Investment Trends in Post-school Education and Training in South Africa
FOREWORD

It is my pleasure to present to you the first report on *Investment Trends in Post-School Education and Training in South Africa*. The Department of Higher Education and Training aims to improve the supply of skills in order to meet the skills needs of the labour market. The adequate financing of the post-school education and training system, which comprises four sub-sectors, namely, Higher Education, Technical and Vocational Education and Training, Community Education and Training and the Skills Levy System, has become paramount in the country’s attempt to meet the skills needs and development of the country, redress historical imbalances and creating the knowledge-centred and innovative society articulated in the National Development Plan.

The post-school education and training system in South Africa is funded largely by government, which makes funding one of the most powerful instruments the government has at its disposal to steer the system. The post-school education and training system receives government funding through two main sources, namely, voted funds and a portion of skills development levies. The report looks at some of the challenges and successes in managing funding for the post-school education and training system, especially in the post-2008 period. It outlines the policy and legislative imperatives of the system, highlighting the challenges faced by the system pertaining to financing, along with the approaches taken to manage these challenges. An analysis of the historical and current funding and expenditure within the system is provided in order to assess the strides made in relation to access, equity and redress as the pillars of change. The report also includes the policy implementation achievements by the Department of Higher Education and Training.

The Department will strive to improve the accuracy of this report and be more responsive to stakeholder’s needs. Your feedback, including suggestions for improvement, can be emailed to: [Khuluve.M@dhet.gov.za](mailto:Khuluve.M@dhet.gov.za).

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ACKNOWLEDGEMENTS

The Department of Higher Education and Training wishes to thank Mr Russell Wildeman (Independent Consultant) for providing support in the initial conceptualisation of this publication and for his generous contributions in the final review of the publication.
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<tbody>
<tr>
<td>APP</td>
<td>Annual Performance Plan</td>
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<td>CET</td>
<td>Community Education and Training</td>
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<td>DHET</td>
<td>Department of Higher Education and Training</td>
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<td>EMIS</td>
<td>Education Management Information System</td>
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<td>ENE</td>
<td>Estimates of National Expenditure</td>
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<td>FET</td>
<td>Further Education and Training</td>
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<td>TVETMIS</td>
<td>Technical and Vocational Education and Training Management Information System</td>
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<td>FTE</td>
<td>Full-Time Equivalent</td>
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<td>GER</td>
<td>Gross Enrolment Ratio</td>
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<td>HDI</td>
<td>Historically Disadvantaged Institution</td>
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<td>HE</td>
<td>Higher Education</td>
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<td>HEI</td>
<td>Higher Education Institution</td>
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<td>HEMIS</td>
<td>Higher Education Management Information System</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NCV</td>
<td>National Certificate (Vocational)</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>National Planning Commission</td>
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<td>National Research Foundation</td>
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<td>National Skills Development Strategy</td>
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<td>NSF</td>
<td>National Skills Fund</td>
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<td>NSFAS</td>
<td>National Student Financial Aid Scheme</td>
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<td>NT</td>
<td>National Treasury</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PFMA</td>
<td>Public Finance Management Act</td>
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<td>PIC</td>
<td>Public Investment Corporation</td>
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<td>RSA</td>
<td>Republic of South Africa</td>
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<td>SARS</td>
<td>South African Revenue Services</td>
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<td>SET</td>
<td>Science, Engineering and Technology</td>
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<td>Stats SA</td>
<td>Statistics South Africa</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>WP</td>
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EXECUTIVE SUMMARY

The adequate financing of the post-school education and training system, which comprises four sub-sectors, namely Higher Education, Technical and Vocational Education and Training, Community Education and Training and the Skills Levy System, has become paramount in the country’s attempt to redress historical imbalances and creating the knowledge-centred and innovative society articulated in the National Development Plan (NDP).

However, there are a number of macro challenges that interfere with an unambiguous affirmation of the centrality of the Post-school Education and Training (PSET) system in South Africa, namely

- A low economic growth environment and its attendant negative impact on the national fiscus;
- In the context of a smaller funding base, competing priorities at the national and sub-national levels of government; and
- Persistent concerns that additional investment in the PSET system is undermined by inefficiencies, poor overall management, and quality deficits.

In building an investment argument for the expansion of opportunities in the post-school education and training environment, it must be acknowledged that education institutions in the PSET system have been under severe pressure to deliver even though they did not always have the resource base to dynamically execute their primary mandates. While the Department of Higher Education and Training (DHET) continues to play a leading role in improving the funding of PSET institutions, it is equally important to carefully document and analyse the output and implementation successes of PSET institutions in order to engender a greater appreciation of the contribution of this sector in helping to address problems of poverty, unemployment and inequality.

This publication aims to create a baseline for the exploration and assessment of investment in the PSET system regarding access, equity and redress by:

- Exploring the current budgetary patterns and trends;
- Indicating the strides that this democratic dispensation has made in terms of dealing with the historical imbalances; and
- Making the case for the improved financing of the PSET system as a vital cog in the government’s social and economic policies.

The policy and outcome goals of the PSET system are set out in the NDP and the White Paper for Post-school Education and Training (DHET, 2013). The main message contained in these official documents is that the PSET system must be expanded rapidly in order to meet the country’s emerging social and economic needs. Some of the outcome goals set out in the NDP to be achieved by 2030 include:

- Increasing participation rates to 25 per cent in the college sector and to more than 30 per cent in the university sector;
- Increasing graduation rates in TVET colleges to 75 per cent, while in the university sector, achieve a comparable rate of more than 25 per cent;
- In the university sector, increase doctoral graduates, while raising the qualification levels of university teaching personnel such that 75 per cent of such staff hold a PHD;
- Substantially increase the participation rates for female and black students;
- Increasing workplace training opportunities for all occupational related qualifications;
- Increasing opportunities for workplace-based learning (WBL) through apprenticeships, learnerships and internships, etc.; and
- Increasing the participation rate and throughput rate in the Community Education and Training (CET) sector.
While these expansion goals were uncontroversial under the assumption of a steadily growing economy, the post-2009 slowdown in the economy has brought allocation and efficiency issues to the centre of budget debates in the country. Instead of a consistent and steady expansion of the entire PSET system, the reduction in government resources and an uncertain policy environment has forced tough and unpopular decisions.

**Key challenges in the PSET system**

*Overview*

The PSET system has to deal with a number of challenges that emanate from the external environment (allocation decisions), factors internal to the way institutions operate (efficiency and implementation challenges) and broader policy shifts that took place in government (for example the function shift of TVET Colleges and Adult Education and Training (AET) centres to the national sphere of government). In addition, the White Paper for PSET requires a coherence with which the government conceptualises and implements PSET policy and hence the demands to get this right are considerable and require a whole series of events and processes to support the implementation of the PSET policy framework.

*Implementation challenges*

The university sector faces the following key challenges, namely relatively low graduation/success rates; a real decline in State funding for the university sector, including inadequate contributions by the National Student Financial Aid Scheme (NSFAS); pressure to transform the sector through transformed language policies and a transformed curricula; a fluid policy environment that is subject to regular policy changes; and attempts at building the next generation of academics.

Other challenges in the university sector that require urgent intervention are equity at the individual and institutional levels, fine-tuning the funding framework to avoid perverse incentives, boosting the quality of foundational programmes, and the development of comprehensive Monitoring and Evaluation (M&E) systems for the sector as a whole.

In reflecting on the challenges facing the TVET college sector, the White Paper for PSET draws attention to deficits in programme quality, the professional capability of staff, the need to build a stronger Management Information System (MIS), weak partnerships between TVET colleges and industry, restoring links between the colleges and the labour market by making programme offerings more responsive, and improving the placement of college graduates in jobs.

External commentators have also raised issues about the poor throughput and graduation rates, poor governance and management of colleges, variable financial management skills and confusion around the branding and place of TVET colleges in the post-school education system.

In terms of the skills system, the sectoral education and training authorities (SETAs) are expected to facilitate the delivery of sector-specific skills interventions that help achieve the goals of the National Skills Development Strategy III (NSDS) and develop the skills needed by employers. There are currently 21 SETAs. Current problems with the SETAs include:

- Poor governance;
- Inadequate human resources;
- Poor administration and financial management;
- No proper monitoring and evaluation system;
• No accurate records of the number of people who have benefited from the system and what the impact has been; and
• Limited or no linkages with the post-school sector.

The biggest challenge with regards to the Community Education and Training sector is to develop a firm understanding of implementation modalities and to garner the necessary funding to support a gradual implementation process. The expansion of this sector is critically dependent on the lessons learned during the piloting of the nine community education training centres as well as clarity regarding the overall financing of the PSET system.

General financing challenges

The Budget Review 2013 (National Treasury, 2013) indicated that if the economy were to grow by more than 5 per cent annually, government revenue could be expected to double in the next 20 years. This would make major policy initiatives such as the National Health Insurance (NHI) and the substantial expansion of vocational education affordable. However, the same report cautioned that if economic growth stayed on its past trajectory of around 3.5 per cent annually, then significant adjustments to the revenue base (increase in taxes) and/or decreases in other areas of spending will be required to sustainably meet the health and post-school education commitments. The Budget Review indicated that a ‘no policy change’ scenario in post-school education assumes a steady rate of growth in enrolments, whereas a ‘policy change’ scenario assumes that the government has begun implementing the rapidly increasing (enrolment) growth provisions in the White Paper for the PSET system.

The fact that the economy has not managed to perform at the assumed baseline growth rate of 3.5 per cent has massive implications for how PSET will be funded and how this situation impacts different parts of the PSET system. Funding for the PSET system that is appropriated from the budget of the Department of Higher Education and Training (DHET) is projected to grow in real terms by 3 per cent on average over the present MTEF, while a strong positive real growth rate of 5 per cent on average has been sustained since 2010/11. If the expanded definition of PSET (inclusive of funding from the National Skills Fund and SETAs) is considered, then expenditure on this function is projected to grow by 4 per cent on average in real terms over the present Medium Term Expenditure Framework (MTEF).

While it is not possible to judge the adequacy of the expenditure investments in the absence of a consideration of service delivery burdens (student enrolments and output targets), at the aggregate level at least, there is a genuinely positive intent in spending additional resources on the provisioning of PSET. For example, if one compares the growth in spending on PSET to the growth in spending on non-interest expenditure in general, then a large positive adjustment has been made for PSET in the present financial year (roughly 10 per cent in real terms), although this advantage fades over the remainder of the MTEF. The reason for the lower rate of growth over the remainder of the MTEF relates to the imperative to spend resources effectively and efficiently as well as ongoing uncertainty about external events that may challenge the assumptions of the present budget.

Over the period 2010/11 to the end of the present MTEF (2018/19), national PSET expenditure is steady at around 1 per cent of the Gross Domestic Product (GDP), while its share of non-interest expenditure has grown steadily from 3.2 per cent in 2010/11 to slightly more than 4 per cent in 2018/19. Comparatively, the PSET/GDP ratio is fairly low when compared to the Organisation for Economic Co-operation and Development (OECD) country average, which spent collectively approximately 1.6 per cent of their GDP on the PSET system. Expenditure on concurrent social services functions (inclusive of sub-national own spending), which include functions such as basic education, social development and the PSET system, is projected to grow positively in real terms.
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over the present medium-term. The growth in these consolidated functions, including the PSET system, outstrips the growth in consolidated non-interest expenditure over the same period. This is further proof, that at an aggregate level, the post-schooling sector is enjoying some form of funding prioritisation, in spite of the negative overall spending environment. However, the real rates of growth for expenditure on the PSET system are moderate, reflecting in part, the much slower rate of growth on PSET spending for the two outer years of the present MTEF.

**Financing challenges specific to the university sector**

Expenditure on transfers and earmarked funds to the university sector is projected to grow by 4 per cent on average over the present MTEF. Over the longer period, namely 2010/11 to 2018/19, expenditure on the university programme is projected to grow by 5 per cent on average in real terms.

The university sector has experienced increasing enrolment trends, which imply higher service delivery burdens in the context of a difficult spending environment. Between 2000 and 2013, headcount enrolments grew from slightly more than half a million students in 2000 to just under a million students in 2013, which represents a 76 per cent increase in headcount enrolments. Over this entire period, enrolment growth averaged 4.5 per cent yearly. Facing growing student enrolments and an adverse inflationary environment, overall university sector spending has not kept pace with the rising costs and consequently, universities had to perform the same (and more) functions with substantially less. While it has been shown earlier that there is a positive spending intent in the sector, external factors (such as the rate of inflation) and a strong growth in enrolment numbers would have challenged such gains.

The real decline in per capita spending is driven strongly by the decline in the value of the unconditional block grant if expressed in per capita terms. Relative to what the block grant was able to buy in 2004/05, it is sobering to realise that its value in 2014/15 was substantially less than what could be bought with the grant in 2004/05. Universities have responded by relying more heavily on student fees and this form of income has risen steadily over the last few years. By 2013, student fees represented one-third of the total income of public universities. When the President announced a no-fee increase in 2015 for the academic year 2016, the only other viable way of dealing with this shortfall in funding for universities were direct government transfers to universities.

