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Funding and Expenditure Trends in Post-School Education and Training

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1. BACKGROUND

The global economic impact of COVID-19 has been severe. In South Africa, the pandemic led to a steep economic decline and accelerated the deterioration of public finances. The 2021 National Treasury Budget Review¹ indicates that the COVID-19 shock is estimated to have led to a 7.2% contraction in GDP growth in 2020, and that the economy is projected to grow in real terms by 3.3% in 2021 and 2.2% in 2022. GDP is only expected to recover to pre-pandemic levels in late 2023. The impact of low growth on revenue collection has been considerable. Tax revenue estimates, while higher than that projected in October 2020, are R213.2 billion lower than that projected in the 2020 Budget. This report therefore considers, among others, how the gloomy performance of the South African economy is likely to affect public funding of the Post-School Education and Training (PSET) system.

Given that public expenditure on PSET is critical for broader social and sustainable development through improvements in skills and productivity, this report provides an overview of funding and spending trends in PSET in South Africa. Spending on PSET is intended to be an investment in human capital, research and societal capital. It contributes significantly to the development of a critical citizenry, the deepening of knowledge for societal improvements, attention to social justice and the drive towards societal transformation.

2. PURPOSE

The purpose of this report is to provide a high-level overview and analysis of funding and expenditure trends in the PSET system.

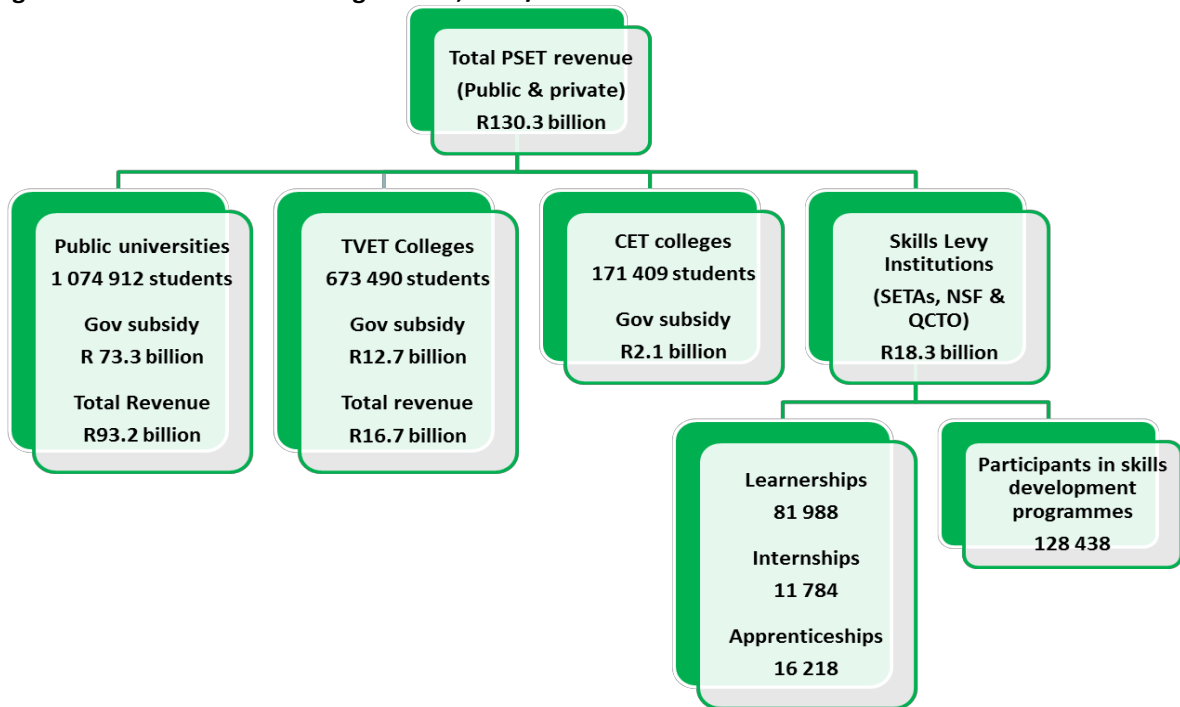
It analyses government budgetary/expenditure trends in PSET from 2010 to 2019 and provides Treasury estimated budgetary projections until 2023/24. The period of review is aligned with the establishment of the DHET in 2009 and is guided by the latest available data. Consumer Price Index (CPI) inflation is used in this report to convert nominal or current values to real values. The 2015/16 base year has been used to transform the nominal or current values to real values.

¹ National Treasury, 2021 Budget Review.

3. Overview of funding and enrolment in the PSET system

Figure 1 shows the total revenue (public and private) available for the PSET system in 2019/20, as well as the number of students who participated in PSET funded programmes. The overall revenue available for PSET in 2019/20 was R130.3 billion. Much of this revenue was for public universities (R93.2 billion) which catered for just over 1 million students, followed by the skills levy institutions (R18.3 billion) which catered for 238 428 workers and unemployed persons in Sector Education and Training Authorities (SETA) supported learning programmes (internships, learnerships, apprenticeships and skills development programmes) and Technical and Vocational Education and Training (TVET) colleges with R16.7 billion which catered for over 670 000 students. Community Education and Training (CET) colleges had the lowest share of total revenue and the least number of students enrolled in 2019/20.

Figure 1: Enrolment and Funding of PSET, 2019/20



Sources: DHET Financial Health Reports; TVET colleges Audited Annual Financial Statements; Statistics on Post-School Education and Training 2019; National Treasury, Expenditure of National Estimates 2021

Note 1: The total revenue for public universities is the total income for public universities from the financial health reports which includes government subsidy, student fees and third stream income.

Note 2: Government subsidy for public universities is the total amount allocated by National Treasury to university education in the ENE.

Note 3: The total revenue for TVET colleges is the total income for TVET colleges as reported in the TVET colleges Audited Annual financial statements. This is inclusive of government subsidy, tuition and related fees and public contributions and donations.

Note 4: Government subsidy for TVET colleges is the total amount allocated by National Treasury to TVET colleges in the ENE.

Note 5: Government subsidy for CET colleges is the total amount allocated by National Treasury for CET colleges in the ENE.

Note 6: Although funding for Skills Levy Organisations (SETAs + NSF + QCTO) is obtained via National Treasury, it is not sourced from the public taxpayer funds, instead this funding is obtained from a skills levy paid to Treasury by employers.

Note 7: All values are expressed as nominal values as reported in the source

Note 8: SETAs means Sector Education and Training Authorities

Note 9: NSF means National Skills Fund

Note 10: QCTO means Quality Council for Trades and Occupations

4. Public spending on PSET

Table 1 shows that public spending on PSET increased from about R69 billion in 2017/18 to R107 billion in 2019/20. Of the R107 billion public spending on PSET, about 63.7% of spending was on universities, while 16.5% was spent on TVET colleges and 1.9% was spent on CET colleges. The share of public spending on CET colleges declined from 2017/18 to 2019/20.

The proportion of expenditure by skills levy institutions, namely Sector Education and Training Authorities (SETAs), the National Skills Fund (NSF) and the Quality Council for Trades and Occupations (QCTO) (which derives from the skills levy fund and not public funds), relative to overall PSET expenditure far exceeded that of TVET colleges for all the three years under review. However, although the actual spending of the skills levy increased from 2017/18 to 2019/20, the funds allocated to skills levy institutions as a proportion of PSET funding decreased during this period.

Table 1: Public spending, including skills levy, on PSET (R million), 2017/18 to 2019/20

	Audited outcome					
	2017/18	%	2018/19	%	2019/20	%
University including NSFAS	39 838	58.1%	56 397	62.4%	68 241	63.7%
TVET including NSFAS	9 737	14.2%	13 689	15.2%	17 626	16.5%
CET	1 933	2.8%	1 979	2.2%	2 058	1.9%
SETAs, NSF and QCTO	16 294	23.8%	17 480	19.3%	18 284	17.1%
Other	748	1.1%	802	0.9%	859	0.8%
Total	68 550	100.0%	90 346	100.0%	107 067	100.0%

Sources: National Treasury, *Expenditure of National Estimates 2021*

DHET Statistics on Post-School Education and Training in South Africa 2019

Note 1: All values are expressed as nominal values as reported in the source.

Note 2: The values for university includes transfers to departmental agencies like National Student Financial Aid Scheme (NSFAS) and Council on Higher Education (CHE).

Note 3: Other includes funds allocated to the following programmes: administration, planning, policy and strategy and skills development.

Note 4: University including NSFAS was calculated by subtracting the amount of TVET NSFAS from the amount allocated for university education in the ENE.

Note 5: TVET including NSFAS was calculated by adding the amount of TVET NSFAS to the amount allocated for TVET in the ENE.

