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Funding and expenditure trends in Post-School Education and Training

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1. BACKGROUND

The South African economy grew faster than expected in the first half of 2021¹, but the July 2021 unrest and the restrictions imposed to manage the third wave of the COVID-19 pandemic further eroded the gains made². This, coupled with the heightened global uncertainty and modest growth expectations for the fourth quarter following renewed power cuts, led to a downward revision of the 2021 estimated real economic growth from 5.1% projected in the 2021 Mid-Term Budget Policy Statement (MTBPS) to 4.8%³. The 2022 real economic growth is however projected to be 2.2%, revised upwards from 1.8% in the 2021 MTBPS and economic growth is expected to average 1.8% in the next 3 years. It is encouraging to note that the South African economy is still expected to return to pre-pandemic production levels this year. The tax revenue estimate for 2021/22 is expected to be R181.9 billion higher than the 2021 budget projections, following tax collections that outperformed expectations mainly from the mining sector due to higher commodity prices. Despite slow economic recovery, it is encouraging that education is amongst government's spending priorities in the 2022 budget. The largest increase being for higher education, specifically funding for the National Student Financial Aid Scheme (NSFAS).

Given that public⁴ expenditure on Post-School Education and Training (PSET) is critical for social and sustainable development, this report provides an overview of funding and spending trends in South Africa. Spending on PSET is intended to be an investment in human capital, research, and societal capital. It contributes to the development of a critical citizenry, 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 public funding and expenditure trends in the PSET system. Information about private funding of PSET (such as student fees or donor funding) is provided where data is available.

It analyses public budgetary or expenditure trends on PSET from 2018/19 to 2020/21 and provides Treasury estimated budgetary projections until 2024/25. The period of review 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, where applicable. The January 2022 CPI numbers from Statistics South Africa (Stats SA) and National Treasury's 2022 budget review CPI inflation projections were used in this regard. The 2015/16 base year has been used to transform nominal or current values to real values.

¹ National Treasury, Mid Term Budget Policy Statement, 2021.

² Minister of Finance Budget Speech, 2022.

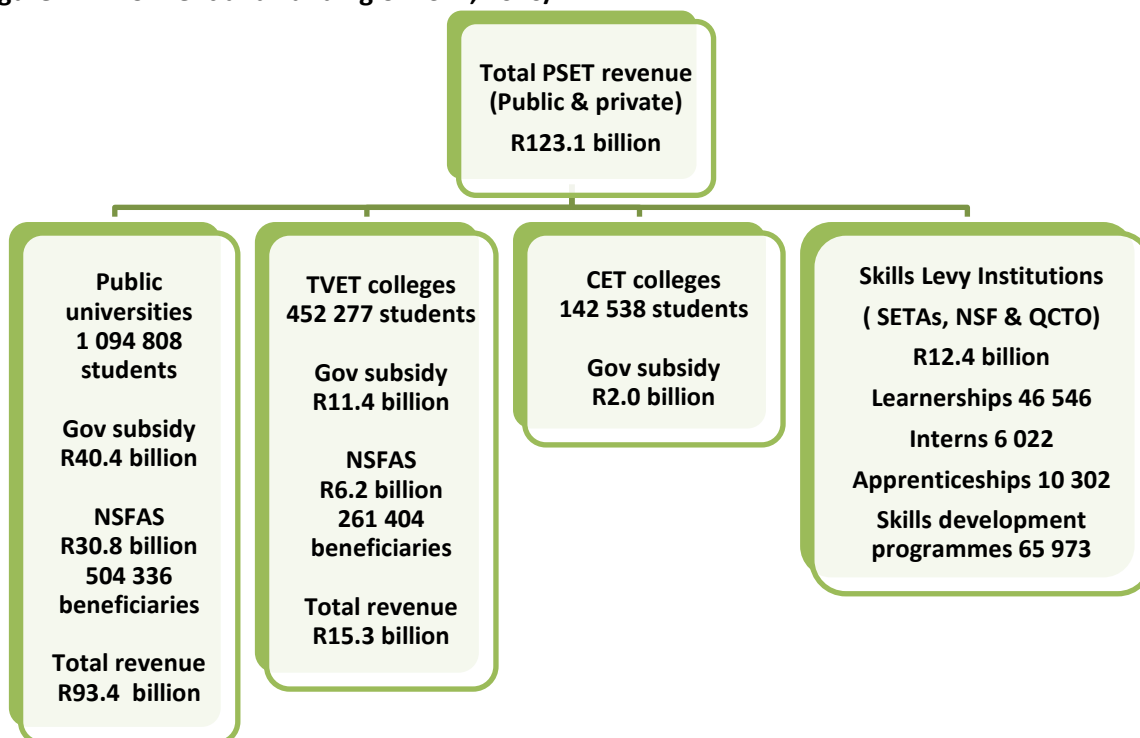
³ National Treasury, Budget Review, 2022.

⁴ Public expenditure/spending and government expenditure/spending are used interchangeably in this report.

3. OVERVIEW OF FUNDING AND ENROLMENT IN THE PSET SYSTEM (2020/21)

Figure 1 shows the total revenue (public and private) available for the PSET system in 2020/21, as well as the number of students who participated in PSET funded programmes. An overall amount of R123.1 billion was available for PSET in 2020/21. Most of this revenue was for public universities (R93.4 billion) which served just below 1.1 million students, followed by Technical and Vocational Education and Training (TVET) colleges (R15.3 billion) which served 452 277 students and skills levy institutions (R12.4 billion) which served 128 843 workers and unemployed persons in Sector Education and Training Authority (SETA) supported learning programmes (internships, learnerships, apprenticeships and skills development programmes). Community Education and training (CET) colleges had the lowest share of total revenue and the least number of students. The amount of funding provided through the National Student Financial Aid Scheme (NSFAS) to public universities was R30.8 billion, allocated for 504 336 students and R6.2 billion allocated for 261 404 students in TVET colleges.

Figure 1: Enrolment and Funding of PSET, 2020/21



Sources: DHET Financial Health Reports; TVET colleges Audited Annual Financial Statements; Statistics on Post-School Education and Training 2020; National Treasury, Estimates of National Expenditure 2022

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

Note 2: 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. A portion of NSFAS that is for student fees and university management accommodation is included in this amount.

Note 3: Government subsidy for public universities is the total amount allocated by National Treasury to the DHET for university subsidies in the ENE.

Note 4: 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 grants and subsidies, revenue from exchange transactions (which also includes tuition and related fees), public contributions and donations and other income. A portion of NSFAS that is tuition fees is included in this amount.

Note 5: Government subsidy for TVET colleges is the total amount allocated by National Treasury to DHET for technical and vocational education and training system planning and Institutional support in the ENE.

Note 6: Government subsidy for CET colleges is the total amount allocated by National Treasury to DHET for CET colleges in the ENE.

Note 7: National Treasury transfers skills levy funds to DHET, which in turn transfers funds to the skills levy organisations, namely SETAs + NSF + QCTO which are obtained from a skills levy paid to Treasury by employers. The skills levy fund is not sourced from public taxpayer funds instead this funding is obtained from a skills levy paid to Treasury by employers.

Note 8: SETAs refers to Sector Education and Training Authorities.

Note 9: NSF refers to National Skills Fund.

Note 10: QCTO refers to Quality Council for Trades and Occupations.

Note 11: NSFAS refers to National Student Financial Aid Scheme.

4. PUBLIC SPENDING ON PSET

Table 1 shows that public spending on PSET increased from R90.3 billion in 2018/19 to R107.1 billion in 2019/20 and then decreased slightly to R106.1 billion in 2020/21. Of public spend on PSET, about 65.4% of spending was on university sector, 17.3% on TVET college sector and 1.9% on CET college sector in 2020/21.

Expenditure by skills levy institutions, namely SETAs, the National Skills Fund (NSF) and the Quality Council for Trades and Occupations (QCTO) (which are funded by the skills levy and not public funds), declined from R18.3 billion in 2019/20 to R12.4 billion in 2020/21. The decline can be attributed to COVID-19 that has led to a decrease in levies paid by many businesses due to them closing and staff being retrenched, businesses reducing business hours and cutting staff salaries and the four month's payment holiday for skills levies announced in April 2020⁵. Expenditure by skills levy institutions exceeded that of TVET colleges in 2018/19 and 2019/20 but in 2020/21 TVET colleges expenditure surpassed skills levy expenditure.

Table 1: Public spending, including skills levy, on PSET (R million), 2018/19 to 2020/21

Programme	Audited outcome					
	2018/19	%	2019/20	%	2020/21	%
University, including NSFAS	52 605	58.2%	64 207	60.0%	69 422	65.4%
TVET, including NSFAS	12 389	13.7%	16 506	15.4%	18 308	17.3%
CET	1 975	2.2%	2 054	1.9%	2 000	1.9%
SETAs, NSF and QCTO	17 480	19.3%	18 284	17.1%	12 413	11.7%
Other	5 897	6.5%	6 017	5.6%	3 967	3.7%
Total	90 346	100.0%	107 067	100.0%	106 110	100.0%

Sources: National Treasury, *Estimates of National Expenditure 2022*; DHET *Statistics on Post-School Education and Training in South Africa 2020*

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

Note 2: University funding, which includes NSFAS funding, was calculated by subtracting the amount of TVET NSFAS from the amount allocated for university education in the ENE.

Note 3: The value for university includes transfers to departmental agencies like the National Student Financial Aid Scheme (NSFAS) and the Council on Higher Education (CHE).

Note 4: TVET funding, including NSFAS, was calculated by adding the amount of TVET NSFAS to the amount allocated for TVET in the ENE.

Note 5: "Other" includes funds allocated to the following programmes: administration, planning, policy and strategy and skills development.

⁵ <https://www.skillsportal.co.za/content/huge-decline-funding-skills-development>

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 NSFAS allocation to public universities and TVET colleges from 2018/19 to 2020/21. The total amount of NSFAS disbursed to public universities and TVET colleges was R37.1 billion in 2020/21, of which 83% or R30.8 billion was allocated to public universities and the remaining 17% or R6.2 billion was allocated to TVET colleges.