**Financing challenges specific to the TVET college sector**

Expenditure on the TVET colleges is projected to decline by 1 per cent in real terms on average over the present MTEF, while over the longer period (2010/11 to 2018/19), this programme is projected to grow in real terms by 5 per cent on average. The positive growth over this longer period reflects the initial large positive allocations that were made to finance TVET Colleges (especially student financial aid) following the announcement that colleges will become a national function. Conversely, the decline in funding over the present MTEF is largely due to the additional expenditure space created in the university budgets in the present financial year. In other words, additional resources in the budget of the DHET have been diverted to public universities, thus leaving TVET Colleges with spending resources levels similar to what they had received under the control of the provincial education departments prior to 2015/16.

The impact of the decline in funding for TVET Colleges can be observed most pertinently in the decline in the per capita spending per Full-Time Equivalent (FTE) student. For example, the real per capita FTE in 2016/17 is almost two times lower than the corresponding per capita spending in 2010, thus reinforcing the view of the steady decline in programme funding for TVET colleges. What this implies are further pressure on operational budgets that are already strained (expenses on
examination units, additional resources for curriculum reforms, lecturer development and general under-staffing).

The NDP stipulates that the TVET college sector should enrol 2.5 million students by 2030. Based on the current enrolment of approximately 710 000 students, it is envisaged that the system should expand by at least 7.1 per cent annually until 2029/30 to reach this target. However, due to the funding squeeze, it is projected that the TVET College sector, in pursuance of the NDP goals, is likely to experience a cumulative budget shortfall close to R54 billion over the present MTEF. This calculation is based partly on the assumption that the no-fee increase of the university sector will carry over into the TVET College sector; that the establishment of new and functional TVET sites go ahead as planned; and, National Student Financial Aid Scheme (NSFAS) funding continues to make a contribution to meeting financing in the sector.

Responding to the challenges: government and public institutions’ responses

Overview

The department, mindful of the resources and implementation challenges, have developed a rational and evidence-based approach to the management of the challenges. This includes work on devising a new national plan for the PSET system as a whole, consolidating the emerging Higher Education and Training Information System (HETIS), and working co-operatively with the National Treasury in quantifying the overall resources claims of the PSET system. Joint management with public institutions of important national goals such as participation, quality, and equity has further improved the overall standing of the PSET system.

Government and its evidence-based response to challenges in the PSET system

The department, as a national policy-making department, has to respond to multiple policy and financing challenges. Furthermore, such responses take place in a compromised overall spending environment and in a context of rising student demands for affordable and accessible education. The following are some of the key responses:

- **The development of a new national plan for the PSET system**: With the establishment of a new Department of Higher Education and Training and following the publication of the WP for the PSET system, it has become necessary to develop a new national plan for the PSET system as a whole. This may sound self-evident, but the planning and operations necessary to bring the WP on the PSET system to fruition are far more complicated than implementing a single national higher education plan. An important part of this work is to develop revised targets for each of the main sub-sectors in recognition of the changed economic environment and the resulting realisation that the pace at which the system expands will have to be moderated. Furthermore, the plan will give some indication of the capacity of the PSET system-in its present guise- to implement the White Paper for the PSET system. The plan will serve as a reference point to guide future projections of total costs and the time required to fully implement provisions in the White Paper for PSET. This process is already underway and the department is working closely with the National Treasury in fine-tuning this vital plan.

- **Planning processes with PSET institutions that bring predictability and stability in funding**: Education institutions, in order to function without any interruption, must be funded in such a way that brings certainty and predictability in the funding as far as the contribution from the government is concerned. Planning for universities and TVET colleges is informed by projected student numbers, an agreed calendar that contains critical dates, and a built-in flexibility mechanism that allows the DHET and institutions to review recent developments.
• **Careful and considered responses to Ministerial Review Committees** - Recommendations are researched, modelled and implemented in an expeditious manner. This lends credibility to the work of the Review Committees and assures future Ministerial Committees or Task Teams that their work will be taken seriously and is likely to have a substantial impact on the policy issue at hand. In this publication, direct evidence of the progress that has been made in implementing recommendations from Ministerial Review Committees and Task Teams is provided.

• **Cross-government co-operation in determining the financial quantum involved in delivering and expanding post-school education and training** - The National Treasury has begun a process of costing the implementation of the White Paper. However, because of the centrality of the revised national plan for the post-school education and training system, the department and the National Treasury are working together so as to ensure that the costing exercise has an appropriate reference point. This includes the possibility of allowing the department to adjust input parameters so as to represent actual costs of education provisioning in the PSET system. This process will also ensure that both sides have an understanding of the relative cost drivers, constraints and challenges in implementing such an important initiative.

• **Strengthening the capacity of the system to monitor its outcomes and outputs** - Due to the increasing output and outcome-orientation of successive post-apartheid governments, it is critical to collect quality input, output and outcome related data that indicate the progress government is making in undoing apartheid legacies and creating a new culture of excellence. Evidence of the evolving capacity of the system are the various cohort studies that have been done to study throughput rates (at both undergraduate and post-graduate levels) and the degree of student attrition in the system.

*Joint management of national outcomes key to the success of the PSET system*

• **Broadened access of poor students to PSET**
  o The NSFAS allocations to universities have grown massively from a base of 7,240 deserving students in 1991 to 186, 150 students in 2014. Similarly, at TVET colleges, NSFAS bursaries have been awarded to 62,000 students in 2010, while in 2013, that tally has increased to almost 221,000 students.
  o African and Coloured students are major beneficiaries of such funding, and importantly, the NSFAS allocations appear to keep track of inflation, thus preserving the purchasing benefits of this vital funding source.
  o Female students constituted close to 60 per cent of those who received financial awards in 2014.

• **Equity and redress and institutional and individual levels**
  o The department has addressed the large infrastructure backlogs of historically disadvantaged institutions (HDIs) by introducing a HDI grant in 2015/16 that will deliver almost R2 billion over a five-year period. Actual implementation of the grant commenced in 2016/17.
  o The participation rates of African students increased from 11.1 per cent in 2003 to almost 17 per cent in 2013 (an increase of about 6 per cent), whereas the corresponding rate of increase for Coloured students was 3.4 per cent over the same period. African female students have increased their participation rates from 12.2 per cent in 2003 to 19.5 per cent in 2013.
  o In 2003, African students constituted 55 per cent of all science, engineering and technology enrolments, while White students made up 30 per cent of these enrolments. In 2013, African student enrolments constituted 67 per cent of all...
enrolments, while all other groups’ enrolment rates shrunk relative to the growth in African student enrolments. The substantial rise in the enrolment rates of African students in SET fields is noteworthy and must be celebrated.

- **Improvement of quality outcomes in the system**
  - During the period 2007 to 2013, the national under-graduate rate increased at a faster average rate than the enrolment rate (5.3 per cent versus 4.2 per cent), which gives some indication of the improved efficiency in the system.
  - Generally, with the exception of White female students, the cohort performance of those who started their studies in 2009 obtained higher graduation success rates than their counterparts who started their studies in 2000. For the 2009 cohort, a much larger percentage of Africa female students graduated within five years (43.6 per cent vs. 30.4 per cent in 2000), while the corresponding success rate for Indian females is about 50 per cent vs. 42.1 per cent in 2000.
  - While it will be difficult to attribute the growing graduation success rate to one factor only, the contribution of dedicated grants to improve the quality of teaching as well as better preparing students for the rigours of university studies (the foundation grant) could be considered as important variables in this success equation.
  - Between 2003 and 2013, the total number of successful doctoral graduates has been doubled, even though the performance is still below the set benchmark. Furthermore, African doctoral graduates have increased substantially and in 2014, the largest number of doctoral graduates were African.
  - Between 2003 and 2013, the total publication output units per permanent members has doubled, even though the aggregate number hides important differences in research output among higher education institutions.

**The way forward: continued and sustained investment in the PSET system**

What this report has established is the following

- The constrained economic growth environment and the consequent impact on the national fiscus has forced policy-makers to be much more specific about the policies that will enjoy funding prioritisation and how such policies ought to be funded;
- The budgetary evidence presented in this report suggests that there is a positive intent nationally to fund the expansion of the post-school education and training system, but that such gains are challenged by an adverse inflationary environment and rapidly rising demand, which is stimulated internally by the policy imperatives of the White Paper for Post-school Education and Training;
- The two largest post-schooling sectors, namely the universities and public TVET Colleges, are under severe pressure to preserve any spending gains and have been subjected to real declines in their per FTE student funding. The situation with regards to TVET Colleges is somewhat worse, because of the need to accommodate important increases to university funding as well as the capacity challenges that accompanied the national function shift;
- Funding models for Community Colleges in the CET sector are in the process of being finalised and it is clear from the brief review in this report that a substantial injection of funding is needed to implement some of the policy proposals; and
- There is some uncertainty about the contribution of skills development funding to assist the rapid expansion of post-schooling education and training opportunities and that clarity in this regard will assist planners in all facets of the PSET system.
In spite of these challenges, there are a number of ameliorative factors that have contributed to institutions in the PSET system showing resilience in the face of an adverse and shrinking spending environment. These include:

- Signs of improved effectiveness in the university system due to a combination of good management on the part of universities and progressive State funding policies, leading to key transformation targets being met or good progressed registered;
- The department has formalised internal processes aimed at building the evidence base to influence the PSET system in a progressive and desirable manner; and
- Continued focus on redressing the funding and administrative burdens of historically disadvantaged institutions so as to dynamically bring them to the production and innovation mix.

Unless the economy starts to grow, education and financial planners are going to face stark choices: temporarily halt the expansion of the system and focus on improving the quality of the system (inputs, outputs and processes) or choose which of the PSET systems will be allowed to grow in spite of the financial challenges. The former option does not imply a real reduction in the funding intent of the government, but it does suggest that the rate of growth in expenditures is likely to be slowed down in order to comply with broader aggregate fiscal management. Given the relative efficiency of the university sector, it is more than likely that additional increases, at least in the short term, will be directed at this sector.

The unfortunate consequence of this approach is that other components of the PSET system will fall behind in terms of the expansion goals of the White Paper for Post-school Education and Training. However, in the case of the TVET College sector for example, the department has actively encouraged a differentiated college sector and it is not unreasonable to demand that priority sectors are continued to be funded well, thus preserving some of the national goals during this time. If approached in that manner, student enrolment can still be increased in some areas and kept constant in other areas so as to manage the expansion commensurate with the reduced spending environment.

However, much depends on how the present student demands for free higher education and for zero increases in the fee levels will be managed. This uncertainty is reflected in the medium-term allocation for the PSET system and the need to resolve this matter has now become urgent.

1. INTRODUCTION

South Africa’s National Development Plan (hereafter referred to as the NDP), which emanates from the work of the National Planning Commission (NPC), states that the country’s human capital makes a direct contribution to economic growth. Failure to resolve employment and quality of education challenges is likely to result in economic decline, falling living standards, rising competition for resources and social tension (NPC, 2011). The adequate financing of the post-school education and training system, which comprises four sub-sectors, namely Higher Education, Technical and Vocational Education, Community Education and the Skills Levy System, has become paramount in the country’s attempt to redress historical imbalances and creating the knowledge-centred and innovative society articulated in the NDP.

However, there are a number of macro challenges that interfere with an unambiguous affirmation of the centrality of the Post-school Education and Training (PSET) system in South Africa, namely:

- A challenging economic growth environment and its attendant negative impact on the national fiscus;
• In the context of a smaller funding base, competing priorities at the national and sub-national levels of government; and
• Persistent concerns that additional investment in the PSET system is undone by inefficiencies, poor overall management, and quality deficits.

In building an investment argument for the expansion of opportunities in the post-school education and training environment, it is imperative to acknowledge that education institutions in the PSET system have been under severe pressure to deliver even though they did not always have the resource base to dynamically execute their primary mandates. While the department continues to play a leading role in improving the funding of PSET institutions, it is equally important to carefully document and analyse the output and implementation successes of PSET institutions in order to engender a greater appreciation of the contribution that these institutions bring in the country’s quest to address problems of poverty, unemployment and inequality.

This publication aims to create a baseline for the exploration and assessment of investment in the PSET system regarding access, equity and redress by:
• Exploring the current budgetary patterns and trends;
• Indicating the strides that this democratic dispensation has made in terms of dealing with the historical imbalances; and
• Making the case for the improved financing of the PSET system as a vital cog in the government’s social and economic policies.

The report is limited to the funding made available to the higher education institutions, TVET colleges, CET colleges and the skills development levies made available to SETAs to facilitate skills development.

