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A Review of National and Provincial Education Budgets 2006

by Russell Andrew Wildemanⁱ

28 June 2006

For more information, contact Russell Wildeman at russel@idasact.org.za (021-467 5653)

SECTION 1: INTRODUCTION

Annually, we undertake a review of national and provincial education budgets with the following main aims in mind:

- To survey the main trends in national education and consolidated provincial education expenditure.
- To understand something of the social and fiscal contexts within which provincial education budgets are made.
- To quantify the progress provincial education makes in addressing the apartheid legacy of input inequality.
- To provide a description and explanation of actual spending trends of conditional grants.

Our analyses are oriented towards providing a rigorous description of the main trade-offs in education budgets and how these decisions are likely to affect learners from poor communities. We are aware of the limitations of examining financial inputs only, but we believe that an updated statement of the main assumptions governing education budgets remains important.

Method of Analysis

Our primary purpose in conducting these analyses is to develop an accurate description of the main expenditure trends in the national education budget and provincial education budgets. We rely almost exclusively on published budget documentation in the national and provincial spheres. Information on actual spending on conditional grants is obtained directly from the national Department of Education. In exceptional instances, we consult provincial education departments to provide contextual explanations for irregular financial trends.

In the national sphere, we used two main documents, namely the *Estimates of National Expenditure* and National Treasury's *Budget Review*. The former provides detailed exposition of the budgets of national votes. In this paper, we used the *Estimates of*

National Expenditure 2005 and 2006 to obtain information on the national education budget and to examine possible links with provincial education funding. The *Budget Review* provides an exposition of the national economy, government's macro-economic and fiscal framework, the medium term expenditure framework, as well as detailed discussions of provincial and local government finances. In this paper, we used *Budget Review 2005 and 2006* to obtain information on the main budget,ⁱⁱ consolidated national and provincial expenditureⁱⁱⁱ, main macro-economic indicators, government's overall fiscal stance, and the division of revenue across the three spheres of government. In the provincial sphere, we mainly used the *Provincial Budget Statements* that are published by the respective provincial treasuries. Because of the importance of accurate learner numbers, we have used the Department of Education publications "*Education Statistics At A Glance*" for the 2002 to 2005 academic years.

Our analyses of these budgets proceed in two steps: a detailed examination of the transversal expenditure framework and a programme analysis.

Transversal expenditure analysis

Our **primary point of entry** concerns the distribution of expenditures common to all programmes and activities (personnel, goods and services, transfers, and capital), hence the term "transversal expenditure analysis." We contend that this is an absolutely necessary step to obtain conceptual purchase on the specific budget under examination. This is especially so in the case of education budgets where the precise combination of goods and services is critical from a service delivery point of view. Although we do not make it explicit in this paper, notions about the "credibility" of education budgets operate in the background. An analysis of transversal expenditures provides the framework within which all education funding activities have to be viewed. Since 2000, provincial education transversal expenditure frameworks required the containment of personnel expenditure and consequent growth in school-level types of expenditures as well as capital expenditure. This framework relegated redress to school-level types of expenditure (norms and standards for school funding) while allowing the slow accumulation of school-level essentials and capital stock contingent upon resource availability and service delivery capacity. We have an obvious interest in any significant addition or deviation from this framework and how that affects our understanding of redress and re-distribution within education budgets.

Programme analysis

We consider the analysis of programmes as the "second bite of the cherry", because it examines how the same total amount of resources are distributed across programmes. One can more or less predict various programme allocations once a transversal expenditure analysis has been conducted. If there is a massive injection of capital expenditure in provincial education budgets, one would naturally be led to review capital expenditure for the public schooling programme. This is the case because there is presently no other programme that has the ability to absorb large capital expenditure increases. Our analyses of programme expenditure take place in two stages. In the first stage, we examine consolidated education programmes at the provincial level and probe prioritisation trends and key trade-offs in the present medium-term. Because budget data are available for the period 2002/03 to 2008/09, we often refer to the pre-2005/06 period, even though these numbers are not reflected in the budget tables in this publication. In the second stage, we add provinces as a variable and consider similarities

and differences among provinces in the prioritisation of the main service delivery programmes. Although sub-programmes within the main programmes are clearly important, our focus is restricted to programme totals and how these differ across provinces.

For two programmes, namely public ordinary schools and public further education and training, we undertake transversal expenditure analyses. The reason for doing this is two-fold and concerns issues relating to size of budgets and recent policy innovations. Because of the sheer size of public school budgets, changes in the funding of categories of expenditure (such as personnel for example) register an impact that is not confined to this budget only. In the case of public further education and training institutions, we would like to examine how the introduction of the further education and training re-capitalisation grant affects the distribution of expenditure within this programme.

Limitations of the present paper

As was indicated earlier, we used data from the national and provincial budgets as our primary sources of analyses. Because our target date of release of this publication is June, National Treasury will have published more recent data on both the national and provincial budgets for the past financial year (2005/06). However, because these data are restricted to grand totals for provinces, provincial education departments, current and capital expenditure, there is not sufficient information to conduct a full-length analysis of national and provincial budgets. This means that we cannot incorporate this information into our present analyses because there is no detailed province-specific information on key service delivery programmes for 2005/06. There is also the additional problem of under-spending and how that would inflate our calculation of averages. For these reasons, we continue using “revised estimates”^{iv} for 2005/06 as they appear in both national and provincial budgets. This may make these numbers dated, but it is our belief that these numbers portray a much more realistic view of the overall resource envelope.

Throughout this paper, we rely heavily on the calculation of three-year (and sometimes six-year) averages. To facilitate our understanding of national and provincial budgets, we use government-provided estimates of inflation. We use CPIX deflators and more specifically CPIX deflators that are based on 2005/06 as the base year. These CPIX deflators are 2002/03 (0.873834), 2003/04 (0.921895), 2004/05 (0.959693), 2005/06 (1), 2006/07 (1.042), 2007/08 (1.08889), and 2008/09 (1.143335). We use these deflators to calculate three useful numbers:

- real change from the previous financial year (2005/06 to 2006/07);
- real average annual change over a three-year period (2005/06 to 2008/09) and;
- real average annual change over a six-year period (2002/03 to 2008/09).

Throughout these analyses we place greater emphasis on averages, although we often present real year-on-year changes where changes between each year in a time-series are calculated. This enables us to determine more precisely the actual strength or weaknesses of financial flows to expenditure items and programmes. This analysis of annual changes was crucial in the present publication.

A roadmap of the occasional paper

The rest of the occasional paper is structured in the following way. Section 2 provides a description of aggregate expenditure patterns in the national education and provincial education budgets. We consider transversal expenditure analyses for both the national and provincial education sectors. In the national education budget, the main emphasis is on understanding the link between the national budget and provincial education. For the latter, we are interested in a description of the present funding framework that governs the distribution of education expenditure at the provincial level. Through the discussion of the transversal expenditure framework, we aim to assess the main trade-offs and the overall direction of provincial education budgets. Section 3 considers programmes as sites of service delivery and provides information per programme by province. We attempt to develop an understanding of the winners and losers of the present provincial education MTEF and speculate as to possible service delivery implications. Section 4 provides concluding remarks and re-states the main findings of our review of national and provincial education budgets.

SECTION 2: AN AGGREGATE VIEW OF THE PROPOSED NATIONAL AND PROVINCIAL EDUCATION MEDIUM-TERM EXPENDITURE PLANS

Section 2 is divided into three further sections. The first sub-section provides a brief account of the main trends in the national budget. We require this background so as to understand how education expenditure trends complement or deviate from the broad national themes. The second sub-section deals with the national education budget and its linkages to provincial education programmes. The third sub-section examines the big picture in provincial education budgets and considers issues such as input inequality and trends in categories of expenditure. This sub-section provides the tools for an initial assessment of the main trade-offs in provincial education budgets. The implications of such trade-offs are further discussed in later sections.

National budget 2006 as the relevant context

Increased tax collection, associated with economic growth, and greater efficiency by the South African Revenue Services have resulted in a projected deficit of 0.5 per cent for 2005/06. While this deficit on the main budget is projected to increase to 1.5 per cent in 2006/07, by the end of the present MTEF (2008/09), the projected deficit is 1.2 per cent. Increased financial muscle has resulted in real expenditure increases of 8.3 per cent in 2006/07, while over the medium term, real average annual increases are projected to be 6.1 per cent, while corresponding revenue estimates achieve a 5.2 per cent growth rate over the same period. The bulk of these increases are transferred to provincial and local governments. Provincial government expenditure (defined as transfers from the national sphere) is projected to increase at a real average annual rate of 7.2 per cent, while local government achieves a corresponding rate of 24 per cent over the same period. A large chunk of the increases to local government would simply be compensation for the scrapping of the Regional Services Levy.

How do these increases translate into an expenditure framework? Although the concept of "shared growth" requires a balance between investments aimed at alleviating poverty and more direct efforts at growing the national economy, this thematic approach has long been a feature of the annual budgets since 2000. In budget 2006, social service

expenditure commands 56.9 per cent of consolidated national and provincial expenditure, while economic services expenditure increases its share from 17.7 per cent in 2005/06 to 18.7 per cent in 2008/09. In social services expenditure, education retains the lion's share of consolidated resources (20%), while recent expansions in welfare grants brought average welfare expenditure to approximately 18 per cent of consolidated resources. The share of health remains constant (12%), while housing and community development averages between 6 per cent and 8 per cent over the medium term. Increases to functions that fall under economic services have a strong infrastructure emphasis, especially with the announcement of the R372 billion infrastructure package. Spending on transport infrastructure would receive the largest slice of additional infrastructure spending (National Treasury, 2006a: 105). Capital expenditure is projected to increase at a real average annual rate of 11.6 per cent, while compensation grows by 4.3 per cent over the same period.

One key question that this budget paper must address is the question of how education funding supports or deviates from national objectives. As an example, budget 2006 states "The 2006 Budget further shifts social service expenditure towards quality improvements in education, health care and support for poverty-focused community development and welfare services" (National Treasury, 2006a: 3). Therefore, if we accept that the heart of government's anti-poverty strategy is located in the social services sector, then the logical question becomes how education expenditure and funding patterns aid the shift towards quality service provisioning? Or alternatively, how do education funding patterns engage the objectives of redistribution of resources, while giving expression to the national goal of quality improvements? If we accept a further proposition that service delivery outcomes (for example quality learning) that depend on processes require an "optimal" mix of resources (personnel, goods and services, transfers etc.), then the primary point of entry into education budgets should be a thorough examination of the distribution of these categories of expenditures (the so-called transversal expenditure framework).

Analysis of the national education budget 2006

Table 1 provides information on the national education budget according to type of expenditure for the period 2005/06 to 2008/09.

Table 1: The national education budget by type of expenditure, 2005/06 to 2008/09

R'000	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. annual change between 2005/06-2008/09
Current payments	510000	575864	534886	563710	5.6	8.4	-0.8
Compensation employees	189199	217854	226470	235842	5.0	10.5	3.1
Goods and services	320801	358010	308416	327868	7.3	7.1	-3.1
Financial transactions							
Transfers and subsidies	12090008	13546832	14751863	16067805	5.3	7.5	5.2
Provinces and municipalities	1249072	1712660	1899634	2195391	11.3	31.6	15.9
Departmental agencies	930598	995813	1185457	1251603	11.4	2.7	5.7
Tertiary institutions	9899491	10828620	11656151	12609708	4.2	5.0	3.7
Foreign governments and international orgs.	10673	9739	10621	11103	1.5	-12.4	-2.8
Households	174						
Payment for capital assets	11726	6537	56174	58756	156.1	-46.5	225.1
Buildings and fixed structures			50290	52643			
Machinery and equipment	10810	5026	3913	3857	11.5	-55.4	-29.0
Software and intangible assets	916	1511	1971	2256		58.3	30.7
Total	12611734	14129233	15342923	16690271	5.4	7.5	5.0

Source: Estimates of national expenditure 2006

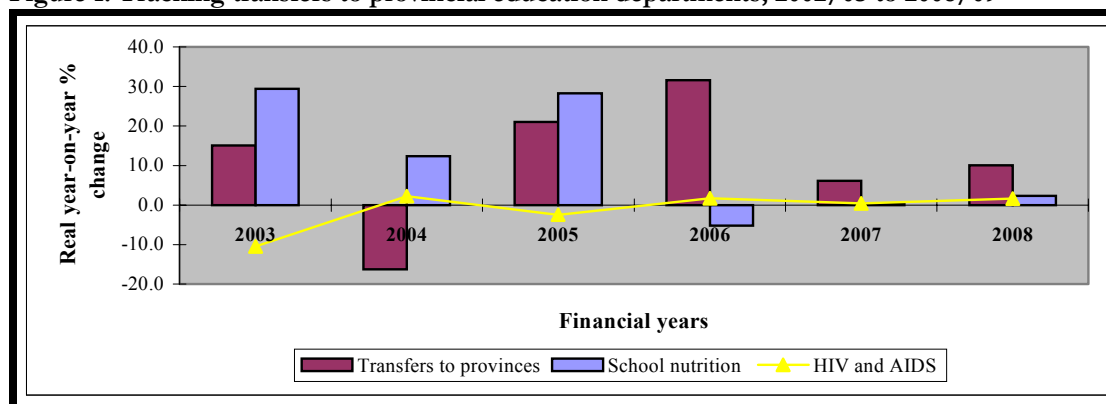
Using the revised estimates for 2005/06, the national education budget is projected to grow by 7.5 per cent in 2006/07, while sustaining a real average annual growth rate of 5 per cent over the medium term. Understanding the link between the national education budget and provincial education requires the use of the first two categories of expenditure, namely "current payments" and "transfers and subsidies." Under current payments, we only consider the *compensation of employees*, while the relevant category under transfers and subsidies is *transfers to provinces and municipalities*. Real growth in compensation in 2006/07 of 10.5 per cent is partly related to the restructuring of the Department of Education, especially as it aims to give better expression to its monitoring and evaluation mandate. The most prominent of these restructuring changes was the establishment of a Budget Office whose mandate is the monitoring of expenditure trends at provincial level. Rapid increases in spending on examiners and moderators, improvements in conditions of services, and salaries for co-ordinators and educators in

the Ikhwelo project (National Treasury, 2006b: 295) further explain the relatively large real increases in compensation.

Also noticeable are the large positive changes recorded under transfers to provinces and municipalities. This reflects grant transfers made from the Department of Education to provincial education departments. Transfers to provinces are projected to grow by 31.6 per cent in 2006/07, while over the medium term, a real average annual growth rate of approximately 16 per cent is projected. These changes reflect the introduction of the further education and training re-capitalisation grant, which has a projected total cost of R2 billion for the 2005/06 to 2008/09 period. It also includes the continuation of the HIV/AIDS conditional grant and the school nutrition grant.

Figure 1 captures the total transfers to provinces as well as transfers through the HIV/AIDS and the school nutrition conditional grants.

Figure 1: Tracking transfers to provincial education departments, 2002/03 to 2008/09



Source: Estimates of national expenditure 2006

The real annual growth of total transfers to provinces was significantly less than corresponding real annual growth for the school nutrition grant in the 2003 to 2005 period. The phasing out of key direct and indirect grants such as the early childhood development grant, the financial management and quality enhancement grant, and the indirect poverty-relief grant explains this trend above. However, with the introduction of the further education and training re-capitalisation grant, total transfers to provinces are projected to grow at a faster rate compared to the school nutrition and HIV/AIDS conditional grants.

There appears to be a direct trade-off between the growth of the further education and training grant and subsequent reductions in the real annual growth rates of school nutrition and HIV/AIDS. One possible assumption could be that saturation in target number of learners and schools has been reached and that the allocations for school nutrition and HIV/AIDS are only marginally adjusted for inflation. This assumes sufficient coverage of HIV/AIDS and school nutrition programmes. While the former may be the case, we know from our own research that the school nutrition programme still faces implementation challenges, especially at the secondary school level (Wildeman and Mbebetho, 2005). The latest allocations via the grant framework appear to signify a direct trade-off, or alternatively bank on the notion that provincial education departments will supplement the monetary value of these grants.

Returning to the national education budget, table 2 provides information about the real annual growth of programmes in the Department of Education.

Table 2: The national education budget by programme expenditure, 2005/06 to 2008/09

R'000	2005/06	2006/07	2007/08	2008/09	Real av. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. change between 2005/06-2008/09 (%)
Administration	117257	171813	182187	188827	10.9	40.6	13.6
Planning and Monitoring	41323	55304	62225	64956	19.8	28.4	11.8
General Education	247825	243317	264482	289200	-2.7	-5.8	0.8
Further Education and Training	221484	670887	778148	985403	52.0	190.7	74.1
Quality Promotion and Development	1144957	1141976	1196936	1283015	11.6	-4.3	-0.6
Higher Education	10806691	11806793	12821619	13839551	4.7	4.9	3.9
Auxiliary and Associated Services	32197	39143	37326	39319	-21.1	16.7	2.7
Total	12611734	14129233	15342923	16690271	5.4	7.5	5.0

Source: Estimates of national expenditure 2006

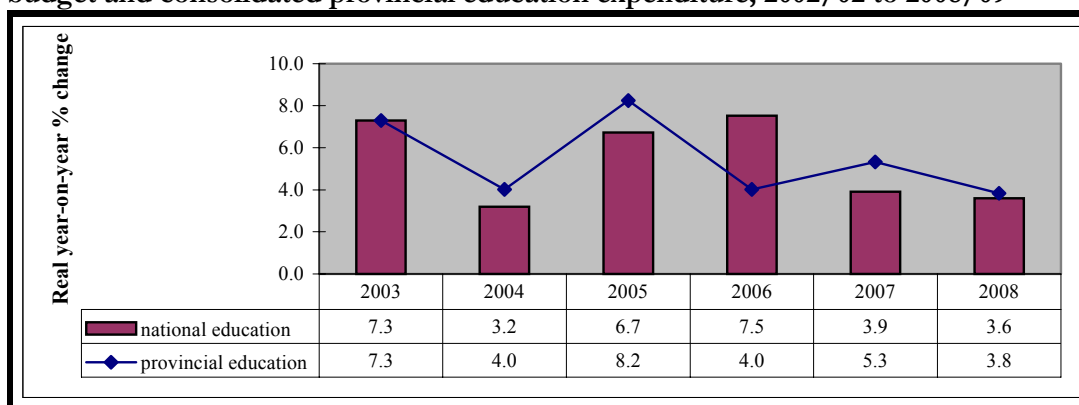
Having discussed the national education budget in terms of a select number of expenditure categories, one can immediately see the effect of these changes on programmes:

- The relatively large increases in *Planning and monitoring* relate directly to increases in compensation for the establishment of a Budget Office. Much of these increases would appear to support monitoring and evaluation activities, which include allocations for the development of a comprehensive education management information service.
- The decreases in the *General education* budget relate to the phasing-out of the early childhood development grant.
- Most noticeable from the programme data above are the large increases in the *Further education and training* programme, which is projected to grow at a real average annual rate of 74.1 per cent. The main reason for such sharp increases is the introduction of the further education and training re-capitalisation grant.
- The *Quality promotion and development* programme shows strong positive real average annual growth over the period 2002/03 to 2008/09 (11.6%), but corresponding declines in 2006/07 (4.3%) and over the medium term (average of 0.6%). The main reason for these differences is the strong growth of school nutrition funding from 2002 until 2005, followed by strong declines as a result of the introduction of the further education and training grant discussed earlier. We have argued that this trade-off cannot be based on the assumption of complete coverage, because the vast majority of poor secondary schools do not yet benefit from this grant.