Table 2: Total NSFAS expenditure (R million), 2018/19 to 2020/21

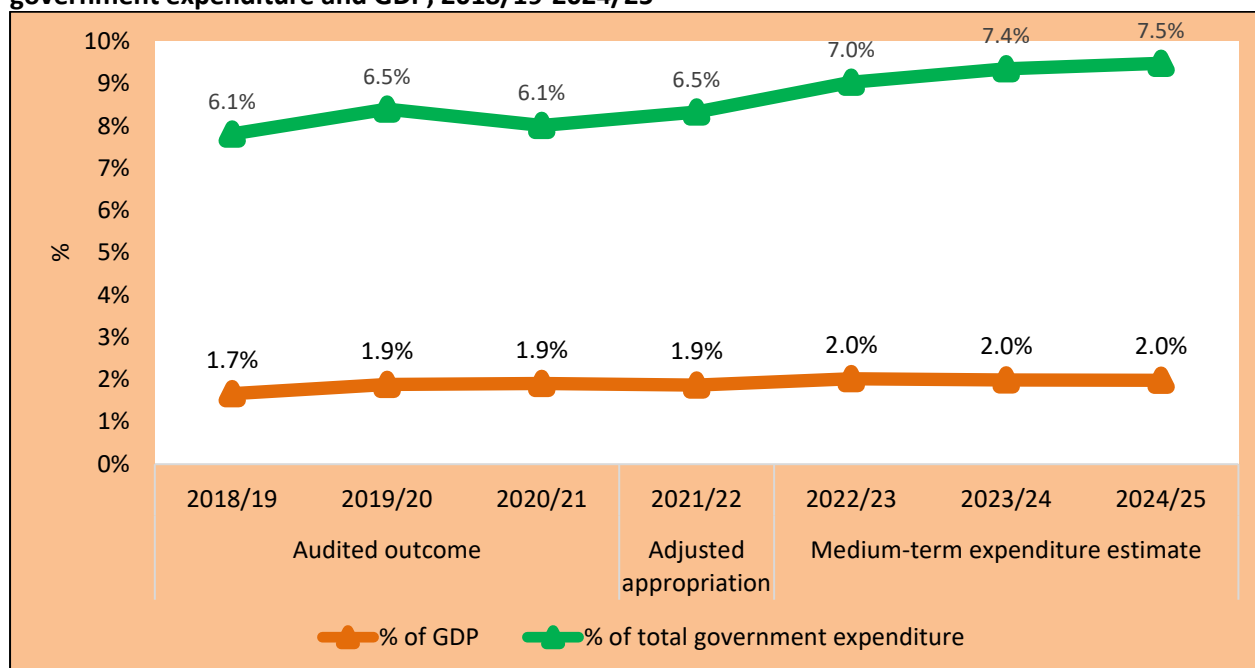
	2018/19	%	2019/20	%	2020/21	%
University	18 373	87.0%	22 658	81.6%	30 841	83.2%
TVET	2 743	13.0%	5 101	18.4%	6 228	16.8%
Total	21 116	100.0%	27 759	100.0%	37 069	100.0%

Source: Statistics on post-school education and training in South Africa 2020

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 non-interest government expenditure and GDP. Spending on PSET as a percentage of GDP is expected to increase from 1.7% in 2018/19 to 2.0% in 2022/23 and remain stable at 2.0% until 2024/25, while spending on PSET as a percentage of overall non-interest government expenditure is projected to increase significantly from 6.1% in 2018/19 to 7.5% in 2024/25.

Figure 2: Government spending on PSET as percentage of total consolidated non-interest government expenditure and GDP, 2018/19-2024/25



Sources: Own calculations based on National Treasury GDP time series data (National Budget 2022); National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020 and 2021 and Budget Review (Consolidated spending plans) 2022

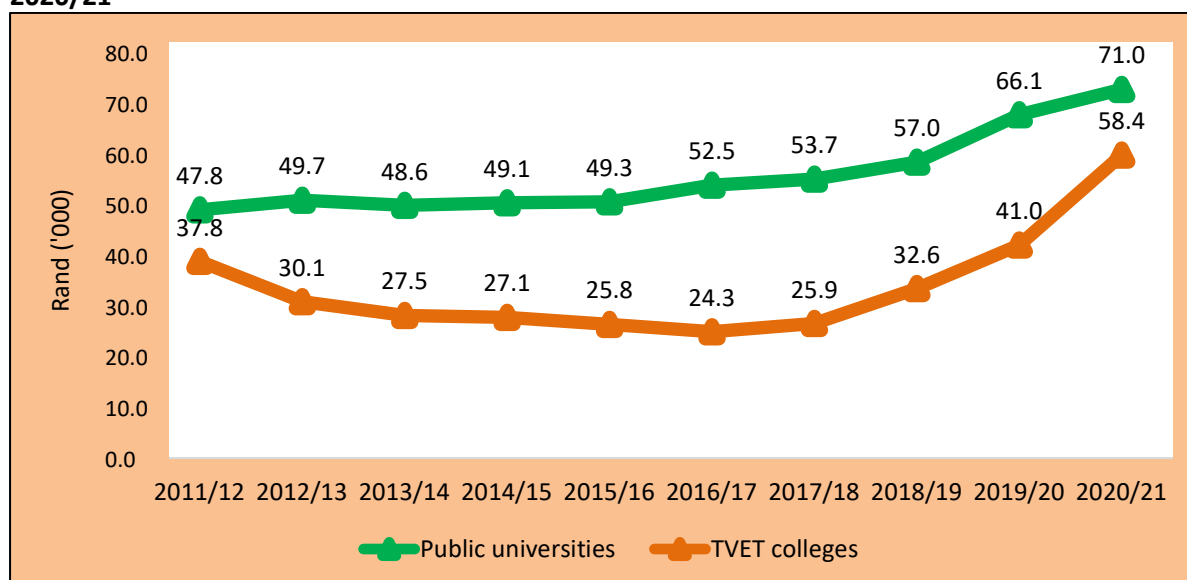
Note 1: All calculations are based on nominal values as reported in the source.

Note 2: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

5. REAL PER CAPITA SPENDING ON PSET

Figure 3 provides information about inflation-adjusted per capita public spending on FTE students in both public universities and TVET colleges for the period 2011/12 to 2020/21. The inflation-adjusted public cost for training an FTE university student was R47 800 in 2011/12 and increased to R49 700 in 2012/13 and then decreased slightly to R48 600 in 2013/14; the inflation-adjusted public cost for training an FTE university student has however been on an upward trajectory since 2014/15. The inflation-adjusted cost for training an FTE university student increased from R49 100 in 2014/15 to R71 000 in 2020/21. In contrast, the inflation-adjusted cost per FTE TVET college student was in a downward trajectory from 2011/12 to 2016/17 and then started increasing from 2017/18 until 2020/21. The cost to train an FTE TVET college student increased from R37 800 in 2011/12 to R58 400 in 2020/21. The decline in the inflation-adjusted cost for training an FTE TVET college student from 2011/12 to 2016/17 can be explained by substantial increase in the number of TVET college students in that period, while the rapid increase in inflation-adjusted cost for training an FTE TVET college student from 2017/18 to 2020/21 can be explained by the decrease in the number of full-time equivalent students in TVET colleges coupled with a substantial increase in subsidies to TVET colleges (from about R1.5 billion in 2017/18 to about R5.3 billion in 2020/21) and an increase in funding through NSFAS from just over R2 billion in 2017/18 to R6.2 billion in 2020/21.

Figure 3: Real per FTE student public expenditure at public universities and TVET colleges, 2011/12-2020/21



Sources: Own calculations based on National Treasury, *Estimates of National Expenditure 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022*; Statistics on Post-School Education and Training 2015, 2016, 2017, 2018, 2019, 2020

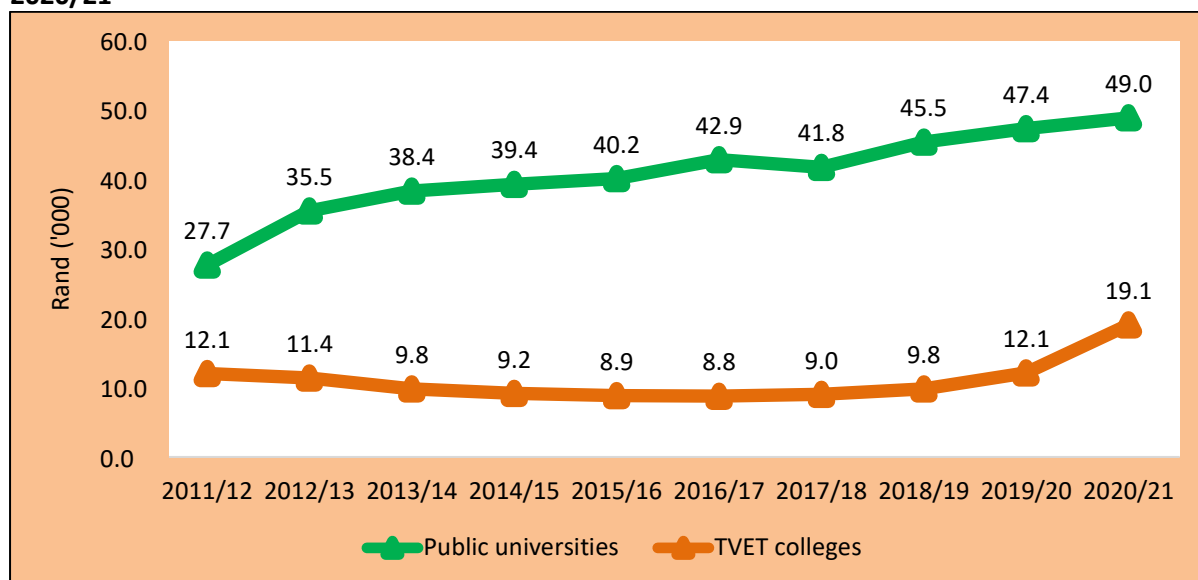
Note 1: All values are expressed in real terms (2015/16 R'000).

