

MINISTERIAL STATEMENT ON UNIVERSITY FUNDING: 2017/18 AND 2018/19

November 2016

CONTENT

	Page
SECTION A: The Funding of Universities	2
SECTION B: Block Grant Budget Calculations for Universities	7
SECTION C: Earmarked Grants for Universities	14
1. General policy on payments of earmarked grants	14
2. Infrastructure and Efficiency Grant	15
3. Two new universities	15
4. Foundation Provision Grant	16
5. Teaching Development Grant and Research Development for 2017	17
6. Teaching and Research Development Grants replaced by the University Capacity Development Grant in 2018	19
7. Clinical Training Grant	19
8. HDI Development Grant	20
9. Veterinary Sciences Grant	21
10. MBChB students	21
SECTION D: Grants to Institutions	23
1. National Student Financial Aid Scheme (NSFAS)	23
2. National Institute of Human and Social Sciences	23
3. African Institute for Mathematical Sciences	24
SECTION E: Sector oversight	24
1. Sector Planning, Monitoring, Evaluation and Support Programme	24

Section A: The Funding of Universities

1 INTRODUCTION

This annual Ministerial Statement deals with the funding instruments to steer the university sector, and is issued in accordance with the requirements of the Higher Education Act, 1997 (Act 101 of 1997 as amended) and the funding framework for universities (Government Gazette, No 25824 of 9 December 2003). Other guiding policy documents include:

- Education White Paper 3 – A programme for the Transformation of Higher Education (1997);
- The National Plan for Higher Education (2001);
- The National Development Plan (2013); and
- The White Paper for Post-School Education and Training (2013).

Information relating to the budgets for the university sector is confidential until National Treasury releases the ‘Estimates of National Expenditure’ at the time the Minister of Finance delivers his budget speech in February 2017.

Given the economic forecast for government as a whole and the constraints on the current budget allocations, all government departments have to reprioritise and find efficiencies in the system as additional funding in the following Medium Term Expenditure Framework (MTEF) cycles will be very limited. Universities are required to put in place efficiency measures to ensure that available funding is effectively utilised. These measures could include:

- reducing overheads relative to the core functions of universities;
- collaboration amongst universities in order to save on spending;
- improving debt collection; and
- putting in place processes to generate additional third stream income funding (including sourcing additional donor funding).

2 THE CONTEXT

This Ministerial Statement on University Funding contains:

- the budget allocations likely to be available for distribution to universities for 2017/18 and 2018/19, and the division of funds among various budget subcategories;
- the purpose of each funding category and, where applicable, its relationship with other funding categories;
- details of the weightings and benchmarks employed in the calculation of grants;
- the sector’s total funded teaching input units, total institutional factor units, total teaching output units and total research output units. Policy details are also provided for how a university would be able to calculate its own share of each of these sector totals, which also determines a university’s own share of sub-block grant allocations for each of the next two years (2017/18 and 2018/19);
- budget amounts per university for certain earmarked grants for 2017/18 and 2018/19;
- changes to funding policy and reasons for changes; and
- changes to government funding allocations in the 2017/18 and 2018/19 financial years.

3 REVIEW OF THE EXISTING FUNDING FRAMEWORK

Proposed changes to the existing funding framework, emanating from the Report of the Ministerial Committee for the Review of the Funding of Universities of October 2013 and released in February 2014, have been made. The Draft Policy and Revised Framework for the Funding of Universities have already gone through several governmental approval processes. These include approval by the Economic Sectors, Employment and Infrastructure Development Directors-General Cluster, approval from the Department of Planning, Monitoring and Evaluation (DPME). The draft will be consulted with the higher education community in early 2017, and after taking into account all comments a final draft will be developed and sent to the Council on Higher Education (CHE) for advice. Once the Minister has considered the advice from the CHE, he will publish the revised framework for implementation.

4 MTEF BUDGET ALLOCATIONS FOR 2017/18 AND 2018/19

On an annual basis, the Department of Higher Education and Training (DHET) presents National Treasury with bids for additional funding in June, and thereafter National Treasury engages with the Department during the period July to November on the funds available to be distributed for the rolling triennium. National Treasury issues an allocation letter indicating the total state budget which government can afford to spend on the university sector.

Table 1 sets out the Ministry's division of funds for the university sector among various budget subcategories.

Table 1: State budgets for the university sector

Budget category	Budget totals for the university sector				Increase in budget from previous financial year			
	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)	2015/16	2016/17	2017/18	2018/19
1 Block grants for universities	20 538 361	21 678 098	25 322 874	26 915 052	5.0%	5.5%	16.8%	6.3%
1.1 Teaching inputs	13 141 519	13 753 540	16 220 201	17 252 089	3.4%	4.7%	17.9%	6.4%
1.2 Institutional factors	1 170 372	1 225 710	1 445 538	1 537 499	6.1%	4.7%	17.9%	6.4%
1.3 Actual teaching outputs	3 213 301	3 512 017	4 310 654	4 584 887	8.0%	9.3%	22.7%	6.4%
1.4 Actual research outputs	3 013 169	3 186 831	3 346 481	3 540 577	8.8%	5.8%	5.0%	5.8%
2 F earmarked grants for universities	5 666 037	6 246 374	8 701 418	9 193 017	21.0%	10.2%	39.3%	5.6%
2.1 Infrastructure & output efficiencies	2 301 200	2 422 013	2 541 903	2 688 063	4.6%	5.3%	5.0%	5.8%
2.2 Two new universities								
Capital funds	1 000 000	974 736	978 482	1 000 542	100.0%	-2.5%	0.4%	2.3%
Operational funds	201 014	290 429	360 736	416 489	26.4%	44.5%	24.2%	15.5%
NIHE Northern Cape Pipeline Students	12 000	10 000	6 500	0		-16.7%	-35.0%	-100.0%
2.3 Foundation provision	304 470	319 956	335 794	355 270	28.7%	5.1%	5.0%	5.8%
2.4 Teaching Development	616 900	649 596	510 000	0	1.2%	5.3%	-21.5%	-100.0%
2.5 Research Development	199 000	209 547	165 000	0	6.2%	5.3%	-21.3%	-100.0%
2.6 University Capacity Development			225 000	945 000				320.0%
2.7 Clinical Training of Health Professionals	429 635	452 406	475 026	502 578	4.6%	5.3%	5.0%	5.8%
2.8 HDI Development Grant (8 universities)	410 743	433 532	454 992	481 382		5.5%	5.0%	5.8%
2.9 Veterinary Sciences	141 764	149 250	156 638	165 723	4.1%	5.3%	5.0%	5.8%
2.10 MBChB students		30 700	27 900	16 700			-9.1%	-40.1%
2.11 Interest & redemption on historic loans	4 447	4 209	3 647	3 282	-34.2%	-5.4%	-13.4%	-10.0%
2.12 Zero percent student fee increase		300 000	0	0				
2.13 Merger multi-campus	44 864	0	0	0	-52.6%	-100.0%		
2.14 Gap funding grant for poor & missing middle student fees ¹		0	2 459 800	2 617 988				6.4%
3 Grants to Institutions	4 123 807	8 924 157	9 921 058	10 395 762	5.2%	116.4%	11.2%	4.8%
3.1 NSFAS - Cape Town ²	4 094 978	6 350 811	9 889 209	10 362 081	4.6%	55.1%	55.7%	4.8%
NSFAS - Cape Town Historic Debt Relief		2 543 000						
3.2 Institute for Human and Social Sciences	23 829	25 081	26 323	27 837		5.3%	5.0%	5.8%
3.3 African Institute for Mathematical Studies	5 000	5 265	5 526	5 844	4.2%	5.3%	5.0%	5.8%
4 Sector oversight	10 000	10 000	10 500	11 109		0.0%	5.0%	5.8%
4.1 Sector Planning, Monitoring, Evaluation & Support	10 000	10 000	10 500	11 109		0.0%	5.0%	5.8%
TOTAL	30 338 205	36 858 629	43 955 850	46 514 940	8.1%	21.5%	19.3%	5.8%

