



**JOINT SUBMISSION TO THE STANDING COMMITTEE ON APPROPRIATIONS ON THE 2018 DIVISION OF
REVENUE BILL**

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SUBMITTED BY:

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Overview

Equal Education welcomes the opportunity to submit comments on the 2018 Division of Revenue Bill, to the Standing Committee on Appropriations. Our submission is structured as follows:

1. In Part 1, we provide an overview and background of Equal Education and Equal Education Law Centre.
2. In Part 2, we detail our concerns around downward adjustments to the basic education budget.
3. In Part 3, we call on Parliament to reverse cuts to the school infrastructure grants.
4. In Part 4, we reiterate our call for a conditional grant to fund scholar transport.

Part 1: Background

Equal Education (EE) is a membership-based, democratic movement of learners, parents, teachers and community members. Our core objective is to work towards achieving quality and equality in the South African education system. In order to do this, we conduct a broad range of activities. These include campaigns grounded in research and policy analysis, in support of public action and mobilisation. Where necessary, we use legal processes to advance the value of, and to contribute to, a strong civil society that holds government, private interests and individuals accountable.

EE's core membership base is high school learners, known as 'Equalisers', who actively advocate for quality education for all across five provinces: Eastern Cape, Limpopo, KwaZulu-Natal, Western Cape and Gauteng.

The Equal Education Law Centre (EELC) is a public interest law centre using legal advocacy to advance an equitable and quality basic education for all. The EELC has specialist expertise in the field of education law and policy, and works closely with EE to advance the core objectives of the social movement.

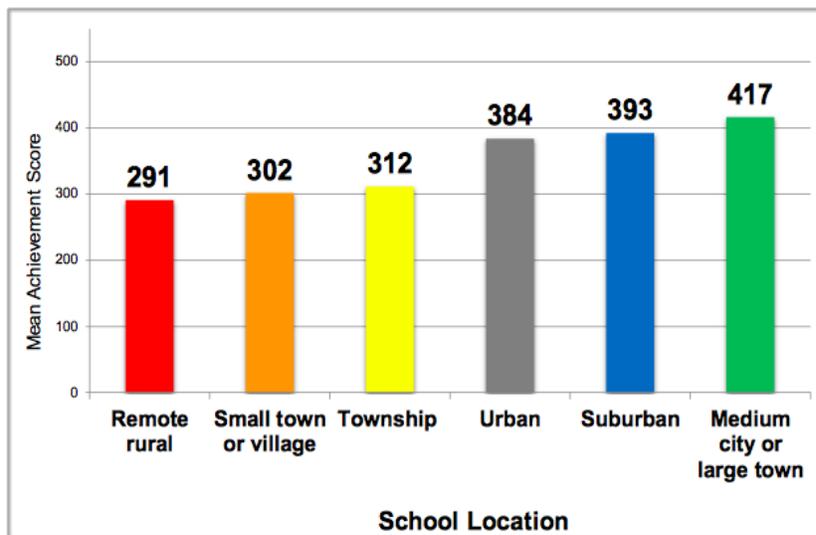
Part 2: Downward adjustments to the basic education budget

EE and EELC are deeply concerned about downward adjustments to the national basic education budget, and baseline reductions to the equitable share as reflected in the 2018 national budget. Although basic education is the fourth fastest growing line item in the national budget, the 6.93% increase in funding between 2017/18 and 2018/19, is barely enough to keep up with the needs of the Department of Basic Education¹ (DBE) - especially now that service provision will become more expensive because of the

¹ Our country's current complacency toward basic education spending is informed by a widely repeated myth: that we spend an unusually high amount of our national budget on basic education. However, compared to countries with a similar GDP per capita and similar debt servicing costs each year, South Africa's spending on education is not unusually high. Among countries with a similar GDP per capita to South Africa in 2013, the average government expenditure on education in 2013, as a percentage of GDP, is 5.8%. In the same year, South Africa spent 6% of our GDP on education. [2013 was used as this is the most recent year for which substantial data

increase in value added tax (VAT). Given the mammoth task ahead of undoing the stubborn legacy of apartheid education, and addressing the various crises in education ([early grade reading proficiency](#)², [infrastructure](#)³, [safety](#)⁴, and [scholar transport](#)⁵), such a minimal increase is unacceptable.

