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GENERAL NOTICE

NOTICE 3293 OF 2003

DEPARTMENT OF EDUCATION

ADULT BASIC EDUCATION AND TRAINING ACT, 2000 (ACT NO. 52 OF
2000)

**DRAFT: NATIONAL NORMS AND STANDARDS FOR FUNDING
PUBLIC ADULT LEARNING CENTRES (NSF-PALC)**

I, Kader Asmal, Minister of Education, after consultation with the Council of Education Ministers, hereby publish the draft document: *National Norms and Standards for Funding Public Adult Learning Centres (NSF-PALC)* 29 August 2003 version for public comments in terms of section 22 of the Adult Basic Education and Training Act, 2000 (Act No. 52 of 2000) and in compliance with section 4 (3) of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000), as set out in the Schedule.

Interested parties are invited to submit comments to the Department not later than **15 December 2003**.

Comments should be directed to the Director-General, Private Bag X 895, Pretoria 0001, for attention: Mr D. Diale. Comments may also be faxed to (012) 324-2059 or e-mailed to diale.d@doe.gov.za.

Kindly provide the name, address, telephone number, fax number and e-mail address of the person or organisation submitting the comment.

PROFESSOR KADER ASMAL, MP
MINISTER OF EDUCATION

01 November 2003



DEPARTMENT OF EDUCATION

DIRECTORATE: ADULT EDUCATION

**DRAFT: NORMS AND STANDARDS FOR FUNDING
PUBLIC ADULT LEARNING CENTRES**

DRAFT FOR DISCUSSION ONLY

29 August 2003



DEPARTMENT OF EDUCATION

PRETORIA

REPUBLIC OF SOUTH AFRICA

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Definitions, abbreviations and acronyms

ABET	Adult Basic Education and Training
"the ABET Act"	Adult Basic Education and Training Act (Act No. 52 of 2000)
"the Act"	Adult Basic Education and Training Act (Act No. 52 of 2000)
"fund"	the fund of the PALC as described in Sections 11(1)(m) and 23 of the Act
"governing body"	a governing body for a PALC as described in the Act, Section 8
"the Minister"	the Minister of Education
NSF-PALC	Norms and Standards for the Funding of Public Adult Learning Centres
NSF-Schools	National Norms and Standards for School Funding (in terms of the South African Schools Act, No. 84 of 1996)
PALC(s)	Public Adult Learning Centre(s) as per the Act's "public centre" (Section 3)
PED(s)	Provincial Education Department(s)
PFMA	Public Finance Management Act (Act No. 1 of 1999)
"the Policy Document"	Policy for Adult Basic Education and Training, Department of Education, 1997
"private centre"	a private centre as defined in Section 26 of the Act
"public centre"	a public centre as defined in Section 3 of the Act

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1. Introduction, legal and policy background

1. The ABET delivery sub-system is being progressively put in place as part of the broader transformation process in the education system. The institutionalisation of the delivery system is being implemented by setting up governance structures, the professionalisation of ABET educators, the development of curricula and standards, the establishment of quality assurance mechanism and by setting up an ABET assessment system. These components are now consolidated by the development of these Norms and Standards for Funding of Public Adult Learning Centres ("NSF-PALC").

2. The Bill of Rights in the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) 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)).

3. The ABET Act (Act No. 52 of 2000) ("the Act") defines the basis for the development of norms and standards for funding. Section 22 obliges the Minister to develop norms and standards specifically for the funding of PALCs.

4. Section 29 of the Act grants the Minister the prerogative to develop norms and standards or conditions for granting subsidies to private centres. This prerogative is not exercised in these NSF-PALC. However, the Minister will provide guidance on whether he wishes to exercise this prerogative. Should he choose to do so, these NSF-PALC are expressly designed to be easily adjustable to various types of providers and various types of funding.

5. Section 23(d) of the Act makes it clear that the Act envisages the payment of some form of contributions by adult learners. The Policy Document for Adult Basic Education and Training (1997) ("the Policy Document") spells out the need for cost sharing in funding of ABET programmes. The nature and exact form of the mechanisms for cost sharing need to be determined in the context of the ABET Act and the Constitution and are spelled out in these NSF-PALC (Section 5.5 and 5.6).

6. The Act aims at establishing "a national co-ordinated adult basic education and training system, which promotes co-operative governance and provides for programme-based adult basic education and training" (preamble). The fact that the Act calls for adult (basic) education and training to be programme-based is taken as guidance that the funding must be programme-based (see Paragraph 20 for the definition of "programme-based" funding used in these NSF-PALC).

2. ABET finance

2.1. Background

7. The Provincial Education Departments (PEDs) are the primary funders of ABET. PEDs are themselves financed largely through the shares of the national Equitable Shares Fund. This fund is distributed in the form of general grants. Provincial priorities determine the sectoral distribution of these funds, over which distribution the national level has only limited legal and constitutional authority, though it has considerable potential intellectual and moral leadership authority. Provincial own-source revenue also underpins the funding of various sectors.

