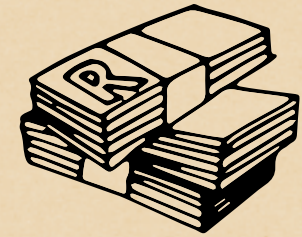


**CHAPTER 2**

# **FUNDING BASIC EDUCATION**



Daniel McLaren



# INTRODUCTION

This chapter will provide an overview of how public schools are funded in South Africa, and what the challenges and opportunities are for parents, teachers and learners to ensure that this funding goes as far as possible to secure the right to a basic education for all.

It has been designed to help those working with or who have an interest in education funding to understand the education budget process, and advocate for changes that will promote the right to basic education.

Equal access to education is critical for ensuring that everyone has the opportunity to participate equally in society and fulfil their potential. The Constitution of South Africa guarantees everyone access to basic education; and ensuring that basic education is adequately and equitably funded by the state has been prioritised since the democratic transition, in order to promote more equal access to quality teaching and learning.

The apartheid government that ruled South Africa until 1994 was well aware of the power of education and the fundamental role that access to quality education could play in the development of a country. Yet the racial, gender and class bias of that government meant that it supported

the provision of quality education for only a minority of the population. Black, coloured, Indian and Asian South Africans, as well as women and the disabled, received an inferior basic education to that provided to whites.

This discrimination was especially evident in the highly inequitable resource allocations that were provided to schools according to their racial classification. By providing as much as ten times more funding to white schools than black schools, the previous government ensured that economic and social opportunity would be prescribed based on one's race, gender or class. The effects of these policies continue to hamper the provision of equal education today.

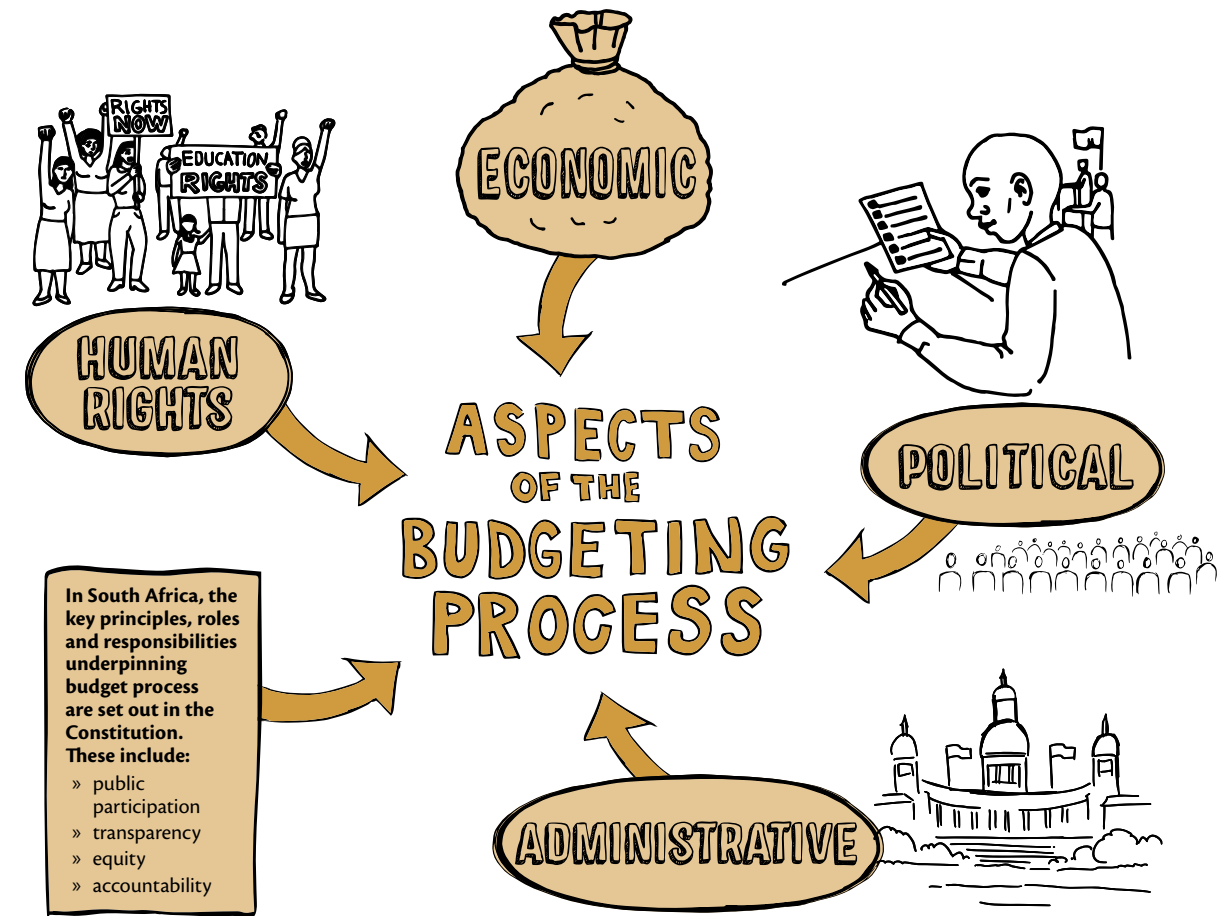
Education takes place over many years, and is a cross-generational exercise involving learners, teachers and parents, so the inferior education provided to the majority of people until 1994 continues to reproduce unequal outcomes. This can be seen in the legacies of substandard infrastructure and teacher subject

knowledge, lower scores, and higher dropout rates at historically black schools.

The post-apartheid democratic administration inherited a segregated education system based on a highly inequitable funding model designed specifically to promote certain groups over others. The question of equalising resource allocations and ensuring economic access to a quality education for all has been at the centre of debate on how to overcome the legacies of the past, and – as the 1995 White Paper on Education and Training promised – ‘open the doors of learning and culture to all’.

The policy guidelines adopted at the 1992 National Conference of the ANC and published in ‘Ready to Govern’ committed the ANC government-in-waiting to ‘equalising the per capita expenditure between black and white education’, and ensuring that ‘resources are redistributed to the most disadvantaged sectors of our society, in particular, women, rural and adult students, and mentally or physically disabled children and adults’.

The remainder of this chapter explains the choices that were subsequently made and enacted into law since 1994, and the funding model that was adopted to ensure the constitutional guarantee of a quality basic education for all.



# THE BUDGET PROCESS

Public education, which accounts for 95% of all education provided in South Africa, is funded by the government budget. Some public schools are able to supplement this funding by charging fees. This section will explain:

- What a constitutional approach to public-school funding requires
- The budget process in South Africa, including the main stakeholders involved, key documents produced, and a timeline of the basic education budget process and where the public can provide input
- How revenue is raised for the government to spend on providing basic education
- How revenue raised nationally is divided between the three spheres of government: national, provincial and local
- The national equitable share, including conditional grants
- The provincial equitable share
- The determination of each province's equitable share of the provincial sphere's share of revenue, including whether the formula used to determine this share is indeed equitable.

## A CONSTITUTIONAL APPROACH TO PUBLIC SCHOOL FUNDING

Chapter 1 of this book spoke at length about the right to basic education in the Constitution. A summary of the constitutional approach to basic education funding can be seen in Table 2.1 below.

Table 2.1: A summary of the constitutional approach to basic education funding.

WHAT THE CONSTITUTION REQUIRES		WHAT THIS MEANS FOR SCHOOL FUNDING POLICY
<b>Universal Access</b>	Everyone has the right to a basic education.	<ul style="list-style-type: none"> <li>No-one may be denied access to education on any ground.</li> <li>Basic education must be physically and economically accessible to all.</li> <li>Physical access means that schools must be within a reasonable distance of learners, and transport must be available, at the state's expense, to carry learners who live beyond a reasonable distance to the nearest school</li> <li>Economic access means that no-one may be denied access to a public school due to an inability to pay fees or to pay for basic school supplies.</li> </ul>
<b>Adequacy and Quality</b>	The right to basic education is the right to an education of an adequate quality.	<ul style="list-style-type: none"> <li>Resources – which are sufficient to ensure high levels of quality throughout the basic education system – must be raised and invested by the state.</li> <li>This includes that all educational infrastructure and goods, and teacher training and development, must be adequate to meet the needs of teachers and learners.</li> </ul>
<b>Substantive Equality and Redress</b>	Education of an adequate quality must be provided and made available and accessible to all.	<p>A progressive funding model must be in place which ensures that:</p> <ul style="list-style-type: none"> <li>all schools have the resources necessary to provide a quality basic education</li> <li>schools that were underfunded in the past must receive relatively more resources from the state than schools that were well funded during apartheid, in order to rectify past funding imbalances and ensure substantive equality</li> <li>under-performing schools must receive funding which, in conjunction with other reforms, is sufficient to bring them up to standard.</li> </ul>
<b>Priority</b>	Basic education of an adequate quality must be provided and made available to all immediately.	<ul style="list-style-type: none"> <li>Ensuring equal access to quality basic education must be treated as a priority in government budgets.</li> </ul>
<b>Efficiency and effectiveness</b>	Resources allocated to public schools and basic education more broadly must be used as efficiently and effectively as possible to achieve their intended aims.	<ul style="list-style-type: none"> <li>A lack of available resources cannot be a justifiable reason for the state failing to provide a quality basic education.</li> <li>Schools (including their teachers, learners and parents) who feel that the quality of education being provided is being limited by a lack of resources can claim more resources from the state, and sue the state for more resources if necessary.</li> <li>Teachers, learners and parents can also sue their school or their provincial government if the resources that are being made available to the school are being misused, or otherwise inefficiently or ineffectively used towards providing quality basic education.</li> </ul>

## THE BUDGET PROCESS IN SOUTH AFRICA

Every year in late February, the Minister of Finance delivers the budget speech in

the National Assembly. This important speech sets out the government's revenue and spending plans, and key financial and performance targets, for the next

financial year (1 April to 31 March).

The budget process that ultimately leads to this speech is complex; and to the outside observer, can appear rather opaque and

confusing, too. At any one time throughout the year, there are a variety of budgets under consideration by a number of stakeholders, who all have different roles to play.

This section will describe the key stakeholders, documents and stages involved in the budget process, focusing on how these ultimately contribute to the development of a basic education budget that is managed and spent at national, provincial and school level. Throughout, I will highlight points at which the public can provide input into this process in order to advance and protect their right to education.

## THE PRINCIPLES AND FUNCTIONS UNDERPINNING THE BUDGET PROCESS

Budgeting is one of the most important tasks carried out by government. This is because without adequate funding, even the best policies and plans will be hard to implement successfully.

Budgeting is a political, economic, administrative and human-rights-based process. Political in the sense that it entails competition among various groups for limited resources. Economic in the sense that the budget is the government's most important economic tool for setting the direction of the economy, and for allocating resources within the economy. The budget process is also a vital administrative process, because it is central to the purposes of planning, coordinating, controlling and evaluating the activities of government. Finally, government budgeting is also a human-rights process, in that the ultimate goal of the budget is to raise and allocate funds in a way that enables government to fulfil its constitutional and international human-rights obligations to people.

In South Africa, the key principles, roles and responsibilities underpinning

the budget process are set out in the Constitution. These include public participation, transparency, equity and accountability. I have noted above that substantive equality is a key goal and obligation under the Constitution. The budget plays a very important role in achieving this, and therefore must be judged by (among other factors) its impact on reducing and eliminating inequality in the country, including in relation to access to quality basic education.

Section 215(1) of the Constitution states that 'National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and effective financial management'. The principle of accountability applies to all government processes and is particularly important in the allocation and expenditure of government budgets.

All funds raised by the state are public funds, because they derive mainly from the taxes people pay. So the public are entitled to have a say in how these funds are allocated and spent, and must be able to hold officials accountable if these funds are not directed towards the public good, do not achieve their stated objectives, or are misspent or wasted by departments.

Public participation is regarded as a 'basic value' in the Constitution, which requires in Section 195(e) that 'people's needs must be responded to, and the public must be encouraged to participate in policymaking'.

The National Treasury's Budget Analysis Manual confirms this, by stating that:

Participation is an indispensable principle in the budget process. [...] and is likely to result in more equitable expenditure patterns than a process which is dominated by the powerful sectors of society. Effective participation can also serve to ensure efficient provision and more equitable distribution of budgetary allocations. Through active participation in the budget process, people

could challenge programmes or policies that are potentially threatening to the enjoyment and guarantee of constitutional rights.

But before public participation in the budget process can happen, there must also be transparency in the budget process.

Transparency and openness are also basic values of the Constitution, and require the government to take steps to ensure that information on the budget processes of national, provincial and local government is accessible and enables the public to engage with these processes.

For the past 10 years, South Africa has consistently been ranked among the top six countries in the world by the internationally recognised Open Budget Index (OBI) for the transparency of its budget process. This means that a large amount of information on the budget is made available by the National Treasury in a timely and accessible manner. Much of this information is published online at [www.treasury.gov.za](http://www.treasury.gov.za). All of the key budget documents mentioned in this chapter are available online.

Provincial Treasuries and local governments have a more mixed record in providing timely and up-to-date information on their budget processes; sometimes documents are not made available online at all, and must be requested – either from the provincial treasury or local government concerned, or from National Treasury.