A particularly pertinent issue is the standard of [early grade reading proficiency](#). The most recent results of the Progress in International Reading Literacy Study (PIRLS) revealed that a staggering 78% of South Africa’s Grade 4 learners cannot read for meaning. The PIRLS test is graded on a scale of 0 to 1000. The chart below shows that most Grade 4 learners failed to reach the lowest benchmark of 400 points, indicating basic reading skills. Furthermore, learners from low-income and/or rural environments had the lowest scores. These devastating findings necessitate immediate interventions - such as an expansion of the DBE’s [Early Grade Reading Study](#) - which are impossible to implement without adequate funding.



Performance of South African learners in PIRLS by location⁶.

is available on government spending on education. The two countries for which no spending data was available were excluded from the sum. World Bank data.]

² Equal Education, *Children Who Cannot Read Cannot Participate in Democracy*, 2018. Available: <https://equaleducation.org.za/2018/01/10/media-statement-children-who-cannot-read-cannot-participate-in-democracy/>

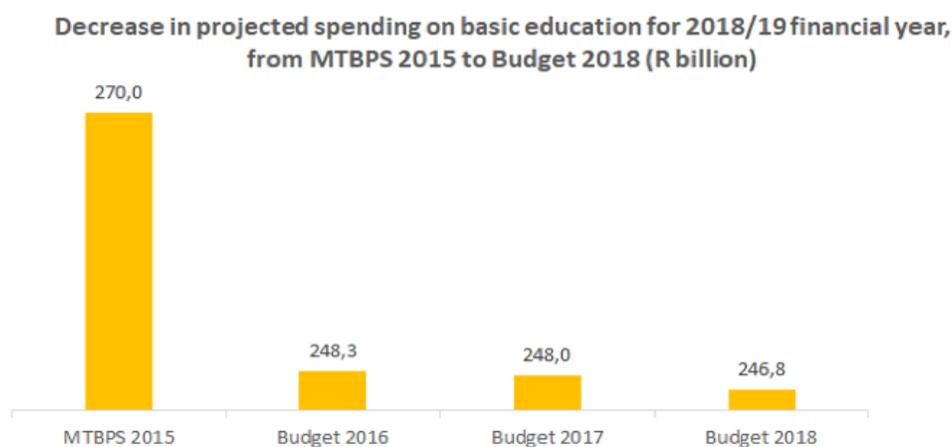
³ Equal Education, *Schools without Dignity (Limpopo)*, 2017. Available: <https://equaleducation.org.za/wp-content/uploads/2016/07/Low-res-Dikolo-tša-go-hloka-seriti-Schools-Without-Dignity-EE-Limpopo-school-visits-report-29-November-2017.pdf>

⁴ Equal Education, *Of “Loose Papers and Vague Allegations” (Western Cape)*, 2017. Available: <https://equaleducation.org.za/wp-content/uploads/2016/09/Western-Cape-Schools-Safety-and-Sanitation-Social-Audit-Report.pdf>

⁵ Equal Education, *Scholar Transport*, n.d. Available: <https://equaleducation.org.za/campaigns/scholar-transport/>

⁶ Howie, S.J., Combrinck, C., Roux, K., Tshele, M., Mokoena, G.M., & McLeod Palane, N. (2017). *PIRLS LITERACY 2016: South African Highlights Report*. Pretoria: Centre for Evaluation and Assessment, p. 3.

