

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 (preliminary)
Total number of students	892 943	938, 200	953 373	983 698
Total number of international students	66 181	70 060	72 857	73 859
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)	18 845	20 046	20 770	23 364

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 grants:

- research output grants,
- teaching output grants,
- institutional factor grants,
- teaching input grants

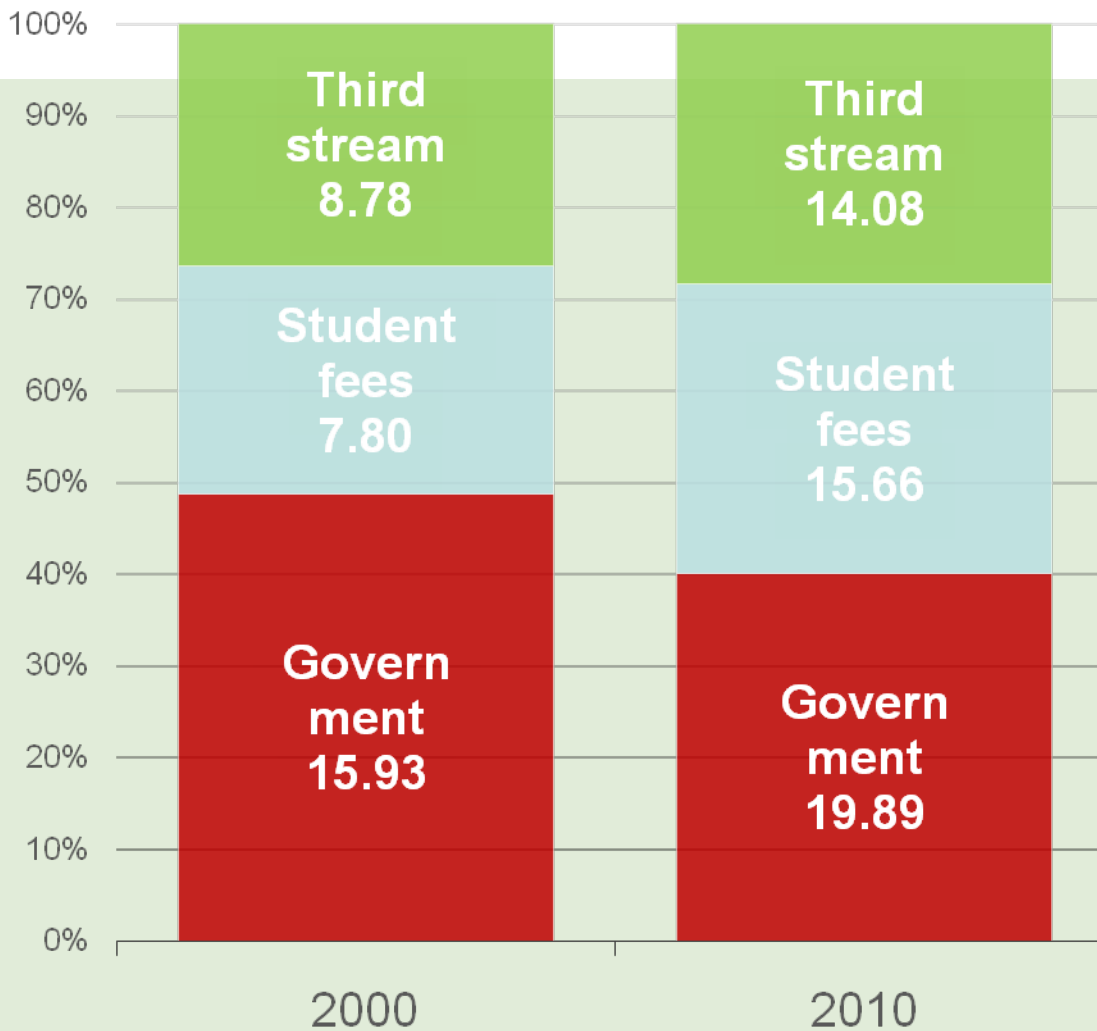
Earmarked grant include the following:

- Teaching development grant;
- Research development grant;
- Foundation programmes,
- general training of health professionals;
- Infrastructure and Efficiency grants

The framework is currently 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 (R' million)	Total state finance (R' million)	State budget for universities (R' million)	State budget for universities as a % of GDP	State budget for universities as a % of total state 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)