Note 6: Even though SETAs, NSF and QCTO receive funding from the skills levy which is from the private sector, they are included as part of government expenditure since the funds flow through National Treasury.

Table 2 shows an increasing trend in National Student Financial Aid Scheme (NSFAS) allocation to public universities and TVET colleges from 2017/18 to 2019/20. In the 2019/20 financial year, the total NSFAS amount disbursed to public universities and TVET colleges was R27.8 billion, of which 82% or R22.7 billion was allocated to public universities students while only 18% or R5.1 billion was disbursed to TVET colleges.

Table 2: Total NSFAS expenditure (R million), 2017/18 to 2019/20

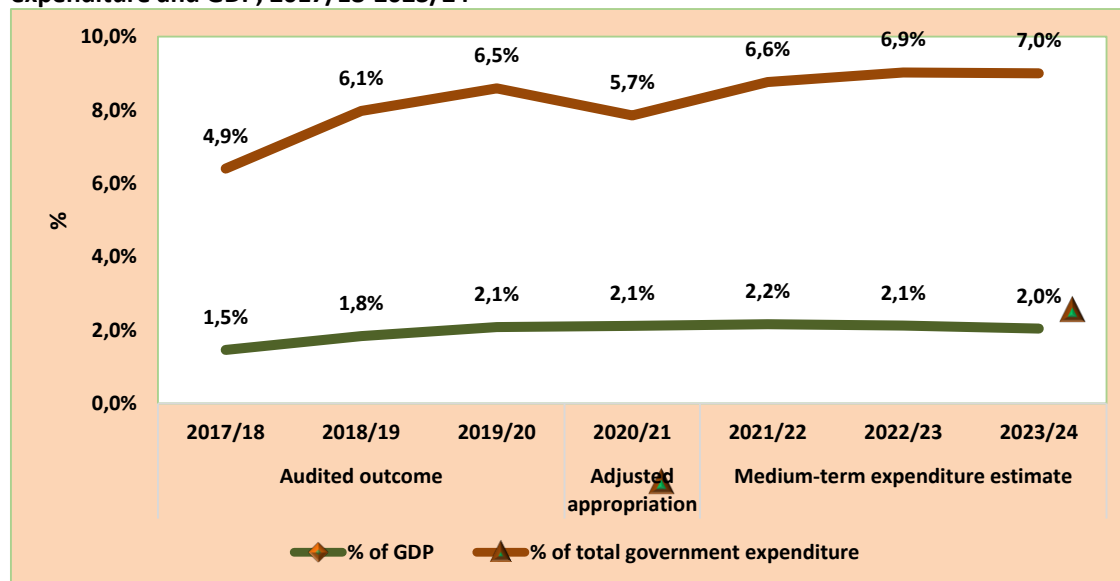
	2017/18	%	2018/19	%	2019/20	%
University	12 106	85.7%	18 373	87.0%	22 658	81.6%
TVET	2 012	14.3%	2 743	13.0%	5 101	18.4%
Total	14 118	100.0%	21 116	100.0%	27 759	100.0%

Source: Statistics on post-school education and training in South Africa 2019

Note: All values are expressed as nominal values as reported in the source.

Figure 2 shows government spending on PSET as a percentage of total consolidated government expenditure and GDP. The graph shows that as a percentage of GDP, post-school education and training is expected to grow by 0.5 percentage points from 1.5% in 2017/18 to 2.0% in 2023/24. However, it is concerning that spending on PSET as a percentage of GDP is expected to decline from 2.2% in 2021/22 to 2.0% in 2023/24 amidst the low economic growth currently experienced in the country. Spending on post-school education and training as a proportion of overall government expenditure is projected to increase by 2.1 percentage points from 4.9% in 2017/18 to 7.0% in 2023/24.

Figure 2: Government spending on PSET as percentage of total consolidated government expenditure and GDP, 2017/18-2023/24



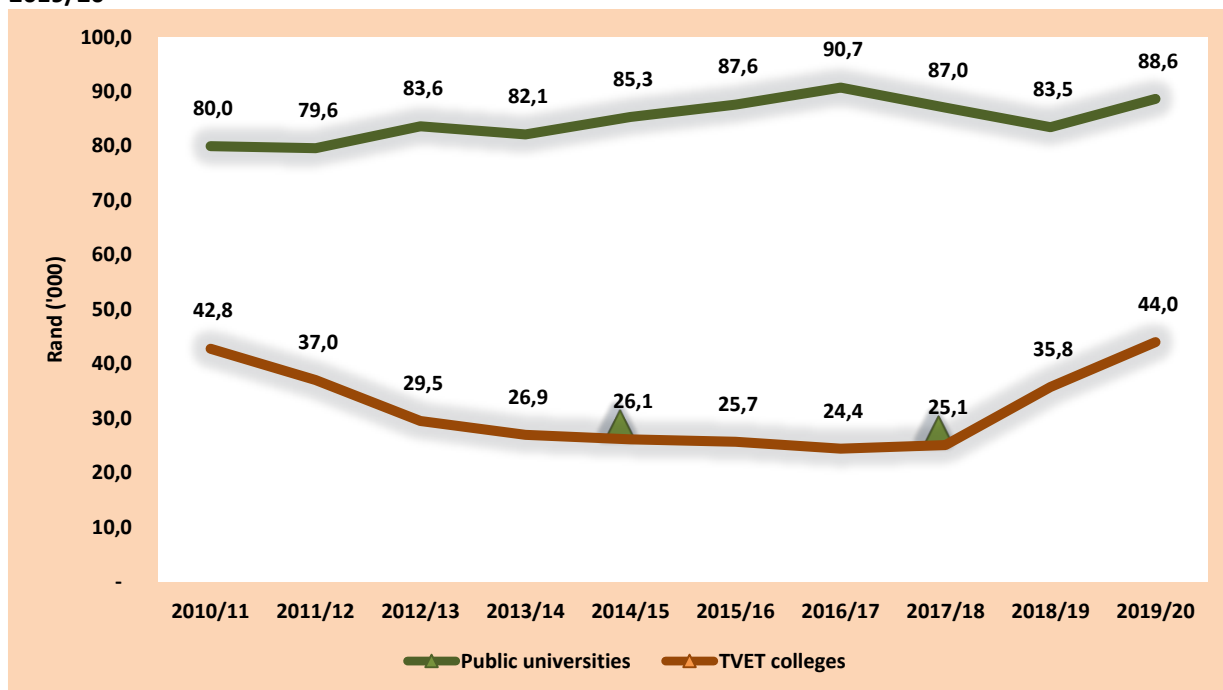
Sources: Own calculations based on National Treasury, Expenditure of National Estimates 2021; National Treasury, GDP time series data, Budget 2021; National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2018, 2019, 2020; National Treasury, Consolidated Budget Spending Plans 2021

Note: All calculations are based on nominal values as reported in the source

5. Real Per capita spending on PSET

Figure 3 below provides information about inflation-adjusted per capita spending on students in both public universities and TVET colleges for the period 2010/11 to 2019/20. In 2010/11, the cost for training a full-time university student for one year was R80 000; this figure has been rising over the past decade, albeit slowly, even after considering the effect of inflation. By 2018/19, the inflation-adjusted cost to train a full-time university student for one year was R88 600. This reflects a real per-capita cost increase of R8 600 over the past 10 years. However, as Figure 3 shows, the inflation-adjusted per capita cost per student rose in 2016/17 (probably due to changes in the threshold income of students who qualified for NSFAS) and declined significantly between 2016/17 and 2018/19, and then increased significantly in 2019/20. In contrast, the cost per full-time equivalent TVET student was only R42 800 in 2010/11; it declined significantly for seven years and then jumped drastically to R44 000 in 2019/20. The increase can be explained by the substantial increase in the subsidies to TVET colleges from 2017/18 to 2018/19 (from about R1.5 billion in 2017/18 to about R4.3 billion in 2018/19) and the huge increase for NSFAS from R2.7 billion in 2018/19 to R5.1 billion in 2019/20.

Figure 3: Real per FTE student expenditure at public universities and TVET colleges, 2010/11-2019/20



Sources: Own calculations based on

DHET Financial Health Reports

DHET Statistics on Post-School Education and Training in South Africa 2012 - 2019.