Given South Africa's growing school-going age population⁷, high inflation rates, and ambitious National Development Plans (NDP) goals, spending on education should be notably increasing annually - particularly until historic backlogs are remedied. However, basic education allocations have been revised downward since the 2015 Medium Term Budget Policy Statement (MTBPS):



The graph above depicts the decrease between projections in the 2015 MTBPS and the actual allocations in those financial years. If the baseline funding available for basic education for the 2018/2019 financial year remained at R270 billion, as was predicted in the 2015 MTBPS, the increase in basic education funding from 2017 to 2018 would have been 16.98% . However, given the consistent downward revision of the projected funding, it is only a 6.93% increase.

For learners in fee-paying schools, interventions that will assist with early grade reading and other literacy issues can be implemented if the school increases school fees, but for poor and rural-based learners in no-fee schools - those who need these interventions most - this will not be possible without sufficient funds in the basic education budget allocations.

As the DBE has said: The most effective way to bring about meaningful socio-economic transformation in South Africa, is to improve the teaching and learning of reading in schools serving historically disadvantaged communities⁸.

Part 3: Reductions to the school infrastructure grants

Basic education funding has also suffered due to major cuts to school infrastructure grants – a first since the promulgation of the Minimum Norms and Standards for School Infrastructure, in 2013. Both the DBE and Provincial Education Departments (PEDs) have consistently underspent the allocations they receive

⁷ Statistics SA, "Statistical Release: Mid-year population estimates 2017". 2017. p. 9.

⁸ Department of Basic Education, *The Early Grade Reading Study Summary Report*, Pretoria: DBE, 2017.

through these grants. However, slashing these grants by R7 billion⁹ over the Medium Term Economic Framework (MTEF) is no solution to ensuring that dangerous and undignified school infrastructure is replaced.

These cuts must be reversed, and the National Treasury must simultaneously support provinces to spend their budgets. Treasury's intervention should incentivise transparent and effective infrastructure planning, and include the creation of stronger financial mechanisms to monitor and sanction infrastructure implementing agents – those that build schools on behalf of departments of education. EE has previously made recommendations to this effect to the Standing Committee on Appropriations (SCoA).¹⁰ Has National Treasury begun to implement these steps, and with what timelines?

According to the testimony of the Director General of the DBE, before the Standing Committee on Public Accounts (SCoPA): “the bulk of the risks incurred by the Department were attributable to non-compliance with regulations by implementing agents”.¹¹ If this is the case then why has the DBE not put in place effective systems, for example written warnings and blacklisting, in order to ensure implementing agents do not continue to delay the process of building schools? National Treasury and the Provincial Treasuries too can ensure that the Infrastructure Procurement Management Plans (IPMP) of implementing agents are within the targets of provinces, and monitor whether or not contractual milestones have been reached to ensure greater efficiency in the use of funds.

When infrastructure allocations are reduced, it is learners that suffer most. As of 29 November 2016, the first deadline stipulated by the Norms and Standards for School Infrastructure regulations, all schools made of asbestos, mud, or other inappropriate and harmful materials are illegal. Sixteen months have passed since that deadline and yet learners across the country continue to learn in schools made of these very materials. These learners will now have to wait even longer for their schools to be replaced.

Moreover, the 1% increase in VAT and the fuel levy increase will impact on the price of raw materials and service costs. This will cause further delays in the already snail-paced implementation processes, since the DBE and PEDs will have far less money to spend on increasingly expensive goods and services.

According to testimonies before the above-mentioned SCoPA hearing, the DBE failed to meet several targets for the financial year in review. Only 16 of 59 schools have been built. Sanitation has only been

⁹ Department of Basic Education, Progress on School Infrastructure, Presentation to Portfolio Committee on Basic Education, 2018. Available: <http://pmg.org.za/files/180306ASIDI.pptx>

¹⁰ Recommendations sent to SCoA in November 2017 are attached as a separate PDF document in the email