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8. Current PED funding of PALCs is unpredictable and gives little incentive for effective PALC managers to achieve goals, while offering little incentive for ineffective managers to become effective. Though good managers may occasionally be trusted more than poor managers in an informal way, as a matter of policy and procedure, good and poor managers have similar powers and duties. Funding thus merely comprises the direct provisioning of goods and services, much of it on a requisition and negotiation basis, that encourages generalized helplessness. This is a remnant of apartheid practices reflecting a systemic, general distrust of service delivery by and for the previously disadvantaged.

2.2. The need for change

9. What is required, instead of the situation described above, is an approach to the decentralization of executive authority that discriminates between effective and ineffective managers based on objective evidence, as opposed to racial prejudice or tradition, that grants the effective managers more authority, and that provides expectations, support, and incentives for the less effective to become more effective.

10. Section 21(3) of the Act obliges the Member of the Executive to provide sufficient information to PALCs regarding funding. The implementation of this section within the framework of the norms and standards for funding PALCs should enable predictability and stability in the funding of PALCs. This would ensure that PALCs are able to plan properly within the funding framework developed in this document.

11. The ABET Act puts in place mechanisms for institutional autonomy and accountability. This will enable PALCs to determine their missions and the management of their affairs. The allocation of funding to PALCs will be a key lever for consolidating the autonomy of PALCs. A progressive realization of this goal will be possible through developing a funding model that allows for institutional autonomy and accountability.

12. When combined with the Act's injunction that the ABET sub-sector ought to be programme-based, the funding to which Section 22 refers is then to be interpreted as funding a PALC's various programmes, i.e. programme-based, upfront funding that provides each PALC with a meaningful budget. It is to be noted that, since current operations of PALCs are based on a provisioning model, and since this is not programme based, PALCs currently operate under financial conditions far removed from programme-based funding. Institution-based provisioning is almost the opposite of programme-based funding. Thus, as we interpret it, the call of the Act is for quite a radical reconstruction of the financial aspects of the ABET sub-sector.

13. In other sub-sectors of the education sector in South Africa, such as tertiary education and general education ("ordinary schools"), attempts to reform funding have been relatively slow and have required large amounts of scarce human resources for administrative and financial analysis. This is true even though in some of those sub-sectors there was prior experience with some form of true funding and true resource management (schools sector), or even some form of programme-based funding (tertiary sector). Even in those sectors, the transition is taking several years. In the ABET sub-sector there is not much real experience to build on, except in a few geographically limited cases. Given the need for a radical departure and the low base from which the ABET sub-sector is starting, this document takes a carefully piloted and phased approach to the development and application of the NSF-PALC, and recognises that expenditure on systems development will be considerable, but that this problem must be tackled.

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2.3. Relation between funding systems and other improvements

14. In the following, the improvements in funding or financing systems are described as a cornerstone of an improved approach to PALC management that is oriented towards quality client service. However, it is to be noted that the ABET sub-sector is experiencing many problems, only some of which can be helped by an improved set of funding norms.

15. Educator conditions of service, for example, or relations between PALCs and public schools, are areas of concern that cannot be approached via funding norms, or at least only via funding norms. These and similar areas are standardised through separate regulations and policies. The present NSF-PALC are, however, set up so as to not contradict improvements being made via other regulations in those areas.

3. Scope of applicability

16. These NSF-PALC apply:

- a. Uniformly in all provinces, and are intended to prevail in terms of Section 146 (2) of the Constitution.
- b. To PALCs, as defined in the ABET Act.

17. These NSF-PALC do not apply to funds raised by PALCs through their own efforts in terms of Section 23 (c) of the Act, except as defined in Paragraph 63.

4. A new funding framework

18. The new funding approach will comprise two key elements: programme-based public funding and private funding.

4.1. Programme-based funding

19. These SFN-PALC begin to move the system away from a requisition- and provision-based, non-budget approach to resourcing PALCs and towards "programme-based funding."

20. "Programme-based funding" will be understood, for the purposes of these NSF-PALC, as a funding approach that involves the actual transfer of funds or spending rights to PALCs on a predictable, uniform, enrolment-driven formula basis, in exchange for the accomplishment of certain "programmes" for educating adults. This is in distinction from a traditional approach based on direct provisioning of individual goods or human resources to centres. The total funding will involve most costs incurred by the PALC, including educators, even though educators are not employees of the PALC but continue to be employees of the PED.

4.2. Institutional challenges for effective programme funding

21. The introduction of a formula-based funding system for the PALCs would require the following institutional capacity:

- c. Clearly defined, articulated, publicly-available learning outcomes for the ABET sub-sector that are contained in the GET qualification and unit standards (or credits) across ABET levels, are linked to specific learning programmes, and are sufficiently specific to guide actual teaching and learning.

