

# University funding and the budget

## Commission of Inquiry into Higher Education and Training

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Outline

- Constitutional and policy background to resource allocation in the national budget
  - The bill of rights
  - Government policy documents
- Issues in budgeting for higher education
  - Budget decisions making in context: needs vs available resources
  - Education budgets
  - Post-School Education and Training sector budgets
  - University sources of income
- Further considerations in the allocation of resources to universities

# Constitutional background: The Bill of Rights

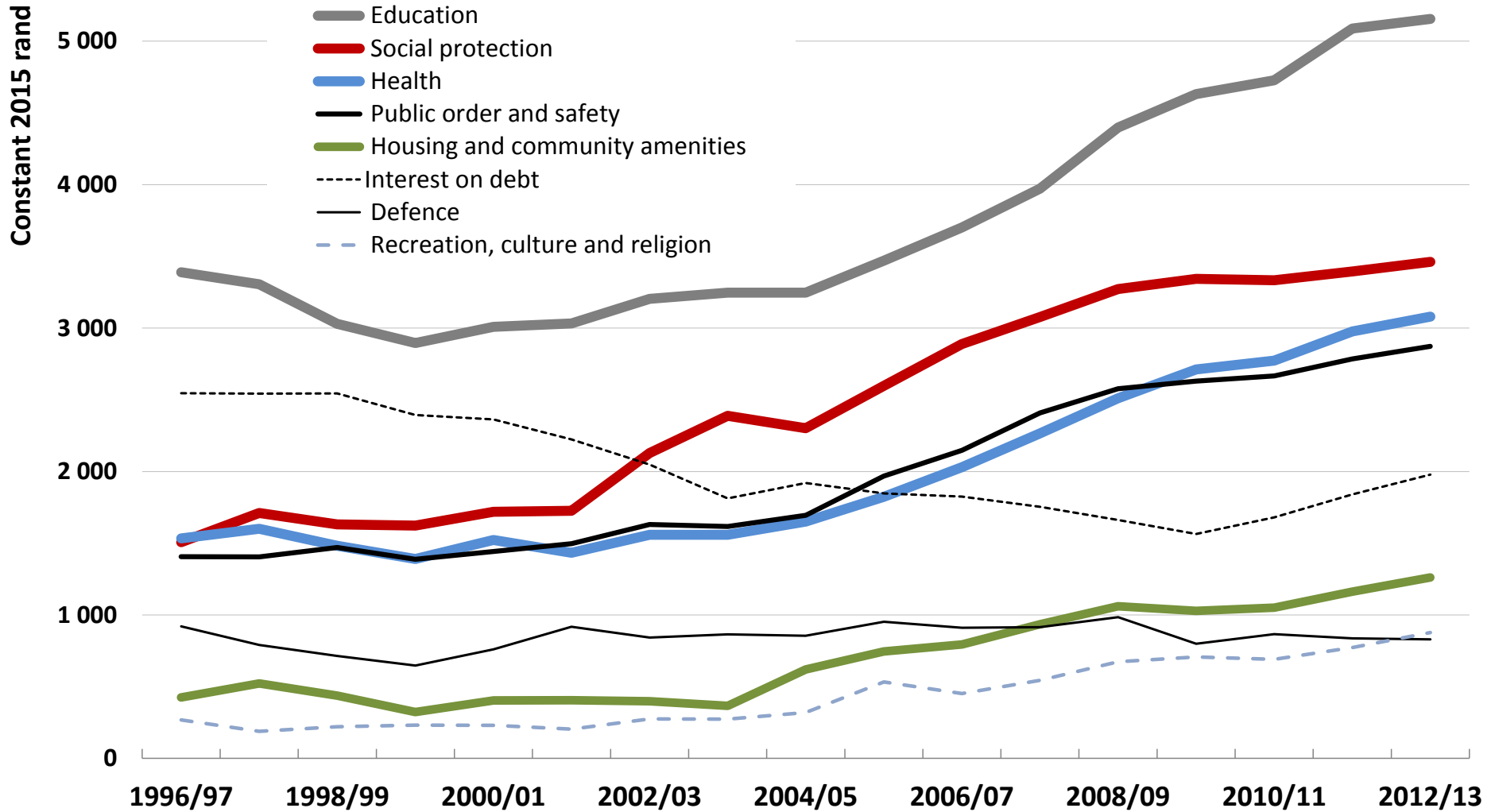
- The Bill of Rights states that everyone has the right to have access to:
  - **Adequate housing**
  - **Healthcare services, including reproductive healthcare**
  - **Sufficient food and water**
  - **Social security, including, if they are unable to support themselves and their dependents, appropriate social assistance**
- In respect of each of these rights ***“The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights”***
- In respect of the rights of children under the age of 18 – which include basic nutrition, shelter, basic health care, social services and others – these are not subject to progressive realisation or resource availability.
- With respect to education, the bill of rights states that:
  - “Everyone has the right:***
    - (a) to a basic education, including adult basic education; and***
    - (b) to further education, which the state, through reasonable legislative measures, must make progressively available and accessible.”***

