

# **Progress in the implementation of the norms and standards for school funding 2000**

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## **1. Introduction**

The Norms and Standards for School Funding was first published in 1998 to give effect to the funding provisions of the South African Schools Act of 1996. Section 34 of the Act requires the State to fund public schools from public revenue on an equitable basis to ensure redress of historical inequalities. These Norms and Standards were intended to guide the distribution of recurrent non-personnel expenditure between schools. The new school funding policy was implemented for the first time in 2000. Public schools were ranked on two factors, namely the poverty of the school community and the conditions at school. The explicit redress aims of the policy require education departments to rank schools from the poorest to the least poor school. Scores on these two factors are then combined into a single poverty index, and subsequent resource allocation is based on the position of a school on the poverty index.

The progressive nature of the funding principle in the policy determines that 60 per cent of available recurrent non-personnel resources should go to 40 per cent of the poorest schools in an education department. Subsidies to independent schools are paid on the basis of a range of eligibility criteria and the level of school fees charged. The school funding policy for public schools is aimed at school-level expenditure and makes provision for three categories of expenditure, namely maintenance of school buildings, municipal utilities like electricity and water, and Learner Support Material. The latter not only includes textbooks and stationery, but also teaching equipment and media collections.

The re-distributive thrust of the new school funding policy is subjected like all other government policies to the demands of Budget reform and the aim of fiscal discipline. The school funding policy thus has to reconcile the limited resources of education departments with that of social progressive funding policies that favour poor schools. Poor public schools are rightly considered the first claimants on the bulk of non-personnel expenditure. The new funding policy however excludes capital expenditure

and spending on educators, which are at the heart of current funding inequalities between schools. So while it is safe to assume that the new school funding policy will not transform poor schools into rich schools, it does make provision for critical non-personnel items, which are vital for the pedagogic success of all learners.

### **Proposed Norms and Standards funding allocations in 2000**

The proposed allocations for school funding norms in 2000 evinced three major problems:

1. The relatively small size of non-personnel funding bases in 2000 effectively meant that most provincial education departments had access to small amounts for redress.
2. Such fiscal pressures were translated into targeting and distribution patterns that privileged the “poorest of the poor learners.”<sup>1</sup> While this interpretation of the funding policy was technically correct, we argued that it did not take into account the need to move entire education departments in the direction of sustainable improvements for the broadest majority of poor learners.<sup>2</sup>
3. Fiscal pressure was evident in the small allocations for public schools in the middle of the resource-targeting table. In poor provincial education departments this meant that many poor learners who were not noticeably different from the poorest quintiles received unsustainable funding allocations.

### **Research Questions**

Although the Norms and Standards policy constitutes a relatively small part of provincial education budgets, it has succeeded in interrogating every part of the public schooling system that is vital for implementation.<sup>3</sup> The benefits, we believe, not only contribute to the success with which the funding system is implemented, but also to the efficiency of the entire public schooling system. It is therefore highly significant from a policy point of view to thoroughly research the implementation of the school funding norms

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<sup>1</sup> See Appendix for the 2000 resource targeting tables of provincial education departments.

<sup>2</sup> Incidentally, real growth in education budgets in 2001/02 not only made possible larger allocations to school funding, but provincial education departments also effected a more fair and equitable distribution or targeting of funding. This was evident in the gradual transition from the poorest quintiles to schools located in the middle of the targeting table.

<sup>3</sup> This includes improvements and readiness in the Education Management System (EMIS), the functionality of School Governing Bodies, the ability of schools to decide how limited financial means are going to be used to further educational aims, the strength of local governance structures such as Districts etc.

- In the context of education departments encouraged to develop credible budgets, the first question explores the relationship between budgeted and actual spending on the school funding allocations. In other words, if there are observable differences between budgeted and actual spending, the paper discusses reasons for this variance.
- The second question explores the specific dimensions of under-spending. An attempt will be made to illuminate key factors responsible for under-spending on the school funding norms.
- The third question is speculative in nature and views the school funding allocations from a budget process perspective. Provincial education departments have complained that the potential disjunction between a school budgeting process and a national/provincial budget process may have implications for the stability of schools' allocations. We will refer briefly to two cases where broader provincial funding instability had implications for the funding norms process.