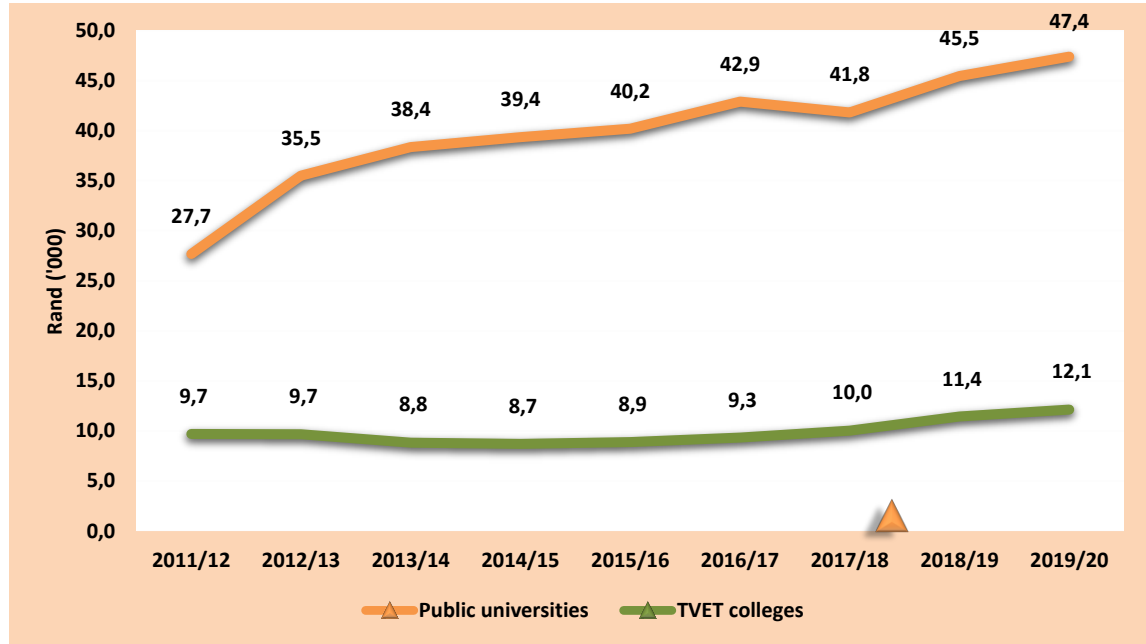
Note 1: All values are expressed in real terms (2015/16 R million).

Note 2: Per student FTE expenditure is calculated by dividing the total expenditure from public universities (government, student fees and third-stream income) by public university FTE students.

Note 3: Per student FTE expenditure for TVET colleges is calculated by adding together subsidies to TVET colleges plus conditional grant or operational plus TVET NSFAS and then dividing by TVET colleges FTE students

Figure 4 shows the inflation-adjusted per student NSFAS expenditure for 2010/11 to 2019/20. Real per student NSFAS expenditure for public universities increased significantly from R27 700 in 2010/11 to R47 400 in 2019/20 while real per student expenditure in TVET colleges increased slightly from R9 700 in 2010/11 to R12 100 in 2019/20.

Figure 4: Real per student NSFAS expenditure at public universities and TVET colleges, 2010/11-2019/20



Source: Own calculations based on Statistics on Post-School Education and Training in South Africa 2012 and 2019.

Note 1: All values are expressed in real terms (2015/16 R million).

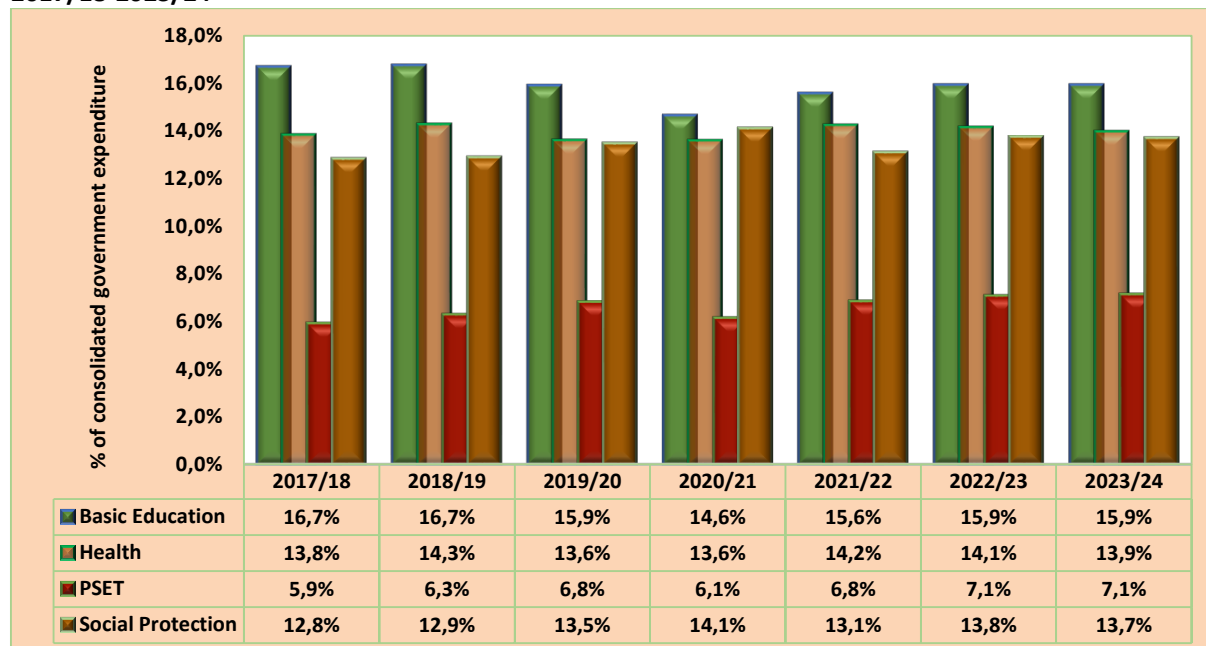
Note 2: University per student expenditure is calculated by dividing the total NSFAS disbursed to public universities by public university NSFAS funded students.

Note 3: TVET per student expenditure is calculated by dividing the total NSFAS disbursed to TVET colleges by TVET NSFAS funded students.

6. Consolidated government spending of a select number of functions

Figure 5 shows that over the period 2017/18 to the end of 2023/24, although the proportion of consolidated government expenditure on PSET was the lowest as compared to the other social functions of government, it has risen over the past three years and is projected to increase by about 1.2 percentage points from 5.9% in 2017/18 to 7.1% in 2023/24. Figure 5 also shows a concerning drop in the share of government expenditure on PSET from 2019/20 to 2020/21.

Figure 5: Percentage of consolidated government expenditure across a select number of functions, 2017/18-2023/24



Source: Own calculations based on

National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2018, 2019, 2020
National Treasury, Consolidated Budget Spending Plans 2021

Note 1: Expenditure on education for the years 2016/17 to 2019/20 is audited outcome.

Note 2: Expenditure on education for the year 2020/21 is revised estimate.

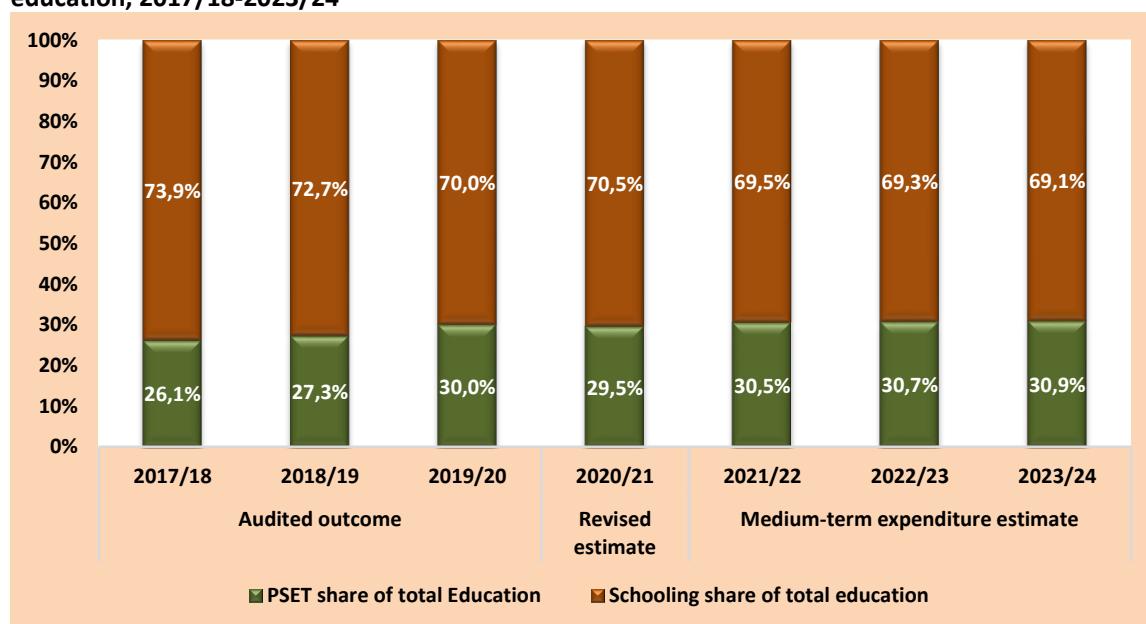
Note 3: Expenditure on education for the years 2021/22 to 2022/23 is mid-term estimates.