- Total higher education expenditure, which includes transfers to tertiary institutions and allocations for the national student financial aid scheme (NSFAS), is projected to grow by 4.9 per cent in 2006/07, while sustaining a real average annual growth rate of 3.9 per cent over the medium term. Additional allocations for subsidies to higher education institutions are one of the reasons for the positive real growth over the medium term (National Treasury, 2006b: 308).

Having spent time analysing the link between the budget of the Department of Education and provincial education, Figure 2 takes these comments further by comparing the real annual growth rates of the national education budget and consolidated provincial education budgets.

Figure 2: Comparing the real year-on-year growth of the national education budget and consolidated provincial education expenditure, 2002/02 to 2008/09



Source: Estimates of national expenditure 2006 and Provincial Budget Statements 2006

Note: Resource flows between the Department of Education and provincial education departments were not netted out.

Both the national education budget and consolidated provincial expenditure are projected to grow strongly over the present medium-term period (2006/07 to 2008/09). Although some of the reasons are similar across the spheres (grant funding increases), changes are driven by different expenditure pressures. In provincial education, the main drivers of change appear to be: positive changes to the compensation framework, the introduction of further grant funding, the expansion of early childhood development and the introduction of no-fee schools. At the national level, the main driving force behind positive growth rates appears to be the changes associated with the introduction of a new funding framework, especially additional allocations for subsidies.

Prior to 2006/07, changes in the national education budget were almost uniformly driven by the restructuring of higher education institutions. The numbers above suggest that the strength of these increases is moderated in the last two years of the MTEF. Over-spending by provincial education authorities in 2003/04 and positive increases to the current framework of provinces (compensation and goods and services) have positively boosted provincial spending. In spite of meaningful changes to the distribution of resources at provincial level, recent increases in allocations have continued to benefit the public ordinary schooling sector. Likewise, at the national level, higher education remains the prime beneficiary of positive funding changes.

The provincial patterns are more thoroughly examined in the next sub-section that discusses aggregate expenditure trends in provincial education departments.

Analysis of provincial education budgets 2006

Table 3 provides information about total spending on education at the provincial level for the period 2005/06 to 2008/09.

Table 3: Total education expenditure by province, 2005/06 to 2008/09

Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	11539084	13065022	14774315	16334141	5.4	8.7	7.4
Free State	5056634	5272241	5642083	6084294	4.8	0.1	1.7
Gauteng	10792959	12281967	13338340	14508450	5.5	9.2	5.6
KwaZulu Natal	15076206	16209078	17983127	19384640	6.3	3.2	4.0
Limpopo	10455892	11066540	12268182	13614452	5.7	1.6	4.4
Mpumalanga	5964056	6218010	6909935	7547846	6.8	0.1	3.5
Northern Cape	1566994	1644424	1801224	1956664	4.2	0.7	3.0
North West	5976568	6305386	6698136	7222650	4.0	1.2	1.9
Western Cape	6504659	6988131	7592595	8211663	4.6	3.1	3.4
Total	72933052	79050799	87007937	94864800	5.5	4.0	4.4

Source: Provincial Budget Statements 2006

Consolidated provincial education budgets are projected to grow from R72.9 billion in 2005/06 to R94.9 billion in 2008/09. This represents a real average annual increase of 4.4 per cent, while the projected change in 2006/07 is 4 per cent. The lowest real average annual growth rates over the present MTEF are recorded for Free State (1.7%) and North West (1.9%). Prior to the 2006/07 financial year, both Free State and North West recorded strong real annual growth rates. For the three years preceding 2006, Free State achieved a real average annual growth rate of 7.9 per cent, while North West achieved a corresponding rate of 6.1 per cent over the same period. This suggests that the lower growth rates in the present MTEF are a deliberate decision and reflect funding trade-offs. The two highest real average annual growth rates are projected for the Eastern Cape (7.4%) and Gauteng (5.6%). The positive growth rates in the Eastern Cape appear to be the result of prioritisation,^{vi} and further analyses in later sections of the paper, would also confirm that such increases are not driven by personnel expenditure. Positive changes in Gauteng are related to increased service demands^{vii} and the province's quest to implement national policies.

Most other provincial education departments project to increase their budgets at an average rate of between 3 per cent and 4 per cent over the medium term. Notable in this regard is KwaZulu Natal, which projects a real average annual growth rate of 4 per cent over the medium term. For the three years prior to the 2006/07 financial year, this province's education budget grew at a real average annual rate of 8.6 per cent. Although a positive average growth rate of 4 per cent is maintained over the MTEF, the latest budget numbers represent a moderation of the real growth patterns of the pre-2006/07 period.

Table 4 converts the absolute numbers in the table above and expresses these totals as shares of the entire provincial budget for the period 2005/06 to 2008/09.

Table 4: Provincial education expenditure as a percentage of provincial budgets, 2002/03 to 2008/09

Province	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	49.0%	46.8%	49.4%	48.3%	48.7%	48.5%	48.2%
Free State	36.3%	35.4%	34.0%	34.4%	45.3%	43.6%	42.9%
Gauteng	38.2%	40.0%	39.7%	38.9%	35.6%	37.0%	37.6%
KwaZulu Natal	45.9%	46.4%	46.5%	44.5%	43.6%	42.9%	41.2%
Limpopo	50.9%	50.1%	51.3%	48.1%	48.3%	48.1%	48.1%
Mpumalanga	49.6%	49.9%	48.5%	49.5%	48.6%	48.6%	48.8%
Northern Cape	33.8%	31.0%	29.7%	29.5%	37.4%	37.1%	38.0%
North West	47.9%	47.5%	46.8%	44.2%	43.8%	41.8%	40.9%
Western Cape	40.6%	40.5%	39.0%	38.4%	38.0%	38.2%	38.0%
Total	44.4%	44.1%	44.2%	42.9%	43.2%	43.1%	42.8%

Source: Provincial Budget Statements 2006

Note: Provincial Budget Statements appear to have reconciled percentage shares prior to 2006/07 with the present situation where social development grants are no longer a provincial expenditure responsibility. Free State shares for the 2002/03 to 2005/06 period is the only exception to this practice.

In the present financial year (2006/07), provincial education budgets are projected to consume 43.2 per cent of total provincial budget resources, while in 2008/09, education's claim is projected at 42.8 per cent. However, there are still large discrepancies among provinces with regard to the actual percentage share of education. These discrepancies do not necessarily reflect changes in the function shift of welfare grant to the national sphere, but merely continues pre-existing differences in relative education spending among provinces. The traditionally "affluent" provinces, namely Gauteng, Northern Cape and Western Cape plan to spend between 35.6 per cent and 38 per cent of total provincial resources on education in 2006/07. These averages are maintained until the end of the present MTEF. The traditionally poor provinces of the Eastern Cape, Limpopo and Mpumalanga spend approximately 48-49 per cent of provincial resources on education. A final grouping is represented by Free State and KwaZulu Natal, which dedicates on average between 41-43 per cent of provincial resources on education.

The percentages for the Free State province change dramatically in 2006/07 (45.3%) from the percentage share in 2005/06 (34.4%). This does not indicate a significant expansion of the education budget, but reflects the function shift of welfare grants to the national level. Unlike other provinces in table 4, Free State has not adjusted education expenditure for the function shift prior to the 2006/07 financial year. That is the main reason for the large discrepancies between the 2005/06 and 2006/07 education expenditure shares.

Now that we have a global picture of the extent of growth in provincial education budgets, we need to examine how these changes are distributed in these budgets. We require an analysis of expenditure categories that cut across programmes and which provide an indication of where increases are located. The distribution of such expenditures has implications for programme spending, but the latter will be dealt with in a separate section.

Table 5 provides information on consolidated provincial education expenditure by type of expenditure for the period 2005/06 to 2008/09.

Table 5: Consolidated provincial education budget by type of expenditure, 2005/06 to 2008/09 (see provincial personnel and capital expenditure tables in the appendix)

R'000	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Current payments	65889964	70915111	77772574	84199425	4.5	3.3	3.8
Compensation	58542755	62241456	66691059	70935359	3.0	2.0	2.0
Goods and service	7339534	8668900	11076531	13258858	17.6	13.4	16.5
Other	7675	4755	4984	5208	257.3	-40.5	-13.6
Transfers/subsidies	3652240	4557523	5183281	5712013	16.4	19.8	11.2
Provinces and municipalities	203614	111299	91766	97833	17.0	-47.5	-22.4
NGOs	3214980	4152100	4777605	5278579	21.6	23.9	13.1
Households	196393	250918	268489	288130	-6.8	22.6	9.1
Other	37253	43206	45421	47471	22.4	11.3	3.8
Payments for capital assets	3390848	3578165	4052082	4953361	17.1	1.3	8.7
Buildings	2997191	3126664	3393318	3984184	20.6	0.1	5.3
Machinery and equipment	390846	448588	658676	969084	13.0	10.1	30.3
Other	2811	2913	88	93	13707.8	-0.5	-32.3
Consolidated provincial education	72933052	79050799	87007937	94864799	5.5	4.0	4.4

Source: Provincial Budget Statements 2006

Given the centrality of the table above for our entire analysis, we discuss the various expenditure categories under separate headings. Province-specific information is also provided to better illuminate the overall trends in education expenditure.

Current payments

Current payments are projected to grow by 3.3 per cent in 2006/07, while sustaining a real average annual growth rate of 3.8 per cent over the medium term. In absolute terms, provision for current payments increases from R49.4 billion in 2002/03 to R65.9 billion in 2005/06. By the end of the present MTEF, total allocations to current payments would be R84.2 billion. There are two main sub-items that require careful analysis, namely "compensation for employees" and "goods and services." Both are crucial items for our substantive understanding of expenditure dynamics in provincial education budgets.

Payments for *compensation* are projected to grow by 2.0 per cent in 2006/07 while sustaining a real average annual growth rate of 2.0 per cent over the medium term. In absolute terms, provision for compensation increases from R45.5 billion in 2002/03 to R58.5 billion in 2005/06. By the end of the present MTEF, total allocations to compensation of employees would be R70.9 billion. The personnel numbers for the 2004/05 to 2006/07 period reflect the multi-year agreement that was reached between government and public service representatives. Through this deal, increases to public

servants would be linked to inflation (CPIX more specifically) plus 0.4 per cent. With inflation estimated at 4.2 per cent in 2005/06, estimated increases to the public services bill would have been 4.6 per cent.^{viii}

Province-specific information on compensation shows that three provinces project real average annual increases (2005 to 2008) below the 1 per cent point. These provinces are North West (0.12%), Free State (0.56%), and Limpopo (0.77%). Analyses on total aggregate education expenditure show that the Free State and North West are projecting the lowest real average annual growth rates over the present medium term. These reductions are reflected in the almost stagnant state of spending on personnel in these provinces. The Northern Cape projects a real average annual rate of 1 per cent. The highest real average annual growth rates are projected for Gauteng (3.7%) and KwaZulu Natal (3.4%), while the Eastern Cape (1.7%) and the Western Cape (1.8%) project rates below the 2 per cent level.

The *goods and services* item continues its real positive growth and is projected to grow by 13.4 per cent in 2006/07, while sustaining a real average annual growth rate of 16.5 per cent over the medium term. In absolute terms, provision for goods and services increase from R3.8 billion in 2002/03 to R7.3 billion in 2005/06. By the end of the present MTEF, total allocations to goods and services would be R13.3 billion. As we observe in table 6 below, these changes have had a significant impact on provincial education funding frameworks. It is almost certain that a large part of the presently proposed increases relates to provision for the introduction of fee-free schools in the poorest schools in provinces. Most of these schools would still be classified as non-section 21 schools, and as such, their funds would be captured in the goods and services item.^{ix}

An analysis of the annual growth rates of provinces shows that with the exception of KwaZulu Natal and the Northern Cape, positive annual changes are recorded for all the remaining provinces in each of the years of the present MTEF. KwaZulu Natal projects a real average annual growth rate of 12.6 percent, but in 2006/07 (4.2%) and 2008/09 (1.0%) project real declines on this important item. Northern Cape, on the other hand, projects a real average annual growth rate of 18.2 per cent, but experiences a negative decline in 2006/07 (0.1%). Incidentally, the lowest real average annual growth is recorded for North West (8.3%), while Western Cape (25.3%) projects the largest average growth rate. Western Cape increases its provisions for goods and services from R541.3 million in 2005/06 to R1.2 billion in 2008/09, while KwaZulu Natal increases its provisions from R1.6 billion in 2005/06 to R2.5 billion in 2008/09.

Transfer payments

Transfer payments are projected to grow by 19.8 per cent in 2006/07 while sustaining a real average annual growth rate of 11.2 per cent over the medium term. In absolute terms, provision for transfer payments increases from R1.8 billion in 2002/03 to R3.7 billion in 2005/06. By the end of the present MTEF, total allocations to transfer payments would be R5.7 billion. As expected, transfers to provinces and municipalities reflect the decision to phase out the Regional Services Levy and show real average annual declines of 22.4 per cent over the medium term. It is important to note that only a few provinces still project expenditure on this category at the end of the present MTEF. Because of the policy decision and the incomplete nature of the data, it does not make sense to provide province-specific analyses of this situation.

The category that is the largest in absolute terms and that shows the largest relative growth is the *transfers to non-profit institutions* category. The two main types of transfers would be allocations for the school nutrition grant as well as transfers to section-21 public schools that pay directly for key services. Thus, provision for fee-free schools (especially in poor provinces) would be part of the total allocation/transfer to non-profit institutions. What would also be included in this category is the introduction of the new public further education and training re-capitalisation grant. Although the latter has capital implications, most provincial education departments have recorded this grant as a transfer that goes to their respective further education and training colleges. Transfers to non-profit organisations are projected to grow by 23.9 per cent in 2006/07, while sustaining a real average annual growth rate of 13.1 per cent. In absolute terms, this allocation grows from R3.2 billion in 2005/06 to R5.3 billion in 2008/09.

Examining province-specific average annual growth rates, we notice that Limpopo (77.9%) and the Eastern Cape (46.4%) have the largest growth rates. In the Eastern Cape, the three-year average is driven strongly by transfers to public schools (fee-free schools and school nutrition) especially in 2006/07. The latter estimate reflects an increase of 98.7 per cent over the corresponding 2005/06 figure. Although increases associated with the re-capitalisation grant are larger (207%), the absolute amounts are smaller. The increases in transfers to non-profit organisations follow a similar trend in Limpopo and confirm the importance of this category for these two traditionally poor provinces.

In the case of Free State province, transfers to non-profit organisations are projected to grow at a real average annual rate of 2.2 per cent. This modest average growth rate is caused mainly by increased provisions for the school nutrition programme and fee-free schools in 2007/08 (31.8% change) and are not reflected on public schools transfers or further education and training transfers, but in the auxiliary and associated programme. The Western Cape projects an 8.2 per cent real average annual growth rate over the MTEF. Transfers to public schools reflect a modest part of the overall increases to this category, which leaves the further education and training re-capitalisation grant as the main driver of strong positive change.

Transfers to households would include items that may not be the same across provincial education departments. However, one item that exists for all provinces are payments to ex-personnel who are no longer in the employ of provinces. These payments compensate ex-employees for accumulated leave.^x So while technically speaking we cannot interpret this category as solely providing payments for accumulated leave, the bulk of such payments would indeed have been earmarked for that purpose. Transfers to household payments are projected to grow by 22.6 per cent in 2006/07 while sustaining a real average annual growth rate of 9.1 per cent over the medium term. In absolute terms, provision for transfer payments to households increases from R 398.3 million in 2002/03 to R196.4 million in 2005/06. By the end of the present MTEF, total allocations to transfer payments to households would be R288.1 million.

Payments for capital assets

Payment for capital assets is projected to grow by 1.3 per cent in 2006/07, while sustaining a real average annual growth rate of 8.7 per cent over the medium term. In absolute terms, provision for capital payments increases from R1.5 billion in 2002/03 to R3.4 billion in 2005/06. By the end of the present MTEF, total allocations to capital

payments would be R5 billion. Our main interest is located in the *buildings and fixed structures* item because this communicates provincial education departments' available spending margins on this key expenditure item. Buildings and other fixed structures are projected to grow by 0.1 per cent in 2006/07 at a real average annual rate of 5.3 per cent. In absolute terms, provision for buildings and fixed structures payments increases from R1.0 billion in 2002/03 to R3 billion in 2005/06. By the end of the present MTEF, total allocations to buildings and fixed structures would be R4 billion.

Province-specific patterns of investment in buildings and fixed structures reveal two main features: large real average annual growth for Eastern Cape (56.7%), Gauteng (11.8%), and North West (10.2%), while negative average annual decreases for the rest of the provinces. Of the three provinces that register real positive growth, only the Eastern Cape projects consistent positive real annual growth rates for each of the financial years of the MTEF. Gauteng projects a negative growth rate (3.4%) in 2007/08, while the North West projects a negative rate of 45 per cent in 2006/07.

Negative real average annual growth rates for the remaining six provinces range from 0.1 per cent in Limpopo to 36 per cent in the Western Cape. The Free State province and the Western Cape are the only two provinces that project negative annual rates for each of the years in the present MTEF. Free State projects a real average annual decline of 12.9 per cent and experiences the largest real decline in the present financial year (35.9%). The capital expenditure trends in Free State are commensurate with the decline of the education budget and reflect prioritisation of other key areas in the provincial government. Western Cape on the other hand projects the largest real decline in 2008/09 (43.4%), while in 2007/08, its budget for buildings and fixed structures declines by 27.5 per cent. In the Western Cape, agreements reached in 2005 between the education department and the treasury resulted in the former receiving an "advance" of R200 million to expedite the building of schools and classrooms. The provincial treasury is now literally deducting these resources from the total capital allocations and this explains the large real decreases. The Western Cape education department is appealing to the provincial treasury for the "retention" of the advance, but there are no new developments on this issue.

Northern Cape projects a real average annual decline of 5.8 per cent over the medium term. There are real declines in each of the three years of the present MTEF. Northern Cape's expenditure must be viewed within the context of the province's debt situation in 2004 and resulting actions to contain costs.^{xi} The Department indicated that although the department has a relatively small capital backlog component, reductions in capital expenditure play havoc with medium to long-term planning for both capital and recurrent maintenance needs.

Table 6 re-expresses information about the type of expenditure and displays each of these categories as a share of consolidated provincial education expenditure for the period 2002/03 to 2008/09.