Note 2: Public universities per student FTE expenditure is calculated by dividing the total amount allocated by National Treasury to the DHET for university subsidies in the ENE plus the total NSFAS allocated to university students and dividing by universities FTE students.

Note 3: Per student FTE expenditure for TVET colleges is calculated dividing total amount allocated by National Treasury to DHET for technical and vocational education and training system planning and institutional support in the ENE plus total NSFAS allocated to TVET college students by the number of TVET colleges FTE students.

Figure 4 shows the inflation-adjusted per student NSFAS expenditure for public universities and TVET colleges for the period 2011/12 to 2020/21. Real per student NSFAS expenditure for public universities increased significantly from R27 700 in 2011/12 to R49 000 in 2020/21 while real per student NSFAS expenditure for TVET colleges decreased from R12 100 in 2011/12 to R8 800 in 2016/17 and then started increasing from 2017/18 reaching R19 100 in 2020/21.

Figure 4: Real average NSFAS expenditure per student at universities and TVET colleges, 2011/12-2020/21



Source: Own calculations based on *Statistics on Post-School Education and Training in South Africa 2020*

Note 1: All values are expressed in real terms (2015/16 R'000).

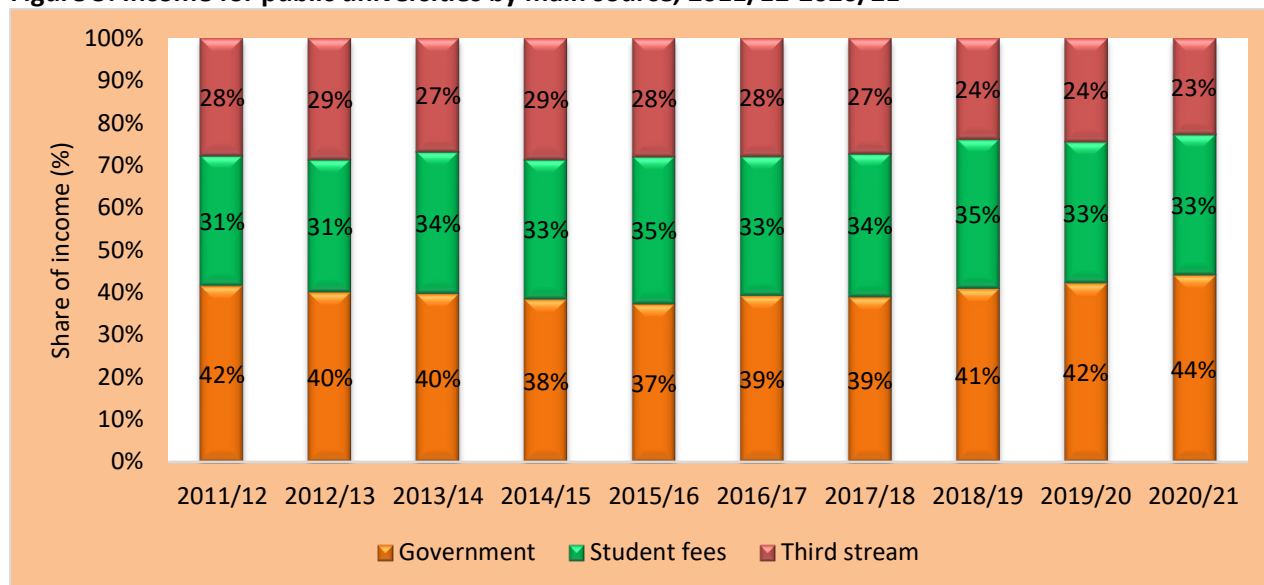
Note 2: Average expenditure per university student is calculated by dividing the NSFAS funding disbursed to universities by the number of university students funded by NSFAS.

Note 3: Average expenditure per TVET college student is calculated by dividing the NSFAS funding disbursed to TVET colleges by the number of TVET college students funded by NSFAS.

6. SOURCES OF INCOME FOR PUBLIC UNIVERSITIES AND TVET COLLEGES

Figure 5 provides information on the various sources of income for public universities from 2011/12 to 2020/21. Much of the funding of the universities flows as transfers from the DHET budget to universities. The total income for universities was R93.4 billion in 2020/21, of which 44% was government subsidies, 33% was student fees and 23% was third stream income. Figure 5 shows that third stream income for universities began declining significantly since 2018/19, placing a higher reliance on state resources for overall income.

Figure 5: Income for public universities by main source, 2011/12-2020/21



Source: Own calculations based on DHET Financial Health Reports

Note 1: All calculations are based on nominal values as reported in the source.

Note 2: Government funding refers to state subsidies (block grant and earmarked grants). This figure excludes funding for NSFAS.

Note 3: Tuition fees includes university managed accommodation fees. A portion of NSFAS that is for student fees and university management accommodation is included in this amount.

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.

Table 3 shows income for TVET colleges by main source. Total income for TVET colleges almost doubled from just below R8 billion in 2015/16 to about R15.3 billion in 2020/21. Most of the income for TVET colleges was from government grants and subsidies (73.9%), followed by tuition and related fees (20.3%) in 2020/21.

Table 3: Income for TVET colleges by main source, 2015/16-2020/21

Year	Revenue from exchange transactions		Total government grants and subsidies	Other income	Total income
	Total tuition and related Fees	Other revenue from exchange transactions			
	R million				
2015/16	2 682	513	4 539	232	7 966
2016/17	3 129	763	6 374	305	10 571
2017/18	3 202	733	6 791	347	11 073
2018/19	3 300	752	8 408	260	12 721
2019/20	3 718	921	11 988	103	16 729
2020/21	3 103	609	11 296	282	15 291
Share of income 2020	20.3%	4.0%	73.9%	1.8%	100.0%

Source: TVET colleges Audited Annual Financial Statements

Note 1: All calculations are based on nominal values as reported in the source.

Note 2: Total tuition and related fees includes a portion of NSFAS allocated for tuition fees.

Note 3: Other revenue from exchange transactions includes sale of goods and rendering of services, rental of facilities and equipment, investment income and other income not specified.

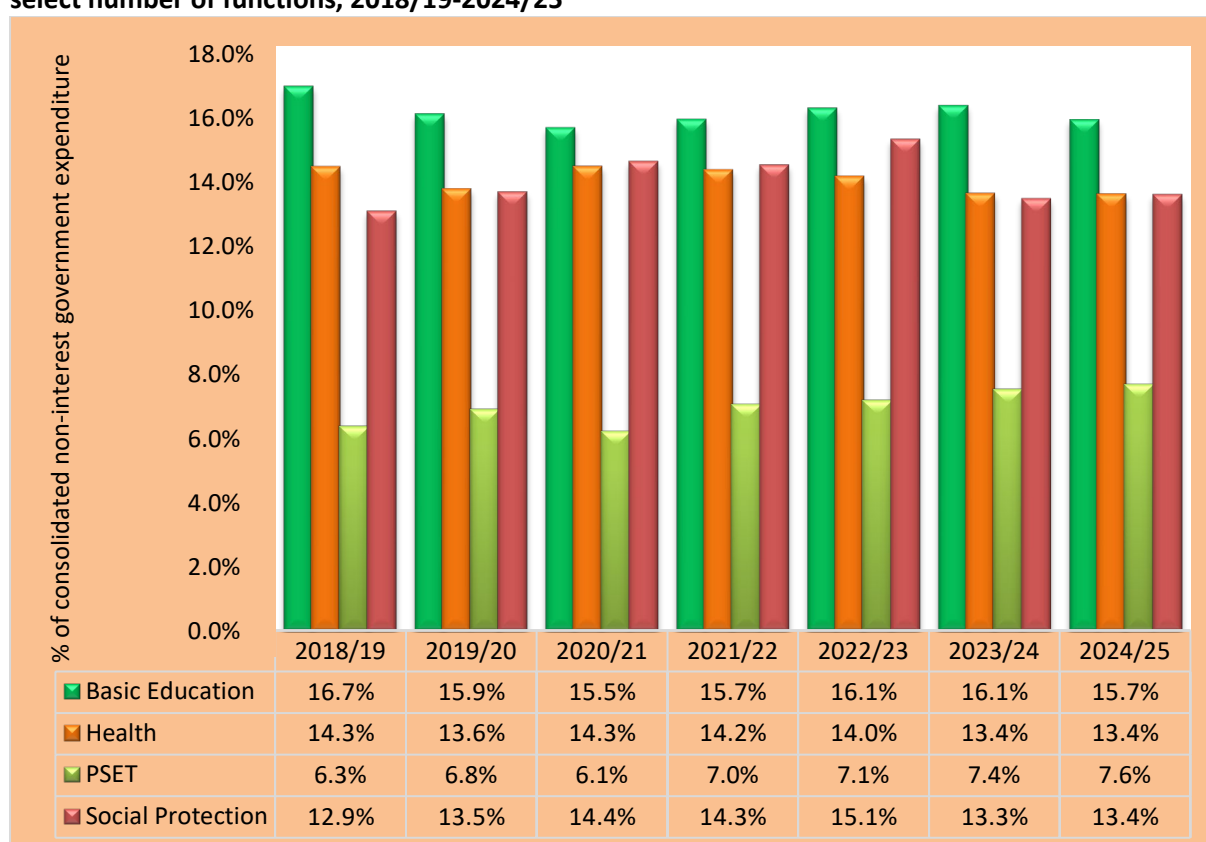
Note 4: Total government grants and subsidies includes transfers from government for programme funding, earmarked capital funding, earmarked recurrent funding and other grants and subsidies not specified.

Note 5: Other income includes public contributions and donations and other income not specified.

7. CONSOLIDATED GOVERNMENT SPENDING ON A SELECT NUMBER OF FUNCTIONS

Figure 6 shows that although the share of PSET as percentage of consolidated non-interest government expenditure has remained relatively low compared to the other social functions of government in the period 2018/19 to 2024/25, it is projected to increase by 1.3 percentage points from 6.3% in 2018/19 to 7.6% in 2024/25. It also suggests that increased government expenditure on PSET has been at the cost of Basic Education and Health.