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- d. A national quality assurance mechanism that provides the framework within which providers offering ABET levels 1 to 4 will be accredited in terms of their provisioning and assessment capacity.
- e. A systematic approach to "whole-centre" evaluation (similar to "whole-school" evaluation) that evaluates each PALC on an annual and non-random basis.
- f. Effective financial monitoring by PEDs of PALCs and NGOs.
- g. Enhanced management capabilities in PEDs and PALCs, since a shift to formula-based funding will be accompanied by greater institutional autonomy for these PALCs.
- h. Vastly improved management information systems, where managerial information floating up to PEDs is a by-product of good management at the PALC level. The current system would need to be strengthened through the development of additional instruments and systems.

22. Apart from these administrative aspects, programme funding of ABET would face one key initial constraint.

23. It is technically challenging to make programme funding compatible with a post-provisioning approach to the allocation of educators. If a PALC is to be a true cost centre and it is to be funded on a per-learner basis, it would presumably have to meet its educator costs out of the transferred funds, either implicitly (through a paper budget that includes educator cost) or explicitly (through an actual monetary budget). Total educator costs would therefore have to rise and fall with some flexibility as the number of learners increases or decreases. This could be accomplished via increases or decreases in the number of educators or via increases or decreases in the salary mix, by altering the skills and seniority mix of the educators. This is extremely difficult to accomplish from a central location in the system. The natural implication is that the mix of educators at a PALC would have to be managed at PALC level, even if the educators remain employees of the PED. Post-allocation would be driven by the funding available, not just at provincial level but at each PALC, and it would be up to the PALC, with planning assistance from the PED, to manage growth or reduction in personnel cost.

24. It is possible to bridge the gap between programme funding and a post-allocation model, by granting each PALC a nominal budget for educators, but keeping the allocation of posts under the control of the PED. This will require more intense managerial and supervisory and information-processing abilities than either a full programme-based funding or a full post-provisioning model, as the monetary and personnel allocations have to concur.

25. Though elements of all these aspects of programme-based funding are available in disparate and incipient form in various provinces and PALCs under the auspices of both official, donor and NGO projects, these aspects are not yet fully in place, nor are there clearly articulated approaches to developing all of these aspects as part of a simultaneous, public and integrated approach to funding. Until this is done, programme-based funding on a universal scale will be impossible. The main purpose of these NSF-PALC is precisely to introduce the necessary administrative system changes in a planned and regulated fashion.

5. The funding framework in practice

5.1. A dual approach

26. Because of the technical difficulties already described, these NSF-PALC will provide a dual approach.

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27. Firstly, in the majority of PALCs (henceforth referred-to as non-pilot PALCs) there will be no immediate fundamental change in basic approach, but there will be changes in provisioning policy to make it more agile, especially in the personnel sphere. In other words, in these PALCs, managerial improvements will not be levered largely through improvements in the financing and financial management methods. However, at the end of a five-year pilot phase (described below), all PALCs would be transferred to the improved finance-centred management system that will be the main subject of these NSF-PALC.

28. Secondly, in a selected number (approximately 90) of PALCs (henceforth referred to as pilot PALCs) an ongoing reform of financial and management will be piloted over a five-year period, to be introduced at all PALCs at the end of the five-year period.

29. At the end of the five-year period, the norms - and the systems needed to implement them - will have evolved on the basis of the pilot project, and will then be applied to all PALCs. In the meantime:

- a. some aspects of funding will be standardised in all pilot and non-pilot PALCs, such as the definition of contributions, as set out in Section 5.5,
- b. non-pilot projects will be subject to improvement in various policies related to resourcing, such as improved conditions of service for educators, as set out in Section 5.2, and in separate policy documents, and
- c. if clear improvements in funding approaches emerge during the pilot phase, these will be incorporated into the non-pilot PALCs before the five-year piloting process; noting that at the end of the five years there would be a comprehensive review and systematisation of the funding norms for all centres, whether pilot or non-pilot.

30. The rest of these NSF-PALC focus largely on this piloted approach, though a few aspects of the non-pilot PALCs are also standardised.

5.2. Non-funding improvements in non-pilot PALCs

31. All PALCs require improvements in many aspects, particularly those that pertain to educator and quality issues. In the pilot PALCs these improvements will be driven by ongoing reforms in funding and management systems.

32. The national Department of Education will therefore issue policies, guidelines, regulations or norms, from time to time, aimed at improving the various quality issues plaguing all PALCs, including non-pilot PALCs.

33. However, these policies, guidelines and norms will not be mainly financial or managerial in their nature, nor will they aim at a systemic reform of these sectors driven from a management and financial systems perspective.

