Title: The resourcing, funding and financing of schools in South Africa

Abstract

This paper sketches the apartheid legacy from which the South African schooling system has emerged and the challenges that needed to be overcome for its transformation. In particular the paper will show how the new democratic government had to deal with an inherited unequal distribution of resources and lack of access to schooling. The paper places in context the reasons South Africa could not emulate the over resourced system of white South Africans but rather how a balance had to be found in maintaining a credible public education system that would be utilised the poor and not so poor alike. The challenge was thus to create a single system of education that not only dealt with the disadvantaged and the second economy of our country but one that would encourage the advantaged and the second economy to remain in the public school system. A brief overview is given of the South African Schools Act and how it balances the South African Constitutional obligations of the right to basic education for all and the progressive realization of further education. The paper also describes the relationship between the decentralization of functions to schools, the funding policy and public private partnership at school level.

The paper will also focus on the 1998 national norms and standards of school funding and demonstrates how this mechanism ensures that parents that can afford to contribute to the education of their children do so and those that cannot are assisted by the state. The pro-poor distribution of non-personnel non-capital and teaching personnel resources on an equitable and progressive basis to the poor is also expanded on. The South African Government policy on the provision school infrastructure is further discussed. A short description of how independent (private) schools are funded is also discussed.

The paper will then begin to share with delegates the review conducted, in 200, into the resourcing, financing and costs of education in public schools and the action plan adopted by government in ensuring that quality basic education is accessible to all. The paper will also describe the fiscal relationship between the two spheres (not tiers) of government (national and provincial) that are concurrently responsible for education and how education funding is affected by this arrangement.

The paper will thus attempt to show how issues of quality, equity, redress and access have been dealt with and what further challenges it poses.

Historical Context

In 1994 all South Africans went to the polls to elect a new democratic government and they overwhelmingly mandated it to dismantle the previous apartheid policies, including education policies. The apartheid education system consisted of some 15 disparate
education departments, which served the different populations groups as well as serving the population of the former “homelands” or “Bantustans”. The per capita expenditure per learner in these systems was extremely disparate and unequal. The highest per capita per learner was spent on the learners in the former white system and the least in the former homeland states. The learner/educator ratios ranged from 1:18 in advantaged schools to 1:70 in poor rural areas. There were further also different policies regarding admission to schools and thus access to schools was also not equal across the system. Table 1 illustrates the disparities across racial and regional lines. The presenter has, for clarity, added the descriptions in italics and within brackets.

<table>
<thead>
<tr>
<th>Former Department</th>
<th>Rand</th>
</tr>
</thead>
<tbody>
<tr>
<td>House of Assembly (Whites)</td>
<td>5 403</td>
</tr>
<tr>
<td>House of Delegates (Indians)</td>
<td>4 687</td>
</tr>
<tr>
<td>House of Representatives (Mixed race)</td>
<td>3 687</td>
</tr>
<tr>
<td>QwaQwa (African – Bantustan)</td>
<td>2 241</td>
</tr>
<tr>
<td>Department of Education and Training (African in “white” South Africa)</td>
<td>2 184</td>
</tr>
<tr>
<td>Ciskei (African – Bantustan)</td>
<td>2 056</td>
</tr>
<tr>
<td>Venda (African – Bantustan)</td>
<td>1 792</td>
</tr>
<tr>
<td>Gazankulu (African – Bantustan)</td>
<td>1 699</td>
</tr>
<tr>
<td>KwaNdebele (African – Bantustan)</td>
<td>1 595</td>
</tr>
<tr>
<td>Bophuthatswana (African – Bantustan)</td>
<td>1 580</td>
</tr>
<tr>
<td>Lebowa (African – Bantustan)</td>
<td>1 549</td>
</tr>
<tr>
<td>KaNgwane (African – Bantustan)</td>
<td>1 480</td>
</tr>
<tr>
<td>KwaZulu (African – Bantustan)</td>
<td>1 459</td>
</tr>
<tr>
<td>Transkei (African – Bantustan)</td>
<td>1 053</td>
</tr>
<tr>
<td>Average</td>
<td>2 222</td>
</tr>
</tbody>
</table>

Source: Department of Education, Provisional 1994 C/S data, DoE 1994/5 budget estimates

A major portion of the expenditure shown in table 1 was devoted to personnel costs. The inequitable distribution of teacher resources in terms of learner to educator (L/E) ratios and the minimum requirements of qualifications differing in the multiplicity of systems further exacerbated and widened the disparities.