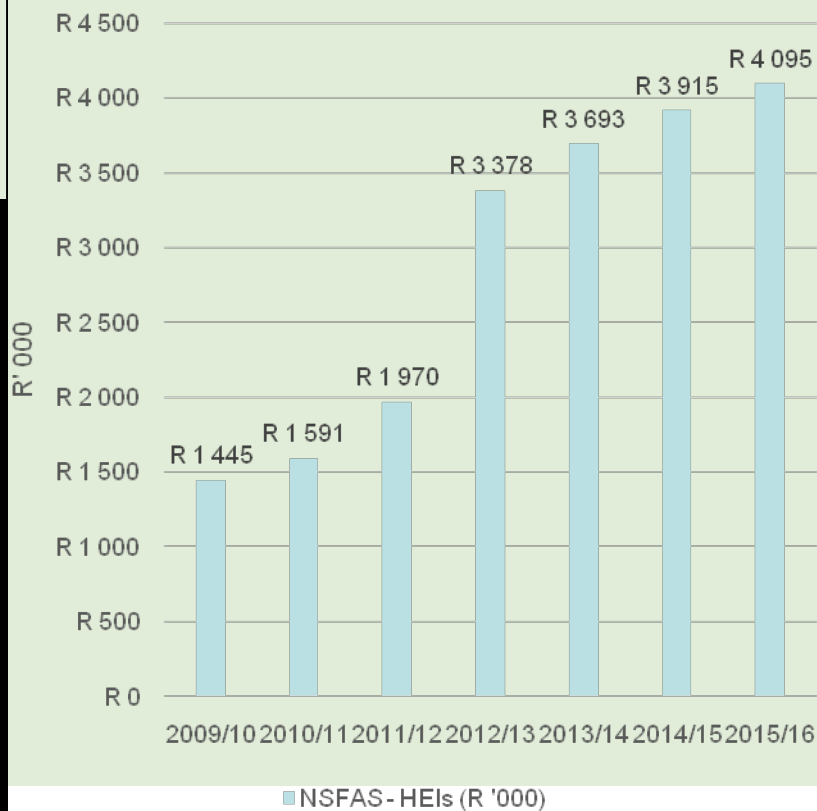
Source: Ministerial Committee Report (2014)

	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
Total	35.2	68.1	37.7	6.8	0.7

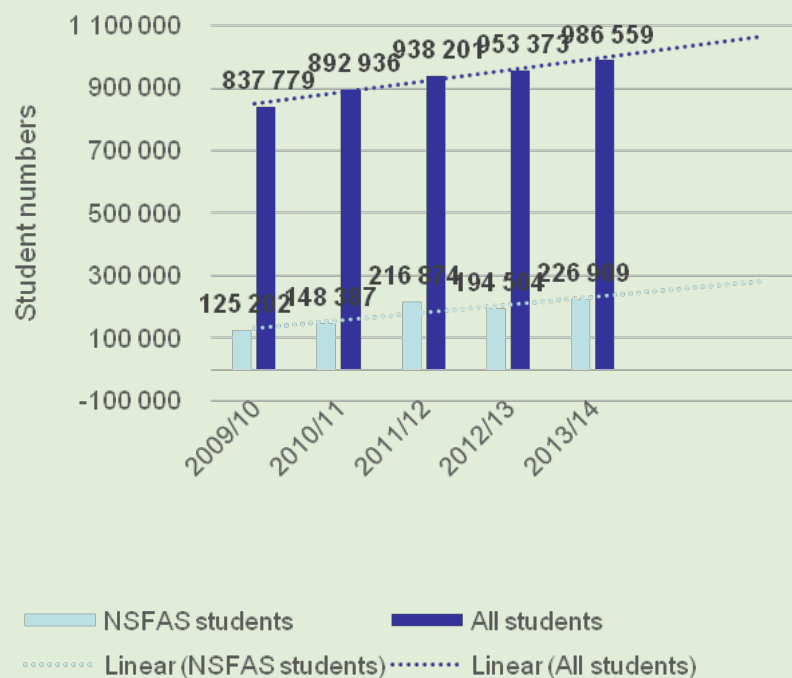
NSFAS challenges

- 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]