# Comments

- Budget allocation is guided by Constitutional imperatives
  - In the current year’s R1.3 trillion budget, allocations include:
    - Basic education | R228 billion, 17.5% of available resources
    - Housing and municipal infrastructure | R182.6 billion, 14%
    - Healthcare services | R168.4 billion, 12.9%
    - Social protection | R154 billion, 12.8%
  - Post-school education and training is allocated R64.2 billion or 5.2% of resources
  - This leaves 38% of the resources to be shared between defence, police, the courts, home affairs, agriculture, land reform, employment programmes, science, research, industrial development, foreign affairs, administrative functions, regulation of infrastructure, etc.
- “Progressive realisation within available resources”
  - Implies an obligation for fiscal sustainability
  - Overreliance on debt can lead to a sharp reversal of progressive realisation
  - Available resources are ultimately determined by the size of the economy
  - The relationship between taxation and economic growth is complex
  - Budget allocations are determined within the available “fiscal space”



# A rising floor of available resources



# Government policy decisions

- The relevant policy positions that guide the allocation of government resources are:
  - The National Development Plan (November 2011)
  - The White Paper on Post-school Education and Training (November 2013)
  - The Medium Term Strategic Framework (2014 – 2019)
- In respect of post-school education:
  - None of these documents proposes fee-free university education.
  - All of them call for a progressive expansion of post-school education within available resources.
  - All envisage that substantial gains in access will be achieved through technical and vocational training
  - The main financial instrument to back increased access has been NSFAS.

# Government policy

- The NDP contains ambitious targets but no detail of how these are to be resourced. Implicitly, it assumes that accelerating economic growth will generate a virtuous circle of augmented public resources and improved public services.
- Similarly, the White Paper contains no resourcing plan. In respect of expanding access it states that:

*“By 2030 the goal is to have head-count enrolments of 1.6 million in public universities, 2.5 million in TVET colleges,4 and 1.0 million in the community colleges.*

*This planned expansion of access does not only require making places available in education and training institutions. Education and training must also be affordable for potential students.*

*To this end the government has significantly increased the funds available for student loans and bursaries, particularly through the National Student Financial Aid Scheme (NSFAS). Since 2011, poor students in TVET colleges have not had to pay tuition fees, and have been assisted with accommodation or transport costs.*

***The government remains committed to progressively extending this to university students as resources become available.”***



# From policy needs to budget availability

- A perennial weakness in government policy-making is the adoption of policy prior to consideration of the financial, fiscal and broader resource implications.
- Difficulties arise because the benefits of policy proposals are well articulated, but the costs are not explained. These costs take the form of higher taxation or reduced spending elsewhere in the system.
- Following the adoption of the White Paper on Post School Education, the Department of Higher Education submitted a budget request for an additional R35 billion in 2015/16, R43 billion in 2016/17 and R50 billion in 2017/18 – a total of R129 billion over the MTEF. This was the largest of many bids that could not be accommodated in the budget (See table)
- Given the limitations on fiscal space, and the absence of detailed cost estimates and operational plans to accompany the bid, the Minister’s Committee on the Budget recommended to Cabinet that further technical work be undertaken on size and costs of PSET and to explore alternate funding mechanisms
- This was duly reported in the 2014 Medium-Term Budget Policy Statement: **“The MTSF projects a large expansion of access to technical, vocational and adult education centres, as well as universities. Given the scale of needs identified, an interdepartmental team will develop financing proposals.”**