5.3. Funding-related improvements in pilot PALCs

34. While non-pilot PALCs will see improvements through various policies which are not essentially financial or managerial, a set of pilot PALCs will be chosen to permit national piloting of fundamental systemic reforms in management and finance.

35. The proposed funding improvements to be standardised include:

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- a. A formula-based approach to funding the pilot PALCS
- b. An approach to quality-enhancement performance related to total funding
- c. Processes for defining contributions

5.3.1 A formula-based approach in pilot PALCs

36. Pilot PALCs will be funded by the ABET programme in a PED on a formula basis, based on ABET programmes and credits. This will fund learner achievement of credits leading to unit standards across all pre-GETC ABET levels (1, 2, and 3) up to the GETC (ABET level 4).

37. The formula-based approach will consist of three key elements:

- i. Learner enrolments expressed as persons enrolled to achieve a given number of credits. These will be the fundamental funding "units" in the system. As noted below (Section 5.6), the mechanisms to operationalise this approach will be developed early in the pilot phase and improved over time.
- j. The second determinant will be a set of "prices" for the credits. The exact level of a "price" to be paid per credit will also be researched early in the pilot phase.
- k. The formula will have a fixed component so as not to disadvantage small PALCs. The size of this fixed component will be researched early in the pilot phase.
- l. The third determinant will be a performance-linked institutional plan expressed in terms of the provision of a certain number of credits to a certain level of enrolment in a quality-controlled fashion (see Section 5.3.2 for a description of the quality-control process as linked to funding.)

38. The enrolment used in the formula, as described in this section, will include only the enrolment of learners on an individual basis, ie. learners who are not sponsored, and paid for, by a corporate client (public or private, for-profit or non-profit).

39. The performance-linked institutional plan will be used to determine the allocation of funds to individual PALCs. Each PALC, with the assistance of the consortium (described below), will be required to produce an annual performance-linked institutional plan and then report on its achievements. The plan must specify enrolment targets and the total number of credits to be delivered, as well as unit standards to be delivered for the coming year, as well as longer-term (3-year) goals, and then must report on achievement as a basis for next year's budget.

40. Given that the funding is based on approved enrolment targets for the coming year, each PALC will have a predictable level of funding at the beginning of the year, that will allow it to operate for the year.

41. If a PALC does not meet its enrolment target by the end of the year, and/or receives a "below expectations" quality rating, the PED will require the PALC not to increase its enrolment in the following year. If the quality rating remains at "below expectations" for two years running, and if there are alternative venues for adult education in the PALC area, then the PALC's business plan must make provision for decreased enrolment to an extent to be determined by the PED as part of the PALC's planning.

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42. If a PALC has received at least a "meeting expectations" rating, has met its enrolment target, and if there are reasonable expectations of growth in demand, the PALC's enrolment target and budget will be increased.

43. An amount corresponding to the salary cost of educators at each PALC will be granted to the PALC as part of the overall funding, without pre-determining the amount to be spent on personnel. The PALC's governing body will determine how to allocate the personnel fund to educators on a pro-rata basis, though tariffs will be the same as those nationally set for ABET educators from time to time. Thus the governing body will determine the combination of educators it wishes to deploy to the PALC, according to their cost and ability, and whether to appoint relatively many educators with a low number of hours each, or relatively fewer educators with a higher number of hours each. The actual payment of educators and the payroll function will, however, be the responsibility of the PED.

44. Similarly, the cost to be paid by a PALC to schools in exchange for the use of school resources will be paid directly by the PED to the school, though the amount will still be reflected on the PALC's account and will be part of its total funding.

45. The stock of educators that PALCs may collectively desire may not match the stock available to the PED. The Department of Education will develop regulations to ensure a balance between PALC desires and the PED's capacities. It is to be noted that this issue will not be likely to arise in the pilot PALCs, as these PALCs are not sufficient in number to cause imbalances in the overall demand for ABET educators of various remuneration levels.

46. The enrolment target and the means whereby the PALC will attain a "meeting expectations" quality rating, together with the budget and posts requested from the PED, will form the core of the institutional business plan that is submitted to and must be approved by the PED. Depending on the availability of funds for ABET in the PED, it may be necessary for PALCs to revise their plans and budgets in consultation with the PED.

47. The actions that PALCs must perform to achieve a "meeting expectations" quality rating will be known in advance every year, including the first year of the funding approach (see section 5.3.2.)

48. PALCs in the project will receive an evaluation prior to the first year's funding.

5.3.2 Approach to quality-enhancement performance incentives

49. Financial incentives for quality improvement take place in two ways:

- m. Through growth in the PALC. Growth in enrolment through the business plan, at a fixed per-learner payment basis, will make economies of scale possible. This will create financial space for successful PALCs, as they expand, to provide themselves with greater amenities that create a more welcoming teaching and learning environment. This will be one source of incentive.
- n. Secondly, as a result of learner recognition of PALC excellence, through voluntary contributions which would have an effect similar to the economies-of-scale effect just noted. The utilisation and generation of contributions is covered in other sections below.

