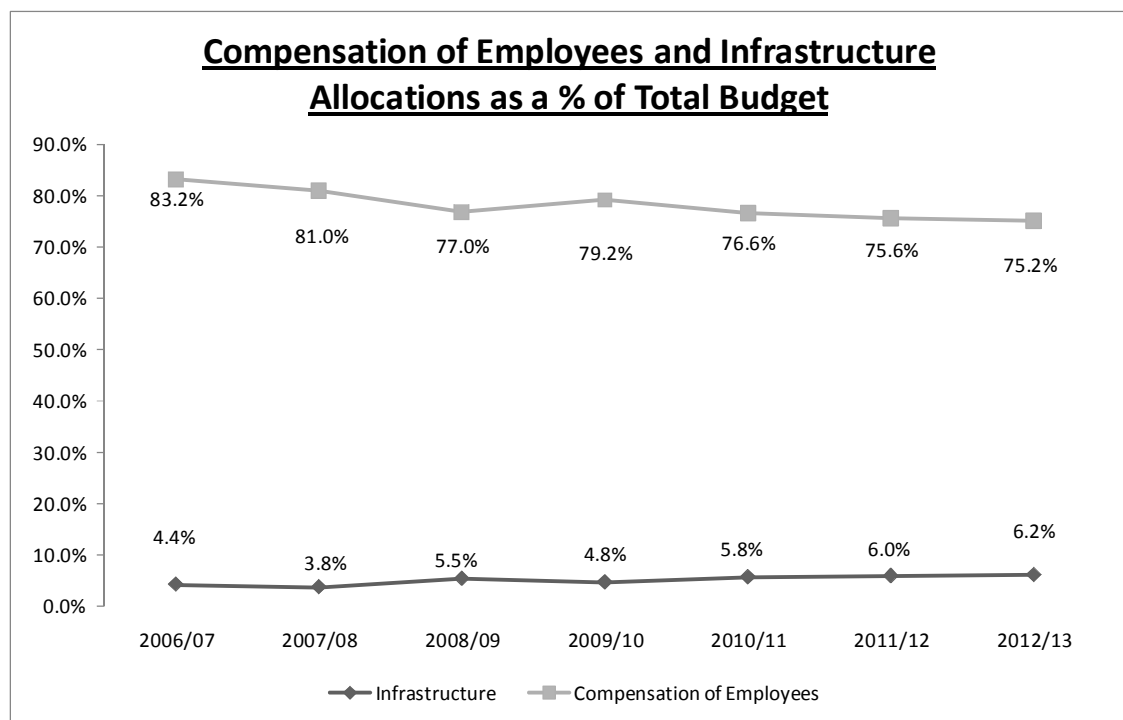
<http://www.ecdoe.gov.za/files/documents/Parliamentary%20question%20No%2096.pdf>

<sup>63</sup> Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.203.

the allocation will sufficiently meet infrastructure needs. The MEC admitted as much in his 2010 policy speech, stating that additional funds would have to be sought to address the “persistent challenge of mud structures”<sup>64</sup> As highlighted earlier - the eradication of mud structures is a pressing challenge. The Department hopes to have constructed, by the end of the 2010/11 financial year a total of 976 classrooms within the budget of R 1.32 billion.<sup>65</sup> There is little doubt, however, of the need for the Department to lobby for an increase in funds to deal with backlog challenges in light of the current budget.

As previously noted, policy emphasis has shifted towards infrastructure development and allocation trends have reflected this change (see Figure 1a 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.

**Figure 1a: Trends in Allocations for Infrastructure and Compensation of Employees as percentages of Total Budget from 2006/07 to 2012/13<sup>66</sup>**

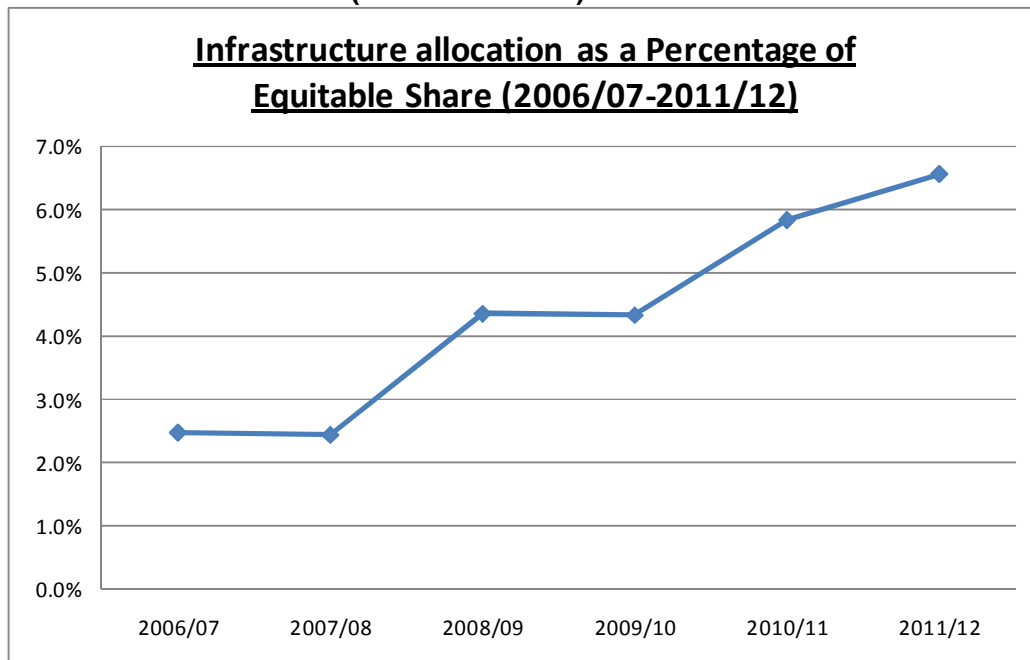


<sup>64</sup> MEC for Education Mahlubandile Qwase, Eastern Cape Department of Education Budget and Policy Speech 2010. p.8.