**School funding challenges**

In order to bring the whole system up to the level of the House of Assembly (HoA) system (catering for the white group) would have meant the education budget had to be more than
doubled. South Africa was already spending a major portion of its resources on education. The redistribution of resources within the system and ensuring that they were more evenly distributed was thus the only viable solution. The implication was that L/E ratios across the system had to be equalized, teachers upgraded and the non-personnel budget had to be distributed through a policy that would retain a credible public school sector and yet distribute the available non-personnel resources to schools on the basis of need and poverty.

In 1995 the Minister of Education in the new government established a committee (which produced a report commonly known as the Hunter Report) to recommend to him:

> a national framework of school organization and ownership, and norms and standards on school governance, which in the view of the Committee are likely to command the widest possible public support, accord with the requirements of the Constitution, improve the effectiveness of schools, and be financially sustainable from public funds. (RSA 1995b: viii)

This brief was obtained from the white paper entitled ‘Education and Training in a Democratic South Africa: First Steps to Develop a New System’ (1995a). This paper had the following to say in terms of funding:

> The basis of financial allocation to different categories of state and state-aided schools must be equitable and transparent, aimed at eliminating historical disparities based on race and region and ensuring an acceptable quality of education.

> In particular, an equitable staff provision scale or scales, must be phased in at state and state-aided schools as rapidly as possible, in full consultation with the representative organizations of the teaching profession.

> The question of eligibility of independent schools for state subsidies must be determined using clear and equitable criteria based on public interest, and the observances of constitutional guarantees.
The report recommended that a partnership funding approach be used so that a balance was achieved among four key principles: attaining equity, redressing imbalances, advancing quality and improving efficiency. The partnership was between the state, which will provide for a minimal level of funding, and parents who would supplement the state funding. Schools were to be given more powers whereby they would be able to perform functions (normally performed by the state) so that they could achieve efficiencies. This partnership approach was thus based on the following principles:

- The state does not have sufficient funds to fund education at the high levels of some of the previous systems.
- The state would want to maintain a credible public school system
- The state would want to equalize internal resource allocation
- The state would want to provide mechanisms for parents to supplement the resources of the state if they required a higher level of resourcing
- The state would ensure that no child is denied compulsory schooling on the basis of the inability of the parents to raise school fees.

The new legislative framework

The Bill of Rights in the Constitution of the Republic of South Africa, 1996, Act No. 108 of 1996 (RSA 1996a) establishes the right to education in these terms:

Everyone has the right – to a basic education, including adult basic education; and to further education, which the state, through reasonable measures, must make progressively available and accessible” [Section 29(1)]

The South African Schools Act (RSA 1996b) says:

The State must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in educational provision. [Section 34(1)]
The Schools Act (1996b) ensures that each school is provided with sufficient information from the State to draw up their budgets according to prescriptions established by the Member of the Executive Council (MEC) responsible for Education in a province (an MEC is similar to a Cabinet Minister but in a province). Further that a school could levy a school fee, which could be compulsory, if the majority parents present vote on the budget. These funds have to be managed through a school fund under directives established by the Head of Department. School funds have to be used for educational purposes and the fund was to be independently audited. The school had to submit audited financial reports each year to the Department in a prescribed format.

Funds are allocated to schools according to national norms and standards established by the Minister of Education (RSA 1998a). The Act also indicates that the school would exempt learners whose parents did not have the ability to pay the compulsory school fees. Regulations are in place that sets out procedures for exemption based on the gross income of the household in relation to the school fee. Thus allowing for full, partial or no exemption. (RSA 1998b)

In October of 1998 the National norms and standards for school funding were published as policy. This policy distributes the funds available for non-personnel non-capital expenditure, according to certain categories of expenditure, progressively to the poor according to a resource-targeting table. The resource-targeting table comprises of an index each weighing 50% for the poverty of the community and the other 50% for conditions at the school. Further 60% of the available resources in the non-personnel non-capital category were allocated to 40% of the poorest learners. The poverty index is composed through the use of data from the census and that of conditions at the school through the “school register of needs” and other education departmental databases. (RSA 1998a).

