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Education Budget Brief

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PSAM

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ADVANCING YOUR RIGHT TO SOCIAL ACCOUNTABILITY

Budget Analysis Brief: Education

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Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights, including the right to education, healthcare, housing and social welfare, within available resources. Social accountability is central to good governance and relates to being accountable or responsive to citizens. Through social accountability, the citizens as users of public services voice their needs and demand for an improved delivery of basic services.¹ The Public Service Accountability Monitor (PSAM) defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the socio-economic 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 processes. These include planning and resource allocation processes; expenditure management processes; performance monitoring processes; integrity management processes and, oversight processes. These processes, together, combine to form a *social accountability system*, which acts as the central pillar of a responsive democratic space.

In South Africa, education is widely recognized for its potential to lift people out of poverty and promoting human rights and democracy. The national and provincial government share the responsibility “for providing and delivering education services.”² The national Department of Basic Education (DBE) is responsible for policy-making and coordination for the basic education sector, and the provincial education departments in the nine provinces, implement national policy for this sector. The implementation of the basic education policy is guided by the following two central documents: *National Development Plan 2030* (NDP)³, setting the goals for the education sector, and the strategic plan of the DBE, that is, *Action Plan 2019: Towards the Realisation of Schooling 2030*. The strategic plan has “the

¹ Baez Camargo, C and Jacobs, E. 2013. *Social Accountability and Its Conceptual Failures: An analytical framework*. Basel Institute on Governance: Working paper series No. 16.

² United Nations Children’s Emergency Fund. 2017. Education Budget South Africa 2017/18. Accessed from https://www.unicef.org/esaro/UNICEF_South_Africa_--_2017_--_Education_Budget_Brief.pdf on 05 April 2018.

³ https://nationalplanningcommission.files.wordpress.com/2015/02/ndp-2030-our-future-make-it-work_0.pdf accessed on 05 April 2018

actual learning outcomes to be achieved and the processes for achieving these goals.”⁴ The following are some of the key goals to be achieved by 2030:

- “Ensure universal access to one phase of Early Childhood Development (ECD), namely Grade R (Reception Year prior to Grade 1);
- Ninety per cent of children in Grades 3, 6 and 9 achieve 50 per cent or more in Annual National Assessments;
- Improve South Africa’s ranking in international comparative standardized tests by providing performance benchmarks;
- Eradicate all infrastructure backlogs by 2030;
- Ensure that all schools are funded at least at the minimum per-learner levels determined nationally, and that funds are utilised transparently and effectively.”⁵

This brief is written to analyse the budget allocations for the Eastern Cape Department of Education (ECDoE) in relation to the progressive realisation of the rights to quality basic education within Programme 2: Public Ordinary Schools Education for the 2018/19 financial year. This brief is situated within the planning and resource allocation processes of the social accountability system (SAM)⁶, and using a rights-based approach to evaluating resource allocation for Programme 2. This approach places an obligation on the state to fulfill the rights of citizens to quality basic education, as enshrined in Section 29 of the Constitution. The state has an obligation to progressively realise the rights of citizens to quality basic education, and to access and use available resources optimally and equitably in doing so. In addition, the purpose of this brief is to analyse the change in budget allocations from the Adjusted Appropriations of the 2017/18 financial year, nominal⁷ and real⁸ budget allocations for the 2018/19 financial year, as well as percent (%) changes in budget allocations for this financial year. In order to determine the allocations in real terms, this brief makes use of the Consumer Price Index (CPI). This is meant to show the effect of inflation on the purchasing power within the specific Programmes. While government focuses on the nominal allocations, this brief accounts for the effects of inflation. This takes into account that building new schools, for example, will be more expensive this financial year than the last financial year. As such, government must ensure that budget allocations take inflation into account each year.

Key Findings and Recommendations

I) Finding

Programme 2 (Public Ordinary Schools) received the largest proportion of the Departmental budget, increasing by 7% in nominal terms to R28 billion, and by 4% in real terms to R27.3 billion, in the 2018/19 financial year.

⁴ United Nations Children’s Emergency Fund. . 2017. Education Budget South Africa 2017/18. Accessed from https://www.unicef.org/esaro/UNICEF_South_Africa_-_2017_-_Education_Budget_Brief.pdf on 05 April 2018.

⁵ *Ibid* at page 3

⁶ The Social Accountability System (SAM) has the following five processes: 1) planning and resource allocation; 2) expenditure management; 3) performance management; 4) public integrity; and 5) oversight

⁷ The allocations reflect monetary value without taking inflation into account

⁸ The allocations are adjusted for inflation. Adjusting for inflation is used here to equalize the purchasing power of an allocation for the years being compared.

I) Recommendation

While there is massive allocation towards Programme 2, the department should dedicate time to enhancing the performance of public schools in order to realise the rights of learners to quality basic education. With the increase in budget allocations for this Programme, the Department should address the performance failures that are huge in the early grades. This relates to improving the quality of education from Grade R onwards and, not only in Grade 12.

II) Finding

Programme 6 (Infrastructure Development) decreased by 10% in nominal terms from R1.7 billion in 2017/18 to R1.5 billion in 2018/19. The reason for this decline is due to the reduction in the funding for 2 conditional grants, namely Education Infrastructure Grant and Maths Science and Technology Grant. In real terms, the allocation to this Programme decreased by 13% to R1.4 billion. This reduction is likely to delay the completion of currently existing infrastructure projects.

II) Recommendation

In order to ensure that the budget allocated for infrastructure delivery is used optimally, the Department must improve the management and monitoring of expenditure. It is high time that the ECDoE, assisted by the Eastern Cape Provincial Legislature, addresses failures in school infrastructure provisioning.