<sup>65</sup> MEC for Education Mahlubandile Qwase, Eastern Cape Department of Education Budget and Policy Speech 2010. p.8.

<sup>66</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.275.

**Figure 1b: Trends in Allocation of the Infrastructure Budget as a Percentage of the Equitable Share Allocations (2006/07-2011/12)**



As reflected in Figure 1a above, total Department infrastructure<sup>67</sup> allocations have been increasing since 2007/08. Figure 1a, however, also reflects the negative change between 2008/09 and 2009/10; a decrease in the infrastructure allocation of R46 094 between 2009/10 and 2010/11, the equitable share allocation has seen a nominal increase of 35% as reflected in Figure 1b. Figure 1a reflects the percentages of compensation of employees and infrastructure allocations in relation to the total Departmental budget. It is interesting to note that, in some instances changes in percentage allocation reflect a positive correlation. In 2008/09, for example the 4% decrease correlates to a 1.7% increase in allocation for infrastructure as a percentage of the total budget. In the following year, the positive correlation occurs with an increase in the proportion of compensation of employees and a decrease in infrastructure. A budgetary challenge mentioned by the Department in relation to infrastructure is the unreliable nature of indicative budgets.<sup>68</sup> This is a hindrance to the overall planning process towards the delivery of infrastructure. Notably, the Department intends to reduce funding to Special Schools (Programme 4) in order to focus on infrastructure delivery;

<sup>67</sup> 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.

<sup>68</sup> An undated Discussion Paper on Infrastructure that refers to Departmental infrastructure stock status as at May 2009 highlights areas in addition to the "...hopelessly inadequate" budgets- " For example, the indicative budget 2009/10 in the previous MTEF periods for R 1 299 million, but only months before the start of the financial year it was cut by over R300 million. This is a major problem as the funds were already committed. Reliability of indicative budgets is crucial for effective infrastructure delivery". Available Online: [www.ecdoe.gov.za/files/documents/Discussion%20paper%20on%20Infrastructure%20\\_1st%20draft%2003-07-09\\_.pdf](http://www.ecdoe.gov.za/files/documents/Discussion%20paper%20on%20Infrastructure%20_1st%20draft%2003-07-09_.pdf). Accessed April 2010.

“A new conditional grant targeting infrastructure has been introduced in 2010/11. A decrease under schools is due to infrastructure budget brought about by finalisation of the Bhisho Youth Care Centre in 2009/10”<sup>69</sup>

It is not clear from the above whether or not this forms part of the Provincial Infrastructure Grant. The significant projected growth in the infrastructure related conditional grant in Special Schools is not emphasised to any great depth in either the MEC’s budget and policy speech nor in the budget outlines in the document.<sup>70</sup> New infrastructure allocations will be focussed primarily on Programme 4 (Special Schools).<sup>71</sup> According to the Budget Overview for 2010/11, the R 887.5 million has been allocated to cater for New Infrastructure in the 2010/11 fiscal period.<sup>72</sup> This accounts for approximately 67% of the total infrastructure budget of R 1.32 billion for 2010/11. Thus, it would be expected that the planning and delivery of new infrastructure would be amongst the key priorities for the Department.

In order to limit the extent to which the Department underspends or overspends on its infrastructure budget, timely and co-ordinated planning must be coupled. More importantly, the Department must commit to clear project priority list targets within and spending against the budget. It is starkly clear that before any real budget management recommendation can be adhered to, the Department needs to desperately deal with planning challenges. One way of doing so may be to tackle the reported understaffing challenges within the infrastructure unit.<sup>73</sup>

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<sup>69</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.283.