No matter how much information is available, however, engaging with the budget process can be quite daunting at first. The remainder of this section will try to make engagement with the basic education budget process easier, by explaining the main stakeholders involved and the key documents produced in this process, and by showing when in the year key budget decisions are made, and how the public can provide input into these important decision-making processes.



## THE MAIN STAKEHOLDERS INVOLVED AND KEY DOCUMENTS PRODUCED IN THE BUDGET PROCESS (focusing on basic education)

**Minister's Committee on the Budget (Mincombud)** – a subcommittee of the Cabinet, Mincombud discusses the overall budget environment and advises Cabinet, which is responsible for the final approval of the budget.

**National Treasury (NT)** – led by the Minister of Finance, NT is responsible for managing the government's finances and the budget process. This includes advising Cabinet on the state of the economy and government finances, overseeing expenditure by national departments, and monitoring the implementation of provincial budgets. NT also develops a three-year Medium Term Expenditure Framework (MTEF), the basis for discussions with departments, which in turn leads to the Medium Term Budget Policy Statement (MTBPS), which is tabled at least three months before the budget speech and sets out the government's financial plans for the next three years. NT also issues guidelines for departments to complete their own MTEF and Estimates of Expenditure. Finally, NT prepares the Division of Revenue Bill, Appropriation Bill, Estimates of National Expenditure and Budget Review for presentation to parliament in the budget speech.

**Provincial Treasuries** – led by each province's MEC for Finance, provincial treasuries are responsible for managing provincial government finances and budget processes, including facilitating each province's MTBPS and the provincial budget, which includes an Appropriation Bill and Estimates of Provincial Revenue and Expenditure (EPRE). Provincial Treasuries also monitor and support the implementation of the provincial budget by provincial departments.

**Medium Term Expenditure Committee (MTEC)** – consists of senior officials from NT and other departments, including Basic Education. It is responsible for hearing and

scrutinising the budget submissions made by each department to ensure they are aligned to the Cabinet's policy and budgetary priorities. In addition, there are eight Formal Functional MTECs based on functional groupings known as 'clusters', which also scrutinise and help departments develop budgets that are in harmony with the plans and priorities of other departments in that cluster.

**10x10 working group on basic education** – the management and provision of basic education is a concurrent function, meaning that the implementation of basic education is carried out by the national Department of Basic Education together with (or concurrently with) provincial education departments. To ensure a cohesive planning and budgeting process, the 10x10 working group is convened by NT to bring the chief role players in national and provincial education departments together with national and provincial treasuries. The 10x10 group therefore includes the Minister of Basic Education and the nine provincial MECs for education, plus representatives from NT and the nine provincial treasuries – hence the name of the group: '10x10'.

**National Department of Basic Education (DBE)** – led by the Minister of Basic Education, the DBE oversees the basic education sector as a whole, including the implementation of national legislation and regulations by provinces (including the National Norms and Standards for School Funding), and manages conditional grants to provinces together with NT. The DBE takes part in Mincombud, the MTECs and the 10x10 working group on basic education. Through these interactions, the DBE plays an important role in establishing the national education policy priorities, and therefore the outlines of the total national budget for basic education.

**Provincial Education Departments (PEDs)** – led by each province's MEC for education,

PEDs oversee and manage the basic education system within their jurisdiction, including the provincial education budget. Provincial treasuries, together with PEDs, determine how much of their total provincial budget will be allocated to basic education. Following national guidelines, PEDs and Provincial Treasuries also decide the precise allocations to schools, and how the provincial education budget will be divided between personnel and non-personnel expenditures, as well as how much money will be allocated to other expenditures required for the provision of basic education such as the payment of teachers and the upgrading of infrastructure.

**Department of Planning, Monitoring and Evaluation (DPME)** – located in the presidency, the DPME is responsible for planning and monitoring the implementation of national priority outcomes, as identified in the National Development Plan (NDP) and elaborated every five years in the Outcome Agreements of the Medium Term Strategic Framework (MTSF). The DPME takes part in Mincombud, MTECs and 10x10 working groups, to ensure that the Outcome Agreement for basic education is reflected upon and given effect to in the budget process.

**Financial and Fiscal Commission (FFC)** – the FFC is mandated by Chapter 13 of the Constitution to provide independent advice to government on financial and fiscal matters. The FFC conducts research and investigations into basic education budgeting and expenditure, and makes recommendations to National Treasury, MTEC, the 10x10 working-group members and Parliament's Portfolio Committee on Basic Education.

**Parliamentary Committees in the National Assembly** – consisting of 15-20 MPs broadly representative of the parties in the National Assembly, Parliamentary Committees monitor

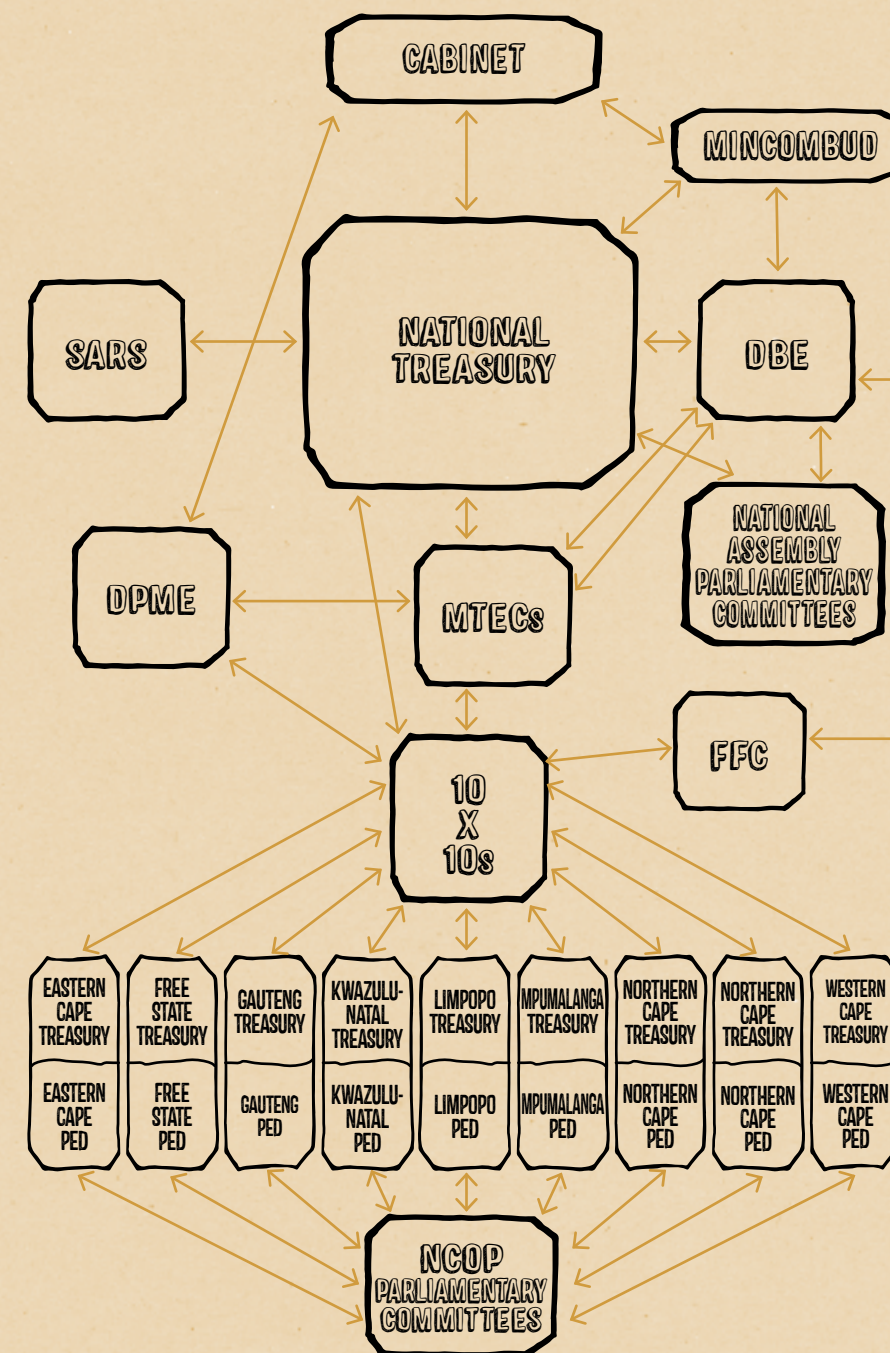
the activities and budgets of national departments and hold them accountable. Committees also debate and provide input into the development of bills; and can receive petitions from members of the public, and often issue calls for comment by the public on proposed bills as well as issues relating to the budget. The committees therefore provide a platform for the public to put their views across directly to MPs. Three National Assembly committees are particularly important for the basic education budgeting process:

- **The Portfolio Committee on Basic Education** oversees the activities, spending and budgeting of the DBE, and produces reports on the basic education budget for which the public can provide written or verbal input
- **The Standing Committee on Finance** oversees and holds NT accountable, and provides inputs into the budget process
- **The Standing Committee on Appropriations** primarily advises NT on the Appropriations Bill, including considering public comments.

Parliamentary Committees in the National Council of Provinces (NCOP) play a similar role to the National Assembly committees, but at the provincial level. They are made up of provincial MPs and also hear public petitions and comments on the budget and proposed bills. The committees involved in the basic education budget process are the NCOP Education and Recreation, NCOP Finance and NCOP Appropriations.

Members of the public and civil society organisations can participate in various stages of the budget process, including by making petitions or submissions to many of the bodies listed above (see Figure 2.1, and next page).

Figure 2.1: Diagram of the budget process and main stakeholders







### ENGAGING WITH THE BUDGET PROCESS

There are numerous opportunities for members of the public – either as individuals, or collectively through a non-governmental organisation or community organisation – to engage and provide input into the budget process. Figure 2.1 on the previous page and Figure 2.2 on the next page should assist those interested to find the stakeholders and documents they need to analyse and engage with the basic education budget process.

### THERE ARE MANY WAYS TO ENGAGE WITH THE BASIC EDUCATION BUDGET PROCESS, INCLUDING THE FOLLOWING:

- Make written or oral submissions or petitions in any of the official languages of South Africa to the parliamentary committees of the National Assembly and National Council of Provinces

- Request MPs to ask questions on your behalf in the parliamentary committees and in the weekly sessions to the executive
- Participate in public hearings on the budget organised by national and provincial treasuries
- Make a contribution to the 'Alternative Budget Speech', which is developed by civil society organisations in the months prior to the official budget speech
- Lobby the DBE and/or PEDs on their budget submissions, as well as on their performance and the spending of their budgets
- Submit 'Budget Tips' to the Minister of Finance by visiting [www.treasury.gov.za](http://www.treasury.gov.za)
- Visit [www.vote4thebudget.org](http://www.vote4thebudget.org) before the Budget Speech to vote for what you would like to see in the budget, and after the budget speech to vote for what you liked and didn't like about the budget, and submit comments directly to the Appropriations Committee in parliament

- At the school level, join the school governing body (SGB) to participate in the budgeting and spending of funds allocated for the school.

The chart on the next page shows that while the budget process is complicated, involves many different stakeholders, and goes on throughout the year, there are some key opportunities for the public to provide input into the basic education budget.

Information about issues in basic education funding can also be brought to the Financial and Fiscal Commission. By doing so, members of the public can highlight corruption and misspent funds, or schools that were not built despite funds being allocated for this in the budget.

Whatever the reason for providing input into the budget process, government must listen; by using these opportunities, members of the public can help the government decide what is working and what isn't working in basic education, and therefore what its budget priorities should be.

Figure 2.2: Timeline of the basic education budget process and where the public can provide input



Once the provincial treasuries and education departments, and National Treasury and the DBE and other stakeholders involved in the budget process – including the public – have deliberated and finally decided how much money will be required and allocated for basic education, and what it will be spent on, the Finance Minister will have a figure for the total basic education budget.

Once all the other national, provincial and local government departments have done the same, a final budget for the whole of government can be prepared by the Finance Minister to present to parliament. The remainder of this section will look at the key divisions of this revenue that are established by the budget process and formalised in the Division of Revenue Act and the Appropriation Act.

### RAISING REVENUE (INCOME) FOR THE GOVERNMENT

Government revenue is collected mainly by the South African Revenue Service (SARS), and is kept in the National Revenue Fund (the government's bank account). Government revenue consists of:

- Taxes: including personal and corporate income tax, dividends tax, and value-added tax (VAT)
- Duties: including transfer duties and customs and excise duties
- Levies: including the skills development levy, fuel levy and electricity levy
- Mineral royalties.

The amount of revenue (or income) the government collects is affected by many things, including economic activity and

growth (measured in Gross Domestic Product, or GDP), the amount of trade South Africa has with other countries, and the amount of investment in the economy. When GDP is growing and trade is good, more revenue should be collected and available for the government to spend on anything from providing health care to basic education.

When economic performance is not so good, the government will collect less revenue, due to the decrease in economic activity. This may result in government's spending plans being higher than the revenue it expects to receive. This is known as a budget deficit.

When there is a high budget deficit, the government will have to make difficult choices about its revenue raising and spending plans. It may decide to reduce its spending by making cuts to services, or to move funds around by cutting some areas of spending and adding to other areas.