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50. PALC-level quality indicators will be developed for the ABET sub-system that will focus on:

- a. Trend in learners' achievement of unit standards, including controlling excessive repetition and "churning" of learners through same unit standards.
- b. Utilisation of human resources that goes significantly beyond normal or desirable hours per credit and may hence be considered wasteful.
- c. The quality of learners' response to teaching and to the PALC's general environment.
- d. The operational characteristics of the PALC.

These principles will be made operational to PALCs during the pilot phase of the implementation of these NSF-PALC. The indicators will be similar to those enunciated in the Policy Document (Section 5.6 on Assessment as well as Appendix 2).

51. PALCs will be provided, before each funding cycle, with the criteria to be used in evaluating them at the end of the cycle, and the likely actions needed to merit a "meeting expectations" rating, so that these actions can be built into the institutional plan.

52. A centre evaluation team will visit each PALC each year, including the period before the first funding cycle. Using the evaluation procedures, the team would rate the PALC on a 3-level scale: "exceeding expectations," "meeting expectations," or "below expectations."

53. Each PALC will be required to inform all learners of its evaluation. The evaluation results will be prominently displayed on a notice board or similarly highly visible place in the PALC.

54. The PALC must be evaluated and rated by the evaluation team prior to the annual general meeting as described in Section 62. Thus the PALC's quality will be known to the learners prior to their decision on how to reward the PALC with contributions.

5.3.3 Annual calendar for funding of pilot PALCs

55. The annual calendar for the PALC funding cycle will be as follows.

Months in the annual PALC cycle	Actions to be taken	Entity responsible
At least three months before next cycle starts, or at most nine months after previous cycle has started	1. Quality rating of PALC 2. Explanations of areas needing improvement 3. Determination of level of expectation for next cycle	Centre evaluation team from the PED or consortium
At least two months before cycle starts	1. PALC governing body develops plan (see Section 5.5) 2. Plan is communicated to and negotiated with PED	PALC governing body with assistance from PED or consortium
At least one month before cycle starts	1. PED informs PALC regarding plan approval and indicative funding to be received by the PALC	PED
At least one month before cycle	1. PALC governing body	PAC governing body

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starts	discusses funding from PED and decisions regarding contributions from individual learners are made at annual general meeting	
At least one week before cycle begins, and quarterly thereafter	1. PED transfers funding to PALC	PED
Continuous	Technical support on finance, quality improvement, reporting, and other systems key issues regarding the application of the NSF-PALC	PED and consortium

5.4. Inclusive education component and promotion aspects

56. The aspects of education to be covered by PALCs, as they may require standardisation within the NSF-PALC, will be standardised once the general norms and standards for funding education have been finalised.

57. ABET centres catering for a clientele that is purely or largely of a special-needs nature exist but not in sufficient numbers to allow the development of a formula. Thus these centres will, until further notice, be funded on a special basis. This special funding may employ a combination of financial transfers driven by plans and budgets and more traditional input-based provisioning. Once norms and standards for funding inclusive education are finalised, the funding system for ABET centres with a largely special-needs clientele may be affected by those norms and standards.

5.5. Contributions to both pilot and non-pilot PALCs

58. All PALC governing bodies are obliged by the ABET Act to support their PALCs in terms of resources. The Act provides, in Section 11(1) that a governing body must, among other things:

- a. "develop a business plan for the public centre"
- b. "be responsible for the budgeting and financial management systems of the public centre"
- c. "supplement the procurement of the learning support material for the public centre" and
- d. "establish and administer a public centre fund from voluntary contributions."

59. Section 23 (d) of the Act suggests that some form of user contribution will be applicable to PALCs:

"23. The funds of a public centre consist of:

- (a) funds allocated by the State;
- (b) any donations or contributions received by the centre;
- (c) money raised by the centre;
- (d) money payable by learners for adult basic education and training provided by the centre;
- (e) and other funds from any other source."

60. The policy document indicates the following:

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- a. "The cost of the provision of programmes for out-of-school youth and adults who require basic education cannot be carried by public funds alone."
- b. "The funding of ABET provision will be shared among a variety of partners."

However, no explicit reference is made, either in the policy document or in the Act, to the charging of fees as such.

61. Currently PALCs do charge some form of contribution on a voluntary basis. Learners are not barred from attending classes as a result of non-payment.