Figure 6: Percentage distribution of consolidated non-interest government expenditure across a select number of functions, 2018/19-2024/25



Source: Own calculations based on National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020, 2021; National Treasury, Budget Review (Consolidated Budget Spending Plans) 2022

Note 1: All values are based on nominal values from the source.

Note 2: Expenditure on education for the years 2018/19 to 2020/21 is audited outcome.

Note 3: Expenditure on education for the year 2021/22 is revised estimate.

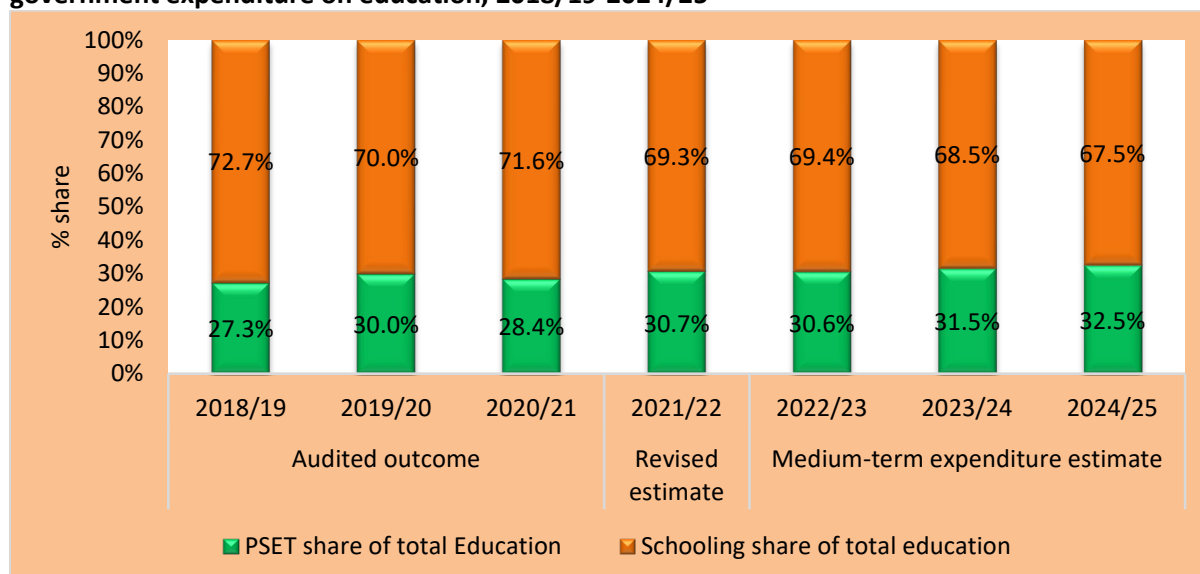
Note 4: Expenditure on education for the years 2022/23 to 2024/25 is medium-term estimates.

8. OVERALL GOVERNMENT SPENDING ON SCHOOLING SYSTEM VERSUS POST-SCHOOLING SYSTEM

Figure 7 shows the PSET and schooling expenditure as a share of consolidated government expenditure on education from 2018/19 to 2024/25. PSET expenditure as a share of overall government expenditure has generally been increasing over the seven years under review, and is

projected to increase even further, by 5.2 percentage points from 27.3% in 2018/19 to 32.5% in 2024/25.

Figure 7: Expenditure on PSET and schooling expressed as a share of consolidated non-interest government expenditure on education, 2018/19-2024/25



Source: Own calculations based on National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020, 2021; National Treasury, Budget Review (Consolidated Budget Spending Plans) 2022

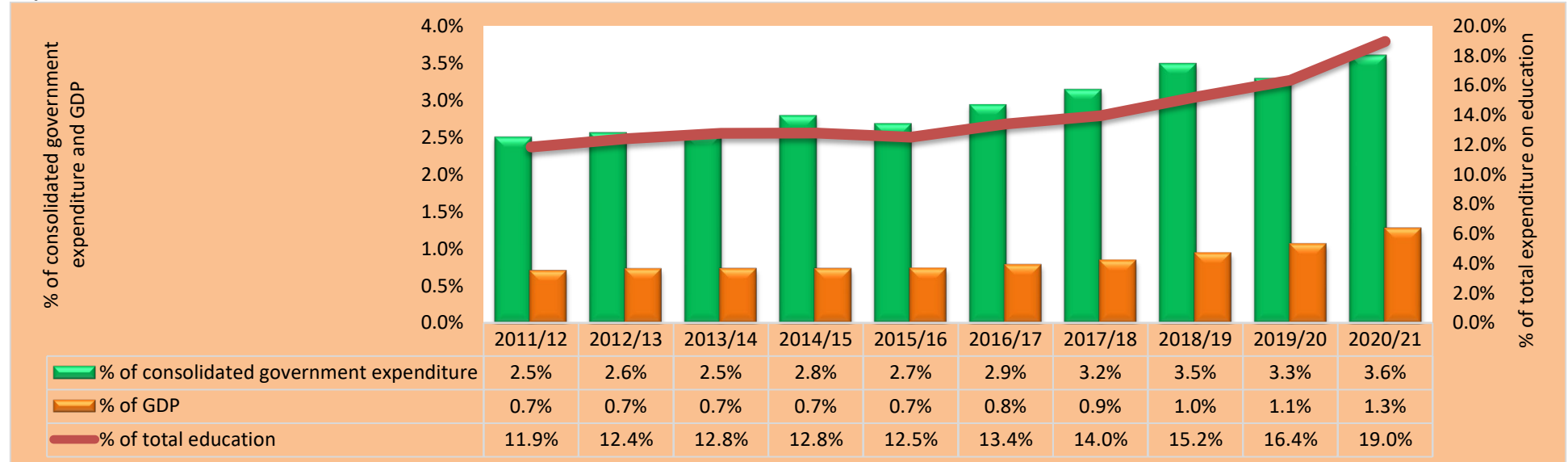
Note 1: All values are expressed as nominal values as reported in the source.

Note 2: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

9. GOVERNMENT SPENDING ON TERTIARY EDUCATION

Figure 8 shows government expenditure on tertiary education as a percentage of consolidated non-interest government expenditure, GDP and total expenditure on education. Government spending on tertiary education as a percentage of consolidated non-interest government spending increased by 1.1 percentage points from 2.5% in 2011/12 to 3.6% in 2020/21. As a percentage of GDP, spending on tertiary education increased from 0.7% in 2011/12 to 1.3% in 2020/21, while spending on tertiary education as a percentage of total government spending on education increased significantly by 7.1 percentage points from 11.9% in 2011/12 to 19.0% in 2020/21. The biggest increases in public expenditure on tertiary education occurred around 2017/18; suggesting that these increases in spending could be attributed to the increase in NSFAS allocations and DHET baseline funding in response to the #FeesMustFall campaign.

Figure 8: Government expenditure on tertiary education as a percentage of total consolidated non-interest government expenditure, GDP and total government expenditure on education, 2011/12-2020/21



Sources: Own calculations based on National Treasury, *Estimates of National Expenditure 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022*; National Treasury *Medium Term Budget Policy Review (Expenditure Priorities) 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021*; National Treasury, *Budget Review (Consolidated Budget Spending Plans) 2022*; National Treasury *GDP time series data, Budget 2022*; *Statistics on Post-School Education and Training 2020*

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

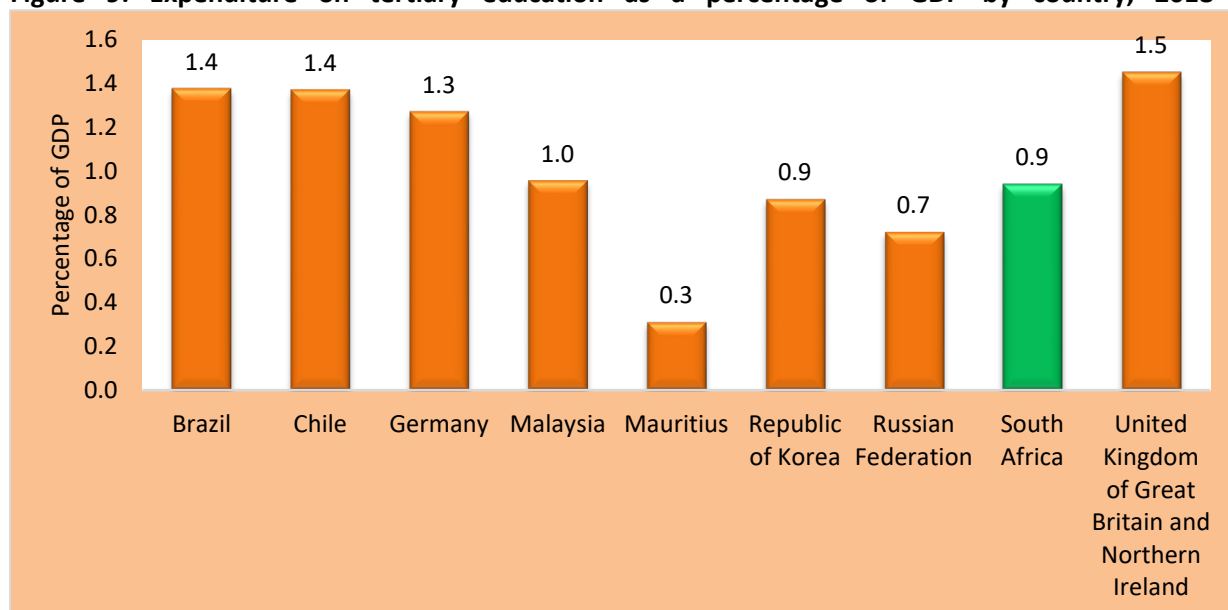
Note 2: Expenditure on tertiary and total education for the years 2018/19 to 2020/21 is audited outcome.