### **Methodology**

Data collection was divided into two parts. The first part of the data collection process used a survey questionnaire. Relevant questions included reference to the problems that were experienced prior to the implementation of the policy. Such questions dealt with the preparatory stage of the policy and the level of technical assistance provincial education departments received from the national Department of Education. Subsequent questions dealt with the specific problems that were experienced during the implementation of the school funding policy in 2000.

After the first set of responses was received, the researcher arranged multiple telephonic interviews with those education departments for which data were received. The purpose of these interviews was to clarify the responses to the survey and discuss other problems in the analysis of the data supplied by provincial education departments. A draft copy of the paper was sent to all provincial and national co-ordinators of the funding norms. The paper was finalised after due consideration of the responses from the national department of education as well as their provincial counterparts. Although information was sought for all nine provincial education departments, due to the implementation problems experienced in Eastern Cape and Northern Province, we were only able to collect comparable information for the remaining seven education departments.

The next section of the paper deals with problems of *under-expenditure* in poor public schools and an attempt will be made to understand the implications for both section 21 and non-section 21 schools. Section three examines some of the other implementation problems experienced mostly by rich and middle public schools. Section four examines information opportunities and problems that have affected the implementation of the Norms and Standards policy in 2000. Section five looks at school and provincial budget processes and raises questions about the future stability of the Norms and Standards allocations to schools. Section six details the most important findings.

## **2. Under-spending in poor public schools in 2000**

The division of public schools into section 21 and non-section 21 schools has enormous implications for the way “actual expenditure” is defined.

“Actual expenditure” from the point of view of section 21 schools is captured on departments’ financial management systems as transfers. This is money that is deposited directly into the bank accounts of these schools. Practically speaking, these are transfers that are directly made against such a school’s allocation. Any department of education should have this information captured and recorded as “actual expenditure.” Section 21 schools have discretion in the way the State allocation is spent, and it is therefore possible that such a school may only decide to spend a portion of the State allocation. Thus, the money that is transferred is not necessarily equal to the money that is spent by these schools, because they are able to retain any unspent funds.

In contrast, provincial education departments manage non-section 21 schools’ allocations. Actual expenditure is incurred when the department receives an invoice, approves it, and then settles the amount with the respective supplier of goods and services. However, if non-section 21 schools do not access and spend all the funds that have been allocated to them, these funds do not necessarily roll-over, or accrue to the school, but such funds are normally returned to the provincial government.<sup>4</sup> Non-section 21 schools are thus punished because they do not have the infrastructure, services or the capacity to spend all these funds.

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<sup>4</sup> In the case of the Free State Department of Education, unspent non-section 21 funds accrued to the province, whereas in KwaZulu-Natal, the provincial treasury approved the roll-over of these funds and it will be re-allocated to the affected schools in due course.

These distinctions are important because the bulk of under-spent funds indicated in Table 1 below refer to non-section 21 schools.

**Table 1: Under-spending on the budgeted Norms and Standards allocations in 2000**

Province	Ecape	Fstate	KZN	Mpuma	Ncape	Nwest
<b>Budgeted 2000</b>	R279.923 million <sup>5</sup>	R113.9 million	R174.6 million	R99.574 million <sup>6</sup>	R57.7 million <sup>7</sup>	R87.3 million
<b>Total spent</b>	R3.467 million	R67.872 million	R131.6 million	R63.613 million	R49.5 million	R53.694 million
<b>Under-spending as a % of total budgeted allocation</b>	-	40.40%	24.60%	36.1%	0.1%	38.50% <sup>8</sup>

*Source: Personal communication with PEDs 2001*

A number of factors were responsible for rampant under-spending in provincial education departments as indicated in table 1.

#### **Lack of key infrastructure facilities in poor schools**

The figures in Table 1 are cause for concern. Much of the under-spending took place because many poor schools simply do not have the infrastructure or the key services such as telephones, water and electricity that are the main recurrent cost drivers for schools. In defence of education departments, it must be said that the 2001 financial

<sup>5</sup> The Eastern Cape Department of Education only allocated funding to section 21 schools on the Norms and Standards policy. The amount spent refers only to section 21 school spending, and it is thus impossible to determine the percentage under-spending in the department for section 21 or non-section 21 schools.