Table 6: The type of expenditure expressed as a percentage of consolidated provincial education expenditure, 2002/03 to 2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	93.7%	91.7%	91.2%	90.3%	89.7%	89.4%	88.8%
Compensation	86.3%	83.1%	82.6%	80.3%	78.7%	76.6%	74.8%
Goods and service	7.4%	8.6%	8.5%	10.1%	11.0%	12.7%	14.0%
Transfers/subsidies	3.4%	4.5%	5.0%	5.0%	5.8%	6.0%	6.0%
NGOs	2.4%	3.2%	4.2%	4.4%	5.3%	5.5%	5.6%
Households	0.8%	0.7%	0.4%	0.3%	0.3%	0.3%	0.3%
Payments for capital assets	2.9%	3.8%	3.9%	4.6%	4.5%	4.7%	5.2%
Buildings	2.0%	2.7%	3.3%	4.1%	4.0%	3.9%	4.2%
Machinery and equipment	0.9%	1.1%	0.5%	0.5%	0.6%	0.8%	1.0%

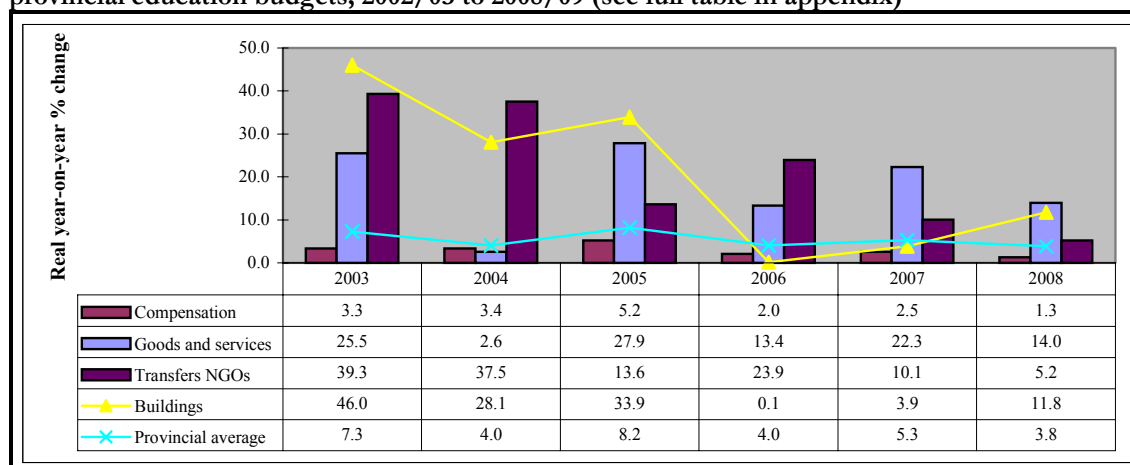
Source: Provincial Budget Statements 2006

Table 6 neatly captures the tremendous changes that were made to the consolidated provincial education framework over the last six years. Current payments constituted 93.7 per cent of total expenditure in 2002/03, but in 2005/06, this was managed down to 90.3 per cent. By the end of the present MTEF, current payments will consume 88.8 per cent of the total resources of education funding. The reduction in current expenditure is a direct consequence of the reduction in compensation costs. Compensation costs declined from 86.3 per cent in 2002/03 to 80.3 per cent in 2005/06. The latest projections suggest that compensation will eventually decline to approximately 75 per cent of consolidated provincial education budgets. Between the periods 2002/03 and 2008/09, compensation declined by more than 10 percentage points. Goods and services nearly doubled between 2002/03 and 2008/09 growing from a base of 7.4 per cent to 14.0 per cent at the end of the present MTEF. This is significant growth and reflects on the prevailing assumption that increases to these items would impact on the quality of education.

The relative size of transfers is almost doubled between 2002/03 and 2008/09 growing from a base of 3.4 per cent in 2002/03 to 6 per cent at the end of the present MTEF. The main beneficiary of this change was transfers to non-profit organisations, principally transfers to public schools, the school nutrition allocations and the introduction of the new FET re-capitalisation grant. The share of transfers to non-profit organisations was increased from 2.4 per cent in 2002/03 to 4.4 per cent in 2005/06. By the end of the present MTEF, such shares are projected to reach 5.6 per cent of consolidated provincial education resources. Capital expenditure experiences the same funding dynamics as goods and services and transfer payments. Between 2002/03 and 2008/09, capital payments almost doubled growing from a base of 2.9 per cent in 2002 to 5.2 per cent in 2008/09. The buildings item was increased from 2 per cent in 2002/03 to 4.1 per cent in 2005/06. By the end of the present MTEF, the buildings and fixed structures item is projected to consume 4.2 per cent of consolidated provincial education resources.

Figure 3 shows the real annual growth rates for some of the expenditure categories.

Figure 3: Real year-on-year growth of selected categories of expenditure in consolidated provincial education budgets, 2002/03 to 2008/09 (see full table in appendix)



Source: Provincial Budget Statements 2006

Due to the varying sizes of each of these expenditure components, a one-to-one comparison would be questionable. One alternative way is simply to compare each of the annual growth rates for selected categories with the corresponding growth rate of consolidated provincial education budgets. Two things are immediately clear: throughout the period 2002-2008, compensation consistently achieves growth rates below the provincial average; and goods and services, and transfers to non-profit organisation achieve growth rate above the provincial average. This constriction of compensation not only allows for expansion in other expenditure categories, but would also affect the composition of programme expenditures. A reduction in compensation as a share of consolidated provincial education invariably affects the public ordinary schools programme and releases more resources for other programmes. It is important to note that the framework above is robust enough to accommodate increases in compensation without fundamentally arresting positive increases to goods and services, transfer payments, and capital expenditure.

Strong real annual growth rates were recorded for the buildings and fixed structures item, but the 2006/07 MTEF sees a remarkable downturn in the fortunes of this aspect of capital expenditure. As was mentioned, strong real decreases in the Free State (35.9%), Mpumalanga (23.4%), Northern Cape (45.8%), North West (44.9%) and the Western Cape (37.3%) forced capital expenditure to the zero growth position in 2006/07. Although it recovers slightly in 2007/08, continued negative annual growth by Northern Cape (7.6%) and Western Cape (27.5%) ensures a relatively low consolidated annual growth rate.

How are these funding patterns reflected in unit costs/per learner expenditures for each provincial education department? Table 7 provides information about per learner expenditures in each of the provincial education departments for the period 2002/03 to 2004/05.

Table 7: Total per learner expenditure by provincial education department, 2002/03 to 2005/06^{xii}

Provincial education department	2002/03 (Rands)	2003/04 (Rands)	2004/05 (Rands)
Eastern Cape	4173	4553	4718
Free State	4564	5277	5734
Gauteng	4265	4853	5062
KwaZulu Natal	3619	4096	4603
Limpopo	3871	4333	4816
Mpumalanga	4111	4712	4933
Northern Cape	5231	5757	6039
North West	4403	4916	5155
Western Cape	4552	4951	5171
National per learner average	4105	4600	4930

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Note: Learner number information in the table above excludes public higher education learners.

In 2004/05, provincial education departments spent on average R4930 per learner, which was 20.1 per cent higher than the consolidated provincial average in 2002/03. If we adjust these figures for inflation, then the 2004/05 number was 9.4 per cent higher than its 2002/03 counterpart. Between 2003/04 and 2004/05, total consolidated per learner expenditure increased by 7.2 per cent from R4600 in 2002 to R4930 in 2004. In real terms, this represents an increase of 3 per cent. We have no known methodology of assessing the adequacy or efficiency of these national averages or their provincial manifestations, which leaves us with a comparison of provincial per learner expenditures with the national average.

Table 8 expresses provincial per learner expenditures as a factor of consolidated provincial education expenditure for the three years between 2002 and 2004.

Table 8: Per learner expenditure in provincial education budgets as a factor of the national per learner average, 2002/03 to 2004/05

Provincial education department	2002/03 (Rands)	Factor of national average	2003/04 (Rands)	Factor of national average	2004/05 (Rands)	Factor of national average
Eastern Cape	4173	1.02	4553	0.99	4718	0.96
Free State	4564	1.11	5277	1.15	5734	1.16
Gauteng	4265	1.04	4853	1.06	5062	1.03
KwaZulu Natal	3619	0.88	4096	0.89	4603	0.93
Limpopo	3871	0.94	4333	0.94	4816	0.98
Mpumalanga	4111	1.00	4712	1.02	4933	1.00
Northern Cape	5231	1.27	5757	1.25	6039	1.23
North West	4403	1.07	4916	1.07	5155	1.05
Western Cape	4552	1.11	4951	1.08	5171	1.05
National averages	4105	1.00	4600	1.00	4930	1.00

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Table 8 does not deviate from findings from earlier years that noted the systematic decline in the share of so-called rich provinces and the unchanged relative position of KwaZulu Natal as the province with the lowest per learner expenditure. The situation with poorer provinces is somewhat more complex. Free State, which is recognised as the

second poorest province in the country, has increased its gain over the national average from 11 per cent in 2002/03 to 16 per cent in 2004/05. Likewise, KwaZulu Natal has reduced its gap from the consolidated provincial average from 12 per cent in 2002/03 to 7 per cent in 2004/05. The same can be said for Limpopo, but Eastern Cape appears to have reversed its gains on the consolidated average. In 2002/02, Eastern Cape spent 2 per cent more than the consolidated average, but in 2004/05, it spent 4 per cent less than the national average. The strong fiscal austerity measures that were introduced in the province may explain this decline, because while this province recorded a real annual growth rate of 5.2 per cent in 2003/04, this was reduced to 0.8 per cent in the following year. Finally, the Northern Cape continued to spend the highest amounts on its learners ranging from a gain of 27 per cent on the consolidated average in 2002/03 to 23 per cent advantage in 2004/05.

While this information in table 8 is extremely useful, summary measures that indicate the relative position of poor provinces as opposed to rich provinces add further information about average input inequality. Table 9 uses three such measures to convey inequality in input ratios generally, and input ratios differences between "rich" and "poor" provinces more specifically.

Table 9: Descriptive inequality measures indicating the relative position of "rich" and "poor" provincial education departments, 2002/03 to 2004/05

Descriptive inequality measures	2002/03	2003/04	2004/05
Coefficient of Variation^{xiii}	0.10	0.10	0.09
Mean absolute deviation^{xiv}	335.71	359.23	344.65
Average per-learner spending of poor provinces as factor of consolidated provincial education average	0.99	1.00	1.01
Average per-learner spending of rich provinces as factor of consolidated provincial education average	1.14	1.13	1.10

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Note: The "poor" provinces are defined as Eastern Cape, Free State, KwaZulu Natal, Limpopo and Mpumalanga. The "rich" provinces are defined as Gauteng, Northern Cape and the Western Cape.

Using provinces' absolute deviation from the consolidated provincial education average (and dividing this number by 9 education departments), this measure would indicate zero if all per learner expenditures were the same. A decrease in this measure would signify provincial education per learner expenditures becoming more uniform. Table 9 shows that between 2003/04 and 2004/05, there has been a 4.1 per cent decline in such measured inequality, even though the number for the middle year (2003/04) contradicts a general decline in inequality. The gains of poor provinces on the consolidated provincial education average had been powerfully facilitated by the above-average expenditure of the Free State education department. Expressed as an average for poor provinces, these gains were however slow and still lagged behind the average for rich provinces. However, rich provinces' gains on the consolidated average had been in decline for some time now. Table 9 merely confirms this fact by indicating that rich provinces' gains were whittled down from 14.0 per cent in 2002/03 to 10.0 per cent in 2004/05. The reductions would have been greater if it hadn't been for the above-average spending by the Northern Cape education department.

Until now, we have examined broad expenditure trends in provincial education budgets without checking how these gains or losses are spread over the service delivery sites, namely programmes. We insist upon the fact that the analysis above affords greater purchase on potential changes in programme funding and ultimately on service delivery.

SECTION 3: AN ANALYSIS OF THE PROPOSED EXPENDITURE PLANS BY PROGRAMME AT THE PROVINCIAL EDUCATION LEVEL

Section 3 is divided into two sub-sections. The first sub-section offers a global picture of programme expenditure and examines consolidated programme growth rates over the present MTEF. No province-specific information is provided and we are merely interested in describing the main expenditure trade-offs between the main service delivery programmes. The second sub-section examines each of the main service delivery programmes by provincial education department. We examine total spending per province, real growth rates, per learner expenditures, and for some programmes, we present transversal expenditure analyses and summary inequality measures.

General overview

Table 10 provides information about consolidated programme expenditure for the period 2005/06 to 2008/09.

Table 10: Consolidated provincial education expenditure by programmes, 2005/06 to 2008/09

Programmes (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Administration	4943345	5224490	5556141	6042095	2.9	1.4	2.3
Public ordinary schools	61332619	65889114	72513303	78801359	5.2	3.1	4.0
Independent schools	346503	370941	412257	457432	7.5	2.7	4.9
Special needs schools	1976092	2260989	2432783	2591636	5.8	9.8	4.7
Further education and training	1543840	2088301	2331493	2663287	12.3	29.8	15.1
Adult basic education and training	704382	798142	923769	1048244	10.8	8.7	9.2
Early childhood development	471140	683809	980150	1315001	22.6	39.3	34.7
Auxiliary and associated services	1615131	1735014	1858041	1945746	10.3	3.1	1.8
Total	72933052	79050800	87007937	94864800	5.5	4.0	4.4

Source: Provincial Budget Statements 2006

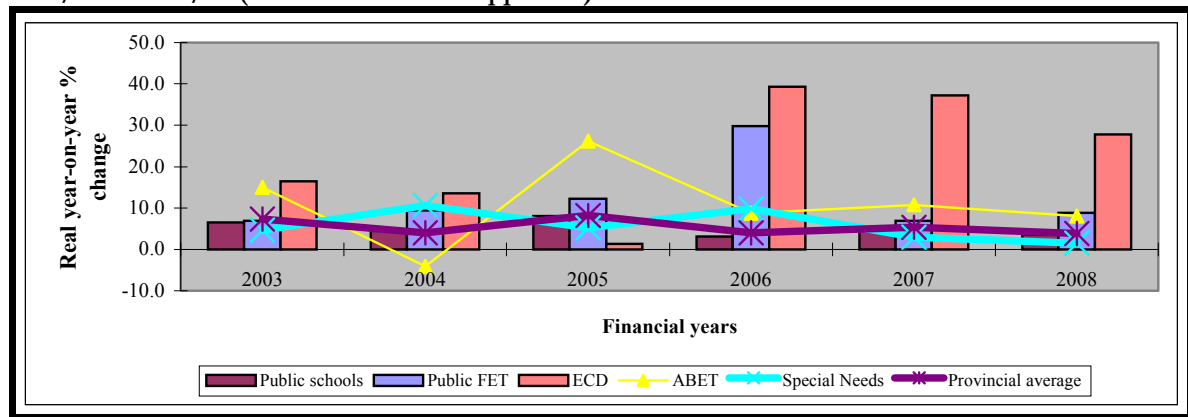
From table 10 we observe that the largest programme, namely public ordinary schools, is projected to grow at a real average annual rate of 4 per cent. Comparing this rate of growth to the consolidated provincial education average annual rate of 4.4 per cent confirms earlier comments about the restriction of growth in this programme. Based on our analysis of expenditure by type, it is clear that such slower growth was made possible by the strong reduction of the wage bill in provincial education departments. The net

effect of a slower real average growth rate for public schools has been a concomitant expansion of early childhood development and further education and training budgets. Further education and training budgets are projected to grow at a real average annual rate of 15.1 per cent, while early childhood development expenditure grows by 34.7 per cent over the same period.

The increases to the further education and training programme largely reflect the introduction of the FET re-capitalisation grant in 2006/07. It would be interesting to see how these budgets perform when one deducts the impact of the grant funding. The universalisation of early childhood development explains the continued push in ECD expenditure, which is predicted to grow on average by 34.7 per cent over the medium term. Here, it would be interesting to observe whether this average growth rate describes the provincial distribution of ECD expenditure well, or if this number is powerfully influenced by a few provinces. We also notice that both the adult basic education and training and special needs budgets are projected to grow over the medium term. Special needs budgets achieve a real average annual growth of 4.7 per cent, while the adult basic education and training programme achieves a 9.2 per cent average growth rate. Given the perennial low prioritisation status of these budgets in provincial education funding, we need to understand whether these averages describe these budgets well or if there are exceptional allocations that distort the average funding picture for these two programmes.

Figure 4 visually represents the main service delivery programmes and records their real average annual growth rates over the period 2002/03 to 2008/09.

Figure 4: The programme expenditure framework in provincial education for the period 2002/03 to 2008/09 (see full table in the appendix)



Source: Provincial Budget Statements 2006

Figure 4 paints a clearer picture of trade-offs than the tables above because it shows how over the entire six-year period, public school budgets achieve growth rates equal to and mostly below the provincial education average. It also shows how public further education and training budgets rapidly increase their gains over the provincial average, especially since the introduction of the FET re-capitalisation grant in 2006/07. We see the same pattern for the early childhood development programme, especially as it moves closer to 2010, the target date for universal implementation of public Grade R. The adult basic education and training programme experiences larger fluctuations than any of the other service delivery programmes, while the special needs education budgets increase sharply in 2006/07, but grow at a moderate rate over the medium-term.

Table 11 uses information about the size of each of these programmes and expresses it as a percentage of consolidated provincial education expenditure for the period 2002/03 to 2008/09.

Table 11: Provincial education programmes as a percentage of consolidated provincial education budgets, 2002/03 to 2008/09

Programmes	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Administration	7.4%	7.4%	6.9%	6.8%	6.6%	6.4%	6.4%
Public ordinary schools	84.5%	83.9%	84.2%	84.1%	83.4%	83.3%	83.1%
Independent schools	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%
Special needs schools	2.7%	2.6%	2.8%	2.7%	2.9%	2.8%	2.7%
Further education and training	1.9%	1.9%	2.0%	2.1%	2.6%	2.7%	2.8%
Adult basic education and training	0.8%	0.9%	0.8%	1.0%	1.0%	1.1%	1.1%
Early childhood development	0.6%	0.6%	0.7%	0.6%	0.9%	1.1%	1.4%
Auxiliary and associated services	1.6%	2.2%	2.1%	2.2%	2.2%	2.1%	2.1%

Source: Estimates of national expenditure 2006

While real annual growth rates provide a sensible way of examining ongoing prioritisation of programmes, table 11 points to the base from which these programmes grow. Public ordinary school budgets still constitute the bulk of consolidated provincial education expenditure and consume on average approximately 84 per cent of resources in the 2002-2005 period. Thereafter, the share of this programme declines to approximately 83 per cent. To put the 1 per cent reduction in context: if in 2006/07, public school budgets are reduced by 1 per cent (R658 million from R65.8 billion), almost the entire early childhood development budget of R683 million would be catered for. This implies a doubling of the early childhood development budgets, if all other budgets remain constant.

Special needs schools remain constant at 2.7 per cent of consolidated provincial education expenditure, while the share of further education and training is increased from 1.9 per cent in 2002/03 to 2.8 per cent in 2008/09. Similarly, early childhood development expenditure is projected to more than double over the six-year period from 0.6 per cent in 2002/03 to 1.4 per cent in 2008/09. The share of adult basic education and training budgets is projected to grow from 0.8 per cent in 2002/03 to 1.1 per cent in 2008/09.

The series of trade-offs could be described in the following manner: public school budgets growth rates are constrained to allow greater growth potential for early childhood development. Based on the "transversal expenditure" analysis on the consolidated provincial education budget, public schools budgets would be allowed to grow to accommodate the roll-out of fee-free schools, thus effectively curtailing the largest expenditure item, namely personnel in public schools. If we take the conditionality of funding into account, the introduction of the FET re-capitalisation grant has swelled the share of further education and training budgets. Given the nature of conditional grant funding, sustained funding for this sector will probably be

incorporated into the provincial equitable shares, thus making further education and training, early childhood development, and complementary non-personnel inputs in public schools the main beneficiaries of the 2006/07 MTEF.

The next section tests these assertions by describing trends within each service delivery programme disaggregated by provincial education department.

An analysis of service delivery programmes

Public Ordinary Schools (POS)

Table 12 provides information on public ordinary school budgets by provincial education for the period 2005/06 to 2008/09.