Note 1: The amount of R2 459,800 million in 2017/18 for the gap funding grant for poor and missing middle student fees will be funded through reprioritisation with the PSET system

Note 2: The amount of R2 369,924 million in 2017/18 for unfunded university students from 2016 academic year will be funded through reprioritisation with the PSET system

Specific points to note about the financial information reflected in Table 1 are the following:

- National Treasury sets the minimum base-line allocations per annum reflected in Table 1 for NSFAS, the two new universities, the clinical training of health professionals, and the new category “MBChB students”;
- One outcome from the funding review process is a proposal that the Teaching Development Grant (TDG) and the Research Development Grant (RDG) are consolidated and replaced by a University Capacity Development Grant (UCDG), inter alia as a result of overlap between the TDG and the RDG. The UCDG, to be implemented from the 2018 academic year, will take forward the purposes of the TDG and RDG in a more streamlined and systematic fashion. The UCDG will be designed to address the developmental needs of the higher education sector in relation to its core functions of teaching, research and innovation, and social responsiveness related to these functions. A clear distinction will be drawn between core, recurrent activities and developmental initiatives, with the development grant clearly focused on developmental activities. Importantly, the UCDG is envisaged to become the main vehicle through which the ‘Staffing South Africa’s Universities’ Framework (SSAUF) is fully implemented. This will mean that a proportion of the UCDG will be allocated for SSAUF activities. Policy guidelines for the management and utilisation of the grant has already been developed; and;
- For 2017/18, funds have been set aside through reprioritisation within the Post-school Education and Training Sector for two new categories of funding. The first category is for unfunded university students from the 2016 academic year, totalling R2 369,924 million. The second category is a ‘gap funding grant’ to pay the increase in university fees of up to 8% for all students from families with a combined annual household income below R600 000. These students referred to as the poor and ‘missing middle’ will therefore experience a 0% increase on the 2015 fees in 2017. Treasury has already made provision for the carry-through amounts of these two categories for 2018/19, as reflected in rows 3.1 and 2.14 in Table 1.

5 UNIVERSITIES’ STATE BUDGET FOR 2017/18 AND 2018/19

Universities receive state funds in the form of block grants and earmarked grants. Block grants comprise approximately 70% of the total state budget towards universities. Block grants are intended for operational costs related to university teaching, learning and research activities and are council-controlled funds, which can be used at the discretion of council and university management.

It is emphasised that public accountability for these funds remains paramount for institutions and the Ministry. Public accountability requires that institutions receiving public funds be able to report on the effective and efficient spending of the funds, the results they achieve with the resources, and how they would meet national policy goals and priorities. This reporting must be done in terms of the Regulations for Reporting by the Public Higher Education Institutions (Government Gazette No. 37726, Notice 9 June, 2014).

In order for a university to determine its own share of each of the 2017/18 and 2018/19 block grants, Table 2 sets out the funded total units of the sector in each of the block grant sub-categories reflected in Table 1. The values in Table 2 are the funded units of year (n-1), which is audited and used in year (n) to calculate the budget for financial year (n+1). Data for the 2018/19 financial year has not yet been audited. The funded teaching input units recorded in

Table 2 are sourced from the Ministerial Statement on Enrolment Planning: 2014/15 to 2019/20 as planned and approved.

For a particular budget year, a university's share of funded units in each of the 4 categories in Table 2 determines the university's share of funds in each of the 4 sub-block grant categories shown in Table 1.

Section B of this Ministerial Statement provides the policy details for a university to determine its own funded unit totals and therefore ultimately its own share in each of the 4 sub-block grant categories in Table 2. Such calculations by universities should be regarded as preliminary until their funding allocations have been confirmed in writing through a Ministerial letter.

A more detailed example of how a university should make calculations in each sub-block grant category in order to determine its own block grant budget allocation for 2017/18 is also available on request.

Table 2A: Actual and estimated funded units of the university sector within the block grant categories

Block grant categories	Unit totals for the university sector				Increase in units from previous financial year			
	2015/16	2016/17	2017/18	2018/19	2015/16	2016/17	2017/18	2018/19
Funded teaching inputs	1 222 348	1 277 641	1 323 719	1 362 140	4.6%	4.5%	3.6%	2.9%
Institutional factors	108 950	111 958	117 135	122 992 ¹⁾	9.5%	2.8%	4.6%	5.0%
Actual teaching outputs	163 569	168 818	176 164	184 972 ¹⁾	9.7%	3.2%	4.4%	5.0%
Actual research outputs	26 622	29 320	31 211	34 051 ¹⁾	10.6%	10.1%	6.4%	9.1%

Table 2B: Actual and estimated funded units of the sector within earmarked grants related to the block grant

Foundation units	19 790	20 782	21 887	23 047 ¹⁾		5.0%	5.3%	5.3%
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1) Estimated values

Concerning block grant budget calculations to be made for a university for 2017/18 and 2018/19, the shortfall of the 0% fee increase calculations of R2,330 billion for 2016/17 were based on the student fee income per university. If this amount was placed in the block grant for 2016/17 and distributed to universities, the amount per university would not be the same as the shortfall based on the student fee income per university. **Sub-division 5 in Section B** provides the phasing out of the differences in using student fee income as a base and using block grant calculations as a base for 2016/17. The 2017/18 and 2018/19 data in Table 8 have to be taken into account as well, after the usual block grant calculations have been made for 2017/18 and for 2018/19.

The annual public report "University state budgets", available on the DHET website, presents the final input data of each university in each of the 4 sub-block grant categories, which were used to determine each university's block grant allocation for each of the years from 2004/05 onwards, as well as the total block grant and earmarked allocations from 2004/05 onwards according to university. Data of all universities for 2017/18 will be available on the Department's website after the Minister of Finance delivers his budget speech in February 2017.

Sections C & D of this Ministerial Statement highlight budgets per institution in some earmarked grant categories reflected in Table 1. Earmarked state grants are grants that must be used for a specific purpose and are not council controlled. Earmarked grants require a range of inputs, such as project proposals from universities and annual progress reports to the DHET.

Earmarked grants are used to steer the sector towards the targets agreed upon within the enrolment planning exercise and to ensure national priorities are addressed by universities.