<sup>6</sup> The global amount that was set aside for Mpumalanga was R108.6 million. The education department top-sliced 10% of these funds to make provision for schools that were not correctly placed on the Resource Targeting Table and for new schools that were built after allocations were made.

<sup>7</sup> The Northern Cape retained a portion of the available funds at Head Office for the administration of the funding policy, which means that the budgeted amount was R49.49 million. This means the 0.1% refers to over-spending and not under-spending.

<sup>8</sup> The North West Department of Education also had over-expenditure in schools that were not classified as poor and the amount totals R12 864 million.

year saw a far greater part of their budgets allocated to capital expenditure.<sup>9</sup> Improved capital expenditure plans must also be understood in the context of the Rural School Building Programme that the national Department of Education has launched. Such capital relief will only register results in the medium term, but there is a desperate need to put plans into place that would deal with the immediacy of the under-spending that characterised 2000.

#### **Weak capacity at District and Regional levels**

Another factor that ties in with this situation has been the level of support given to schools by provincial education departments and their various districts. Poor schools that never had access to their current Norms and Standards allocation cannot be expected to suddenly find new and creative ways of spending these funds. It is difficult to believe that education departments did not anticipate under-spending problems, or that monitoring of implementation of the funding policy funds has not alerted them to this problem. The reality is that provincial efforts in building capacity at District level is going to take time, and in the absence of allocating section 21 status to all schools, a provincial education plan is needed to avoid the dreadful situation of 2000.

#### **Problems with decentralised structures**

What is also noticeable from Table 1 is the fact that three provinces do not have actual expenditure data. The Northern Province Department of Education faces huge obstacles in processing their data and according to education officials, most of the expenditure data are still at District Offices. It is not certain whether this data had been verified, or when exactly this data will be given to Head Office. The non-availability of such information makes it difficult for external stakeholders such as the legislature to follow the implementation of arguably the most important redress tool in provincial education. Actual expenditure data are also not available for Gauteng and Western Cape. In both cases, it appears as if decentralisation of the capturing and recording of expenditure data have held up the early availability and release of these figures. We are halfway through the current academic year, and the expectation is that these figures should have been available to allow external stakeholders to assess the impact of under-spending in

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<sup>9</sup> Free State and North West experienced the largest under-spending because of the lack of infrastructure in many poor schools. The North West Development Trust is presently implementing 28 capital projects at the cost of R21. 3 million, while the Free State Department of Education plans

a province. Greater public scrutiny of the funding process is needed if we are to record the progress made in tackling inequalities.

In implementing the Norms and Standards funding policy, it was not only poor non-section 21 schools that experienced difficulties. The next section examines some of the other implementation problems experienced mostly by rich and middle public schools.

### **3. Other implementation problems experienced by rich and middle public schools**

The general sense, which transpired after the first year of implementation, is that many schools did not cope well with the introduction of the new funding policy. Almost inevitably, it was the changes made to the financial allocations of public schools that seem to be at the root of adjustment problems in schools. Rich and middle schools were confronted with very specific dilemmas and these will be explored in the following paragraphs. The main implementation problems experienced were lack of dis-aggregated spending information for public schools, middle and rich schools' financial adjustment to the funding norms, and problems with spending on maintenance and utilities.

#### *Lack of dis-aggregated spending information for public schools*

A particular problem that reared its head in 2000 was the different historical spending levels of public schools. Prior to the implementation of this policy, education departments did not have dis-aggregated spending figures for schools. Public schools that were classified as rich historically had larger fixed spending commitments and this came out clearly in some provinces. In the North West, the education department decided to centralise 10% of the funds available for distribution to schools. This was done because at that time, the department did not have historical spending figures for each school and there were fears that some schools would over-spend given their reduced allocations. The result of this experiment was that rich schools still over-spent, and this over-spending was financed with the resources due to poorer schools in the upper redress

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to build nine new schools with an allocation of R193 million in first year of construction (Budget Speeches by respective MECs for Education to Provincial Legislatures, 2001).

categories. Schools in the richer quintiles over-spent by R12 864 million. At the time of writing of this paper, all indications were that these funds would not be deducted against these schools' 2001 allocations.