Note 3: Expenditure on tertiary education equals total amount allocated by National Treasury to DHET for university subsidies plus NSFAS allocated to universities students.

Note 4: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

Figure 9 below shows that South Africa spent 0.9% of its GDP on tertiary education in 2018 – a figure far below similar income countries such as Brazil (1.4%), Chile (1.4%) and Malaysia (1.0%), but surprisingly higher than Russia. It is important to note that although South Africa’s spend on tertiary education as a percentage of GDP is lower than many other countries, its spend per student relative to GDP per capita, surpasses that of many countries, including high income countries. See Figure 12 below. Unfortunately, due to the unavailability of recent (2020 onwards) data from comparative countries, it is not possible to conclude whether South Africa compares better with comparative countries in recent years.

Figure 9: Expenditure on tertiary education as a percentage of GDP by country, 2018



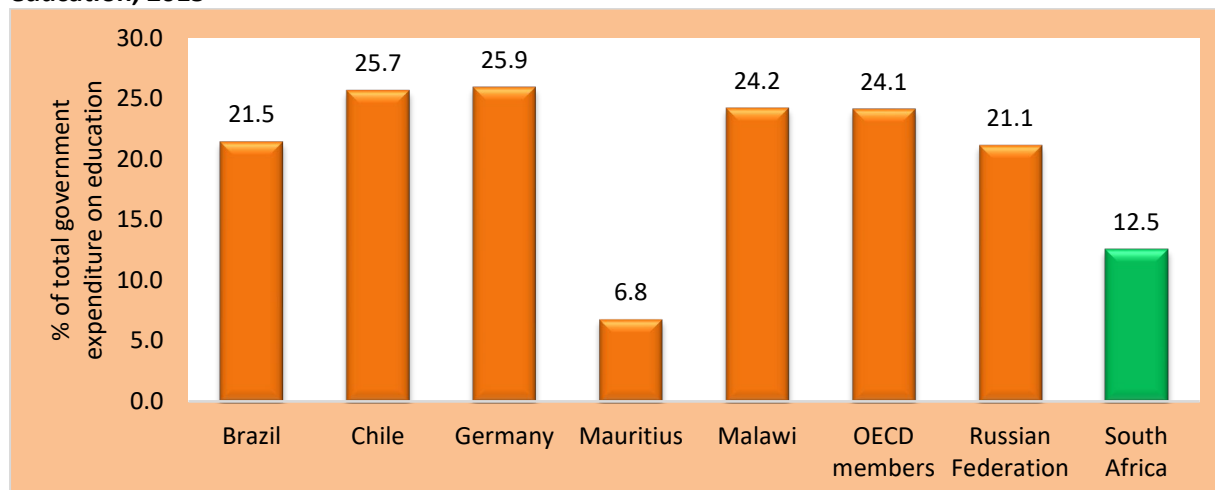
Source: UIS Extracted 10 May 2022

Note 1: The value for South Africa reported by UIS is slightly different to the value calculated using the National Treasury data and DHET data as reported in Figure 8. The differences might be due to the revisions of the ENE data and the GDP estimates. The calculations in this report are based on the latest available budget data.

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

Figure 10 below shows that South Africa’s public spending on tertiary education as a percentage of total government expenditure on education was relatively low compared to similar income countries in 2015. In 2015, South Africa spent 12.5% of its total budget on education on tertiary education while most of the comparative countries spent over 20% of their total education budget on tertiary education. It will be interesting to compare how South Africa currently compares with other similar income countries following the sharp increase of 6.5 percentage points from 12.5% in 2015/16 to 19.0% in 2020/21 as reported in Figure 8.

Figure 10: Expenditure on tertiary education as a percentage of total government expenditure on education, 2015

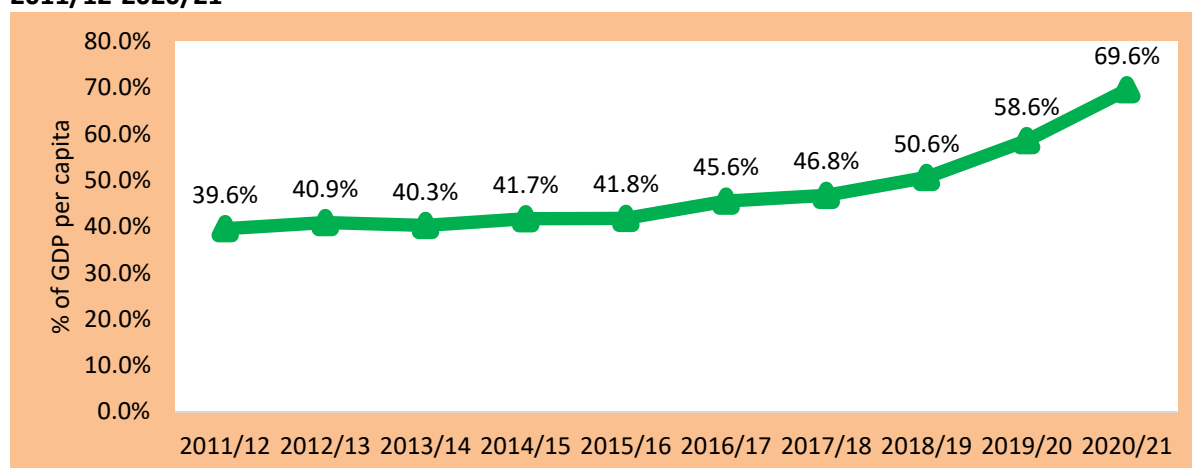


Source: World Bank, Extracted 02 June 2022

Note 1: The countries included in this figure were selected based on availability of latest data.

Public expenditure on tertiary education per student as percentage of GDP per capita is presented in Figure 11. 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 phenomenally from 39.6% in 2011/12 to 69.6% in 2020/21. Many factors can explain this huge jump in expenditure; one of them being the slower rate of increase in GDP per capita, compared to the sharper increase in per student expenditure. (See Table 8 in Appendices).

Figure 11: Public expenditure on tertiary education per student, as a percentage of GDP per capita, 2011/12-2020/21



Sources: Own calculations based on National Treasury, Estimates of National Expenditure 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022; National Treasury GDP time series data, Budget 2022; Statistics on Post-School Education and Training 2020; Statistics South Africa Mid-Year Population Estimates 2021

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

Note 2: Expenditure on tertiary education for the years 2018/19 to 2020/21 is audited outcome.

Note 3: Expenditure on tertiary education equals total amount allocated by National Treasury to DHET for university subsidies plus NSFAS allocated to universities students.

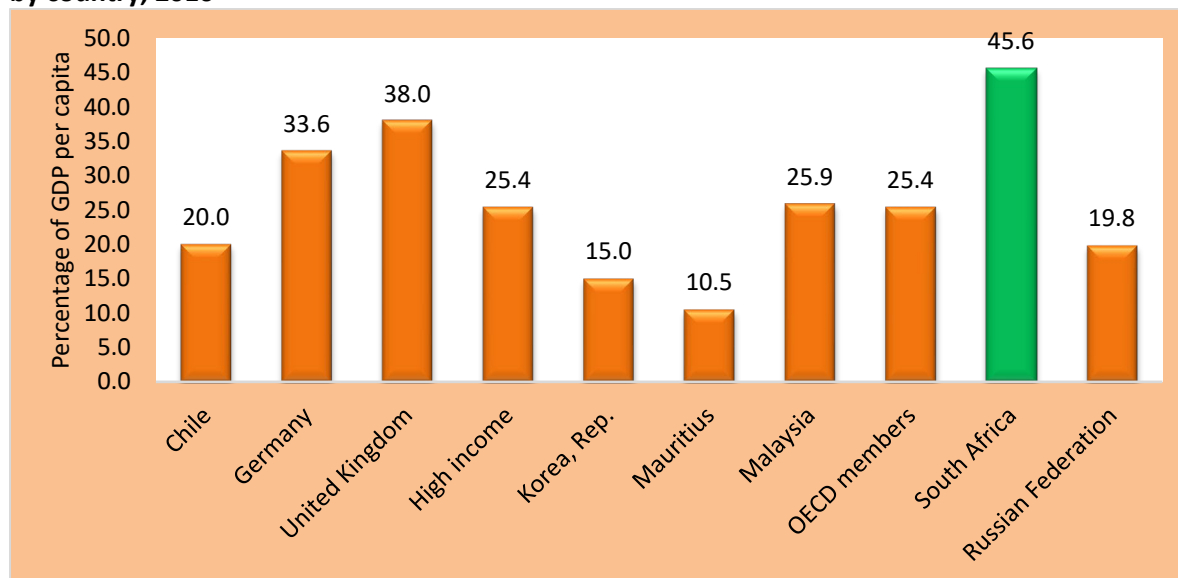
Note 4: This indicator is calculated by dividing per student expenditure by GDP per capita and multiply by 100.

Note 5: Per student expenditure = public expenditure on tertiary / number of students.

Note 6: GDP per capita = GDP / population.

Figure 12 shows that South Africa spends more on average on one student for tertiary education in relation to GDP per capita than many of its comparable countries including high income and OECD countries. In 2016, South Africa’s public expenditure on tertiary education as a percentage of GDP per capita was 45.6%, followed by United Kingdom (38.0%) and Germany (33.6%). Russia spent 19.8%.

Figure 12: Public expenditure on tertiary education per student, as a percentage of GDP per capita, by country, 2016



Source: World Bank (Extracted 10 May 2022)

Note: The value for South Africa was not available in the World Bank database. This figure is own calculations as indicated in Figure 11.