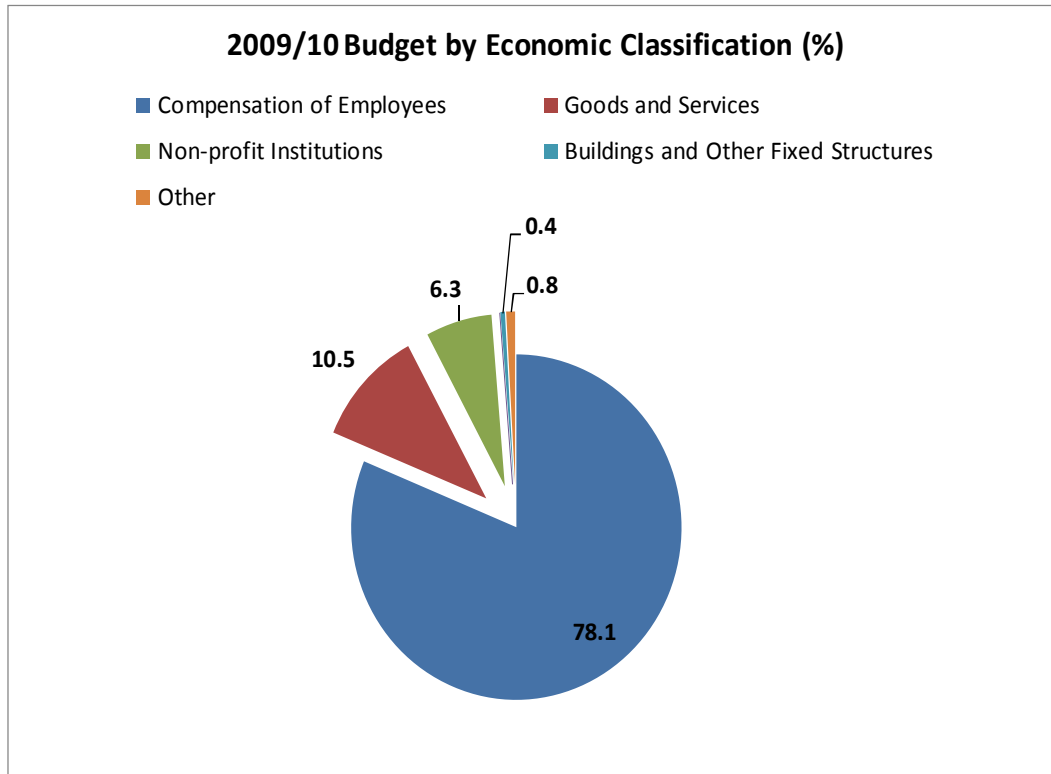
<sup>70</sup> The primary reference to this increase reads: “Increases in the funding of special schools will focus on strengthening these schools as resource centres, screening and assessment of learners in special schools and out of school children. Special schools will be resourced with transport, Leaner (sic) Teacher Support Material (LTSM), infrastructure and assistive devices.” See Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.276.

<sup>71</sup>  
<sup>72</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.275.

<sup>73</sup> MEC for Education Mahlubandile Qwase, un-dated Discussion Paper on Infrastructure Available Online:  
[http://www.ecdoe.gov.za/files/documents/Discussion%20paper%20on%20Infrastructure%20\\_1st%20draft%2003-07-09\\_.pdf](http://www.ecdoe.gov.za/files/documents/Discussion%20paper%20on%20Infrastructure%20_1st%20draft%2003-07-09_.pdf)

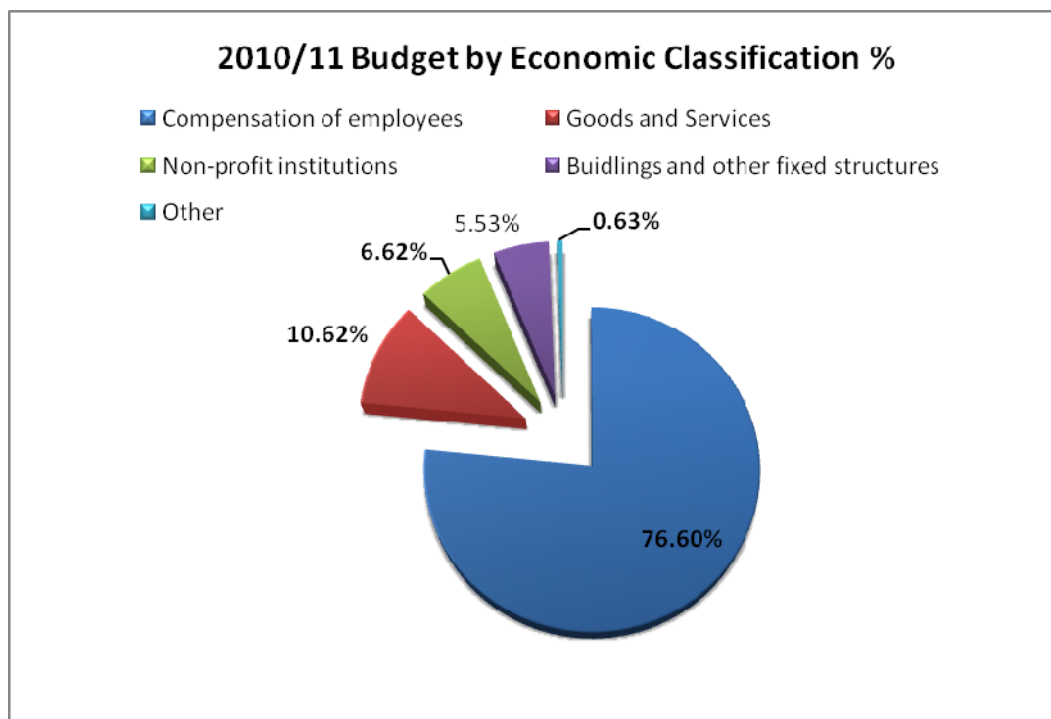


**Figure 2a & 2b: Eastern Cape Department of Education by Economic Classification, 2009/10 and 2010/11<sup>74 75</sup>**



<sup>74</sup> Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.201.

<sup>75</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p275.