Government could also raise taxes, to try to collect more revenue and therefore avoid cuts. Or it could try to borrow money from banks and other financial institutions, both in and outside South Africa. It could also try to 'stimulate' the economy by lowering interest rates (to increase borrowing and spending by consumers) or by printing money (to stimulate spending).

In reality, government will usually respond to a decrease in revenue by trying more than one of these options. In all cases, government must do everything it can to maintain and progressively increase social spending in areas such as basic education, in order to fulfil its constitutional obligations.

### THE EQUITABLE DIVISION OF REVENUE BETWEEN THE THREE SPHERES OF GOVERNMENT

Section 40(1) of the Constitution establishes that 'government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated'.

The principle of co-operative government is established in Section 41 of the Constitution, and requires that the three spheres work together to provide effective government for the people.

The Constitution also sets out the distinctive features and functions of each sphere of government. This includes functional areas in which a single sphere is responsible (for example, only the National Assembly can amend the Constitution, and only under special circumstances, while only provincial governments can issue liquor licences).

While some functional areas are limited to one sphere of government, many overlap with other spheres.

When both national and provincial governments are responsible for a functional area, this is known as a concurrent function. Basic education is a good example of a concurrent function, because it is managed, overseen and implemented at both the national and provincial levels (or spheres) of government.

The budgeting process for basic education therefore involves both national stakeholders such as the DBE and National Treasury, and provincial stakeholders such as PEDs and Provincial Treasuries.

This is important to note, because the first major division of the government's

revenue is between the three spheres of government: national, provincial and local. This is known as the **vertical division of revenue**. Each year, the Minister of Finance presents a Division of Revenue Bill in the budget speech, which once passed by parliament becomes the **Division of Revenue Act**. This Act gives effect to the division of revenue among the three spheres, as per Section 214(1) of the Constitution.

Section 241(2) of the Constitution requires further that the Division of Revenue Act (DORA) can only be enacted after provincial governments, organised local government via the South

African Local Government Association (SALGA) and the Financial and Fiscal Commission have been consulted and their recommendations considered.

The amount of money that is divided between and distributed directly (as a 'direct charge' against the national revenue fund) to the three spheres of government is known as each sphere's equitable share.

In 2016/17, the national department's equitable share was R855 billion (65% of the total), while the provincial equitable share was R411 billion (31% of the total), and the local government equitable share was R53 billion (4% of the total). However, while these equitable shares are

transferred directly to the three spheres, a large portion of the national department's share includes South Africa's debt service costs and conditional grants that are paid to provinces and municipalities.

When presenting the vertical division of revenue, it is therefore useful to separate the amount of revenue that is actually reserved for the payment of the national debt and conditional grants, as this cannot be spent on anything else by the national departments. When these transfers are accounted for, one can see what national, provincial and local governments are actually able to spend on providing goods and services such as basic education.

**Table 2.2: Vertical division of revenue raised nationally among the three spheres of government (including equitable share allocations, conditional grants, general fuel levy sharing with metros and debt service costs), 2012/13 – 2016/17**

R BILLION / % OF TOTAL	2012/13	2013/14	2014/15	2015/16	2016/17
<b>National departments</b>	<b>420</b>	<b>453</b>	<b>490</b>	<b>547</b>	<b>560</b>
Percentage share	43.5%	43.3%	43.3%	43.8%	42.5%
<b>Provinces</b>	<b>381</b>	<b>411</b>	<b>440</b>	<b>472</b>	<b>500</b>
Percentage share	39.5%	39.2%	38.8%	37.8%	37.9%
of which Equitable share	311	336	360	387	411
Conditional grants	70	74	80	85	89
<b>Local government</b>	<b>76</b>	<b>83</b>	<b>88</b>	<b>100</b>	<b>105</b>
Percentage share	7.9%	7.9%	7.7%	8.0%	8.0%
of which Equitable share	37	39	42	51	53
Conditional grants	30	34	36	38	41
General fuel-levy sharing with metros	9	10	10	11	11
<b>Debt service costs</b>	<b>88</b>	<b>101</b>	<b>115</b>	<b>129</b>	<b>148</b>
Percentage share	9.1%	9.7%	10.1%	10.4%	11.2%
<b>Total government expenditure</b>	<b>965</b>	<b>1048</b>	<b>1132</b>	<b>1247</b>	<b>1318</b>



Table 1 shows how much of the total government budget is spent by national departments, provincial government, local government and on debt-service costs. This table shows that in recent years, rising debt-service costs have had a negative impact on the percentage of the budget allocated to the national and provincial spheres in particular.

While debt costs constituted 9.1% of the total budget in 2012/13, by 2016/17 this had increased to 11.2%. Meanwhile, the share going to national departments dropped from 43.5% to 42.5%, and the share going to the provinces dropped from 39.5% to 37.9% during the same period. The share going to local government has been relatively stable.

As basic education is a concurrent function between the national DBE and PEDs, funding for basic education is provided from both the provincial equitable share (around 90% of the total basic education budget) and the national equitable share (the remaining 10%). Any decrease in the national and provincial equitable shares as a percentage of total government expenditure is therefore likely to put pressure on basic education funding.

## 1. THE NATIONAL EQUITABLE SHARE, INCLUDING CONDITIONAL GRANTS

The national share pays for all the functions and activities of national departments and debt-service costs, as well as conditional grants, which are transferred to the provinces. Conditional grants are funds that National Treasury allocates to the national departments to pay for specific programmes and activities that will be implemented by the provinces and local government.

## 2. THE PROVINCIAL EQUITABLE SHARE

The provincial equitable share is the main source of revenue for provinces, and must cover all of the functions and activities of provincial governments. Over 90% of education spending by the provinces is based on equitable share funding. In addition to the equitable share, provinces receive conditional grants from national departments which allow them to undertake further activities, as determined by National Treasury, in conjunction with relevant national departments. However, provinces decide how they will spend their equitable share allocation. This explains why conditional grants are used by national government: it gives it more control and oversight over certain functions carried out by the provinces, as these funds are provided conditionally on their undertaking of specific programmes and activities.

### THE DETERMINATION OF EACH PROVINCE'S EQUITABLE SHARE OF THE PROVINCIAL SPHERE'S SHARE OF REVENUE

The provincial equitable share is further divided 'horizontally' between the nine provinces. This is known as the horizontal division of revenue. The determination of each province's share of the provincial sphere's share of revenue follows a formula called the equitable share formula. This formula is designed to divide these funds equitably between the provinces, based on criteria established by Section 214(2) of the Constitution:

- (b) the need to ensure that the provinces are able to provide basic services and perform the functions allocated to them;
- (f) developmental and other needs of the provinces;
- (g) economic disparities within and among the provinces.

The equitable-share formula devised by National Treasury consists of six separate components, which aim to divide revenue among the provinces equitably based on the above criteria.

- *Education component* (weighted: 48%), based equally on the size of the school-age population in each province, and the number of learners enrolled in public ordinary schools
- *Health component* (weighted 27%) based on province's risk profile and health-system case load
- *Basic component* (weighted 16%) derived from each province's share of the national population
- *Institutional component* (weighted 5%) divided equally between the provinces
- *Poverty component* (weighted 3%) distributed progressively, based on the number of people living in each province who fall in the lowest 40% of household incomes
- *Economic output component* (weighted 1%) distributed regressively, based on regional GDP.

At 48%, the education component therefore determines 48% of each province's share. This means that in 2016/17, 48% of the R411 billion allocated to the provinces – R197 billion – was divided among the provinces based on the number of learners in each province.

### EDUCATION FUNDING UNDER THE EQUITABLE SHARE FORMULA: NOT SO EQUITABLE

However, the equitable share formula does not necessarily result in an equitable share of revenue among the provinces. Table 2 shows how the provincial equitable share was divided among the provinces in 2016/17.

Table 2.3: Actual equitable share allocations and amounts allocated to education (PEDs) in 2016/17

2016/17 PROVINCE AND (POVERTY RANKING)	TOTAL EQUITABLE SHARE ALLOCATION (R MILLION)	OF WHICH, ALLOCATED TO EDUCATION	% OF EQUITABLE SHARE ALLOCATED TO EDUCATION	SHARE OF LEARNERS IN SA	SHARE OF TOTAL PROVINCIAL EDUCATION EXPENDITURE	LEARNERS AS A % OF PROVINCE'S TOTAL POPULATION	EQUITABLE SHARE ALLOCATION TO EDUCATION PER LEARNER	2015 MATRIC PASS RATE RANKING
Limpopo (1)	48 709	24 635	50.6% (1)	13.7%	12.7%	28.2% (2)	R14 058 (9)	7
Eastern Cape (2)	58 060	28 207	48.6% (2)	15.2%	14.6%	24.3% (5)	R14 473 (8)	9
North West (3)	28 062	12 824	45.7% (7)	6.4%	6.6%	17.0% (9)	R15 771 (4)	4
Mpumalanga (4)	33 450	16 234	48.5% (3)	8.4%	8.4%	26.3% (3)	R15 068 (6)	5
KwaZulu-Natal (5)	87 898	41 905	47.7% (4)	22.5%	21.6%	30.6% (1)	R14 575 (7)	8
Free State (6)	22 995	10 693	46.5% (5)	5.3%	5.5%	25.1% (4)	R15 695 (5)	3
Northern Cape (7)	10 863	4 769	43.9% (8)	2.3%	2.5%	24.2% (6)	R16 488 (1)	6
Gauteng (8)	79 600	36 857	46.3% (6)	17.6%	19.0%	21.9% (7)	R16 400 (2)	2
Western Cape (9)	41 062	17 455	42.5% (9)	8.6%	9.0%	17.7% (8)	R15 944 (3)	1
<b>Total / average</b>	<b>410 699</b>	<b>193 580</b>	<b>47.1%</b>	<b>100%</b>	<b>100%</b>	<b>23.3%</b>	<b>R15 148</b>	<b>-</b>

Note that:

- The two poorest provinces – Limpopo and Eastern Cape – have the lowest education allocations per learner (R14 058 and R14 473)
- Together with KwaZulu-Natal, these provinces share of total provincial education expenditure is less than their share of SA's learners
- Conversely, Gauteng and Western Cape have a higher share of total provincial education expenditure than their share

of SA's learners, and among the highest education allocations per learner.

How is this possible?

### 1. GETTING THE NUMBERS RIGHT

Determining the formula is a complex exercise and there are a range of issues that need to be considered. First, the education portion of the equitable share is based on the average between the cohort of 5-17 year olds and the number

of enrolled learners in each province. However, while school enrolment numbers are updated each year, the age cohort of 5-17 year olds has not been updated since the 2011 census, and is therefore out of date. Including these out of date age cohort numbers results in skewed effects. For example, the formula underestimates the number of learners in most provinces (especially EC, LP and KZN) and overestimates the number of learners in the Western Cape.



**2. THE FORMULA NEEDS TO TAKE INTO ACCOUNT THE UNEQUAL COST OF PROVIDING EDUCATION IN RURAL AND URBAN SETTINGS, THE PROPORTION OF SCHOOLS IN EACH PROVINCE THAT ARE CLASSIFIED AS POOR (QUINTILES 1 TO 3), AND THE RELATIVE BURDEN OF POVERTY AND UNEQUAL DEVELOPMENT IN EACH PROVINCE.**

The current equitable share formula has thus resulted in the poorest provinces spending more of their provincial equitable shares on education than richer provinces, but still ending up spending less per learner. This is problematic for two further reasons.

**QUALITY EDUCATION IS MORE EXPENSIVE TO PROVIDE IN RURAL COMPARED TO URBAN SETTINGS**

As well as being provinces with high percentages of people living in poverty, Limpopo, Eastern Cape and KwaZulu-Natal are also among the most rural. It is more expensive to provide quality education in rural areas than it is in urban areas. This is for several reasons, including:

- Urban areas benefit from ‘economies of scale’, which means that a wider

variety of goods and services are produced and made available, and are therefore easier to find and cheaper to procure. It is therefore generally cheaper to build and maintain schools and procure the goods and services necessary for providing education in urban areas (such as water and sanitation, books and textbooks, furniture, IT equipment, and internet access, among others)

- There are also cost benefits to the higher population density and smaller geographical space of urban areas, because the closer that learners, teachers and schools are to each other, the less expensive it is to get them together for the purposes of schooling. For example, funding scholar transport in rural areas is an ongoing problem that is not accounted for in the equitable share formula.

For a variety of reasons (which will be looked at in the next section), there are also more teachers trained in the urban parts of the country, and these parts therefore tend to have more qualified teachers. These teachers are more likely to want to teach in the urban areas where they were trained, which

means that schools in urban areas have a higher range of qualified teachers to choose from than rural areas.

One way of getting teachers to teach in more rural areas would be to provide them with a financial incentive to do so, but no extra funding for this is included in the equitable share formula.

**THE IMPERATIVE OF REDRESS REQUIRES MORE FUNDING FOR POORER PROVINCES AND SCHOOLS THAN RICHER ONES**

The formula also does not take into account the unequal starting points of historically disadvantaged and under-funded schools.

More rural provinces such as the Eastern Cape have a higher number of schools that were under-resourced during apartheid, and therefore require more funds now for building new or renovating inadequate schools. Improving school infrastructure, such as providing libraries or sports facilities to the many schools that currently lack these, is expensive; but the equitable share formula does not account for this.