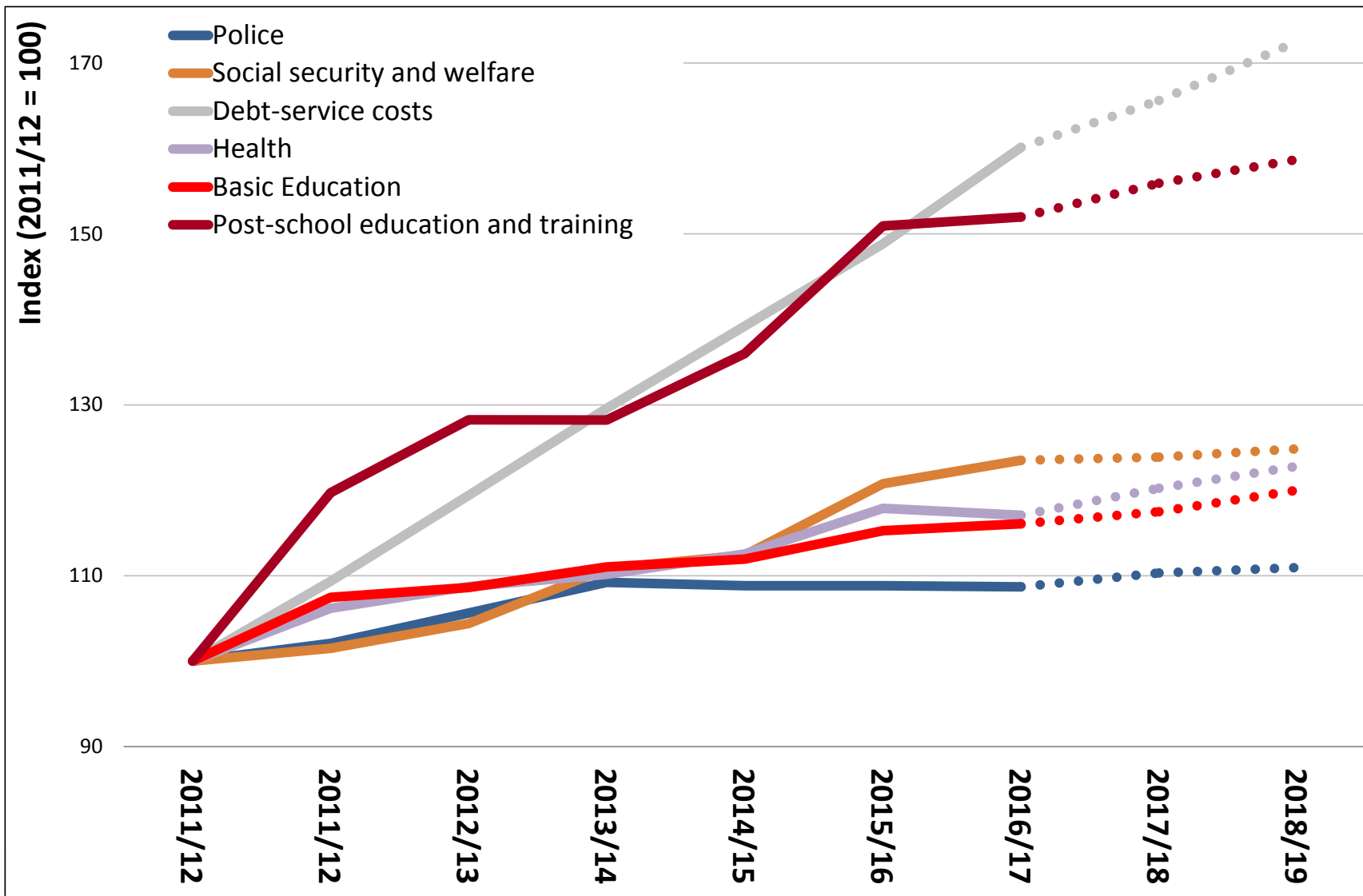
**Request for additions to baseline, selected departments**