6 RELIABILITY OF HIGHER EDUCATION MANAGEMENT INFORMATION SYSTEM (HEMIS) DATA SUBMITTED BY UNIVERSITIES

Both block grant calculations and progress reports of earmarked funds depend heavily on reliable audited Higher Education Management Information System (HEMIS) data submitted annually by universities to the Department.

The Department will continue to monitor the reliability of the data in the HEMIS submissions. In recent years there has been a tendency for a small number of universities to resubmit their data quite late after the deadline for the third and final HEMIS submission of 31 July has passed, due to errors in their final audited data submission. Such a late resubmission adversely impacts on the planning and verification processes within the Department and on the running of the subsidy allocations.

If the verification process by the Department suggests that a university's data submissions are incorrect, then the university will be required to correct errors and resubmit the amended database with a new audit certificate. Should an institution notify the Department that they have detected an error in their final submission, the Department will require the resubmission with the revised audit report by the latest in the middle of September in order to complete the verification processes. Where necessary, the university may be required to amend the historical databases for the past 3 years. If this is deemed necessary, the university's block grants or earmarked funds for specific years will be re-calculated for the past 3 years according to Section 11 (d) of the Prescription Act, No 68 of 1969, and any over-payments for these 3 years will be deducted from future budgets to the applicable university before new funds are paid to the university.

The Department will also, when necessary, make adjustments to any data of the university, which the Department uses for funding purposes, if the data and/or the progress reports submitted to the Department, whether endorsed by external auditors or not, indicate that a university has not complied with the Department's policies/HEMIS directives, or if analyses undertaken by the Department indicate that a university's data submissions for block and earmarked funds are flawed. It is the responsibility of a university to ensure that it complies at all times to the policies and directives issued by the Department.

Section B: Block Grant Budget Calculations for Universities

Section B focuses on the policy to calculate a university’s funded units within each of the 4 sub-block grant categories; teaching input, teaching output, research output and institutional factors, for 2017/18 and 2018/19.

For a particular financial year, a university’s own funded unit total in any one of the above 4 sub-block grant categories, can be used, together with the corresponding sector’s funded unit total reflected in Table 2, to determine the university’s own share, or fraction, of the funds in the corresponding block grant sub-category of funding noted in Table 1.

The annual public report “University performance within the block grant”, available on DHET’s website, presents statistics on the annual improvements in the performance of each university within each of the sub-block grants from the 2004/05 financial year onwards. This report monitors the effectiveness of the funding instruments used within the block grant to steer the university sector.

1 THE TEACHING INPUT SUB-BLOCK GRANT

This section deals with 1) the calculation of actual teaching input units, 2) approved teaching input units funded by the state, and 3) corrective measures taken concerning unacceptable deviations between actual and funded teaching input units.

1.1 Actual teaching input units

For the calculation of actual teaching input units, the weighting factor for funding purposes of a cell in the grid indicated in Table 3 will first be applied to the corresponding HEMIS unweighted enrolled full-time equivalent (FTE) student total (excluding experiential learning, work-integrated learning, FTE students) in that cell, thus generating weighted teaching input units for the particular cell. The grand total of weighted teaching input units for a university for all funding groups and course levels will then be the sum of the input units of all the grid cells.

Table 3: Funding weightings for teaching inputs: 2017/18 and 2018/19

Funding group	Undergraduate & equivalent		Honours & equivalent		Masters & equivalent		Doctoral & equivalent	
	Contact	Distance	Contact	Distance	Contact	Distance	Contact	Distance
1	1.0	0.5	2.0	1.0	3.0	3.0	4.0	4.0
2	1.5	0.75	3.0	1.5	4.5	4.5	6.0	6.0
3	2.5	1.25	5.0	2.5	7.5	7.5	10.0	10.0
4	3.5	1.75	7.0	3.5	10.5	10.5	14.0	14.0

The basic weightings of funding groups 1, 2, 3 and 4 for contact tuition for the four qualification types in Table 3 are based on HEMIS definitions to record students, whereby one undergraduate student head equals on average 0,8 full-time equivalent (FTE) student, one masters student head equals on average roughly a third FTE student, and one doctoral student head equals on average roughly a quarter of an FTE student.

The four funding groups in Table 3 consist of HEMIS FTE student aggregations according to the Classification of Educational Subject Matter (CESM) categories, set out in Table 4.

Table 4: Funding groups for 2017/18 and 2018/19

Funding group	CESM categories included in funding group
1	07 education, 12 law, 18 psychology, 19 public administration and services
2	04 business, economics & management studies, 05 communication & journalism, 06 computer & information sciences, 11 languages, linguistics & literature, 17 philosophy, religion and theology, 20 social sciences
3	02 architecture & the built environment, 08 engineering, 10 family ecology & consumer sciences, 15 mathematics & statistics
4	01 agriculture & agricultural operations, 03 visual and performing arts, 09 health professions & related clinical sciences, 13 life sciences, 14 physical sciences

1.2 Approved teaching input units funded by the state

The funding framework requires teaching input funding to be based on planned and approved FTE student enrolments, weighted for funding purposes as indicated in Sub-Division 1.1 of Section B. The Ministry consults with each university concerning these future student enrolment targets. The enrolment targets are, in effect, a contract between the Department and the Council of each university.

Table 5 sets out the funded totals of teaching input units per university for 2016/17 to 2018/19, as reflected in the Ministerial Statement on Student Enrolment Planning of June 2014. These units include both contact and distance tuition student data.

1.3 Corrective measures taken concerning unacceptable deviations between actual and funded teaching input units.

This section deals with the difference between the actual units calculated by a university in Sub-Division 1.1 of Section B, and the approved funded units as indicated in Sub-Division 1.2 above for a particular year.

Each university is expected to plan and manage its student admissions and enrolment in order to ensure that, for a particular year, its actual teaching input unit total calculated in Sub-Division 1.1 converges to the planned and state funded teaching input unit total approved by the Minister. The latter is indicated in Table 5 of Sub-Division 1.3, which originates from the Ministerial Statement on Student Enrolment Planning for the period 2014/15 to 2019/20.

The Ministerial Statement on University Funding of November 2012 reminded universities that “The Ministerial Statement on Student Enrolment Planning 2011 to 2013 indicated that the Department will make downward adjustments to the outer year’s institutional shares for universities who under-enrol more than 2% below their approved headcount enrolment target. Such changes will automatically reduce their FTE students and funded teaching input units. Universities are discouraged to continue practices of over-enrolment since it negatively impacts on the rand-value adjustments of Teaching Input Units.” In addition, over-enrolment impacts on the quality of teaching and learning.

From 2015/16 to 2017/18, the focus is on universities who substantially under-enrol, as it impacts on providing access to students, in particular disadvantaged students. The

focus will be broadened in future years to include universities who substantially over-enrol, as it impacts on the quality of higher education provided to students.