The data used in this report have been drawn from a number of sources, which include internal data sources (The Higher Education Management Information System); National Treasury publications that deal with budget and performance data (Budget Reviews and Estimates of National Expenditure); external reports, generated by DHET officials and presented in public (Parliament and academic conferences); key economic data from Statistics South Africa publications (Consumer Price Inflation, national income etc.); and data from external multilateral agencies (World Bank and UNESCO databases).

The report is structured in the following manner. Section 2 examines the policy and legislative impetus for the PSET system and provides a synopsis of the implementation challenges that face this system. Section 3 analyses the financing of the PSET system against the background of the country’s overall public finances to convey a precise sense of the funding fortunes of the PSET system in the post-2008 period. Section 4 examines policy and implementation successes achieved during the last decade and interrogates the careful and logical way in which the DHET has intervened to secure financial and implementation gains for the PSET system. Section 5 closes this report and provides pointers for the continued financing of the PSET system.

2. UNDERSTANDING THE PSET SYSTEM: POLICY, CHALLENGES AND IMPLEMENTATION

In South Africa, the post-school education and training system is made up of all education and training provision for those who have completed school, those who did not complete their schooling, and those who never attended school. The funding available for the post-school education and training system is provided through the fiscus and the levy grant system. The department is mandated to provide oversight over the funding that flows to the various categories of post-school education and training institutions, which are the following:
• 26 Public Universities (of which 11 are regarded as traditional universities, 6 as Universities of Technology and 9 as Comprehensive Universities). In 2013, two new public universities, Sol Plaatjie University in the Northern Cape Province, and the University of Mpumalanga in Mpumalanga Province were established as comprehensive universities and have functioned as fully-fledged universities in 2014. In addition a third comprehensive university, Sefako Makgatho Health Sciences University, incorporating the former Medunsa campus of the University of Limpopo, has been established in 2014, opening its doors in 2015. Data from the three newly established universities will be included in subsequent reports;
• 50 Public Technical Vocational Education and Training (TVET) colleges (previously referred to as Further Education and Training colleges) with 258 campuses; and
• 9 Community Education and Training (CET) colleges with approximately 3 000 Community Learning Centres (previously referred to as Public Adult Learning Centres).

The department is also responsible for institutions that support the education and training process such as the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF), which means that the department is responsible for ensuring that funds generated through the skills development levy are utilised appropriately and optimally to develop skills needed for the economy.

The policy and outcome goals of the PSET system are set out in the NDP and the White Paper for Post-school Education and Training (DHET, 2013). The NDP, published in 2011, has set ambitious outcome goals for the post-school education and training system, while the White Paper for Post-school Education and Training, in affirming these goals, also addresses the unity of the PSET system, urges meaningful partnerships among institutions, and commits the system to effective differentiation in both the TVET college and university sectors. Differentiation refers to the level and type of education programmes offered and is intimately linked to improving the overall efficiency and affordability of education provisioning in the PSET system.

The main message contained in these official documents is that the PSET system must be expanded rapidly in order to meet the country’s emerging social and economic needs. Some of these outcome goals to be achieved by 2030 include:

• Increasing participation rates to 25 per cent in the college sector and to more than 30 per cent in the university sector;
• Increasing graduation rates in TVET colleges to 75 per cent, while in the university sector, achieve a comparable rate of more than 25 per cent;
• In the university sector, increase doctoral graduates, while raising the qualification levels of university teaching personnel such that 75 per cent of such staff hold a PHD;
• Substantially increase the participation rates for female and black students;
• Increasing workplace training opportunities for all occupational related qualifications;
• Increasing various skills development opportunities such as apprenticeships, workplace-based training, etc.; and
• Increasing the participation rate and throughput rate in the Community Education and Training (CET) sector.

In order to accommodate the hoped-for changes, substantial additional financing ought to be made available to the PSET system. The PSET system receives government funding through two main

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1 Traditional universities offer formative and professional programmes at both the under-graduate and post-graduate levels, universities of technology focus on a narrower range of career and vocational-orientated diplomas and degrees, while comprehensive universities offer a combination of both types of qualifications.
2 This requires a growth in enrolment of more than 60 per cent for universities and almost 300 per cent for TVET colleges.
3 In 2013, the higher education system produced less than 2,300 doctoral graduates, whereas the NDP target requires more than 5,000 doctoral graduates every year.
sources, namely voted funds appropriated mainly on the budget of the department and the skills development levies. Public Higher Education Institutions (HEIs) are allocated funds from the budget of the department through an unconditional block grant allocation, based on enrolment plans submitted by individual institutions to the Department and earmarked grants, which is allocated on the basis of the strategic priorities of the sector and accessed by individual universities through submitted proposals. On the other hand, public TVET colleges and public CET colleges, which were governed, managed and administered by Provincial Education Departments (PEDs) in 2013/14, are allocated voted funds by PEDs on the basis of national funding norms and standards. Since April 2015, a national function shift took place and TVET Colleges are now under the direct policy and funding mandate of the DHET.4

Skills development levies collected from employers by government in terms of the Skills Development Act (RSA, 1998) and the Skills Levies Act (RSA, 1998) are also part of the PSET system. These levies are submitted by companies to the South African Revenue Services (SARS). SARS channels the levies to the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF) to develop skills needed for the economy and general development.

2.1 Implementation Challenges in the PSET system

The NDP and the White Paper for PSET define three areas where universities are required to excel, namely educating and providing high-level skills, producing new knowledge, and providing opportunities for social mobility and strengthening social justice and democracy. Universities are required, therefore, to remain at the cutting edge of new knowledge, while at the same time participate actively in redressing the historical imbalances of the past. The Universities of South Africa (2014) report lists the following key challenges in the university sector, namely relatively low graduation/success rates; a real decline in State funding for the university sector, including inadequate contributions by the National Student Financial Aid Scheme (NSFAS); a fluid policy environment that is subject to regular policy changes; and attempts at building the next generation of academics.

Other challenges in the university sector that require urgent intervention are equity at the individual and institutional levels, fine-tuning the funding framework to avoid perverse incentives (Steyn and de Villiers, 2005), boosting the quality of foundational programmes, and the development of comprehensive M&E systems for the sector as a whole (Ministerial Committee for the Review of the Funding of Universities, 2013).

In reflecting on the challenges facing the TVET college sector, the White Paper for PSET draws attention to deficits in programme quality, the professional capability of staff, the need to build a stronger Management Information System, weak partnerships between TVET colleges and industry, the need to restore the links between the colleges and the labour market by making programme offerings more responsive, and improving the placement of college graduates in jobs.

External commentators have also raised issues about the poor throughput and graduation rates, poor governance and management of colleges, variable financial management skills and confusion around the branding and place of TVET colleges in the post-school education system (FFC, 2014; Gewer, 2010; HRDC, 2014; Papier et al, 2012; Rasool and Mahembe, 2014).

The mishmash of challenges described above are difficult to categorise because it is not always clear whether implementation challenges can be reduced to funding inadequacies or a combination of

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4 The legislation that details the function shift for technical and vocational education from the provincial education departments to the DHET is the Community Education and Training Colleges Act, 2013 (Act No. 1 of 2013). The legislative responsibility for the adult education and training sector was transferred through the Higher Education and Training Amendment Laws Act (Act No. 25 of 2010).
funding and administrative challenges. However, it is clear that in order to find relief to some of the challenges, additional financing for key elements of the PSET system is necessary. It is also important to bear in mind that financing increases to universities and TVET colleges are not on the same scale and that a comparatively small change to the financing of universities will have more serious implementation and output repercussions than similar levels of increases to funding for the TVET college sector.

2.2 Response by DHET: The Appointment of Ministerial Review Committees and Task Teams

The department has responded timeously to the implementation challenges in the PSET system by establishing review committees that looked into various aspects of financing in the university and college sectors as well as a Ministerial Task Team, which examined the future shape of Community Education and Training institutions. Table 1 provides a synopsis of the Terms of Reference (TOR) for two of the university review committees.

Table 1: Abbreviated Terms of Reference for the Ministerial Review Committees appointed by the DHET

<table>
<thead>
<tr>
<th>Ministerial Committee on National Student Financial Aid Scheme (NSFAS, 2009)</th>
<th>Ministerial Committee on Review of the Funding of Universities (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessing strengths and weaknesses of the current scheme</td>
<td>Analyse the current funding framework</td>
</tr>
<tr>
<td>Perform a needs analysis of students who will receive financial aid in the short-, medium-, and long-term</td>
<td>Determine if the funding framework is effective in achieving goals, especially transformation-oriented steering goals</td>
</tr>
<tr>
<td>Investigating the feasibility of student financial aid being linked to priority field of study and levels of academic performance</td>
<td>Recommend changes to the funding framework, if any</td>
</tr>
<tr>
<td>Undertake a review of the means test and provide guidelines to determine the criteria for the eligibility of students</td>
<td>Perform an in-depth analysis of the human, physical and financial resources available to the university sector</td>
</tr>
<tr>
<td>Recommend changes to the policy, regulation and operational framework of NSFAS</td>
<td></td>
</tr>
</tbody>
</table>

Some of the key findings from the Ministerial Committee that reviewed the functioning and operations of NSFAS are set out below:

- Although NSFAS broadened access of poor students to university and college education, unequal institutional allocations (at universities) and the insertion of a cost of study factor disproportionately disadvantages needy students at historically disadvantaged institutions;
- Because of the inadequacy of financial aid to students, these students often drop out and perform poorly, thus leaving them with personal debt and without the requisite qualifications, thus perpetuating the cycle that student financial aid was supposed to break;
- In order to accommodate the ‘missing middle’, the committee recommended that the eligibility threshold of R122 000 per annum be revised upwards and that the socio-economic class of the student replace race as a proxy for financial need;
- Further to the recommendation above is a proposal that students who fall above the NSFAS threshold and below R300 000 should be granted income contingent loans and that funding should be sourced from the Public Investment Corporation (PIC); and
- That full subsidisation of poor students takes place and that the remaining needy students have access to income-contingent loans.
The Ministerial Review Committee that examined university funding produced a number of recommendations and the following recommendations were of interest:

- The Ministerial Committee on the Review of University Funding recommended that the funding framework be retained (with block and earmarked grants) but that some of the allocation methods be changed;
- The Committee recommended the introduction of a grant for historically disadvantaged institutions (HDIs) in recognition of the development challenges in these institutions;
- The Committee also recommended more careful corrective actions in instances where enrolment deviations take place;
- A shift in the funding of research with greater emphasis on the quality of the research output;
- New models for extended or foundational programmes; and
- The phasing-out of the multi-campus grant.

Both Ministerial Committees came to the conclusion that in order to implement some of the recommendations, substantial positive shifts in funding for the higher education sector are required. Furthermore, although the funding recommendations are direct and strong, there is an acceptance that funding changes cannot happen overnight and that a progressive realisation model should be used to phase-in the key recommendations. This requires a rational underlying implementation plan that would guide the actions of the DHET and other stakeholders. An important part of this implementation plan is the development of a comprehensive M&E system that would deliver timely and relevant ‘intelligence’ to DHET to guide its allocation decisions. Table 2 provides progress on the implementation of the key recommendations that were made by the two Ministerial Review Committees.

Table 2: Progress in the implementation of recommendations made by the Ministerial Review Committees on NSFAS and University Funding

<table>
<thead>
<tr>
<th>Ministerial Review Committee on NSFAS</th>
<th>Ministerial Review Committee on University Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSFAS suspended illegal debt recovery and instituted new processes aligned to the National Credit Act</td>
<td>Reference Group appointed as well as Technical Task Team to model impact of all the recommendations</td>
</tr>
<tr>
<td>Substantial additional resources were found for NSFAS and distributed to universities and TVET Colleges</td>
<td>Adoption and implementation of a grant for Historically Disadvantaged Institutions (HDIs)</td>
</tr>
<tr>
<td>Student-centred financing model adopted in a select number of universities and TVET colleges</td>
<td>Adoption and implementation of acceptable variation in enrolment targets to minimise financial risks to the State</td>
</tr>
<tr>
<td>Progressive financing of poor students via conversion of loans into bursaries (between 40 per cent and 100 per cent conversion rate depending on year of study and time frame for completing studies)</td>
<td>Adoption of a revised Foundation provisioning funding grid</td>
</tr>
<tr>
<td>Successful launch of the centralised application system in 5 universities and 6 TVET Colleges during phase 1</td>
<td>The multi-campus grant was terminated in 2015/16</td>
</tr>
<tr>
<td>NSFAS has put into place a range of policies to improve functioning and operation (for example, risk management and loan recovery plans, performance management system etc.)</td>
<td>A draft Policy and Revised Funding Framework has been approved in March 2016 but has not yet been published for comment. These proposals are going through a process of consultation with Cabinet.</td>
</tr>
<tr>
<td>NSFAS has put into place highly effective</td>
<td></td>
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</tbody>
</table>
reporting mechanisms between institutions and NSFAS to counter under-utilisation of funds

Sources DHET, 2015: Briefing by Reference Group and Technical Team on University Funding to Portfolio Committee on Higher Education and Training and Ministerial Review of NSFAS, 2010

The outcomes of the two ministerial reviews provide strong evidence of the ability of DHET to respond appropriately to financing and implementation challenges. Poorer students are better served by the expeditious implementation of the recommendations and institutions in the PSET system are likely to benefit greatly from attempts to deliver a stable and consistent funding framework for the sector. In the context of limited resources and the need to justify large additional expenditures, the careful piloting of new models (for example student-centred financing model) will ultimately improve the overall efficiency with which students and institutions are assisted to carry out the core business of PSET institutions.