**Exemptions from school fees**

Regulations were published in 1998 that enabled parents who could not afford the school fees to apply directly to the school for exemption. Based on the gross income of the household a parent could be exempted, fully, partially or not at all. This was based on a multiplier of the school fee against the income of the household. If the gross income of the household was less than 30 times but more than 10 times the school fee the parent was due for partial exemption; if it was 10 or less times the school fee the parent was totally exempted.
exempt. If the gross income of the household was 30 or greater times the school fee then no exemption would apply. The parent could appeal the decision of the school governing body, through the school principal and, if needs be, to the provincial education department (1998b).

The Resource Targeting List in the School Funding Norms (Public Ordinary Schools)

The poverty index is derived from census data or other appropriate data. Access to water, power, sanitation, level of education of parents, number of dependents etc are mainly used to indicate the socio-economic status of the community.

The condition of/at a school is based on factors such as: access to water; access to power; number of toilets, crowding of the school in terms of learners/ classroom ratio’s etc. The main source of data for this part of the index is the National School Register of Needs data and the annual school survey.

Learners from these schools are then grouped into quintiles (5 groups of 20% each) or deciles (10 groups or 10% each). The non-personnel funds (excluding funds for new buildings or additions and emergency capital repairs) of the province is then divided into the following categories: (1) Maintenance and repairs to buildings, (2) Easily separable recurrent costs (Supplies and other services such as utilities), (3) Other recurrent and small capital equipment costs – (Equipment and Media Collections), (4) Other recurrent and small capital costs (School books and stationery). In the case of (1) to (3) the funds are distributed through the resource targeting table B.

In the case of the 4th category – Other recurrent and small capital costs (School books and stationery), the funding norms require that R100 be allocated per learner and if this is insufficient then the poorest learners should be allocated the R100.

Once this process has been completed, the allocation per school is calculated and schools are informed of their allocation by 30 September of the previous year in which it is to come into operation. This then enables the school to prepare its budget. Primary and Secondary schools receive the same level of funding.
Schools that have the ability to perform the functions under section 21 of the Schools Act (1996b) would have the funds transferred to their banking accounts and procure goods and services within general procurements guidelines (and not tender board procedures). Schools that have not been allocated a section 21 function will have these funds managed by the Provincial Education Department on their behalf. These functions can be allocated (on application), assigned by the MEC and can have conditions attached to them by the Head of Department if required. These functions can also be withdrawn. The following are the functions:

(a) To maintain and improve the school's property, and buildings and grounds occupied by the school, including school hostels, if applicable;
(b) to determine the extra-mural curriculum of the school and the choice of subject options in terms of provincial curriculum policy;
(c) to purchase textbooks, educational materials or equipment for the school;
(d) to pay for services to the school;
(e) to provide an adult basic education and training class or center subject to any applicable law; or
(f) other functions consistent with this Act and any applicable provincial law.

**Funding of Hostels.**

The funding of hostels is also dealt with in the funding norms. The state would not be funding the running costs of hostels, but would subsidise eligible learners based on the running costs of a hostel. Learners who are poor, who live more than one and hours
travelling distance to the school nearest their home and there are no school places nearer their homes would be subsidized.

**Personnel.**

Personnel posts are distributed on the basis of available funding; initially personnel costs were on average 90% of provincial education budgets. The Ministry set as a goal that the ratio of personnel funding to non-personnel funding should be 85:15 by 2005. The MEC for education in province determines the number of educator posts to be established within the available budget. Eighty five percent of this funding is used for educator personnel while the balance is used for administrative and support personnel. The learners in a school are weighted according to their phase or subjects and posts are allocated to schools relative to the weighted learners at a school. Five percent of the posts are removed before distribution and are allocated to schools according to the resource-targeting table of poverty of the school community.

**Capital Costs Allocations.**

New classroom and other construction allocations are distributed on the basis of need starting with the poorest communities first.