10. GOVERNMENT SPENDING ON TOTAL EDUCATION (BOTH SCHOOLING AND POST-SCHOOLING)

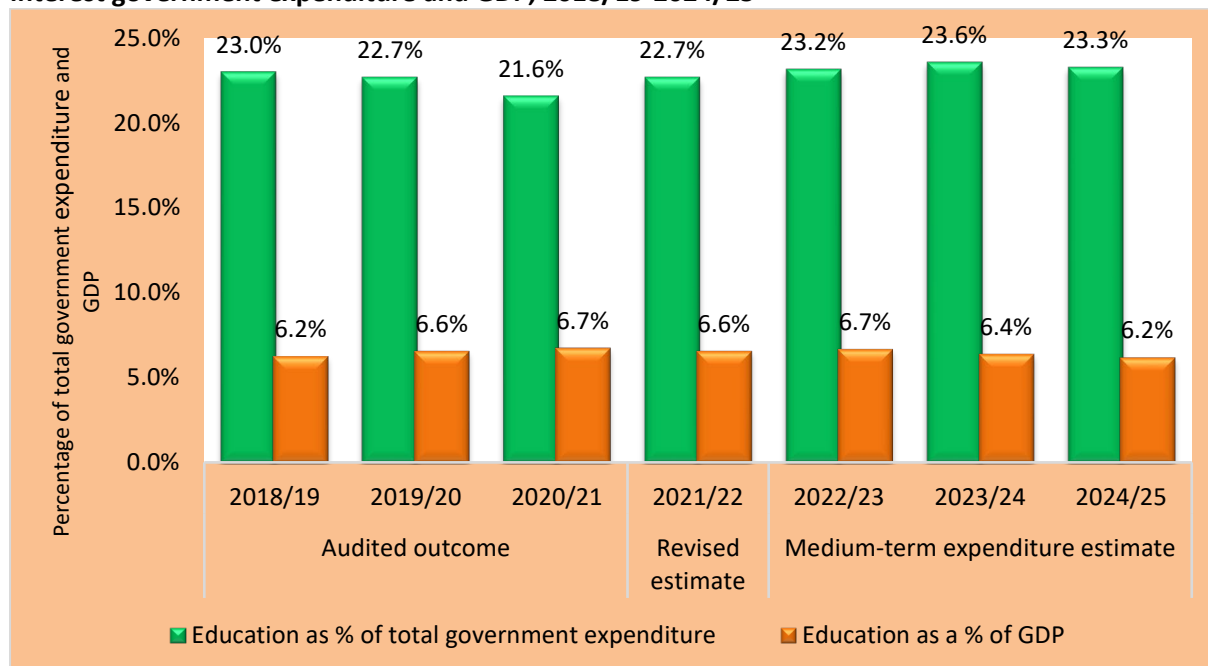
The United Nations Educational, Scientific and Cultural Organisation⁶ (UNESCO) Education 2030 *Incheon Declaration and Framework for Action* for the implementation of the global Sustainable Development Goal 4, endorses the following two key benchmarks for public spending on education:

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

Figure 13 shows that government expenditure on education in South Africa continues to exceed the benchmarks set by UNESCO, both on spending in education as a share of GDP, as well as on the share of consolidated non-interest government expenditure. In 2020/21, South Africa spent 6.7% of its GDP on education and 21.6% of total government expenditure on education.

⁶ 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

Figure 13: Consolidated government spending on education as percentage of consolidated non-interest government expenditure and GDP, 2018/19-2024/25



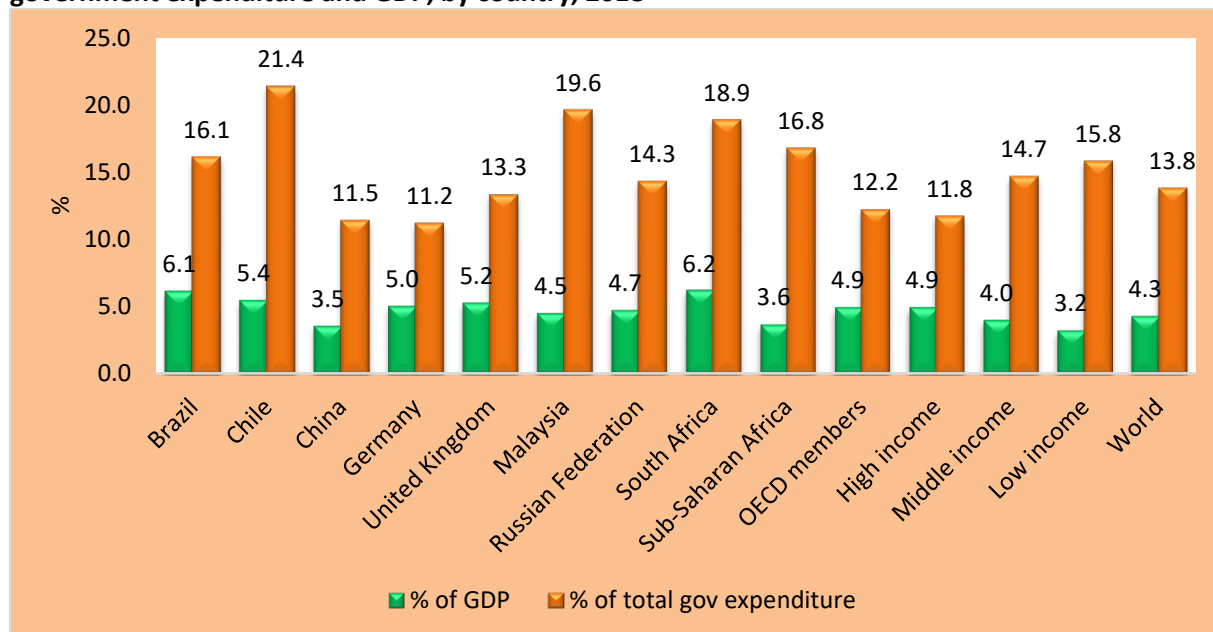
Sources: Own calculations based on National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020, 2021; National Treasury, Budget Review (Consolidated Budget Spending Plans) 2022; National Treasury GDP time series data, Budget 2022

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

Note 2: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

Figure 14 shows education as a percentage of total government expenditure for several countries for the year 2018. Government expenditure on education as a percentage of total government expenditure is relatively high in South Africa compared to other BRICS countries like Brazil and China and even exceed the OECD countries' average and average for high income countries; it was however slightly lower than Chile (21.4%) and Malaysia (19.6%) and not far from Sub-Saharan Africa and the average for low-income countries. The data in the table suggests that low- and middle-income countries spend more of their total government expenditure on education than high income countries. When looking at expenditure on education as a percentage of GDP, South African expenditure (6.2%) exceeds all the comparative countries, followed by Brazil (6.1%) and Chile (5.4%).

Figure 14: Expenditure on education (both schooling and post-schooling) as a percentage of total government expenditure and GDP, by country, 2018



Source: World Bank indicators downloaded 12 May 2022

Note 1: The values for South Africa reported by the World Bank are slightly different to our own calculated values which are based on National Treasury data as reported in Figure 13. The differences could be due to revisions of the mid-term budget policy statements, consolidated budget spending plans and GDP data.

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

11. NATIONAL STUDENT FINANCIAL AID SCHEME

South Africa has developed one of the most effective student bursary and loan schemes for post-school education and training in the world. The scheme, called the National Student Financial Aid Scheme (NSFAS) is an income-contingent mechanism designed for students studying at a public university or TVET college who have a combined household income of R350 000 or less a year. Total inflation adjusted NSFAS funding increased from R7.4 billion in 2011/12 to about R29.7 billion in 2020/21 as reflected in Table 4 below. The share of TVET NSFAS supported students fluctuated from 2011/12 to 2020/21, increasing from 34.6% in 2011/12 to 56.9% in 2015/16 and then decreasing to 34.1% in 2020/21. The share of TVET NSFAS expenditure also fluctuated in the period under review and remained at 16.8% in 2020/21 (also see Figure 15).

Table 4: Real (2015/16 R'000) and per student NSFAS allocation to public universities and TVET colleges 2011/12-2020/21