### **Compensation of Employees:**

According to the 2010/11 Budget Speech<sup>76</sup> and the Provincial Treasury Fourth Quarter results, the Departments of Health and Education are primarily to blame for the expected R2.1 billion over spending against the adjusted budget for 2009/10. This amounts to 4.9% of the main allocation for the previous fiscal period. Of this, the Department of Education's over expenditure accounts for 30.48% of the R 640 million over expenditure.<sup>77</sup> The Department accounts for 64.42% of the Eastern Cape's more than 135 000 personnel across the Province.<sup>78</sup> On a provincial scale, the compensation of employees is a significant area of expenditure; taking up 76.6% of the overall budget for 2010/11.<sup>79</sup> In line with national priorities, the Compensation of Employees line item reflects the greatest budget allocation (R 17.37 billion).<sup>80</sup>

As in past years, in terms of the proportion of the budget allocated to each line item; compensation of employees has remained a national and provincial priority.

<sup>76</sup> Province of the Eastern Cape Budget Speech 2010, MEC Mcebisi Jonas, 3<sup>rd</sup> March 2010, Eastern Cape Provincial Treasury. p.5.

Provincial Budgets: 2009/10 Financial Year Fourth Quarter Year-to-Date Provincial Budgets and Expenditure Report: (Preliminary Outcome), National Treasury, 7<sup>th</sup> May 2010. p.2.

<sup>77</sup> Page 5

<sup>78</sup> Estimated personnel numbers from 31st March 2009; Eastern Cape Provincial Treasury, *Budget Statement I*, p.48.

<sup>79</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p275.

<sup>80</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p275.

Table 1 above reflects the 0.8% increase in real terms for the Compensation of Employees line item between 2009/10 and 2010/11. This, in nominal terms, equates to a 6.85% increase. In real terms, the increase in allocation for payment of employees is the lowest of all the line items on the Department's budget for 2010/11 (see Table 1 above).

In the MTEF (2010/11-2012/13) personnel spending is set to decrease in real terms by 0.07% (see Table 1 above). While better management and monitoring of this line item is greatly needed, the changes in allocation are somewhat disconcerting. In the previous fiscal year, the Department outlined the need to reduce class sizes, thus necessitating increased numbers of educators. It was thus noted that the compensation of educator staff would become of greater importance in terms of strategic planning.<sup>81</sup> The Department does not discuss in any detail how it intends to meet both this challenge and that of fulfilling the obligation of the OSD (occupation specific dispensation). Recent media coverage of maths and science teacher shortages<sup>82</sup> in the Eastern Cape further highlights the need for the Department to investigate the ramifications of medium term budget decreases. Educator staff salaries are catered for within Programme 2. The budget reflects a marginal increase from 2009/10 (2.99%) in real terms for this line item.<sup>83</sup>

While staff shortages may not solely be related to budget constraints per se, financial and housing incentives may play a role in attracting teaching staff to rural schools in particular. The occupation specific dispensation (OSD) that was signed by the National and Provincial departments in April 2008<sup>84</sup> is not discussed in the National and Provincial Budget Speeches for 2010, thus is it difficult to determine the degree to which this will have budgetary implications. Budget adjustments to the 2009/10 Education budget were made following the OSD agreement in 2009 to cater for wage increases for educators. The top-up amounted to R 644.26 million.<sup>85</sup> In light of the concerns raised earlier, it is pertinent that the Department plan ahead to ensure that the current budget will be sufficient to meet the demands of the OSD, retain and secure qualified educators across the province and to implement the agreed upon wage increases for educators. If prudent planning is not achieved, the Department is at risk of the kind of failure signalled by Minister Gordhan which is arguably one of the causes of the current poor performance in matriculation rates. In addition, prudent planning should encompass effective and efficient human resource allocation, training and management to ensure that the performance of all Department staff is closely monitored and that i) qualified personnel are placed in relevant educator and administrative positions and that ii) underperforming staff can be put to task. Recent reports have highlighted the Department's recurrent

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<sup>81</sup> Eastern Cape Department of Education Annual Report 2007/08, p.iii.

<sup>82</sup> *The Weekend Post Online*, Bhisho Concealing its Massive Teacher Shortage says SADTU, 24<sup>th</sup> November 2009, Available Online: <http://www.weekendpost.co.za/article.aspx?id=486372>  
*The Herald*, Schools Filled With Unqualified Staff, 26<sup>th</sup> April 2010, <http://www.theherald.co.za/article.aspx?id=556086>

<sup>83</sup> Eastern Cape Provincial Treasury *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.280.