III) Finding

The education component from the Equitable Share formula is weighted 48%, which means that of the total R470.8 billion equitable share allocated to provinces, R226 billion was divided based on the number of learners for each province. The Eastern Cape allocated more of its equitable share to the components of poverty, education, health and basic share. The basic share component is based on each province's share of the total population of the country.

III) Recommendation

While the education component of the Provincial Equitable Share (PES) formula is based on school-age population (5-17 year-olds) and the actual school enrolment, the formula should consider that the cost of education in rural provinces is much higher than in urban provinces. This is linked to the number of schools in the rural provinces, population density, and the fact that there are historically deprived areas in poorer provinces such as the Eastern Cape and Limpopo.

IV) Finding

The equitable share to the ECDoE increased by 5.8%, in nominal terms, from R30.1 billion in 2017/18 to R31.9 billion in 2018/19. In real terms, this was just a 3% increase to R30.9 billion.

IV) Recommendation

While the equitable share to the ECDoE increased, the national Treasury should pay more attention to the rural education in South Africa. This is because the cost of providing education in rural areas of the Eastern Cape is much higher than in urban areas.

1) Policy Priorities

The vision of the Eastern Cape Department of Education (ECDoE) is to provide learners with opportunities to become productive and responsible citizens through quality basic education. This means that the Department has the responsibility to ensure the progressive realisation of the rights of learners to quality education. The right to education imposes an obligation on the Member of Executive Committee (MEC) to put in place and maintain an education system, with educational Programmes available in all schools around the province. The MEC for education in the ECDoE, Mr. Mandla Makupula, in his Policy and Budget Speech in the 2018/19 financial year, mentioned that “the 2018/19 budget marks the beginning of a sustained focus on improving quality of Primary Schooling in the Eastern Cape.”⁹

Section 29 of the South African Constitution guarantees that everyone has a right to basic education. Spending on education remains the largest budget allocation on both the national and provincial government. In his national budget speech, the former Minister of Finance Malusi Gigaba, mentioned that “in aggregate, government will be spending R792 billion on basic education, R668 billion on health and R528 billion on social grants, over the medium term.”¹⁰ The spending of R792 billion on basic education, includes R35 billion for infrastructure, and R15.3 billion for learner and teacher support materials, including Information Communication Technology. Mr. Malusi Gigaba also mentioned that, in the 2018 budget, basic education remains a key focus. Table 1 below shows that the national DBE and the nine provincial education budgets are allocated more than R246 billion on basic education in 2018/19. In nominal terms, this is a 7% increase from R231 billion in 2017/18. The combined provincial education budgets constitutes 8% increase, in nominal terms, from R223 billion in 2017/18 to R240 billion in 2018/19. It appears that the policy of quality basic education was prioritized in the budget.

⁹ Eastern Cape Department of Education Policy & Budget Speech 2018/19 at page 8

¹⁰ <http://www.treasury.gov.za/documents/national%20budget/2018/speech/speech.pdf> at page 14

Table 1: Summary of nominal national and provincial budgets, 2018/19 (R'000)¹¹

Department	National		National Nominal % change between 2017 and 2018	Provincial		Provincial Nominal % change between 2017 and 2018
	2017/18	2018/19		2017/18	2018/19	
National Basic Education	23,408,700	22,722,437	-3%			
National Basic Education transfer to provinces	-17,154,300	-17,519,002	2%			
Combined provincial education budgets	223,892,357	240,851,180	8%			
Eastern Cape				32,989,054	34,772,126	5.4%
Free State				12,739,378	13,579,224	6.6%
Gauteng				40,843,869	45,220,540	11%
KwaZulu-Natal				47,444,706	50,903,682	7.3%
Limpopo				28,783,149	30,607,772	6.3%
Mpumalanga				19,322,742	20,973,433	8.5%
Northern Cape				5,857,848	6,417,223	9.5%
North West				15,281,697	16,183,868	5.9%
Western Cape				20,629,914	22,193,312	7.6%
Consolidated Basic Education Budget	231,638	246,760	7%			

Source: *Estimates of National Expenditure 2017-2018 and Estimates of Provincial Revenue and Expenditure 2017-2018.*

Looking at this table, the national budget for the basic education decreases by 3%, in nominal terms, from R23 billion in 2017/18 to R22 billion in 2018/19. This budget reduction will affect the progressive realisation of the rights of learners to quality basic education, through the delayed delivery of infrastructure projects, for example. Provincially, the ECDoE had been allocated R34.8 billion for the 2018/19 financial year, 44% of the provincial budget.¹² The provincial budget of the Eastern Cape for 2018/19 is R78.2 billion, and this is financed through the equitable share of R65.7 billion, R11.3 billion of conditional grants and R1.4 billion of Provincial Own Receipts. Out of all the provinces, Gauteng received a huge increase by 11% in nominal terms, from R41 billion in 2017/18 to R45 billion in 2018/19. KwaZulu-Natal was the province with the largest allocation, having increased by 7.3% from R47 billion in 2017/18 to R50 billion in 2018/19. With more allocations given to Gauteng and KwaZulu-Natal, this suggests that more funding priority is given to these provinces. The national treasury and DBE should recognise that the more rural provinces of the Eastern Cape and Limpopo require more funding, especially, considering the amount of mud schools, and the need for scholar transport in these provinces. The crises in schooling system in these Provinces, in particular, related to “early grade reading proficiency, infrastructure, safety,