Table 12: Public ordinary school budgets by provincial education department, 2005/06 to 2008/09

Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	10025174	11144848	12572667	13927504	5.2	6.7	6.7
Free State	3944825	4107436	4368919	4729043	4.0	-0.1	1.6
Gauteng	8575674	9653621	10501033	11329376	5.1	8.0	5.0
KwaZulu Natal	13257966	13944079	15574639	16712953	5.9	0.9	3.3
Limpopo	8672314	9494244	10550212	11669461	6.3	5.1	5.6
Mpumalanga	5071057	5227577	5671021	6104688	5.4	-1.1	1.8
Northern Cape	1212553	1286044	1418015	1540659	4.1	1.8	3.6
North West	5169821	5322468	5681090	6130924	3.9	-1.2	1.2
Western Cape	5403235	5708797	6175707	6656751	4.1	1.4	2.5
Total	61332619	65889114	72513303	78801359	5.2	3.1	4.0

Source: Provincial Budget Statements 2006

Public ordinary school budgets are projected to grow by 3.1 per cent in 2006/07 and at a real average annual rate of 4 per cent over the medium term. In absolute terms, provision for public schools increases from R44.5 billion in 2002/03 to R61.3 billion in 2005/06. By the end of the present MTEF, total allocations to public schools would be R78.9 billion. The lowest real average annual rate is recorded for the North West (1.2%), while the Eastern Cape achieves the highest average annual rate (6.7%). The strong real growth in the Eastern Cape appears to be driven by capital expenditure expansion, while the lower growth in North West relates to slower rates of spending on personnel. Limpopo and Gauteng project real average annual rates of 5.6 per cent and 5 per cent respectively. In the case of Gauteng, a strong injection of capital expenditure is one of the reasons for the growth, while strong increases in current expenditure (especially goods and services) appear to be the driving force behind growth in Limpopo. KwaZulu Natal, which prior to the present MTEF, experienced real average growth rates in the 5 per cent region, projects a 3.3 per cent average growth rate over the medium term. This appears to be linked to a real decline in the average capital expenditure growth rate over the medium-term.

Table 13 uses the information about total public schools budgets in table 12 above and expresses these as shares of consolidated provincial education budgets for the period 2002/03 to 2008/09.

Table 13: Public ordinary school budgets as a percentage of consolidated provincial education budgets, 2002/03 to 2008/09

Province	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	86.0%	85.9%	87.6%	86.9%	85.3%	85.1%	85.3%
Free State	81.3%	80.6%	79.8%	78.0%	77.9%	77.4%	77.7%
Gauteng	79.9%	77.3%	78.1%	79.5%	78.6%	78.7%	78.1%
KwaZulu Natal	88.4%	87.9%	88.3%	87.9%	86.0%	86.6%	86.2%
Limpopo	82.9%	83.1%	83.1%	82.9%	85.8%	86.0%	85.7%
Mpumalanga	87.5%	86.5%	85.0%	85.0%	84.1%	82.1%	80.9%
Northern Cape	79.1%	77.0%	77.1%	77.4%	78.2%	78.7%	78.7%
North West	85.6%	86.8%	86.4%	86.5%	84.4%	84.8%	84.9%
Western Cape	83.6%	83.3%	83.9%	83.1%	81.7%	81.3%	81.1%
National average	84.5%	83.9%	84.2%	84.1%	83.4%	83.3%	83.1%

Source: Provincial Budget Statements 2006

Public ordinary school budgets' claims on consolidated provincial education resources are trimmed from 84.5 per cent in 2002/03 to 83.1 per cent in 2008/09. In 2006/07, the respective shares of provincial education departments range from 77.9 per cent in Free State to 86 per cent in KwaZulu Natal. Three provincial education departments have budget shares that are less than 80 per cent of consolidated provincial education, namely Free State (77.9%), Gauteng (78.6%) and Northern Cape (78.2%). Only three provinces have budget shares that are larger than 85 per cent, namely Eastern Cape (85.3%), KwaZulu Natal (86.0%) and Limpopo (85.8%). Although the share of the Western Cape is slightly above 80 per cent, public schools' shares are trimmed from 83.6 per cent in 2002/03 to 83.1 per cent in 2008/09.

Now that we have examined total investment in public schools budgets, the next logical question concerns the distribution of these resources. We are particularly interested in understanding how the public school expenditure framework complements the consolidated provincial education framework.

Table 14 sets out consolidated public schools budgets by expenditure type for the period 2005/06 to 2008/09.

Table 14: Consolidated provincial education public ordinary school budgets by expenditure type, 2005/06 to 2008/09

R'000	2005/06	2006/07	2007/08	2008/09	Real av. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. change between 2005/06-2008/09 (%)
Current payments	56334024	60460139	66378770	71664281	4.5	3.0	3.6
Compensation	51353961	54647595	58576685	62283121	3.0	2.1	2.0
Goods and service	4976987	5812544	7802084	9381159	20.6	12.1	18.3
Other	3076	0	1	1	N/A	N/A	N/A
Transfers/subsidies	2115813	2558701	2847700	3012913	13.5	16.1	7.8
Provinces and municipalities	176885	91920	82163	87713	17.5	-50.1	-21.0
NGOs	1785716	2253618	2537527	2680932	37.5	21.1	44.3
Households	153145	202163	217010	233248	-6.2	8.9	4.7
Other	67	11000	11000	11020	-5646.6	-142.3	-11299.9
Payments for capital assets	2882782	2870274	3286834	4124166	18.1	-4.4	8.2
Buildings	2769249	2741533	2969198	3533387	20.1	-5.0	4.0
Machinery and equipment	113527	128657	317548	590686	38.8	8.8	74.0
Other	6	84	88	93	N/A	1243.6	414.8
Consolidated provincial education public school budgets	61332619	65889114	72513304	78801360	5.2	3.1	4.0

Source: Provincial Budget Statements 2006

Note: The consolidated provincial education totals in the table above differ by R1000 from the consolidated programme totals for 2007/08 and 2008/09. This has no impact on the calculation of real average growth rates.

Given the centrality of the table above for our analysis of public schools, we discuss the various expenditure categories under separate headings. Province-specific information is also provided to better illuminate the overall trends in public schools expenditure.

Current payments

Current payments are projected to grow by 3 per cent in 2006/07, while sustaining a real average annual growth rate of 3.6 per cent over the medium term. In absolute terms, provision for current payments increases from R42.2 billion in 2002/03 to R56.3 billion in 2005/06. By the end of the present MTEF, total allocations to current payments would be R71.7 billion. There are two main sub-items that require careful analysis, namely "compensation for employees" and "goods and services." Both are crucial items for our substantive understanding of expenditure dynamics in public schools.

Compensation is projected to grow by 2.1 per cent in 2006/07, while sustaining a real average annual growth rate of 2 per cent over the medium term. In absolute terms, provision for compensation increases from R39.8 billion in 2002/03 to R51.4 billion in 2005/06. By the end of the present MTEF, total allocations to compensation would be R62.3 billion. The same comments we made about the multi-year wage agreement and its restraining influence on aggregate totals apply to the public schooling programme. In

fact, there is no difference between the consolidated provincial education budget and the consolidated public schools budget in inflation-adjusted changes to compensation in 2006/07 and over the medium term. This is the best indicator of how the personnel challenges of provincial education departments are in fact equal to the wage challenges of teachers in public schools.

The largest real average annual growth rate (3.6%) is projected for Gauteng, while the North West (0.0%) projects no real change to its personnel provisioning strategy over the medium term. There are two provinces that project growth rates below 1.0 per cent, namely Free State (0.5%) and North West (0.0%). KwaZulu Natal is the only other province that projects to spend 3 per cent more on average on personnel, while the Western Cape (1.8%) and Limpopo (2.0%) project similar growth rates. Eastern Cape (1.5%), Mpumalanga (1.2%) and the Northern Cape (1.3%) also project very similar real average annual growth rates.

Payments *for goods and services* are projected to grow by 12.1 per cent in 2006/07, while sustaining a real average annual growth rate of 18.3 per cent over the medium term. In absolute terms, provision for goods and services increases from R2.3 billion in 2002/03 to R5 billion in 2005/06. By the end of the present MTEF, total allocations to goods and services would be R9.4 billion. The significance of "goods and services" is located in the fact that it includes provision for complementary educational items that are regarded as vital for the overall quality of education in schools. Because the bulk of South African schools' allocations are still managed by their respective education departments, we can directly trace the impact of increases to the school allocations through the goods and services item. There are of course other categories of expenditure that are covered by goods and services and section 21 school allocations would also not be reflected here, but it can still be used as a broad barometer of trends in school-level expenditure.

All nine provinces project positive real average annual growth rates over the medium term. Positive increases range from 5 per cent in the North West to 36.9 per cent in the Northern Cape. Five provinces project to increase expenditure on the goods and services item by more than 20 per cent, namely the Eastern Cape (23.2%), Gauteng (24.2%), Western Cape (27.3%), Limpopo (28.9%), and Free State (29.4%). The Northern Cape is the only province that projects to increase expenditure on goods and services by more than 30 per cent. Although all provinces project positive **average** growth rates, KwaZulu Natal projects annual declines in 2006/07 (14.9%) and 2008/09 (4.8%). It manages to achieve an overall positive average because of the strength of the annual growth figure in 2007/08 (73.4%).

Transfer payments

Transfer payments are projected to grow by 16.1 per cent in 2006/07, while sustaining a real average annual growth rate of 7.8 per cent over the medium term. In absolute terms, provision for transfer payments increases from R1.1 billion in 2002/03 to R2.1 billion in 2005/06. By the end of the present MTEF, total allocations to transfer payments would be R3.0 billion. As expected, the phasing-out of the regional services levy has an adverse impact on transfers to provinces and municipalities, which sustain a real average annual decline of 21 per cent. Given the termination of this funding, no province-specific analyses are conducted.

The only other significant sub-item concerns the *transfers to non-profit organisations*. In the context of public schools budgets, these refer to school-level expenditure for section-21 schools and transfers to non-profit organisations that are involved in the implementation of the school nutrition grant. Provisions for school-level expenditure for non-section 21 schools would be done through "goods and services" under current payments. Transfer payments to non-profit organisations are projected to grow by 21.1 per cent in 2006/07, while sustaining a real average annual growth rate of 44.3 per cent over the medium term. In absolute terms, provision for transfers to non-profit organisations increases from R719.7 million in 2002/03 to R1.8 billion in 2005/06. By the end of the present MTEF, total allocations to transfers to non-profit organisations would be R2.7 billion. We have already established that the school nutrition programme grows at a slower real average annual rate compared to previous years, and thus one would assume that part of the real growth is caused by the introduction of fee-free schools. Many provincial education departments (especially the large ones) have moved towards enabling poor schools to receive transfers directly, in spite of the fact that they have not been judged competent on the entire provisions of section 21 in the South African Schools Act of 1996. This means that a significant portion of these transfers is recorded as transfers to non-profit organisations.

Province-specific patterns indicate that three provinces project negative real average annual growth rates over the medium-term, namely Free State (2.7%), Gauteng (5.1%), and the Western Cape (3.3%). It is almost certain that these declines relate to provisions for the school nutrition programme. For the remaining six provinces that project positive three-year growth rates, the lowest average growth is projected for KwaZulu Natal (0.2%), while the highest average rate of 48.6 per cent is projected for the Eastern Cape. In the Eastern Cape alone, transfers to non-profit organisations grow from R177.2 million in 2005/06 to R594.6 million in 2008/09.

Capital payments

Payment for capital assets is projected to decline by 4.4 per cent in 2006/07, while sustaining a real average annual growth rate of 8.2 per cent over the medium term. In absolute terms, provision for capital payments increases from R1.2 billion in 2002/03 to R2.8 billion in 2005/06. By the end of the present MTEF, total allocations to capital expenditure would be R4.1 billion. Our main interest is located in the "buildings and fixed structures" item because this communicates provincial education departments' available margins for investment in school buildings and classrooms. Buildings and other fixed structures are projected to decline by 5 per cent in 2006/07 while growing at a real average annual rate of 4 per cent over the medium term. In absolute terms, provision for buildings and fixed structures payments increases from R959.1 million in 2002/03 to R2.8 billion in 2005/06. By the end of the present MTEF, total allocations to buildings and fixed structures would be R3.5 billion.

Five provincial education departments project a real average annual decline on the buildings and fixed structures item, while three provinces project strong average growth over the medium-term. In the case of one province, namely the Northern Cape, provision for buildings and fixed structures is made in the auxiliary and associated services programme. However, from an analysis of total capital expenditure, we know that Northern Cape also projects real negative declines on capital expenditure over the present MTEF. Real average annual declines on buildings and fixed structures range from 1.4 per cent in Mpumalanga to 36 per cent in the Western Cape. Free State also

suffers heavily as it projects a real average annual decline of 13.1 per cent, while KwaZulu Natal projects an average decline of 4.1 per cent. Because of the dominance of the public schooling programme, most of the reasons advanced for the decline in capital expenditure are the same as those discussed in the analysis of consolidated provincial education expenditure patterns.

Positive real average growth ranges from 10.2 per cent in North West to 59.9 per cent in the Eastern Cape. Gauteng also pitches in with a real average annual growth rate of 12.4 per cent. The Eastern Cape has had tremendous successes in spending its capital allocations over the last few years, and the latest allocations would confirm the province's confidence in its education department to deliver similar results. In Gauteng, adjustments to the personnel budget meant that the capital expenditure was slashed heavily in 2005/06. In that year, capital expenditure declined by 17.9 per cent. The large real increase of 18.9 per cent in 2006/07 restores the real level of spending prior to the 2005/06 financial year. While Gauteng's overall capital expenditure is positive over the medium term, there is another real dip of 3.3 per cent in 2007/08. Like all the other provinces, changes to capital expenditure impact badly on their ability to attack maintenance and infrastructure backlogs in a systematic manner.

Table 15 uses the same information as table 14 above but re-expresses each of the expenditure categories as a percentage of consolidated provincial public school budgets for the period 2002/03 to 2008/09.

Table 15: Consolidated provincial education public ordinary school budgets by expenditure type as a percentage of total public school budgets, 2002/03 to 2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	94.7%	92.8%	92.6%	91.9%	91.8%	91.5%	90.9%
Compensation	89.4%	86.8%	86.0%	83.7%	82.9%	80.8%	79.0%
Goods and service	5.3%	6.0%	6.7%	8.1%	8.8%	10.8%	11.9%
Transfers/subsidies	2.5%	3.4%	3.7%	3.4%	3.9%	3.9%	3.8%
Provinces and municipalities	0.1%	0.2%	0.3%	0.3%	0.1%	0.1%	0.1%
NGOs	1.6%	2.1%	3.0%	2.9%	3.4%	3.5%	3.4%
Households	0.7%	0.7%	0.3%	0.2%	0.3%	0.3%	0.3%
Other	0.1%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%
Payments for capital assets	2.8%	3.9%	3.7%	4.7%	4.4%	4.5%	5.2%
Buildings	2.2%	2.8%	3.5%	4.5%	4.2%	4.1%	4.5%
Machinery and equipment	0.7%	1.0%	0.2%	0.2%	0.2%	0.4%	0.7%
Consolidated provincial education public school budgets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Provincial Budget Statements 2006

Current payments are projected to decline from 94.7 per cent in 2002/03 to 91.9 per cent in 2005/06. By the end of the present MTEF (2008/09), current payments are projected to consume 90.9 per cent of consolidated public school resources. These declines are caused by the strong declines in percentage shares of compensation, which declines from 89.4 per cent in 2002/03 to 83.7 per cent in 2005/06. By the end of the present MTEF, compensation would constitute only 79 per cent of total claims on consolidated public

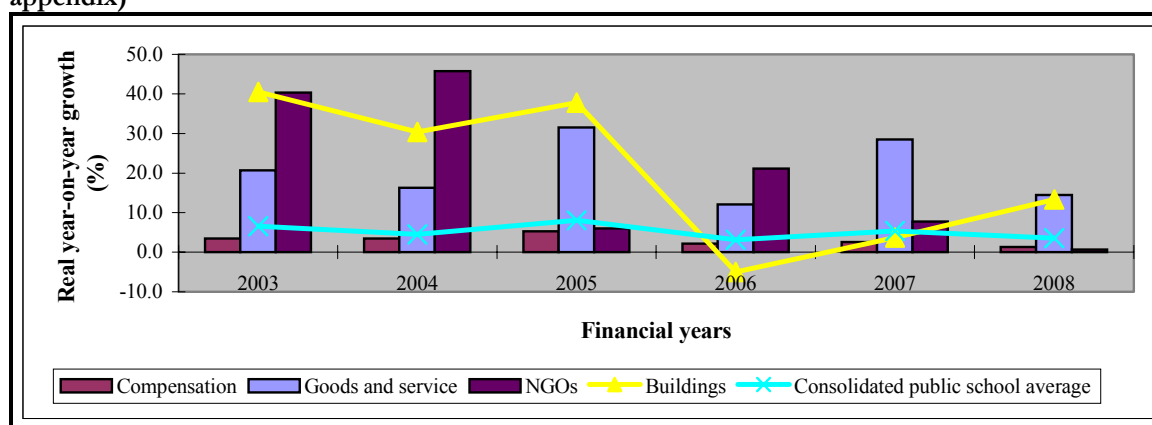
school budgets. Let's put these reductions into perspective: if we calculate a one-per cent reduction in compensation on the 2006/07 allocation, it amounts to R513.5 million. That amounts to 75 per cent of the total early childhood development allocation in 2006/07 and 64 per cent of the total adult basic education and training allocation in 2006/07. Over the six-year period in table 15 above, goods and services more than double its collective share of consolidated public school resources. These allocations grow from 5.3 per cent in 2002/03 to 11.9 per cent in 2008/09.

The share of transfer payments is increased from 2.5 per cent in 2002/03 to 3.8 per cent in 2008/09. The main driver of these positive changes is transfers to non-profit organisations, which are projected to grow from 1.6 per cent in 2002/03 to 2.9 per cent in 2005/06. By the end of the present MTEF, it is projected to consume 3.4 per cent of consolidated public school resources. Although the shares of this item have more than doubled over the six-year period, most of the robust growth took place between 2002/03 and 2005/06, which we know was a vital growth period for the school nutrition grant. It also coincided with attempts to grow school-level expenditures in public schools. Transfers to households maintain a stable share of 0.3 per cent of consolidated public school expenditure.

The share of capital expenditure is projected to increase from 2.8 per cent in 2002/03 to 4.7 per cent in 2005/06. By the end of the present MTEF, capital expenditure is projected to consume 5.2 per cent of consolidated public school budgets. Although the share of capital expenditure is almost doubled over the six-year period, most of the positive changes happened over the 2002/03 to 2005/06 period. Due to strong negative declines in five provincial education departments, the share of capital expenditure is actually reduced in 2006/07 (0.3% decline), kept constant at this reduced level in 2007/08, and achieve small growth from its reduced share in 2008/09.

Figure 5 charts the real year-on-year growth rates of the key expenditure categories defining public school budgets for the period 2002/03 to 2008/09.