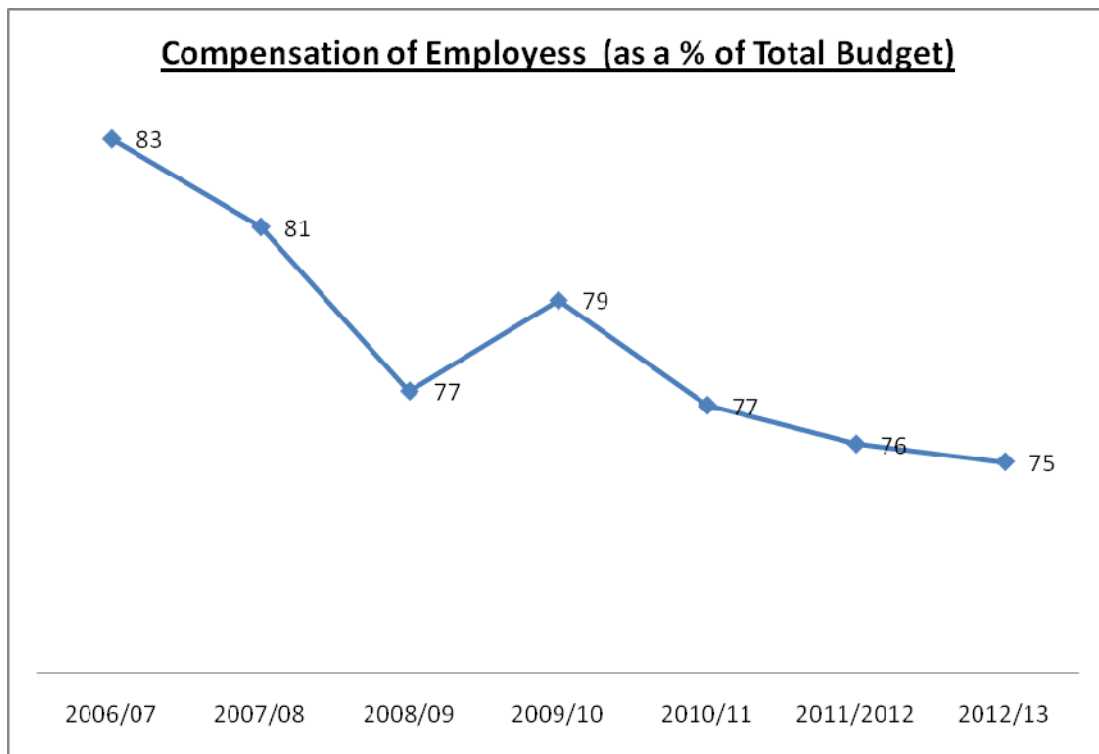
<sup>84</sup> National Treasury, *Provincial Budgets and Expenditure Review 2003/04-2009/10*, Eastern Cape Department of Education *Annual Report 2007/08*.

However, according to Provincial Treasury, the Education Labour Relations Council (ELRC) collective agreement on the implementation of OSD for teachers was signed in August of 2009. *Eastern Cape Provincial Treasury Adjusted Estimates of Provincial Expenditure 2009/2010*. p.49.

<sup>85</sup> *Eastern Cape Provincial Treasury Adjusted Estimates of Provincial Expenditure 2009/2010*. p.49.

employee challenges relating to maladministration. The Acting Superintendent General, Professor Nengwekhulu has admitted to what he called his Department's "...long history of manipulating the system".<sup>86</sup> The reports exposing senior officials' fraudulent and corrupt activities was prompted by an investigation carried out by the Auditor General spanning nine months and incriminating two Chief Directors, three Directors, two Deputy Directors and a Senior Administration Officer.<sup>87</sup> This clearly highlights the need for the active engagement with integrity management and work ethic improvement throughout the Department's programme areas.

**Figure 2c: Compensation of Employees: 2006/07-2012/13**



The payment of personnel (both 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 above). Reflected above is a trend towards a decreasing proportional emphasis on payment of employees from 79% of the budget in 2009/10 to a projected 75% in 2012/13. While this may allow the allocation of Department funds to other priority areas, it is of concern that the Department has not outlined how this will be managed in the face of increased educator compensation demands. Figures 2a and 2b

<sup>86</sup> Daily Dispatch Online, *Top EC Education Officials suspended after probe*. Available Online : <http://blogs.dispatch.co.za/dispatchnow/2010/06/07/top-ec-education-officials-suspended-after-probe/> Accessed 14<sup>th</sup> June 2010.

<sup>87</sup> Eastern Cape Department of Education Media Briefing Notes, 8<sup>th</sup> June 2010 Available Online: [http://www.ecdoe.gov.za/news\\_article/181/ECDoE-Media-Briefing-notes](http://www.ecdoe.gov.za/news_article/181/ECDoE-Media-Briefing-notes) Accessed 14th June 2010.