**Funding for Independent schools.**

The Constitution of South Africa allows anyone to operate an educational institution including a school providing they do not violate the unfair discrimination clauses of the constitution and that they do not provide a service that is comparable to that provided at a public institution. These institutions have to be registered. The constitution says that nothing precludes the state from subsidisation these institutions.

Funding for independent schools during the Apartheid period was based on a per capita subsidy. This subsidy was a percentage of the per capita expenditure in the public school sector. Subsidies were also race based. It was extremely difficult to operate an independent school especially if the owners were black. Subsidies to private schools amounted to about 50% of the public per capita expenditure.
The new mechanism for subsidies set conditions of eligibility such as: (1) the non-profit status of the school; (2) the provision of quality education (as measured by the senior certificate results); (3) the management efficiency of the school and (4) whether the school was established in competition to a public school.

If a school qualifies for a subsidy, the fee level (annual fees as a ratio of the per capita expenditure in the public school) of the school is taken as a proxy of socio-economic conditions of the parents. Thus the higher the school fee the lower the percentage subsidy. The subsidy is based on percentage of the per capita expenditure in a public school. The subsidy percentage levels range from 0% to 60%.

Table 3: Allocation table for independent school subsidies

<table>
<thead>
<tr>
<th>Fee level</th>
<th>Subsidy level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Up to 0.5 times [A]</td>
<td>60% [B]</td>
</tr>
<tr>
<td>2. Higher than 0.5 and up to 1.0 times [A]</td>
<td>40% [B]</td>
</tr>
<tr>
<td>3. Higher than 1.0 and up to 1.5 times [A]</td>
<td>25% [B]</td>
</tr>
<tr>
<td>4. Higher than 1.5 and up to 2.5 times [A]</td>
<td>15% [B]</td>
</tr>
<tr>
<td>5. Higher than 2.5 times [A]</td>
<td>0% [B]</td>
</tr>
</tbody>
</table>

[A] = the separate provincial average estimate per learner in primary and secondary phases of ordinary public schools respectively in the fiscal year following the date in paragraph 150(d) (of RSA 2003).

[B] = the separate provincial average estimate per learner in primary and secondary phases of ordinary public schools respectively in the Provincial Education Department’s prescribed fiscal year.

Provincial Education Department’s may use the following criteria, in addition to any other relevant information submitted by the school, to judge whether a school falls into a certain category:

- a. schools in the first (highest subsidy level) category would typically be located in townships, deep rural areas, or informal settlements and serving the residents in these areas.
- b. schools in the second category would typically be in inner-city or transitional suburban areas, catering largely for township and informal sector clientele or the urban lower-middle class.
- c. schools in the third and fourth categories would be middle- and upper-middle class schools with good facilities with a local clientele.
- d. schools in the fifth category would be well established schools with excellent facilities and a national or regional clientele and very low learner : educator ratios (RSA 2003 paragraph 11).
Requirements for Independent schools to qualify for subsidies

In South Africa, the fiscal argument is an important but not a sufficient basis for national policy. Given the extreme inequalities and backlogs in the provision of public education and the pressure on public education budget allocations, the national policy on public subsidies to independent schools must serve explicit social purposes. Subsidy allocations, therefore, must show preference for independent schools that are well managed, provide good education, serve poor communities and individuals, and are not operated for profit. Such criteria must be capable of measurement according to objective, transparent, and verifiable criteria. About 2.5% of school learners attend Independent Schools.

There are other stringent requirements (RSA 2003: Paragraphs 5,6 & 8), other than fee levels, for independent schools to qualify for subsidy. Independent schools that qualify for subsidy may additionally be considered if it:

- Is registered with the Provincial Education Department;
- Has made an application to the Provincial Education Department in the prescribed manner;
- Has been operational for one full year;
- Is a registered non-profit organisation in terms of the non-profit organisations Act, Act No. 71 of 1997;
- Is managed successfully according to a management checklist determined by the Provincial Education Department. The checklist will determine, amongst other things, whether the school is able to manage its finances responsibly; does the school keep proper admission and attendance registers; maintains fee payment and other financial records;
- Agrees to unannounced inspection visits by officials of the Provincial Education Department;
- Has not been established in direct competition with a nearby uncrowded public school of equivalent quality;
- Its final grade 12 pass rate is 50% or more of full time candidates writing the examination in the prior year (only applicable to the secondary phase of the school);
- Not more than 20% of Grade 11 learners are repeaters who took Grade 11 in the same school during the previous year (only applicable to the secondary phase of the school);
• Not more than 20% of Grade 12 learners are repeaters who took Grade 12 in the same school during the previous year (only applicable to the secondary phase of the school);

• It does not engage in practises that are calculated to artificially increase the school’s Grade 12 pass rate (only applicable to the secondary phase of the school);

The spirit and intent of the norms.