Although conditional grants have been allocated in recent years to tackle

backlogs in school infrastructure, these make up a very small portion of provincial spending compared to the equitable share, and have experienced a number of implementation problems (see chapter 12 of this book).

**3. TOWARDS A MORE EQUITABLE SHARE FORMULA FOR EDUCATION**

In order for education to be transformed, South Africa needs a more progressive funding model that provides relatively more funding to poorer and more rural provinces.

Under such a model, poorer and more rural provinces, and provinces with historical backlogs in relation to trained teachers and school infrastructure, would have more education funds available per learner than richer and more urban provinces. Under the present formula, the opposite is the case.

At only 3% of the total, the weighting given to the poverty component in the equitable-share formula is insufficient to reduce the inequality that exists due to the demographic, economic and geographical differences between the provinces. In 2016/17, 3% of the provincial equitable share amounted to about

R12 billion; a relatively small amount, which – even if distributed progressively (i.e. a higher share to the poorer provinces) – would not have a significant impact on poverty and inequality within or between the provinces.

The National Norms and Standards for School Funding (NNSSF), discussed in the next section of this chapter, do take into account some of the above factors, and are therefore a more redistributive funding mechanism than the equitable share formula. The same is largely true of conditional grants made to provinces.

However, the NNSSF and conditional grants affect only 10 to 20% of total education funding (the remaining 80-90% is equitable share and personnel funding, which is also not significantly progressive or redistributive), which means that however redistributive the NNSSF are, they cannot fundamentally reduce disparities between poorer and richer schools.

Also, by the time each school’s funding allocation based on the NNSSF is calculated, the total provincial equitable share has already been determined based on a formula that doesn’t take the need for redistribution and the achievement of equity and equality between schools and provinces that much into account.



So, even if a province really wanted to equalise schooling inputs and outcomes – for example, by making significant extra investments into poorer public schools – its ability to do so is limited by the fact that its main budget is based on an equitable-share formula that hasn’t taken this consideration significantly into account.

There are at least two things the government can do to achieve a more equitable share formula for education:

1. National Treasury and the Department of Basic Education should analyse the cost differences of providing education in rural and urban settings, and adjust the formula accordingly.
2. Treasury should increase the weighting given to the poverty component of the formula, so that provinces with a higher share of their population living in poverty receive relatively more funds. This is necessary to reduce inequality within and between the provinces, as the Constitution requires..

Until these issues with the formula are addressed, the current high levels of inequality between wealthier provinces, schools and learners and those that are less well-resourced will be difficult to overcome.



# THE BASIC EDUCATION BUDGET

Having seen how the budget process works and how the government's budget is divided between the three spheres, this section will describe the make-up of the basic education budget itself.

## A. THE TOTAL BASIC EDUCATION BUDGET

Since 1994, the government has reorganised the budget so that more people benefit from government spending than was the case in the past. This is true of basic education as well as for health care and other social

spending. For example, spending on defence (the military) and state security has been reduced from 10.5% of total government spending in 1994/95 to 3.3% of total government spending in 2016/17. At the same time, funding for basic education has increased substantially, and access to basic

education has been expanded to the vast majority of people in the country. The total government budget for all of its expenditures was R1.46 trillion in 2016/17. Figure 2.2 shows how the budget was divided between the government's main expenditure items between 2012/13 and 2017/18.

Figure 2.3: Government expenditure on basic education and other main expenditures, 2012/13 – 2017/18.

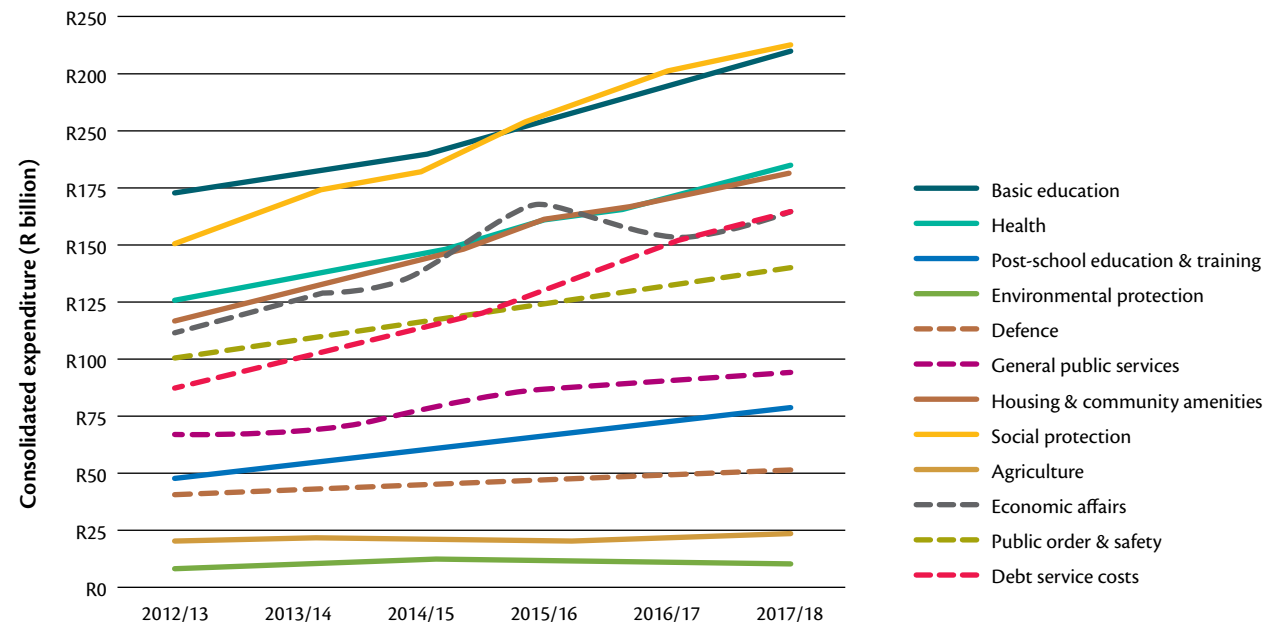


Figure 2.3 shows that the government spent more money on basic education and social protection (which includes social grants) than other expenditure areas between 2012/13 and 2017/18. This indicates that government is giving priority to basic education

at the national level, which reflects the importance attached to the right to basic education in the Constitution, as discussed above. One thing to note on this graph is that government classifies basic education spending differently to

spending on post-school education and training. The latter includes spending on higher and further education, whereas basic education includes only spending on primary and secondary school (and some pre-primary spending, on early childhood development).

Figure 2.4: Basic education and other main expenditures as a percentage of total government expenditure, 2012/13 – 2017/18.

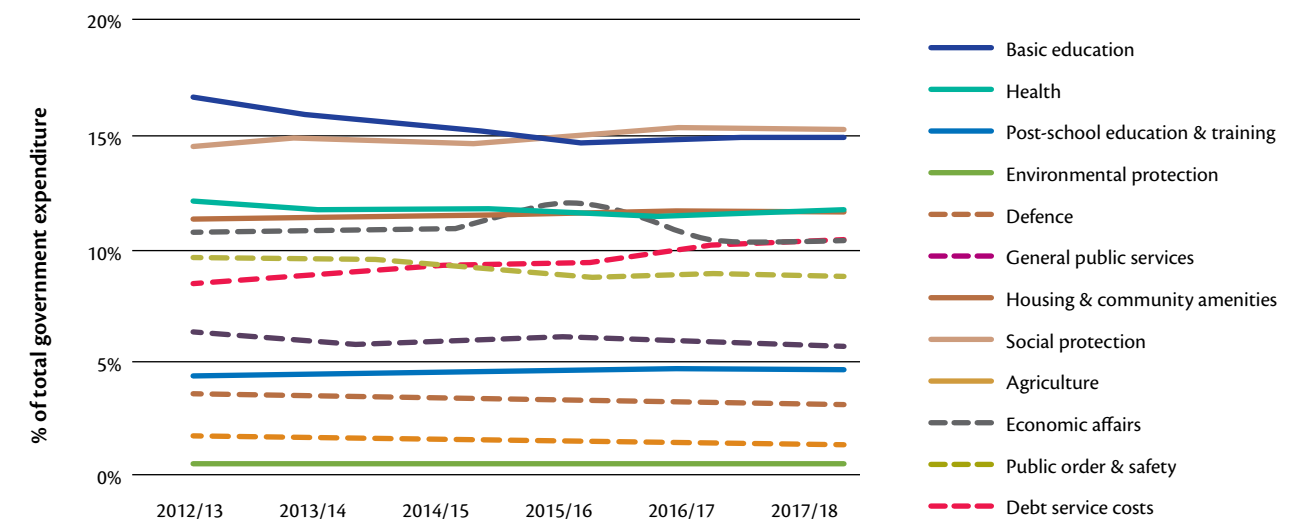


Figure 3 shows that the share of total government expenditure going to basic education has

declined by about 1.5 percentage points since 2012/13, while the share of the budget going

to social protection, housing and debt-service costs, in particular, has increased.



Figure 2.5: Annual increase to the basic education budget, compared with CPI inflation and other expenditures, 2013/14 – 2017/18

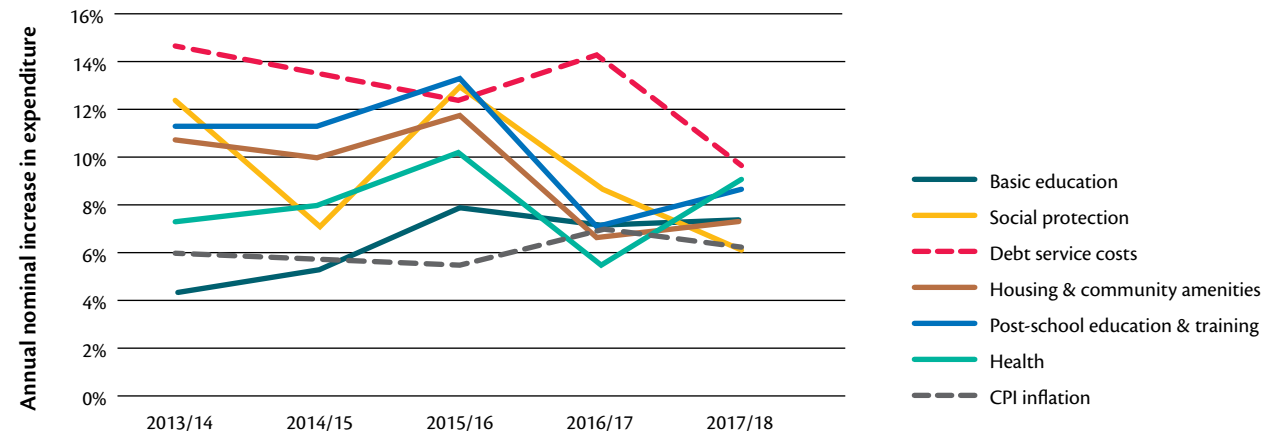


Figure 4 above shows that in recent years, annual increases to the basic education budget have been lower than annual increases on other expenditures, including debt-service costs, social

protection, health and housing. The basic education allocation has only just kept up with CPI inflation during this period, meaning that it hasn't grown much in real terms, and in 2016/17 and 2017/18

is projected to be almost stagnant.

Table 2.3 below shows the actual amounts in the budget allocated to basic education and other main expenditures for the 2016/17 financial year.

Table 2.4: Consolidated spending on basic education and other main expenditures, 2016/17.

2016/17 Government expenditures	R billion	% of total
Social protection	224.2	15.3%
Basic education	218.8	15.0%
Housing and community amenities*	169.3	11.6%
Health	167.5	11.5%
Economic affairs**	152.4	10.4%
Debt service costs	147.7	10.2%
Public order and safety	129.5	8.8%
General public services	86.4	5.9%
Post-school education and training	68.7	4.8%
Defence	47.7	3.3%
Agriculture	19.8	1.4%
Arts, sports, recreation and culture	11.4	0.8%
Environmental protection	7.9	0.5%
Contingency reserve	6.0	0.4%
<b>Total government expenditure</b>	<b>1 463.3</b>	<b>100.0%</b>

\*'housing and community amenities' includes water and sanitation and other basic services, as well as rural development and land reform.

\*\* 'economic affairs' includes investments in economic infrastructure.

### BREAKDOWN OF THE TOTAL BASIC EDUCATION BUDGET: NATIONAL EXPENDITURE, CONDITIONAL GRANTS AND PROVINCIAL EQUITABLE-SHARE EXPENDITURE

The total basic education budget is divided between the national DBE and the nine provincial education departments (PEDs). However, of the total funds that are allocated to the DBE, around 70% are subsequently transferred to PEDs in the form of conditional grants. This means that the total provincial budget for basic education is made up of two funding streams: conditional grants from the DBE, and an amount allocated from the provinces' equitable-share allocation. The latter is the provinces' main budget for basic education: conditional grants supplement this budget.

While there are many ways to break

down the total basic education budget, one way is to divide the budget between national DBE expenditure, conditional grants and provincial equitable share expenditure on basic education. These main funding streams cover the following functions and expenditures:

**National DBE expenditure** includes administration costs, curriculum policy, support and monitoring, teacher education and institutional development, planning, assessment and educational enrichment services.