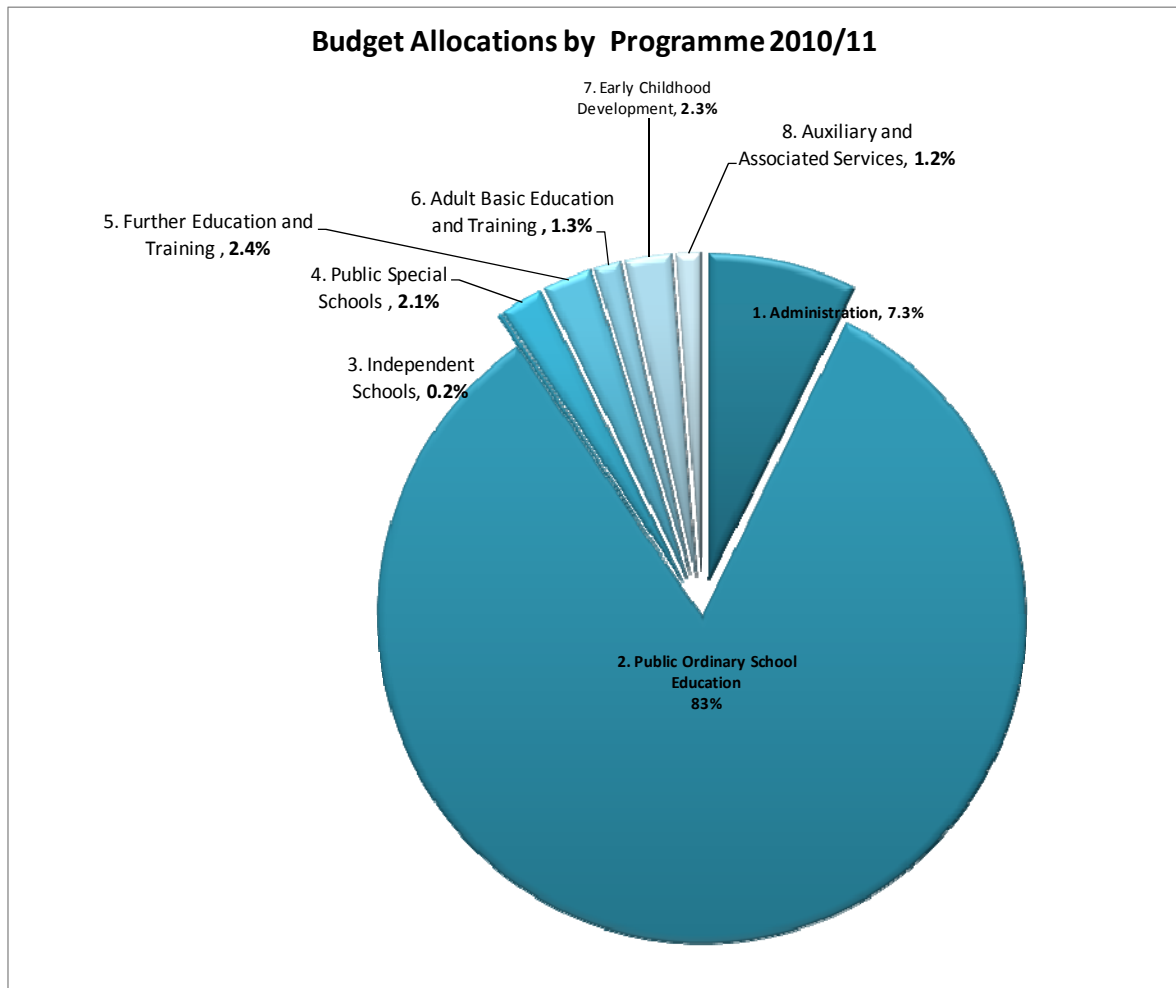
reflect the proportion of the total budget allocated for 1) Compensation of Employees, 2) Goods and Services, 3) Non-profit institutions and 4) Buildings and Other Fixed Structures. The category "Other" represents the remaining line items reflected in Table 1 accounting for less than 1% of the total Department budget.

**Table 2: Eastern Cape Department of Education Budget Allocation by Programme, 2006/07- 2012/13<sup>88</sup>**

Programme (R ' 000)	Outcome						Medium-term estimate				Real Change between 2009 and 2010	Real Average Growth over MTEF
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Main Appropriation 2009/10	Adjusted appropriation 2009/10	Revised estimate 2009/10	% change from Adjusted Appropriation 2009/10	2010/11	2011/12	2012/13		
1. Administration	858,107	1,034,268	1,390,779	1,662,765	1,728,884	1,642,964	<b>1,666,259</b>	-3.62	1,731,100	1,773,695	-9.08	-1.35
2. Public Ordinary School Education	11,152,847	12,369,931	15,006,386	15,966,352	17,089,030	17,842,304	<b>18,830,716</b>	10.19	20,275,583	21,131,691	3.95	0.40
3. Independent Schools	25,130	34,842	43,517	50,366	50,124	50,124	<b>54,219</b>	8.17	56,659	59,492	2.05	-0.35
4. Public Special Schools	249,388	288,389	400,732	505,917	457,237	435,947	<b>470,677</b>	2.94	643,234	676,253	-2.89	9.02
5. Further Education and Training	222,330	231,773	413,825	485,253	484,716	470,493	<b>555,208</b>	14.54	581,579	610,484	8.06	-0.28
6. Adult Basic Education and training	155,802	155,013	153,879	161,297	173,441	211,832	<b>299,269</b>	72.55	400,411	330,860	62.78	-0.10
7. Early Childhood Development	46,313	79,298	249,108	367,316	307,816	290,486	<b>528,492</b>	71.69	652,168	676,000	61.97	68.60
8. Auxiliary and Associated Services	162,826	191,620	216,967	248,241	238,241	225,375	<b>274,945</b>	15.41	288,443	302,381	8.87	-0.27
<b>Total payments and estimates</b>	<b>12,872,743</b>	<b>14,385,134</b>	<b>17,875,193</b>	<b>19,447,507</b>	<b>20,529,489</b>	<b>21,169,525</b>	<b>22,679,785</b>	<b>10.47</b>	<b>24,629,177</b>	<b>25,560,856</b>	<b>4.22</b>	<b>0.55</b>

<sup>88</sup> Eastern Cape Provincial Treasury *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.274.

**Figure 3: Eastern Cape Department of Education by Programme, 2010/11<sup>89</sup>**



<sup>89</sup>. 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 1: Administration**

Over the past 14 years, the Department's audit record has been characterised by consecutive years of audit disclaimers and adverse opinions in the last three consecutive years.<sup>90 91</sup> 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 Audit Improvement Plan (AIP)<sup>92</sup> introduced in 2008/09 does not appear to have had any impact on the audit record. In real terms, Programme 1 is only one of two programmes subject to a decreased allocation in 2010/11 (see Table 2).

### **Programme 2: Public Ordinary School Education**

Programme 2, Public Ordinary School Education is set to receive an increase of 3.95% in real terms. 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.”<sup>93</sup> The SNP and No Fee school programme are also housed within Programme 2. The figure above illustrates that the largest proportion of the Departmental budget is allocated to Programme 2 (83%) while the average real growth over the MTEF for the programme is predicted at 3.59% (Table 2).