*Problems of adjusting financially to the new school funding norms*

With the exception of Northern Cape and perhaps Gauteng, all other provincial education departments struggled to find the resources to meaningfully redistribute resources to the broadest majority of poor learners. In the Eastern Cape, the Finance section of the department could not come up with an amount that would justify the redistribution aims of the funding policy. The amounts that were proposed were too little and could at most pay the electricity bills of schools. The result was that the policy was only implemented for section 21 schools, whereas non-section 21 schools' educational and service accounts were settled without reference to the policy.

In Mpumalanga, the province experienced a massive cash-flow problem and many section 21 schools did not receive their payments.<sup>10</sup> Parents of these relatively privileged schools put pressure on the department to pay their accounts, even when these schools exceeded their allocations. Although not so drastic, KwaZulu Natal experienced similar problems of rich schools having to adjust to their new allocations. Many education officials indicated that these schools need more time to adjust to the new funding policy, but it appears as if many education departments did not have sufficient communication strategies to inform schools of the new process. Under-spending in poor schools should enjoy the full attention of departments and this means that rich schools will have to come to terms with reduced allocations in 2001 without any bailouts by departments.

Another group of schools that had been adversely affected by the introduction of the policy is schools that are located in the middle of the distribution of the Resource Targeting Table. This problem was particularly evident in the Western Cape, Northern Cape and Free State. Schools in the Western Cape and Northern Cape serve learners

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<sup>10</sup> Mpumalanga's incompetent handling of their finances resulted in a R300 million cash bailout by Central Government. Many analysts argue that one of the strongest contributing factors for this financial crisis has been the construction of a new legislature in Nelspruit, which was budgeted to cost R400 million, but now estimates are put at R600 million. Katzenellenbogen, J (2001) "Mpumalanga's R300m bale-out raises a red flag" *Business Day*, 16 May. See also "DA slates M'langa finances" *Dispatch*, 14 March 2001

whose parents in the past received a large chunk of their income through the State Maintenance Grant (SMG).<sup>11</sup> However, as the Child Support Grant (CSG) was phased in, the allocations to the SMG decreased to a minimum amount of approximately R40 monthly.<sup>12</sup> Although the CSG was phased-in, and made available to more recipients, payment of this grant ceases when the child turns seven. The phasing-out of the SMG and the age restriction of the CSG mean that these parents have been deprived of a potential income and therefore the reduced allocations of these schools are a double blow to these learners. This lack of a stable income and the comparatively reduced value of the CSG (R110) will make school fees more difficult to pay. If the external socio-economic circumstances of these learners do not improve and if they continue to receive the same State funding, these schools are in real danger of financial deterioration over the medium and long term.

In the Free State, difficult decisions about the prime recipients of redress funding meant that many poor schools have also been placed in the middle of the Resource Targeting Table. The Free State Department attributed this problem to the notion of the quintile principle in the funding policy, which recommends five categories with the same percentage learners in each category.<sup>13</sup> Free State has attempted to deal with this problem in 2001 by increasing the number of categories and by trying to group the poorest 60% of learners as close as possible to each other. Western Cape has reduced its number of categories from eleven to five, but it is not clear whether the middle schools' financial woes will end with this new classification.

*Spending problems on maintenance of school buildings and municipal utilities*

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<sup>11</sup> The State Maintenance Grant was paid out until the child's 18<sup>th</sup> birthday or 21<sup>st</sup> in the case of a child still attending school or university. Only the biological mother the child could access the grant. More than R 700 was paid out to single mothers per month who qualified for the SMG: Comment and information on the SMG and CSG provided by Jolene Adams, Social Development Researcher, IDASA.