In 2014, the Minister of Higher Education established a Ministerial Committee to Review the Funding Frameworks for Further Education and Training Colleges and Adult Learning Centres. The purpose (mandate) of the committee includes the following:

- Proceed with the review process of the current funding framework for Further Education and Training (FET) Colleges, to assess its relevance and effectiveness in enabling TVET Colleges to play a key role in producing a skilled and capable workforce for the country;
- Align the National Norms and Standards for Funding Adult Learning Centres to the proposed new institutional type for Post-school Education and Training (PSET) i.e. Community Education and Training Colleges (CET Colleges).

The Review Committee commenced its working activities in March 2015 and is still in the process of collecting much-needed data and undertaking wide-ranging consultations.

With regards to the implementation challenges in the TVET college sector, the Minister of Higher Education and Training, Dr Blade Nzimande, had also instituted a Turnaround Strategy for the TVET sector. The strategy is based on six principles and address governance, performance and accountability issues. The six principles are

1. Managing change, with reference to the function shift of TVET colleges from a provincial responsibility to being a national responsibility;
2. Differentiate TVET colleges as individual institutions, which explicitly recognise the different histories and factors impinging on the performance of these colleges;
3. Change perceptions of TVET colleges so that they become a desirable brand;
4. Focus on student performance and success in line with the mission to make colleges more attractive and improve the efficiency with which scarce government resources are spent;
5. A strategy-led approach, which requires active co-ordination from the DHET; and
6. Focus on performance accountability-this is achieved through the development of Council Charters and enabling performance contracts with the principles of these institutions.

Textbox 1 provides information on some of the immediate successes of the FET Turnaround Strategy.
Textbox 1: Results from the FET Turnaround Strategy

1. Substantial additional funding from the National Skills Fund (NSF) to the tune of R2.5 billion to support capacity development of TVET.
2. Further funding worth R2.5 billion for the refurbishment and construction of new TVET campuses.
3. A significant uptick in headcount enrolment from 427 435 in 2011 to 657 690 in 2012.
4. To improve financial management, the appointment of 40 chartered accountants as Interim Chief Financial Officers.
5. A four-fold increase in NSFAS funding to students at TVET Colleges.

While the turnaround strategy is clearly bearing fruit, much more needs to be done to safeguard the financial future of the TVET College sector. As the next section shows, TVET colleges, apart from the initial spurt in funding in 2009, have not had favourable financing, thus putting at risk the overall expansion goals of the PSET system.

In the Community education and training sector, on the authority of the Director-General in DHET, a Ministerial Task Team was appointed in 2011 to ‘investigate and recommend an alternative and more effective institutional form for addressing the education and training needs of adults and out-of-school youth.’ Some of the more specific terms of reference included the following:

- Conceptualise a workable institutional model for Community Education and Training Centres (CETC) that is distinct and unique;
- Make recommendations on relevant programme offerings by CETCs; and
- Investigate and propose appropriate funding modalities for CETCs.

The focus here is on two of the recommendations that were made by the Ministerial Task Team, namely the proposal to set up CETCs and the need for a departmental task team to consider the roll-out and implementation of the key recommendations in the final report of the Task Team. Nine CETCs were established (one in each province) and presently serve as management and governance hubs for the previous adult learning centres. These nine CETCs are also used as pilot sites and relevant learning will be used to expand CETCs to each educational district. The establishment of the nine CETCs was followed by the introduction of a National Policy on Community Colleges in July 2015 in terms of the Continuing Education and Training Act, 2006 (Act No. 16 of 2006). The funding of CETCs will be done in accordance with a pre-determined funding norms and standards framework as per section 23 of the Continuing Education and Training Act, 2006.

The second key recommendation made by the Ministerial Task Team required the DG of DHET to establish a task team to consider the roll-out and implementation of the key recommendations in the task team’s report. This team is in place and is in the process of completing its work. The work of this team is complemented by the work of another task team that is considering various policies and funding modalities of the Community Education and Training sector in its entirety. The work of both task teams will inform the new national plan for the PSET system, which will become the de facto operational plan for the White Paper for PSET.

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5 Taken directly from an internal DHET document: Terms of Reference-Ministerial Task Team to Conceptualise the Development and Implementation of Community Education and Training Centres (CECT)
6 Section 23 of the Continuing Education and Training Act, 2006 (Act No. 16 of 2006) simply reads ‘Subject to the Constitution and this Act, the Minister must, after consultation with the Minister of Finance, determine minimum norms and standards for the funding of public colleges.’
3. UNDERSTANDING THE FINANCING OF THE PSET SYSTEM: PRIORITISATION AND CONSTRAINTS, 2010/11 TO 2017/18

3.1 Background to the Financing of the PSET system

In the 2013 Budget Review, the National Treasury presented summary results of its long-term fiscal report, which projected expenditure over a 15-25 year horizon based on assumptions about population and economic growth as well as changes in the policy agenda of the country.

The Budget Review indicated that if the economy were to grow by more than 5 per cent annually government revenue could be expected to double in the next 20 years. This would make major policy initiatives such as the National Health Insurance (NHI) and the rapid expansion of vocational education affordable. However, the same report cautioned that if economic growth stayed on its past trajectory of around 3.5 per cent annually, then significant adjustments to the revenue base (increase in taxes) and/or decreases in other areas of spending will be required to sustainably meeting the health and post-school education commitments.\(^7\) In this report, a ‘no policy change’ scenario in post-school education assumes a steady rate of growth in enrolments, whereas a ‘policy change’ scenario assumes that the State has begun implementing the rapidly increasing (enrolment) growth provisions in the White Paper for the PSET system.

Given the fact that the economy has not even performed at the assumed baseline growth rate of 3.5 per cent, how have these developments affected expenditure on the PSET system? Table 3 provides information on the real average annual growth rate\(^8\) of the PSET budget between 2010/11 and 2018/19.

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\(^7\) Post school education commitments were modelled as (number of university students) (average cost per university student) + (number of vocational students) (average cost per vocational student) -(direct charges) + other expenditures. The information is sourced from a presentation by Micheal Sachs from the National Treasury in June 2014.

\(^8\) Inflation-adjusted spending estimates were derived using the historical Consumer Price Inflation (CPI) series published by Statistics South Africa and the fiscal-year inflation projections in Budget Review 2016.
Table 3: Real annual average growth rate of expenditure on PSET, 2010/11 to 2018/19 (2015/16=100)

<table>
<thead>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>114</td>
<td>223</td>
<td>229</td>
<td>267</td>
<td>234</td>
<td>366</td>
<td>374</td>
<td>399</td>
<td>427</td>
<td>-.9</td>
</tr>
<tr>
<td>Planning, Policy and Strategy</td>
<td>26</td>
<td>42</td>
<td>47</td>
<td>48</td>
<td>46</td>
<td>58</td>
<td>72</td>
<td>76</td>
<td>82</td>
<td>5.8</td>
</tr>
<tr>
<td>University Education</td>
<td>19,538</td>
<td>23,428</td>
<td>26,250</td>
<td>28,304</td>
<td>30,484</td>
<td>32,892</td>
<td>39,532</td>
<td>41,944</td>
<td>44,320</td>
<td>4.2</td>
</tr>
<tr>
<td>TVET</td>
<td>3,943</td>
<td>6,210</td>
<td>5,228</td>
<td>5,879</td>
<td>6,305</td>
<td>6,843</td>
<td>6,917</td>
<td>7,414</td>
<td>7,866</td>
<td>-1.4</td>
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<tr>
<td>Skills Development</td>
<td>131</td>
<td>122</td>
<td>119</td>
<td>123</td>
<td>132</td>
<td>207</td>
<td>225</td>
<td>245</td>
<td>261</td>
<td>1.6</td>
</tr>
<tr>
<td>Community Education and Training</td>
<td>1,648</td>
<td>1,777</td>
<td>1,853</td>
<td>1,564</td>
<td>2,070</td>
<td>2,237</td>
<td>2,380</td>
<td>8.8</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>23,752</td>
<td>30,025</td>
<td>33,521</td>
<td>36,398</td>
<td>39,054</td>
<td>41,930</td>
<td>49,188</td>
<td>52,316</td>
<td>55,335</td>
<td>3.4</td>
</tr>
<tr>
<td>Sector education and training authorities</td>
<td>6,704</td>
<td>8,021</td>
<td>9,356</td>
<td>9,674</td>
<td>11,071</td>
<td>12,641</td>
<td>14,112</td>
<td>15,750</td>
<td>17,646</td>
<td>5.2</td>
</tr>
<tr>
<td>National Skills Fund</td>
<td>1,675</td>
<td>2,004</td>
<td>2,339</td>
<td>2,416</td>
<td>2,768</td>
<td>3,159</td>
<td>3,527</td>
<td>3,937</td>
<td>4,411</td>
<td>5.2</td>
</tr>
<tr>
<td>Subtotal</td>
<td>8,379</td>
<td>10,025</td>
<td>11,695</td>
<td>12,090</td>
<td>13,839</td>
<td>15,800</td>
<td>17,640</td>
<td>19,687</td>
<td>22,057</td>
<td>5.2</td>
</tr>
<tr>
<td>Total expenditure estimates</td>
<td>32,132</td>
<td>40,050</td>
<td>45,216</td>
<td>48,488</td>
<td>52,893</td>
<td>57,730</td>
<td>66,828</td>
<td>72,003</td>
<td>77,392</td>
<td>3.8</td>
</tr>
</tbody>
</table>


Note: The numbers in the table reflect nominal budget numbers as they appear in the various National Treasury documents. Inflation is taken into account in the percentage changes calculated in the two final columns. This is applicable to all similar tables in this publication.
This allocation represents resources that are appropriated on the budget of the national department of higher education and training. It excludes provincial own spending and other spending that takes place through other national departments or sub-national levels of government. Funding for the PSET system that is appropriated from the budget of the department is projected to grow in real terms by 3 per cent on average over the present MTEF, while a strong positive real growth rate of 5 per cent on average has been sustained since 2010/11. Expenditure on transfers and earmarked funds to the university sector is projected to grow by 4 per cent on average over the present MTEF, while expenditure on the TVET colleges is projected to decline in real terms by 1 per cent, largely due to the additional expenditure space created in the university budgets in the present financial year. Over the eight-year period represented above, national spending on TVET colleges grew on average by 4 per cent, reflecting in part, the initial large transfers (injection into student financial aid) that happened in the period after 2010/11.

If the expanded definition of PSET (inclusive of funding from the National Skills Fund and SETAs) is considered, then expenditure on this function is projected to grow by 4 per cent on average in real terms over the present MTEF. While it is not possible to judge the adequacy of the expenditure investments in the absence of a consideration of service delivery burdens (student enrolments and output targets), at the aggregate level at least, there is ongoing positive intent in spending additional resources on the provisioning of post-school education and training.
To get a better sense of the overall prioritisation of the PSET system funded through national allocations, Figure 1 provides information about the real rate of growth in the national PSET expenditure and national non-interest expenditure.

**Figure 1: The real annual rate of growth in expenditure on PSET and non-interest expenditure (excluding debt costs)**, 2010/11 to 2018/19 (2015/16=100)

![Chart showing the real annual rate of growth in expenditure on PSET and non-interest expenditure from 2011/12 to 2018/19.](chart-image)

*Source: ENE 2016 and Budget Review 2016*

Figure 1 indicates that Budget 2016 makes a strong positive adjustment for expenditure on PSET in the first year of the new MTEF (10 per cent real growth), but thereafter, national expenditure on PSET (by the department) is projected to grow at a much slower rate compared to the growth on non-interest expenditure. However, even national non-interest expenditure is projected to grow at a relatively low real rate, thus implying that once the additional resources have been made available to the PSET system, greater effort should be made in improving the efficiency of these initial additional allocations. The pattern depicted in the figure above reflects, in part, the uncertainty about whether no-fee increases will also be required in the outer years of the present MTEF.

Over the present MTEF, there is a clear indication that additional monies are destined for the PSET system, but such increases are not sustained over the ensuing MTEF. Earlier investments in the PSET system are irregular and it would appear (at least for this period represented in Figure 1 above) that the funding in the post-schooling education and training system is characterised by strong transfers at the base of a funding period and subsequently followed by prolonged periods of slow or no real growth.