¹¹ Parliamentary Monitoring Group, “Department of Basic Education irregular, fruitless & wasteful expenditure; infrastructure; scholar transport: hearing; with Minister”, 2018. Available: https://pmg.org.za/committee-meeting/25866/?utm_campaign=minute-alert&utm_source=transactional&utm_medium=email

provided to 10 of the targeted 265 schools, and water to 10 of 280 targeted schools. It was also noted that electricity had not been delivered to any of the targeted 620 schools.¹²

We implore the Committee to instruct National Treasury to not reduce the allocations for school infrastructure. In addition, National Treasury and the Provincial Treasuries should provide direction to the DBE and PEDs (respectively) on how to best spend their funds, whereas the DBE and PEDs should deal decisively with non-compliant and poorly performing implementing agents.

Part 4: A conditional grant to fund scholar transport

We have been involved in the struggle for the provision of learner transport since July 2014: when Equalisers based in Nquthu, northern-KZN, raised the lack of transport to school as a serious barrier to education. Equalisers testified to the great difficulties they face when walking to school and back everyday - that includes walking very long distances in extreme heat and in thunderstorms, crossing rivers and mountains - all while they find themselves at risk of violent crime, including sexual assault.

Learners arrive at school very late (missing out on valuable teaching time), find it exceedingly difficult to concentrate in class due to exhaustion, and cannot participate in extra lessons offered after school.

EE and EELC have engaged with government, made submissions to Parliament, protested, and made a film to raise awareness about learners' long and dangerous walk to school. We have presented and made recommendations on the 2016 and 2017 Division of Revenue Bills to the Standing Committees on Appropriation. In these submissions, we have insisted on effective funding mechanisms for learner transport, including a conditional grant that will ensure that funds are allocated by National Treasury, rather than provinces attempting to pull funds from their often highly-contested equitable share allocations.

National government has responded positively to our calls for a conditional grant. During her 2017 Council of Education Ministers (CEM) Speech, Basic Education Minister, Angie Motshekga, announced her commitment to look into "the ring-fencing funding of the learner transport budget in the form of a conditional grant to ensure that the budget is spent in the area it is intended for". Later that year, a further commitment was made by the DBE Director General, Mathanzima Mveli, stating to the Portfolio Committee on Basic Education that "if all goes according to plan in the discussion with National Treasury, a conditional grant will be introduced in 2018/2019".

It is encouraging that national government is starting to recognise the need for a conditional grant - however despite these public commitments, there is no mention of the introduction of a learner

¹² Parliamentary Monitoring Group, *Department of Basic Education irregular, fruitless & wasteful expenditure; infrastructure; scholar transport: hearing; with Minister*, 2018. Available: https://pmg.org.za/committee-meeting/25866/?utm_campaign=minute-alert&utm_source=transactional&utm_medium=email

transport conditional grant in the 2018 Division of Revenue Bill in the Annexure W2 Frameworks for Conditional Grants to Provinces.

PEDs usually cite inadequate funds as one of the main reasons that they are not providing transport to all learners who qualify. PEDs are expected to fund the provision of learner transport using their equitable share allocations. However, simply increasing the equitable share is not likely to solve the learner transport funding shortfall. The adoption of the National Scholar Transport Policy in 2015 was a great victory but it does not come with ring-fenced funding. This has meant that the policy cannot be fully implemented due to a lack of funds. This has also meant that the scope of need will vary between the departments that must provide the transport, whereas a full understanding of the number of learners in need would have to be investigated if National Treasury were to provide a conditional grant.

EE and EELC have for three years advocated for transport for 12 schools in Nquthu, that we discovered qualified for learner transport. The continued lack of a decent response from the KZN Department of Education (KZN DoE) and KZN Department of Transport (KZN DoT) to our demands, and the lack of cooperation between the two provincial Departments in providing learner transport, led us to litigate against them. In November 2017, the Pietermaritzburg High Court ruled in favour of EE and the 12 schools in Nquthu, compelling the KZN DoE to provide learner transport to the learners in these schools by 1 April 2018. The court also stated that the KZN DoE must report back to it on 1 April with regards to

- The status of the KZN Scholar Transport Policy;
- How national and provincial co-operative governance structures will plan, provide, implement, monitor and evaluate learner transport in KZN;
- The plans that the KZN DoE and KZN DoT will make to address the issue of learner transport in the province more broadly, and when these will be fulfilled; and
- The alternative modes of transport that will be considered, and whether and by when these are planned to be implemented.