Table 5: Ministerial approved teaching input units

UNIVERSITY	MINISTERIAL APPROVED FUNDED TEACHING INPUT UNITS			
	YEAR 1)	2016/17	2017/18	2018/19
	YEAR 2)	2014	2015	2016
CAPE PENINSULA UT		57 851	60 097	61 821
CAPE TOWN		63 171	64 516	65 597
CENTRAL UT		21 496	22 265	23 433
DURBAN UT		43 509	45 709	48 238
FORT HARE		22 147	23 397	24 801
FREE STATE		56 779	57 764	58 882
JOHANNESBURG		80 610	81 500	82 412
KWAZULU-NATAL		86 908	89 691	91 922
LIMPOPO		33 177	39 074	40 599
MANGOSUTHU UT		15 167	16 126	17 340
NELSON MANDELA		46 588	47 719	49 730
NORTH WEST		77 709	81 412	86 108
PRETORIA		108 005	110 582	112 487
RHODES		16 602	17 033	17 600
SEFAKO MAKGATHO		14 219	16 480	18 475
SOUTH AFRICA		150 297	155 188	156 130
STELLENBOSCH		70 378	73 207	74 577
TSHWANE UT		83 281	86 425	91 015
VAAL UT		33 078	34 052	35 524
VENDA		23 161	25 306	26 520
WALTER SISULU		38 299	38 770	39 266
WESTERN CAPE		39 537	41 350	43 180
WITWATERSRAND		71 062	72 550	74 038
ZULULAND		24 610	23 502	22 445
TOTAL		1 277 641	1 323 719	1 362 140

1) The State's financial year

2) The academic year of a university in which students are enrolled, which lags 2 years behind the financial year of the State's budget.

In the November 2014 Ministerial Statement on University Funding a 5% deviation in under-enrolment for 2013 data for the 2015/16 financial year was implemented. For the 2016/17 financial year, the Minister approved a 4% deviation in under-enrolment from the Ministerial approved funded teaching input units as acceptable for 2014 data, which is a smaller allowable deviation compared to the 5% deviation for 2013 data. For the 2017/18 financial year, the Minister has approved a 3% deviation in under-enrolment from the Ministerial approved funded teaching input units as acceptable for 2015 data.

For 2017/18, those universities that have deviated by more than 3% of the 2015 Ministerial approved teaching input units, one third of the units exceeding 3% will be removed from the funded units. Teaching input grants will be redistributed amongst all universities based on the reduced total of Ministerial approved teaching input units for the sector, and this redistribution will be made available in the public report:

“University state budgets”, noted in Sub-Division 5 of **Section A** of this Ministerial Statement. Universities who receive the redistributed funds should use the funds to improve planning abilities to remain within the range of 2% of Ministerial approved teaching input units. Corrective measures will in future years become stronger in one or more of the following areas, namely:

- Reducing the acceptable range of deviations from Ministerial approved funded teaching input units towards 2%, as was signalled as an acceptable variation from agreed upon targets in 2012;
- Removing an ever increasing share of Ministerial approved funded teaching input units from universities who operate outside of the acceptable deviation range in terms of under-enrolment and over-enrolment; and
- Re-allocating the revised funding towards universities who operate within the acceptable range of deviations from Ministerial approved funded teaching input units.

2 TEACHING OUTPUT SUB-BLOCK GRANT

The aim of this sub-block grant is to fund and simultaneously incentivise increases in student graduates from under-graduate up to taught masters level. Research masters graduates and all doctoral graduates are excluded, as they are funded in the research output sub-block grant.

Student graduate numbers, instead of annual full-time equivalent (FTE) student success rates, are the focus of teaching outputs, because student graduate data are in essence, the final teaching outcomes at universities.

Funding of a university for the 2017/18 and 2018/19 financial years will respectively be based on a university’s actual 2015 and 2016 totals of student graduate numbers reported in HEMIS, and audited by the universities’ external auditors.

Teaching output grant allocations are determined on the basis of an actual weighted total of teaching outputs (in terms of funded units) produced by each university.

The weightings for funding purposes to be applied to actual student graduate headcount outputs in order to obtain funded units for a university are set out in Table 6 below. There is no distinction between the teaching outputs of distance and of contact programmes.

Table 6: Funding weightings per student graduate head for contact and distance programmes

Teaching output programmes	Weightings
UG certificates and diplomas (1 year)	0.5
UG certificates and diplomas (2 years)	0.5
UG certificates and diplomas (3 years)	1.0
UG 1st bachelors degrees (3 years)	1.0
UG 1st bachelors degrees (4 years or more) NQF7	1.5
UG 1st bachelor's degrees (4 years or more) NQF8	1.5
UGB Tech (1 year)	1.5
UG Advanced diplomas (1 year) NQF7	0.5
PG certificate in education (1 year) NQF7	0.5
PG diplomas and post-diploma dipl/cert (1 year)	0.5
PG bachelors degrees and advanced bachelors degrees	1.0
Honours degrees/higher diplomas/post-grad dipl (1 year)	0.5
Non-research masters degrees and diplomas	0.5

The 7 funding weightings according teaching output programme set out in the previous Ministerial Statement on University Funding of November 2015 and its updated version of July 2016 have been clarified in more detail within the 13 funding weightings in Table 6 without changing current funding policy.

3 RESEARCH OUTPUT SUB-BLOCK GRANT

The aim of this sub-block grant is to fund actual research outputs and simultaneously incentivise increases in research outputs.

Funding of a university for the 2017/18 and 2018/19 financial years will respectively be based on a university’s 2015 and 2016 totals of actual publication units (books for the specialist, conference proceedings, and articles in accredited journals), as well as doctoral and research masters graduate numbers reported in HEMIS. All are audited by the Universities’ external auditors.

Research output grant allocations are determined on the basis of an actual weighted total of research outputs (in terms of funded units) produced by each university.

The weightings for funding purposes to be applied to actual research outputs in order to obtain funded research output units for a university are set out in Table 7 below.

Table 7: Funding weightings for research outputs for 2017/18 and 2018/19

Research output categories	Weightings
Publication units	1
Research masters graduates	1
Doctoral graduates	3

Any journal on any of the lists/indices recognised by the Department for subsidy purposes, which does not comply with the policies and directives of the Department, will be removed immediately from the list, and articles published in such journals will not be state funded with immediate effect. The Department will reserve the right to recover the funds from a university that has claimed for and been paid out subsidies for such articles in error, for a period of 3 historical years, as stated in Sub-Division 6 of **Section A**.

With the implementation of the newly revised Research Output policy in 2016, three additional journal lists will be added, bringing the total of DHET subsidised lists to six, namely: ISI, IBSS, SA list, Scopus, SciELO SA, and Norwegian list (only level 2). The Department will communicate the list of accredited journal titles to higher education institutions at the start of each academic year.

4 INSTITUTIONAL FACTOR SUB-BLOCK GRANT

This section contains 2 factors, namely 1) the proportion which a university has of students from disadvantaged backgrounds, and 2) university size in terms of contact and distance FTE student enrolment.

4.1 Grants for universities with large proportions of disadvantaged students

The aim of this grant is to increase the participation, success and graduation rates of disadvantaged students in general. This grant deems disadvantaged students to be African and Coloured students who are South African citizens.