Figure 2 provides information on the share of (national) PSET expenditure of the country’s Gross Domestic Product (GDP) and national non-interest expenditure. This continues the probe into the levels of funding prioritisation that the PSET system commands.

---

9 Non-interest expenditure on the main budget excludes provision for debt repayment, but does include the unallocated contingency reserve for 2016/17 to 2018/19.
Figure 2: PSET as a percentage of the Gross Domestic Product (GDP) and national non-interest expenditure, 2010/11 to 2018/19

Source: ENE 2016 and Budget Review 2016

Figure 2 shows that over the period 2010/11 to the end of the present MTEF (2018/19), national PSET expenditure is steady at around 1 per cent of GDP, while its share of non-interest expenditure has grown steadily from 3.2 per cent in 2010/11 to slightly more than 4 per cent in 2018/19. Comparatively, the PSET/GDP ratio is fairly low when compared to developed OECD countries, which spent collectively approximately 1.6 per cent of their GDP on the PSET system.

How well does overall spending on PSET (including spending done by provincial governments and other entities) compare to key other government functions? Table 4 provides information on the real growth in consolidated government expenditure over the present MTEF.
Table 4: Real growth in consolidated government expenditure\textsuperscript{10} for a select number of functions, 2015/16 to 2018/19 (2015/16=100)

<table>
<thead>
<tr>
<th>R million</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>Real change between 2015/16 and 2016/17 (%)</th>
<th>Real average annual change over MTEF (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic education</td>
<td>213,676</td>
<td>228,803</td>
<td>245,414</td>
<td>264,969</td>
<td>0.45</td>
<td>1.13</td>
</tr>
<tr>
<td>Health</td>
<td>159,377</td>
<td>168,393</td>
<td>183,629</td>
<td>198,556</td>
<td>-0.88</td>
<td>1.30</td>
</tr>
<tr>
<td>PSET</td>
<td>64,158</td>
<td>68,715</td>
<td>74,715</td>
<td>80,493</td>
<td>0.47</td>
<td>1.53</td>
</tr>
<tr>
<td>Social protection</td>
<td>154,353</td>
<td>167,479</td>
<td>180,634</td>
<td>194,945</td>
<td>1.79</td>
<td>1.75</td>
</tr>
<tr>
<td>Non-interest expenditure</td>
<td>1,251,815</td>
<td>1,309,571</td>
<td>1,400,135</td>
<td>1,501,671</td>
<td>-1.86</td>
<td>0.03</td>
</tr>
</tbody>
</table>

\textit{Source: Budget Review 2016}

Table 4 shows that in the present financial year (2016/17), expenditure on PSET, together with expenditure on social protection and basic education, is projected to grow positively in real terms and outstripping provisions for consolidated non-interest expenditure. This is further proof that at an aggregate level, the post-schooling sector is enjoying some form of funding prioritisation, in spite of the negative overall spending environment. However, the real rates of growth for expenditure on the PSET system are moderate, reflecting in part, the much slower rate of growth on PSET spending for the two outer years of the present MTEF.

3.2 Financing of three PSET sub-sectors: universities, TVET and CET colleges

Figure 3 provides information about aggregate levels of spending and income at public universities in South Africa between 2009 and 2014.

\textbf{Figure 3: Total income and expenditure on public universities, 2009 to 2014 (R billion)}

\textit{Sources: Centre for Higher Education Transformation (CHET), 2016 and DHET, 2015}

\textsuperscript{10} Consolidated government expenditure includes spending by the 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.
Most notable from Figure 3 above is that universities, on average, experienced surpluses for all the years represented in the graph above. For the period represented above, aggregate university income grew by 9.2 per cent on average, while aggregate university expenditure grew by 9.8 per cent over the same period. While it is instructive (and surprising) to observe a situation of financing surpluses for universities, over the last few years, expenditure pressures are growing and will make the provision of quality and affordable education difficult.

Figure 4 provides information on the various sources of income for public universities for the period 2009 to 2013.

**Figure 4: Main sources of income for public universities, 2009 to 2013 (%)**

![Bar chart showing income sources for public universities from 2009 to 2013](chart)

*Source: Centre for Higher Education Transformation (CHET), 2016*

Figure 4 demonstrates a trend of rising student fees as a percentage of university income with a concomitant reduction in the contribution of government to the financing of universities. The positive surpluses observed in the previous graph could be attributed, in part, to a rising pool of student fees. Aggregate private income sees a steady decline over the same period. However, the aggregate picture, would likely differ among institutions, because public universities have differential capacities to leverage additional private income.

While a pure financial analysis is useful in terms of understanding policy and expenditure intent, a more meaningful picture of the adequacy of the funding to the sector can only be achieved by examining financing in the context of service delivery burdens. Figure 5 examines enrolment trends in the university sector over the period 2000 to 2013.
Figure 5: Student headcount enrolment in universities, 2000 to 2013

Source: DHET (2015c)

Figure 5 portrays in a clear way the increasing enrolment trends in the university sector, which imply higher service delivery burdens in the context of a difficult spending environment. Between 2000 and 2013, headcount enrolments grew from slightly more than half a million students in 2000 to just under a million students in 2013, which represents a 76 per cent increase in headcount enrolments. Over this entire period, enrolment growth averaged 4.5 per cent yearly.

In order to understand how this growth in enrolment has affected per capita spending on university students, Figure 6 provides information about nominal and inflation-adjusted per capita spending on students in the university sector for the period 2000 to 2013.

Figure 6: Nominal and real growth in per capita Full-Time Equivalent (FTE) student expenditure at public universities, 2000 to 2013 (2000/01=100)

Source: Centre for Higher Education Transformation, 2016 (own calculations)
A funnel pattern in the graph above indicates rising inflation and demonstrates in a visual manner how inflation is eroding the purchasing power of budgetary allocations. This trend is particularly clear after 2004 where a rising inflationary environment will have combined with growing student numbers, thus delivering heavy spending and financing burdens on the university sector. The increasing divergence between nominal and real spending means that university sector spending has not kept pace with the rising costs and consequently, universities had to perform the same (and more) functions with substantially less. While it has been shown earlier that there is a positive spending intent in the sector, external factors (such as the rate of inflation) and a strong growth in enrolment numbers would have seriously challenged such gains.

To give further context to these results, Figure 7 provides the nominal and inflation-adjusted per capita spending on university students, using the largest expenditure component (block grants) as the reference category.

**Figure 7: Nominal and real per capita FTE spending on the university unconditional block grant, 2004/05 to 2014/15 (2004/05=100)**

![Graph showing nominal and real per capita FTE spending on university unconditional block grant, 2004/05 to 2014/15.](source: DHET (2015c))

The real decline in per capita spending is driven strongly by the decline in value of the unconditional block grant expressed here in per capita terms. Relative to what the block grant was able to buy in 2004/05, it is sobering to realise that its value in 2014/15 is less than what could be bought with the grant at the start of the financing period in Figure 7 above. This is further evidence of the immense pressure that the university sector is under and how little fiscal space, if any, exists to achieve national goals.

Figure 8 provides information on the real annual growth rates on programme expenditure in TVET colleges over the period 2010/11 to 2018/19.
Figure 8: Real annual rate of growth of programme allocations in the TVET College sector, 2010/11 to 2018/19 (2015/16=100)

Source: DHET Internal Database for TVET Colleges, 2016

The period that followed the establishment of the DHET was particularly good for the TVET college sector as relatively large positive real annual increases were available for programme funding. The increases in funding available through the National Student Aid Financial Scheme (NSFAS) have helped to boost the overall resources available to the sector. This established a strong new base to give expression to the policy goal of increasing the size of this critical post-schooling sector. However, following these substantial investments, much of the actual and proposed expenditure after 2013 can be regarded as maintenance expenditure. This slow-down in expenditure reflects, in part, the fact that the budgets transferred from provincial education departments to the DHET, has not been allowed to expand at appropriate rates. Combined with further expenditure pressures on the university sector, the overall financing picture for this sector will need to improve.

The NDP stipulates that the TVET college sector should enrol 2.5 million students by 2030. Based on the current enrolment of approximately 710 000 students, it is envisaged that the system should expand by at least 7.1 per cent annually until 2029/30 to reach this target.

The DHET has calculated what is required in order to secure this level of investment and concluded that the present level of investment in TVET college education will lead to large budget shortfalls, which is sustained over the entire MTEF period.

Table 5 provides information about the projected budget shortfalls in TVET college budgets over the present MTEF.
Based on calculations that were done for the MTEF, the DHET projected that the collective budget shortfall will be close to R54 billion as depicted in Table 5 above. This calculation is based on the assumption that NSFAS is able to contribute its share, that the no-fee increase of the university sector will carry over into the TVET College sector, and that the establishment of new and functional TVET sites go ahead as planned. Based on the numbers above, the DHET is of the view that it will not be possible to expand the provision of TVET College education as per the NDP and the White Paper for PSET.

Figure 9 provides information on inflation-adjusted per FTE student spending for the period 2010/11 to the end of the present MTEF (2018/19).

Figure 9: Real per capita FTE in TVET Colleges, 2010/11 to 2018/19 (2015/16=100)

Source: DHET Internal Database for TVET Colleges, 2016
Note: Only programme funding and approved programme enrolment numbers (for NCV and NATED programmes) were used in the calculation
Figure 9 portrays a worrying picture of the state of funding in the TVET college sector. Quite clearly, in the immediate period after 2009 when the DHET came into being, there is incontrovertible evidence that this sector enjoyed both policy and spending attention. However, there is a declining real monetary trend because of obvious efforts to increase enrolment at the colleges, but without a concomitant matching increase in spending.

Figure 10 provides information about the relative contribution of compensation of employees and direct transfers to TVET Colleges as a percentage of total spending on programme funding for the present MTEF (2015/16 to 2018/19).

Figure 10: The contribution of spending on staff and direct transfers on the programme funding budget of TVET Colleges, 2015/16 to 2018/19 (%)

Source: DHET Internal Database for TVET Colleges, 2016

Figure 10 shows that the compensation of employees consumes roughly 80 per cent of all programme funding in the present MTEF, while spending on transfers is projected to consume less than one-fifth of programme funding over the same period. In terms of spending by the DHET, there is no space for additional investments on capital and infrastructure spending. In a period of planned expansion, this will put the brakes on TVET College education staying relevant because such a large part of effective TVET College education is related to the existence of equipment and infrastructure critical for learning.

While the university sector is undoubtedly in a slightly better place than TVET colleges, allocation deficits remain a problem across these two PSET sectors. The cost of expanding this sector is proving much higher than what the present spending horizons permit. Furthermore, the fact that the fiscal picture today is worse than the least optimistic Treasury scenario projected three years ago requires a serious re-think about the goals and implementation strategy of the post-schooling sector.

Table 6 provides information on the growth in the expenditure on CET colleges for the period 2010/11 to 2014/15. This represents the period prior to CET colleges becoming a national function in 2015.
Table 6: Growth in consolidated provincial expenditure on Community Education and Training colleges by type, 2010/11 to 2014/15 (2010/11=100)

<table>
<thead>
<tr>
<th>R'000</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Real average change over 4-year period (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current payments</td>
<td>1,193,664</td>
<td>1,382,237</td>
<td>1,519,550</td>
<td>1,527,401</td>
<td>1,575,884</td>
<td>1.6</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>968,342</td>
<td>1,234,910</td>
<td>1,443,627</td>
<td>1,432,442</td>
<td>1,472,237</td>
<td>5.7</td>
</tr>
<tr>
<td>Goods and services</td>
<td>225,243</td>
<td>147,305</td>
<td>75,785</td>
<td>94,815</td>
<td>103,493</td>
<td>-16.9</td>
</tr>
<tr>
<td>Interest and rent on land</td>
<td>79</td>
<td>22</td>
<td>138</td>
<td>144</td>
<td>154</td>
<td>105.1</td>
</tr>
<tr>
<td>Transfer and subsidies</td>
<td>27,818</td>
<td>29,738</td>
<td>48,334</td>
<td>50,758</td>
<td>52,987</td>
<td>13.3</td>
</tr>
<tr>
<td>Non-profit institutions</td>
<td>27,187</td>
<td>29,492</td>
<td>46,456</td>
<td>50,329</td>
<td>52,547</td>
<td>13.3</td>
</tr>
<tr>
<td>Households</td>
<td>631</td>
<td>246</td>
<td>1,878</td>
<td>429</td>
<td>440</td>
<td>119.7</td>
</tr>
<tr>
<td>Payments for capital assets</td>
<td>1,197</td>
<td>1,229</td>
<td>1,170</td>
<td>6,080</td>
<td>6,148</td>
<td>93.6</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,197</td>
<td>1,229</td>
<td>1,170</td>
<td>6,060</td>
<td>6,148</td>
<td>93.3</td>
</tr>
<tr>
<td>Software and other intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,222,679</td>
<td>1,413,204</td>
<td>1,569,054</td>
<td>1,584,239</td>
<td>1,635,019</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Estimates of National Expenditure, 2014

During the four-year period represented in Table 6 above, expenditure on adult basic education and training grew by 2 per cent on average in real terms. Consolidated provincial expenditure on adult basic education and training grew from R1.2 billion in 2010/11 to approximately R1.6 billion in 2014/15. Expenditure on compensation of provincial employees consumed the largest share of the budget and grew on average by almost 6 per cent in real terms over the four-year period. In absolute terms, in spite of the small positive growth, adult education and training budgets are dwarfed by corresponding spending on public schools, TVET colleges and the university sector.