This was a significant victory. We are committed to monitoring the roll-out of the transport for the 12 schools - ensuring that sufficient transport is provided and that the correct process is followed when determining the number of qualifying learners. However, these are not the only schools in need of learner transport, and we urge this Committee to call on National Treasury to provide a conditional grant for learner transport to aid learners throughout South Africa.

Part 5: Revision of the equitable share formula

EE has, in previous submissions to this [Committee](#), highlighted the problems with the equitable share (ES) formula. EE has noted, in particular, the failure of the ES formula to cater for the higher costs of education provision in rural provinces as compared to urban areas.

EE has welcomed National Treasury's commitment to reviewing the ES formula, yet still await time frames for the review process to be made public. According to the Explanatory Memorandum to the

DoRB 2018, this review will take place over a number of years, and includes assessing the continued appropriateness of *all aspects of the formula*. We note that the implementation of the first phase of the review has begun.

We request that the Committee recommend that further phases of the ES formula review takes into account the factors contributing to the high cost of providing education in rural provinces. These factors include:

- Historic underfunding due in part to the fact that the former homeland areas account for a large part of the country's rural regions, and the outright and systematic discrimination against these areas in terms of access to resources under apartheid.
- Geographic disadvantage includes the costs involved when learners and staff live greater distances from schools, as well as the reduced potential for economies of scale when schools have relatively small learner numbers. For example, smaller schools are likely to have smaller learner-to-educator ratios.
- Infrastructural disadvantage also exists with disparities in access to basic services when comparing rural and urban areas, and thus there is greater cost attached to ensuring basic service delivery to all schools.
- Demographically, in rural areas the population has a high proportion of children and of older people, while the working-age population is more dominant in urban areas.
- In terms of poverty, Statistics South Africa (Stats SA) has noted that the poverty rate stood at 68,8% in rural areas in 2011, as compared to 30,9% in urban areas.

In 2017, National Treasury made explicit commitments to “exploring the possibility of adding rural-focused indicators to the provincial equitable share formula to further strengthen the equity of intergovernmental transfers”¹³. In addition, in the Explanatory Memorandum to the DORB 2018, National Treasury has noted that in further phases of the review an assessment of the impact of weighted learner socio-economic profiles will be considered, as recommended by the Financial and Fiscal Commission (FFC).

These commitments are welcomed, particularly in light of EE's previous submissions on this score. In this regard, EE and EELC commissioned a report on the mechanisms by which the ES formula could be adjusted to ensure more effective redress. The report, which was presented to representatives of National Treasury along with Provincial Treasuries, included exploring ways in which the formula could be improved by investigating two options:

- Adjusting the provincial shares by a geographical factor that proxies rurality; and
- Adjusting the provincial share by a factor that takes into account the relative distribution of schools in each province across the five income quintiles.

¹³ National Treasury, Annexure W1: Explanatory Memorandum, *Division of Revenue Bill*, 2017

For each of the two options, the investigation included sensitivity testing¹⁴. We attach the full report to our submission and do not repeat the conclusions here, other than to note that all approaches considered had the effect of increasing allocations to rural provinces in an equitable way.

EE and EELC would therefore encourage National Treasury to continue to engage stakeholders in the process of the ES formula review, particularly on the timelines by which this review will take place and the mechanisms for public participation, and request that the Committee compel National Treasury to ensure that this review is and remains participatory.

¹⁴ That is, an exploration of the impact of different weights or other adjustments for rurality and poverty.