Note 4: All values are based on nominal values from the source.

7. Overall government spending on schooling system versus post-schooling system

PSET and schooling expenditure as a share of consolidated government expenditure on education is presented in Figure 6. Government spent more on the schooling system than the post-schooling system over the seven-year period under review. This is not surprising, given that student enrolment in schools is over 12 million, while that of universities, TVET colleges and CETC's is about 2.3 million almost 6 times higher than that of the PSET system. However, it is interesting to note that the PSET share of overall expenditure has been increasing over the past few years and is expected to continue to increase in the next 3 years, while that of the schooling share of overall government expenditure is expected to decline slightly from 2021/22 to 2023/24.

Figure 6: PSET and schooling expenditure as a share of consolidated government expenditure on education, 2017/18-2023/24



Sources: Own calculations based on

National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2018, 2019, 2020

National Treasury, Consolidated Budget Spending Plans 2021

Note 1: All values are expressed as nominal values as reported in the source.

Note 2: Consolidated government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources).

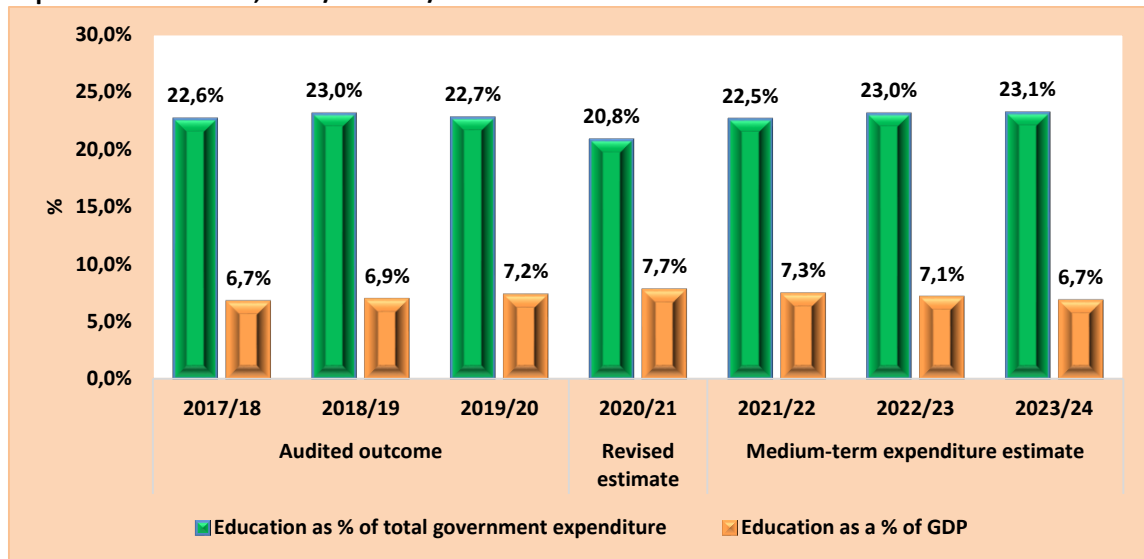
8. Government spending on total education (both schooling and post-schooling)

The United Nations Educational, Scientific and Cultural Organisation² (UNESCO) Education 2030 Incheon Declaration and Framework for action endorses the following two key benchmarks for public spending on education:

- Allocating at least 4-6 percent of GDP to education.
- Allocating at least 15-20 percent of public spending to education.

Figure 7 below provides the consolidated government expenditure on total education (adding together expenditure on the schooling system and expenditure on the post-schooling system) as a percentage of total government expenditure as well as GDP. By UNESCO standards, South Africa continues to spend a larger share of its wealth on education. Spending on education as a proportion of both overall government expenditure (22.7% in 2019/20) and GDP (7.2% in 2019/20) far exceeds benchmarks set by UNESCO for all countries of the world.

Figure 7: Consolidated government spending on education as percentage of total government expenditure and GDP, 2017/18-2023/24



Sources: Own calculations based on

National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2018, 2019, 2020

National Treasury, Consolidated Budget Spending Plans 2021

National Treasury GDP time series data, Budget 2021

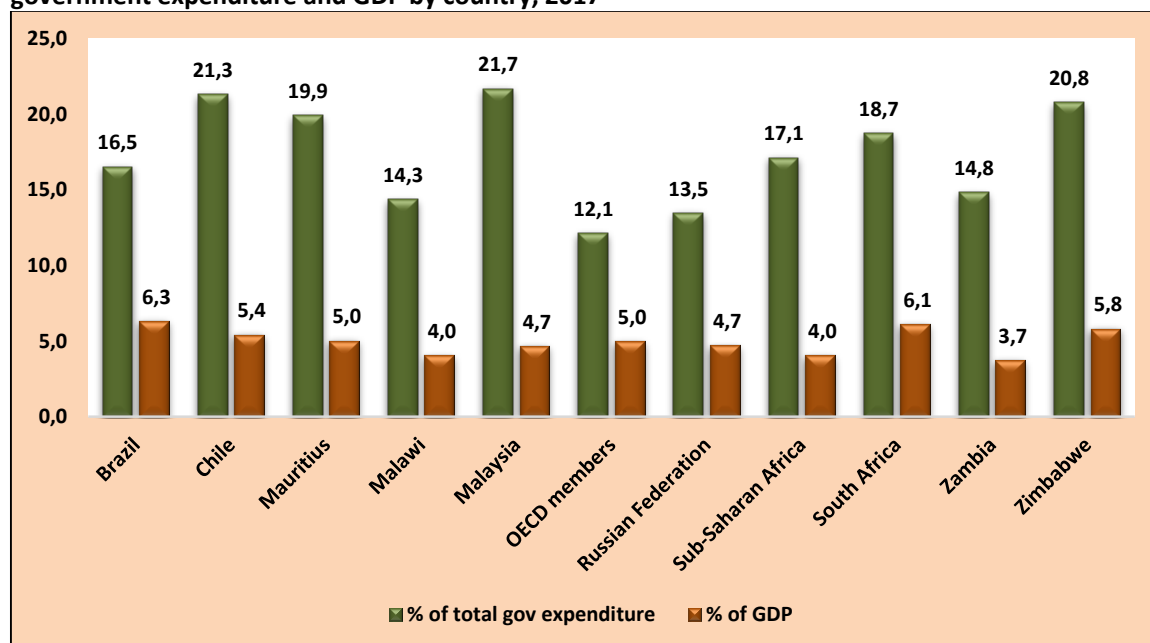
Note 1: All values are expressed as nominal values as reported in the source.

Note 2: Consolidated government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources).

² UNESCO. 2015. Education 2030 Incheon Declaration: http://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pdf

Education expenditure in South Africa in comparison with other countries points to some interesting observations. Figure 8 below shows expenditure on education as a percentage of government expenditure and GDP for a number of countries. Government expenditure on education as a percentage of total government expenditure was relatively high in South Africa compared to other BRICS countries and even exceeded the OECD member average in 2017; however, it was not too far off the Sub-Saharan average. South Africa's expenditure on education as a percentage of GDP also exceeded that of all the countries shown in the graph below, except for Brazil.

Figure 8: Expenditure on education (both schooling and post-schooling) as a percentage of total government expenditure and GDP by country, 2017



Source: World Bank indicators downloaded 20 January 2020.