For a contact tuition university, a calculation is first made of the proportions it has of disadvantaged students in its 2015 *contact* FTE enrolled student total. A disadvantage-weighting factor is then determined for the university. This factor is 0 for a university whose proportion of disadvantaged students is 40% or less, and increases linearly up to a maximum 0,10 at a disadvantaged proportion of 80%. The factor remains 0,10 for a university whose proportion of disadvantaged students is between 80% and 100%.

For 2017/18, additional 2015 funded teaching input units are then generated by multiplying its disadvantage factor by the university's approved 2015 funded total of contact plus distance teaching input units set out in Table 5 for the 2017/18 financial year.

For the dedicated distance university, the calculation of the disadvantage factor is based on the proportion of disadvantaged students, which it has in its 2015 distance FTE enrolled student total.

The same calculations can be made for 2018/19, using the corresponding 2016 student data.

4.2 Grants related to the size of universities

The size factor takes account of economies of scale as the FTE enrolment size of a university increases. The institutional size factor is used to give additional teaching input units to small universities, depending on the size of their FTE student enrolments. The institutional size factor amounts to 0,15 for universities with up to 4 000 contact plus distance FTE (unweighted) students, after which it decreases linearly to 0 for universities with totals of 25 000 or more contact plus distance FTE students (unweighted).

For 2017/18, additional 2015 funding units are then generated by multiplying its size factor by the university's approved funded total of contact plus distance teaching input units set out in Table 5 for the 2017/18 financial year.

The same calculations can be made for 2018/19, using the corresponding 2016 student data.

5 STUDENT FEE INCOME CALCULATIONS FOR 0% FEE INCREASE PHASED OUT OVER THREE YEARS

Concerning block grant budget calculations to be made for a university for 2017/18 and 2018/19, it is acknowledged that the shortfall of the 0% fee increase calculations of R2,330 billion for 2016/17 was based on the student fee income per university. If this amount was placed in the block grant for 2016/17 and distributed to universities, the amount per university would not be the same as the shortfall based on the student fee income per university.

Table 8 provides the phasing out of the differences in using student fee income as a base and using block grant calculations as a base for state budget calculations for 2016/17.

The 2017/18 and 2018/19 data in Table 8 have to be taken into account as well, after the usual block grant calculations have been made for 2017/18 and for 2018/19. For example for 2017/18, the University of Cape Town will have to add an additional R37,086 million (see Table 8) to its block grant calculations, while the University of South Africa will have to reduce their calculated block grant for 2017/18 by R7,805 million (see Table 8).

Table 8: Funding difference phased out over 3 years

YEAR UNIVERSITY	Fee income calculation for 0% fee increase for 2016/17 1) (A) (R'000)	Block grant calculation of increased funding for 2016/17 (B) (R'000)	Difference for 2016/17 (A-B) (R'000)	Phasing out of difference on the basis of block grant calculations		
				2017/18 (R'000)	2018/19 (R'000)	2019/20 (R'000)
CAPE PENINSULA UT	92 340	110 557	-18 217	-12 145	-6 072	0
CAPE TOWN	158 320	102 692	55 628	37 086	18 542	0
CENTRAL UT	22 521	44 271	-21 750	-14 500	-7 250	0
DURBAN UT	58 632	87 040	-28 408	-18 939	-9 469	0
FORT HARE	42 932	43 604	-672	-448	-224	0
FREE STATE	67 000	96 108	-29 108	-19 405	-9 703	0
JOHANNESBURG	199 812	151 164	48 648	32 432	16 216	0
KWAZULU-NATAL	125 000	144 694	-19 694	-13 129	-6 565	0
LIMPOPO	46 621	63 503	-16 882	-11 255	-5 627	0
MANGOSUTHU	39 540	31 840	7 700	5 133	2 567	0
NELSON MANDELA	52 000	85 663	-33 663	-22 442	-11 221	0
NORTH WEST	178 906	139 152	39 754	26 504	13 250	0
PRETORIA	188 747	172 004	16 743	11 162	5 581	0
RHODES	42 903	30 154	12 749	8 499	4 250	0
SEFAKO MAKGATHO	23 089	26 675	-3 586	-2 391	-1 195	0
SOUTH AFRICA	289 033	300 740	-11 707	-7 805	-3 902	0
STELLENBOSCH	113 248	111 565	1 683	1 122	561	0
TSHWANE UT	148 953	158 767	-9 814	-6 543	-3 271	0
VAAL UT	50 135	63 805	-13 670	-9 113	-4 557	0
VENDA	33 904	44 271	-10 367	-6 911	-3 456	0
WALTER SISULU	83 933	72 649	11 284	7 523	3 761	0
WESTERN CAPE	56 000	72 969	-16 969	-11 313	-5 656	0
WITWATERSRAND	171 093	116 701	54 392	36 261	18 131	0
ZULULAND	35 050	49 124	-14 074	-9 383	-4 691	0
TOTAL	2 319 712	2 319 712	0	0	0	0

1) Calculations exclude the 2 new universities

Section C: Earmarked Grants for Universities

Section C focuses on presenting budgets per university in certain earmarked fund categories, in line with the context of this Ministerial Statement, set out in Sub-Division 4 of **Section A**.

Earmarked grants elaborated in this section of the Ministerial Statement are:

- Infrastructure and Efficiency Grant;
- Two new universities (SPU and UMP);
- Foundation Provision Grant;
- Teaching Development Grant (2016/17);
- Research Development Grant (2016/17);
- University Development Grant (2017/18);
- Clinical Training Grant;
- Historically Disadvantaged Institutions (HDI) Development Grant; and
- Veterinary Sciences Grant.
- MBChB
- Gap funding grant for 2017 increase in student fees for poor and missing middle students

1 GENERAL POLICY ON PAYMENTS OF EARMARKED GRANTS

Earmarked grants require annual progress reports to be submitted to the DHET. Reporting on finances (e.g. expenditure data) within progress reports is required. The cut-off date for such reporting on financial data in progress reports is at least 31 March of the year in which a progress report is required. This was implemented to ensure closer alignment with the financial year of the state (1 April – 31 March).

All progress reports and audited financial statements for earmarked grants have to be provided earlier than or at the latest by 31 May of each year. This date of 31 May will ensure that the more reliable second submission HEMIS data, which has to be submitted to the Department by 30 April of each year, be used in progress reports where needed.

A total of between 20% and 40% of some earmarked grants will be released to universities during the first quarter of the Department's financial year 2017/18, based on progress reports and audit certificates already approved by the Department during 2016/17 relating to the use of 2015/16 grants. The release of these initial funds during the first quarter of 2017/18 is not linked to the assessment of the reports during 2017/18. The purpose of the upfront payment is to assist universities to implement projects/programmes funded through earmarked grants during their academic year.

The remaining percentage of the 2017/18 earmarked allocation will be released, based on the Department's assessment of progress reports on the use of 2016/17 grants and the accompanying audit certificate(s). Should there be any major underspending, withholding of funds from the university will be considered.

As part of the Department's responsibility to monitor and evaluate the use of earmarked grants, specific attention will be given to under-spending of funds and spending of funds for purposes not approved by the Department. The remaining 60% to 80% of the allocation for teaching development, research development, veterinary and clinical training earmarked grants may be withheld where such under or non-approved spending is detected, and reallocated with the approval of the Minister.

