

# funding in South Africa: Context and key challenges

Presentation to the Parliament's Standing Committee on Appropriations (SCOA), Cape Town

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THE VOICE OF HIGHER EDUCATION LEADERSHIP



# ACKNOWLEDGEMENT OF SOURCES

1. The slides were sourced from:
  1. **DST/NRF Centre of Excellence in Scientometrics and STI Policy/University of Stellenbosch – contributed by Nico Cloete, Charles Sheppard and Johan Mouton;**
  2. **DHET HEMIS Data;**
  3. **Report of the Ministerial Committee for the Review of the Funding of Universities (2014); and**
  4. **Mr Jaco van Schoor – input made at the NSFAS colloquium.**

# PRESENTATION OUTLINE

1. Size of the post-school system;
2. Funding framework for universities – key principles;
3. Higher Education Income Sources
4. NSFAS funding and related challenges
5. HE as a % of GDP
6. HE as a % of total state expenditure
7. Subsidy per FTE over a period of time
8. Success rates – challenges and opportunities
9. Conclusion

# The South African Post-school System 2012

University students  
**1 050 860**

Public 953 373

Private 97 487

College students  
**773 276**

Public 657 690

Private 115 586

Adult education & training students  
**315 068**

Public 306 378

Private 8 690

18 to 24-year-olds  
Not in education, employment or training

**2 945 018**

# Student Enrolment

| Total number of students                        | 2010           | 2011            | 2012           | 2013<br>(preliminary) |
|---|----------------|-----------------|----------------|-----------------------|
| Total number of students                        | <b>892 943</b> | <b>938, 200</b> | <b>953 373</b> | <b>983 698</b>        |
| Total number of international students          | <b>66 181</b>  | <b>70 060</b>   | <b>72 857</b>  | <b>73 859</b>         |
| Number of students (FTE)                        | 600 002        | 628 409         | 634 548        | 665 857               |
| Post graduate students                          | 138 610        | 147 893         | 149 027        | 159 750               |
| Post-graduate students (international students) | <b>18 845</b>  | <b>20 046</b>   | <b>20 770</b>  | <b>23 364</b>         |

**Source: DHET HEMIS DATA**

# Funding Framework

The four key principles of the framework:

- a. **Sharing of costs: HE** generates both public and private benefits (costs shared by gvt and students)
- b. **Autonomy in determining student fees:** Public HEI's are able to set their own student fee levels.
- c. **Funding for service delivery:** Funding is linked to academic activity and output, and in particular to the delivery of teaching and research related activities.
- d. **Funding as a steering mechanism: The** framework is a goal-oriented, built around incentives designed to steer the higher education system in accordance with national social and economic development goals.

# Elements Funding Framework

## **Block Grant:**

- Teaching Input;
- Institutional Factor;
- Actual Teaching Output; and
- Actual Research Output.