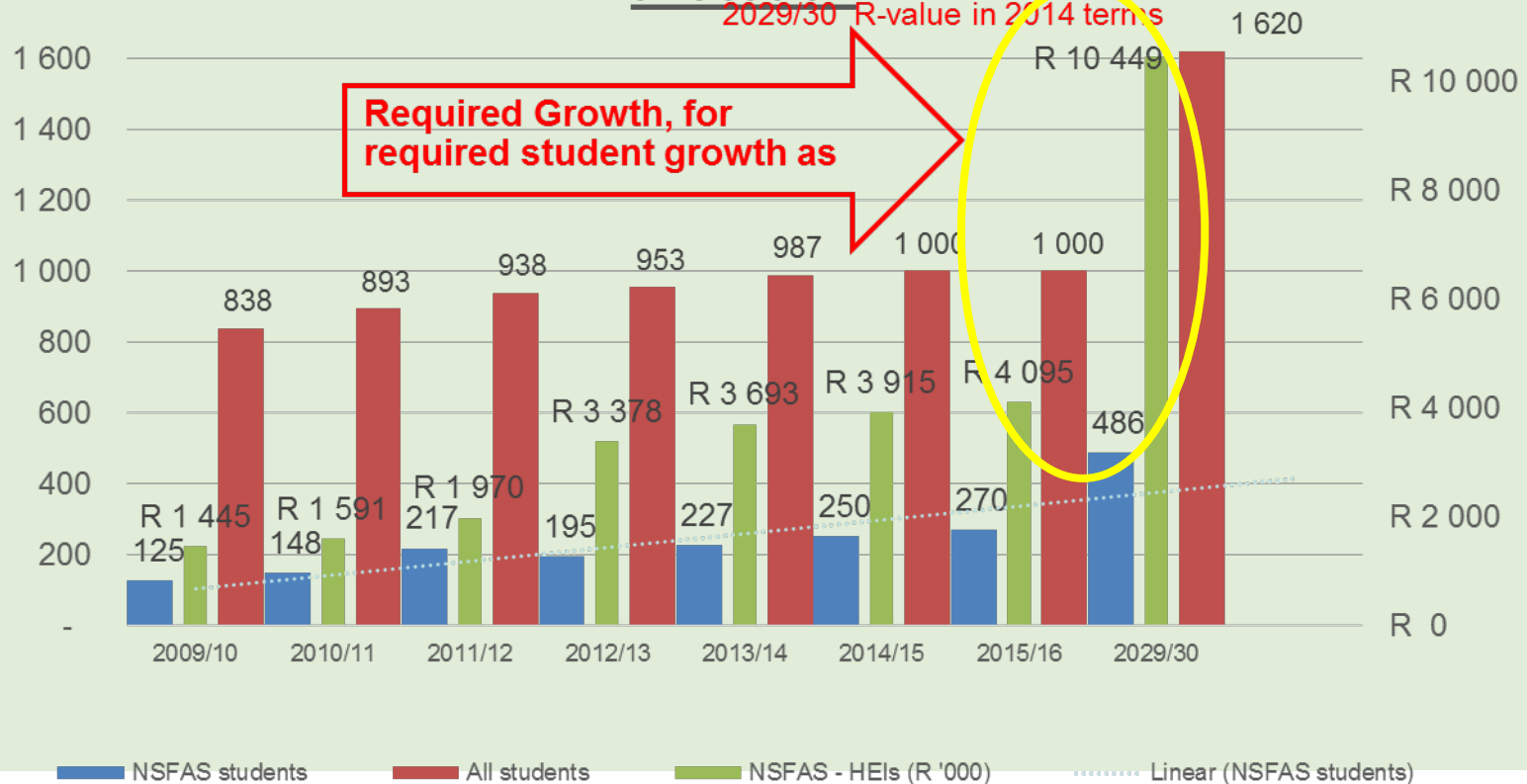


Based on the above graph +/- 20% – 25% of university students currently utilize NSFAS, however a proper study should be performed to determine how many students qualify but are not assisted due to inadequate funding

NSFAS challenge

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

NSFAS students vs all HEI students vs NSFAS allocation



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 match the existing demand – and will not match the projected demand

Key Issues

Current reality:

- NSFAS allocation is inadequate/ insufficient for eligible students currently in the system,
- The current annual % increase, if extrapolated, it is not going to be sufficient for students who are projected to enrol for HE studies (if NDP & White Paper for Post-school education and training are anything to go by) from 2015 to 2030.
- Funding requirements will grow with two elements
 - Inflation pressures,
 - Growth from 950 000 students to 1 620 000 students in 2030 in the system
- Unfunded “missing middle” R120 000 to R150 000 up to about R 350 000 family income – After tax income required to fund total cost of study (R70 000 – R90 000) broadly,

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 even 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 **ADEQUATE 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
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
 - 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.

QUESTION & ANSWER

Thank you