Figure 5: Real year-on-year growth of selected categories of expenditure in consolidated provincial education public schools budgets, 2002/03 to 2008/09 (see full table in appendix)



Source: Provincial Budget Statements 2006

The expenditure framework represented above looks the same as the consolidated provincial education framework because of the preponderance of the public school programme. We note for example that compensation follows the same pattern as

consolidated provincial education expenditure in that compensation rates are either equal to or just below total provincial expenditure. Also, goods and services consistently achieve real growth rates far beyond the public schools average for all the years represented above. While the similarities between consolidated provincial education and consolidated public school budgets are obvious, there are differences, most notably related to the exclusion of key conditional grants. For example, Figure 5 shows that although transfers to non-profit organisations grew strongly between the 2002 and 2005 academic years, much reduced rates of growth are projected for the present MTEF. This is one of the areas where the public schools programme deviates from overall provincial education expenditure, because it does not take into account new funds through the further education and training re-capitalisation grant. The buildings and fixed structures item clearly shows the large dip in allocations in 2006/07 and it is also clear that this category is not projected to achieve growth rates in the present MTEF that are comparable with the pre-2006 period.

Now that we know the absolute size of public school budgets and how expenditure categories are distributed in these budgets, we need to know how aggregate inputs affect expenditure for the average learner. Does the present expenditure framework further reduce input inequalities among provincial education departments?

Table 16 presents information on per learner expenditure by provincial education department as a factor of the national per learner average for the period 2002/03 to 2005/06.

Table 16: Per learner expenditure in public ordinary school budgets by provincial education department as a factor of the national per learner average, 2002/03 to 2004/05

Province	2002/03 (Rands)	Factor of national average	2003/04 (Rands)	Factor of national average	2004/05 (Rands)	Factor of national average	2005/06 (Rands)	Factor of national average
Eastern Cape	3811	0.99	4155	0.97	4375	0.95	4601	0.89
Free State	4129	1.08	4769	1.12	5183	1.13	6020	1.17
Gauteng	4347	1.13	4804	1.13	4919	1.07	5361	1.04
KwaZulu Natal	3393	0.89	3810	0.89	4305	0.94	4954	0.96
Limpopo	3407	0.89	3818	0.90	4270	0.93	4599	0.89
Mpumalanga	3798	0.99	4346	1.02	4528	0.99	5678	1.10
Northern Cape	4774	1.25	4983	1.17	5215	1.14	5838	1.13
North West	4221	1.10	4771	1.12	5018	1.09	6183	1.20
Western Cape	4384	1.14	4753	1.11	5026	1.10	5688	1.10
National per learner Averages	3830	1.00	4265	1.00	4587	1.00	5162	1.00

Source: Statistics At A Glance, 2002 to 2005 (Department of Education) and Provincial Budget Statements 2006

Between 2002/03 and 2005/06, the average learner expenditure is projected to grow by approximately 35 per cent. If we adjust this number for inflation and using 2005/06 as a base year, average learner expenditure is projected to grow by approximately 18 per cent. In 2005/06, two provinces are projected to spend more than R6000 on each of their public school learners. Free State projects to spend R6020 while the North West projects to spend R6183. The Free State's gain on the national average is approximately 17 per cent while that of the North West is approximately 20 per cent. In both provinces, the strong gains (and unexpected in the case of North West) were made possible by learner reductions. Free State learner numbers indicate a reduction in learner numbers of 22 186, while North West lost 55 495 learners in 2005/06. This contrasts sharply with the

Northern Cape that gained approximately 1200 learners in 2005/06, and which slashed its gains over the national average to 13 per cent. These changes further confirm our suspicion about the essentially fluid nature of average learner numbers and the resultant need to interpret these with great caution.

Observing per learner expenditure over the four-year period represented above, we note four major groupings. The first grouping experiences consistent negative declines on their learner expenditure averages expressed as factors of the national per learner average. These provinces are the Eastern Cape, Gauteng, Northern Cape and the Western Cape. The last three provinces in this group fall under the so-called affluent provinces and we have noted such declines in earlier reviews of provincial education budgets. The second grouping experiences positive growth on per learner averages as a factor of national per learner averages. These provinces are the Free State and North West. The reasons for their improvement in relative position relates to real increases in budget allocations and decline in learner numbers. In the case of Free State, reductions in learner numbers were experienced in each of the years represented in table 16, while in North West, the corresponding reduction in learner reductions happened in two of the three years between 2002 and 2005. The third grouping contains only KwaZulu Natal, because although its relative position was unchanged in 2002 and 2003, it experienced an improvement in relative position in 2004/05, and projects to continue such progress in 2005. The final grouping contains the two provinces of Limpopo and Mpumalanga. They are distinct in that there is no clear pattern in their relative positions for the three-year period represented in table 16. Both these provinces experience changes in learner numbers over this period, but there is no one-to-one relationship between these changes and their relative position in the provincial distribution. This suggests that real growth of their budgets must also be taken into account in explaining their changing relative positions.

While table 16 may represent significant changes, average learner expenditure remains an almost intractable number to interpret. In addition, reductions in the budgets of the affluent provinces and their worsening relative position do not fully take into account established infrastructure and other educational advantages of the urban provinces. The same could be said about the improving relative position of Free State and North West, which appear to be almost entirely related to changes in learner numbers. There is no evidence of a central hand or any policy initiative behind these numbers and therefore one should continue to interpret these with great caution. It is our view that at a minimum, one cannot begin to claim policy success from such numbers because this presupposes "planning" for the eventual coalescing of these numbers at a pre-specified point. Our annual review of education budgets in 2005 made it clear that these numbers will continue to change in unplanned and unpredictable ways.

What picture would emerge if we combine these numbers into some summary measure that indicates overall input inequality? Table 17 presents three such measures. In last year's annual review, we did not include Free State in the list of poor provinces. In the present edition, we have ignored *its high per learner expenditure in education* and justified its inclusion on the basis that it is the second poorest province in South Africa.

Table 17 Descriptive inequality measures for the public ordinary schooling sector, 2002/03 to 2005/06

Descriptive measures	2002/03	2003/04	2004/05	2005/06
Coefficient of Variation	0.11	0.09	0.08	0.10
Mean absolute deviation	379.63	387.16	347.08	495.22
Average per-learner spending of poor provinces as factor of national average	0.97	0.98	0.99	1.00
Average per-learner spending of rich provinces as factor of national average	1.18	1.18	1.10	1.09

Source: Statistics At A Glance, 2002 to 2005 (Department of Education) and Provincial Budget Statements 2006

The first two measures address the relative concentration or dispersion of the nine provincial learner averages for each of the four years. Both appear to indicate a reduction in input inequality for the first three years, but the fourth year is projected to see an increase in inequality again. While these measures are useful, the last measure, which represents average gains/deficit of education departments relative to the national per learner average, is most illustrative of broader input inequality patterns in public schools. The inclusion of Free State in the poor province category has a positive impact on our description of the relative position of poor provinces. If excluded, poor provinces' deficit on the national per learner average would be 4.0 per cent higher than what is reported in table 17. In table 17, we observe that using latest available learner numbers and budgets in 2005/06, poor provinces' spending are on par with the national learner expenditure average. We also know that this unfortunately hides the large net advantage of Free State over the national average, which suggests that the gap between the rich and the poor provinces is probably more than 10.0 per cent in 2005/06.

The provinces of Gauteng, Northern Cape and the Western Cape spent on average 18.0 per cent more than the national per learner average in 2002 and 2003, while corresponding figures for the last two years indicate a net advantage of approximately 10.0 per cent. One natural question that follows from these comparisons can be formulated thus: to what point must the resource advantage of rich provinces be shrunk to obtain a so-called "pro-poor" perspective in education? Or alternatively, what must be the net gain of poor provinces for a similarly desirable situation to emerge? Broader statements of reductions in input inequality among provinces are increasingly problematic: apart from the aggregate bias we address above, there are real questions about the concrete point at which inter-provincial per learner allocations should be regarded as "pro-poor." In the absence of any meaningful definition of substantive benchmarks for per learner expenditure, provincial per learner expenditures in public schools continue to drift around in an undefined manner.

Special needs schools programme

Table 18 provides information about the real growth rates of special needs budgets by provincial education department for the period 2005/06 to 2008/09.

Table 18: Special needs education budgets by provincial education department, 2005/06 to 2008/09

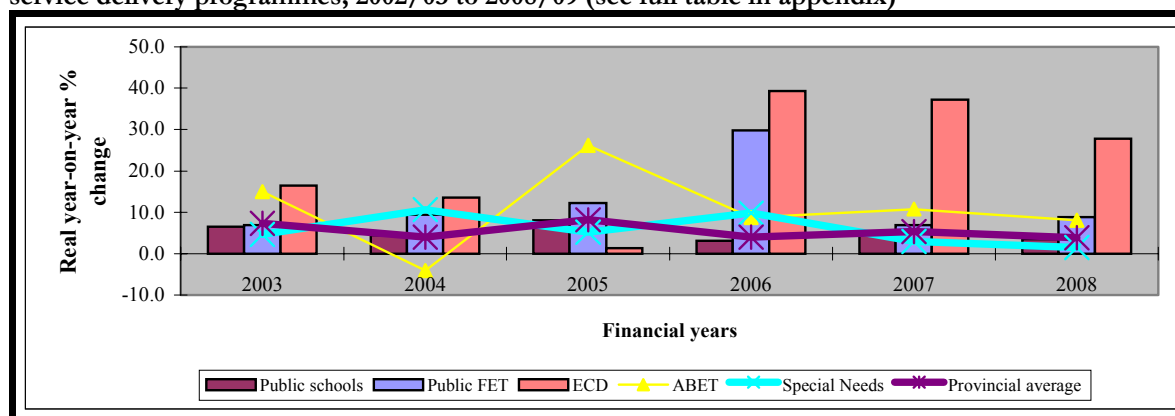
Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	231370	334487	399178	437648	13.9	38.7	19.1
Free State	148973	159803	168885	177862	4.3	2.9	1.5
Gauteng	602701	638731	676923	717406	6.7	1.7	1.4
KwaZulu Natal	258526	298711	315915	338029	3.3	10.9	4.7
Limpopo	146149	183482	187034	195509	8.7	20.5	5.9
Mpumalanga	87368	92010	97360	103451	5.0	1.1	1.2
Northern Cape	47093	51248	54469	57880	4.2	4.4	2.4
North West	89626	120077	127370	133369	7.1	28.6	9.9
Western Cape	364286	382440	405649	430482	1.5	0.8	1.1
Total	1976092	2260989	2432783	2591636	5.8	9.8	4.7

Source: Provincial Budget Statements 2006

Special needs school budgets are projected to grow by 9.8 per cent in 2006/07 while sustaining a real average annual growth rate of 4.7 per cent over the medium term. In absolute terms, provision for special needs schools in education increases from R1.4 billion in 2002/03 to R2 billion in 2005/06. By the end of the present MTEF, total allocations to special needs education budgets would be R2.6 billion. The largest real average annual growth rate is projected for the Eastern Cape (19.1%) while the lowest average rate is projected for the Western Cape (1.1%). Four provinces project to increase expenditure on special needs programme by less than 2 per cent. These provinces are Free State (1.5%), Gauteng (1.4%), Mpumalanga (1.2%), and the Western Cape (1.1%). Given the annual revisions to salary to accommodate inflation, there must be a real worry that such changes will in fact lead to a decline in real expenditure. KwaZulu Natal, Limpopo and North West project to spend between 4.7 per cent and 9.9 per cent on average over the next three years.

Figure 6 contextualises these numbers in the context of growth rates of other service delivery programmes. We do this to understand trends relating to the relative prioritisation of special needs education budgets.

Figure 6: The relative prioritisation of the special needs programme versus other main service delivery programmes, 2002/03 to 2008/09 (see full table in appendix)



Source: Provincial Budget Statements 2006

It is instructive to note that for four of the six years, the special needs school programme recorded and projected real annual growth rates below the consolidated provincial education average. As we see below in table 19, in 2006/07 where the highest annual growth rate is recorded, only four of the nine provinces make a genuine contribution to this average. Early childhood development and public further education and training achieve higher annual growth rates for each of the years represented in figure 6 above. Although adult basic education and training estimates are highly variable, over the present MTEF, even this programme performs better than the special needs education programme. This is cause for concern and reflects delays in the finalisation of norms and standards for the sector and the genuinely low prioritisation this programme enjoys in official policy circles.

Table 19 presents the real annual growth rates for the special needs education programme by provincial education department for the period 2002/03 to 2008/09.

Table 19: Real year-on-year growth rate of special needs education budgets by provincial education department for the period 2002/03 to 2008/09 (%)

Province	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	11.8	-5.6	19.7	38.7	14.2	4.4
Free State	14.3	0.0	7.3	2.9	1.1	0.3
Gauteng	3.8	25.2	7.1	1.7	1.4	0.9
KwaZulu Natal	3.2	4.3	-2.0	10.9	1.2	1.9
Limpopo	0.1	31.9	2.4	20.5	-2.5	-0.4
Mpumalanga	12.5	5.4	8.5	1.1	1.3	1.2
Northern Cape	4.2	14.2	-0.8	4.4	1.7	1.2
North West	-8.6	21.7	-0.1	28.6	1.5	-0.3
Western Cape	2.5	1.9	1.3	0.8	1.5	1.1
Consolidated provincial special education average	4.6	10.6	5.2	9.8	3.0	1.5

Source: Provincial Budget Statements 2006

Table 19 shows that apart from the sharp increase in 2006/07, outer years of the present MTEF project significantly lower annual growth rates. We see for example that the growth rate is reduced from 9.8 per cent in 2006/07 to 3 per cent in 2007/08, and by the end of the MTEF, special needs are projected to grow by a meagre 1.5 per cent. We also

observe that in 2006/07, the four provinces of Eastern Cape (38.7%), KwaZulu Natal (10.9%), Limpopo (20.5%) and North West (28.6%) are the only ones driving the consolidated average growth rate in 2006/07.

In 2007/08, it is only the Eastern Cape that appears to make a meaningful contribution to the annual growth rate, while in 2008/09, even the Eastern Cape's rate of growth is reduced. Two provinces, namely Limpopo (0.4%) and North West (0.3%) project small real declines on their special needs budgets. The data above confirm that in spite of large and unexpected increases in 2006/07, special needs education budgets have maintained their overall position of low prioritisation in consolidated provincial education funding.

Table 20 considers the ratio of special needs education budgets and learner numbers and presents per learner expenditure for the period 2002/03 to 2004/05. It also considers each per learner expenditure as a factor of the consolidated special needs average.

Table 20: Per learner spending on special needs education budgets by provincial education department as a factor of consolidated per learner averages, 2002/03 to 2004/05

Province	2002/03 (Rands)	Factor of national average	2003/04 (Rands)	Factor of national average	2004/05 (Rands)	Factor of national average
Eastern Cape	18006	1.01	23521	1.23	22093	1.06
Free State	26379	1.48	26757	1.40	22524	1.08
Gauteng	14109	0.79	13520	0.71	16019	0.77
KwaZulu Natal	19105	1.07	22039	1.15	23924	1.15
Limpopo	20757	1.16	16897	0.89	23202	1.11
Mpumalanga	23839	1.34	24078	1.26	31524	1.51
Northern Cape	5575	0.31	26305	1.38	30346	1.45
North West	15038	0.84	17178	0.90	21766	1.04
Western Cape	28132	1.58	23613	1.24	24694	1.18
Total	17821	1.00	19086	1.00	20870	1.00

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Before examining the figures in table 20, we would like to draw attention to the magnitude of the difference in average learner expenditures for the Northern Cape. In spite of repeated attempts to clarify the difference between the 2002/03 per learner expenditure and subsequent figures for 2003/04 and 2004/05, we were unable to verify whether the reduction in learner numbers from 6254 in 2002/03 to 1457 in 2003/04 reflects a data error. Given this uncertainty, we avoid interpreting both the national per learner average in 2002/03 and Northern Cape's average learner expenditure in the same year.

Table 20 shows that the average learner expenditure in special needs is approximately four times the size of public ordinary school averages. Special needs education is an expensive enterprise and in 2003/04, more than R19 000 on average was invested in each learner. Only three provinces spent below the national average in 2003/04, namely Gauteng (29% less), Limpopo (11% less) and North West (10% less). The highest learner averages were recorded for Free State, which spent 40 per cent more than the national average, while KwaZulu Natal (15%) recorded the smallest gains on the national average.

In 2004/05, the mantle of the highest learner average was taken over by Mpumalanga, which managed to spend 51 per cent more than the national average. Only Gauteng managed to spend less than the national average, but we note that this pattern was maintained for the three years in table 20 above. While the North West spent below the national average in 2002/03 and 2003/04, it managed to record a narrow gain of 4 per cent on the national average in 2004/05. Free State records the largest decline in average learner expenditure. In 2002/03, this province recorded a 48 per cent advantage over the national average, but this was reduced to just 8 per cent in 2004/05.

Public further education and training colleges (public FET)

Table 21 provides information about public further education and training budgets for the period 2005/06 to 2008/09.

Table 21: Public further education and training budgets by provincial education department, 2005/06 to 2008/09

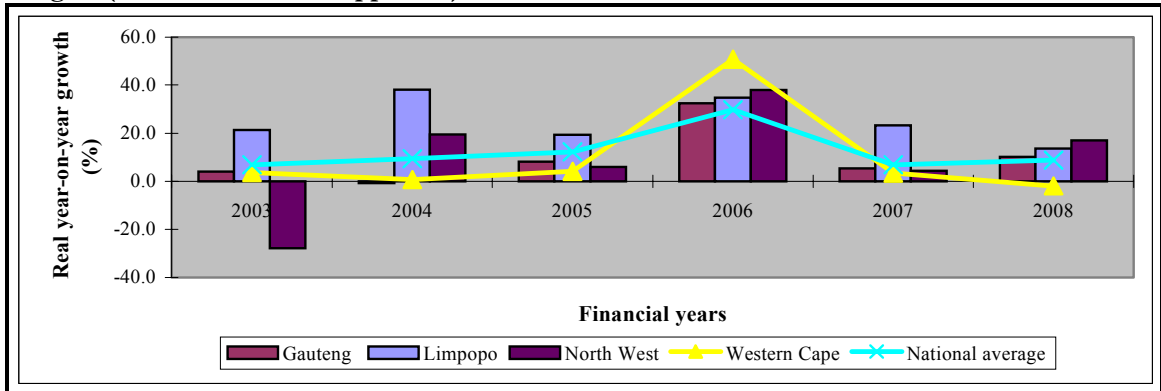
Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	198867	267965	296255	350366	12.8	29.3	15.9
Free State	152000	155784	169339	192614	5.1	-1.6	3.6
Gauteng	351031	484695	534139	618155	9.9	32.5	16.1
KwaZulu Natal	286350	393153	430701	500730	17.6	31.8	15.8
Limpopo	166868	234433	301997	360188	25.1	34.8	23.9
Mpumalanga	118247	157099	171746	177850	14.2	27.5	10.2
Northern Cape	31133	28910	30291	31611	0.1	-10.9	-3.7
North West	74005	106403	116091	142646	9.5	38.0	19.8
Western Cape	165339	259859	280934	289127	10.2	50.8	17.4
Total	1543840	2088301	2331493	2663287	12.3	29.8	15.1

Source: Provincial Budget Statements 2006

Public further education and training budgets are projected to grow by 29.8 per cent in 2006/07 while sustaining a real average annual growth rate of 15.1 per cent over the medium term. In absolute terms, provision for public FET budgets increases from R1.0 billion in 2002/03 to R1.5 billion in 2005/06. By the end of the present MTEF, total allocations to public FET budgets would be R2.7 billion. Real average annual growth rates vary from a negative growth rate for the Northern Cape (3.7%) to positive growth of 23.9 per cent for the Limpopo province. As a sign of the positive real increases to public FET budgets, six of the nine provincial education departments project a real average annual rate above 10 per cent. Most prominent are Limpopo (23.9%), North West (19.8%), Western Cape (17.4%) and Gauteng (16.1%). Given our consistent remarks about the low level of prioritisation of public FET colleges in the latter provinces, the recent changes are welcomed.