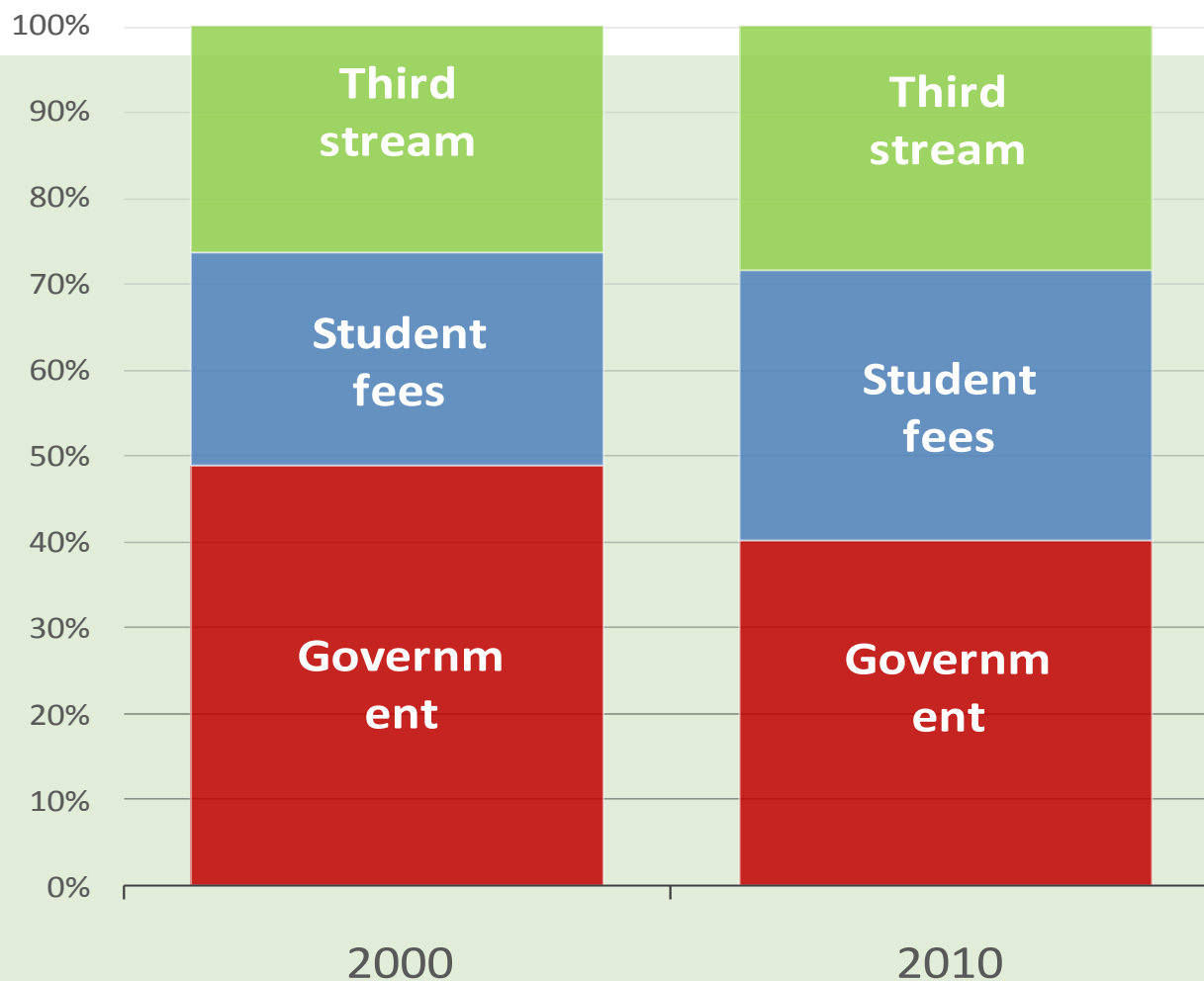
## **Earmarked grants include the following:**

- Teaching Development Grant;
- NSFAS;
- Research Development Grant;
- Foundation Provisioning Grant,
- Clinical Training of Health Professionals;
- Infrastructure and Efficiency Grant

**The framework is under review (Ministerial Committee Report, 2014)**

# Higher education income sources, ZAR (billion)

(Source: DST/NRF Centre of Excellence in Scientometrics and STI Policy/University of Stellenbosch – contributed by Nico Cloete, Charles Sheppard and Johan Mouton)





# Expenditure on higher education as % of GDP, 2010

(Source: DST/NRF Centre of Excellence in Scientometrics and STI Policy/University of Stellenbosch – contributed by Nico Cloete, Charles Sheppard and Johan Mouton)



# State Budget for HE

Source: Ministerial Committee Report (2014)

| Year     | GDP<br>(R' million) | Total state finance<br>(R' million) | State budget for<br>universities<br>(R' million) | State budget for<br>universities as a<br>% of GDP | State budget for<br>universities as a %<br>of total state<br>finance |
|----------|---------------------|-------------------------------------|--|---|--|
| 2004/05  | 1 449 020           | 368 459                             | 9 879  | 0.68  | 2.68   |
| 2005/06  | 1 613 812           | 416 684                             | 10 780   | 0.67  | 2.59   |
| 2006/07  | 1 832 763           | 470 193                             | 11 755   | 0.64  | 2.50   |
| 2007/08  | 2 078 822           | 541 443                             | 13 057   | 0.63  | 2.41   |
| 2008/09  | 2 312 965           | 635 953                             | 15 120   | 0.65  | 2.38   |
| 2009/10  | 2 442 598           | 747 197                             | 16 742   | 0.69  | 2.24   |
| 2010/11* | 2 666 894           | 809 923                             | 19 108   | 0.72  | 2.36   |
| 2011/12* | 2 914 862           | 888 923                             | 21 997   | 0.75  | 2.47   |

