

Overcoming the burden of history and development



*CTEF inaugural workshop, 26 – 27 November 2014,
IPPTN, Penang, Malaysia*

G OUMA



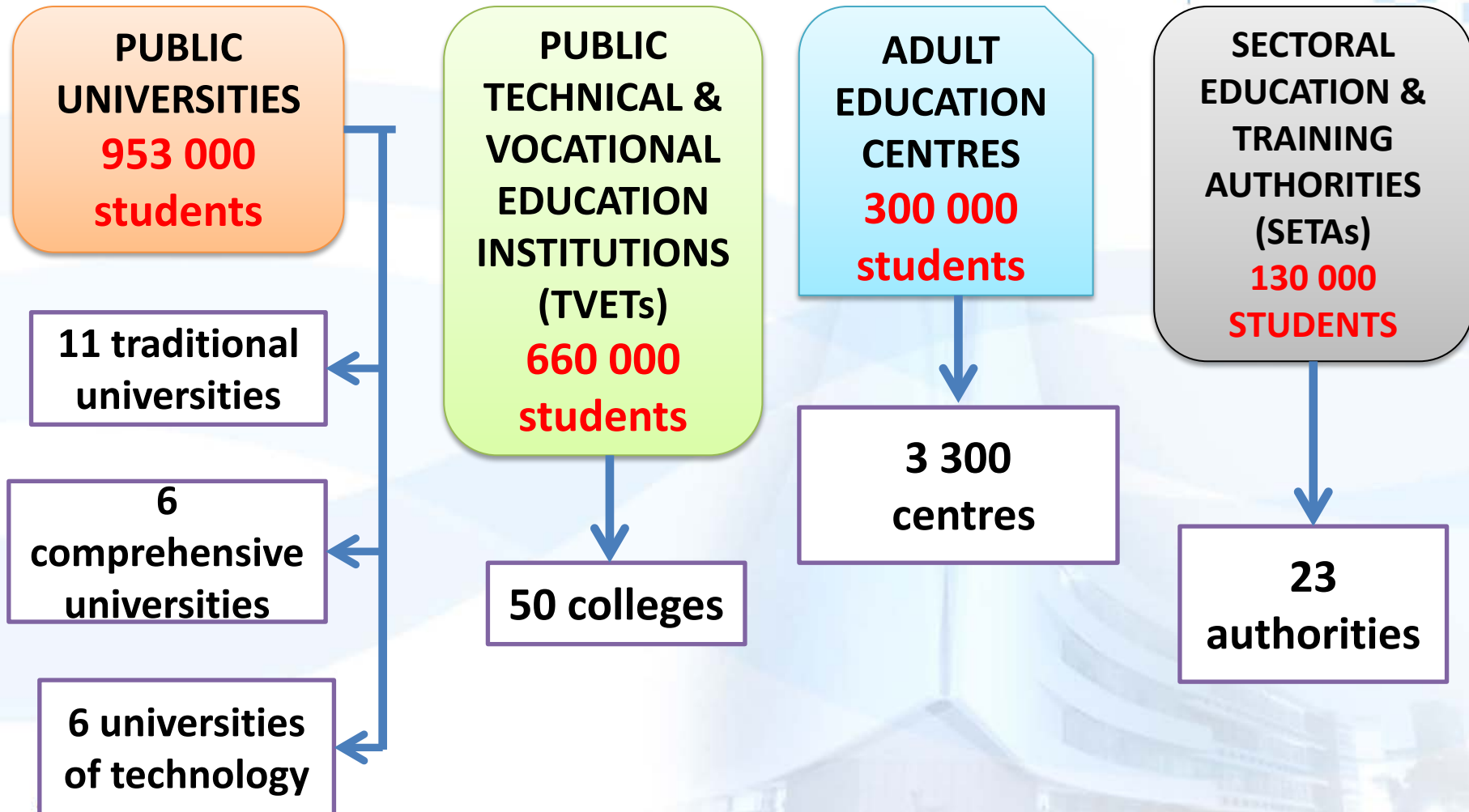
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Outline

- Context of HE in South Africa
- Financing HE in SA
 - Public funding
 - tuition fees
 - third stream income
- National student financial aid scheme