Figure 7 provides more detail about these growth rates by providing annual growth rates for the period between 2002/03 and 2008/09. The provinces of Gauteng and Western Cape were selected because of our consistent focus on these provinces in the past, while North West and Limpopo were chosen because of their relative high average annual growth rates.

Figure 7: Real year-on-year growth rates of selected public further education and training budgets (see full table in the appendix)



Source: Provincial Budget Statements 2006

Figure 7 shows that the fundamental change to the budgets of the provinces happens in the present financial year (2006/07). All four provinces project to spend above the consolidated public FET average of 29.8 per cent with Western Cape projecting a particularly strong annual growth of approximately 51 per cent. The rest of the provinces project annual growth rates in 2006/07 that vary between 32.5 per cent in Gauteng and 38 per cent in the North West. The initial introduction of the re-capitalisation grants makes a huge impact on present budgets. Once the new base has been laid, more realistic projections in the two outer years follow, although Limpopo continues to project above-average growth for the outer years. In 2007/08, Limpopo projects to increase its public FET budget by 23.3 per cent, while in the final year of the present MTEF, projections are made for a 17 per cent increase. In 2008/09, Western Cape projects a negative decline of 2 per cent, while Gauteng (10.2%) and North West (17.0%) pick up gain on the positive expenditure projections of 2006/07.

Now that we have established the broadly positive nature of growth in allocations for public FET institutions, analyses are needed on the distribution of these funding benefits. Table 22 considers expenditure in public further education and training institutions by type of expenditure for the period 2005/06 to 2008/09.

Table 22: Consolidated public further education and training budgets by type of expenditure by provincial education department, 2005/06 to 2008/09

R'000	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Current payments	1180278	1321225	1441204	1589050	5.4	7.4	5.6
Compensation	1158252	1225145	1333366	1442930	4.5	1.5	2.9
Goods and service	22026	96080	107838	146120	50.0	318.6	118.4
Transfers/subsidies	294419	653585	732811	865853	43.6	113.0	44.3
Provinces and municipalities	4653	1478	1428	1510	19.5	-69.5	-25.5
NGOs	284695	644310	723091	855584	47.9	117.2	45.8
Households	5071	6227	6643	7028	1698.6	17.8	6.9
Other	0	1570	1649	1731	N/A	N/A	N/A
Payments for capital assets	69143	113491	157478	208384	121.8	57.5	38.8
Buildings	68688	100901	128948	155555	179.6	41.0	26.1
Machinery and equipment	450	12590	28530	52829	5331.1	2585.0	926.1
Other	5	0	0	0	N/A	-100.0	N/A
Consolidated further education and training budgets	1543840	2088301	2331493	2663287	12.3	29.8	15.1

Source: Provincial Budget Statements 2006

Table 22 provides a succinct description of the planned changes to public FET budgets over the present medium-term. Current payments are projected to grow by 7.4 per cent in 2006/07 at a real average annual growth rate of 5.6 per cent over the medium term. These positive changes are not primarily absorbed by personnel, but also reflect larger allocations for the *goods and services* item. As far as we can tell, it appears that Free State has recorded its FET re-capitalisation grant under the goods and services item. Goods and services, transfers to non-profit organisations, and capital expenditure have been used to record the FET re-capitalisation grant.

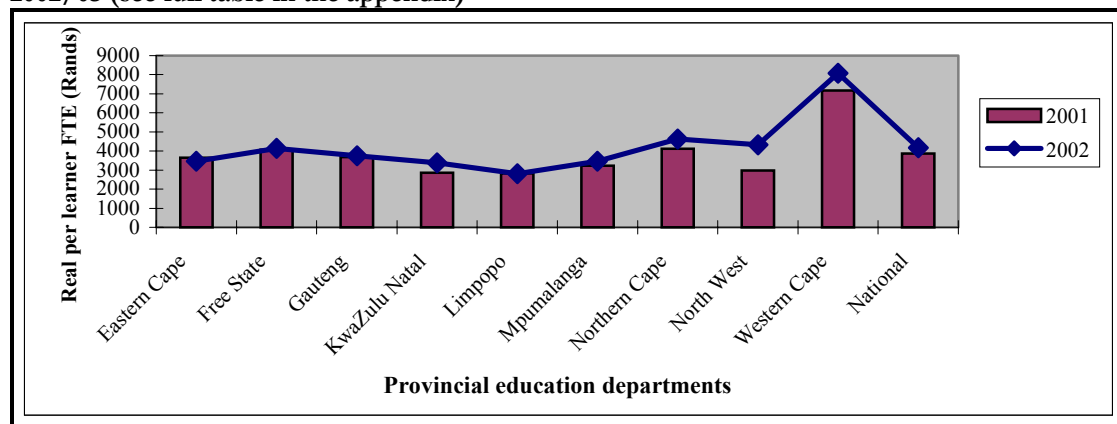
Examining changes in both the transfers and subsidies category and the capital expenditure category, it would appear that the bulk of the re-capitalisation funds are recorded as transfers to non-profit organisations. Total transfers and subsidies are projected to grow by 113.0 per cent in 2006/07, while sustaining a real average annual growth rate of 44.3 per cent over the medium term. In absolute terms, provision for transfers increases from R105.5 million in 2002/03 to R294.4 million in 2005/06. By the end of the present MTEF, total allocations to transfers and subsidies would be R865.9 million.

Transfers and subsidies are powerfully determined by *transfers to non-profit organisations* (mostly FET institutions) and are projected to grow by 117.2 per cent in 2006, while sustaining a real average annual growth rate of 45.8 per cent over the medium term. From the data at our disposal, we know that Free State, Limpopo, Mpumalanga, Northern Cape and North West have not used this budget line item to reflect the new FET re-capitalisation grant. For the remaining provinces, the real average annual growth

rates vary between 61.1 per cent in KwaZulu Natal and 111.2 per cent in Gauteng. The Eastern Cape projects a real average annual rate of 84.5 per cent. *Capital expenditure* grows by 57.5 per cent in 2006/07 and sustains a real average annual growth rate of 38.8 per cent over the medium term. Limpopo projects to increase capital expenditure by 22.1 per cent in 2006/07, while sustaining a real average annual growth of 66.1 per cent over the medium term. North West projects a real average annual rate growth of more than 1000 per cent, but this does not adequately capture the changes associated with the introduction of the FET grant. Because there was almost no actual spending on the capital expenditure category, the introduction of the FET grant provides hyper-inflated values, even though grant values in North West are comparable to most other provinces.

Figure 8 provides information on expenditure per full-time equivalent for the 2001/02 and 2002/03 financial years. It is obviously more desirable to have access to learner data that span the 2002 to 2005 period to be able to visibly track changes associated with the introduction of the FET re-capitalisation grant. Headcount enrolments are available until 2004/05, but there is simply too much variability in these numbers to enable any meaningful inter-provincial comparison.

Figure 8: Real per learner FTE by provincial education department for 2001/02 and 2002/03 (see full table in the appendix)



Source: Department of Education, 2004

Figure 8 indicates a fair amount of clustering of expenditure per FTE values across provincial education departments. However, it also shows that the Western Cape has an FTE value that is between two and four times the size of other expenditure per FTE values. Having adjusted the numbers for inflation, Western Cape achieved a real expenditure per FTE allocation of R7100 in 2001 and R8082 in 2002. This compares to R6384 for Gauteng in 2001 and R3752 in 2002. Thus, real declines that these provinces experienced during the last few years appear to have affected Gauteng more than the Western Cape.

Figure 8 also shows that most provinces maintained stable allocations between the two years, but that the North West experienced significant increases in 2002/03. In 2001/02, the expenditure per FTE for North West was R2974 but this grew to R4324 in 2002/03, indicating a 45.3 per cent increase. Finally, we observe that Limpopo achieved the lowest expenditure per FTE in both years with an expenditure per FTE allocation of R2826 in 2001/02 and R2814 in 2002/03. These numbers represent a 73 per cent deficit on the national average in 2001/02, while in 2002/03, the corresponding negative percentage figure was 67 per cent.

Adult basic education and training (ABET)

Table 23 provides information about the growth rates of adult basic education and training budgets over the present medium term.

Table 23: Adult basic education and training budgets by provincial education department, 2005/06 to 2008/09

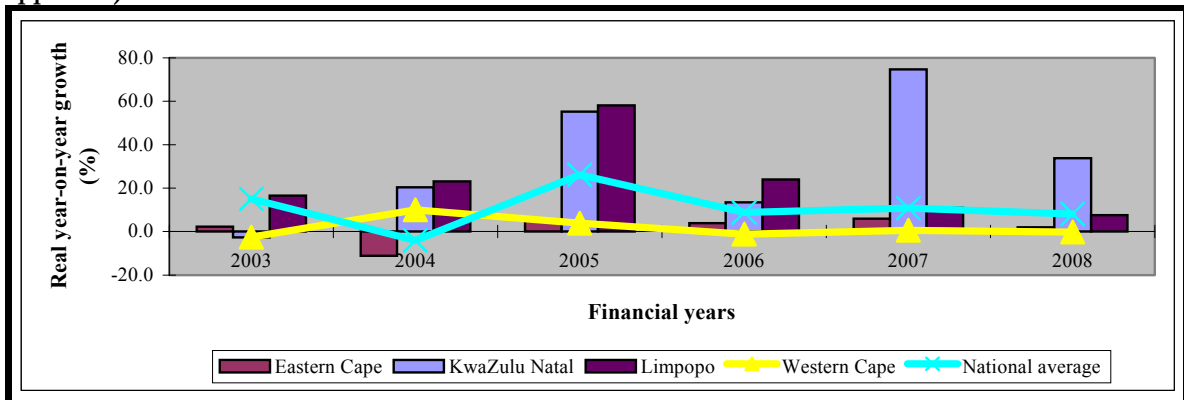
Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	138488	149775	165625	177219	1.3	3.8	3.8
Free State	72650	106304	106878	108013	10.1	40.4	11.0
Gauteng	163536	147474	155548	172040	10.1	-13.5	-2.4
KwaZulu Natal	80402	94980	173437	243579	32.5	13.4	40.6
Limpopo	60446	78144	90571	102263	23.4	24.1	14.2
Mpumalanga	78026	78192	79589	83875	11.8	-3.8	-2.0
Northern Cape	21473	24165	25292	26550	20.4	8.0	2.7
North West	66470	95537	102071	108762	10.0	37.9	13.9
Western Cape	22891	23571	24758	25943	1.7	-1.2	-0.3
Total	704382	798142	923769	1048244	10.8	8.7	9.2

Source: Provincial Budget Statements 2006

Adult basic education and training budgets are projected to grow by 8.7 per cent in 2006/07, while sustaining a real average annual growth rate of 9.2 per cent over the medium term. In absolute terms, provision for adult basic education and training budgets increases from R442 million in 2002/03 to R704 million in 2005/06. By the end of the present MTEF, total allocations to adult basic education and training budgets would be slightly more than R1.0 billion. Three provinces project negative real average annual declines, namely Gauteng (2.4%), Mpumalanga (2.0%), and Western Cape (0.3%). For the remaining provinces, the average annual growth rate varies between 2.7 per cent for the Northern Cape and 40.6 per cent for KwaZulu Natal.

Figure 9 offers a more detailed breakdown of the annual growth rates of adult basic education and training budgets for selected provinces for the period 2002/03 to 2008/09.

Figure 9: Real year-on-year growth of adult basic education and training budgets for selected provincial education departments, 2002/03 to 2008/09 (see full table in appendix)



Source: Provincial Budget Statements 2006

Apart from 2004/05, where consolidated adult basic education and training budgets declined by 4.1 per cent, there has been a generally positive growth trajectory over this period. We also see that one of the provinces that made a strong contribution to this negative growth is included in Figure 9, namely the Eastern Cape (11.2%), while Limpopo recorded the strongest positive annual growth (23.2%). The growth of the KwaZulu Natal budget over this period is remarkable (40.6% overall average) and it is noticeable that in 2005/06 (58.1%) and 2007/08(47.7%), it projects to increase its budget by the largest relative margin. KwaZulu Natal increased its adult basic education and training budget from R38.6 million in 2002/03 to R80.4 million in 2005/06. By the end of the present MTEF, total allocations to its adult basic education and training budget would be R243.5 million.

The Western Cape shows exactly the opposite pattern. Apart from an annual increase of 10 per cent in 2004/05, its annual increases are consistently below the average for consolidated adult basic education and training budgets. In three of the years represented above, negative annual growth was recorded or projected, namely 2003/04 (2.5%), 2006/07(1.2%) and 2008/09 (0.2%). These budgets clearly are not top priority in the province as yet and have been suffering real declines over an extended period.

How do these allocations find representation in the average learner expenditure in provinces? We note that the learner numbers were drawn from the official publications of the Department of Education. Any discrepancies in these numbers would be reflected in our calculations.

Table 24 provides information on per learner expenditure in adult basic education and training budgets by provincial education department for the period 2002/03 to 2004/05.

Table 24: Per learner expenditure on adult basic education and training budgets by provincial education department, 2002/03 to 2004/05

Province	2002/03 (Rands)	2003/04 (Rands)	2004/05 (Rands)	Real % change between 2002/03 and 2003/04	Real % change between 2003/04 and 2004/05
Eastern Cape	2411	2913	2694	14.5	-11.2
Free State	2008	2119	1609	0.0	-27.1
Gauteng	1363	1693	1990	17.7	12.9
KwaZulu Natal	3216	3303	4144	-2.7	20.5
Limpopo	1018	1231	1068	14.6	-16.6
Mpumalanga	7764	4492	4931	-45.2	5.4
Northern Cape	1745	4466	4066	142.5	-12.5
North West	1373	1490	1218	2.9	-21.5
Western Cape	689	663	723	-8.8	4.7
Consolidated adult basic education and training learner averages	1772	2024	1965	8.2	-6.7

Source: Provincial Budget Statements 2006

Before interpreting the per learner numbers in table 24, we would like to point out an extreme or unusual feature of the data displayed in table 24. Mpumalanga has a per learner expenditure of R7 764 in 2002/03, which not only dwarfs other per learner expenditures in table 24, but also exceeds public school learner averages in 2002/03. The fact that this number is reduced sharply to approximately R4 500 in 2003/04 raises further suspicion about the possibility of data errors. The Northern Cape numbers appear to do the opposite: from a modest per learner average of R1 745 in 2002/03, the average increased to approximately R4 500 in 2003/04, while declining to approximately R4 100 in 2004/05. We therefore approach these figures with great circumspection.

Nationally, the consolidated adult basic education and training per learner average in 2004/05 was 10.9 per cent higher than the corresponding figure in 2002/03. We also note that between 2003/04 and 2004/05, the consolidated per learner average declined by 2.9 per cent. If we adjust the consolidated per learner estimates for inflation, then the 2004/05 average is only 1 per cent higher than the 2002/03 average, while the difference between the 2003/04 and 2004/05 averages grew to a negative decline of 6.7 per cent. On average therefore, adult learners were not getting a better deal and in fact experienced significant real declines in funding fortunes. If we ignore Mpumalanga as an outlier, the per learner averages for 2004/05 ranged from R723 in the Western Cape to R4 144 in KwaZulu Natal. Five provincial education departments projected real declines on their per learner averages in 2004/05, while Gauteng (12.9%) and KwaZulu Natal (20.5%) project relatively strong annual increases in 2004/05. Free State achieved no real growth on its per learner average in 2003/04 and experienced a decline of 27 per cent on its 2004/05 allocation.

Table 25 expresses these same per learner averages as a factor of the consolidated adult basic education and training averages for the three-year period between 2002/03 and 2004/05

Table 25: Per learner expenditure in adult basic education and training budgets as a factor of national per learner averages by provincial education department, 2002/03 to 2004/05

Province	2002/03 (Rands)	Factor of national average	2003/04 (Rands)	Factor of national average	2004/05 (Rands)	Factor of national average
Eastern Cape	2411	1.36	2913	1.44	2694	1.37
Free State	2008	1.13	2119	1.05	1609	0.82
Gauteng	1363	0.77	1693	0.84	1990	1.01
KwaZulu Natal	3216	1.81	3303	1.63	4144	2.11
Limpopo	1018	0.57	1231	0.61	1068	0.54
Mpumalanga	7764	4.38	4492	2.22	4931	2.51
Northern Cape	1745	0.98	4466	2.21	4066	2.07
North West	1373	0.77	1490	0.74	1218	0.62
Western Cape	689	0.39	663	0.33	723	0.37
Total	1772	1.00	2024	1.00	1965	1.00

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

For the three years covered in table 25, the Western Cape's per learner average remained below 40 per cent of the consolidated average. In 2004/05, this province managed to spend only 37 per cent of the consolidated average, while KwaZulu Natal was spending twice the average. Other provinces that were spending below the consolidated average in 2004/05 were Free State (18.0% less) and North West (38.0% less), while Gauteng just managed to achieve parity with the consolidated average. A distinct feature of table 25 above is the fact that provinces that achieved relatively low per learner averages did so across the three years represented above. In this respect, we note that Gauteng's averages ranged from 77 per cent of consolidated spending in 2002/03 to parity with the national average in 2004/05. Another example is North West, which recorded a per learner average that was only 77 per cent of the consolidated average in 2002/03, while this share reduced to 62 per cent in 2004/05.

Early Childhood Development (ECD)

Table 26 provides information about the real growth of early childhood development budgets by provincial education departments for the period 2005/06 to 2008/09.