# Income per FTE enrolled student (R'000)

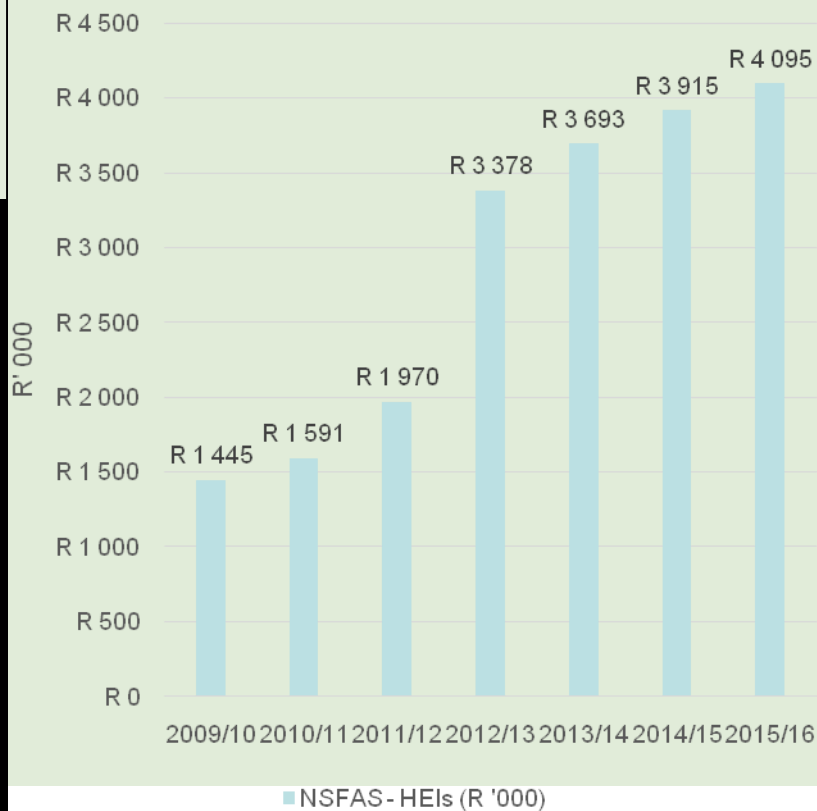
Source: Ministerial Committee Report (2014)

|                   | 2000        | 2010        |             | Average annual growth (2000–12) |            |
|-------------------|-------------|-------------|-------------|---------------------------------|------------|
|                   |             | Nominal     | Real        | Nominal (%)                     | Real (%)   |
| Government grants | 17.2        | 27.8        | 15.4        | 4.9                             | -1.1       |
| Student fees      | 8.8         | 20.2        | 11.2        | 8.7                             | 2.5        |
| Private income    | 9.3         | 20.2        | 11.1        | 8.0                             | 1.8        |
| <b>Total</b>      | <b>35.2</b> | <b>68.1</b> | <b>37.7</b> | <b>6.8</b>                      | <b>0.7</b> |