<sup>12</sup> The SMG was phased out in April of this year. From March 1999 to February 2001 the number of beneficiaries declined from 375 667 to 149 654 or 60%. In the Western Cape the number of beneficiaries decreased from 57 147 in February 1999 to 41 234 in February 2001. Official statistics from the Department of Social Development, 2001

<sup>13</sup> This remains an enduring quandary for education departments where there are so many poor learners. Interestingly enough, Free State has decided to increase the number of categories in its 2001 allocation and also effected a more gradual transition between the categories. This is similar to the recommendation made last year by the present author: See Wildeman, R "Redistribution of School Funding" IDASA, 2000

A further concern, which has affected public schools, is the absence of norms for municipal utilities and maintenance of school buildings. Across provincial education departments, education officials have complained that schools are either not spending on the maintenance of buildings, or alternatively, schools cannot afford to pay for these maintenance contracts.<sup>14</sup> Education officials feel that because of the political significance of Learner Support Materials, attention is crucially shifted away from an important part of the State allocation, namely the maintenance of buildings.<sup>15</sup> It is conceivable that poor and rich schools could divert part of their recurrent spending to maintenance, although the financial squeeze of middle schools could lead to a general neglect of school buildings. Although, norms on spending on utilities is desirable, external variables such as different service charges in different areas considerably complicate such a process.

The full extent of provincial education's insertion into South African realities has been demonstrated in Mpumalanga and the Western Cape where the supply of electricity is not only used by the school, but by surrounding communities as well. Western Cape's response has been to pay the full account, arguing that it is inadvisable to shift the social costs purely to the individual school. Mpumalanga, in contrast, has consulted the utility supplier, ESKOM, to calculate the average cost of consumption based on the number of classrooms and the duration of an average school day. The Department plans to install meters into these schools based on these calculated norms and have already explained this to School Governing Bodies. Schools that spend more than the calculated norm will have to pay for any electricity use in excess. Although the efficiency concerns are vital, it would have been advisable to deal with this matter at a Provincial Executive level, given the social costs for poor learners who are attending these schools.

In summary,

- Public schools are going through a difficult period of adjusting to the new funding policy.

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<sup>14</sup> The issue of maintenance of school buildings was aired again this year when Lulama Mbobo of the national Department of Education indicated that the root cause of the problem is low investment in infrastructure maintenance: Mvoko, V "Survey raises alarm on school building" Business Day 09 May 2001

<sup>15</sup> In the Northern Cape, maintenance funds were transferred to Public Works (PW). Because PW does maintenance for more than one department, it is difficult to establish how much of the allocation was actually used. Northern Cape argues that not all the funds on maintenance had been spent.

- Schools that have been classified as poor have struggled to spend their allocated funds, while rich public schools have unfairly been given latitude especially with cases of over-spending in many education departments.
- Provincial education departments should deal decisively with under-spending and over-spending in 2001, although the position of schools in the middle of the distribution remains precarious.

The next section examines information opportunities and problems that have affected the implementation of the Norms and Standards policy in 2000.

#### **4. Information opportunities and problems in the implementation of the school funding policy<sup>16</sup>**

Although the Norms and Standards policy specifies the main information requirements, implementation in 2000 has shown that education departments have begun to generate demand for information independently.

This information demand is directly linked to the continuing “provincialisation” of the funding policy and because it is incontrovertible that education departments implement the policy in vastly different contexts. The most visible example, which was mentioned in the previous paragraph, concerns Mpumalanga requesting information from ESKOM because of the joint use of the power supply by both school and the community. In addition, Western Cape has begun to commission a study that aims at explaining why the service charges are so different for schools between areas, and in some instances within areas.

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<sup>16</sup> Numerous problems have been experienced with the accuracy, reliability and validity of the data provided by schools and the effectiveness of departmental databases. The National Department of Education has formalised a plan where each province will have access to one junior consultant, responsible for developing budgeting and tracking systems. The plan is going to be piloted in three provinces: Personal communication with Daan Visser, National Department of Education

Education departments in Free State, Western Cape and Northern Cape have also sought new information on the type of school, because they argue that different types of schools have different cost structures. Free State has begun to recognise the cost distinctions between primary, secondary, intermediate and technical schools, arguing that the latter is more expensive, and as such, built it into their Learner Support Material allocation. It is not certain whether Free State had independent access to information that shows these cost differentials, or whether they have done studies on it. In the Northern Cape, it was found that although schools might be receiving the same per learner allocation, smaller schools are disadvantaged because of learner numbers. The education department calculated that although learner numbers are disparate, small schools do not necessarily consume less electricity. Similarly, Western Cape is arguing that a rural factor needs to be built into the poverty index, again raising the question of the authoritative source they base their judgements on.