Table 26: Early childhood development budgets by provincial education department, 2005/06 to 2008/09

Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	39817	69941	120218	145486	31.3	68.6	49.4
Free State	33585	49638	52146	54614	22.9	41.8	14.0
Gauteng	49000	79000	109000	149000	249.4	54.7	39.0
KwaZulu Natal	68239	102658	117688	125928	36.3	44.4	18.7
Limpopo	18883	52723	79976	159033	59.3	168.0	100.8
Mpumalanga	47790	51801	126729	220658	42.1	4.0	68.0
Northern Cape	15819	18141	30336	42798	22.1	10.1	34.8
North West	126084	152510	162127	172561	3.7	16.1	6.4
Western Cape	71923	107397	181930	244923	25.3	43.3	44.5
Total	471140	683809	980150	1315001	22.6	39.3	34.7

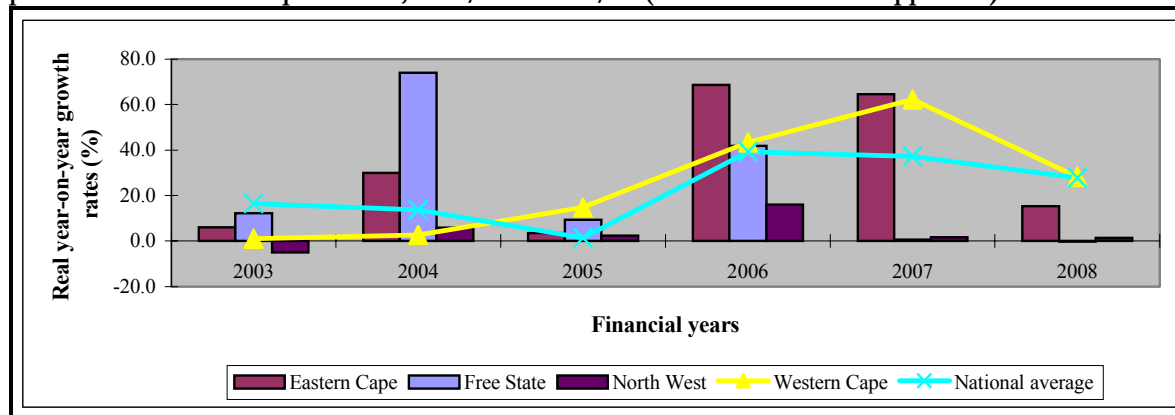
Source: Provincial Budget Statements 2006

Early childhood development budgets are projected to grow by 39.3 per cent in 2006/07 while sustaining a real average annual growth rate of 34.7 per cent over the medium term. In absolute terms, provision for early childhood development budgets increases from R307 million in 2002/03 to R471.1 million in 2005/06. By the end of the present MTEF, total allocations to early childhood development budgets would be R1.3 billion. For the present MTEF, real average annual growth rates range from 6.4 per cent in North West to 101 per cent in Limpopo. One of the main reasons for these large differences in average annual growth concerns the actual base from which these budgets grow. In the case of Limpopo, the early childhood development budget is projected to grow from R18.8 million in 2005/06 to R159 million in 2008/09, while North West projects an increase from R126 million in 2005/06 to R172.5 million in 2008/09. Clearly, the North West has a longer record of investing in early childhood, thus explaining its relatively slower rate of growth over the present medium term period.

The numbers that are proposed for the Free State are very interesting because apart from the allocations in the Northern Cape, the Free State numbers are the smallest in absolute terms. Free State proposes to increase its provision for early childhood development from R33.6 million in 2005/06 to R54.6 million in 2008/09. This represents a real average annual increase of 14 per cent. Gauteng is also an interesting case because its 2005/06 numbers do not represent its fiscal ability to invest in early childhood development but reflect a policy decision to halt further investment pending further development of national policy. With the first draft policy on Grade R being discussed right now, it comes as no surprise that Gauteng's 2006/07 numbers show a 54.7 per cent increase (from R49 million in 2005/06 to R79 million in 2006/07). Over the medium term, this budget projects a real average annual increase of 39 per cent, which takes expenditure from R49 million in 2005/06 to R149 million in 2008/09.

Figure 10 charts the annual growth of early childhood development budgets for selected provinces during the period 2002/03 to 2008/09.

Figure 10: Real year-on-year growth of early childhood development budgets for selected provincial education departments, 2002/03 to 2008/09 (see full table in the appendix)



Source: Provincial Budget Statements 2006

Figure 10 shows that consolidated early childhood development annual growth rates range from 1.4 per cent in 2005/06 to 39.3 per cent in 2006/07. Generally, the growth over the present MTEF is strongest and proposed expenditure indicates that consolidated budgets would grow by 39.2 per cent in 2006/07, 37.2 per cent in 2007/08, and 27.8 per cent in 2008/09. These annual growth rates are greater than all the growth rates combined for the pre-2006/07 period. This reflects an overall sense of urgency in the implementation of the overall goal of universal access by 2010.

The four provinces represented above differ in the overall pace at which expenditure investment is made into early childhood development programmes. While the Eastern Cape and the Western Cape provide large cash injections into their proposed expenditure over the medium-term, Free State and North West present muted growth rates. In 2006/07, while the Eastern Cape projects a 68.6 per cent increase, North West projects a corresponding rate of 16.1 per cent. Likewise, in 2007/08, where both the Eastern and Western Cape project growth rates above 60 per cent, Free State's allocation remains virtually constant, while North West projects a small growth rate of 1.7 per cent. This pattern is repeated for 2008/09. The similarity in Free State and North West's expenditure trajectory is caused by different factors. In Free State, there seems to be direct trade-off challenges, thus leaving the education budget distinctly weaker. In North West, provincial decision-makers in education may justify smaller rates of growth because of the province's pre-existing resource advantages over other provinces.

How do these numbers affect per learner expenditure in these provinces? Table 27 provides per learner expenditure for each province as well as inflation-adjusted changes between the two years represented in table 27 below. Because the next table focuses on expressing per learner averages as a factor of the national average, table 27 focuses on changes between 2002/03 and 2004/05.

Table 27: Per learner expenditure in early childhood development budgets by provincial education department, 2002/03 to 2004/05

Province	2002/03 (Rands)	2003/04 (Rands)	2004/05 (Rands)	Real % change between 2002/03 and 2003/04	Real % change between 2003/04 and 2004/05
Eastern Cape	1003	1122	2077	6.1	77.7
Free State	1622	1919	1397	12.2	-30.1
Gauteng	100	1623	2827	1432.2	67.3
KwaZulu Natal	2084	891	3145	-59.5	238.9
Limpopo	500	526	966	-0.4	76.5
Mpumalanga	3266	4112	2187	19.3	-48.9
Northern Cape	1520	1626	2639	1.4	55.9
North West	4850	4860	3606	-5.0	-28.7
Western Cape	1956	2084	2046	1.0	-5.7
Total	1524	1872	2357	16.5	20.9

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Nationally, the consolidated early childhood development per learner average in 2004/05 was 54.7 per cent higher than the corresponding figure in 2002/03. We also note that between 2003/04 and 2004/05, the consolidated per learner average increased by 25.9 per cent. If we adjust the consolidated average learner estimates for inflation, then the 2004/05 average is 40.8 per cent higher than the 2002/03 average, while the consolidated learner average for 2004/05 was 20.9 per cent higher than the corresponding estimate in 2003/04.

For the change between 2002/03 and 2003/04, the suspension of the funding freezes on early childhood development in Gauteng delivered an increase of more than 1400 per cent, while KwaZulu Natal actually experienced a decline of approximately 60 per cent. In 2003/04, three provinces experienced negative declines, namely KwaZulu Natal (59.5%), Limpopo (0.4%) and North West (5.0%), while Western Cape and the Northern Cape just managed to maintain expenditure at real levels of the previous year. The changes that were recorded for 2004/05 may reflect changes associated with the termination of the conditional grant, but it is unlikely that this is the only or the main reason for negative declines. We make this point because there are five provinces that experienced positive growth on their learner averages from the previous year.

Now that we have examined growth in learner averages, our next task is to describe financial input differences among provincial education departments. Table 28 provides information about each province's learner average as a factor of the consolidated early childhood development average.

Table 28: Per learner expenditure in early childhood development budgets as a factor of the national per learner averages, 2002/03 to 2004/05

Province	2002/03 (Rands)	Factor of national average	2003/04 (Rands)	Factor of national average	2004/05 (Rands)	Factor of national average
Eastern Cape	1003	0.66	1122	0.60	2077	0.88
Free State	1622	1.06	1919	1.03	1397	0.59
Gauteng	100	0.07	1623	0.87	2827	1.20
KwaZulu Natal	2084	1.37	891	0.48	3145	1.33
Limpopo	500	0.33	526	0.28	966	0.41
Mpumalanga	3266	2.14	4112	2.20	2187	0.93
Northern Cape	1520	1.00	1626	0.87	2639	1.12
North West	4850	3.18	4860	2.60	3606	1.53
Western Cape	1956	1.28	2084	1.11	2046	0.87
National per learner averages	1524	1.00	1872	1.00	2357	1.00

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Just as we exhorted caution in the interpretation of learner numbers in the adult basic education and training programme, we advise a similar course in the interpretation of early childhood development numbers. In each of the three years above, poor provinces consistently achieved the lowest average investment in young learners. Across the period above, Limpopo achieved the lowest learner average, which represented only 33 per cent of total spending in 2002/03, 28 per cent in 2003/04, and 41 per cent in 2004/05. Likewise, North West achieved the largest gains over the national average in 2002/03 (218%), 2003/04 (160%) and 2004/05 (53%). This took place in spite of real reductions in the early childhood development budgets of this province. Mpumalanga's learner averages are difficult to understand because the information for 2002/03 and 2003/04 indicate that this province spent twice the national learner average. However, in 2004/05, this ratio was suddenly reduced to a deficit of 7 per cent on the national average in 2004/05. This sounds highly unlikely and one would have to treat such numbers with the usual intellectual circumspection.

Our final task in this section is to compare the relative position of poor and rich provinces on their investment in early childhood development. Table 29 provides information on three descriptive inequality measures.

Table 29: Descriptive inequality measures for the early childhood development sector, 2002/03 to 2004/05

Descriptive measures	2002/03	2003/04	2004/05
Coefficient of Variation	0.73	0.66	0.34
Mean absolute deviation	1031.90	1067.23	651.68
Average per-learner spending of poor provinces as factor of national average	1.12	0.89	0.89
Average per-learner spending of rich provinces as factor of national average	0.78	0.95	1.06

Source: Statistics At A Glance, 2002 to 2004 (Department of Education) and Provincial Budget Statements 2006

Using the coefficient of variation, inequality in learner averages among provinces had been reduced by approximately 53 per cent between 2002/03 and 2004/05, while the mean absolute deviation declined by approximately 37 per cent. Due to the uncertain status of the learner numbers and henceforth learner averages, the net gain of 12 per cent on the national averages by poor provinces is a direct result of the high net gain of Mpumalanga (114%). It is therefore not surprising that in 2004/05 when this province spent 7 per cent less than the national learner average, poor provinces collectively spent less than 11 per cent than the national average. Similarly, the net gain of 6 per cent of rich provinces on the national average is explained by resurgent expenditure on early childhood in Gauteng and Northern Cape's 12 per cent gain on the national average.

SECTION 4: CONCLUDING REMARKS

Budget 2006 provides further impetus to spending growth across the three spheres of government. While both the national and local government spheres benefit from expenditure increases in Budget 2006, the focus falls on provincial governments with its varied and complicated service delivery mandates. Over the next three years, total allocations to provinces are projected to grow at a real average annual rate of 7.2 per cent, while the national sphere projects a corresponding rate of 4.3 per cent. Due to the scrapping of the Regional Services Levy, local government's allocations are projected to grow at a real average annual rate of 24 per cent.

Budget 2006 is unequivocal in its pronouncement that increased allocations to provinces should further the cause of quality services. The fact that quality service delivery is not explicitly defined leaves ample room for interpretation by the different service delivery agents. One of the key questions that drives this paper is finding out how the education sector, through its expenditure frameworks, proposes to incorporate quality concerns. A related question is whether such "interpretations" could be argued to be a reasonable translation of the overall mandate to improve the quality of public services. Answering these questions requires a thorough description of expenditure trends in the national education budget and the nine provincial education budgets.

Our examination of the national education budget was motivated purely by its linkages with provincial education funding. The national education budget is projected to grow by 7.5 per cent in real terms in 2006/07 while sustaining a real average annual growth rate of 5 per cent over the medium term. The budget of the national department of education is projected to grow from R14.1 billion in 2006/07 to R16.7 billion in 2008/09. Read from the vantage point of provincial education, the main developments in the national education budget are undoubtedly the restructuring of the department and the introduction of the new further education and training re-capitalisation grant. *Compensation of employees* in the national education budget is projected to grow by 10.5 per cent in 2006 at a real average annual rate of 3.1 per cent over the medium term. These positive changes relate primarily to the strengthening of the Budget Office, which entails closer monitoring and evaluation of education expenditure at the provincial level. *Transfers to provinces* are projected to grow by 31.6 per cent in 2005/06 at a real average annual rate of 15.9 per cent over the medium term. The positive changes reflect the introduction of the new further education and training re-capitalisation grant as well as the continuation of the school nutrition grant and the life skills and HIV/AIDS grant.

Examining total transfers to provinces we found that the school nutrition grant is projected to decline at a real average annual rate of 0.8 per cent, while the life skills and HIV/AIDS grant grows at a real average rate of 1.3 per cent. In the case of the school

nutrition grant, we argued that declining expenditure trends represent a direct trade-off with the further education and training grant as we could not assume adequate coverage of all poor schools as the main reason for the decline. This would appear to be more appropriate in the case of the life skills grant, which has been on government books since 2001/02. Given expenditure pressures at the provincial education level, we raised concerns about the ability of provinces to supplement funding for the school nutrition and HIV/AIDS conditional grants.

Provincial education budgets are projected to grow by 4 per cent in 2006/07 at a real average annual rate of 4.4 per cent over the medium term. In absolute terms, provincial education budgets are projected to grow from R79.1 billion in 2006/07 to R94.9 billion in 2008/09. Eastern Cape (7.4%) and Gauteng (5.6%) project the largest real average annual rates while Free State (1.7%) and North West (1.9%) represent the lowest real average growth rates. In the case of Free State and North West, the prioritisation of other provincial budgets appears to be the main reason for lower rates of growth. Although Northern Cape projects to increase its budget at a real average annual rate of 3 per cent, the overall debt situation in the province led to serious cuts in key programmes and expenditure categories. KwaZulu Natal, which projected optimistic rates in excess of 5 per cent prior to the present MTEF, plans to grow its education budget at a real average annual rate of 4 per cent. The same comments could be made about the budget of Mpumalanga, which is projected to grow at a real average annual rate of 3.5 per cent. In the case of the Western Cape, the education budget is projected to grow by 3.1 per cent in 2006/07 while sustaining a real average annual rate of 3.4 per cent over the medium term. The Western Cape's capital expenditure budget suffers badly because the provincial treasury is deducting resources from the present medium-term allocations to "settle" an advance it made to the education department. This is not ideal from a long-term project planning perspective and in this regard, Western Cape finds itself in a similar position as Free State, Northern Cape, and North West. The main point that we want to make is that while positive aggregate increases to provincial education budgets are made, there are important places in these budgets where visions of improved spending do not feature. The overall provincial education funding situation is more nuanced than commonly held views of excessive resources being made available to the sector.

Given the total aggregate expenditure on provincial education, one is bound to enquire about the way the proposed resources are distributed. The analysis of the main expenditure categories that cut across the different programmes forms the heart of this paper and spells out the funding vision of provincial education departments in the present MTEF. Current payments are projected to grow by 3.3 per cent in 2006/07 while sustaining a real average annual growth rate of 3.8 per cent over the medium term. In absolute terms, provision for current payments grows from R70.9 billion in 2006/07 to R84.2 billion in 2008/09. The two key items that comprise current payments are compensation to employees and goods and services. *Compensation* is projected to grow by 2 per cent in 2006/07 at a real average annual rate of 2 per cent over the medium term. In absolute terms, provision for compensation increases from R62.2 billion in 2006/07 to R70.9 billion in 2008/09. Of all the main expenditure categories, compensation projects the lowest annual average rate over the medium term, which corresponds with previous education budget frameworks. *Goods and services* are projected to grow by 13.4 per cent in 2006/07 while sustaining a real average annual rate of 16.5 per cent over the medium term. In absolute terms, provision for goods and services increases from R8.7 billion in 2006/07 to R13.3 billion in 2008/09. Positive changes in this category are

driven by the introduction of fee-free schools in the poorest 20 per cent of schools as well as increases on school-level expenditures for public schools.

Transfers and subsidies are projected to grow by 19.8 per cent in 2006/07 at a real average annual rate of 11.2 per cent over the medium term. Total transfers increase from R4.6 billion in 2006/07 to R5.7 billion in 2008/09. The main category that falls under transfers and subsidies is *transfers to non-profit organisations*. This makes provision for direct transfers to public schools, transfers to further education and training institutions, as well as transfers to non-profit organisations that are involved in the implementation of the school nutrition grant. Transfers to non-profit organisations are projected to grow by 23.9 per cent in 2006/07 at a real average annual rate of 13.1 per cent. In absolute terms, provision for transfer to non-profit organisations increases from R4.2 billion in 2006/07 to R5.3 billion in 2008/09. Positive changes to this category are driven by the introduction of the further education and training re-capitalisation grant and increases to accommodate the partial phasing-in of fee-free schools in poor communities. The expenditure proposals for the school nutrition grant reflect an average decline over the medium term thus explaining our comment that fee-free schools and the re-capitalisation grant are the main drivers of change.

Capital expenditure is projected to increase by 1.3 per cent in 2006/07 while sustaining a real average annual decline of 8.7 per cent over the medium term. In absolute terms, capital expenditure is projected to grow from R3.6 billion in 2006/07 to R5 billion in 2008/09. The main category that falls under capital expenditure is buildings and fixed structures. *Buildings and fixed structures* are projected to grow by 0.1 per cent in 2006/07 while sustaining a real average annual rate of 5.3 per cent over the medium term. The allocations for buildings and fixed structures grow from R3.1 billion in 2006/07 to R4 billion in 2008/09. Six of the nine provincial education departments project real average annual declines on their buildings and fixed structures item. These declines range from 0.1 per cent in Limpopo to 36.1 per cent in the Western Cape. A number of provincial education departments indicated that expenditure pressures in their respective provinces have made reductions in capital expenditure allocations inevitable. In the Northern Cape, the fall-out related to the debt situation in the province necessitated reductions in expenditure, while the Western Cape education department's agreement with the provincial treasury about the repayment of an advance causes serious real reductions in that province. Whatever the causes of these reductions, further inroads into the reduction of backlogs in poor provinces such as Free State, Limpopo and Mpumalanga are unlikely to happen over the present medium-term period.

How does the proposed expenditure framework incorporate Budget 2006 insistence on the improvement in quality of services? The framework suggests that quality improvements are sought exclusively in non-personnel areas. Greater proposed spending on school-level expenditures, much better fiscal support for the poorest schools, and the introduction of the re-capitalisation of FET colleges to produce better quality instruction, and by implication better quality graduates, are the defining features of the framework. If we accept that expenditure investments in public schools will take a much longer time to translate into better quality outcomes,^{xv} then the only immediate quality link would be the investment in FET colleges. These colleges themselves are in the process of radical restructuring, but one could tentatively assume that re-capitalisation could have an immediate effect. While the national Minister of Education committed to making teachers part of the quality improvement equation^{xvi}, there's very little evidence in these

budgets that such commitments are backed by resources. Quality improvements are therefore sought without any additional fiscal investment in teachers.

How does the aggregate distribution of resources affect programme expenditures? The largest programme, public ordinary schools, is projected to grow by 3.1 per cent in 2006/07 at a real average annual rate of 4 per cent over the medium term. Provision for public schools is projected to grow from R65.9 billion in 2006/07 to R78.9 billion in 2008/09. Thus, the slower rate of growth in compensation for personnel (mostly teachers) has kept the real growth of this programme below the consolidated provincial education average growth. It is interesting to note that while a large share of the funding benefits in provincial education MTEF 2006 flows to public schools, these changes do not upset the wage framework or public schools' slower rate of growth. Further education and training budgets are projected to grow by 29.8 per cent in 2006/07 while sustaining a real average annual rate of 15.1 per cent over the medium term. Provision for further education and training budgets grow from R2.1 billion in 2006/07 to R2.7 billion in 2008/09. The introduction of the further education and training re-capitalisation grant explains these positive developments, but as far as we could observe, no major other changes were made to this programme. The early childhood development budgets are projected to grow by 39.3 per cent in 2006/07 at a real average annual growth rate of 34.7 per cent over the medium term. Provision for early childhood development budgets is projected to grow from R683.8 million in 2006/07 to R1.3 billion in 2008/09. The implementation of universal access to Grade R by 2010 is the main driver of the relatively large positive changes over the medium term period.