¹¹ <https://vulekamali.gov.za/2018-19/national/departments/basic-education?>

¹² Eastern Cape Budget Speech 2018/19, delivered by the MEC for Finance, Mr. Sakhumzi Somyo, on 7 March 2018

and scholar transport, means that attention to spending on basic education, and implementation of programmes, necessitates greater political will, and a highly competent bureaucracy.”¹³

While there is an allocation of R57 billion for fee-free higher education from the national government, there is a reduction of budget for school infrastructure. The National Student Financial Aid Scheme (NSFAS) is the primary vehicle through which fee-free higher education is rolled-out. The notable reduction is from R1.6 billion in the 2017/18 financial year to R1.4 billion in the 2018/19 financial year, for educational infrastructure projects that include hostels, special schools, Early Childhood Development (ECD) Centres, norms and standards and the completion of existing schools. In other words, while the planning and budgeting processes for fee-free higher education was made, it has a negative effect on the basic education policy priorities. What is of concern is that the planning and budgeting for fee-free higher education comes with the baseline reduction to the basic education budget. This is reduction is disappointing, considering the interdependence of the basic and higher education sectors. One would expect that government ensures massive investment in basic education, so that learners progress well to the higher education. The high fees in universities is not the only reason why many of the learners from the poor schools cannot access higher education. It is also due to the inequalities in the early years of schooling. It remains a challenge for most learners in South Africa, to pass matric well and obtain a qualification in higher education, especially in the context where learners are repeating Grade 3 and 4. Therefore, fee-free higher education as an intervention for the poor in South Africa; it will have an impact on the life of these learners at a later stage. The national Treasury should ensure that there is more money to finance the basic education, in order to ensure equitable access to education.

In his 2018 budget speech, the MEC for Finance in the Eastern Cape, Mr. Sakhumzi Somyo, mentioned the importance of putting more focus “to the foundation phase of our schooling system in order to achieve positive Grade 12 results.”¹⁴ As such, R785.5 million is allocated in the 2018/19 financial year and R2.5 million over the MTEF in order to ensure universal access to ECD.¹⁵ This budget allocation towards the ECD is meant to realise the priorities for quality basic education. The following are some of the priorities for 2018 mentioned by the MEC for Education, in his Policy and Budget speech in the 2018/19 financial year¹⁶:

- i. The prioritisation of professional upgrading of Grade R practitioners through the awarding of training bursaries.
- ii. Sustained focus on improving the quality of Primary Schooling in the Eastern Cape.
- iii. In order to improve matric results, in the 2018 academic year, the ECDoE will be retraining teachers, especially for maths and science.
- iv. Through the rationalisation process, the Department will be engaging with parents and school communities to actively participate in the life of a school.
- v. The MEC noted Inclusion¹⁷ as the biggest in the priorities in 2018, and the budget allocation increased by 8.4% to R805 812 million in 2018/19.

¹³ <https://equaleducation.org.za/2018/02/22/media-statement-201819-budget-hurts-the-poor-by-hiking-vat-and-slashing-basic-education-funding/>

¹⁴ *Ibid* at page 7

¹⁵ *Ibid*

¹⁶ Eastern Cape Department of Education Policy & Budget Speech 2018/19 at page 7-15

¹⁷ The provision of inclusive education that enables everyone to participate effectively in a free society. The inclusion of learners with special needs in skills teaching programme, in schools, is important. Inclusive education

- vi. The establishment of School Safety Committees given priority in all schools and districts, in order to ensure safety at school level.
- vii. Concerning infrastructure delivery, the National Department of Basic Education will, over the medium term continue to focus on the following:
 - “accelerating delivery and improving school infrastructure;
 - enhancing teaching and learning by ensuring access to high quality learner and teacher support materials; improving grade 12 completion rates;
 - providing educational opportunities¹⁸ to learners with severe to profound intellectual disabilities;
 - increasing the supply of quality teachers;
 - monitoring performance; and
 - providing nutritious meals to learners in schools through the national school nutrition programme.”¹⁹

The ECDoE prioritises the National School Nutrition Programme (NSNP), in particular, because an increasing number of children are benefiting from the NSNP Grant. The MEC for Education, in his Policy and Budget speech in the 2018/19 financial year, mentioned that “1.6 million Children are benefiting from the NSNP Grant, and 12 000 Food Handlers and 54 Monitors have been appointed to assist with preparation for meals for learners in all Quintiles 1-3 schools.”²⁰ The NSNP has three main integrated components, namely School Feeding, Sustainable Food Production and Nutrition Education. The schools in quintile 4 and 5 are not targeted for in the NSNP Conditional Grant, due to limited funding. This condition has negative consequences for vulnerable learners attending quantile 4 and 5 in the province.

R7.3 billion is allocated to the school infrastructure backlogs grant to complete remaining infrastructure projects to eliminate backlogs and replace unsafe school structures. However, this allocation is reduced by R3.6 billion over the MTEF period as part of Cabinet approved budget reductions. It is important to note that the Cabinet’s approval for budget reductions has negative implications for the progressive realisation of the right to quality basic education. R1.5 billion is allocated in the 2018/19 financial year “to replace 50 inappropriate and unsafe schools with newly built schools, and provide water to 325 schools and sanitation to 286 schools.”²¹ Budget allocation for the infrastructure Programme within the ECDoE has been reduced to R1.5 billion. These budget allocations are meant to ensure that the infrastructure failures are addressed, and that the rights of citizens to quality basic education is realised.