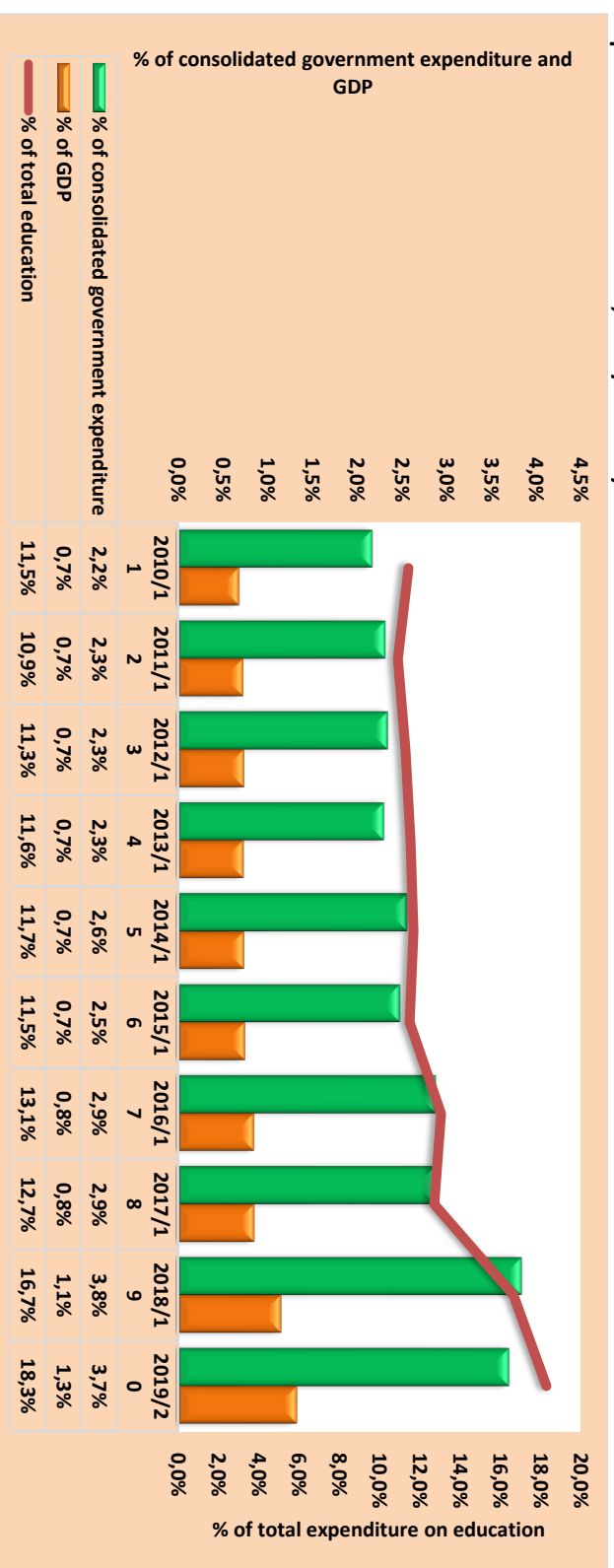
Note 1: The value for South Africa reported by the World Bank are slightly different to the values calculated using the National Treasury data as reported in Figure 7. The differences might be due to the revisions of the Mid-term budget policy statements, consolidated budget spending plans and GDP data. The calculations in this report for South Africa are based on the latest available data from National Treasury.

Note 2: The countries included in this figure were selected based on availability of latest data.

9. Government spending on tertiary education

There are several features of the South African tertiary education financing that are somewhat unique. First, given inter-sectoral competition for financial resources, there appears to be a fairly serious public commitment to spending on tertiary education because expenditure on tertiary education as a percentage of total consolidated government expenditure increased significantly from 2.2% in 2010/11 to 3.7% in 2019/20. As a percentage of GDP, Figure 9 shows that spending on tertiary education increased by 0.6 percentage points from 0.7% in 2010/11 to 1.3% in 2019/20. However, as a percentage of government expenditure on total education, tertiary education spending shows a substantial increase of 6.8 percentage points from 11.5% in 2010/11 to 18.3% in 2019/20. The biggest increase occurred around 2017/18 and this can be attributed to the increase in National Student Financial Aid Scheme allocations and DHET baseline funding in response to the #FeesMustFall campaign.

Figure 9: Government expenditure on tertiary education as a percentage of total consolidated government expenditure, GDP and total expenditure on education, 2010/11-2019/20

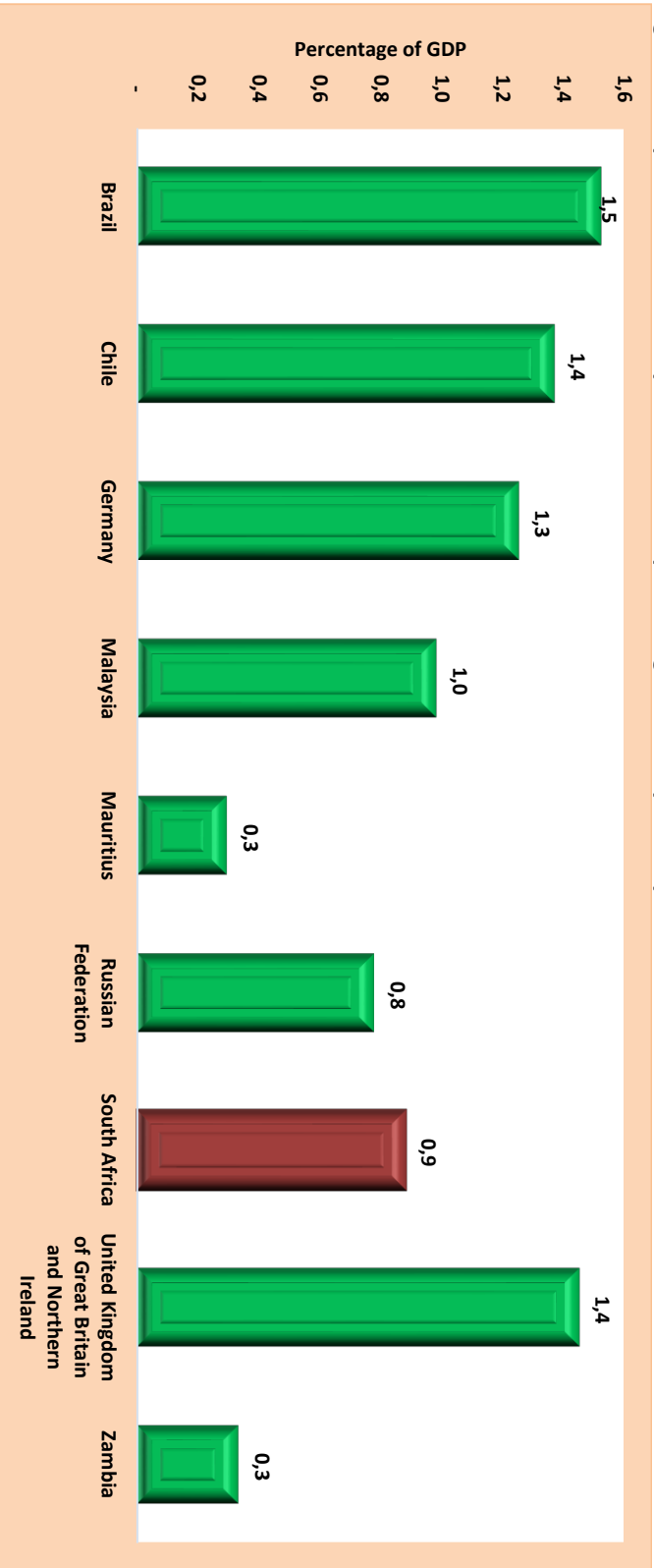


Sources: Own calculations based on National Treasury, *Expenditure of National Estimates 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021*; National Treasury Medium Term Budget Policy Review *Expenditure Priorities 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020*; National Treasury GDP time series data, Budget 2021; Statistics on Post-School Education and Training 2010 and 2019

Note: Expenditure on education for the years 2010/11 to 2019/20 is audited outcome.

Figure 10 below shows that South Africa spent 0.9% of its GDP on tertiary education in 2017 – a figure that was, at the time, far below many other similar income countries such as Brazil, Chile and Malaysia. This figure (for 2017) also falls slightly short of that recommended by the Heher Commission³ in 2017. However, as indicated above, South Africa’s spending on tertiary education as a percentage of GDP increased significantly to 1.3% in 2019/20 as a result of a massive injection into student funding. Unfortunately, the unavailability of 2019/20 international comparative data does not make it possible to conclude whether South Africa compares better with other countries currently, than it did 2 years ago.

Figure 10: Expenditure on tertiary education as a percentage of GDP by country, 2017