3.3 Financing of the Skills Agenda in the PSET system

In order to meet the challenges of workplace training, the government has developed an elaborate set of policies to deal with the country’s emerging and growing skills shortages. While this is a vast topic, in this publication, the skills sector and its associated policies is approached purely from the point of view of how it assists in the expansion, development and achievement of key PSET goals.

The Skills Branch receives skills levy funding from the South African Revenue Service (SARS) and transfer it to the Sector Education and Training Authorities (SETAs) on monthly basis. The levy is split into Administration fee (10 per cent), Mandatory Grant (20 per cent), Discretionary Grant (49.5 per cent) and Quality Council for Trades and Occupations (QCTO) 0.5 per cent funding. The levy is used to fund training as identified in the SETA Sector Skills Plan (SSP). Figure 11 presents a visual picture of how the skills agenda and regime have been institutionalised in the South African context.
Figure 11: The skills training system in South Africa: a visual demonstration

![The skills training system in South Africa: a visual demonstration](image)

Source: DHET Skills Directorate (personal communication), 2016

Note: The amounts represented in the graph above are used for demonstrative purposes.

As is clear from figure 11 above, the expansion of education and training in the PSET system can be assisted through accessing funds from the National Skills Fund (according to critical priorities of the country) and the twenty-one Sector Education and Training Authorities (SETAS).

Translating the scheme above into numbers from the real world produced the distribution of the skills development levy for the period 2011/12 to 2015/16 as represented in Table 7 below.

Table 7: The distribution of the Skills Development Levy for the period 2011/12 to 2015/16

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total amount disbursed by the Skills Development Levy (R million)</th>
<th>Amount transferred to the National Skills Fund (R million)</th>
<th>Amount disbursed to SETAS (R million)</th>
<th>SETA Admin. Costs (R million)</th>
<th>SETA Mandatory Grant Allocation (R million)</th>
<th>SETA Discretionary Grant Allocation (R million)</th>
<th>Portion of SETA Admin costs transferred to QCTO (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>10,106</td>
<td>2,020</td>
<td>8,086</td>
<td>1,010</td>
<td>5,053</td>
<td>2,021</td>
<td>-</td>
</tr>
<tr>
<td>2012/13</td>
<td>11,419</td>
<td>2,283</td>
<td>9,135</td>
<td>1,141</td>
<td>5,709</td>
<td>2,283</td>
<td>-</td>
</tr>
<tr>
<td>2013/14</td>
<td>12,566</td>
<td>2,511</td>
<td>10,054</td>
<td>1,319</td>
<td>2,513</td>
<td>6,221</td>
<td>15</td>
</tr>
<tr>
<td>2014/15</td>
<td>14,036</td>
<td>2,818</td>
<td>11,218</td>
<td>1,472</td>
<td>2,804</td>
<td>6,941</td>
<td>28</td>
</tr>
<tr>
<td>2015/16</td>
<td>15,225</td>
<td>3,044</td>
<td>12,180</td>
<td>1,598</td>
<td>3,045</td>
<td>7,536</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63,353</strong></td>
<td><strong>12,677</strong></td>
<td><strong>50,675</strong></td>
<td><strong>6,543</strong></td>
<td><strong>19,127</strong></td>
<td><strong>25,005</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

Source: DHET Skills Directorate, 2016
Table 7 shows that in the 2014/15 financial year, the allocation to SETAS amounted to more than R11.2 billion, while in 2015/16, allocations reached R12.2 billion. Collectively, between 2011/12 and 2015/16, SETAS were allocated almost R51 billion, while the National Skills Fund garnered almost R13 billion over the same period. To put these allocations in perspective: in 2014/15, spending on the CET colleges budget was approximately R1.6 billion, while allocations to the NSF stood at slightly more than R2.8 billion. These resources are vital in the new post-school education and training system and future publications will attempt to sketch clearer links between the skills development regime and requirements in sectors of the PSET system (universities, TVET colleges, community education and training etc.).

While allocations are important in budget analysis exercises, it is just as important to examine actual spending to get a better sense of the overall credibility of budgets in this sector. Figure 12 provides information on the breakdown of actual expenditure on the SETAS for 2014 in terms of the three important categories, namely mandatory grants, administration and the discretionary grant.

**Figure 12: Breakdown of total SETA expenditure by category of expenditure, 2014**

![Breakdown of total SETA expenditure by category of expenditure, 2014](image)

*Source: DHET Annual Financial Statements for the financial years ending 2013 and 2014*

Table 12 shows that the bulk of spending was done on the discretionary grants (almost 62 per cent), while the mandatory grant consumed 25 per cent of the available resources. The remaining spending was used for the administration of the various SETAS (approximately 13 per cent).

Figure 13 provides information on consolidated SETA income and expenditure for the period 2011 to 2014.
SETA income depicted in Figure 13 above represents the direct transfers that SETAS receive from the national government. An interesting feature of the data above is the fact that SETAS have produced financing surpluses for most of the years represented in the graph above. However, if one takes into account income other than direct transfers from the national government, then surpluses are a feature of all the financial years represented in Figure 13 above. These surpluses are the result of mandatory grants not being claimed by employers, intended grant beneficiaries not complying with criteria that would enable the release of resources, the fact that resources are committed for a longer time-horizon and a mismatch between planned and actual spending (poor culture of implementation and spending).

Table 8 provides information on the number of students funded through the National Skills Fund projects for the period 2011/12 to 2014/15

Table 8: Number of students funded through NSF project by year, 2011/12 to 2014/15

<table>
<thead>
<tr>
<th>Number of students funded by year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37,793</td>
<td>95,554</td>
<td>70,000</td>
<td>70,000</td>
</tr>
</tbody>
</table>

Source: Estimates of National Expenditure, 2015

An important part of the funding represented in Table 8 is the funding of educational bursaries for young people in the PSET system. The NSF remains, therefore, an important source of funding for the PSET system and should ideally be expanded. Furthermore, policy clarity is needed on the policy direction and control over the skills agenda because this remains an extremely important avenue to garner additional resources for the PSET system. In the overall context of the funding shortages in the PSET system, it is vital that no resources remain unspent and outside the spending loop.

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11 The SETA income does not include any non-tax revenues and reflects direct transfers from the national government only.
4. MANAGING THE TRANSFORMATION OF THE POST-SCHOOL EDUCATION AND TRAINING SYSTEM: OUTPUTS AND PROCESSES

Although reservations about the adequacy of the funding allocations for the PSET system have raised in this report, it remains important, nonetheless, to celebrate implementation and output successes that occurred in spite of the challenges in the broader spending environment. These output and implementation successes were made possible by the hard work of students and university staff, the effective management and governance of the PSET system, and the capable policy and support function performed by the DHET.

In addition to documenting the output and implementation gains, it is also necessary to better understand how internal DHET processes enable the department to put forward a defensible and persuasive argument for the advancement of the PSET system.

4.1 Output and Implementation Successes-Transforming the PSET system

Broadening access of poor students through funding from the National Student Financial Aid Scheme (NSFAS)

Figure 14 provides information on the per capita (student) spending of NSFAS allocations in public universities between 1991 and 2014.

Figure 14: Real per capita spending on the NSFAS in public universities in South Africa, 1991 to 2014\(^\text{12}\) (2000=100)

Source: DHET (2015c)

Note: The number of students covered grew from 7,240 in 1991 to 83,251 in 2000, while in 2014, 186,150 students benefited from the NSFAS allocation.

The most noticeable aspect depicted in Figure 14 above is that the inflation-adjusted level of spending in 2014 is almost three times as high as the comparable base in 1991. This is testament to the large cash injection into the NSFAS allocation in spite of the rapidly rising student demand for additional financing. Since 2000, the NSFAS per capita allocation grew by 9 per cent in real terms on average, while during the challenging post-2008 period, the allocation grew by more than 6 per cent.

\(^{12}\) The inflation calculations involve the use of calendar year inflation (the average of January to December) instead of the fiscal-year inflation estimates used in most of the other graphs in this report.
in real terms on average. However, while the per capita allocation does show a rising trend, the problem has always been that not enough deserving students are covered and where students are covered, there are significant differences among institutions in the size of the final awards (Ministerial Committee on NSFAS, 2010).

Figure 15 provides information on the growth in per capita spending for students at TVET Colleges for the period 2010 to 2013.

**Figure 15: Nominal and real per capita spending on the NSFAS in public TVET Colleges, 2010/11 to 2013/14 (2010/11=100)**

![Graph showing nominal and real per capita spending on the NSFAS in public TVET Colleges, 2010/11 to 2013/14 (2010/11=100)](image)


Note: Students who benefited from NSFAS at TVET Colleges-2010 (61,971), 2011 (114,971), 2012 (188,182) and 2013 (220,978).

Figure 15 shows that the cash injection into public TVET Colleges is noticeable in the large expenditure jump between 2010 and 2011 where the per capita allocation almost doubled. After 2011, the allocation declined in real value from the peak it achieved in 2010. However, the number of students that benefited from the NSFAS funding grew from 61,971 students in 2010 to 185,219 in 2014.

Table 9 provides information on the race of the NSFAS beneficiaries in 2000, 2010 and 2014.

**Table 9: NSFAS allocations by race in 2000, 2010 and 2014**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of students</td>
<td>%</td>
<td>Number of students</td>
</tr>
<tr>
<td>African</td>
<td>74,926</td>
<td>90.0%</td>
<td>136,516</td>
</tr>
<tr>
<td>Coloured</td>
<td>2,831</td>
<td>3.4%</td>
<td>5,935</td>
</tr>
<tr>
<td>Indian</td>
<td>1,832</td>
<td>2.2%</td>
<td>1,335</td>
</tr>
<tr>
<td>White</td>
<td>2,248</td>
<td>2.7%</td>
<td>4,600</td>
</tr>
<tr>
<td>Other</td>
<td>1,414</td>
<td>1.7%</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>83,251</td>
<td>100.0%</td>
<td>148,386</td>
</tr>
</tbody>
</table>

Source: DHET (2015c)

Across the three years represented above, African students constituted approximately 90 per cent of the beneficiaries, while Coloured students constituted about 4 per cent of the beneficiaries. In 2014, White and Indian students received 2.8 per cent and 1.5 per cent of the available NSFAS allocations respectively.
Figure 16 uses the same reference years and now provides the NSFAS allocation by gender.

**Figure 16: NSFAS allocation by gender in 2000, 2010 and 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Female (%)</th>
<th>Male (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>2010</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>2014</td>
<td>59%</td>
<td>41%</td>
</tr>
</tbody>
</table>

*Source: DHET (2015c)*

Female students have received the largest part of the NSFAS allocation across the three years represented in Figure 16. Male students’ share of the NSFAS allocation declined from 44 per cent in 2000 to 41 per cent in 2010 and 2014.

Figure 17 disaggregates the NSFAS allocation by the type of PSET institution for the financial years 2009/10 to 2016/17.

**Figure 17: Distribution of NSFAS by type of institution, 2009/10 to 2016/17**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>HEIs (%)</th>
<th>TVET (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>82.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td>2010/11</td>
<td>83.1%</td>
<td>16.9%</td>
</tr>
<tr>
<td>2011/12</td>
<td>68.2%</td>
<td>31.8%</td>
</tr>
<tr>
<td>2012/13</td>
<td>66.1%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2013/14</td>
<td>65.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>2014/15</td>
<td>65.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>2015/16</td>
<td>65.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>2016/17</td>
<td>65.0%</td>
<td>35.0%</td>
</tr>
</tbody>
</table>

*Source: Estimates of National Expenditure, 2014*

In 2014/15, 65 per cent of the NSFAS funding was awarded to public universities, while 35 per cent was awarded to TVET colleges. The difference in the percentage distribution of the NSFAS allocation between these two PSET institutions since 2011/12 reflects a significant improvement compared to 2009/10, when public universities consumed the lion share of the allocation (82.5 per cent versus 17.5 per cent). An important point to note is that while the percentage of NSFAS funding allocated to public HEIs is higher than that for public TVET colleges, the actual number of NSFAS beneficiaries
was higher in TVET colleges than public HEIs due to inherent differences in the expenditure levels of the main cost drivers of these two types of institutions (DHET Stats Publication, 2013).