- viii. Integration of Information and Communication Technology (ICT) in education to improve communication and dissemination of information in the ECDoE. As such, the Department started “distributing more than 24,000 laptops to intermediate and senior phase educators across the province.”²²

requires education is delivered in order to accommodate equally the needs and circumstances of every learner in society equally.

¹⁸ Ensuring access to education for all, that is inclusive education

¹⁹ 2018 Estimates of National Expenditure, Vote 14 Basic Education, at page 264

²⁰ Eastern Cape Department of Education Policy & Budget Speech 2018/19 at page 15

²¹ 2018 Estimates of National Expenditure, Vote 14 Basic Education, at page 2

²² Eastern Cape Department of Education Policy & Budget Speech 2018/19 at page 14

The PSAM has previously noted that access to information and communication technology (ICT) in South Africa is currently divided between those who have access to the internet and those who do not. The lack of access to ICT in the rural areas in the Eastern Cape is “increasing the division between the haves and have-nots in basic education. In order to address this problem, digital literacy should be a part of the curriculum in schools around the world. As such, teachers should be able to integrate learning technologies into an efficient curriculum management, enhance learner skills and enrich the learning experience.”²³ A total of R15.3 billion is allocated over the medium term, in order to support effective curriculum delivery. This allocation is meant to provide printed and digital content for teachers and learners. This provision “includes the provision of 183 million workbooks and textbooks, teacher support, and increased access to information and communication technology.”²⁴ To date, the ECDoE has made a provision of 26 200 laptops to Foundation, Intermediate and Senior phases educators. In the final phase of ICT rollout, the ECDoE will target educators in the FET phase.²⁵ The Department should make plans to train the teachers and learners on the integration of ICT in education.

2) Programme 2: Public Ordinary Schools Education

Programme 2 “houses some of the Department’s key priority areas such as the expansion of the School Nutrition Programme, reducing class sizes and elimination of unsafe schools structures.” In his Policy and Budget Speech for the 2018/19 financial year, the MEC for Education mentioned that “excellence in school performance is the consequence of sound and quality Early Childhood Programs”.²⁶ As such, the Department allocated a total of R785.5 million to ECD for the 2018/19 financial year. Table 2 highlights that the largest proportion of the Departmental budget is allocated to Programme 2 (R28 billion in nominal terms, in the 2018/19 financial year). When inflation is factored in these nominal allocations, the Programme received an allocation of R27.3 billion in real terms in the same financial year. Between 2017 and 2018, the allocations to the Programme increased by 7% in nominal terms, and by 4% in real terms. The average nominal growth over the MTEF for the Programme is predicted at 4%. This highlights the importance of this Programme in ensuring the rights of learners to quality education. The increase in budget allocation for this Programme is underpinned by the following failures experienced by the Department in 2017: the performance failures in the early grades, with repetition rates running high in Grades 1, 2, 3, as well as 10 and 11. In the Foundation Phase alone, a total of 76 000 learners were reported to be repeating, with 36 000 of these learners repeating Grade 1. In 2016, over 200 000 learners were repeating at a cost of R2 billion.²⁷ Repetition rates were very high in Grade 1,2,3 as well as Grade 10 and 11. The repetition at lower Grades does not only have negative implications on budget, but also on the progression of learners in primary and secondary education. With the budget of this Programme and the Compensation of Employees increased, the department should dedicate time to improving the performance in the lower Grades.

²³ Fobosi, SC. 2017. Reconsidering literacy and access in a digital era. Accessed from <http://www.grocotts.co.za/2017/09/04/reconsidering-literacy-and-access-in-a-digital-era/> on 11 April 2018.

²⁴ <http://www.treasury.gov.za/documents/national%20budget/2018/review/Chapter%205.pdf> at page 58

²⁵ ECDoE. 2018/19 Policy & Budget Speech

²⁶ *Ibid*

²⁷ <https://www.pressreader.com/south-africa/daily-dispatch/20180313/281479276933622>

Table 2: Composition of Allocation by Programme, 2017/18 to 2020/2021

Programmes	Adjusted appropriation	Medium-term estimates			Nominal Change over MTEF (%)	Nominal change between 2017 and 2018 (%)	Real Allocations 2018/19	Real change between 2017 and 2018 (%)
	2017/18	2018/19	2019/20	2020/21				
Administration	3,039,421	3,012,024	3,146,502	3,536,632	5%	-1%	2,932,311	-4%
Public Ordinary Schools Education	26,289,869	28,057,586	29,922,326	31,734,335	4%	7%	27,315,041	4%
Independent Schools Subsidies	123,042	131,009	138,345	145,954	4%	6%	127,542	4%
Public Special Schools Subsidies	745,942	805,812	861,565	909,847	4%	8%	784,486	5%
Early Childhood Development	639,630	785,500	834,013	881,056	4%	23%	764,712	20%
Infrastructure Development	1,658,750	1,489,828	1,394,253	1,547,060	1%	-10%	1,450,400	-13%
Examination and Education Related Services	524,389	490,367	513,479	572,164	5%	-6%	477,389	-9%
TOTAL BUDGET	33,021,043	34,772,126	36,810,483	39,327,048	4%	5%	33,851,881	2%

A huge increase can be noted in Programme 5 (ECD) by 23% in nominal terms, from R639.6 million in the 2016/17 financial year to R785.5 in the 2018/19 financial year. However, in real terms, the allocation to this Programme increased by 20%. Over the MTEF, the budget allocation to the Programme is projected to increase by 4% in nominal terms. The prioritisation of the training of the ECD practitioners in this Programme is meant to ensure the progressive realisation of the right to quality basic education. The increase in the budget for Programme 5 is because of “reprioritised funding from Programme 2 Compensation of Employees (CoE) to fund the professionalization of Early Childhood Development.”²⁸ This budget reprioritisation is meant to ensure that ECD is laying a foundation for quality education. The budget allocation to ECD Compensation of Employees is shown in table 3 below. Three (3) Programmes (Administration, Infrastructure Development, and Examination and Education Related Services) experienced a decrease in both nominal and real terms. Programme 6 (Infrastructure Development) decreased by 10% in nominal terms from R1.7 billion in 2017/18 to R1.5 billion in 2018/19, while in real terms the allocation to the Programme decreased by 13% to R1.4 billion.