Source: UIS Extracted 21 January 2021

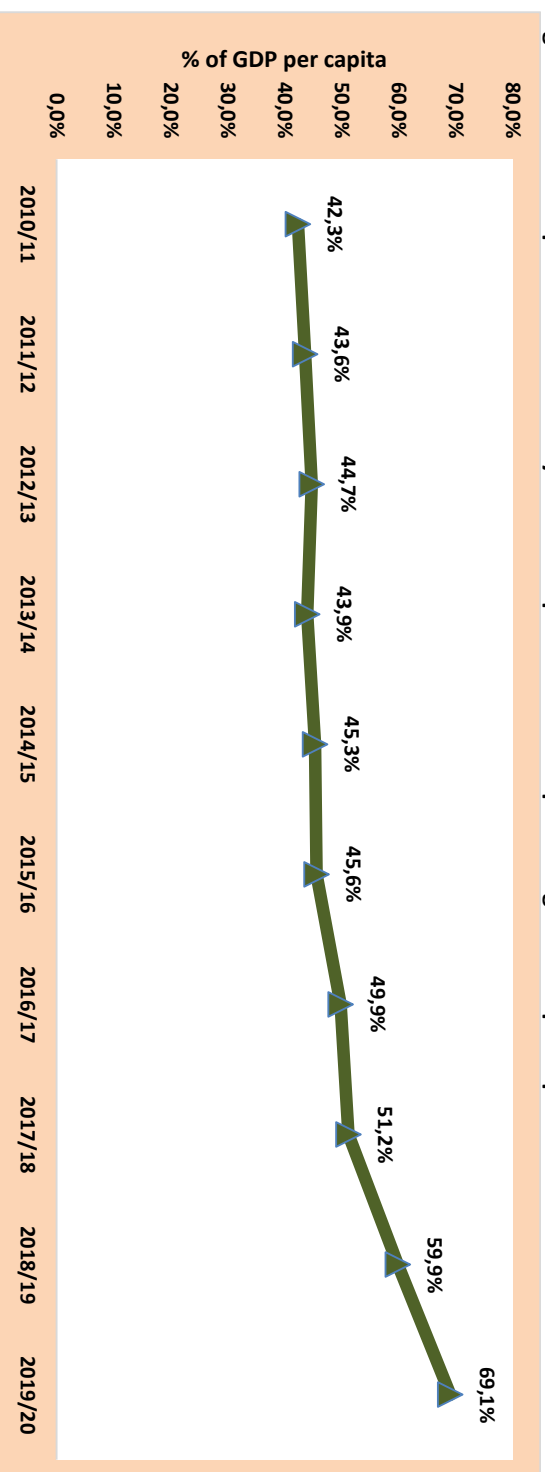
Note 1: The value for South Africa reported by UIS is slightly different to the value calculated using the National Treasury data as reported in Figure 9. The differences might be due to the revisions of the ENE data and the GDP estimates. The calculations in this fact sheet are based on the latest available data in the ENE.

Note 2: The countries included in this figure were selected based on availability of latest data.

³ COMMISSION OF INQUIRY INTO HIGHER EDUCATION (FEES COMMISSION). 2017. Report of the Commission of Enquiry into Higher Education and Training to the President of the Republic of South Africa: <http://www.thepresidency.gov.za/sites/default/files/Commission%20of%20Inquiry%20into%20Higher%20Education%20Report.pdf>

South African government expenditure per student per GDP per capita is shown in Figure 11 below. This is the amount government spends on average on one student for tertiary education in relation to average income per person. Public expenditure on tertiary education per student as a percentage of GDP per capita increased from 42.3% in 2010/11 to 69.1% in 2019/20. The last three years represents the greatest increase in tertiary expenditure per student as a percentage of GDP per capita. This steep incline could be attributed to government's policy shift effected in 2017, which increased the threshold at which students qualified for a NSFAS bursary.

Figure 11: Public expenditure on tertiary education per student as a percentage of GDP per capita



Sources: Own calculations based on

National Treasury, Expenditure of National Estimates 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021

National Treasury GDP time series data, Budget 2021

Statistics on Post-School Education and Training 2010 and 2019

Statistics South Africa Mid-Term Population Estimates 2020

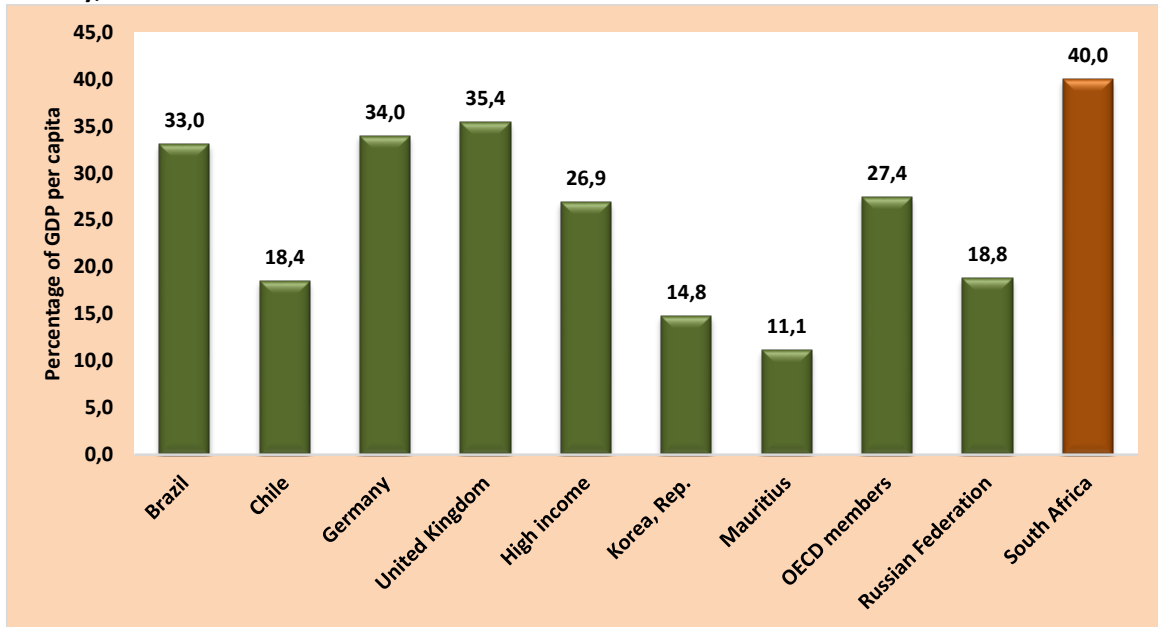
Note 1: Expenditure on education for the years 2010/11 to 2019/20 is audited outcome.

Note 2: Public expenditure on tertiary education is university subsidies as reported in the ENE plus university NSFAS as reported in the Statistics for PSET publication.

Note 3: All values are expressed as nominal values as reported in the source.

As Figure 12 shows, South Africa spends much per student than many comparable countries. Its Public expenditure on tertiary education per student as a percentage of GDP per capita, as compared to many countries such as Brazil and Russia is fairly high. It also exceeds the OECD average. This could be attributed to public expenditure on the NSFAS that has increased slightly over the years.

Figure 12: Public expenditure on tertiary education per student as a percentage of GDP per capita by country, 2015

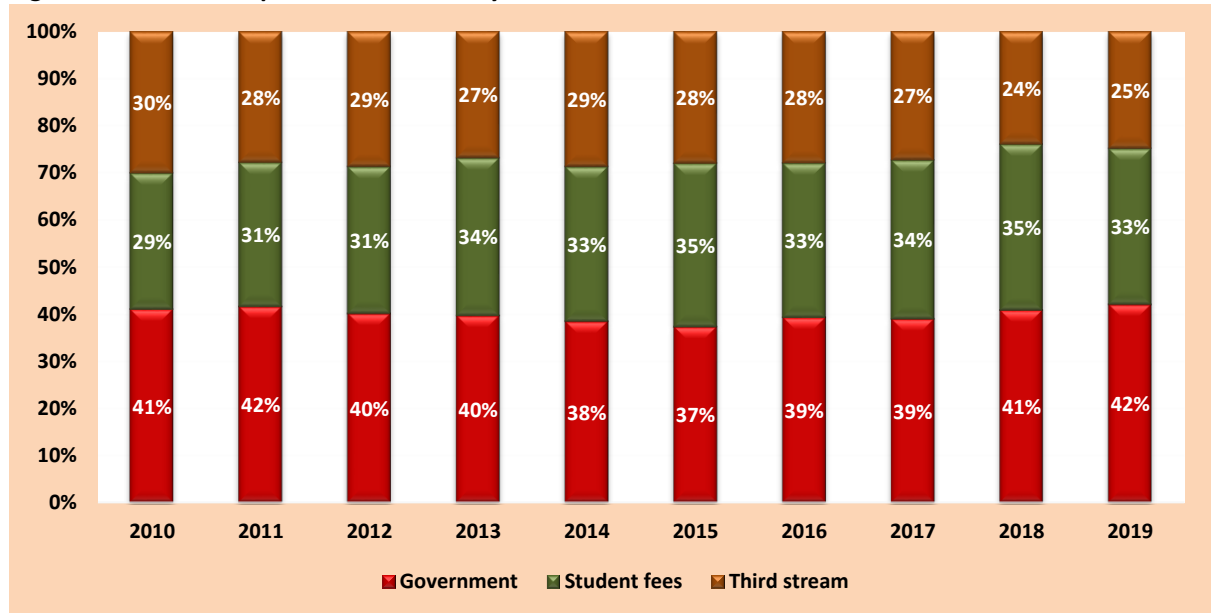


Source: World Bank (Extracted 22 January 2021)

Note: The value for South Africa reported by UIS is slightly different to the value calculated using the National Treasury data and the mid-year population estimates as reported in Figure 11. The differences might be due to the revisions of the ENE data, GDP and population estimates. The calculations in this fact sheet are based on the latest available data in the ENE and the latest mid-year population estimates

Figure 13 provides information on the various sources of income for public universities from 2010 to 2019. Much of the funding of the universities flows as transfers from the DHET budget. In 2019, these funds amounted to R93.2 billion, of which 42% was government state subsidies, 33% was student fees and 25% was third stream income.