R millions	2015 MTEF	2016 MTEF
Home Affairs	3 053	9 192
International Relations and Cooperation		4 227
Basic Education		5 753
Higher Education and Training	128 899	129 202
Health	881	21 443
Social Development		24 727
Defence and Military Veterans	10 823	14 272
Transport	9 986	37 864
Water and Sanitation	27 492	21 825
Human Settlements		31 050
<b>ALL DEPARTMENTS</b>	<b>213 122</b>	<b>388 666</b>



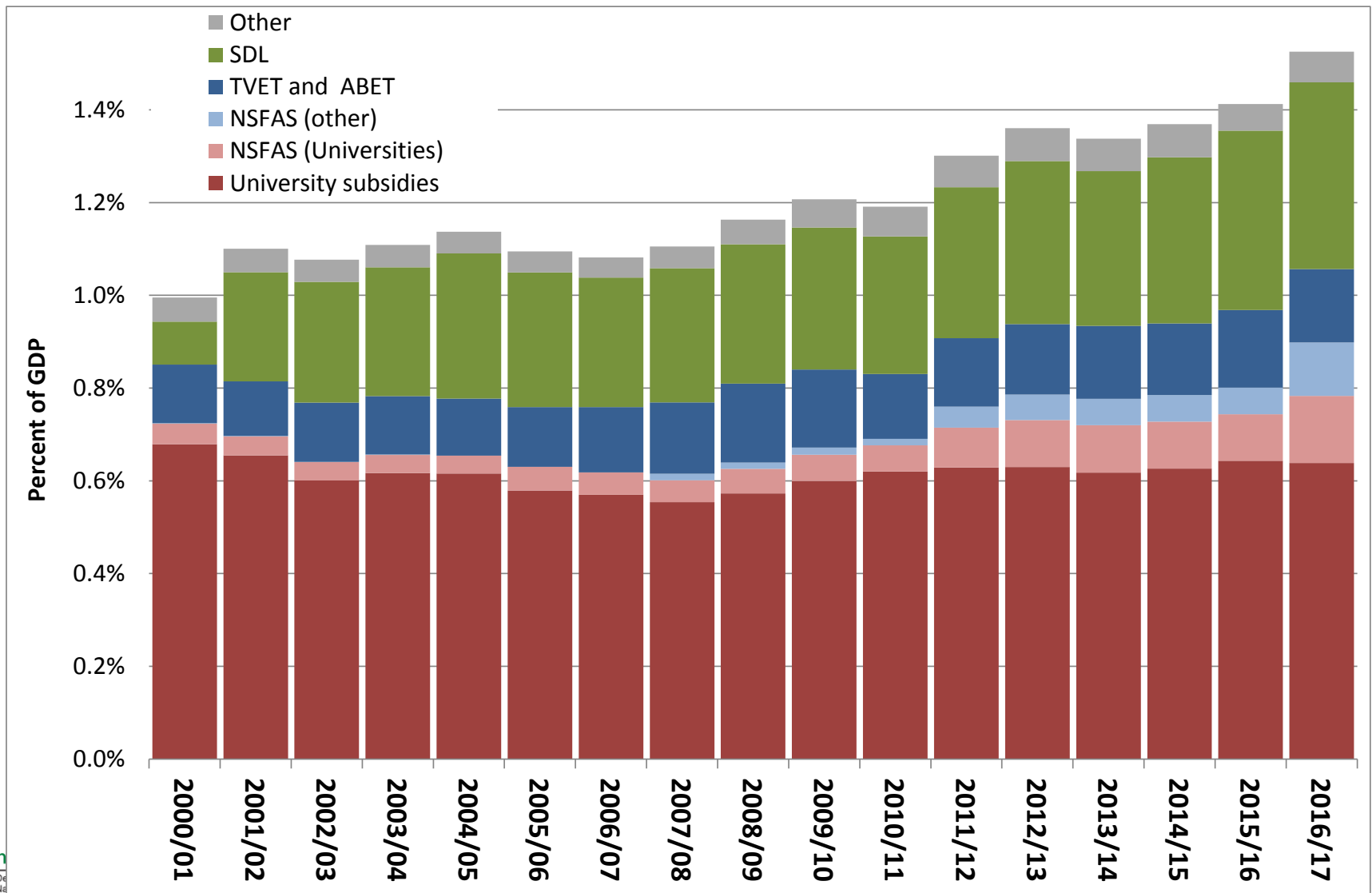
# PSET spending growth has outpaced others in the last six years ...