Table 3: Budget by Economic Classification: Programme 5 – Early Childhood Development, 2017/18 to 2020/2021

R' 000	Adjusted appropriation	Medium-term estimates			Nominal Change over MTEF (%)	Nominal change between 2017 and 2018 (%)	Real Allocations 2018/19	Real change between 2017 and 2018 (%)
	2017/18	2018/19	2019/20	2020/21				
Current payments	619,096	764,692	824,547	871,069	4%	24%	744,454	20%
Compensation of employees	403,968	537,398	578,482	610,921	4%	33%	523,176	30%
Goods and services	215,128	227,294	246,065	260,148	5%	6%	221,279	3%
Transfers and subsidies	20,534	20,807	9,466	9,987	-22%	1%	20,256	-1%
Non-profit institutions	20,534	20,807	9,466	9,987	-22%	1%	20,256	-1%
Households							0	
Total economic classification	639,630	785,499	834,013	881,056	4%	23%	1,529,421	139%

Table 3 above reflects that budget to the ECD Compensation of Employees increased by 33% in nominal terms to R537.4 million, while it increased by 30% in real terms to R523.1 million. The increase in this Programme is meant “to cater for conversion of qualified Early Childhood Development Practitioners to Post Level 1 educators.”²⁹ With the increase in the budget allocation for ECD, the Department should dedicate time to improving the quality of basic education from Grade R onwards. An increase can also be seen in the budget for Goods and Services, by 6% in nominal terms to R227.3 million. More focus in the 2018/19 financial year will be on the professional development of ECD Practitioners, Resourcing of ECD

²⁸ Eastern Cape Department of Education Policy & Budget Speech 2018/19, at page 7

²⁹ *Ibid*

centres as well as Curriculum delivery. The increase in the Goods and Services budget will enable the Department to deliver “Learner Teacher Support Material (LTSM) in the form of Numeracy, Literacy, Construction, Fantasy and Outdoor kits. The department will train all Grade R practitioners on utilisation of these resources as required by CAPS curriculum”.³⁰ With these increases, it is expected that there will be improvement in the performance in Grade R. Greater attention to improving the performance of Early Childhood Development (ECD) Programmes that should be laying the foundation for reading in primary schools.

3) Equitable Share and Conditional Grants, 2018/19

Provincial and local government receive equitable shares and conditional grants to enable provinces to provide basic services and perform their functions. The Equitable Share refers to a bulk of national allocations to the provinces, including allocation to education. The major driving factors behind the allocation of money are the changes in population and related factors, such as school enrolment. Section 214(1) of the Constitution requires that every year, a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities (278 municipalities prior to the local government elections). Conditional grants are conditional allocations to provinces, local government or municipalities from the national government’s share of revenue raised nationally, which are provided for and whose purpose is specified in the Division of Revenue Act for the 27/18 financial year envisaged in section 214(1)(c) of the Constitution of the Republic of South Africa, 1996. Provincial and local government receive equitable shares and conditional grants to enable them to provide basic services and perform their functions. The equitable share and conditional grants are “the main sources of receipts” for the ECDoE.³¹ Table 4 below shows the equitable share distribution by province, over the 2018 MTEF.

Table 4: Equitable Shares by Provinces, 2018 MTEF³²

R billion	2018/19	2019/20	2020/21	Average Change over MTEF (%)
Eastern Cape	65.4	69.8	74.4	4.3%
Free State	26.1	28.7	30.1	4.8%
Gauteng	93.3	100.9	109.9	5.3%
KwaZulu-Natal	99.2	106.3	113.10	4.7%
Limpopo	55.1	59.1	63.5	4.8%
Mpumalanga	38.4	41.3	44.5	5.0%
Northern Cape	12.4	13.4	14.4	4.9%
North West	32.3	34.8	37.7	4.9%
Western Cape	47.4	51.8	55	5.0%
Total	470.8	505.2	542.4	4.9%

³⁰ Eastern Cape Department of Education Policy & Budget Speech 2018/19, at page 8

³¹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2018/19 at page 286.

³²

<file:///C:/Users/s1200129/Documents/Siya/Budget%20Analysis%20Brief/Division%20of%20Revenue%20Bill/FullBR.pdf>

Table 4 above shows that the equitable share allocation for the Eastern Cape grows by 4.3% over the MTEF, from R65.4 billion in 2018/19 to R74.4 billion in 2020/21. The total allocation to all provinces in the 2018/19 financial year is R470.8 billion, and this grows by 4.9% over the MTEF to 542.4 billion. The provinces with more equitable shares are KwaZulu-Natal (93 billion) and Gauteng (99 billion), with this implying that more attention is given to these provinces. It is important that the national treasury turns its attention to the crisis in rural education in South Africa. For example, there is large and desperate demand for scholar transport in rural provinces of the Eastern Cape and Limpopo, not just KZN.