The following conditional grants are funded by the DBE:

- Dinedledi Schools Grant
- Technical Secondary School Recapitalisation Grant
- Occupation-Specific Dispensation for Education-Sector Therapists Grant

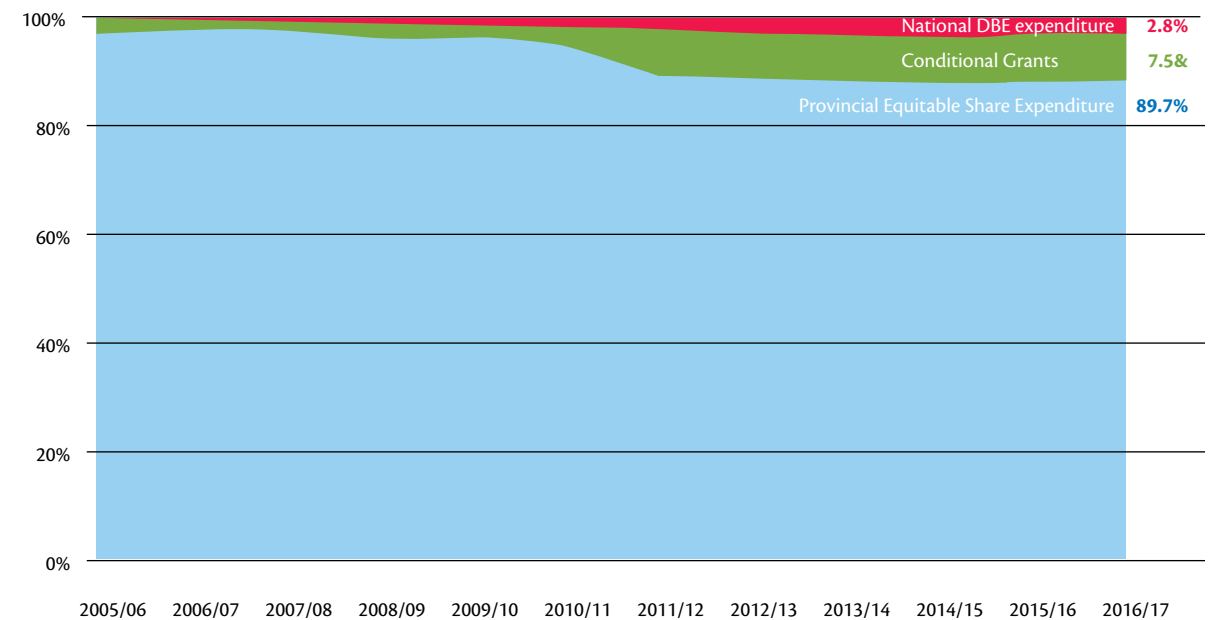
- Education Infrastructure Grant
- HIV and AIDS Life Skills Programme Grant
- National School Nutrition Programme Grant.

### Provincial equitable share expenditure by PEDs.

Provinces decide how much of their provincial equitable share to allocate to basic education, which as Table 2.2 showed, is between 42% to 51%. This includes expenditure on personnel costs (compensation of employees and teachers) and non-personnel costs, such as books and school facilities.

Dividing the total basic education budget between national DBE expenditure, conditional grants and provincial equitable-share expenditure helps us to have an overall picture of the basic education budget.

Figure 2.6: The total basic education budget divided by national DBE expenditure, conditional grants, and provincial equitable share expenditure, 2005/06 – 2016/17





As Figure 2.5 illustrates, the bulk of basic education spending is done by the provinces. When you add provincial equitable-share expenditure on basic education to the conditional grants received by PEDs, provincial expenditure makes up around 97% of all expenditure on basic education.

However, Figure 5 also demonstrates a trend towards a higher share of total spending by the national DBE, combined with a rise in the use of conditional grants. This highlights the evolving structure of basic education funding in South Africa, which has moved gradually away from a model in which in 2005/06, PEDs had discretion over almost 98% of total basic education spending, to the 2016/17 model, in which PEDs control less than 90% of the total basic education budget (with the remainder controlled by the DBE through conditional grants and its own expenditures).

## B. THE ROLE OF THE NATIONAL DEPARTMENT OF BASIC EDUCATION IN PROVIDING AND OVERSEEING BASIC EDUCATION FUNDING, INCLUDING CONDITIONAL GRANTS

The Department of Basic Education (DBE) emerged in 2009 when the former Department of Education was split into two departments: the DBE, and the Department of Higher Education and Training (DHET).

The DBE is now responsible for governing South Africa's primary and secondary school system, which includes 13 years of formal schooling from Grade R to Grade 12, while the DHET is responsible

for post-school education and training.

The government and the DBE have developed an extensive legislative, policy and regulatory framework to give effect to the state's constitutional obligations to ensure the right of learners to access quality basic education. The DBE, based in Pretoria, is responsible for overseeing the implementation of national education laws and policies.

Implementation itself (i.e. the provision of education and management of schools), however, takes place at provincial and school level, and is the responsibility of the nine provincial education departments (PEDs) in conjunction with school governing bodies (SGBs). The DBE's oversight and governance role should not be understated, however, since the DBE develops and monitors the implementation of the laws, policies, regulations and financial frameworks to which provinces must adhere.

The most important laws and regulations governing basic education funding include:

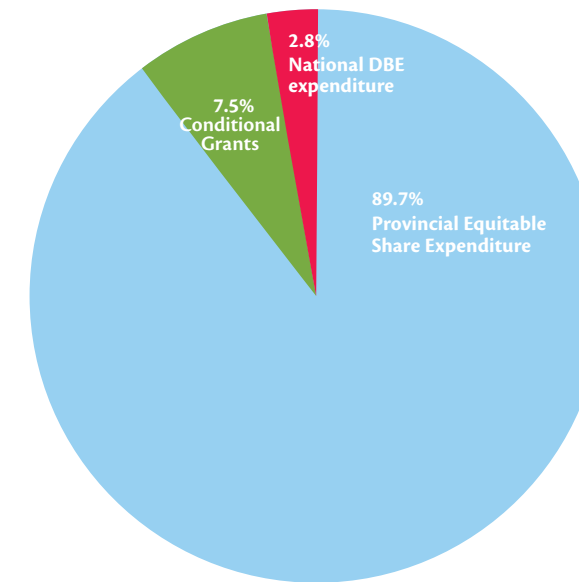
- **National Education Policy Act (Act No. 27 of 1996)** – empowers the Minister of Basic Education to determine the national policy for the planning, provision, financing, staffing, coordination, management, governance, monitoring, evaluation and well-being of the basic education system. This Act provides a framework within which the Minister of Basic Education works with the provinces to determine national norms and standards for the education system, including in relation to funding, which the PEDs are then responsible for implementing
- **South African Schools Act (Act No.**

- 84 of 1996)** – provides for a uniform system, overseen by the DBE, for the organisation, governance and funding of schools. The Schools Act, among other things, establishes SGBs and determines their role in school funding, as well as the principles governing policies around school fees
- **National Norms and Standards for School Funding (NNSFF, as amended in 2006)** – adopted in terms of Section 39(7) of the Schools Act, the NNSFF deals with the procedures to be adopted by PEDs in determining resource allocations to their schools
- **Employment of Educators Act (Act No. 76 of 1998)** – regulates the employment of educators by the state
- **Education Laws Amendment Act (Act No. 24 of 2005)** – this Act amended the Schools Act to authorise the Minister of Basic Education to declare schools in poorer areas to be 'no-fee schools'.

It is important to note that these laws and regulations are developed and overseen by the DBE, but largely implemented by the provinces. This means that when it comes to advocating for changes to overall school funding policies or for new policies, citizens should focus their advocacy efforts on the DBE, and the Portfolio Committee on Basic Education, which holds the DBE accountable and assists in the development of new or amended law and policy. An overview of the law and case law that has an impact on education provisioning is set out in Chapter 12 of this handbook.

Figure 2.6 shows the make-up of the total basic education budget in 2016/17.

Figure 2.7: The total basic education budget divided by national DBE expenditure, conditional grants and provincial equitable-share expenditure, 2016/17



National DBE expenditure is divided between five programmes. Conditional grants are allocated by National Treasury to the DBE, and then transferred to the

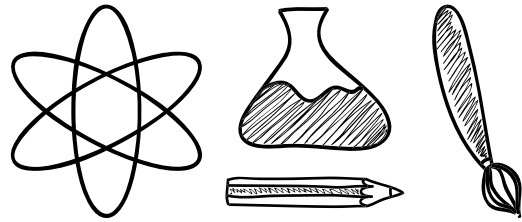
provinces under these programmes. This system ensures that the provinces use these funds on specific programmes and activities, which gives the DBE more control and

oversight over how these funds are spent. With the exception of Administration, conditional grants are funded under these programmes as set out in table 2.4.

Table 2.5: DBE programmes under which conditional grants are funded

DBE PROGRAMME	CONDITIONAL GRANT TRANSFERRED TO PROVINCES
1. Administration	• No conditional grants
2. Curriculum Policy, Support and Monitoring	• Dinaledi Schools Grant • Technical Secondary School Recapitalisation Grant
3. Teacher Education, Human Resource and Institutional Development	• Occupation-Specific Dispensation for Education-Sector Therapists Grant
4. Planning Information and Assessment	• Education Infrastructure Grant
5. Educational Enrichment Services	• National School Nutrition Programme Grant • HIV and AIDS Life Skills Programme Grant





### PROGRAMME 1: ADMINISTRATION

Programme 1 funds the management and administration of the DBE and Ministry of Basic Education, with the objects of improving the capacity of the DBE to deliver on its mandate of developing and overseeing a quality basic education system, and strengthening partnerships with stakeholders to ensure that education is a national priority. Officials under this programme are also responsible for the development of national education policies.

This programme also funds the DBE's research and reports, including the department's Annual Report, which details the spending and performance of the department each year, and on which most of the information in this section is based.

Finally, a grant-management unit is situated under this programme. It provides inputs into the draft conditional grant frameworks and MTEF allocations that are sent to National Treasury, as well as facilitating interaction between the DBE and PEDs on the grants, and conducting annual monitoring and evaluation of all the conditional grants administered by the DBE.

### PROGRAMME 2: CURRICULUM POLICY, SUPPORT AND MONITORING

The purpose of Programme 2 is to develop curriculum and assessment

policies and monitor and support their implementation, as well as the following objectives:

- Improve teacher capacity and practices
- Increase access to high-quality learning materials
- Strengthen partnerships with all stakeholders, resulting in education becoming a national priority
- Universalise access to Grade R.

In other words, this programme is responsible for developing and overseeing the Curriculum Assessment Policy Statements (CAPS), the development, procurement and delivery of Learning and Teaching Support Materials (workbooks, textbook and libraries – LTSM), Early Childhood Development, Adult Literacy, Special Needs Education, e-Learning, and Mathematics, Science and Technology programmes.

This programme funds two conditional grants to the provinces:

#### Dinaledi Schools Conditional Grant

The aim of the Dinaledi Schools Conditional Grant is to increase participation in and improve the performance of learners taking Mathematics, Physical Science and Life Science subjects. Of the R111 million allocated to this grant in 2014/15, R96 million was spent. The R15 million of under-expenditure was mainly by Limpopo PED.

#### Technical Secondary School Recapitalisation Grant

This grant aims to improve the conditions of technical schools to meet the requirements of learners, and to increase the number of qualified and skilled graduates from these schools. Of the R233 million allocated to this grant in 2014/15, R220 million was spent by the provinces. The R13 million of under-expenditure was put down to slow procurement, service delivery and payment processes by Limpopo, Mpumalanga and Eastern Cape PEDs.

Following a review by the DBE in 2015, it was decided that these grants would be merged into a new Maths, Science and Technology (MST) Grant from 2015/16 onwards. The MST Conditional Grant aims to promote mathematics, physical science and technology teaching and learning, and also to improve teacher content knowledge and learner numbers in these subjects.

### PROGRAMME 3: TEACHERS, EDUCATION HUMAN RESOURCES AND INSTITUTIONAL DEVELOPMENT

The purpose of Programme 3 is to promote quality teaching and institutional performance through the effective supply, development and utilisation of human resources. This includes:

- Improving teacher capacity and practices
- Strengthening school management and promoting functional schools (management tools)
- Strengthening the capacity of district offices.

This programme is therefore responsible for the policy areas of teacher supply and utilisation, teacher qualifications and development, teacher accountability, school management and governance, and district development. Programme 3 therefore works closely with PEDs as well as education unions. This programme funds one conditional grant:

#### Occupation-Specific Dispensation for Education-Sector Therapists Grant

This grant was established to augment the baseline compensation budget of the PEDs in order to enable them to reach parity in remuneration in compliance with Collective Agreement 1 of the Education Labour Relations Council.

### PROGRAMME 4: PLANNING, INFORMATION AND ASSESSMENT

The DBE's Programme 4 exists to promote quality service delivery in the basic education system through effective planning, information and assessment. This includes:

- Improving school infrastructure (including furniture, water and sanitation services, and overseeing the implementation of national norms and standards for school infrastructure)
- Ensuring adequate learner transport is provided by the PEDs and departments of transport
- Developing and overseeing a 'world-class' system of standardised national assessments (including the NSC, ANA, TIMSS and SACMEQ)
- Promoting sound financial planning, which ensures that all schools are funded at least at the minimum per-learner levels determined nationally, and that funds are utilised transparently and effectively
- Developing and maintaining the Education Management Information System (EMIS), National Education Infrastructure Management System (NEIMS); South African School Administration and Management System (SA-SAMS), and the Learner Unit Record Information and Tracking System (LURITS)
- supporting under-performing districts and managing the DBE call centre, which provides information about education services and programmes (such as certificates and NSC results), as well as allowing anyone to report problems in the education system directly to the DBE on a toll-free line (0800 202 933).