Special needs education budgets are projected to grow by 9.8 per cent in real terms in 2006/07 while sustaining a real average annual rate of 4.7 per cent over the medium term. Provision for special needs education budgets is projected to grow from R2.3 billion in 2006/07 to R2.6 billion in 2008/09. Compared to other service delivery programmes, we were able to show that this programme achieved annual growth rates that were consistently below the consolidated provincial education average. Adult basic education and training budgets are projected to grow by 8.7 per cent in 2006/07 at a real average annual growth rate of 9.2 per cent. Provision for adult basic education and training budgets is projected to grow from R798.1 million in 2006/07 to R1.0 billion in 2008/09. Similar to special needs education budgets, average growth rates for the adult basic education and training budgets do not adequately describe funding patterns in provinces. The adult basic education and training budgets continue to be marked by variable spending rates across provinces, suggesting that unlike the compelling goal of 2010 for Grade R implementation, the sector badly needs further policy and funding guidance.

How are the quality aims of Budget 2006 expressed in the proposed programme expenditures at provincial education level? If we accept that average growth in special needs education budgets and adult basic education and training budgets does not define these budgets well, then the three remaining programmes (public schools, ECD, and public FET) should be interrogated. In early childhood development, resources would be spent to achieve the universal Grade R goals of 2010 and there would be fewer resources for investment in quality issues in the sector. The most urgent needs in this sector would be to find the required amount of resources to achieve the 2010 goal and to develop funding standards that address *desired funding levels*. The search for desired funding levels may eventually facilitate quality education, but this does not constitute the *raison d'être* for the development of funding norms and standards. We have already discounted the

notion of immediate quality improvements in public schools and this would suggest that the quality improvement-resources link would be embodied in the public FET re-capitalisation grant. The conclusion about the link between the provincial education expenditure framework and the national objective of quality improvement in services as embodied in further education and training appears to apply to programme expenditures as well. Unlike previous years, there is no grant funding (except the FET re-capitalisation grant) that directly speaks to the improvement of the quality of education services in provinces. The present transversal and programme expenditure frameworks appear locked into finding answers to the complicated question of the desired levels of funding for the poorest learners and schooling communities. We may have reservations about the absence of *comprehensive* funding benchmarks for public schools, but the reality of such questions cannot be gainsaid.

A significant limitation of the present search for desired funding levels in provincial education is that such levels typically do not apply to the total provincial education budget or the entire public school budget. This makes it difficult to assess whether the present levels of per capita funding in public schools and in provincial education as a whole should be regarded as an achievement. Without any concrete notions of adequacy, effectiveness and efficiency, we can only describe the position of each provincial education department relative to national averages for different programmes. Applied to total expenditure in provincial education, the latest available figures in 2004/05 suggest that poor provinces spent 3 per cent less than the national average. Rich provinces spent 10 per cent more than the national average, even though this gain over the national average has been systematically shrunk over the last few years. Northern Cape's gain on the national average was 23 per cent in 2004/05 while KwaZulu Natal spent 7 per cent less than the national average in the same year. In public schools, sharp reductions in learner numbers in Free State and North West boosted these provinces' gains on the national average. Free State and North West spent 17 per cent and 20 per cent more respectively than the national average in 2004/05 while Limpopo spent 11 per cent less than the national average in the same year. The gains of North West aptly illustrate the essentially fluid nature of per capita expenditure and its reliance on factors that operate beyond the influence of deliberate policy decisions.

All the main trends that we describe in this paper generate further questions. Although the questions are varied, each one broaches the idea of a limit and asks whether the present distribution of resources should be sustained indefinitely into the future. Should we agree on a benchmark average expenditure level in public schools that would allow stakeholders to meaningfully mobilise resources for effective materialisation of such a benchmark? By what margin should the resource advantage of the so-called rich provinces be shrunk to accommodate a "pro-poor" perspective? By what margin should the resource advantage of public schools be shrunk to accommodate expansion in other key programmes such as early childhood development and public further education and training? Would such a framework affect present quality initiatives in public schools? How far are provincial and national policy-makers prepared to shrink the shares of personnel expenditure? What are the ideal expenditure margins for critical non-personnel inputs, especially given the extended growth period these items have enjoyed in the post-2000 period?

The answers to these questions would require a re-think of the present expenditure frameworks in provincial education. One would have to ask whether the present expenditure framework, which was a response to spiralling personnel costs in the early

1990s, is an appropriate framework given new social and economic challenges. The present assumption that quality education could simply be purchased via the non-personnel input route is fast losing currency, even though alternatives to this framework have yet to be openly discussed and evaluated. The uncertain status of the role of funding in facilitating quality education requires that we reserve the right to challenge the present expenditure framework as an inadequate embodiment of quality education for all. Maybe, it's time for change.

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APPENDIX

Table A1: Personnel expenditure by provincial education department, 2005/06 to 2008/09

Province (R'000)	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	9900791	10432269	11133481	11903333	2.1	1.1	1.7
Free State	4015925	4185791	4428721	4668472	2.8	0.0	0.6
Gauteng	8581239	9579954	10236214	10930180	3.9	7.1	3.7
KwaZulu Natal	11860488	12941988	13810055	14978992	3.8	4.7	3.4
Limpopo	8605227	8766625	9653836	10051598	2.6	-2.2	0.8
Mpumalanga	4349632	4595159	4891332	5182776	3.4	1.4	1.4
Northern Cape	1247301	1314953	1399085	1469037	3.5	1.2	1.0
North West	4907215	5039244	5345354	5630643	1.6	-1.4	0.1
Western Cape	5074937	5385473	5792981	6120328	2.8	1.8	1.8
Total	58542755	62241456	66691059	70935359	3.0	2.0	2.0

Source: Provincial Budget Statements 2006

Table A2: Capital expenditure by provincial education department, 2005/06 to 2008/09

Province	2005/06	2006/07	2007/08	2008/09	Real av. Ann. change between 2002/03-2008/09 (%)	Real change between 2005/06-2006/07 (%)	Real av. Ann. change between 2005/06-2008/09 (%)
Eastern Cape	353620	733690	1018445	1574612	56.6	99.1	59.7
Free State	82591	54430	56482	58499	-13.7	-36.8	-12.9
Gauteng	585591	725679	733350	844936	14.7	18.9	8.5
KwaZulu Natal	888353	843428	906717	932179	15.6	-8.9	-2.7
Limpopo	508616	494156	537706	612303	16.1	-6.8	1.9
Mpumalanga	342078	277539	358406	366022	30.9	-22.1	-0.4
Northern Cape	24410	25273	22853	23190	12.2	-0.6	-5.8
North West	269886	205025	244624	426114	21.7	-27.1	17.7
Western Cape	335703	218945	173499	115506	7.6	-37.4	-32.7
Total	3390848	3578165	4052082	4953361	17.1	1.3	8.7

Source: Provincial Budget Statements 2006

Table A3: Real year-on-year growth of consolidated provincial education budgets by type of expenditure, 2002/03 to 2008/09 (%)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	5.1	3.4	7.3	3.3	4.9	3.1
Compensation	3.3	3.4	5.2	2.0	2.5	1.3
Goods and service	25.5	2.6	27.9	13.4	22.3	14.0
Other	-52.7	1720.6	-83.3	-40.5	0.3	-0.5
Transfers/subsidies	40.1	15.7	8.8	19.8	8.8	5.0
Provinces and municipalities	110.1	45.3	13.4	-47.5	-21.1	1.5
NGOs	39.3	37.5	13.6	23.9	10.1	5.2
Households	-2.1	-42.4	-23.6	22.6	2.4	2.2
Other	248.7	-66.7	-59.1	11.3	0.6	-0.5
Payments for capital assets	40.3	6.0	30.2	1.3	8.4	16.4
Buildings	46.0	28.1	33.9	0.1	3.9	11.8
Machinery and equipment	28.1	-48.8	7.6	10.1	40.5	40.1
Other	-99.6	82464.8	-21.5	-0.5	-97.1	0.6
Consolidated provincial education	7.3	4.0	8.2	4.0	5.3	3.8

Source: Provincial Budget Statements 2006

Table A4: The real year-on-year growth rates of consolidated provincial education programmes by programme, 2002/03 to 2008/09 (%)

Programmes	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Administration	7.7	-3.3	6.4	1.4	1.8	3.6
Public ordinary schools	6.5	4.5	8.1	3.1	5.3	3.5
Independent schools	10.8	3.4	16.2	2.7	6.4	5.7
Special needs schools	4.6	10.6	5.2	9.8	3.0	1.5
Further education and training	6.9	9.4	12.2	29.8	6.8	8.8
Adult basic education and training	15.0	-4.1	26.2	8.7	10.8	8.1
Early childhood development	16.5	13.6	1.4	39.3	37.2	27.8
Auxiliary and associated services	41.6	-0.3	15.1	3.1	2.5	-0.3
Consolidated provincial education	7.3	4.0	8.2	4.0	5.3	3.8

Source: Provincial Budget Statements 2006

Table A5: The real year-on-year growth rates of consolidated provincial education public schools budget by type of expenditure, 2002/03 to 2008/09 (%)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	4.4	4.3	7.1	3.0	5.1	2.8
Compensation	3.4	3.5	5.2	2.1	2.6	1.3
Goods and service	20.6	16.3	31.5	12.1	28.4	14.5
Other	-13.6	-72.4	359.1	-100.0	-	-4.8
Transfers/subsidies	41.8	14.4	1.5	16.1	6.5	0.8
Provinces and municipalities	116.3	27.4	24.2	-50.1	-14.5	1.7
NGOs	40.3	45.8	6.0	21.1	7.7	0.6
Households	3.8	-46.4	-21.6	26.7	2.7	2.4
Other	227.7	-67.4	-99.9	15656.2	-4.3	-4.6
Payments for capital assets	46.7	0.0	37.3	-4.4	9.6	19.5
Buildings	40.5	30.4	37.8	-5.0	3.6	13.3
Machinery and equipment	67.4	-84.0	27.1	8.8	136.2	77.2
Other	-	-	-	1243.6	0.3	0.6
Consolidated provincial education public school budgets	6.5	4.5	8.1	3.1	5.3	3.5

Source: Provincial Budget Statements 2006

Table A6: Real year-on-year growth rates of public further education and training budgets by provincial education department, 2002/03 to 2008/09 (%)

Provinces	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	0.3	16.4	12.3	29.3	5.8	12.6
Free State	0.1	12.3	7.7	-1.6	4.0	8.3
Gauteng	4.0	-0.7	8.2	32.5	5.5	10.2
KwaZulu Natal	27.7	7.4	23.4	31.8	4.8	10.7
Limpopo	21.3	38.0	19.4	34.8	23.3	13.6
Mpumalanga	22.2	17.3	15.1	27.5	4.6	-1.4
Northern Cape	13.5	-6.3	4.3	-10.9	0.3	-0.6
North West	-27.8	19.5	6.0	38.0	4.4	17.0
Western Cape	3.7	0.8	4.1	50.8	3.5	-2.0
Consolidated provincial education	6.9	9.4	12.2	29.8	6.8	8.8

Source: Provincial Budget Statements 2006

Table A7: Real per learner FTE allocations for the public FET programme by provincial education department in 2001/02 and 2002/03

Province	2001/02 real expenditure per FTE	2002/03 real expenditure per FTE
Eastern Cape	3643	3467
Free State	4069	4141
Gauteng	3684	3752
KwaZulu Natal	2864	3388
Limpopo	2826	2814
Mpumalanga	3237	3474
Northern Cape	4129	4630
North West	2974	4324
Western Cape	7172	8082
National per learner FTE	3861	4176

Source: Department of Education 2004

Table A8: Real year-on-year growth rates of adult basic education and training budgets by provincial education department, 2002/03 to 2008/09 (%)

Province	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	2.1	-11.2	5.4	3.8	5.8	1.9
Free State	13.3	-38.0	52.4	40.4	-3.8	-3.8
Gauteng	42.1	12.9	13.1	-13.5	0.9	5.3
KwaZulu Natal	-2.7	20.5	55.1	13.4	74.7	33.8
Limpopo	16.6	23.2	58.1	24.1	10.9	7.5
Mpumalanga	32.1	5.4	39.5	-3.8	-2.6	0.4
Northern Cape	122.0	-12.5	4.9	8.0	0.2	0.0
North West	-4.2	-21.5	43.8	37.9	2.2	1.5
Western Cape	-2.5	10.0	3.9	-1.2	0.5	-0.2
Consolidated provincial education	15.0	-4.1	26.2	8.7	10.8	8.1

Source: Provincial Budget Statements 2006

Table A9: Real year-on-year growth rates of early childhood development budgets by provincial education department, 2002/03 to 2008/09 (%)

Province	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	6.1	29.9	3.5	68.6	64.5	15.3
Free State	12.2	74.0	9.2	41.8	0.5	-0.3
Gauteng	1432.2	-43.6	-9.2	54.7	32.0	30.2
KwaZulu Natal	-59.5	238.9	-17.8	44.4	9.7	1.9
Limpopo	-0.4	76.5	-23.0	168.0	45.2	89.4
Mpumalanga	19.3	-9.4	38.7	4.0	134.1	65.8
Northern Cape	1.4	11.5	15.0	10.1	60.0	34.4
North West	-5.0	5.9	2.3	16.1	1.7	1.4
Western Cape	1.0	2.6	14.8	43.3	62.1	28.2
Consolidated provincial education	16.5	13.6	1.4	39.3	37.2	27.8

Source: Provincial Budget Statements 2006

ENDNOTES

ⁱ I would like to express my sincere thanks to Christina Nomdo, a researcher/trainer with the Children's Budget Unit, for editing this paper.

ⁱⁱ The main budget consists of the receipts of the National Revenue Fund, and expenditure either voted by Parliament or allocated by statutory appropriation (National Treasury, 2005: 53).

ⁱⁱⁱ Consolidated national and provincial expenditure refers to total expenditure by national and provincial government, excluding allocations to local government other than agency payments (National Treasury, 2005: 160).

^{iv} "Revised estimates" are a combination of *actual spending* trends for the first few months and *extrapolation (projection)* of these trends to the end of the financial year. Revised estimates are different from an "outcome" or "actual expenditure", which reflects final or audited spending on the activity or programme. In the budget cycle, a revised estimate for 2005/06 in Budget 2006 will become an outcome/actual expenditure in Budget 2007.

^v In a speech delivered to an audience at the University of Cape Town's summer school, Lynne Brown, the MEC for Finance in the Western Cape Provincial Government reflects on the link between growth and development in the following manner (<http://www.capecapegateway.gov.za/eng/pubs/speeches/2006/jan/123124>):

"Said simply, Shared Growth is a development strategy that views poverty reduction and economic growth as being inter-dependent goals over the medium to long term. That is, that the fates of poor and the wealthy are intertwined; that the only option is to find strength and unity in our diversity, and work together towards a shared future."

This is hardly different from pronouncements in various instalments of the National Treasury's Budget Review, which linked these issues together explicitly since 2001.

^{vi} The Eastern Cape Provincial Budget Statement 2006/07 (page 32) states that "The revisions to the provincial fiscal framework provides for movements in inflation since the 2005 Budget and also seek to consolidate education, health, social welfare services and infrastructure (social and economic) programmes prioritised during the tabling of the 2005 Budget."

^{vii} The Gauteng Provincial Budget Statement 2006/07 MTEF reflects on education expenditure in the following manner (page 21): "Taking into account the serious challenges facing the province with regards to the rate of population growth and its implications on service delivery demands, the Department of Education has been given additional amounts of R133,430 million, R469,071 million and R875,088 million for each respective year of the MTEF to fund the following priority areas:" This document mentions the reduction in school equipment backlogs, the expansion of early childhood development, the implementation of the revised norms and standards for school funding, and the implementation of the new curriculum statement for grades 10 to 12 among other things.

^{viii} This information was established in a personal conversation with Shireen Pardesi, chief negotiator with the South African Democratic Teachers' Union (SADTU) on June 19 2006.

^{ix} While funds that are part of the school funding allocation for non-section 21 schools are recorded under the "goods and services" item, recent changes to the way provincial education departments interpret "section 21" status must be mentioned. In some instances, provinces grant schools only certain functions under section 21, one of which would be that schools pay for key municipal services. Provinces would however retain funding for the purchases of textbooks and these would be recorded under "goods and services." This means that funds for non-section 21 for the payment of municipal services would then be classified under "transfers and subsidies."

^x This information was established in personal conversation with Johan Kitshoff, Deputy-Director in the Budget Office of the Western Cape Education Department (20 June 2006). He also indicated that in the Western Cape, this category includes allocations for accumulated leave of former personnel, transport bursaries, allocations to designated schools to assist with non-personnel and general administration tasks, and transfers to hostels.

^{xi} This information was established through correspondence with officials from the Northern Cape Department of Education. We received an official reply from Cuan Reid, who is a control works inspector in the Physical Planning Unit of the Northern Cape Department of Education.

^{xii} In last year's analysis of national and provincial education budgets, we used the analysis from the KwaZulu Natal provincial treasury in deriving per learner expenditures for the nine provinces. When compared to the present table, we note that the per learner estimates from last year are upwardly biased, but that there is correspondence between some of the 2005 estimates and those which we derived in the present analysis using the official Department of Education publications. While the table in 2005 used a simple linear regression model to predict learner numbers for the period 2004-2007, the present table only uses actual learner number information provided by the Department of Education.

^{xiii} The coefficient of variation is a measure of "spread" or differences among data points relative to the mean of that distribution. If the relevant data points have basically the same values, then the coefficient of variation will be zero or close to zero. If data points have wildly divergent points and the use of averages is inefficient, then the coefficient of variation would depart significantly from zero. One calculates the coefficient by dividing the standard deviation of a distribution by its corresponding mean and multiplies the result by 100. In table 9, we express the coefficient as a proportion.

^{xiv} The mean absolute deviation takes every data point's **absolute** difference (i.e., not squared differences) from the mean of that distribution, sum these absolute deviations, and finally divide this sum by the number of observations in the distribution. If all the data points are the same or close to being the same, then the difference from the mean will be zero or close to zero and the average value for this distribution will be the best description of the distribution. In such instances, the mean absolute deviation measure would be zero indicating perfect equality.

^{xv} Another assumption that can be made is that resources do not matter and that school achievement is not successfully predicted by resources (financial inputs). While this view has gained strong support in the South African policy discourse, we believe that expenditure frameworks can and do create platforms within which quality learning and teaching can flourish.

^{xvi} The national minister of education, Ms Naledi Pandor laid out the key ingredients of the quality improvement strategy in her education budget speech to the National Assembly 19 May 2006. She announced the establishment of a "well-crafted, targeted, Quality Improvement and Development Strategy" to which government is apparently committing R12.5 billion over a five-year period. This strategy will also be focused on the most disadvantaged schools in society. The minister is careful not to conflate the term "resources" with money, but a careful reading of the speech shows that *fiscal investment* to support these new initiatives will proceed via the old non-personnel input route. In this regard, such a framework does not destroy the assumptions of earlier budgets with their concentrated focus on non-personnel inputs:

"It is important to stress resource does not refer to money; it may refer to teacher competence, to an inadequate or no library, to lack of teaching material or poorly specified curricula and teaching standards. Schools will be provided with education support in the form of libraries, laboratories, and teaching materials. Teachers in these schools will be supported through high-quality school-based education development programmes and by strengthened district development teams. "