3.1 ECDoE Equitable Share, 2018/19

Section 214(1) of the Constitution requires that every year, a Division of Revenue Act (DRA) determine the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities. In the DBE, equitable share ensures equitable access to education and resources. This increases access to education in public ordinary schools. Table 5 below shows a comparison between the Equitable Share and Conditional Grants allocations within the ECDoE, the main sources of receipts for the department.

Table 5: ECDoE Equitable vs Conditional Grants, 2017/18 – 2020/21³³

R thousand	Adjusted appropriation	Medium-term estimates			Real Allocations 2018/19	Nominal Change over MTEF (%)	Nominal change between 2017 and 2018 (%)	Real change between 2017 and 2018 (%)
	2017/18	2018/19	2019/20	2020/21				
Equitable Share	30,190,350	31,936,067	34,015,506	36,281,198	31,090,878	4.3%	5.8%	3%
Conditional Grants	2,830,694	2,836,059	2,794,977	3,045,850	2,761,003	2%	0.2%	-2%

As can be seen in table 5 above, the ECDoE equitable share increases by 5.8% in nominal terms from R30.9 billion in 2017/18 to R31.9 billion in 2018/19. In real terms, this was just a 3% increase to R31 billion. Conditional Grants (listed in table 7 below) received an increase of just 0.2% in nominal terms from R2.830 billion in 2017/18 to R2.836 billion in 2018/19, while there was a 2% reduction in real terms to R2.761 billion. With the equitable share allocations increased, it is expected that the ECDoE will fund the provision of scholar transport using these allocations in order to ensure the progressive realisation of the rights of learners to quality basic education. However, simply increasing the equitable shares and decreasing conditional grants allocations is not going to solve the poor performance, infrastructure and scholar transport failures facing the ECDoE. It is important that the ECDoE uses the allocated equitable share and conditional grants in order to improve the quality of basic education.

³³ <https://data.vulekamali.gov.za/dataset/42ff63e6-c31d-4dc0-a6ca-8e48d3118daf/resource/58a54253-ab22-4df0-ba05-b37da259bc16/download/ec-vote-06-education.pdf> at page 286

Table 6 below shows the equitable share formula devised by National Treasury and tabled in Parliament annually in the Division of Revenue Act.³⁴ This formula is intended to give effect to Section 214 of the Constitution. It is made up of six (6) separate components.

Table 6: Distributing the equitable shares by Provinces, 2018³⁵

	Education 48%	Health 27%	Basic share 16%	Poverty 3%	Economic activity 1%	Institutional 5%	Weighted average 100%
Eastern Cape	14.9%	13.1%	12.1%	15.6%	7.8%	11.1%	13.7%
Free State	5.3%	5.2%	5.1%	5.2%	5.1%	11.1%	5.6%
Gauteng	18.1%	22.4%	24.7%	17.7%	34.1%	11.1%	20.1%
KwaZulu-Natal	22.3%	21.5%	19.7%	22.2%	16.0%	11.1%	21.0%
Limpopo	13.1%	10.2%	10.3%	13.5%	7.2%	11.1%	11.7%
Mpumalanga	8.4%	7.4%	7.8%	9.2%	7.5%	11.1%	8.2%
Northern Cape	2.3%	2.1%	2.1%	2.2%	2.1%	11.1%	2.7%
North West	6.5%	6.7%	6.8%	8.1%	6.5%	11.1%	6.9%
Western Cape	9.1%	11.4%	11.4%	6.2%	13.6%	11.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 6 shows that the education component of the Provincial Equitable Share (PES) carries the largest weighting (48%) of the R470 billion allocated to provinces shown in table 4 above, R226 billion was divided based on the number of learners for each province. Poverty component is only at 3%, but the small consideration given to poverty in the equitable share formula is insufficient to reduce the inequality that exists between provinces.³⁶ Worth noting is that, the Eastern Cape has more weighing for the components of poverty (15.6%), education (14.9%), health (13.1%) and basic share (12.1%). With the components of education and poverty weighted more within the Eastern Cape, it expected that the ECDoE will dedicate time to ensuring that quality of basic education is realised.

The basic share component is given to provinces according to population, and each province receives the funds for this component according to pupation share. The institutional component constitutes of 5% of the total Provincial Equitable Share (PES) transfer. This is given in equal amounts across all the provinces. The underlying logic of the institutional component “is that there are fixed costs associated with establishing the institutions for provincial governance and delivery of public service and therefore, these amounts should be provided.”³⁷ The weighing given to poverty at only 3%, is insufficient to reduce the inequality that exists due to the demographic, economic and geographical differences between provinces. Table 7 below shows the impact of changes in school enrolment on the education component share.

³⁴ <https://www.groundup.org.za/article/education-funding-formula-needs-be-fixed/>

³⁵

file:///C:/Users/s1200129/Documents/Siya/Budget%20Analysis%20Brief/Division%20of%20Revenue%20Bill/FullBR.pdf

³⁶ <https://equaleducation.org.za/wp-content/uploads/2017/03/Final-DoRA-2017-Submission.pdf>

³⁷ Govinda Rao, M and Khumalo, B. n.d. Sharing the Cake: A Review of Provincial Equitable Share Formula in South Africa, at page 20.