While there is much to celebrate about the manner in which the NSFAS allocation has expanded higher education and TVET college education to those who would otherwise not enjoy these benefits, substantial challenges remain. Table 10 provides information about the number of students who had applied for NSFAS funding but were not granted any student financial aid in 2013 and 2014.

Table 10: NSFAS shortfall 2013 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of applicants who applied for NSFAS funding</td>
<td>289,105</td>
<td>339,665</td>
</tr>
<tr>
<td>Number of successful NSFAS applicants</td>
<td>186,150</td>
<td>194,923</td>
</tr>
<tr>
<td>Number of unfunded registered students who could not be assisted</td>
<td>53,987</td>
<td>46,050</td>
</tr>
<tr>
<td>% that could not be supported</td>
<td>18.70%</td>
<td>13.60%</td>
</tr>
</tbody>
</table>

Source: DHET (2015c)

Note: The shortfall during 2013 and 2014 reflects demand from students at public higher education institutions and students at TVET Colleges

In 2013, almost 14 per cent of students who had applied for NSFAS funding were unsuccessful, while the corresponding number in 2014 was approximately 19 per cent. The DHET is currently exploring a number of options to broaden the student base of beneficiaries and investigating alternative financing options (DHET, 2015c).
**Equity and redress at an institutional and individual level**

Figure 18 provides information about the nominal growth in the unconditional block grant of historically disadvantaged universities between 2004/05 and 2014/15.

**Figure 18: Nominal growth in the block grant subsidy of historically disadvantaged universities, 2004/05 to 2014/15**

![Image of bar chart showing the nominal growth in the block grant subsidy of historically disadvantaged universities, 2004/05 to 2014/15.]

Source: Presentation by DHET University Branch to the Portfolio Committee on Higher Education on the HDI Development Grant 2015/16, March 2015

Figure 18 indicates that relative to all universities, the block grant allocation of historically disadvantaged universities increased at a more rapid rate over the period 2004/05 to 2014/15. It is important to understand that this does not mean that the block grant allocations of these institutions are necessarily larger than other universities. The strong growth in allocations to these institutions is intended to compensate for inherited infrastructure backlogs and in recognition of the additional education burdens that these institutions have to tackle. The nominal increases range from 263 per cent at Walter Sisulu University to 330 per cent at the University of Venda.

Figure 19 examines the historically disadvantaged institutions’ share of the infrastructure allocations over the period 2012/13 to 2014/15

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13 These large nominal increases represent above-inflationary increases on the block grants. However, no service delivery burdens are implied in the graph above, which does not warrant a conclusion that the funding gains approximate any adequacy benchmark.
Figure 19: Historically Disadvantaged Institutions’ share of the infrastructure grant allocations, 2012/13 to 2014/15

Source: Presentation by the DHET University Branch to the Portfolio Committee on Higher Education on the HDI Development Grant 2015/16, March 2015

The DHET notes that while the HDIs represented in Figure 19 do not have the lion share of FTE enrolments (only about 15 per cent), in order to deal with inherited disadvantages, their joint allocations were set to 42 per cent of the infrastructure allocation. This is a clear attempt by DHET to recognise past injustices and to make amends in the context of tight financial allocations.

Further funding support for HDIs has been the introduction of the HDI Development Grant in 2015/16, following one of the recommendations of the Ministerial Review Committee on the Funding of Universities. The HDI Development Grant aims to strengthen administrative and financial systems at these institutions and to improve the quality and sustainability of its academic standing.

Annually these institutions will receive an additional R410 million and over the five-year period of the grant, the contribution of this grant will be slightly more than R2 billion. As the funds in 2015/16 were used to fund the zero fee increase in 2016, the HDI Development Grant will take effect in 2016/17 for a five-year period.

While institutional equity and redress measures are important, students formerly classified as black are distributed across all institutions and it is important to study access according to the race and the gender of the individual students. Table 11 provides information about the participation rates of students by race and gender in 2003, 2008, 2010 and 2013.
Table 11: Participation rates at public universities \(^{14}\) by race and gender in 2003, 2008, 2010 and 2013 (%)

<table>
<thead>
<tr>
<th>Race</th>
<th>Gender</th>
<th>2003</th>
<th>2008</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>10.1</td>
<td>11.3</td>
<td>11.8</td>
<td>13.4</td>
</tr>
<tr>
<td>African</td>
<td>Female</td>
<td>12.2</td>
<td>14.6</td>
<td>16.5</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>11.1</strong></td>
<td><strong>13</strong></td>
<td><strong>14.1</strong></td>
<td><strong>16.5</strong></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>10.2</td>
<td>11.2</td>
<td>12.4</td>
<td>11.2</td>
</tr>
<tr>
<td>Coloured</td>
<td>Female</td>
<td>11.9</td>
<td>15.8</td>
<td>18.5</td>
<td>17.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>11.1</strong></td>
<td><strong>13.5</strong></td>
<td><strong>15.5</strong></td>
<td><strong>14.5</strong></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>45</td>
<td>37.9</td>
<td>37.4</td>
<td>39</td>
</tr>
<tr>
<td>Indian</td>
<td>Female</td>
<td>52.8</td>
<td>51.8</td>
<td>54.2</td>
<td>59.2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>48.9</strong></td>
<td><strong>44.7</strong></td>
<td><strong>45.6</strong></td>
<td><strong>48.9</strong></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>61.1</td>
<td>51.6</td>
<td>52.1</td>
<td>48.3</td>
</tr>
<tr>
<td>White</td>
<td>Female</td>
<td>66</td>
<td>61.5</td>
<td>62.8</td>
<td>61.3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>63.5</strong></td>
<td><strong>56.5</strong></td>
<td><strong>57.4</strong></td>
<td><strong>54.7</strong></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>14.2</td>
<td>14.7</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>16.6</td>
<td>18.6</td>
<td>20.4</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>15.4</strong></td>
<td><strong>16.7</strong></td>
<td><strong>17.7</strong></td>
<td><strong>19.5</strong></td>
</tr>
</tbody>
</table>

Source: Adapted from DHET (2015c)

Table 11 shows that the participation rates of African students increased from 11 per cent in 2003 to approximately 17 per cent in 2013. By 2013, female African students achieved a participation rate of 20 per cent compared to their male counterparts who managed to achieve only 13.4 per cent. The participation rates of Coloured students were similar to their African counterparts in 2003 and by 2013, it averages about 15 per cent. Coloured female students have consistently higher participation rates than their male counterparts and by 2013, this rate was almost 18 per cent compared to the much lower rate of 11 per cent for male Coloured students. Indian and White students have vastly superior participation rates ranging from close to 50 per cent for Indian students to 55 per cent for White students in 2013. The trend of higher female participation rates also applies to White and Indian students and in these groups, female participation rates are put at around 60 per cent in 2013.

Both the National Development Plan and the White Paper for PSET emphasise the importance of expanding enrolments in Science, Engineering and Technology (SET) fields. Table 12 examines the enrolment ratios in SET by race and gender in 2003 and 2013.

Table 12: Enrolment ratios in Science, Engineering and Technology by race and gender in 2003 and 2013 (%)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gender</td>
<td>Race</td>
</tr>
<tr>
<td>Male</td>
<td>55.1</td>
<td>African</td>
</tr>
<tr>
<td>Female</td>
<td>44.9</td>
<td>Coloured</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>8.7</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>30.1</td>
</tr>
</tbody>
</table>

Source: Adapted from DHET (2015c)

Note: The total enrolments in SET in 2003 were 193,864 (out of a total enrolment of 705,255) and in 2013, SET enrolments were 283,622 (out of a total enrolment of 983,698)

14 The participation rate/ gross enrolment ratio is calculated by dividing the actual number of students enrolled in the higher education system by the number of 20-24 year olds in the general South African population.
Table 12 shows that male students constituted 55 per cent of all SET enrolments in 2003 and 2013. In 2003, African students constituted 55 per cent of all enrolments, while White students made up 30 per cents of these enrolments. In 2013, African student enrolments constituted 67 per cent of all enrolments, while all other groups’ enrolment ratios shrunk relative to the growth in African student enrolments. The substantial rise in the enrolment ratios of African students in SET fields is noteworthy and must be celebrated. A concerted effort must be made to improve the enrolment ratios of Coloured students.

**Output and implementation successes**

Figure 20 examines graduates as a percentage of total headcount enrolment for the period 2007 to 2013.

**Figure 20: Graduates at different qualification levels as a percentage of total headcount enrolment at public universities, 2007 to 2013**

![Graduates at different qualification levels](image)

*Source: Higher Education Management Information (HEMIS, 2016)*

Figure 20 shows that graduates at the under-graduate, Master’s and Doctorate levels constitute between 12 and 21 percent of total headcount enrolment at any given time during the period 2007 to 2013. There is very little variation within a qualification band and percentages typically change only by one percentage point over this period. For students who pursued post-graduate studies other than Master’s and Doctorate degrees, the percentages are much higher due to the broader variety of courses in this band, and, typically, such courses are shorter in duration than the other qualifications represented in the graph above. Graduates in this category constitute between 36 per cent and 44 per cent of total headcount enrolment.

Figure 21 below examines the throughput rates among students who pursued 3 and 4-year under graduate programmes that commenced in 2000 and 2009 respectively. The graph uses 5 years after the commencement of the under-graduate programmes as a benchmark for completion and simply estimates what percentage of the original cohort completed within this time-period.
Generally—with the exception of White female students—the cohort performance of those who started their studies in 2009, achieved higher throughput rates than their counterparts in 2000. For example, for the 2000 cohort who pursued undergraduate programmes, only 30.4 per cent of African females are deemed to have successfully completed within the five-year period, while the corresponding rate for Indian female students was 42.1 per cent during the same period. For the 2009 cohort, a much larger percentage of Africa female students graduated within five years (43.6 per cent), while the corresponding success rate for Indian females is about 50 per cent. While it will be difficult to attribute the growing throughput success rate to one factor only, the contribution of dedicated grants to improve the quality of teaching as well as better preparing students for the rigours of university studies (the foundation grant) could be considered as important variables in this success equation.


Table 13: Improving (cumulative) national undergraduate throughput rates in public universities in 2000, 2003, 2006 and 2009 (%)

<table>
<thead>
<tr>
<th>Intake year</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>70994</td>
<td>18.8</td>
<td>35.1</td>
<td>44.2</td>
</tr>
<tr>
<td>2003</td>
<td>81303</td>
<td>18.3</td>
<td>34.3</td>
<td>42.9</td>
</tr>
<tr>
<td>2006</td>
<td>83518</td>
<td>20.6</td>
<td>41.9</td>
<td>53.5</td>
</tr>
<tr>
<td>2009</td>
<td>109869</td>
<td>17.5</td>
<td>40.4</td>
<td>53.5</td>
</tr>
</tbody>
</table>

Source: Adapted from DHET (2015c)

Table 13 depicts a rising trend of successful completion of undergraduate programmes from 44.2 per cent in 2000 to 53.5 per cent in 2009. This means that less than half of those who started their studies in 2009 managed to complete within the benchmark period of five years. There is clearly an emerging success story here, but there is also an acceptance that much higher throughput success rates are needed to justify the additional investment made into the public university sector and the PSET system as a whole.
Table 14 provides one indicator of the relative output success in TVET colleges, namely certification rates during the 2013/14 and 2014/15 financial years.

**Table 14: Certification rates in TVET Colleges by qualification type in 2013/14 and 2014/15 (%)**

<table>
<thead>
<tr>
<th>Qualification Type</th>
<th>2013/14</th>
<th>Qualification Type</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTEC</td>
<td>38.6%</td>
<td>NC(V): L2</td>
<td>32.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NC(V): L3</td>
<td>30.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NC(V): L4</td>
<td>37.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N1-N3</td>
<td>54.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N1-N3</td>
<td>59.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N4-N6</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>42.7%</td>
</tr>
</tbody>
</table>

*Source: DHET Annual Report 2014/15*

*Note: Certification rates are defined as the number of students who have completed a qualification over the total number of students who sat for that examination.*

Generally, the certification rates in TVET colleges are not high and concerted efforts are required to improve the overall success rate of students and institutions. However, there are some signs that the system is beginning to improve: for example, in the N1-N3 qualification type, the certification rate improved by almost 6 per cent to 60 per cent in 2014/15. What this publication has revealed is the need to put substantially more resources into the sector, which would provide for better quality lecturing, dedicated student financial aid, and a learning (and physical) infrastructure that would make these qualifications meaningful and competitive in an open labour market system.

The National Development Plan regards innovation as an important measure of the success of the higher education system and makes a strong case for a substantial increase in the number of enrolled and graduated doctoral candidates. Figure 22 displays the total number of doctoral graduates between 2003 and 2014.