## Index of real growth in selected budget allocations



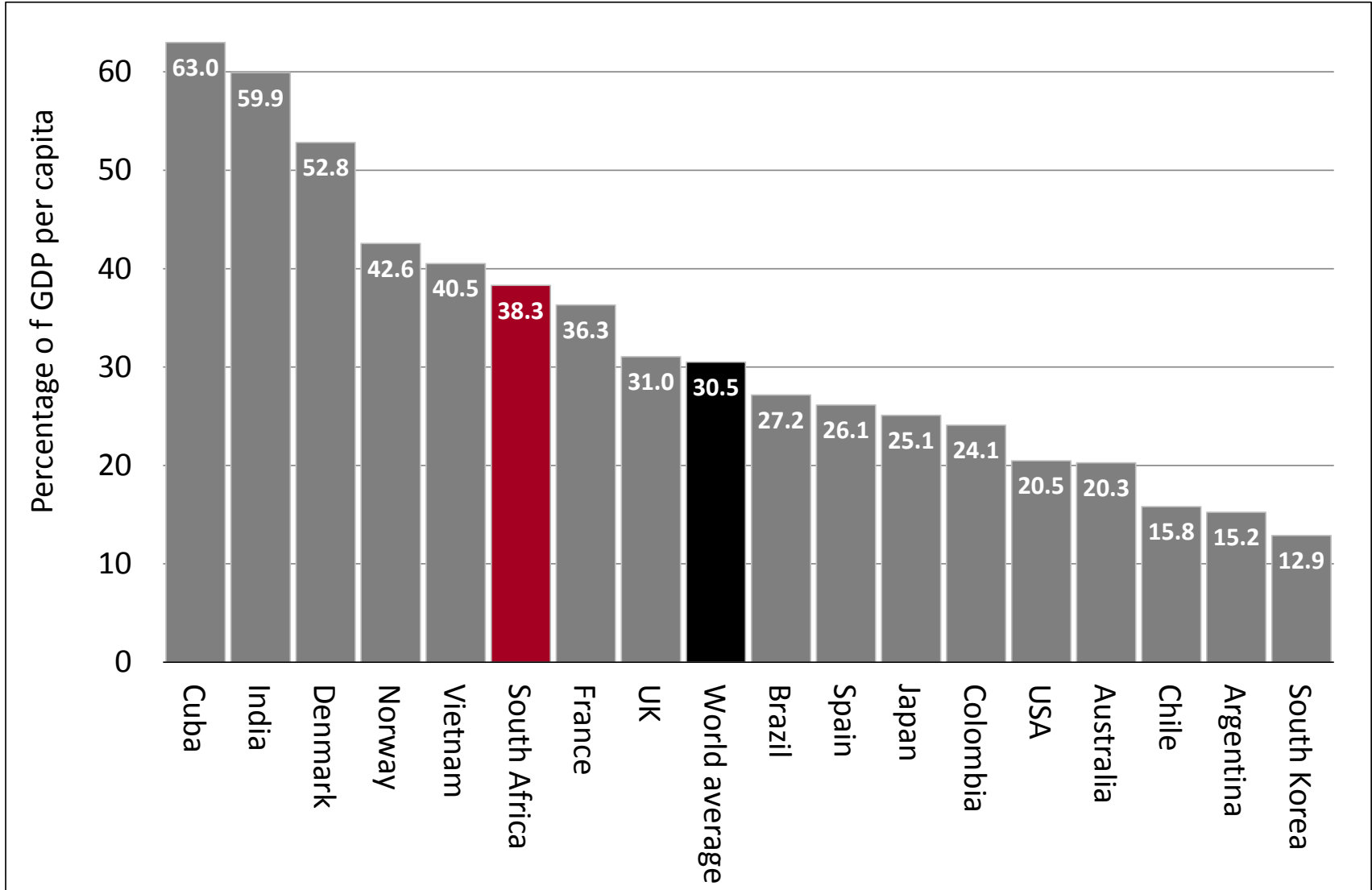
... leading to a sustained increased in the sector's share of GDP...