2 INFRASTRUCTURE AND EFFICIENCY GRANT

The purpose of the infrastructure and efficiency grant is to ensure:

- synergy between the availability of infrastructure within the university sector and the range of needs linked to the expansion of the system in terms of the enrolment planning processes;
- equity in the quality of infrastructure at all universities; and
- equity in the distribution of state funds amongst universities.

The funding pattern towards the establishment of infrastructure, such as a new building, differs vastly from the daily operational costs of a university. Within the university system, backlogs in infrastructure have accumulated, not keeping up with student enrolment growth. Thus, within the funding framework, infrastructure and efficiency grants are closely linked with enrolment planning.

Each university was required to submit a campus master plan, a maintenance audit/plan and a disability audit/plan, to the Department by the end of July 2014. The Department established a working group with expertise from the university sector and elsewhere who helped to assess these different plans. The plans will be used to develop a national macro infrastructure plan for the university education system. In considering the allocation of funding for the next funding cycle, the Department will not request universities to enter into a process of bidding for infrastructure funds, as was the case in past cycles. The process to allocate funding for the next cycle from 2017/18 onwards will be based on a balance between national and institutional priorities and linked to the macro infrastructure plan. This plan should be finalised by the end of March 2017. A decision has been made that the funding for 2016/17 is a one-year allocation that will be made towards deferred and backlog maintenance and student housing in the main.

As indicated previously, the Policy on Norms and Standards for Student Housing at Public Universities was approved by the Minister and published in the Government Gazette on 29 September 2015.

3 TWO NEW UNIVERSITIES

The Minister established the University of Mpumalanga (UMP) and Sol Plaatje University (SPU) as juristic persons in August 2013, in terms of section 20 of the Higher Education Act, 1997. The institutions were established as comprehensive universities offering a range of formative and vocationally-focused undergraduate programmes that will cater for articulation from Technical and Vocational Education and Training (TVET), National Certificate (Vocational) (NCV), National Senior Certificate (NSC) of secondary schools, and other universities. Over time the institutions will develop post graduate and research programmes in niche areas. Each University has established its own Council and Vice-Chancellor.

SPU and UMP will, when they reach their full planned capacity, provide spaces for 7 500 and 18 000 students respectively. Growth in student numbers will match the planned developments in infrastructure over time. The range of programmes offered by each of the universities will also extend in accordance with a planned and evolving Programme and Qualification Mix as capacity to deliver is developed.

The Minister disestablished the National Institutes for Higher Education (NIHE) in Mpumalanga and the Northern Cape, as published in the Government Gazette. An Administrator was appointed to manage their closure by 31 March 2015. The NIHE Northern Cape pipeline students will be supported to complete their qualifications in Kimberley through a special project that is being managed by SPU.

4 FOUNDATION PROVISION GRANT

The main purpose of foundation provision is to improve the academic performance of those first-time entering undergraduate students, who already comply with the minimum requirements to enrol for a particular university qualification, and who have already enrolled for that qualification, but who are at risk of failing or dropping out. Such students are placed on Ministerial approved extended curriculum programmes, which are in most cases one year longer than the regular qualification. A Policy for Extended Curriculum Programmes will be released during 2017 and will replace the Guidelines for Foundation Provision dated 15 May 2012.

Earmarked foundation provision funds complement the teaching output sub-block grant in which graduates are funded. Any improvement in the student success rate of a university that will eventually result in more students graduating as a result of students been placed on extended/foundation programmes funded by earmarked foundation funds is to the benefit of a university, as additional graduates are funded within the teaching output sub-block grant.

Foundation provision, through Ministerial approved extended curriculum programmes will be strengthened and extended.

Weighted FTE foundation students are annually funded in 2 ways simultaneously:

- by generating teaching input subsidy within the teaching input sub-block grant; and
- through the distribution of earmarked (ring-fenced) state funds for foundation purposes.

For earmarked foundation funding, FTE enrolled foundation students are weighted according to the groups of CESMs in the teaching input funding grid set out in Tables 3 and 4.

The total weighted FTE foundation student enrolments, reported in HEMIS for year (n-1) determine in year (n) a university's earmarked state budget for foundation provision for year (n+1).

Table 9 reflects the foundation provision grants per university for 2017/18, based on final audited HEMIS foundation student data for 2015.

The preliminary state budget of a university for 2018/19 can be determined by multiplying the university's weighted FTE enrolled students in courses in extended curriculum programmes in year 2016 by the estimated rand value for a weighted FTE enrolled student in courses in extended curriculum programmes for year 2018/19. The latter is determined by dividing the estimated funded units of students in extended courses for 2016 reflected in Table 2 of the Ministerial Statement on University Funding into the total earmarked extended programme grant for 2018/19 reflected in Row 2.3 in Table 1 of this Ministerial Statement on University Funding. Although the grant in Table 1 is expected to remain unchanged in most cases, the total funded units of students in extended courses in year 2016 is a projected value in Table 2, which may change as final audited student data becomes available for 2016 at a later stage.

Table 9: Earmarked foundation provision grants ¹⁾ for 2017/18

UNIVERSITY	2016/17 (R'000)	2017/18 (R'000)
CAPE PENINSULA UT	37 813	41 599
CAPE TOWN	12 997	14 633
CENTRAL UT	3 526	3 084
DURBAN UT	9 289	13 210
FORT HARE	9 961	10 346
FREE STATE	22 121	29 222
JOHANNESBURG	36 828	38 117
KWAZULU-NATAL	15 311	13 455
LIMPOPO	10 268	18 801
MANGOSUTHU UT	6 144	5 779
NELSON MANDELA	8 722	9 830
NORTH WEST	16 973	19 703
PRETORIA	17 928	20 673
RHODES	1 512	1 666
SEFAKO MAKGATHO	2 579	6 327
SOUTH AFRICA	6 397	0
STELLENBOSCH	9 506	10 115
TSHWANE UT	53 877	51 403
VAAL UT	1 334	518
VENDA	7 532	6 695
WALTER SISULU ²⁾	9 293	0
WESTERN CAPE	17 444	17 845
WITWATERSRAND	321	304
ZULULAND	2 280	2 469
TOTAL	319 956	335 794

1) Contact tuition (face-to-face) instruction only.

2) Spending of accumulated reserves to be prioritized first.

5 TEACHING DEVELOPMENT GRANT AND RESEARCH DEVELOPMENT GRANT FOR 2017

The Teaching Development Grant (TDG) supports the university sector towards improved student success rates and student throughput rates.

The main purpose of the Research Development Grant (RDG) is to develop research capacity among academic staff at universities so that they can contribute to post-graduate teaching and to research output.

The previous Ministerial Statement on University Funding indicated that the TDG and the RDG are to be replaced by a single University Development Grant (UDG). The nature of the UDG is in the process of being finalised and its formulation is benefitting from extensive consultation with universities. It is envisaged that a Ministerial Statement on the Implementation of the University Capacity Development Programme through Effective Management and Utilisation of the University Capacity Development Grant will be disseminated before the end of April 2017.