Reflected in Table 2 is an expected over expenditure under Programme 2 of approximately R 753.3 million, the highest of all the programmes. This would exceed the overall Departmental overspending by the end of the 2009/10 fiscal period of R 640 million

The budget for Programme 2 experiences a real increase of 3.95% from 2009/10 and, at R 18.83 billion caters for an enormous proportion of the Department's funds (Table 2 above). Real average growth over the MTEF is projected at 0.4%. The MEC has mentioned, to a large extent the need to ‘get back to basics’ in Education by focussing on quality teaching and learning. Amongst other intentions, the Department aims to create 250 posts to provide support to under performing schools and to increase its school-based educator post basket by 4007. This will cost the Department R 701.6 million.<sup>94</sup> An increased emphasis on the LAIS, as discussed, may require careful financial management and strategic planning if the Department is to meet its targets under Programme 2. Previously, funding for the LAIS has been insufficient.<sup>95</sup>

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<sup>90</sup> Eastern Cape Department of Education *Annual Report* 2007/08, p.iii.

<sup>91</sup> Eastern Cape Department of Education *Annual Report* 2008/09, p.125.

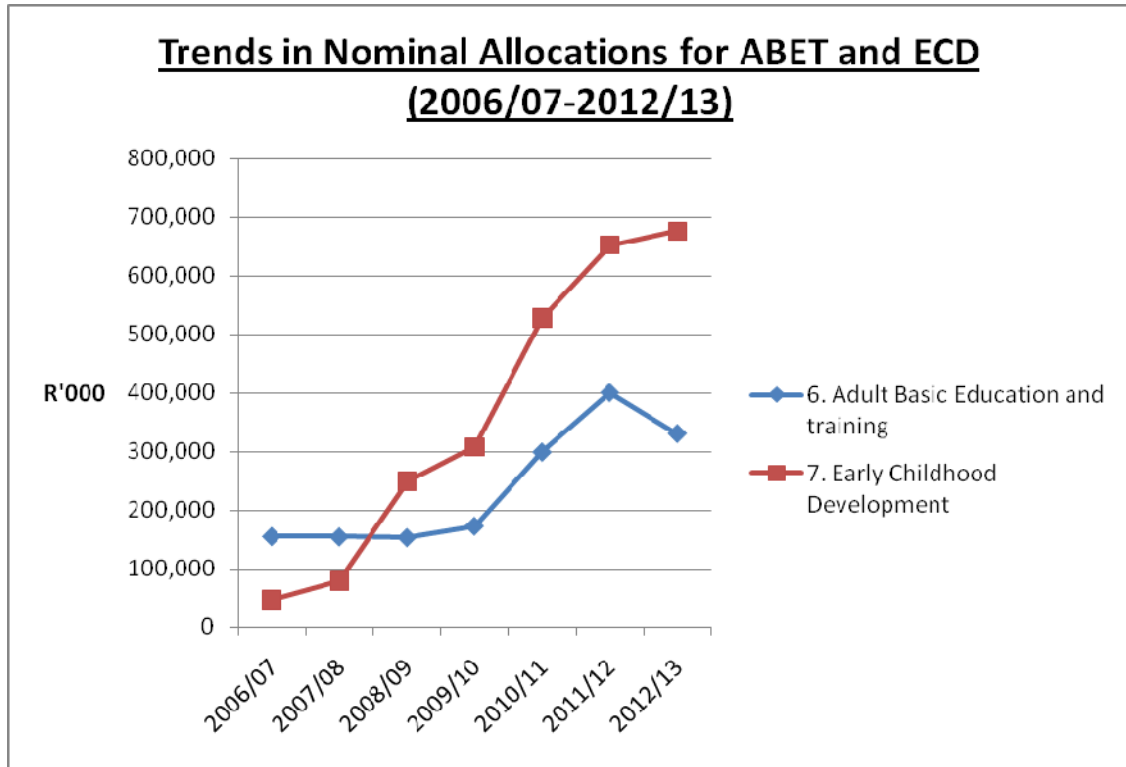
<sup>92</sup> Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p. 194.

<sup>93</sup> Eastern Cape Provincial Treasury, *Budget Statement II* 2009/10, p. 207.

<sup>94</sup> MEC for Education Mahlubandile Qwase, Province of the Eastern Cape Department of Education Budget and Policy Speech 2010. p.8.

<sup>95</sup> Eastern Cape Department of Education *Annual Performance Plan* (2009/08-2010/11), p.17.

**Figure 4: Allocation Trends in Adult Basic Education and Early Childhood Education Programmes**



**Programme 6 and 7: Adult Basic Education and Training (ABET), Early Childhood Education (ECD)**

As reflected in Table 2 above, the Department intends to increase spending in Programmes 6 and 7 (ABET and ECD) in 2010/11 by 63% and 62% respectively.

Figure 4 above reflects the trends in budget allocations for Programmes 6 and 7 highlighting the significant budgetary increases mentioned. In real terms, the MTEF increase for Programme 7 (ECD) is expected to amount to 68.6% while a decrease in allocation for Programme 6 (ABET) is reflected. Both programmes, however, are expected to receive increases in excess of 60% going into 2010/11. Curiously, while the Department highlights ECD as a priority area, the ABET programme is not mentioned to any great degree in the MEC's budget and policy speech of 2010.