Table 7: Impact of Changes in School Enrolment on the Education Component Share

	Age population	School enrolment		Changes in enrolment	Weighted average		Difference in Weighted average
	5-17	2016	2017		2017 MTEF	2018 MTEF	
Eastern Cape	1,856,317	1,957,187	1,902,213	-54,974	15.1%	14.9%	-0.21%
Free State	657,489	687,072	691,295	4,223	5.3%	5.3%	0.02%
Gauteng	2,231,793	231,080	2,342,025	31,215	18.0%	18.1%	0.13%
KwaZulu-Natal	2,758,594	2,873,339	2,868,598	-4,741	22.3%	22.3%	-0.01%
Limpopo	1,536,294	1,764,551	1,768,125	3,574	13.0%	13.1%	0.03%
Mpumalanga	1,053,846	1,072,151	1,080,084	7,933	8.4%	8.4%	0.03%
Northern Cape	288,839	291,650	291,760	110	2.3%	2.3%	0.00%
North West	824,724	828,674	827,628	-1,046	6.5%	6.5%	-0.00%
Western Cape	1,174,625	1,113,563	1,117,468	3,905	9.1%	9.1%	0.02%
Total	12,382,521	10,819,267	12,889,196	-9,801	100.0%	100.0%	-

The methodology that is used to collect school enrolment numbers changed from 2017 onwards. The learner enrolment numbers are no longer based on the annual surveys of schools, but on “figures from the DBE’s new data collection system, LURITS.”³⁸ This system enables the verification of data, and the progress of learners is tracked throughout their school careers. Such changes will be phased in over the 2018 MTEF period. Based on the 2011 Census, and the enrolment data from the DBE’s 2017 LURITS database, the education component continues to have two sub-components, the school-age population (5 to 17 years) and the actual school enrolment. As can be seen in table 6 above, the indicators of the education component share are based on school-age population (5-17) and school enrolment. This formula assumes that the Eastern Cape is experiencing huge decreasing changes in enrolment by 54, 974. In 2018 MTEF, learners enrolled in the Eastern Cape schools made up 14.9% of national school enrolments. The enrolment sub-component is important, because the actual cost of providing education depends on the enrolment.

While the enrolment numbers of learners in schools are updated each year, the age population has not been updated since 2011 census, and is therefore out of date. It is hoped that the use of LURITS will provide update database of school enrolment, because the current formula underestimates the number of learners in most provinces, especially Eastern Cape and Limpopo with more schools in rural areas, and overestimate the number of learners in Gauteng. It is important that the formula takes into account the unequal cost of providing education in rural and urban areas. With the Eastern Cape, Limpopo and KwaZulu-Natal being the provinces with high percentages of people living in poverty, it is more expensive to provide quality basic education in rural areas of these provinces than other urban provinces. The formula does not take into account of the unequal starting points of the historically disadvantaged and under-funded schools in the Eastern Cape. The Eastern Cape requires more funds for building or renovating new or inadequate schools, including scholar transport. While conditional grants are allocated, as can be seen in table 7 below, in order to address the school infrastructure backlogs, they make up a small portion of provincial spending compared to the equitable share, and have experienced some failures, such as completion of infrastructure projects.

³⁸ Division of Revenue Bill, 2018 at page 79

3.2 Conditional Grant Allocations, 2018/19

The ECDoE received the following seven (7) conditional grants in the 2018/19 financial year, listed with their nominal and real allocations, and Adjusted Appropriations from the 2017/18 financial year in table 8 below.

Table 8: Conditional Grants Nominal and Real Allocations, 2018/19

Conditional Grants (R'000)	Adjusted appropriations 2017/18	Nominal Allocations 2018/19	Real Allocations 2018/19
School Nutrition Conditional Grant	1,163, 559	1,216,559	1,184,363
EPWP integrated grant for Provinces	2,411	2,673	2,602
Social sector EPWP incentive grant for provinces	5,022	23,175	22,562
Math, Science and Technology	46,685	46,805	45,566
Education Infrastructure Grant	1,581,750	1,479,828	1,440,664
HIV and AIDS (Life Skills Education) Grant	41,936	43,062	41,922
Learners with Profound Intellectual Disabilities Grant	3,537	23,957	23,323
TOTAL BUDGET	2,845,157	2,836,059	2,761,003

Looking at table 8 above and figure 1 below, it can be seen that the total Conditional Grant allocations decreased by 3%, from R2.845 billion in 2017 to R2.750 billion in 2018. Between 2017 and 2018, the Education Infrastructure Grant (EIG) experienced a decrease by 6% in nominal terms, from R1.581 billion in 2017 to R1.479 billion in 2018. In real terms, the EIG decreased by 9% from R1.581 billion in 2017 to R1.440 billion in 2018. The reduction in the EIG, which has a history of underperformance, will result in projects that are currently underway being delayed. Some of these projects include, "the delivery of hostel decanting structures of 500-beds and the completion of the hostel renovations."³⁹

The hostel refurbishment are the boys' hostel in Thubalethu HS and Healdtown SSS, as well as a new 712-bed purpose-designed in Ntsokotha. The following six schools were handed over: Dweba SSS, Flagstaff SPS, Dilizintaba SSS, Klipfontein PS, Plangeni JSS and Mkhanzini JSS⁴⁰. More projects include the proving "100 schools with water supply, 68 with sanitation and 6 with electricity, 411 classrooms, 10 ECD classrooms, as well as 14 specialist rooms in public ordinary schools."⁴¹ With the EIG funding reduced it is likely that these projects will be completed on time, with this having a negative effect on the plans to improve the quality of basic education. The infrastructure projects in the 2018/19 financial year include funding seven (7) special schools that are still under construction.