Programme 4 also funds the National Education Collaborative Trust (NECT) and National Education Evaluation and Development Unit (NEEDU), and handles conditional grants to provinces to improve school infrastructure.

#### Education Infrastructure Conditional Grant

The provision and maintenance of adequate education infrastructure is an essential component of the right to basic education. According to NEIMS, as of 2015:

- 913 schools lack electricity, while a further 2 854 have unreliable electricity
- 452 schools have no water supply, while 4 773 have an unreliable water supply
- 128 schools have no toilet facilities, while 10 419 schools have only pit or bucket latrines

The Education Infrastructure Grant was established in 2011 to help to accelerate the construction, maintenance and upgrading of existing and new education infrastructure. It has received between R5 billion and R9 billion in allocations per year since 2011/12, which are disbursed to all nine provinces. PEDs are required to spend the funds in a way that maximises education infrastructure improvements in their province.

PEDs have had a very mixed record in spending and delivering on this grant since it was introduced.





In 2014/15, Eastern Cape PED under-spent on this grant by R181-million, while Free State and North West PEDs under-spent by a combined R141 million. Other provinces spent all of their grant, which is a significant improvement – particularly for Limpopo PED, which in previous years had under-spent as much as 20% of its allocation under this grant, and Western Cape PED, which had under-spent by as much as 15% of its allocation in previous years.

#### **School Infrastructure Backlogs (indirect) Conditional Grant**

The Accelerated School Infrastructure Delivery Initiative (ASIDI), established in 2011/12, was also designed to fast-track improvements to school infrastructure. It has been funded by an indirect conditional grant provided by National Treasury called the School Infrastructure Backlogs Grant. This is an indirect grant because it is not channelled through the provinces, but rather through the implementing agent, which is the Development Bank of South Africa.

This grant was meant to implement projects in provinces to replace inappropriate infrastructure and provide water, sanitation and electricity to schools, but has performed very badly since its inception.

Less than half of the grant was spent in its first three years of implementation, and the targets for its impact were therefore largely scaled back. Despite R7.8 billion of allocations to this grant between 2011/12

and 2014/15, only 106 schools had been improved or built and completed and handed over to the communities, while a further 381 schools had been provided with improved water and sanitation and 292 schools provided with electricity.

In 2015, National Treasury and the DBE agreed to merge the School Infrastructure Backlogs Grant into the Education Infrastructure Grant in order to address the poor performance of ASIDI. The legal developments in respect of school infrastructure are discussed in Chapter 13 of this handbook.

#### **PROGRAMME 5: EDUCATION ENRICHMENT SERVICES**

The purpose of Programme 5 is to develop policies and programmes to improve the quality of learning in schools. This includes promoting the overall well-being of learners by improving their physical and psychological health, which is crucial for learners to be able to study effectively. It is under this programme that the DBE funds the National School Nutrition Programme Conditional Grant and the HIV and AIDS Life-Skills Programme Conditional Grant.

#### **HIV and AIDS Life-Skills Programme Conditional Grant**

This grant exists to support South Africa's HIV/AIDS prevention strategy by increasing knowledge about sexual and reproductive health among learners and educators, and ensuring

an environment in schools that is free of discrimination, stigma and sexual harassment and abuse. Provinces have consistently spent well on the annual allocation to this grant of around R230 million, which has shown strong performance in achieving its main aims.

#### **National School Nutrition Programme Conditional Grant**

The National School Nutrition Programme aims to foster better education by enhancing children's active learning capacity and addressing barriers to learning associated with hunger and malnutrition, by providing nutritious meals to learners in all schools.

The programme also serves as a means for the state to fulfil its mandate to ensure that children and youth attending public schools are able to access sufficient food. The programme has an allocation of over R5 billion, and currently provides meals to around nine million learners each day.

Although occasional reports have emerged of corruption and delivery failures with contractors undermining performance on this grant, PEDs have consistently spent the funds allocated to them, and the programme has been able to expand and improve its impact over the years.

#### **PERSONNEL FUNDING**

DBE expenditure makes up only around 3% of total spending on education in

South Africa. The remaining 97% is spent by the PEDs, whose budget comes from a combination of equitable share allocations and conditional grants. To make sense of how PEDs spend this money, it is useful to show what is spent on personnel costs and what is spent on non-personnel costs.

Personnel costs include teacher and support-staff salaries, as well as the compensation of PED and Education District Office staff. Education is a labour-intensive activity, and personnel costs therefore make up a large part of the budgets of PEDs.

In 1997, the Department of Education implemented its teacher-rationalisation policy, which equalised teacher salaries that had previously been significantly unequal under the apartheid-era education budgets that favoured learners attending white schools.

Later that same year, national guidelines for the redeployment of teachers were abolished, and PEDs were empowered to determine the number of teachers to employ from their provincial education budgets. While this policy strove to ensure that all schools were provided with adequate numbers of teachers, learners continued to attend schools with overcrowded classrooms due to lack of sufficient classroom space for all teachers, inefficiencies in teacher post provisioning processes, and delays in the filling of vacant teacher posts.

The **Employment of Educators Act (Act No. 76 of 1998)** provided

for the employment of educators by the State, and continues to regulate the conditions of service, discipline, retirement and discharge of educators.

In 1998, regulations titled **Creation of Educator Posts in a Provincial Department of Education and the Distribution of Such Posts to The Educational Institutions of Such a Department** were also promulgated.

These regulations provide a formula for the allocation of teacher posts to schools based on a number of factors, including:

- the maximum ideal class size
- period load of educators
- the need to promote certain subjects
- language of instruction
- school phases, and the number of grades taught at the school
- disabilities of learners
- number of learners attending the school.

Accordingly, dual-medium schools that teach in multiple languages, for example, receive more teachers than single-medium schools. After the provincial MEC determines how many posts the province can afford, the provincial Head of Department (HOD) is then responsible for distributing the posts to schools by 30 September each year (for the following year) after consultation with unions and SGB organisations.

While schools are empowered to publicise and take applications for teacher-post vacancies and choose their own teachers, teachers hired through

post allocations are employed by PEDs, not by the schools. PEDs therefore use personnel funding from their provincial equitable share to pay teachers directly. However, the Schools Act empowers SGBs to hire and pay additional teachers through school funds collected via school fees and other initiatives.

#### **LACK OF REDISTRIBUTION IN PERSONNEL FUNDING**

Personnel spending is perhaps the least redistributive aspect of education funding. This is because provinces use personnel funding to pay teachers and staff who are allocated to schools through formulas that weight learners according to their grade level and expected size of the class for the subject being taught, with poverty and redistribution playing only a small role.

The Post Distribution Model for the Allocation of Educator Posts to Schools (**Regulation 1451 of 2002**) establishes this formula.

While the Employment of Educators Act mandates that PEDs fill teacher posts on the basis of equality, equity and other democratic values and principles laid out in the Constitution, other funding mechanisms effectively interfere with the state's policy towards equity in the system of teacher allocation.

Since teachers all belong to a single national civil service, their salaries are set nationally and in accordance with their qualifications and experience. Accordingly,

wealthier schools that attract better qualified and more experienced educators, particularly in subject areas such as mathematics and sciences, take up a larger share of a PED's personnel budget than a poor school that employs less qualified and less experienced educators. Also, these wealthier ordinary public schools are able to ensure that they attract higher-qualified and more experienced educators through topping up teacher salaries and adding additional SGB-funded educator posts through the collection of school fees, resulting in lower learner/teacher ratios.

The poverty grading (by quintile) of a school is used as a factor for distributing teacher posts in the Post Distribution Model formula. Regulation 1451 requires heads of department to set aside up to 5% of their posts for poverty redress

purposes, to be allocated according to the Norms and Standards For School Funding distribution formula described below.

Of the 5% of posts reserved for redress, the poorest (quintile 1) schools receive 35% of these posts, while the least poor (quintile 5) schools receive 5% of these posts. Redress therefore accounts for a very minor amount of personnel expenditure, despite this making up the vast majority of each province's education budget.

The Norms and Standards for School Funding set a target of 80:20 for personnel to non-personnel costs, and a further target of 85:15 for educators and support staff. These targets are designed to ensure that provinces have sufficient funds remaining to pay non-personnel costs, such as learning and teaching support materials, school

maintenance and stationery costs, as well as other school expenses.

Salaries for teachers are determined nationally and provincially through negotiations at the Education Labour Relations Council (ELRC).

The ELRC is a bargaining council that serves the public education sector nationally and provincially. The stated purposes of the ELRC are to promote the maintenance of labour peace in the public education sector through the provisioning of dispute resolution and prevention services, as well as through the facilitation of negotiations between trade unions and the state as employer.

The following trend graph shows which provinces have met the 80:20 target for personnel and non-personnel costs since 2012/13.

Figure 2.8: Personnel costs as a percentage of total expenditure by PEDs, 2012/13 – 2016/17.

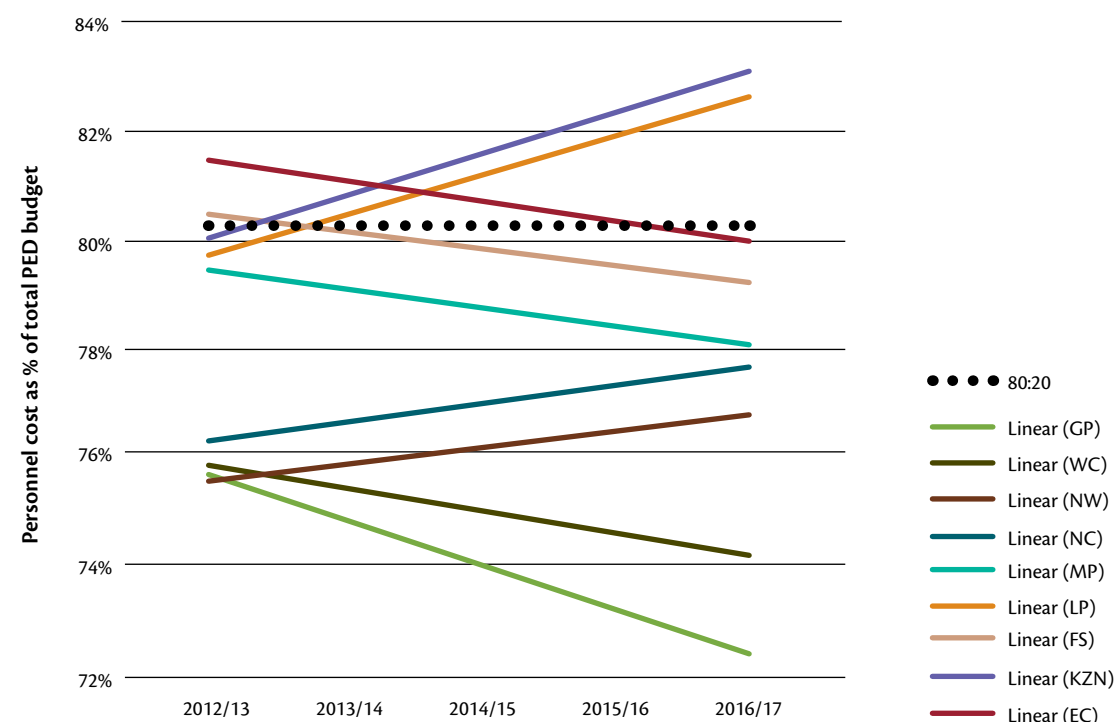
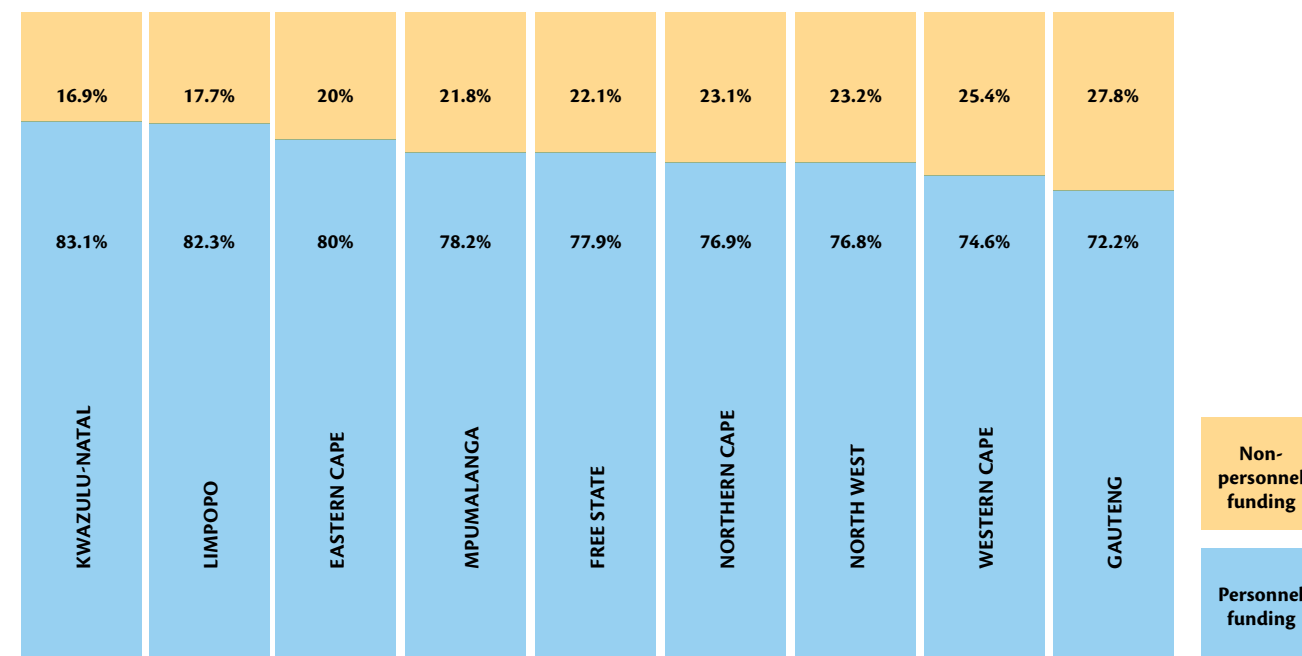


Figure 2.8 below shows that most provinces spend less than the recommended 80% of their budgets on personnel costs. KwaZulu-Natal and Limpopo have demonstrated a trend towards spending a higher portion of their budget on personnel costs. Both these

provinces have missed the 80:20 target over the past few years. After spending the highest share of its budget on personnel costs in 2012/13, the Eastern Cape has reduced the portion of its budget spent on personnel costs and managed to meet

the 80:20 target in 2016/17. Northern Cape and North West have seen their personnel costs increasing, but still spend less than 80% of their budgets on personnel. Western Cape and Gauteng have the lowest personnel to non-personnel cost ratios.