Government spending as a share of GDP



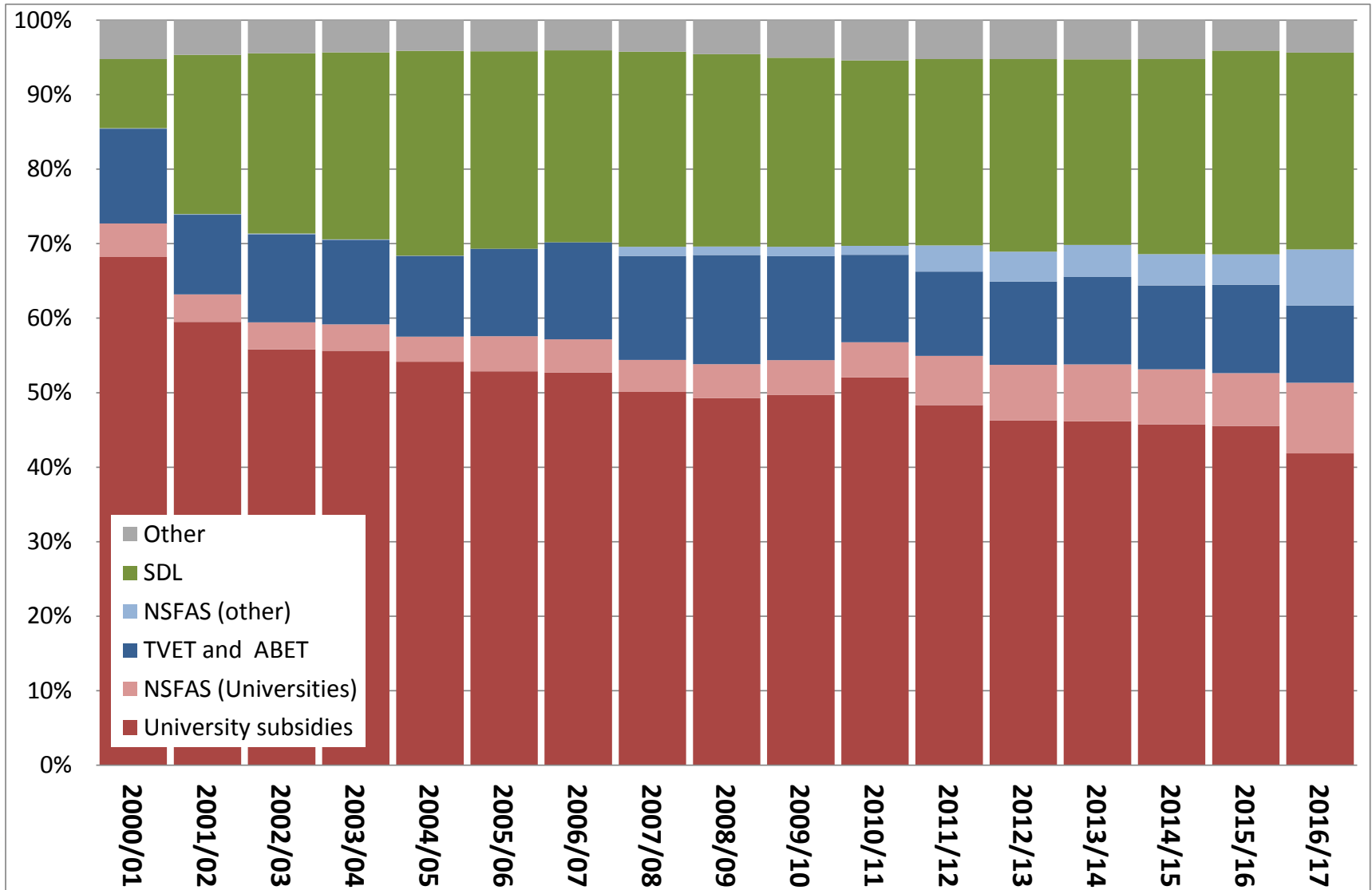
# ... and a relatively well funded PSET system, although more is needed