Consultations with universities have resulted in the following proposals:

- a phase out period for the TDG and the RDG will be put in place to allow the programmes implemented through these grants to be concluded smoothly: and
- the new University Capacity Development Grant (UCDG) will be aligned to the academic year to enable more effective implementation of activities and more efficient use of funds.

The phase out period for the two grants will span from 1 April 2017 to 31 December 2017 – a 9 month period. Universities are expected to develop TDG and RDG phase-out plans to cover this period.

Table 10 reflects the teaching development state budgets for the 2017 nine-month phase out period according to university based on the funding shares that were used for the 2016/17 TDG allocation to universities. 10% of the 2017 TDG fund has been set aside for the national collaborative programme.

Table 10: Earmarked teaching development state budgets for 2017 (April-December)

UNIVERSITY	Funding shares for 2017 (%)	Teaching Development State budgets for 2017 (R'000)
CAPE PENINSULA UT	3.033	15 468
CAPE TOWN	1.771	9 032
CENTRAL UT	2.228	11 363
DURBAN UT	3.113	15 876
FORT HARE	1.158	5 906
FREE STATE	4.473	22 812
JOHANNESBURG	7.233	36 888
KWAZULU-NATAL	3.990	20 349
LIMPOPO	1.276	6 508
MANGOSUTHU UT	1.125	5 738
NELSON MANDELA	3.377	17 223
NORTH WEST	2.571	13 112
PRETORIA	4.078	20 798
RHODES	0.578	2 948
SEFAKO MAKGATHO	0.379	1 933
SOUTH AFRICA	20.550	104 805
STELLENBOSCH	2.165	11 042
TSHWANE UT	10.219	52 117
VAAL UT	3.129	15 978
VENDA	1.384	7 058
WALTER SISULU	5.183	26 433
WESTERN CAPE	1.692	8 629
WITWATERSRAND	3.124	15 932
ZULULAND	2.167	11 052
National Collaborative Programme	10.000	51 000
TOTAL	100.000	510 000

Table 11 reflects the RDG state budgets for the 2017 nine-month phase out period according to university based on the funding shares that were used for the 2016/17 RDG allocation to universities. Table 11 also reflects that 5% of the 2017 RDG fund has been set aside for the national collaborative programme.

Table 11: Earmarked research development state budgets for 2017 (April-December)

UNIVERSITY	Research Development State budgets for 2017	
	Funding Shares (%)	Budgets (R'000)
CAPE PENINSULA UT	4.39	7 244
CAPE TOWN	1.92	3 168
CENTRAL UT	3.19	5 264
DURBAN UT	3.74	6 171
FORT HARE	4.34	7 161
FREE STATE	4.75	7 838
JOHANNESBURG	3.64	6 006
KWAZULU-NATAL	2.62	4 323
LIMPOPO	4.80	7 920
MANGOSUTHU UT	3.76	6 204
NELSON MANDELA	4.04	6 666
NORTH WEST	5.67	9 356
PRETORIA	2.78	4 587
RHODES	1.71	2 822
SEFAKO MAKGATHO	6.63	10 940
SOUTH AFRICA	5.43	8 960
STELLENBOSCH	1.84	3 036
TSHWANE UT	4.40	7 260
VAAL UT	4.98	8 217
VENDA	4.13	6 815
WALTER SISULU	7.10	11 715
WESTERN CAPE	4.23	6 980
WITWATERSRAND	1.93	3 185
ZULULAND	2.98	4 917
National Collaborative Programme	5.00	8 245
TOTAL	100.00	165 000

Universities are required to submit teaching development and research development phase out plans to the Department by 31 January 2017. A 25% advance of the 2017 allocation will be paid in April 2017. Once the 2015/16 TDG and RDG progress reports have been received and assessed in line with the approved plans, a decision will be made in terms of certain categories whether funds need to be withheld or not and the relevant balance will be transferred to universities

6 TEACHING & RESEARCH DEVELOPMENT GRANTS REPLACED BY THE UNIVERSITY CAPACITY DEVELOPMENT GRANT IN 2018

From the 2018 academic year, a single University Capacity Development Grant (UCDG) will replace the earmarked teaching and research development state grants. In 2018 the UCDG will

total R945 million. (R225 million from 2017/18 and R720 million from 2018/19). The nature of the UCDG will be deliberated and finalised during the course of the of the 2016 academic year, and will be communicated through a “Ministerial Statement on the Implementation of the University Capacity Development Programme through Effective Management and Utilisation of the University Capacity Development Grant”, which will be disseminated to all universities by the end of March 2017.

7 CLINICAL TRAINING GRANT

The distribution per institution of the clinical training grant for 2017/18 are reflected in Table 12. The distribution for 2018/19 will be communicated to individual universities in separate letters.

Table 12: Clinical Training Grant

UNIVERSITY	YEAR 2017/18 (R'000)
CAPE PENINSULA UT	6 847
CAPE TOWN	41 711
CENTRAL UT	3 428
DURBAN UT	12 926
FORT HARE	6 453
FREE STATE	32 296
JOHANNESBURG	7 348
KWAZULU-NATAL	63 509
LIMPOPO	5 844
MANGOSUTHU UT	1 080
NELSON MANDELA	10 979
NORTH WEST	12 270
PRETORIA	51 190
RHODES	1 016
SEFAKO MAKGATHO	44 633
SOUTH AFRICA	0
STELLENBOSCH	39 134
TSHWANE UT	7 306
VAAL UT	4 007
VENDA	4 500
WALTER SISULU	15 439
WESTERN CAPE	27 859
WITWATERSRAND	69 658
ZULULAND	5 593
TOTAL	475 026

Universities that qualify for the clinical training grant are required to submit clinical training grant budget proposals once every two years. However, from 2014 onwards Universities were required to submit their audited student enrolments by 31 July every year. The submission of student enrolments annually is to enable the Department to calculate clinical training grants per university two years ahead to enable better planning at Universities. The annual audited student enrolments to be submitted in year (n) are those of year (n-1).

Budgets per university for clinical training are calculated according to the formula explained and approved programmes in the Ministerial Statement on Clinical Training Grants of 26 January 2010.

The Department will be implementing a process to address underspending of the Clinical Training Grant, similar to what has been implemented with the Teaching Development Grant.

The Clinical Training Grant Review is in the process of being completed and a report with recommendations will be made available to the Department in 2018.

8 HISTORICALLY DISADVANTAGED INSTITUTIONS DEVELOPMENT GRANT (HDI-DG)

Details of the administrative framework for the allocation and use of these grants are set out in the November 2014 Ministerial Statement on University Funding. Eight contact universities benefit from these grants, namely the Universities of Fort Hare, Limpopo, Venda, Walter Sisulu, Western Cape, Zululand, Mangosuthu University of Technology and Sefako Makgatho Health Sciences University.

Following the decision to implement a zero % fee increase in 2016, approval was granted by the Minister to use R361 million in 2015/16 HDI-DG to help the eight universities fund the shortfall of this decision for a no fee increase and other costs related to the #feesmustfall campaign. The remainder was allocated to universities to assist with the additional costs emanating from the damages as a result of the student protests.