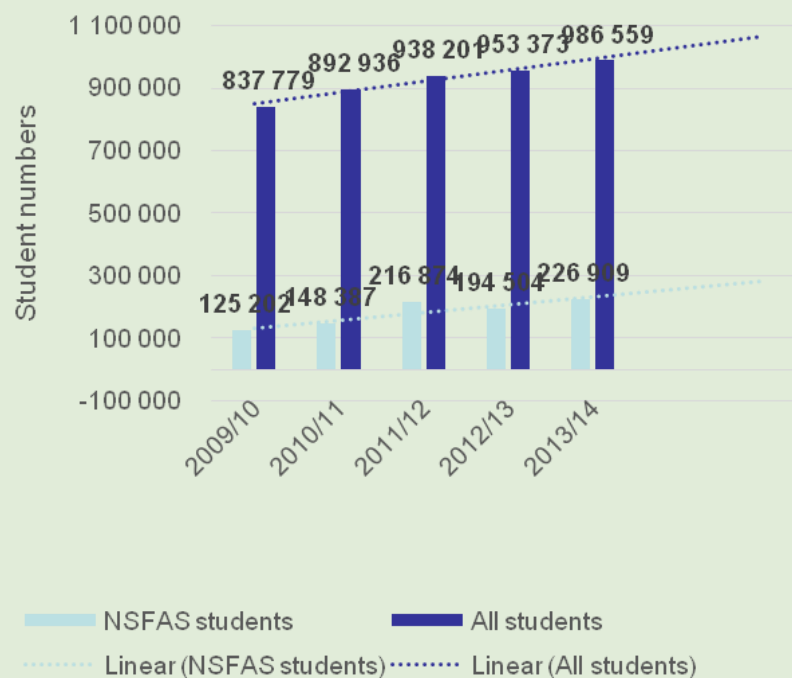
# NSFAS challenges

- Level and adequacy of funding provided by the State to eligible students

NSFAS - HEIs (R '000) [source: ministerial statement]



Number of NSFAS students vs all HEI students [source: NSFAS annual report]