## Government spending per student relative to GDP per capita



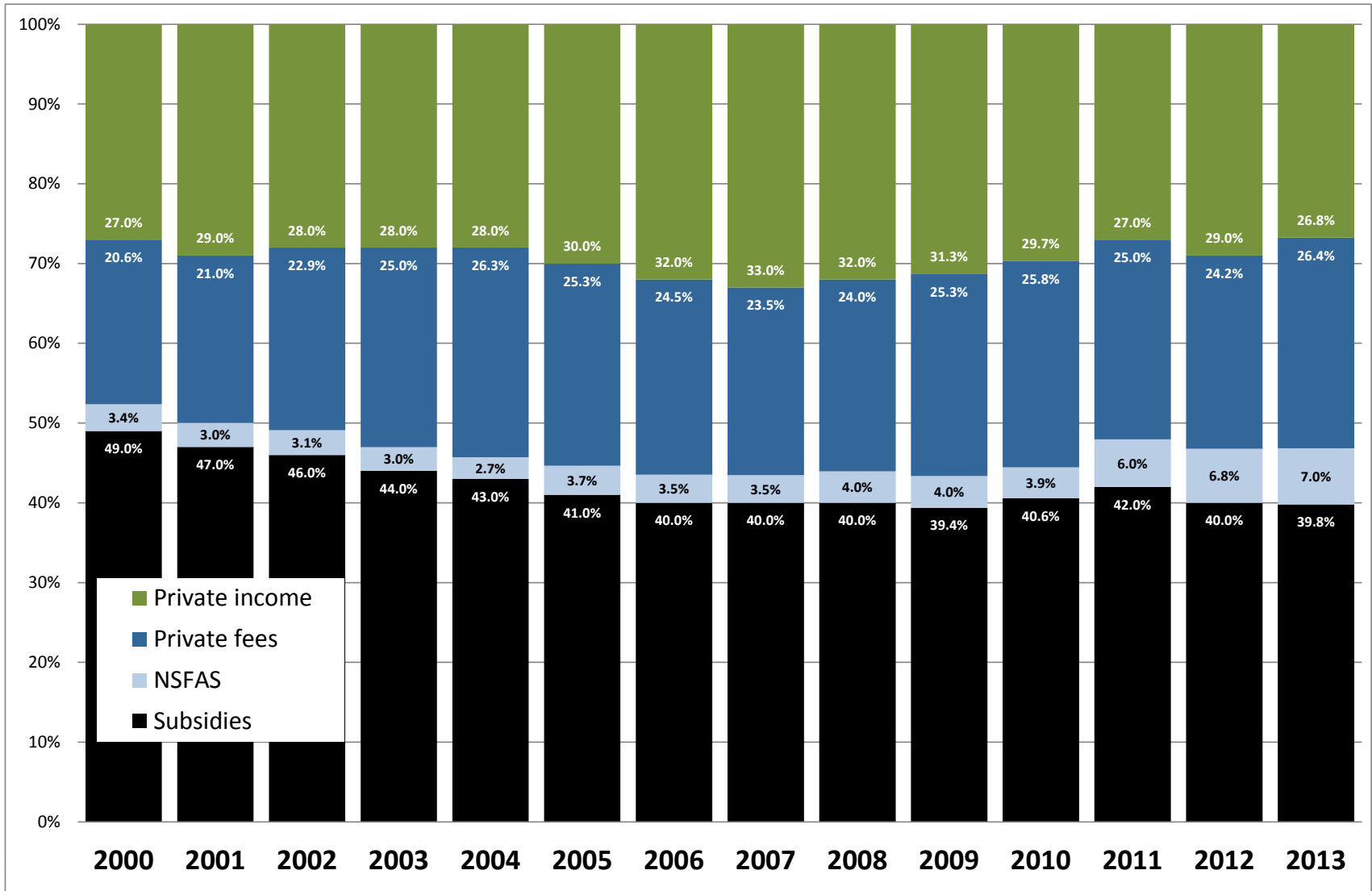
# But the bulk of additional funding has gone to colleges, not universities ...