62. The following will be the norms regulating the definition of individual contributions at PALCs of all types (pilot or non-pilot):

- a. The determination of contributions is to take place at PALC level. Contributions must not be determined by provincial authorities.
- b. Contributions are to be paid into the PALC's fund and are not to be administratively transferred out of the PALC.
- c. A properly constituted PALC governing body may propose that contributions be assessed for a variety of purposes, including:
 - i. Tuition or instruction,
 - ii. Contributions for collective purchasing of learning support materials,
 - iii. Contributions for assisting with the maintenance of facilities, and
 - iv. Any other educational purpose at PALC level.
- d. A properly constituted governing body may propose the amount of contributions to be made per learner.
- e. The level of contributions must be proposed at an annual general meeting of learners at the PALC.
- f. The annual general meeting must be held at least 30 days before the beginning of a relevant educational year.
- g. The annual general meeting must be convened with at least 30 days' notice, and good faith efforts must be made to reach and notify all learners enrolled at the PALC. A record must be kept of the process used to contact learners.
- h. The PALC's budget is to be presented and approved by majority. The budget must include a statement regarding the level of funding to be received from the PED.
- i. A resolution regarding contributions is to be presented by the governing body to the learners and the need for and level of contributions is explained.
- j. The resolution presented to the learners at the general meeting must cover:
 - i. The amount of contributions to be assessed
 - ii. An indication of the percentages of contributions to cater for different PALC needs
- k. The level of contributions to be assessed, if any, will be unanimously decided by the adult learners at the annual general meeting.
- l. A PALC's governing body must implement the resolution once adopted.
- m. Payment of contributions is to be construed as voluntary. No legal or official action of any kind may be brought against learners who are unable to contribute or who, on good cause shown to peers at the

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centre, are unwilling. Given the consensus-based group decision which determines the contributions, it is expected that learners who are able to contribute will be urged to do so by their peers.

- n. Since the approval of the level of contributions is to be unanimous and payment is voluntary, there is no need for formal exemption procedures.

63. PALCs are encouraged to seek per-learner contributions from corporate clients (private- and public0-sector organizations, NGOs, etc.) who are sponsoring learners at the PALC in the ABET NQF level within the GET band. The following norms apply:

- a. Per-learner contributions to be assessed for learners sponsored by a corporate client may be defined by a properly-constituted PALC governing body, not the general meeting of learners. However, planned or existing contribution income from corporate bodies must be taken into account in the PALC budget and when defining the individual contributions discussed above.
- b. These contributions may be defined at any time deemed useful by the PALC.
- c. Contributions from corporate clients must enter the PALC fund in the same manner as any other income.
- d. The per-learner contribution assessed for corporate clients may be lower than that assessed for individual learners, but only if this represents a lower cost of delivery to these learners, for example because of economies of scale, and not a cross-subsidy from individual learners to the corporate client or the learners sponsored by the corporate client.
- e. PALCs must follow a clear and transparent pricing policy with corporate clients similar to the one to be used for funding by the public sector. PALCs are encouraged to take advantage of the costing methodologies developed for PED ABET-level funding under the pilot, as a way to price their offerings to corporate entities.
- f. PALCs must include any offerings to corporate clients in their annual planning, if such offerings are known at the time of plan development. The annual PALC evaluation described in Section 5.3.2 will include an evaluation of offerings to corporate clients.

5.6. Funding in the FET band

64. Nothing in these norms precludes PALCs from offering services in the FET NQF band. However, PALCs must ensure that record-keeping and accounts are sufficiently detailed so that the PED can assess whether PED funds intended for the ABET-level offerings are in fact used for those offerings. The pilot process will develop any financial tracking mechanisms necessary to ensure that PALCs can report on the proper use of funds and resources intended for the ABET level.

65. Furthermore, the PED must ensure that the use of resources and funds in the FET band, but at PALCs, is attributed to the FET programme in the PED's vote structure. Use of ABET programme funds for the offering of FET-band programmes is not acceptable and may be interpreted as a violation of Section 39 of the Public Finance Management Act (No. 1 of 1999), and of the programme-definition guidelines in the "Education Sector Strategic Planning Framework and Formats." The former stipulates that accounting officers must ensure that funds are spent in accordance with the Department's vote, whereas the latter stipulates that the

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objective and purpose of the ABET programme is to provide education as per the ABET Act. The ABET Act, in turn, stipulates that ABET consists of NQF level 1 or up to Grade 9, as defined in the South African Qualifications Authority Act (No. 58 of 1995).

66. Other than the above requirement, these NSF-PALC do not apply to the public funding of offerings in the FET band. The norms for public funding of offerings in this area, if any, will be the subject of other regulations.

67. The determination of private or individual contributions in the FET band, to cover PALC offerings in the FET band, must follow the procedures used in determining private or individual contributions for the ABET-level offerings as detailed in Section 5.5. In addition, PALCs must include any offerings to individuals in the FET band in their annual planning. The annual PALC evaluation described in Section 5.3.2 will include an evaluation of offerings in the FET band.