Financial Management Systems (FMS) go to the heart of the tracking of expenditure in public schools. The dualistic division of public schools into section 21 and non-section 21 schools meant that many education departments had great difficulties in capturing expenditure information for non-section 21 schools. In the Eastern Cape, a handful of schools were considered for section 21 status, which means that only a tiny fraction of public school expenditure could be captured on FMS. This, together with inadequate funds for distribution meant that the funding policy could not be implemented for the greatest majority of public schools in the province.

In Gauteng, districts did most of the recording of actual expenditure of non-section 21 schools. Errors in the capturing process resulted in districts being unable to attribute expenditure to particular schools. This is one of the main reasons why Gauteng has been unable to make actual expenditure data available. In the Northern Province, the absence of reliable information systems has meant that most schools received late payments for 2000. The Northern Province Department of Education argues because Districts effected spending for non-section 21 schools, the department is not in a position to provide actual expenditure data. Given the fact that no schools were awarded section 21 status in 2000, it is unlikely that the education department would have had strong financial management systems in place.

In the Western Cape, the education department used two different systems for section 21 and non-section 21 schools. Whereas all transfers to section 21 schools were captured on the FMS system, non-section 21 schools' expenditure were captured on a "Budgeting System."<sup>17</sup> It appears as if payment against non-section 21 schools' allocations were made at different points, and this is why reconciliation of these different systems are only taking place now. The expectation was that Gauteng and Western Cape with their strong regional systems, should have led in terms of the availability of actual expenditure figures, and yet seven months after the end of the 2000 academic year, both provincial legislatures will not have seen actual expenditure by schools.

In summary,

- Some provincial education departments are forging ahead by generating information outside of the formal scope of the policy, but which is helpful in terms of these departments' refinement of the definition of need.
- Many education departments continue to experience problems with information from schools and the reliability of their education databases.
- Finally, the dualistic division of public schools has meant that information captured for non-section 21 schools was subjected to many errors, and it therefore also affected the availability and reliability of actual expenditure data.

The Norms and Standards funding policy will be with us for a very long time. One of the central tenets of the policy is to establish stability in the annual allocation that goes to public schools. The next section looks at school and provincial budget processes and raises questions about the future stability of State allocations to schools.

## **5. Budget process issues<sup>18</sup>**

In terms of the Act, the State must provide sufficient information to public schools regarding their funding for the next financial year.<sup>19</sup> In terms of the Norms and Standards

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<sup>17</sup> This is a computer sub-system and districts have been targeted to do most of the capturing of non-section 21 expenditures. Incorrect codes entered for schools meant that the department is not able to attribute expenditure to specific schools. The department is now in a process of trying to reconcile the FMS system and the Budgeting System.

<sup>18</sup> This section has been informed by a discussion with the Budget Process and Reform researcher, Alta Folscher of the Budget Information Service, IDASA.

for School Funding, provincial education departments should provide schools with indicative allocations at the end of September of each year. SGBs use these indicative allocations as a basis for their own budget planning for the next academic year. Education budgets are only approved for most provinces in April or May, which leaves open the possibility that estimates might change in the period between September and May. Should this happen, the entire budget planning of most public schools will be severely disrupted.

In terms of the national and provincial budget process, indicative allocations to schools are sandwiched between the Medium Term Expenditure Committee (MTEC) hearings in September and the Medium Term Budget Policy Statement (MTBPS) at the beginning of November. *Potentially*, there are thus many changes between September and November, when Cabinet decides on the division of revenue between the three spheres of government. Between September and November, the recommendations of the 4X4 teams are given to the Budget Council and the Minister's Committee on the Budget (MINCOMBUD), while both Treasury and the South African Reserve Bank update their macro-economic projections. All this information is eventually used to inform the final decision of Cabinet on the division of revenue between the three spheres of government.