Figure 13: Income for public universities by main source, 2010-2019



Source: Own calculations based on DHET Financial Health Reports

Note 1: Government funding refers to state subsidies (block grant and earmarked grants).

Note 2: Tuition fees includes university managed accommodation fees.

Note 3: Third stream income refers to all university income derived from sources other than state subsidy or student tuition fees. Sources of third stream income are diverse and can include donations or endowments; money earned through contract research or entrepreneurial activity; and income from investments.

10. National Student Financial Aid Scheme

South Africa has developed one of the most effective student bursary and loan scheme for post-school education and training called the National Student Financial Aid Scheme (NSFAS). NSFAS is an income-contingent scheme designed for students from poor and working class families with a combined household income of up to R350 000 a year. NSFAS is funded by the government to the tune of R22.9 billion in 2019/20, up from R7.4 billion in 2011/12 in real terms. Under this scheme, the number of students assisted for both the universities and TVET colleges increased from 332 187 in 2011/12 to 740 037 in 2019/20, as reflected in Table 3 below. In 2019/20, over one-third of students enrolled at universities were NSFAS beneficiaries, while over half of students enrolled at TVET colleges were NSFAS beneficiaries. The real per student university NSFAS allocation increased on average by 7.0% from 27 694 in 2011/12 to 47 415 in 2019/20. Real TVET allocations increased by 14.9% on average from 2011/12 to 2019/20 and the number of students increased on average by 14.8% in the same period. The real per student TVET NSFAS allocation however showed an insignificant increase of about 0.1% on average in the nine-year period under review. While the TVET college share of NSFAS supported students has increased from 34.6% in 2011/12 to 46.8% in 2019/20, TVET share of NSFAS expenditure however fluctuated from 2011/12 to 2019/20 but remained at 18.4% in 2019/20.

Table 3: Real (2015/16 R million) and per student NSFAS allocation to public universities and TVET colleges 2011/12-2019/20

Year	University			TVET colleges			University and TVET colleges			TVET share of NSFAS expenditure	TVET share of NSFAS supported students
	Expenditure (R thousands)	Students assisted	Per student expenditure	Expenditure (R thousands)	Students assisted	Per student expenditure	Expenditure (R thousands)	Students assisted	Per student expenditure (R thousands)		
2011/12	6 015 607	217 219	27 694	1 385 239	114 968	12 049	7 400 846	332 187	22 279	18.7%	34.6%
2012/13	6 921 508	194 932	35 507	2 142 260	188 182	11 384	9 063 769	383 114	23 658	23.6%	49.1%
2013/14	7 496 090	195 387	38 365	2 169 744	220 978	9 819	9 665 834	416 365	23 215	22.4%	53.1%
2014/15	7 331 167	186 160	39 381	2 094 386	228 642	9 160	9 425 554	414 802	22 723	22.2%	55.1%
2015/16	7 194 619	178 961	40 202	2 095 130	235 988	8 878	9 289 748	414 949	22 388	22.6%	56.9%
2016/17	9 694 476	225 950	42 905	1 981 527	225 557	8 785	11 676 003	451 507	25 860	17.0%	50.0%
2017/18	10 876 571	260 002	41 833	1 807 722	200 339	9 023	12 684 293	460 341	27 554	14.3%	43.5%
2018/19	15 774 008	346 966	45 463	2 354 615	239 797	9 819	18 128 623	586 763	30 896	13.0%	40.9%
2019/20	18 670 387	393 767	47 415	4 203 721	346 270	12 140	22 874 108	740 037	30 909	18.4%	46.8%
Average annual growth rate											
2011/12-2013/14	11.6%	-5.2%	17.7%	25.2%	38.6%	-9.7%	14.3%	12.0%	2.1%	9.5%	23.8%
2013/14-2015/16	-2.0%	-4.3%	2.4%	-1.7%	3.3%	-4.9%	-2.0%	-0.2%	-1.8%	0.2%	3.5%
2015/16-2017/18	23.0%	20.5%	2.0%	-7.1%	-7.9%	0.8%	16.9%	5.3%	10.9%	-20.5%	-12.5%
2017/18-2019/20	31.0%	23.1%	6.5%	52.5%	31.5%	16.0%	34.3%	26.8%	5.9%	13.6%	3.7%
2011/10-2019/20	15.2%	7.7%	7.0%	14.9%	14.8%	0.1%	15.1%	10.5%	4.2%	-0.2%	3.8%

Source: Own calculations based on DHET Statistics on Post-School Education and Training in South Africa 2019
 Note: All values are expressed in real terms (2015/16 R million)

11. Distribution of the Skills Development Levy

Table 4 shows the distribution of the skills development levy from 2011/12 to 2019/20. The total amount disbursed by the Skills Levy Fund has increased at an average annual growth rate of 7.7% from 2011/12 to 2019/20. The total amount disbursed in 2019/20 was about R18.3 billion of which 80% was transferred to SETAs, and the balance to the NSF and QCTO.

Table 4: Distribution of the skills Development levy (R'000), 2011/12-2019/20

Year	Total Amount Disbursed by the Skills Levy Fund	Distribution of Levy Funds					Portion of SETA Admin fee transferred to QCTO
		NSF	Amount disbursed to SETAs	SETAs			
				Administration Costs	Mandatory Grant	Discretionary Grant	
2011/12	10 106 213	2 020 029	8 086 184	1 010 773	5 053 865	2 021 546	n.a
2012/13	11 419 341	2 283 872	9 135 469	1 141 934	5 709 668	2 283 867	n.a
2013/14	12 566 289	2 511 390	10 054 899	1 319 705	2 513 725	6 221 469	15 428
2014/15	14 036 309	2 818 082	11 218 227	1 472 392	2 804 557	6 941 278	28 500
2015/16	15 225 043	3 044 212	12 180 831	1 598 734	3 045 208	7 536 889	40 000
2016/17	15 298 454	3 046 235	12 252 219	1 608 103	3 063 055	7 581 061	60 670
2017/18	16 234 599	3 246 920	12 987 679	1 704 633	3 246 920	8 036 126	68 431
2018/19	17 479 895	3 495 979	13 983 916	1 835 389	3 495 979	8 652 548	86 691
2019/20	18 283 843	3 656 768	14 627 075	1 919 803	3 656 769	9 050 503	90 347
Average annual growth 2011/12-2019/20	7.7%	7.7%	7.7%	8.3%	-4.0%	20.6%	n.a

Source: DHET Statistics on Post-School Education and Training in South Africa 2019

12. Conclusion

Owing to government's far-reaching policy shift on student funding in 2018, government expenditure on PSET has been volatile for the past few years, resulting in an overall 0.9% percentage point increase in public expenditure between 2017 and 2020. The share of government expenditure on PSET as a proportion of total government expenditure on education has increased significantly over the past 3 years – from 26% in 2017/18 to 30% in 2019/20, and is projected to increase further by another 1 percentage point by 2023/24. These trends suggest a shift in government policy in favour of post-schooling versus that of schooling. Undoubtedly, the *Fees Must Fall* protest movements that began in 2015 have greatly influenced the swing of government expenditure away from schooling to post-schooling. Not only has the PSET share of total government spending on education increased, so has its share of total government social expenditure. In addition to a decline in expenditure on Basic Education, it has also led to a decrease in the health expenditure. However, although government expenditure on PSET is expected to rise significantly over the next 3 years to reach 7% in 2023/2024 (from 5.7% in 2019/20), it remains inadequate to meet the NDP targets for enrolment, especially for the TVET and CET sub-sectors.

Within the PSET system itself, public expenditure on the university sector far outstrips that of other sectors, with the university sector receiving close to two-thirds of the PSET budget, and the TVET college and CET sectors receiving 16% and 2%, respectively. Despite a sustained and substantial decline in the funding received from the skills levy over the past 3 years (from 23% to 17%), it is noteworthy that in 2019/20, skills levy institutions (SETAs, NSF and QCTO), together, still had visibly higher expenditure (17%) than the TVET college sector. The higher expenditure for the university sector could be attributed to both higher per capita student costs as well as increased student enrolment. For example, the cost of training a full-time university student for a year is higher than the cost per full-time equivalent TVET student. This is not surprising given the different kinds of programmes offered by the two types of institutions, as well as the rapid and massive expansion of enrolment in TVET colleges in the absence of concomitant budget increases.