Figure 2.9: Personnel and non-personnel expenditure by PEDs in 2016/17.



In 2016/17, KwaZulu-Natal spent the highest portion of its budget on personnel costs, followed by Limpopo and Eastern Cape. This figure shows that there is a big difference in the amount of money that Gauteng and Western Cape have available in their budgets for non-personnel costs, compared to KwaZulu-Natal, Limpopo and Eastern Cape.

This means that Gauteng and Western Cape have more money – after compensating their employees – to spend on other school expenses such as improving school infrastructure and providing other resources for their schools.

**CHALLENGES WITH THE ALLOCATION OF TEACHER POSTS**

Although the above graphs show that most provinces currently spend 80% or less of their total education budgets on personnel costs, this is largely due to the rise in conditional grants in recent years, which have boosted provinces' non-personnel budgets. Without conditional grants, personnel costs would constitute over 90% of PED expenditure in KwaZulu-Natal and Limpopo.

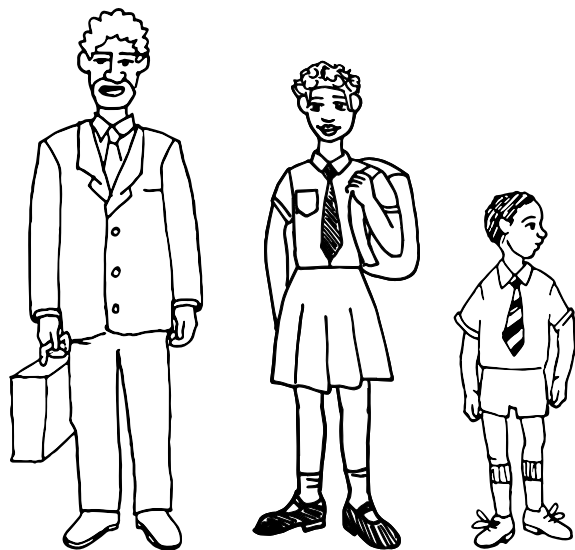
Over time, the system of provincial post allocation has led to disparities between provinces, with Eastern Cape,

Limpopo and KwaZulu-Natal in particular overspending their personnel budgets.

This has been due in part to a failure to plan and implement procedures to redeploy teachers from rural schools experiencing decreasing learner populations to schools in urbanising areas with population growth.

The DBE commissioned a report in 2013 on provincial post provisioning allocation and expenditure. This followed sharp increases in personnel costs that led to overspent personnel budgets, which caused other education obligations, such as textbooks in Limpopo, to go underfunded. That report revealed





...every school in the country is ranked into quintiles (each representing one fifth of schools) based on the income and wealth of the community that surrounds each school.

significant overspending on personnel costs in nearly all provinces. The National Education Evaluation and Development Unit (NEEDU) has attributed the rise in personnel expenditures to:

- Growth in urbanisation, leaving rural schools with declining learner populations but static teacher posts, due to refusal by teachers and unions to move posts to schools where they are more needed. This causes urban schools to hire temporary teachers, resulting in provincial systems having to pay excess teachers. NEEDU has estimated that at least half of the 48 124 temporary teachers in the system are effectively double-parked
- Pressure from interest groups, especially trade unions, has led to undue influence on the process of post provisioning through the mandated consultation process. As a result of this process, trade unions have been able to exert pressure on PEDs to maintain constant or increasing teacher numbers, regardless of provinces' needs or budgeting allowances.

- Pressure from unions has also led to rising wages at the provincial level that exceed incremental increases awarded at the national level
- Failure to follow national post provisioning policies causes provinces to implement unaffordable post-establishment models. The Deloitte report concluded that rather than first determining the personnel-to-non-personnel and teacher-to-support staff ratios, and then dividing the educator budget by the average cost of an educator, overcommitted provinces start with the number of educators they intend to hire without regard for cost, and then determine the personnel-to-non-personnel and teacher-to-support staff splits after determining the costs of educators
- Lack of timeous and accurate data collection at the national level, and no universally used online system aligned to a clear, gazetted post provisioning policy. The Deloitte report points out that the National Norms and

Standards for School Funding called for enhanced data collection back in 1998; these shortcomings and subsequent reports of poor funding-allocation mechanisms demonstrate that these systems are still not in place.

In order to overcome these challenges, the DBE should improve systems used to track the allocation of teacher posts, teacher and administrator vacancies at schools, and school staffing needs. These systems should either be funded by the DBE directly or through conditional grants to provinces. The push for all PEDs and schools to be fully and accurately using the South African School Management and Administration System (SA-SMAS) is a good start in this regard.

The national government should also enact provincial reporting regulations, so that monitoring of teacher-post allocations can take place at a national level, and irregularities can be identified and addressed prior to the start of the school year.

Norms and standards for post provisioning should also be established, to ensure that provinces have effective personnel-to-non-personnel and educator-to-support staff ratios in place.

PEDs should be trained to initiate procedures set out in Collective Agreement No. 2 of 2003 governing the transfer of serving educators in terms of operational requirements. Among other things, that agreement requires provincial heads of department to inform schools of educator-post establishments, and empowers provinces to reduce posts to schools based on learner-enrolment rates and operational requirements, as well as laying out procedures for transferring educators made excess as a result of post provisioning determinations.

The role of organised labour in the post provisioning process should also be reviewed, to ensure that the interests of learners are of paramount importance when provinces make post provisioning determinations. The legal developments in respect of post provisioning are discussed in detail in Chapter 14 of this handbook.

#### NON-PERSONNEL FUNDING

After conditional grants and personnel funding, provinces have between 10% and 20% of their equitable-share allocations left to spend on non-personnel costs.

Table 2.6: The quintile system.

Quintile one (poorest 20%)	Fee free
Quintile two	Fee Free
Quintile three	Fee Free
Quintile four	Fee charging
Quintile five (wealthiest 20%)	Fee charging

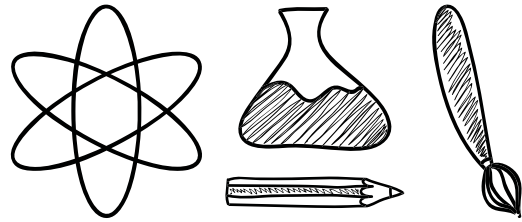
In 2005, the **Education Laws Amendment Act (Act No. 24 of 2005)** amended the Schools Act to provide for a process to establish norms and standards for school funding, by means of a quintile system that seeks to categorise schools according to poverty rankings. The **National Norms and Standards for School Funding (NNSSF)** were subsequently gazetted in 2006, to regulate non-personnel funding in South Africa.

The NNSSF provide for greater levels of non-personnel funding to schools serving poor communities, to compensate them for revenue they do not collect through school fees. This funding is used to pay for non-personnel expenses, including learning and teacher-support materials such as textbooks; libraries and laboratory equipment; stationery; school maintenance and repairs; IT and internet access; and essential services such as telephones, security, electricity and water and sanitation.

#### The quintile system

Under the NNSSF, every school in the country is ranked into quintiles (each representing one fifth of schools) based on the income and wealth of the community that surrounds each school. Schools located in the poorest communities are classified by PEDs (based mainly on national data) as Quintile 1, all the way to schools serving the wealthiest communities which are classified as Quintile 5. The area surrounding the school that is used for this classification is usually (but not always) the same as the school's catchment area.

The idea behind the quintile system was to ensure that non-personnel costs would be distributed to schools on a progressive basis, in order to ensure redress and promote greater equality in access to quality schooling. To achieve this, the poorest schools would therefore receive more funding than wealthier schools.



### NO-FEE SCHOOLS

The system described above was supposed to work on the basis that all schools were able to charge fees, and that schools in wealthier areas which were able to generate the most income through fees would therefore receive the least funding from the state. Meanwhile, schools in poorer areas that were not able to generate significant income through fees would receive more funding from the state.

However, in 2009 all schools in quintiles 1, 2 and 3 were classified as 'no-fee' schools. This classification prohibited the SGBs of these schools from charging fees, though such a school is still able to accept voluntary contributions from parents and other parties interested in the well-being of the school.

The then-Department of Education explained this decision in the Amended NNSSF:

Ironically, given the emphasis on redress and equity, the funding provisions of the [Schools] Act appear to have worked thus far to the advantage of public schools patronised by middle-class and wealthy parents. The apartheid regime favoured such communities with high-quality facilities, equipment and resources. Vigorous fund-raising by parent bodies, including commercial sponsorships and fee income, have enabled many such schools to add to their facilities, equipment and learning resources, and expand their range of cultural and sporting activities.

The establishment of quintile 1 to

3 schools as no-fee schools means that in the 2014 updating of the NNSSF, the quintile formula for non-personnel funds to be distributed to schools would then be at an equal level for quintile 1, 2, and 3 schools, as follows:

- Quintile 1 schools receive 27% of non-personnel funding
- Quintile 2 schools receive 27% of non-personnel funding
- Quintile 3 schools receive 27% of non-personnel funding
- Quintile 4 schools receive 14% of non-personnel funding
- Quintile 5 schools receive 5% of non-personnel funding.

No-fee schools are entitled to receive a minimum per-learner amount of funding, which is known as the 'no-fee threshold'. This minimum amount of funding is supposed to ensure that these schools have enough funding to cover non-personnel costs. In 2016, the no-fee threshold of minimum funding was set at R1 175 per learner. Quintiles 1, 2 and 3 schools must therefore receive funding from PEDs at this minimum amount, while quintile 4 schools must receive at least R588 per learner, and quintile 5 schools must receive at least R203 per learner.

The development of no-fee-school policies has nevertheless resulted in a significant increase in learners who do not pay school fees: from just 2.9% in

2006, before this policy had come into effect, to 65.4% in 2014 (Statistics SA (StatsSA), 2014). Provincially, 92% of learners in Limpopo and 81.5% of learners in the Eastern Cape attended no-fee schools in 2014, while 40.7% of learners in the Western Cape and 45.3% of learners in Gauteng pay no school fees.

Learners who attend no-fee schools continue to have educational costs by way of school uniforms, books, stationary and transportation. Moreover, there have been reports of quintile 1 to 3 schools continuing to charge school fees, despite their no-fee classification, indicating that improved monitoring systems need to be developed and implemented to ensure that attendance at no-fee schools is not predicated on school fees or other costs.

### CHALLENGES WITH NO-FEE SCHOOLS AND THE QUINTILE SYSTEM

The DBE's 2011 School-Monitoring Survey Report (published in 2013) revealed troubling information showing that nationally, 53% of learners attended schools that were not funded at the minimum level of per-learner funding or higher. This problem was most acute in Mpumalanga, Eastern Cape, KwaZulu-Natal and Limpopo. The DBE's report concluded: 'Considering that the Quintile 1, 2 and 3 schools are non-fee schools and completely dependent on government

funding, these figures are a serious concern and require further investigation to ascertain the source of the problem and determine a viable solution.'

Additional concerns have been raised around how schools have been classified into quintiles, and whether the system adequately allocates no-fee status and commensurate funding to all schools serving poor learners. Because the quintile classification is based on the socio-economic conditions of the surrounding school communities, rather than the circumstances of the learners who actually attend the schools, there is concern that schools which primarily serve poor learners in areas adjacent to wealthier neighbourhoods will be incorrectly classified.

This problem occurs particularly in urban areas where informal settlements or townships are situated near wealthier areas. The quintile system therefore ignores the reality that many learners travel from poorer communities to schools that are equipped with better-qualified teachers and facilities.