Changes between the September indicative allocations to schools and Cabinet's final division of revenue between the three spheres could therefore throw into disarray school budget planning. There is evidence of at least one provincial education department that got caught in the complexities of the school and provincial budget process. During 1999 and 2000, when schools were supposed to be informed of their indicative allocations for 2000 and 2001, the Eastern Cape Education Department chose not to inform schools. The reason was during 1998 and 1999, the province paid off a R1 billion overdraft and R2 billion debt, which was part of the bailout package offered by the National Treasury.<sup>20</sup> Funding predictability from the centre (treasury), of policy priorities of the line (education department) could no longer be guaranteed. Although this was an event that took place

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<sup>19</sup> Section 34(2) of SASA: "The State must on an annual basis, provide sufficient information to *public schools* regarding the funding referred to in subsection (1) to enable *public schools* to prepare their budgets for the next financial year."

<sup>20</sup> Xundu, X (2001) "*Eastern Cape now debt-free and operating at surplus*" Business Day, January 22

outside of the “normal budget process”, it demonstrates very clearly the vulnerability of the Norms and Standards allocation.

One solution to this dilemma is to require provincial education departments to publish 3-year Norms and Standards estimates. A complicating factor is the fact that the virement provisions of the PFMA only refer to “main divisions” (programmes), and not to sub-programmes or funding activities under the main programmes. In addition, neither the Act nor the School Funding Norms refers to or mandates the publication of these estimates. These concerns are countered by transparency needs of public spending and the fact that the school funding policy represents *the most important redress tool* in provincial education. It is imperative that legislatures have access to information that deals with projected school funding over three years as well as comprehensive information on the implementation of the programme. The publishing of such aggregate funding data should also facilitate public comparison of the way PEDs tackle within-and inter-provincial inequities. A far stronger version of the same recommendation would be for such argued policy to be written into the Act or the funding norms mandating the publication of these estimates.<sup>21</sup>

In the spirit of medium term planning, PEDs would then be able to invoke the relationship between line department and the centre function, where the centre (Provincial Treasury) must deliver predictable funding based on known policy priorities to the line (PED).

In summary,

- The current budget process pertaining to the Norms and Standards for School funding seems to be a case of mistiming because indicative Norms and standards allocations are made before the finalisation of provincial spending envelopes
- Recent provincial financial instability in the Eastern Cape and Mpumalanga emphasises the need for Norms and Standards allocations to be published in Provincial Budget Statements

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<sup>21</sup> This was established in personal communication with Firoz Patel, Executive Director of the Education Foundation.

- Although the publication of these estimates does not fall under the scope of the PFMA, it is advisable that policy should be written into the Act or the school funding norms mandating the publication of these estimates.

## **6. Concluding remarks**

The implementation of the new funding policy in 2000 predictably threw up a number of budgetary and policy challenges. From a provincial education department point of view, small re-distributive bases, poor capacity at Head Office and District level as well as ineffective communication strategies hampered the successful implementation of the school funding policy. In addition, some PEDs continue to experience problems with the reliability of information, especially accurate learner enrolment figures. Poor District capacity in guiding poor schools on how to spend their allocations will take time to change. This paper has argued that PEDs need to put into place immediate plans to deal with under-spending problems.

At school level, schools were differently affected depending on their position in the Resource Targeting Table. Poor schools across PEDs under-spent, and much of this had to do with lack of infrastructure. Some PEDs also experience over-spending in rich schools, and we have argued that poor communication strategies of PEDs in informing schools of the impact of the new policy seem to be the root cause. Schools in the middle of the Resource Targeting Table experienced declining State allocations. Coupled with a decline in the socio-economic positions of these parent communities, there is a real danger of financial deterioration in these schools.

Finally, we have raised concerns about the future stability of the Norms and Standards allocation and argued that 3-year estimates be published to facilitate inter-provincial comparison as well as informing legislatures of redress efforts in a PED.

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