The initial 5-year period (2015/16-2019/20) has therefore been shifted to 2016/17- 2020/21. The overall purpose of these funds is to put in place systems to develop and ensure sustainability of a financially healthy situation at each university, and to enable the university to strengthen its academic enterprise and fully realise its potential, taking up a sustainable position within a differentiated higher education system.

The allocation of funds will be based on approved plans. Each HDI submitted a business plan which was assessed in the 2016/17 financial year by a working group of experts, and on the basis of the assessment and further engagement with each institution a final allocation per university will be approved by the Minister before release of funds. Continued funding will be made on the basis of a detailed progress report and satisfactory audit reporting on the use of the funds, as required by the Treasury Regulations for any earmarked grants.

9 VETERINARY SCIENCES GRANT

Most of the earmarked funds for veterinary sciences are allocated to the University of Pretoria (UP), which is responsible for the animal hospital. Unlike hospitals for humans, which are funded by the Department of Health, the animal hospital is not funded by any other government department.

Table 13 presents the allocations per university for Veterinary Science Programmes for 2017/18 and 2018/19.

Table 13: Earmarked budgets for Veterinary Science Programmes

Year	2017/18	2018/19
University	(R'000)	(R'000)
North West	5 065	6 795
Pretoria	146 941	152 465
South Africa	1 766	2 486
Tshwane UT	2 866	3 977
Total	156 638	165 723

10 MBChB STUDENTS

National Treasury has transferred from the National Department of Health (NDoH) earmarked amounts of R30,7 million for 2016/17, R27,9 million for 2017/18 and R16,7 million for 2018/19, based on an agreement signed between the NDoH and the DHET to expand the intake of MBChB students at some universities. This agreement only applies for these 3 years.

The NDoH division of the 2017/18 and 2018/19 budgeted amounts amongst the universities are set out in Table 14 below and are preliminary, subject to further discussion with universities and final agreements with the Department of Higher Education and Training.

Table 14: State funds towards expansion of MBChB students

UNIVERSITY	Allocations for extra MBChB students	
	YEAR	
	2017/18	2018/19
	(R'000)	(R'000)
CAPE TOWN	2 000	600
KWAZULU-NATAL	5 000	5 000
PRETORIA	6 400	6 400
STELLENBOSCH	4 500	2 500
WALTER SISULU	4 200	2 200
WITWATERSRAND	5 800	0
TOTAL	27 900	16 700

10 GAP FUNDING GRANT FOR POOR AND MISSING MIDDLE STUDENTS

For 2017/18, funds have been set aside through reprioritisation within the Post-School Education and Training Sector for a 'gap funding grant' to pay the increase in university fees of up to 8% for all students from families with incomes below R600 000. These students referred to as the poor and 'missing middle' will therefore experience a 0% increase on the 2015 fees in 2017. Treasury has already made provision for the carry-through amount in 2018/19 and 2019/20. See row 2.14 of Table 1. This grant will be managed by the Department and funds will not be transferred to NSFAS. Communication on the process in this regard will follow separately.

Section D: Grants to Institutions

Earmarked grants elaborated in this section of the Ministerial Statement are:

- National Student Financial Aid Scheme (NSFAS) Grant;
- The National Institute for Human and Social Sciences; and
- The African Institute for Mathematical Sciences (AIMS).

1 NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS) GRANT

The National Student Financial Aid Scheme (NSFAS) is an independent juristic organisation set up to manage student financial aid governed by the NSFAS Act (Act number 56 of 1999). NSFAS has its own governing Board and is situated in Cape Town and administers grants on behalf of the Ministry as well as other government departments and entities. NSFAS is the most significant instrument available to government for opening access into technical and vocational education and training, and higher education to poor and working class communities. NSFAS is responsible for providing loans and bursaries to eligible students at all universities, and Technical and Vocational Education and Training (TVET) colleges throughout the country. Further mandates for the entity include the recovery of student loans and raising funds for student loans and bursaries.

NSFAS implemented the student-centred model that will enable the organisation to build a direct relationship with students from the initial application phase until completion of their studies. In the 2016/17 financial year, NSFAS plans to roll out the new student model to 100% of the estimated student population qualifying for NSFAS funding.

The earmarked NSFAS budgets for the university sector reflected in Table 1 exclude:

- the Department of Basic Education's Funza Lushaka Bursary Scheme for funding initial teachers training managed by NSFAS;
- funds for scarce skills and disabilities, including the National Skills Fund, Sector Education and Training Authorities (SETAs) and provincial governments;
- state fund allocations by other government departments, provincial governments and public entities including SETAs towards NSFAS;
- funds recovered from previous beneficiaries of this student aid system;
- Council-controlled funds of universities invested into NSFAS;
- funds towards the administration of the Scheme, which is shared by the TVET sector; and
- private donors and non-governmental organisations.

For 2017/18, funds have been set aside through reprioritisation within the Post-School Education and Training Sector for unfunded university students from the 2016 academic year, totalling R2 369,924 million. Treasury has already made provision for the carry-through amount of R2 559,518 million for 2018/19, as reflected in Table 1.

2 THE NATIONAL INSTITUTE OF HUMAN AND SOCIAL SCIENCES

The Minister established the National Institute for the Humanities and Social Sciences (NIHSS) through the publication of Government Notice No. 37118 on 5 December 2013. The Minister appointed a new Board on 26 March 2014. The role of this entity is, broadly, to enhance and support the Human and Social Sciences (HSS) in South Africa and beyond, and to advise government and civil society on HSS related matters. It will do so through its various

programmes, including the Doctoral Schools, Catalytic Projects and African Pathways Programme. During 2015 the Minister also appointed the NIHSS as the official South African BRICS Think Tank (SABTT) organisation.

Funding for projects and scholarships for a four-year period is provided through the National Skills Fund (NSF), subject to the approval of a full and costed proposal submitted to NSF each year.

3 THE AFRICAN INSTITUTE FOR MATHEMATICAL SCIENCES (AIMS)

The Department provides a grant to the African Institute for Mathematical Sciences (AIMS) to offer a masters degree in mathematical sciences on behalf of three universities, namely Stellenbosch University, University of the Western Cape and the University of Cape Town. Students at AIMS have been registered at one of these universities. As required for any other earmarked grant, funding is allocated with certain conditions and AIMS needs to submit annual progress and audit reports. These students are not recorded in HEMIS, and therefore no block grant subsidy is allocated to the three universities for these students.

The programme builds core mathematical skills common to all modern science, gives exposure to cutting edge fields, especially those of relevance to African development and provides intensive training in scientific paper and report writing and in presentational skills. For South Africa, this is also an important New Partnership for Africa's Development (NEPAD) initiative.

Section E: Sector oversight

1 SECTOR PLANNING, MONITORING, EVALUATION AND SUPPORT PROGRAMME

These funds aim to improve the Department's capacity to: monitor and evaluate the utilisation of earmarked grants; plan for new projects and innovation in higher education; provide governance and development support to institutions; and implement the processes for the evaluation of annual performance plans and annual reports linked to public accountability of the block grants.