**Figure 22: The total number of doctoral graduates, 2003 to 2014**

*Source: DHET (2015c)*
The National Development Plan states that South Africa should produce more than 100 doctoral graduates per million of the population compared to the current 28 PhD graduates per million per year. Translated into annual targets, this means South Africa has to produce more than 5,000 doctoral graduates per annum. If this is used as a benchmark to assess the performance of the system, then the 2014 number of 2,258 doctoral graduates needs to be doubled in the next 14 years to reach the target of 5,000 doctoral graduates per annum. That will be challenging, but the data do indicate a rising number of doctoral graduates over the period represented in the graph above.

Figure 23 uses the same data and disaggregate the number of doctoral graduates by gender for the period 2003 to 2014.

**Figure 23: The total number of doctoral graduates by gender, 2003 to 2014**

Source: DHET (2015c)

Across the entire period, the higher education system produces a larger absolute number of male doctoral graduates. This, in the context of an overall higher female population and larger higher education enrolment rates, means that some effort is required in raising the number of female doctoral graduates.

Figure 24 uses the same information and disaggregate this information by race (Africans and Whites) for the period 2003 to 2014.
In 2003, the number of doctoral graduates among Whites was more than double that of African doctoral graduates. However, by 2012, the number of doctoral graduates appears to have converged, and by 2014, the total number of doctoral graduates among African students exceeded that of White doctoral graduates.

Figure 25 provides information about the total publication output units per permanent academic staff members during the period 2004 to 2013.

Figure 25 represents the outputs of academic researchers at public universities as a whole and may hide, therefore, important differences in the productivity of researchers at different academic institutions. However, the overall picture is that of research output that is gradually improving, which reflects well on attempts at increasing the value of knowledge production and strengthening the links to the national innovation system.
4.2 DHET Processes that Advance the Claims of the PSET system

The DHET, as a national policy-making department, has to respond to multiple policy and financing challenges. Furthermore, such responses as indicated earlier, often take place in a compromised overall spending environment and rising student demands for affordable and accessible education.

There is also the additional constraint of operating within the country’s MTEF framework, which requires the development of evidence-based operational plans, the establishment and active use of reliable databases, and ongoing evidence of how the department intends to meet its legal and constitutional mandates. In the face of these multiple challenges, the DHET can ill-afford to be unsystematic in its approach to service delivery and delivering on its legal mandates.

What is shown below is the rational and considered manner in which the DHET considers evidence, integrates this into the policy-making process, and in the process ensures the effective implementation of national policies.

Development of a new national plan for the PSET system

With the establishment of a new Department of Higher Education and Training and the publication of the WP for the PSET system, it has become necessary to develop a new national plan for the PSET system as a whole. This may sound self-evident, but the planning and operations necessary to bring the WP for the PSET system to fruition are far more complicated than implementing a single national higher education plan. The new national PSET plan will serve as a reference point to guide future projections of total costs and the time required to fully implement provisions in the White Paper for PSET. This process is already underway and the DHET is working closely with the National Treasury in fine-tuning this vital plan.

Initial indications are that the new national plan for the PSET system will be released in draft form in March 2017 and will follow the normal DHET and government-wide consultative processes. In developing the new national plan, the DHET is co-ordinating various work streams (for example, work on the TVET sector, community colleges as well as work on the university sector) that will ultimately inform the new national plan. The work streams are required to examine emerging needs and projections in each of the main sectors that constitute the PSET system and make framework financing and policy proposals to bring the system’s national goals to fruition.

An important part of this work is to develop revised targets for each of the main sub-sectors in recognition of the changed economic environment and the resulting realisation that the pace at which the system expands will have to be moderated. This is why the new national plan will be critical in further discussions between the DHET and the National Treasury in reaching consensus about the level and speed of expansion of the PSET system. Furthermore, the plan will give some indication of the capacity of the PSET system-in its present guise- to implement the White Paper for the PSET system.

Planning processes with PSET institutions that afford predictability and stability in funding

Education institutions, in order to function without any interruption, must be funded in such a way that brings certainty and predictability in the funding as far as the contribution from the government is concerned. This principle is applicable to schools in the basic education phase or indeed the PSET institutions that are covered in this publication. Table 15 provides information on the synchronised strategic planning cycle of the TVET colleges.
# Table 15: Strategic synchronised planning calendar of TVET colleges and the DHET

<table>
<thead>
<tr>
<th>Time of year</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>End March</td>
<td>DHET must release national enrolment targets and priorities</td>
</tr>
<tr>
<td></td>
<td>Colleges commence their annual planning process for next three calendar years</td>
</tr>
<tr>
<td>April</td>
<td></td>
</tr>
<tr>
<td>End July</td>
<td>DHET must approve annual funding base-rates applicable for next college year</td>
</tr>
<tr>
<td>End August(^{15})</td>
<td>Colleges must submit the next three years plan to DHET</td>
</tr>
<tr>
<td></td>
<td>Final annual reports with audited financial statements for previous financial year</td>
</tr>
<tr>
<td>End September</td>
<td></td>
</tr>
<tr>
<td>End October</td>
<td>DHET signs off on next three year plans</td>
</tr>
<tr>
<td></td>
<td>Schedule of payments to colleges to be confirmed and communicated to colleges</td>
</tr>
<tr>
<td>End November</td>
<td></td>
</tr>
</tbody>
</table>

Source: [https://sip-skills.onlinecf.net/SKILLSforandthroughSIPs](https://sip-skills.onlinecf.net/SKILLSforandthroughSIPs) (accessed February 2016)

The planning cycle above is fitted into a budget calendar and so it is possible to overlay the dates in Table 13 with other relevant budget dates, but the principle is the same: the deeper one goes into the calendar year, the firmer indications are of what overall funding will become available. Also, in order to give these exchanges some form of predictability, 3-year enrolment projections are provided (again, similar to the budget projections) and the DHET sets aside a period (usually midway through an MTEF) where a review of enrolment targets, priorities and funding can be re-negotiated. The latter allows flexibility in the planning calendar and recognises that important changes might have taken place since the last enrolment numbers and indicative budgets were negotiated and agreed on.

The planning cycle for public universities is similar (even though it follows a 5-year planning horizon) and follows a discrete set of steps, which include:

- Universities develop their enrolment plans and interpret the requirements of national policy and priorities;
- These draft plans are submitted to the DHET and analyses;
- Thereafter a series of meetings are held between the university and officials of DHET and DHET uses a framework to engage these discussions, which are derived from goals in the National Development Plan, the Minister’s own performance agreement with the President, the Medium Term Strategic Framework (MTSF) etc.;
- Following these meetings, the universities submit revised plans by August; and
- The plans are finalised when the Minister of Higher Education and Training publishes the Ministerial Statement on Student Enrolment Planning for Universities.

As is the case with TVET Colleges, there will be an opportunity to revise these targets/plans midway through the 5-year planning horizon.

**Cross-government co-operation in determining the financial quantum involved in delivering and expanding post-school education and training**

The national government has committed itself-through the outcome orientated system pioneered by the Presidency-to undertake a series of expenditure reviews of key sectors and to carefully

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\(^{15}\) If one were to overlay important budget calendar dates on the FET planning cycle, then the Division of Revenue workshop in August of each year comes to mind (fine-tuning of macro-economic and fiscal frameworks) as well as the handing down of approved spending letters in November/December each year.
estimate the cost of implementing major policies. Implementing the White Paper for PSET is no different and the National Treasury has begun a process of costing the implementation of the White Paper. However, because of the centrality of the revised national plan for the post-school education and training system, DHET and the National Treasury are working together so as to ensure that the costing exercise has an appropriate reference point. This will also ensure that both sides have an understanding of the relative cost drivers, constraints and challenges in implementing such an important initiative.

**Carefully considered processes in finalising the recommendations of the Ministerial Review Committees**

Ministerial review committees are an important mechanism in the national Minister of Higher Education and Training’s executive arsenal and these reviews are critical for continued implementation success. In response to the Review Committee that examined the funding of public universities, the DHET established

- An overall Reference Group to advise the Minister on the feasibility and sequencing of the implementation of the recommendations; and
- A technical task team that provided technical modelling advice about the various options presented in the Ministerial Review (issues about impact).

Following these internal exercises, the next step in the process has been to take key proposals to the Cabinet. If these proposals are approved, they would be gazetted and the public will be afforded an opportunity to submit comments.

In the case of the Ministerial Review Committee on NSFAS, the NSFAS Board are responsible for overseeing the implementation of any recommendations. As reported earlier on, most of the recommendations have been implemented and strong progress has been made in ensuring that the NSFAS, as an entity, is fit for the purpose of delivering world class services to students and institutions in the PSET band.

**Strengthening of the M&E capacity of the DHET through an evolving Higher Education Management Information System (HEMIS)**

Due to the increasing output and outcome-orientation of successive post-apartheid governments, it is critical to collect quality input, output and outcome related data that indicate the progress government is making in undoing apartheid legacies and creating a new culture of excellence.

The Higher Education Management Information System (HEMIS) has been designed to address the concerns and there is ample evidence that the system captures ongoing implementation challenges and successes and this data are used in the goal setting and strategic processes of the DHET. In fact, two of the Ministerial Review Committees make explicit mention of the need to develop strong internal DHET M&E capacity. Further evidence of the evolving capacity of the system are the various cohort studies that have been done to study throughput rates (at both under-graduate and post-graduate levels) and the degree of student attrition in the system.

The HEMIS is critically dependent on the reliability and veracity of information supplied by institutions in the PSET system. In this regard, the **Ministerial Statement on University Funding 2015/16** states that verification processes have been instituted to ensure the correctness of the submitted data. In instances where enrolment data were inflated, the DHET will re-calculate institutional allocations.

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16 Although Section 35 of the Public Finance Management Act (PFMA, Act 1 of 1999) applies to national departments developing policies that may have cost implications for sub-national government and referring to the need to estimate the cost requirements, this provision of the PFMA requires a similar level of rigour from national departments making policy that requires national-level implementation.
5. THE WAY FORWARD: CONTINUED AND SUSTAINED INVESTMENT IN THE PSET SYSTEM

The investment argument advanced in this report is relatively straightforward, although the tenability of the argument is subject to uncertainty, especially in terms of how the present higher education protests will be resolved.

What this report has established is the following:

- The constrained economic growth environment and the consequent impact on the national fiscus has forced policy-makers to be much more specific about the policies that will enjoy funding prioritisation and how such policies ought to be funded;
- The budgetary evidence to be presented in the report suggests that there is a genuinely positive intent to fund the expansion of the post-school education and training system, but that such gains are challenged by an adverse inflationary environment and rapidly rising demand, which is stimulated internally by the policy imperatives of the White Paper for Post-school Education and Training;
- The two largest post-schooling sectors, namely the universities and public TVET Colleges, are under severe pressure to preserve any spending gains and have suffered real declines in the monetary value of their per FTE student funding. The situation with regards to TVET Colleges is somewhat worse, because of the need to accommodate important increases to university funding;
- Funding models for Community Colleges in the adult education training sector are in the process of being finalised and it is clear from the brief review in this report that a substantial injection of funding is needed to implement some of the policy proposals; and
- There is some uncertainty about the contribution of skills development funding in assisting the expansion of post-schooling education and training opportunities.

In spite of these challenges, there are a number of ameliorative factors that have contributed to institutions in the PSET system showing resilience in the face of an adverse and shrinking spending environment. These include:

- Signs of improved effectiveness in the university system due to a combination of good management on the part of universities and progressive State funding policies, leading to key transformation targets being met or good progressed registered;
- The DHET has formalised internal processes aimed at building the evidence base to influence the PSET system in a progressive and desirable manner; and
- Continued focus on redressing the funding and administrative burdens of historically disadvantaged institutions so as to dynamically bring them to the production and innovation mix.

Unless the economy starts to grow, education and financial planners are going to face stark choices: temporarily halt the expansion of the system and focus on improving the quality of the system (inputs, outputs and processes) or choose which of the PSET systems will be allowed to grow in spite of the financial challenges. The former option does not imply a real reduction in the funding intent of the government, but it does suggest that the rate of growth in expenditures is likely to be slowed down in order to comply with broader aggregate fiscal management. Given the relative efficiency of
the university sector, it is more than likely that additional increases—at least in the short term—will be directed at this sector.

The unfortunate consequence of this approach is that other critical areas of the PSET system will fall behind in terms of the expansion goals of the White Paper for Post-school Education and Training. However, in the case of the TVET College sector for example, the DHET has actively encouraged a differentiated college sector and it is not unreasonable to demand that priority sectors are continued to be funded well, thus preserving some of the national goals during this time. If approached in that manner, student enrolment can still be increased in some areas and kept constant in other areas so as to manage the expansion commensurate with the reduced spending environment.

However, much depends on how the present student demands for free higher education and for zero increases in the fee levels will be managed. This uncertainty is reflected in the medium-term allocations for the PSET system and there remains an urgent need, therefore, to resolve this matter speedily.
6. REFERENCES


Gewer, A (2010) Improving quality and expanding the further education and training college system to meet the need for an inclusive growth path. Johannesburg: DBSA.