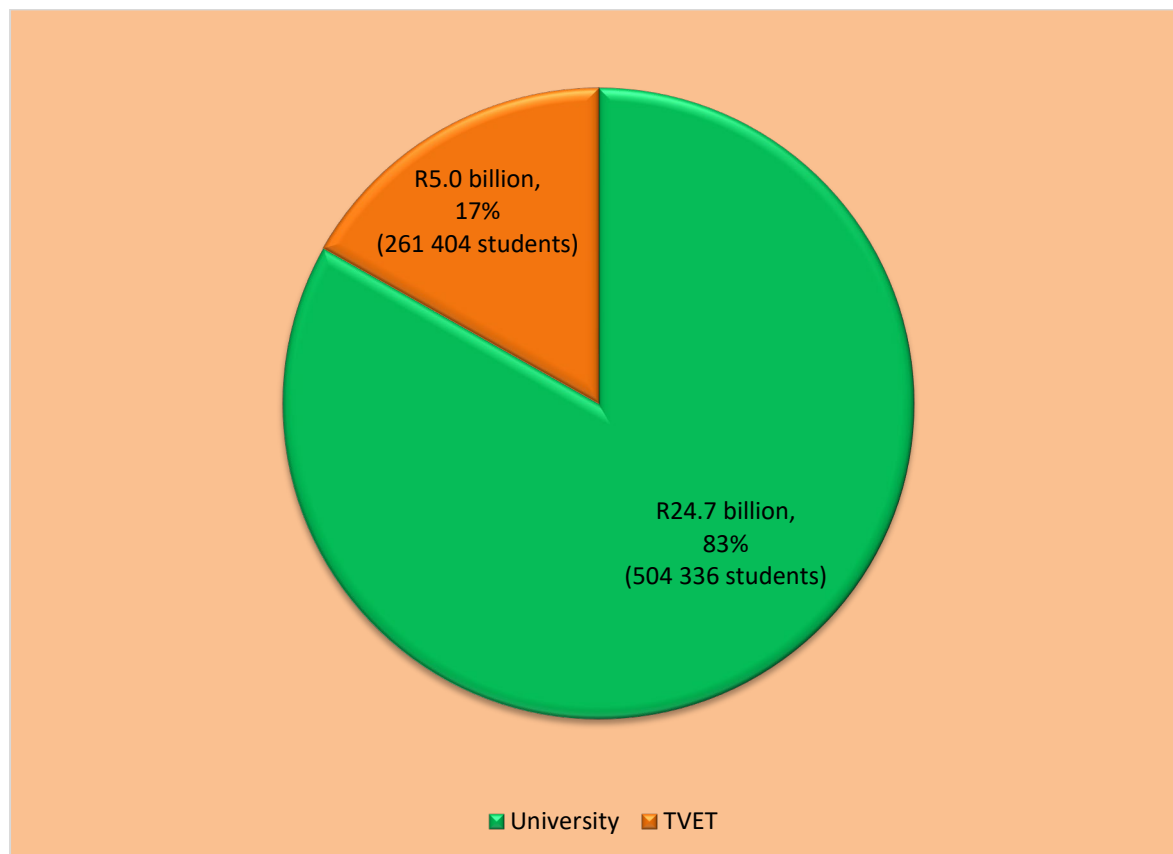
Year	University			TVET colleges			University and TVET colleges			TVET share of NSFAS expenditure	TVET share of NSFAS supported students
	Expenditure (R thousands)	Students assisted	Per student expenditure	Expenditure (R thousands)	Students assisted	Per student expenditure	Expenditure (R thousands)	Students assisted	Per student expenditure (R thousands)		
2011/12	6 016 895	217 219	27 700	1 385 536	114 968	12 051	7 402 430	332 187	22 284	18.7%	34.6%
2012/13	6 922 403	194 932	35 512	2 142 537	188 182	11 385	9 064 941	383 114	23 661	23.6%	49.1%
2013/14	7 498 777	195 387	38 379	2 170 522	220 978	9 822	9 669 299	416 365	23 223	22.4%	53.1%
2014/15	7 331 425	186 160	39 382	2 094 460	228 642	9 160	9 425 884	414 802	22 724	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	9 694 995	225 950	42 908	1 981 633	225 557	8 786	11 676 628	451 507	25 861	17.0%	50.0%
2017/18	10 877 730	260 002	41 837	1 807 914	200 339	9 024	12 685 644	460 341	27 557	14.3%	43.5%
2018/19	15 775 691	346 966	45 468	2 354 866	239 797	9 820	18 130 557	586 763	30 899	13.0%	40.9%
2019/20	18 671 409	393 767	47 417	4 203 951	346 270	12 141	22 875 359	740 037	30 911	18.4%	46.8%
2020/21	24 691 569	504 336	48 959	4 986 314	261 404	19 075	29 677 883	765 740	38 757	16.8%	34.1%
Average annual growth rate											
2011/12-2014/15	6.8%	-5.0%	12.4%	14.8%	25.8%	-8.7%	8.4%	7.7%	0.7%	5.9%	16.8%
2014/15-2017/18	14.1%	11.8%	2.0%	-4.8%	-4.3%	-0.5%	10.4%	3.5%	6.6%	-13.8%	-7.6%
2017/18-2020/21	31.4%	24.7%	5.4%	40.2%	9.3%	28.3%	32.8%	18.5%	12.0%	5.6%	-7.8%
2011/10-2020/21	17.0%	9.8%	6.5%	15.3%	9.6%	5.2%	16.7%	9.7%	6.3%	-1.2%	-0.2%

Source: Own calculations based on DHET Statistics on Post-School Education and Training in South Africa 2020

Note: All values are expressed in real terms (2015/16 R'000).

Figure 15 shows the distribution of NSFAS funding by institutional type in 2020. Most of the NSFAS funding was disbursed to public universities (83%), while 17% of the funding was disbursed to TVET colleges.

Figure 15: Percentage distribution of NSFAS funding, by institutional type, 2020



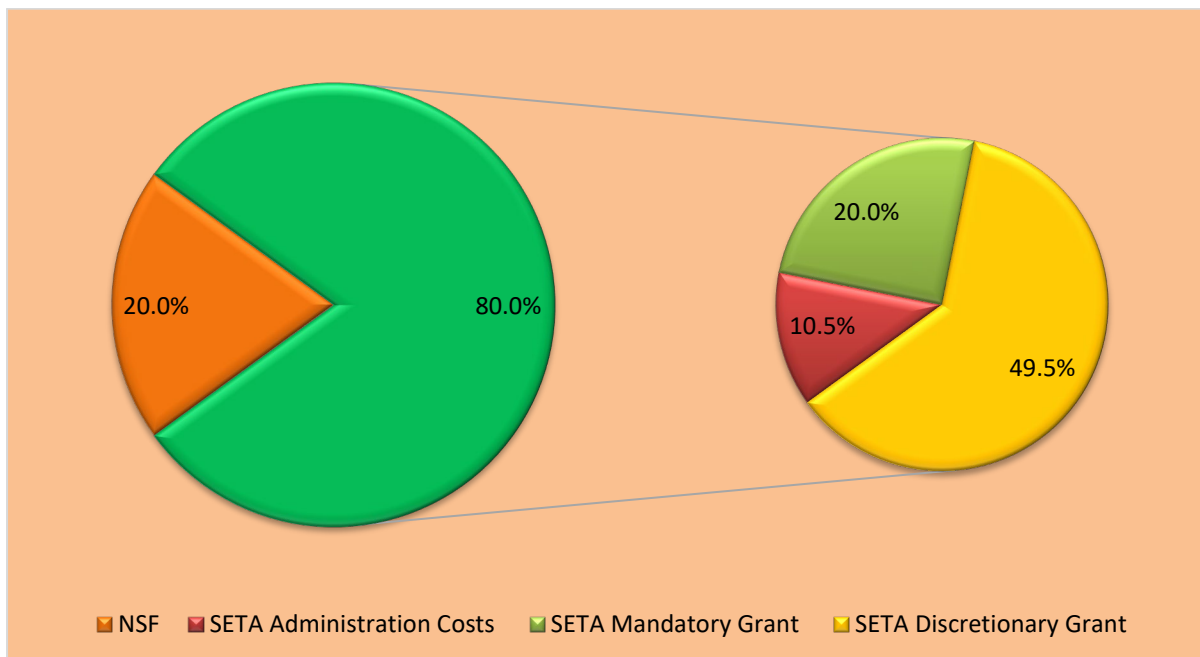
Source: Own calculations based on DHET Statistics on Post-School Education and Training in South Africa 2020
Note: All values are expressed in real terms (2015/16 R million).

12. DISTRIBUTION OF SKILLS DEVELOPMENT LEVY

Figure 16 shows the distribution of the skills development levy in 2020. The total amount disbursed by the Skills Levy Fund was R12.4 billion in 2020/21 of which 80% was transferred to SETAs and 20% transferred to NSF. Of the 80% transferred to SETAs, 49.5% was for the discretionary grant, 20.0% was the mandatory grant and 10.5% was for administration costs. The skills levy collected by government from employers was significantly lower in 2020 compared to that in previous years owing to the negative impact of the Covid-19 lockdown⁷. The government provided relief to employers for four months, during which time there was a “payment holiday” for skills development levies (from May – August 2020).

⁷ In 2019, the government collected over R18 billion in skills development levies (DHET, 2021. *Statistics on Post School Education and Training: 2019*. DHET. Pretoria)

Figure 16: Distribution of the skills development levy, 2020



Source: DHET Statistics on Post-School Education and Training in South Africa 2020

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

13. CONCLUSION

Despite South Africa’s weak economic outlook, government spending of PSET has continued to increase significantly over the past few years, due largely to the introduction of fee-free higher education in 2017/18. The share of government expenditure on PSET as a proportion of government expenditure on education increased significantly over the past 3 years (although there was a decrease in 2020/21 to 28.4% from 30.0% in 2019/20), and it is projected to increase to 32.5% in 2024/25. The expenditure on PSET as a share of total consolidated non-interest government expenditure also increased over the past 3 years and is projected to increase by a further 1.4 percentage points to 7.5% in 2024/25. These statistics show that the South African government has continued to prioritise PSET over other social functions. Although expenditure on PSET is expected to increase significantly over the next 3 years, it remains inadequate to meet the National Development plan (NDP) targets for enrolment in the TVET and the CET subsectors and also inadequate to address the funding of students in the “missing middle” income bracket and post-graduate students who cannot secure funding from the National Research Foundation (NRF) as highlighted by the Minister of Higher Education, Science and Technology in the Department of Higher Education and Training (DHET) budget vote 2022.

Much of the PSET budget is allocated to the public university sector, which received 65.4% of the PSET budget in 2020/21, followed by TVET college sector (17.3%), with the CET college sector (1.9%). As already alluded to, the share of funding received from the skills levy declined significantly in 2020/21 due to the impact of Covid-19. However, it is projected to increase over the next 3 years. The higher expenditure to public university sector could be attributed to the higher enrolment of students

compared to the other sub-sectors of PSET as well as the costs associated with training a university student. The real public cost for training an FTE public university student was R12 600 more than the cost for training a TVET college student in 2020/21. This is not surprising given the different kinds of programmes offered by the two types of institutions.

Key indicators on tertiary education continued on an upward trajectory over the last decade. The increase was largely driven by NSFAS. The share of NSFAS to total expenditure on tertiary education increased from 20% in 2011/12 to 43% in 2020/21. The share of government expenditure on tertiary education as a percentage of GDP almost doubled from 0.7% in 2011/12 to 1.3% in 2020/21, while tertiary spending as a percentage of total education budget increased significantly by over 7 percentage points in the last 10 years. Although there is no recent data from similar income countries to compare how South Africa has fared in terms of spending on tertiary education as a percentage of GDP and total government expenditure on education, South Africa was spending far much less in 2018 and 2015 for the two indicators respectively. Furthermore, public expenditure per student on tertiary education as a percentage of GDP per capita increased by 30 percentage points from 2011/12 to 2020/21; even in 2016, this exceeded that of high-income countries like Germany, United Kingdom and the average of OECD member states and far exceeded the similar income countries like Brazil, Chile, and Russia. South Africa's relatively high public expenditure on tertiary education per student as a percentage of GDP per capita requires deeper exploration and analysis.