³⁹ Eastern Cape Department of Education Policy & Budget Speech 2018/19, at page 13

⁴⁰ *Ibid*

⁴¹ *Ibid* at page 13

Figure 1: Nominal and Real Changes in Conditional Grant Allocations Between 2017 and 2018

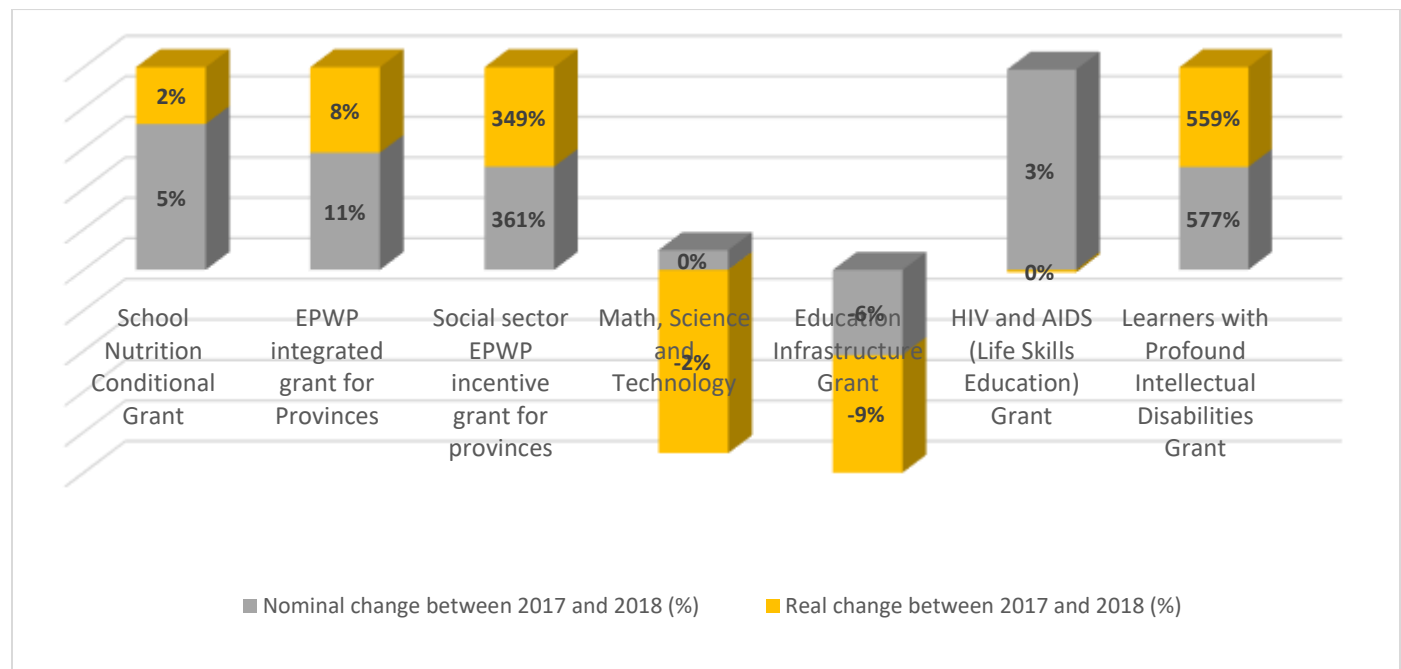


Figure 1 and table 8 above reflects that the allocation to the School Nutrition Grant (SNG) increased by 5%, in nominal terms, from R1.163 billion in 2017 to R1.21 billion in 2018. While, in real terms, this was just a 2% increase from R1.163 billion in 2017 to R1.79 billion in 2018. The increase in the budget allocations for this grant is an attempt to respond to the demand for school meals around the province. Through the SNG, the primary human needs for the learners is realised as a foundation for ensuring development and learning. As such, lack of nutrition may be one of the factors hampering the effective learning in South African schools. School nutrition plays a critical role in the learning of learners in schools, especially considering prevalence of poverty in rural communities of the Eastern Cape.⁴² Therefore, with the budget allocations for the SNG increased in both nominal and real terms, this should play an important role in ensuring that the rights of learners to quality basic education is realised.

5. Conclusion

While spending on education remains the largest budget allocation on both the national and provincial government, the PSAM is concerned that planning and budgeting for fee-free higher education came with the reduction in the budget for the basic education. This reduction is concerning, considering the interdependence of the basic and higher education sectors. More emphasis should be placed on improving the quality of basic education. There should be better resourcing at the foundation phase, and ensuring adequate Grade R funding. Support should be provided to more rural/poor performing schools and districts. Improving the quality of basic education has the potential to address several socio-economic problems, reduce dropout rates and better-equip matriculants to pursue further education.

⁴² <http://www.psc.gov.za/documents/2008/Refined%20Nutrition%20Text.pdf>

OUR ORGANISATION

The PSAM was founded in 1999 as a research project in the Rhodes University Department of Sociology. Its initial aim was to monitor incidents of corruption within the Eastern Cape government. From 2005, recognising the systemic nature of poor governance and corruption in the province, the PSAM began a concerted advocacy effort to systematically strengthen public resource management by key Eastern Cape government departments.

In 2007, PSAM introduced a training and academic component. The training component has developed to be what is known as the Regional Learning Programme and the academic component has changed to become what is known as the Advocacy Impact Programme. The various activities and interventions by PSAM over the years have emphasised the on-going need for greater and improved accountability interventions by civil society organisations across the region. Through our work we seek to achieve improved networking and advocacy to leverage impact and enhanced learning so that achievements are shared, evaluated and used to bolster social accountability interventions in sub-Saharan Africa.

Visit psam.org.za or follow us on [@PSAM_AFRICA](https://twitter.com/PSAM_AFRICA)

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