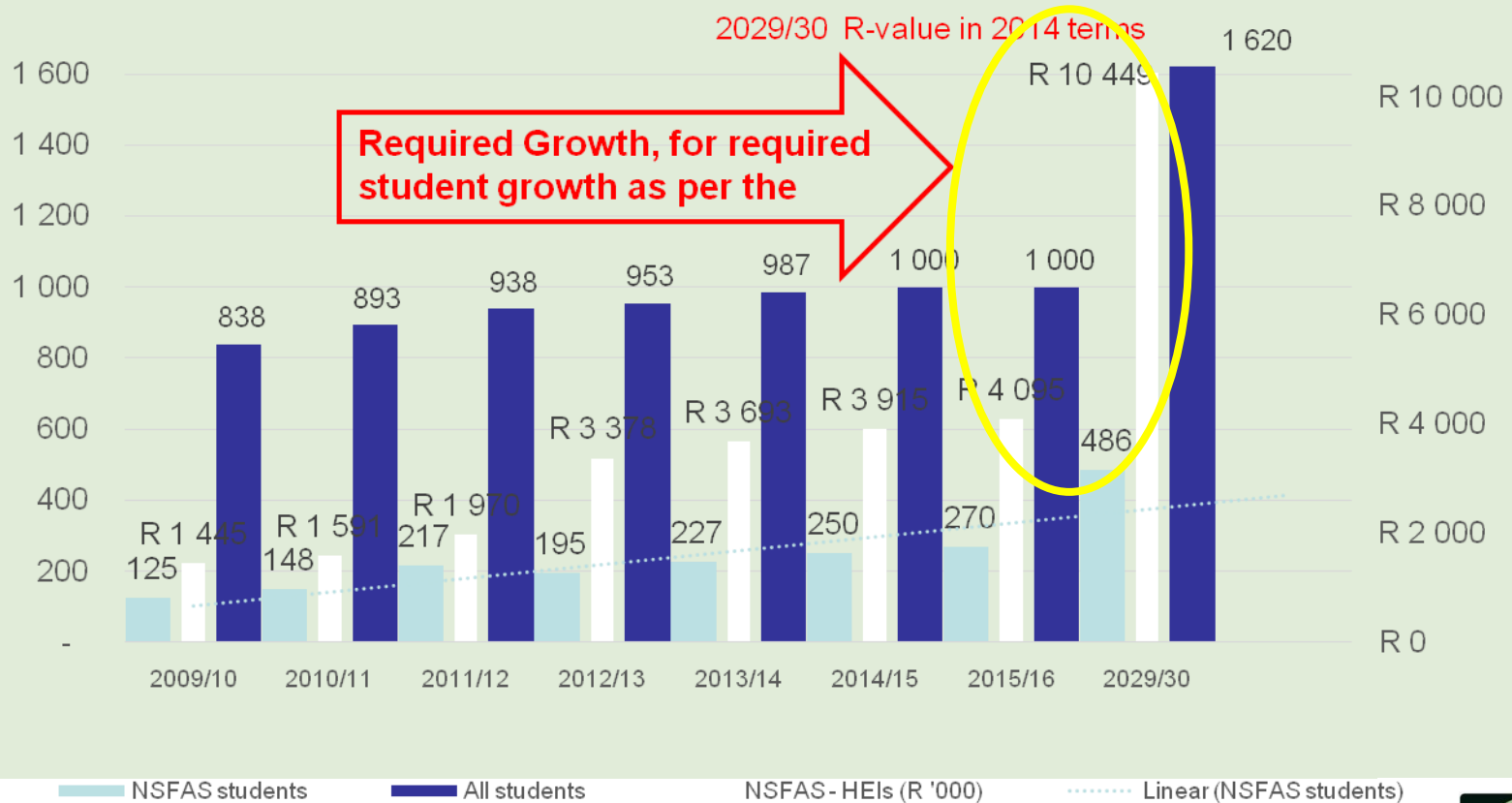


**Based on the above graph +/- 20% – 25% of university students currently utilize NSFAS, however a proper study should be performed to determine how many students qualify but are not assisted due to inadequate funding levels**

# NSFAS challenge

Level and adequacy of funding provided by the State to eligible students:

NSFAS students vs all HEI students vs NSFAS allocation



■ NSFAS students    
 ■ All students    
 NSFAS - HEIs (R '000)    
 ⋯ Linear (NSFAS students)

# Key Issues and trends

1. HE as a % of state expenditure is in decline
2. Allocation per FTE is also in decline [*“The average growth rates show that, in real terms, government funding per FTE enrolled student fell by 1.1% annually between 2000 and 2010, while student tuition fees per FTE increased by 2.5% per year.” Ministerial Committee Report, 2014*]
3. Third stream income cannot defray the growing operational costs of universities – it is in and out money
4. Government subsidy component is shrinking – giving rise to the increase of student fees as a proportion of university budgets
5. Student total cost of study is increasing relative to available funding.
6. NSFAS allocation does not match the existing demand – and will not match the projected demand

# Key Issues and trends

1. NSFAS budget is projected to increase by a mere 4,6% next financial year (**R3, 9 billion to just under R4, 1 billion for DHET grant to universities**) and does not keep up with inflation (let alone higher education inflation)
2. The shortfall for 2013 is estimated to be **R2, 3 billion** - 4,6% increase does not come close to addressing the challenge.

# Success rate challenges

- 1 “Only about **1** in **4** students in contact HEIs graduate in regulation time”
- 2 “35% of total intake, and **48%** of contact students, graduate within five years”
- 3 “55% of the intake will never graduate”  
CHE Study (2013)
4. The challenge is also evident at doctoral level.



# Contributing factors

1. Inadequate funding available to students to cover the full cost of study;
2. High student-lecturer ratio and large class sizes;
3. Preparedness level of students from the schooling system
4. Qualification profile of academic staff in our universities;
5. Other non-academic factors including living conditions of students; institutional culture, social and cultural capital of students, etc. (Lewin & Mawoyo, 2014)

At the heart of these factors is **INADEQUATE FUNDING**

# Initiatives improve success rates

1. Teaching Development Grant is becoming more targeted to improve efficiencies in the system
2. Infrastructure and Efficiency grants used to expand on-campus student accommodation (no operational cost provided)
3. National Benchmark Tests used to determine support needs of the first-year students
4. Foundation programmes are being strengthened
5. Quality enhancement project of the CHE is focussing on improving teaching and learning
6. Discussion are underway to re-examine the structure of undergraduate curriculum and related implications

# CONCLUSION

1. A hard multi-stakeholder (The Presidency, DHET, National Treasury, NSFAS, HESA, Parliament, etc.) conversation on:
  - a. How the projected student enrolment target will be financed? National Development Plan makes no reference to funding higher education but sets enrolment targets!
  - b. How can NSFAS support be sustained over time?
  - c. What is required to plan for, and adequately resource the system in the context of a tighter fiscal space?

**A realistic financing plan for HE is required to address these challenges. It starts with the 2015/16 allocation process.**

# QUESTION & ANSWER

Thank you