While within a province the technical aspects regarding the application of the norms have been successful and race based inequalities has been eradicated, the actual allocation within schools and between provinces have been vastly different. Between the provinces the differences were also stark in that the poorest school in one province was allocated an amount slightly higher than the least poor school in a neighbouring province. Figure one demonstrates the inter-provincial outcomes of the funding policy. Compare the amount for textbooks in NW and GP.

Figure 1  Public Ordinary School Expenditure per learner by type of input (2002) [Horizontal axis shows the abbreviations for provinces in South Africa]

Intergovernmental fiscal framework

South Africa has three spheres rather than tiers of government; local, provincial and national. The Constitution (1996a) clearly demarcates the functions between the spheres and in some cases functions are shared between spheres. Higher Education is the
responsibility of the national government while pre-higher education is a concurrent function between the Department of Education and the provinces. One of the reasons for the inequality in the allocation of resources to learners is that Provincial Governments receive an equitable block grant from the national revenue fund and they then distribute these funds to the provincial functions through the provincial legislatures. The basis of calculation of this block grant is a formula consisting of a number of components such as health, education and social development. Inputs into the components of the formula are based on relative needs in a province. In the case of education the formula is based on the number of children of school appropriate age (6-17) in each of the provinces weighted one third and ordinary school learner enrolment weighted two thirds. This formula does not take into account the poverty of learners or conditions at schools. The outputs of the different functions are then grouped together to form a block grant to the provincial government. The formula is merely used to divide the share of funds bound for the provinces and is not a budgeting formula. The provincial political office bears make the spending decision based on provincial needs but within broad national policies.

**Concerns of government**

Government was very concerned with the inequalities between provinces in terms of per learner allocations at schools and the consequences it had for the poor as well the high costs of education that parents faced. In 2002 it requested the Department of Education to undertake a review of the financing, resourcing, and costs of education public schools (2003a). This review then led to government adopting an action plan for improving access to free quality basic education for all (2003b). The recommendations of the action plan are that a national poverty-targeting framework be used, instead of provincial one, so that all learners in the country are treated equally; that an adequacy benchmark level of funding be determined and that learners at the schools receiving more than the adequacy level of funding be exempt from school fees. Forty percent of learners are targeted to receive the adequacy level of funding. Further steps that will be taken are to ensure that schools do not impose “hidden fees” on learners such as expensive school uniforms and provision of additional materials for learning and teaching.
References:


Appendix – Statistics

Figure 1: Age-specific enrolment rates 1999-2001

Figure 2: Actual expenditure over population aged 6 to 17 in the provinces (2002)

1 Source is the 1999 October Household Survey and 2001 Labour Force Survey, both run by StatsSA. Each bar represents the percentage of population of a particular age attending any educational institution.
Enrolment is indexed, so that 100 equals population in the province aged 6 to 17. In other words, any bar that exceeds the 100 level is indicative of enrolment that exceeds population in the twelve age cohorts of the population. Non-POS enrolment is the sum of enrolment in FET colleges, special schools and independent schools. The division of the POS enrolment into two categories is based on 1999 and 2000 age data, so the division can be regarded as a general indication of what has been happening, not an accurate reflection of the situation in 2002.

This graph breaks up the Actual values in the previous graph. Note that the bottoms of the bars in this graph are truncated in order to make the non-educator expenditure values more visible. There are some problems with these values insofar as they do not always refer to exactly the same items. However, they do provide a reasonable picture of the overall inter-provincial differences. Eastern Cape’s data, which is incomplete, would be an exception. Note that the vertical axis is truncated.