Share of the total PSET budget



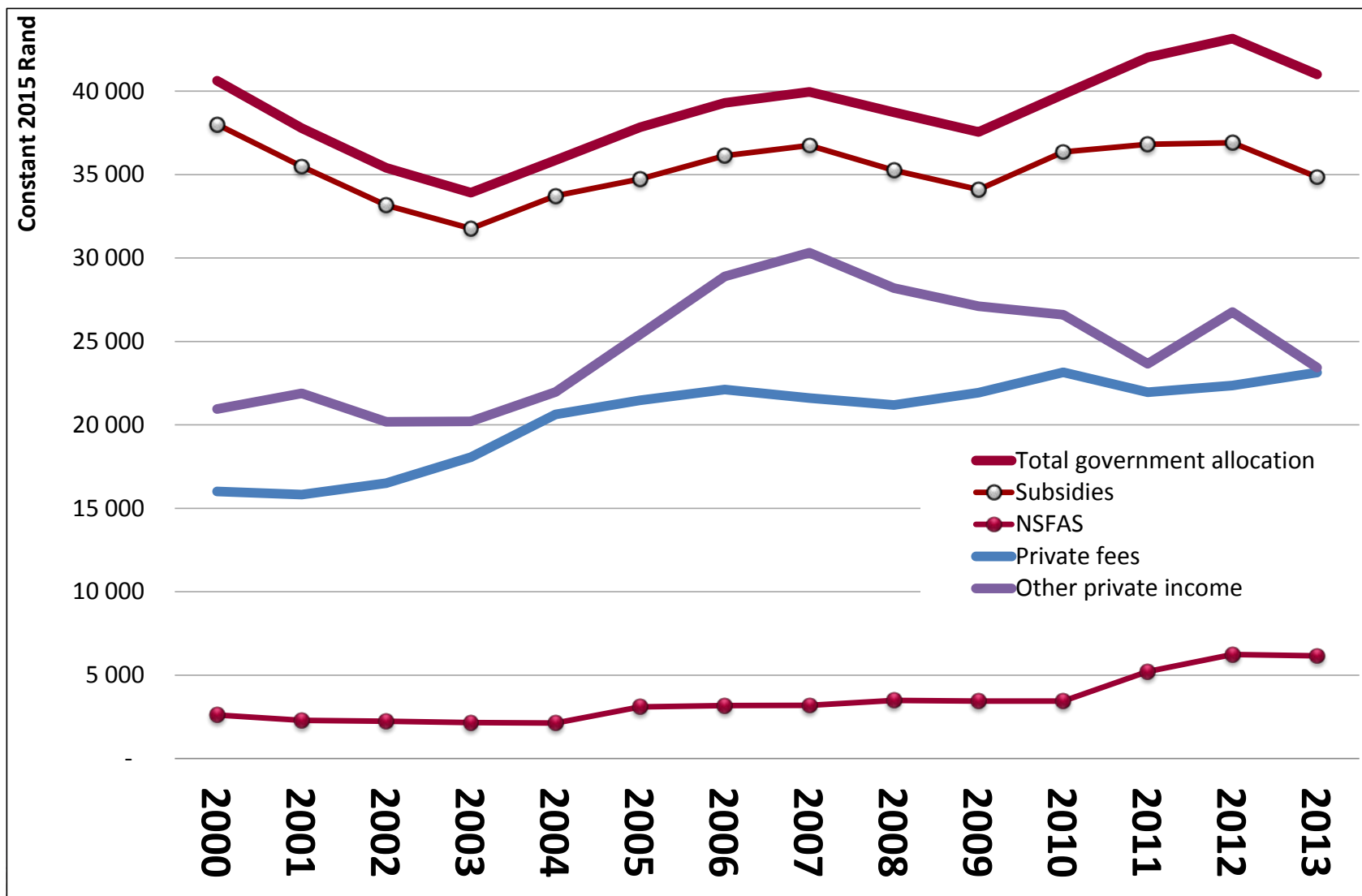
# ...contributing to an increase in reliance on fees in university income, offset by NSFAS allocations

Sources of University Income (Share of total)



# Governments' allocation to universities per student has kept pace with price inflation

Sources of University income (Real income per full-time equivalent)



Source Data: CHET, StatsSA, National Treasury

# Considerations on further funding of the system

- Fiscal space, taxation and economic growth
- Resourcing expanded enrolment
- Public goods and private benefits
- Efficiency
  - Throughput rates
  - Costs
- Equity and maintain a progressive fiscal system.

# Thank you



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