All of the key indicators on tertiary education expenditure show positive trends over the last decade. The share of government expenditure on tertiary education increased by 1.5 percentage points over the past 10 years; the share of GDP expenditure on tertiary education has almost doubled over the past decade to 1.3% in 2019/20, even surpassing the 1% recommended by the Heher Commission in 2017, while tertiary spending as a share of the total education budget increased by close to 7 percentage points since 10 years ago, to reach 18% in 2019/20. Moreover, public expenditure on tertiary education per student as a percentage of GDP per capita has increased by over 26 percentage points since 10 years ago; even in 2015, this spend exceeded that of high income countries such as Germany, the United Kingdom and middle income countries such as Brazil, Chile and Russia. Given ongoing student protests on matters regarding public funding on tertiary education

on the one hand, and the evidence available from key indicators on expenditure on tertiary education, on the other, there is a need to interrogate this matter further, particularly in relation to other indicators such as enrolment growth, dropout rates, throughput rates and repetition rates. South Africa's relatively high public expenditure on tertiary education per student as a percentage of GDP per capita also requires deeper exploration and analysis.

The National Student Financial Aid Scheme (NSFAS) has played an increasing role in supporting students from poorer backgrounds attending university and TVET colleges, and this role is likely to increase. In 2019, over one-third of university students, and just over half of TVET college students benefitted from a NSFAS bursary.

In examining government spending on education as a whole (schooling and post-schooling), the report reveals that South Africa continues to spend a large share of its budget and wealth on education (both schooling and post-schooling). Spending on education as a proportion of both overall government expenditure and GDP far exceeds benchmarks set by UNESCO which recommends allocating 15-20% of public spending to education and 4-6% of GDP to education. Government expenditure on total education even exceeded that of several other BRICS countries as well as that of the average OECD countries.

13. Appendices

Table 5: Government spending on PSET (R million) 2017/18 to 2023/24

R million	Audited outcome				Adjusted appropriation	Medium-term expenditure estimate		
	2017/18	2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
University	39 838	56 397	68 241	78 322	81 223	84 058	84 652	
TVEI	9 737	13 689	17 626	12 652	13 096	13 378	13 234	
CET	1 933	1 979	2 058	2 247	2 422	2 485	2 572	
SETAs and NSF	16 294	17 480	18 284	10 175	17 813	19 230	20 763	
Other	748	802	859	874	1 043	1 024	1 045	
Total	68 550	90 346	107 067	104 270	115 597	120 175	122 265	
% of GDP	1.5%	1.8%	2.1%	2.1%	2.2%	2.1%	2.0%	
% of total government expenditure	4.9%	6.1%	6.5%	5.7%	6.6%	6.9%	7.0%	
% of total education expenditure	21.9%	26.7%	28.7%	27.6%	29.5%	30.1%	30.2%	

Sources: *National Treasury, Expenditure of National Estimates 2021*

National Treasury GDP time series data, Budget 2021

Note 1: All values are expressed as nominal values as reported in the source.

Note 2: The values for university includes transfers to departmental agencies like National Student Financial Aid Scheme (NSFAS) and Council on Higher Education (CHE)

Table 6: Real (2015/16 R million) consolidated government⁴ allocations for a select number of functions, 2017/18-2023/24

Year	Basic education	Health	PSET	Social protection	Other functions	All non-interest expenditure
2017/18	207 667	172 133	73 530	159 907	632 780	1 246 016
2018/19	211 320	180 033	79 296	162 907	629 313	1 262 869
2019/20	215 182	183 934	92 114	182 694	680 759	1 354 683
2020/21	213 079	197 613	89 334	205 457	750 243	1 455 727
2021/22	209 097	191 053	91 817	176 093	676 028	1 344 089
2022/23	204 089	181 182	90 501	176 529	630 873	1 283 174
2023/24	197 279	172 929	88 203	169 983	611 344	1 239 737
Average annual growth rate (%)						
17/18 – 20/21	0.9%	4.7%	6.7%	8.7%	5.8%	5.3%
20/21 – 23/24	-2.5%	-4.4%	-0.4%	-6.1%	-6.6%	-5.2%
17/18 – 23/24	-0.9%	0.1%	3.1%	1.0%	-0.6%	-0.1%

Source: *National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2018, 2019, 2020*
National Treasury, Consolidated Budget Spending Plans 2021

Note 1: Expenditure on education for the years 2016/17 to 2019/20 is audited outcome.

Note 2: Expenditure on education for the year 2020/21 is revised estimate.

Note 3: Expenditure on education for the years 2021/22 to 2023/24 is mid-term estimates.

Note 4: All values are expressed in real terms (2015/16 R million).

⁴ Consolidated government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources), which explains the larger budgeted amounts for post-school education and training compared to what is appropriated on the vote of the DHET.

Table 7: Consolidated government⁵ spending on total education (R million), 2017/18-2023/24

	Audited outcome			Revised estimate	Medium-term expenditure estimate		
	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23
PSET	81 843	92 362	111 785	111 664	119 587	122 824	124 973
Schooling	231 146	246 141	261 135	266 341	272 340	276 982	279 520
Total education	312 989	338 503	372 920	378 005	391 928	399 806	404 493
All non interest consolidated government expenditure	1 386 894	1 470 964	1 643 980	1 819 600	1 738 619	1 736 474	1 751 555
PSET share of total Education	26.1%	27.3%	30.0%	29.5%	30.5%	30.7%	30.9%
Schooling share of total education	73.9%	72.7%	70.0%	70.5%	69.5%	69.3%	69.1%
Education as % of total government expenditure	22.6%	23.0%	22.7%	20.8%	22.5%	23.0%	23.1%
Education as a % of GDP	6.7%	6.9%	7.2%	7.7%	7.3%	7.1%	6.7%

Sources: *National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2017, 2018, 2019, 2020*

National Treasury GDP time series data, Budget 2021

Note: All values are expressed as nominal values as reported in the source.

⁵ Consolidated government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources), which explains the larger budgeted amounts for post-school education and training compared to what is appropriated on the vote of the DHET.

Table 8: Public expenditure on tertiary education per student as a percentage of GDP per capita, 2010/11-2019/20

Year	Public expenditure on tertiary education	Enrolment in public universities	Expenditure per student	GDP	Population	GDP per capita	Public expenditure on tertiary education per student as a percentage of GDP per capita
	R Thousands	Thousands	Rand	R Thousands	Thousands	Rand	%
2010/11	20 860 231	893	23 360	2 825 040 000	51 212	55 163	42.3%
2011/12	24 203 119	938	25 803	3 078 418 000	52 004	59 195	43.6%
2012/13	26 812 153	953	28 134	3 320 753 000	52 815	62 875	44.7%
2013/14	29 140 919	984	29 615	3 614 459 000	53 637	67 388	43.9%
2014/15	31 166 275	969	32 163	3 865 119 000	54 478	70 948	45.3%
2015/16	33 491 693	985	34 002	4 124 704 000	55 328	74 550	45.6%
2016/17	38 269 317	976	39 210	4 419 437 000	56 190	78 652	49.9%
2017/18	43 712 932	1 037	42 153	4 698 724 000	57 057	82 352	51.2%
2018/19	55 270 117	1 086	50 893	4 924 029 000	57 925	85 007	59.9%
2019/20	65 016 450	1 075	60 480	5 148 852 000	58 793	87 576	69.1%

Sources: National Treasury, *Expenditure of National Estimates 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021*

National Treasury GDP time series data, Budget 2021

Statistics on Post-School Education and Training 2010 and 2019

Statistics South Africa Mid-Term Population Estimates 2020

Note 1: Public expenditure on tertiary education for the years 2010/11 to 2019/20 is audited outcome.

Note 3: Public expenditure on tertiary education is transfers to universities as reported in the ENE plus university NSFAS as reported in the Statistics for PSET.

Note 4: All values are expressed as nominal values as reported in the ENE, statistics on PSET publication and GDP time series.

Table 9: Income for public universities by main source, 2010-2019

Year	Government	Student fees	Third stream	Total
	R million			
2010	16 759	11 854	12 263	40 876
2011	18 845	13 909	12 563	45 317
2012	19 795	15 429	14 112	49 336
2013	21 102	17 832	14 231	53 165
2014	22 702	19 428	16 914	59 044
2015	23 878	22 224	17 873	63 975
2016	27 309	22 853	19 382	69 544
2017	29 664	25 785	20 746	76 195
2018	33 474	28 961	19 584	82 019
2019	39 183	30 875	23 127	93 185
Average annual growth rate				
2010-2013	8.0%	14.6%	5.1%	9.2%
2013-2016	9.0%	8.6%	10.8%	9.4%
2016-2019	12.8%	10.5%	6.1%	10.2%
2010-2019	9.9%	11.2%	7.3%	9.6%

Source: DHET Financial Health Reports

Note 1: All values are expressed as nominal values as extracted from the DHET Financial Health Reports.

Note 2: Government funding refers to state subsidies (block grant and earmarked grants).

Note 3: Tuition fees includes university managed accommodation fees.

Note 4: Third stream income refers to all university income derived from sources other than state subsidy or student tuition fees. Sources of third stream income are diverse and can include donations or endowments; money earned through contract research or entrepreneurial activity; and income from investments.