The National Student Financial Aid (NSFAS) has been the main driver in the increase in government spending on PSET and has played a major role in supporting university and TVET college students from poorer backgrounds. In 2020, 46% of university students were NSFAS beneficiaries, while 58% of TVET colleges students were beneficiaries.

When looking at government spending on education as a whole (schooling and post-schooling), South Africa continues to spend a large share of total budget and wealth on education. Spending on education as percentage of total government expenditure and GDP exceeds the benchmarks set by UNESCO which recommends allocating 15-20% of total government expenditure to education and 4-6% of GDP to education. South Africa government expenditure on education as a percentage of total government expenditure and GDP even exceeded that of other BRICS countries and averages for OECD countries and high-income countries. However, as is generally well known, increased education spending has not translated into improved education outcomes.

14. APPENDICES

Table 5: Government spending on PSET (R million) 2018/19 to 2024/25

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
University	55 347	69 308	75 650	80 161	88 582	92 642	98 556
TVET	9 646	11 404	12 080	12 226	12 623	12 665	13 233
CET	1 975	2 054	2 000	2 366	2 482	2 569	2 684
SETAs and NSF	17 480	18 284	12 413	18 933	20 619	22 329	24 099
Other	5 897	6 017	3 967	3 136	5 828	5 360	5 175
Total	90 346	107 067	106 110	116 822	130 134	135 564	143 747
% of GDP	1.7%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%
% of total government expenditure	6.1%	6.5%	6.1%	6.5%	7.0%	7.4%	7.5%
% of total education expenditure	26.7%	28.7%	28.3%	28.5%	30.3%	31.2%	32.2%

Sources: Own calculations based on National Treasury GDP time series data (National Budget 2022); National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020 and 2021 and Budget Review (Consolidated spending plans) 2022

Note 1: All calculations are based on nominal values as reported in the source

Note 2: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

Note 3: The value 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 government⁸ allocations for a select number of functions, 2018/19-2024/25

Year	Basic education	Health	PSET	Social protection	Other functions	All non-interest government expenditure
2018/19	211 342	180 052	79 304	162 925	629 380	1 263 004
2019/20	215 194	183 944	92 119	182 704	680 796	1 354 757
2020/21	215 221	198 736	85 328	200 922	692 225	1 392 432
2021/22	216 488	195 091	95 887	197 145	672 724	1 377 335
2022/23	217 168	188 694	95 835	204 132	645 877	1 351 706
2023/24	207 410	172 754	95 578	170 689	638 507	1 284 938
2024/25	201 214	171 982	96 880	171 771	639 371	1 281 218
Average annual growth rate (%)						
18/19 – 21/22	0.8%	2.7%	6.5%	6.6%	2.2%	2.9%
21/22 – 24/25	-2.4%	-4.1%	0.3%	-4.5%	-1.7%	-2.4%
18/19 – 24/25	-1.6%	-1.5%	6.9%	1.8%	0.5%	0.5%

Source: Own calculations based on National Treasury Medium Term Budget Policy Statements Expenditure Priorities 2019, 2020, 2021; National Treasury, Budget Review (Consolidated Budget Spending Plans) 2022

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

Note 2: Expenditure on education for the years 2018/19 to 2020/21 is audited outcome.

Note 3: Expenditure on education for the year 2021/22 is revised estimate.

Note 4: Expenditure on education for the years 2022/23 to 2024/25 is medium-term estimates.

Note 5: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

⁸ 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. It excludes debt-service costs.

Table 7: Consolidated government⁹ spending on total education (R million), 2018/19-2024/25

	Audited outcome			Revised estimate	Medium-term expenditure estimate		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
PSET	92 362	111 785	106 577	125 921	131 551	137 001	145 050
Schooling	246 141	261 135	268 818	284 297	298 102	297 301	301 262
Total education	338 503	372 920	375 395	410 218	429 653	434 302	446 313
All non-interest consolidated government expenditure	1 470 964	1 643 980	1 739 191	1 808 743	1 855 461	1 841 823	1 918 271
PSET share of total Education	27.3%	30.0%	28.4%	30.7%	30.6%	31.5%	32.5%
Schooling share of total education	72.7%	70.0%	71.6%	69.3%	69.4%	68.5%	67.5%
Education as % of total government expenditure	23.0%	22.7%	21.6%	22.7%	23.2%	23.6%	23.3%
Education as a % of GDP	6.2%	6.6%	6.7%	6.6%	6.7%	6.4%	6.2%

Source: Own calculations based on National Treasury Medium Term Budget Policy Statements (Expenditure Priorities) 2019, 2020, 2021; National Treasury, Budget Review (Consolidated Budget Spending Plans) 2022

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

Note 2: Consolidated non-interest government expenditure includes spending by national departments, sub-national spending (inclusive of national transfers and sub-national own resources). It excludes debt-service costs.

⁹ Consolidated government expenditure on education 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, 2011/12-2020/21

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'000	Thousand	Rand	R'000	Thousand	Rand	%
2011/12	24 203 119	938	25 803	3 391 162 000	52 004	65 209	39.6%
2012/13	26 812 153	953	28 134	3 633 648 000	52 815	68 800	40.9%
2013/14	29 140 919	984	29 615	3 945 370 000	53 637	73 557	40.3%
2014/15	31 166 275	969	32 163	4 200 741 000	54 478	77 109	41.7%
2015/16	33 491 693	985	34 002	4 498 913 000	55 328	81 314	41.8%
2016/17	38 269 317	976	39 210	4 831 201 000	56 141	86 055	45.6%
2017/18	43 712 932	1 037	42 153	5 136 829 000	56 991	90 134	46.8%
2018/19	51 478 082	1 086	47 402	5 418 317 000	57 859	93 646	50.6%
2019/20	60 984 991	1 075	56 730	5 686 660 000	58 727	96 832	58.6%
2020/21	71 203 825	1 095	65 038	5 566 177 000	59 539	93 488	69.6%

Sources: National Treasury, Estimates of National Expenditure 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022; National Treasury GDP time series data, Budget 2022; Statistics on Post-School Education and Training 2020; Statistics South Africa Mid-Year Population Estimates 2021

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

Note 2: Expenditure on tertiary education for the years 2018/19 to 2020/21 is audited outcome.

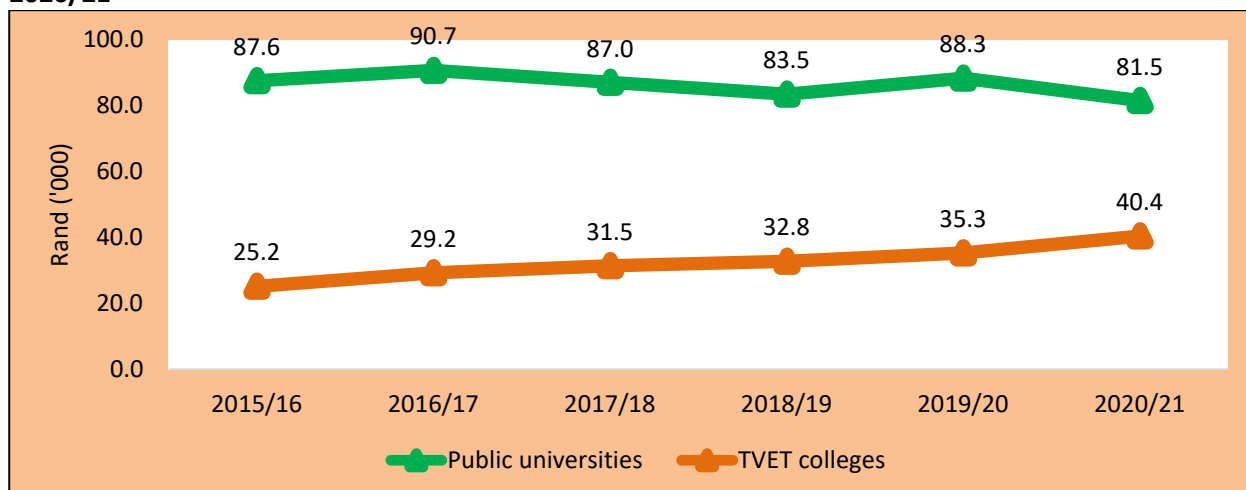
Note 3: Expenditure on tertiary education equals total amount disbursed for programme 3 (university education) in the ENE minus amount allocated for TVET NSFAS as reported in the Statistics on Post-School Education and Training report.

Note 4: This indicator is calculated by dividing per student expenditure by GDP per capita and multiply by 100.

Note 5: Per student expenditure = public expenditure on tertiary / number of students.

Note 6: GDP per capita = GDP / population.

Figure 17: Real per FTE student total¹⁰ expenditure at public universities and TVET colleges, 2015/16-2020/21



Sources: Own calculations based on DHET Financial Health Reports; TVET colleges Audited Annual Financial Statements; Statistics on Post-School Education and Training 2015, 2016, 2017, 2018, 2019, 2020

Note 1: All values are expressed in real terms (2015/16 R'000).

Note 2: Per student FTE expenditure for public universities is calculated by dividing the total expenditure for universities (government, student fees and third-stream income) by the number of FTE students. A portion of NSFAS that is for student fees and university management accommodation is included in this amount.

Note 3: Per student FTE expenditure for TVET colleges is calculated dividing total expenditure for TVET colleges (government grants and subsidies, revenue from exchange transactions (which also includes tuition and related fees), public contributions and donations and other income) by TVET number of TVET colleges FTE students. A portion of NSFAS that is tuition fees is included in this amount.

Table 9: Income for public universities by main source, 2011-2020

Year	Government	Student fees	Third stream	Total
	R million			
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	33 461	28 754	19 476	81 691
2019	39 043	30 738	22 631	92 412
2020	41 199	31 006	21 238	93 443
Average annual growth rate				
2011-2014	6.4%	11.8%	10.4%	9.2%
2014-2017	9.3%	9.9%	7.0%	8.9%
2017-2020	11.6%	6.3%	0.8%	7.0%
2011-2020	9.1%	9.3%	6.0%	8.4%

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.

¹⁰ This indicator is based on total expenditure as reported in the respective financial statements for public universities and TVET colleges.