SA PUBLIC POST-SCHOOL SYSTEM IN 2012

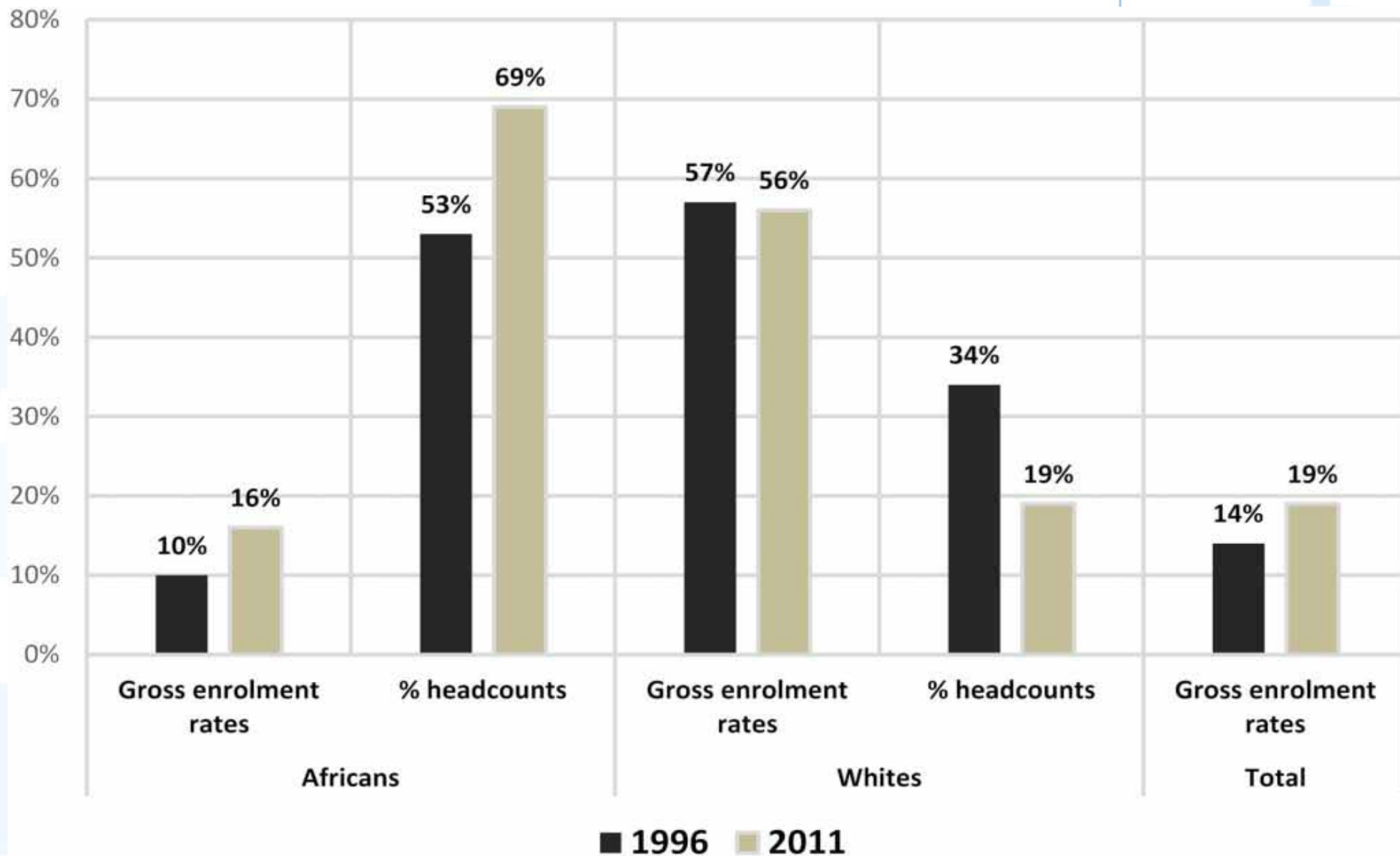


Transformational goals for the higher education system

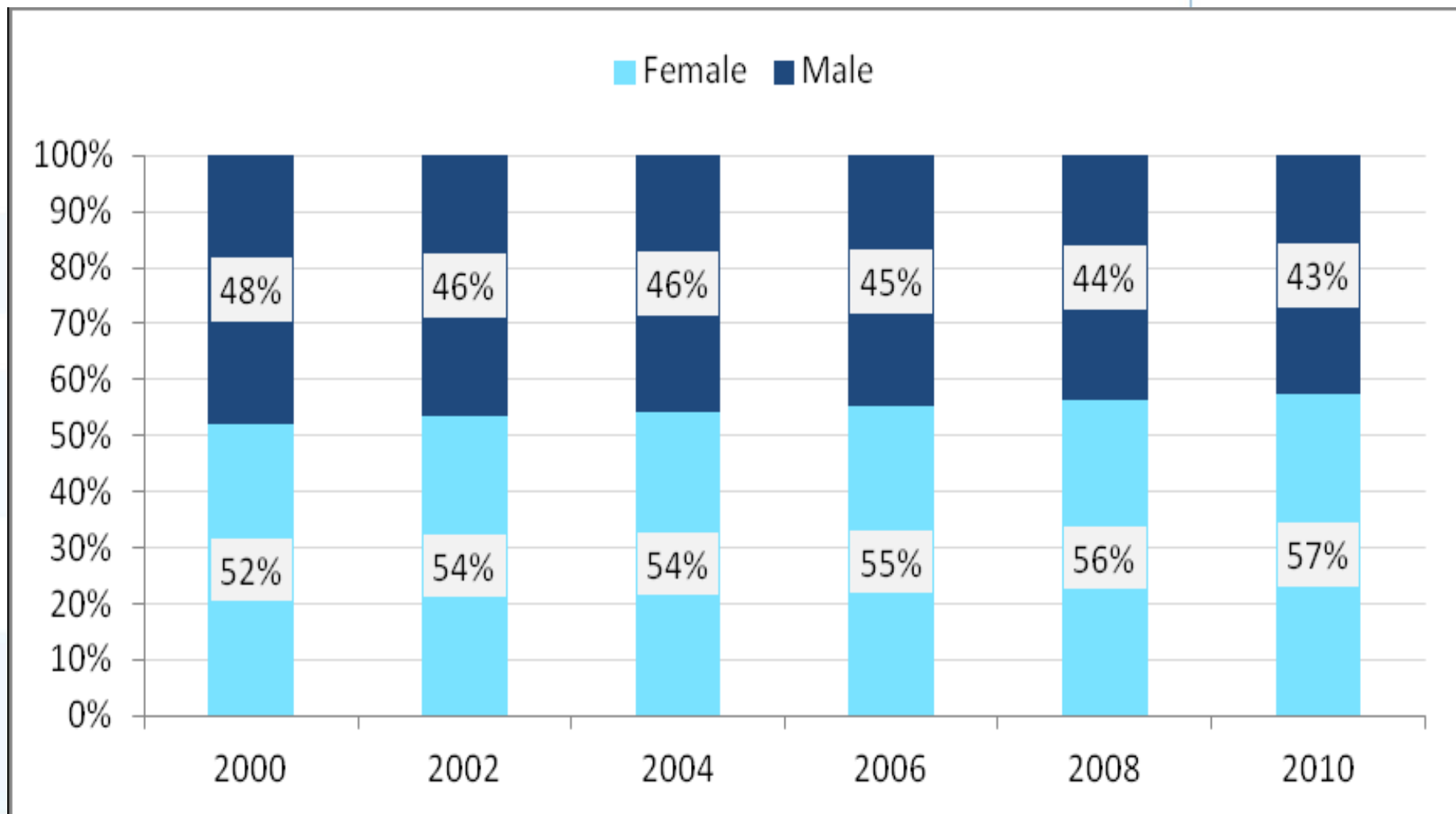
- Goal 1: Opportunities for entry into the system must improve. A gross participation rate of 20% by 2016 has been targeted.
- Goal 2: The participation of disadvantaged students in the system must increase.
- Goal 3: The participation of female students in the system must increase.
- Goal 4: SET and business/management enrolments in the system must grow: 30% in SET and 30% in business and management sciences.

Transformational goals ...

- Goal 5: Masters and doctoral enrolments in the system must grow – at least 15% of enrolments.
- Goal 6: The academic staff in the system must be well qualified – 75% should have doctorates by 2030.
- Goal 7: The output of graduates of the system must improve (cohort completion rate should increase by 65%).
- Goal 8: The high-level knowledge outputs of the system must improve.