Another problem is that the DBE uses census data to determine each school's poverty score, which often quickly becomes outdated in areas with high rates of migration. The result is that many schools have learner populations that do not necessarily reflect the populations of the surrounding communities. This shortcoming causes poor learners either

to pay school fees, or to go through the rigorous process of applying for fee exemptions, which can in turn cause their schools to be inadequately funded.

Despite the significant expansion of access to no-fee schools, school fees (in addition to other schooling costs) continue to act as barriers to learner enrolment, and have been found to contribute to South Africa's high drop-out rate prior to the completion of grade 12.

The 2014 General Household Survey found that 23.5% of persons aged 7 to 18 cited 'no money for school fees' as the main reason for not attending an education institution. This figure indicates that issues surrounding school fees, including quintile determinations, should be further explored, and that no-fee and fee-waiver policies and implementation efforts should be enhanced and monitored to ensure that learners are able to complete their schooling.

Issues surrounding school fees and other school costs should be further investigated, to better understand how quintile determinations may better reflect the poverty characteristics of the actual learners who attend schools, and not just the characteristics of the surrounding school communities. Findings should be used to implement improved measures that ensure that all learners have access to no-fee schools, or are able to gain fee waivers at schools that do charge fees.

### SCHOOL-FEE EXEMPTIONS

The Schools Act contains redistributive mechanisms that enable learners from poor households to attend fee-charging schools through fee exemptions. These exist in order to allow the Schools Act to achieve its stated purpose: to 'redress past injustices in educational provision [and] provide an education of progressively high quality for all learners'.

The Schools Act prohibits schools from refusing a learner admission to a public school on the grounds that the applicant's parent is unable to pay the school fees determined by the SGB. Section 40 of the Schools Act provides that partial or total fee exemptions must be made available to parents unable to pay school fees.

Fee-paying schools are not compensated for admitting fee-exempt learners. Non-paying learners are thus effectively subsidised by learners whose parents are able to afford to pay school fees.

In 2006, the Department of Education amended the Regulations Relating to the Exemption of Parents from Payment of School Fees in Public Schools. Among other things, those regulations set out the procedures that must be followed by parents and SGBs when parents apply for partial or total school-fee exemptions, and entitle parents to full exemption if school fees account for more than 10% of the combined annual gross income





of the learner's parents. The regulations further automatically exempt certain children from paying school fees, including orphans in orphanages and child-headed households, learners whose parents receive a social grant on their behalf such as the Child Support Grant, and learners in the care of foster parents.

Questions remain over whether schools that have an interest in admitting fee-paying learners are acting appropriately when determining whether to admit poorer learners and approve fee exemptions.

Also, Section 40(2) of the Schools Act entitles parents who have been denied fee exemptions to appeal the SGB's decision to the head of department.

Katarina Tomaskovski, the United Nations Special Rapporteur on the right to education, questioned the validity of these safeguards, because 'the procedure [to help poor parents get an exemption] assumes that all parents are literate and can cope with the necessary paperwork, which is not the case.'

While 6.7% of learners in 2013 reported benefiting from total or partial fee exemptions or partial bursaries, this figure includes learners attending both

public and private schools. In 2014, 7.2% of learners benefited from fee reductions or partial bursaries (StatsSA, General Household Survey, 2015).

Provincial education departments should take steps to ensure that schools are acting transparently and appropriately when making admission and fee-waiver determinations, particularly given the incentive that schools have to deny admission to learners who are unable to pay school fees.

Measures should include the development of databases used to track admission and fee-waiver applications to schools, demographic information about applicants applying for admission and fee waivers, and admission and fee-waiver determinations made by schools. Education districts should monitor determinations made, and proactively offer support to parents of learners who have been improperly denied admission or fee-waivers.

Further efforts should also be made by national and provincial education departments to ensure that parents understand their rights when it comes to applying for fee waivers.

#### FUNDING FOR LEARNERS WITH DISABILITIES

While Section 3 of the Schools Act makes basic education compulsory for learners aged 7 to 15 or through Grade 9, it carves out an exception for compulsory attendance for learners with special education needs, by empowering the Minister of Basic Education to set the age of compulsory attendance for special-needs learners. At the time of publication of this manual, the Minister of Basic Education had yet to determine the age for compulsory attendance for learners with special needs.

Moreover, unlike Section 3(3) of the Schools Act, which requires the MEC for education in each province to ensure that there are a sufficient number of school places available for every child to attend school, Section 12(4) seeks to dilute the right to basic education for learners with disabilities by obligating the MEC to provide education for learners with special education needs at ordinary public schools, and provide relevant educational support services for such learners 'where reasonably practicable.'

Section 12(5) of the Schools Act obliges

South Africa's courts have recognised the rights of learners with disabilities to access basic education services, despite government claims that budgetary constraints prevent immediate universal implementation of inclusive educational policies.

all MECs to take all reasonable measures to ensure that the physical facilities at public schools are accessible to disabled persons.

The Department of Education published its 'Education White Paper 6 on Special Needs Education: Building an Inclusive Education and Training System' in 2001. The White Paper commits to building an inclusive education and training system capable of accommodating and supporting learners with a diverse range of special needs, and provides a framework governing the establishment of the special-needs education system, along with funding strategies necessary for implementation.

Children with moderate disabilities are accommodated at full-service schools, which are essentially ordinary public schools equipped with additional specially trained personnel, infrastructure and other resources needed to accommodate learners requiring specialised support. Learners requiring highly intensive support are accommodated at special schools.

Policies on inclusive education have made little provision for how programmes for learners with disabilities would be funded by provinces and/or the DBE.

Nor do they provide performance benchmarks outlining the extent to which inclusive education programmes must be made available to learners.

South Africa's courts have recognised the rights of learners with disabilities to access basic education services, despite government claims that budgetary constraints prevent immediate universal implementation of inclusive educational policies.

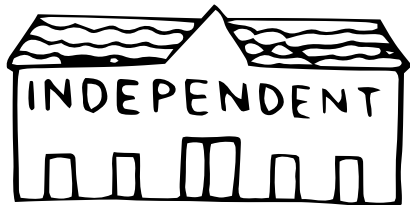
In *Western Cape Forum for Intellectual Disability v Government of the Republic of South Africa and Another*, the applicant sued the government on behalf of learners with severe intellectual disabilities who had been denied access to schools capable of meeting their needs, due to the government's failure to fund and provide schools for learners with profound intellectual disabilities.

The Western Cape High Court found that the government's failure to adequately fund and provide special-needs education for these learners violated their rights to a basic education, to protection from neglect or degradation, to equality, and to human dignity. The court ordered national and provincial

authorities to ensure that every child in the Western Cape who is severely and profoundly disabled has affordable access to basic education of an adequate quality. The province was also directed to adequately fund organisations capable of carrying out the court's directive, provide appropriate transportation and make provision for training of persons to provide education for children with severe and profound intellectual disabilities.

The Schools Act should be amended to explicitly provide for free and compulsory education for learners with disabilities. There should also be requirements for provincial education departments to report annually on the extent to which they are accommodating learners with disabilities, the number of learners with disabilities who are not being accommodated, and their plans detailing how they intend to accommodate learners with disabilities in the future. Schools should be monitored regularly to ensure that they are staffed with the requisite number of educators who are qualified to screen, identify and support learners with disabilities.

Inclusive education policies should be improved, to better guide provinces in



terms of their roles and responsibilities to ensure that learners with disabilities are identified and adequately accommodated. Enhanced policies should specifically address the types of educational facilities and accommodations that must be made available to learners with disabilities, and should detail the specific resources that must be available to learners with disabilities and schools serving them, such as support staff and teacher post provisioning allocations and qualifications, transport and hostel accommodation, and school infrastructure. Norms and Standards should be developed to address how these facilities and ordinary schools should be funded to accommodate learners with special needs, and supported by districts and qualified district officials. Legal developments in respect of learners with disabilities are discussed in Chapter 5 of this handbook.

### INDEPENDENT-SCHOOL FUNDING POLICIES

The Schools Act recognises two categories of schools: public and independent. While public schools are controlled by the government, independent schools are privately managed. Independent schools are therefore often referred to as 'private' schools. Around 4% of learners in South Africa attend independent schools.

While all independent schools rely on fees as their main source of funding, many also receive subsidies from provincial education departments. These subsidies are relatively small compared to the amount of funding that is provided to public schools. In addition, only independent schools that are registered with provincial education departments and operate on a non-profit basis are entitled to subsidies.

The subsidy available to a qualifying

school is based on its level of fees, with schools charging the lowest fees receiving the highest subsidy. The subsidy is not allowed to be more than 60% of the equivalent cost of public schooling. This means that independent schools which charge fees that are 2.5 times higher than the provincial public-school average cost per learner do not receive any subsidies from the government.

While many independent schools charge high fees, in recent years there has been a rise in low-fee independent schools. This has been driven by a perception among parents, educators and investors in these schools that public schools, especially in poorer areas, are failing to provide a quality education.

Figure 2.9 on the next page shows how much of their education equitable share provinces spent on independent-school subsidies between 2012/13 and 2016/17.



Figure 2.10: Independent school subsidies as a percentage of equitable share spending by PEDs, 2012/13 – 2016/17.

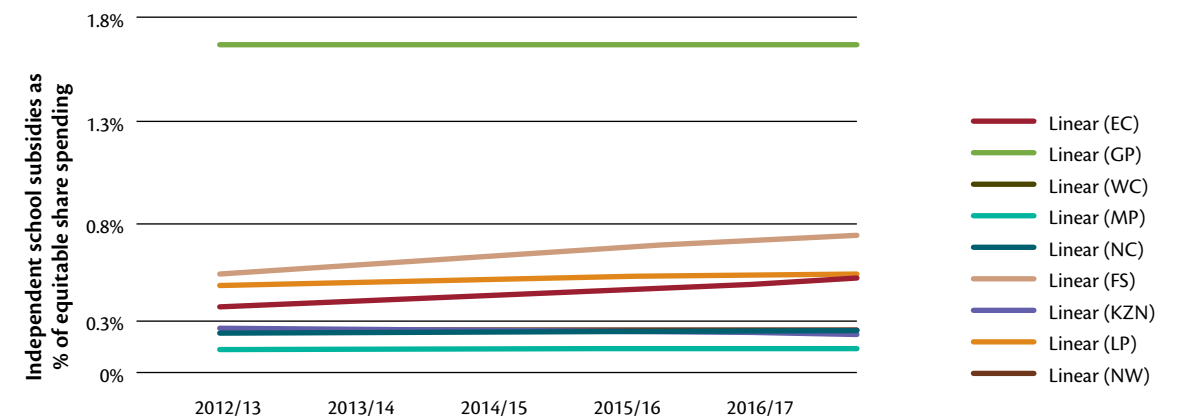


Figure 9 shows that Gauteng spends more of its education equitable share on independent school subsidies than other provinces, totalling around 1.7% of equitable-share spending.

Other provinces spend between 0.1% to 0.6% of their education equitable shares on subsidies for independent schools, with Mpumalanga spending the least. While Free State, Limpopo

and Eastern Cape have been spending an increasing portion of their share on independent-school subsidies, these subsidies remain a very small part of their total education spending.





# CONCLUSION: TOWARDS EQUITY IN SCHOOL FUNDING

Government has to make the budget process as transparent as possible, and ensure that members of the public can provide input and are listened to. This chapter should help those who are working in, or have an interest in education funding, to understand the education budget process and advocate for changes that will promote the right to basic education.

Ultimately, education funding must be judged against the aims and spirit of the Constitution, which guarantees equal access to quality education for all. This requires relatively more funding by the state for poorer and historically disadvantaged schools, in order to improve the teaching and learning taking place at those schools.

Some of the key issues in that regard which this chapter has explored are:

- The **equitable-share formula** that divides revenue between the provinces needs to take account of the relative poverty and unequal starting points of schools in different provinces, and the unequal costs of providing education in rural and urban settings. This would result in education funding to provinces that would promote the redress required by the Constitution, better enabling provinces to uplift their poorest

- and most disadvantaged schools
- Norms and standards for **post provisioning** should be established to ensure that provinces have effective personnel-to-non-personnel cost and educator-to-support staff ratios in place. Provincial education departments should be trained to initiate procedures set out in Collective Agreement No. 2 of 2003 governing the transfer of serving educators in terms of operational requirements. The role of organised labour in the post provisioning process should also be reviewed, to ensure that the interests of learners are of paramount importance when provinces make post provisioning determinations
- **Poverty classifications** of schools should better reflect the poverty characteristics of the actual learners who attend those schools, and not just those of the surrounding communities.

- Provincial education departments must ensure that learners are being funded at minimum levels, and the DBE must use its oversight role to monitor and enforce compliance with these
- Provincial education departments must take steps to ensure that schools are acting transparently and appropriately when making determinations on applications for **fee waivers**. Education districts should monitor determinations made, and proactively offer support to parents of learners who have been improperly denied admission or fee waivers. Further efforts should also be made by national and provincial education departments to ensure that parents understand their rights when it comes to applying for fee waivers.
- Norms and Standards should be enacted to address **funding for learners with disabilities**.

Daniel McLaren is a senior researcher at the Studies in Poverty and Inequality Institute (SPII).

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