6. Operationalising the piloted approach

68. The present NSF-PALC merely guide a piloted approach to the development of the final, exact norms. The present NSF-PALC thus include certain aspects related to norming the funding itself, as in the foregoing sections, but also include the norming of the pilot process that will refine the funding norms themselves.

69. This process leads to a refinement of the NSF-PALC over time, and an expansion of the coverage of the programme-based funding to PALCs beyond the original piloted ones.

70. The sections that follow are intended to standardise the pilot process.

6.1. Appointment of a national consortium

71. The National Department of Education, in consultation with HEDCOM, will appoint a national consortium of service providers who will develop the various operational procedures outlined below.

72. The consortium will be coordinated by the National Department of Education, backed by a committee from the PEDs.

73. The consortium will consist of:

- a. One or two ABET management-improvement service providers or contractor.
- b. One or more education financial and data analysis service provider/contractor.

74. The consortium will have a clear lead contractor with a clear hierarchical accountability structure.

6.2. Selection of pilot PALCs

75. Each province must pick ten PALCs for the pilot project. The PALCs must be chosen so that they attend to a clientele that is representative of the poor in the province. A significant proportion, namely four or five of the PALCs, must be PALCs that, while attending to an under-serviced or poor population, are doing it in a manner that is recognized as attentive and professional. It is by experimenting with and

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generalising the practices of those who are efficient at providing services to the poor, that the eventual detailed norms will emerge and will be spread to all the PALCs. However, a sufficient number of PALCs also serving the poor, but doing so with rudimentary management ability and efficiency, should also be chosen, to allow the testing of the procedures being developed on PALCs that are representative of the difficult situations.

6.3. Operational tasks for the consortium and the PALCs

76. The consortium will finalise estimation of unit costs or "prices" per credit based on economic analyses. These will be based on real cost data of the actual pilot PALCs based on a baseline study of costs and quality of services delivered at those PALCs.

77. On the basis of the cost study, the consortium will develop a rigorous economic analysis model to drive an estimate of the degree of inefficiency contained in the sector, if any, defined as the percentage of current average cost that appears unnecessary, given the average cost of the most efficient yet high-quality centres. It is to be noted that this may represent an increase for many centres, but may represent a decrease for some. The criteria of quality to be used shall be the same as those used in the centre evaluation process discussed in Section 5.3.2.

78. The initial unit costs per credit will be set to cover the unit costs of the most inefficient PALCs in the pilot, thus focusing on quality at the outset and making such quality affordable even by those PALCs that are not as well managed as the others. This will be the programme payment or price per credit. Over five years, the unit costs per credit paid by the programme will be brought down so that they cover only the costs that research shows to be efficient. Over these five years the consortium will have worked with all the PALCs in the pilot to make the necessary efficiency gains and thus allow all PALCs to operate at the efficient level of unit cost per credit.

79. It is clear that PALCs that operate at low cost will earn a surplus. Surpluses must stay within the PALC fund, and may not be accumulated or distributed to any individuals or other funds. Each PALC may use its surplus to improve the quality of its provision by purchasing more and better inputs and/or providing greater amenities to the learners. This use of funds must be recorded as required in Section 24 of the Act.

80. PALCs that cannot operate at the programme-based unit cost will tend to operate at a deficit, which will be covered, but they will have to make serious adjustments to lower their costs or will gradually have their enrolment reduced over a three-year period, and closed if efficiency is not improved. This will be reflected in their business plans as a planned reduction in enrolment. If unit costs decrease, enrolment can also be allowed to increase.

81. As noted, each PALC must have a business plan to improve efficiency and quality and attract learners. The consortium will produce a standardised and simple business plan that can at first be simply filled in by each PALC. This standard plan will be applied to all PALCs, not only to those in the programme-funding pilot. However, for PALCs in the pilot, the plan will immediately start to acquire depth and sophistication with the support of the consortium, and will focus specifically on how to increase efficiency to meet the quality and cost pressure that the programme will bring to bear.

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6.4. Contractual relations between the consortium and the PALCs

82. An important aspect of this programme is to create a system in which South African NGOs and contractors begin to see schools and PALCs as their real clients. Thus the consortium will be financed by both a fixed portion paid by the national Department of Education, as well as a fixed incentive fee from each PALC, which the PALC pays to the consortium only if it is happy with the work of the consortium. During the first three years of operation of the system, the consortium will be paid directly by the National Department of Education. Thereafter a fixed fee per centre will flow from each PALC to the consortium, and the portion paid by the Department of Education will be lowered in proportion.

83. There will be a legally-binding contract between the consortium and each PALC (each PALC acting as an independent juristic person as described in the ABET Act) whereby the PALC and the consortium agree to the fee-for-service approach, the nature and quality of the services delivered is agreed upon, as is the nature of actions the PALC must perform. The contract will be signed at the project launch and will be a standard contract for all PALCs. The PALC may opt out of the arrangement and not pay the fees or receive the services (after the third year), but will still have to submit basic information to the consortium.