**Table 4: Eastern Cape Department of Education, Conditional Grant allocations, 2010/11<sup>96</sup>**

	Outcome			Main Appropriation 2009/10	Adjusted Appropriation <sup>2</sup> 009/10	Revised Estimate 2009/10	Medium-term estimate				Real Change between 2009 and 2010	Real Average Growth over MTEF
	2006/07	2007/08	2008/09				% change from Adjusted Appropriation 2009/10	2010/11	2011/12	2012/13		
Conditional Grant Allocation (R' 000)	253,621	408,040	706,759	719,004	719,004	719,004	150	1,796,562	2,196,656	2,358,495	136	4
Equitable Share Allocation	12,588,210	14,475,134	17,875,193	19,447,507	20,529,488	22,439,697	10	22,679,786	24,629,177	25,560,856	4	0.55

The 2010/11 Budget Overview does not tabulate Conditional Grant expenditure and estimates in detail for the forthcoming MTEF as well as for the financial year ended.<sup>97</sup> The 2009/10 Budget Statement, on the other hand, contains itemised detail for each conditional grant of the Department.<sup>98</sup> Obtaining an accurate overview of conditional grant programme financial performance is thus more difficult. One particular conditional grant where this is pertinent, for example, is the Provincial Infrastructure Grant in light of the significant budgetary increase received in 2009/10.<sup>99</sup> Table 4 reflects conditional grant allocations and estimates between 2006/07 and 2011/12 in relation to the Education equitable share. Conditional grant allocations see a nominal increase of 150% as shown in Table 4 above. It is evident, however, that the conditional grants will receive the highest real increase of all the programmes in 2010/11 which amounts to R1.08 billion or 136% in real terms (Table 4).<sup>100</sup>

As of 2010/11, the Further Education and Training (FET) programme will be re-introduced under conditional grant funding.<sup>101</sup> R542.2 million has been allocated to the FET with a total of R1.3 billion allocated for the MTEF.<sup>102</sup> The new Further Education and Training Act came into practice in January 2008<sup>103</sup>; and in the previous financial year, the programme received funding from the equitable share allocation.

It is projected that over the upcoming MTEF, approximately R4.4 billion will be spent within the conditional grants - the bulk of this being spent under the SNP, PIG and HIV/AIDS

<sup>96</sup> Eastern Cape Provincial *Overview and Estimates of Expenditure 2010/11*, p.273.

<sup>97</sup> Eastern Cape Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.273; Table 6.2 (a).

<sup>98</sup> Eastern Cape Provincial Government *Budget Statement II 2009/10*, p.199; Table 6.2 (a): Summary of receipts.

<sup>99</sup> In 2009/10, the Provincial Infrastructure Grant experienced the largest percentage increase of all the conditional grants' 274% in real terms and a real average MTEF growth of 46%. Refer to Eastern Cape Provincial Government *Budget Statement II 2009/10*, p.199

<sup>100</sup> Eastern Cape Provincial Treasury *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.280.

<sup>101</sup> Eastern Cape Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.284.

<sup>102</sup> Eastern Cape Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11*, p.285.

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

grants.<sup>104</sup> According to the payments and estimates for Programme 2, conditional grants have been allocated R1.15 billion for 2010/11- reflecting a 67% increase from 2009/10 in nominal terms.<sup>105</sup> Programme 2 houses the SNP and a proportion of the PIG. On the whole, conditional grant funding sees a significant increase of 150% in nominal terms and 136% in real terms from 2009/10 to 2010/11 to R1.80 billion.<sup>106</sup> However, past high increases in conditional grant allocation have not yielded expected results. For example, in 2009/10 the PIG saw an increase of 274% and the SNP a 36% increase. In the latter case, the Department has failed to meet their financial obligations to some food suppliers<sup>107</sup> and, consequently, a number of learners across the province may be affected negatively. The projected real average growth for conditional grants over the MTEF is 4%.

### **School Nutrition Programme (SNP)**

The SNP is still, as in past years, plagued with administrative and financial management challenges. In past years, the Department has under spent on this crucial programme, resulting in a number of service delivery failures. In 2007/08, under expenditure in the SNP amounted to approximately R 8 million and R 42 million in 2008/09.<sup>108</sup> While expenditure has vastly improved, the Department has admitted to being in debt to meal providers within the SNP programme in the province to an estimated R 10 million.<sup>109</sup> While the need to increase the number of learners benefitting from cooked nutritious meals, the wisdom in embarking on expanding the programme before the current schools are adequately and regularly serviced is questionable.

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<sup>104</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.280.

<sup>105</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.279.

<sup>106</sup> Eastern Cape Provincial Treasury, *Eastern Cape Overview and Estimates of Provincial Expenditure* 2010/11, p.273.

<sup>107</sup> The Herald Online, 7<sup>th</sup> May 2010: School Feeding Scheme Funding Crisis, Available Online: <http://www.theherald.co.za/article.aspx?id=560231>.

<sup>108</sup> Eastern Cape Department of Education *Annual Report* 2008/09, p. 195.

<sup>109</sup> According to a media report, the Department cited financial constraints in paying 86 food suppliers across the Eastern Cape. See The Herald Online, 7<sup>th</sup> May 2010: *School Feeding Scheme Funding Crisis*, Available Online: <http://www.theherald.co.za/article.aspx?id=560231>.



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