84. In exchange for the fee, the consortium will provide each PALC with the technical assistance needed to reduce its costs or increase its quality to raise its evaluation scores, maximize learner satisfaction and the number of learners, and thus be able to meet the cost targets and/or generate surpluses that can increase amenities in the PALCs to make each PALC a more attractive place of teaching and learning.

6.5. Data and information

85. The consortium will develop the necessary data and audit systems to audit each PALC on a real-time, ongoing basis and report to its PED. The consortium will also gather the background data, such as learner achievement of unit standards, basic learner information needed to verify enrolment and minimize repetition, basic financial information to ensure that resources are flowing according to the intentions in the PALCs plans, and other data as needed by the PED for driving funding and by the centre evaluation team (see Paragraph 50).

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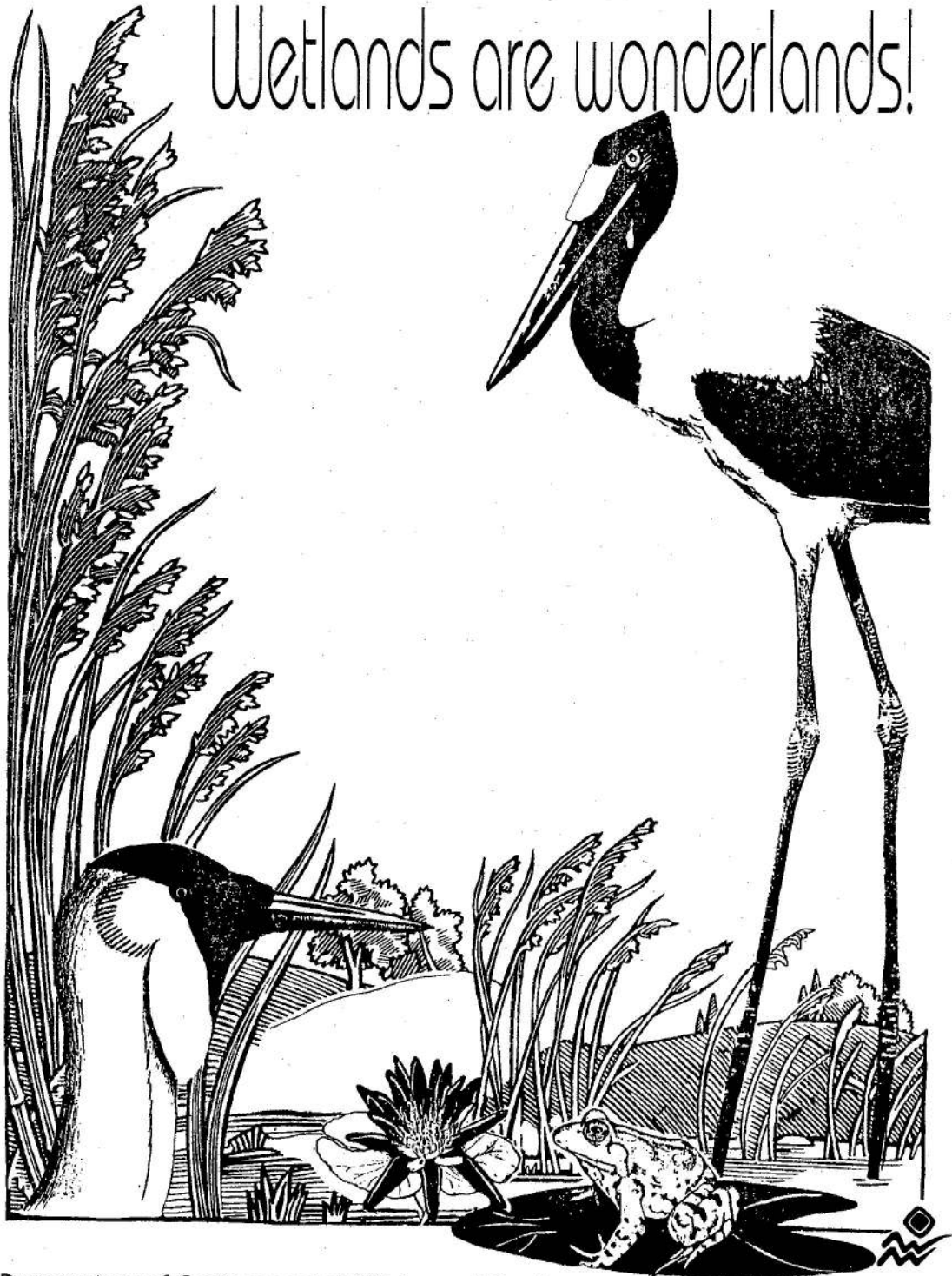
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