Percentage distribution of headcount enrolments by gender 2000–2010



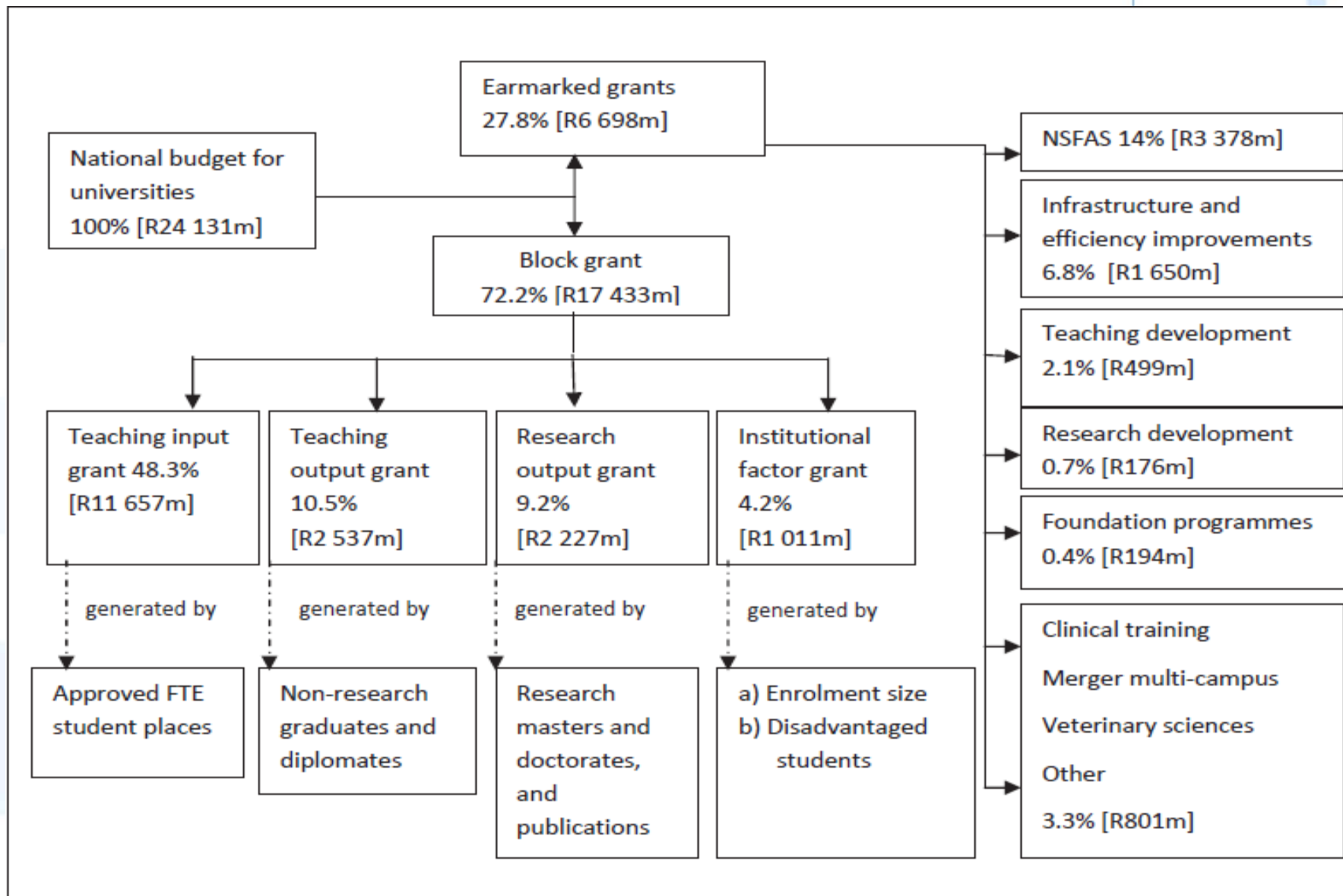
SA Higher Education Funding Framework: Key features

- Public funding of HE in SA is linked to the attainment key policy goals – Funding framework is a steering mechanism.
- The funding framework is a goal-oriented mechanism for the distribution of government grants to individual institutions, in accordance with:
 - (a) with national planning and policy priorities,
 - (b) with the quantum of funds (*affordability*) made available in the national HE budget, and
 - (c) the approved plans of individual institutions (MoE, 2004).

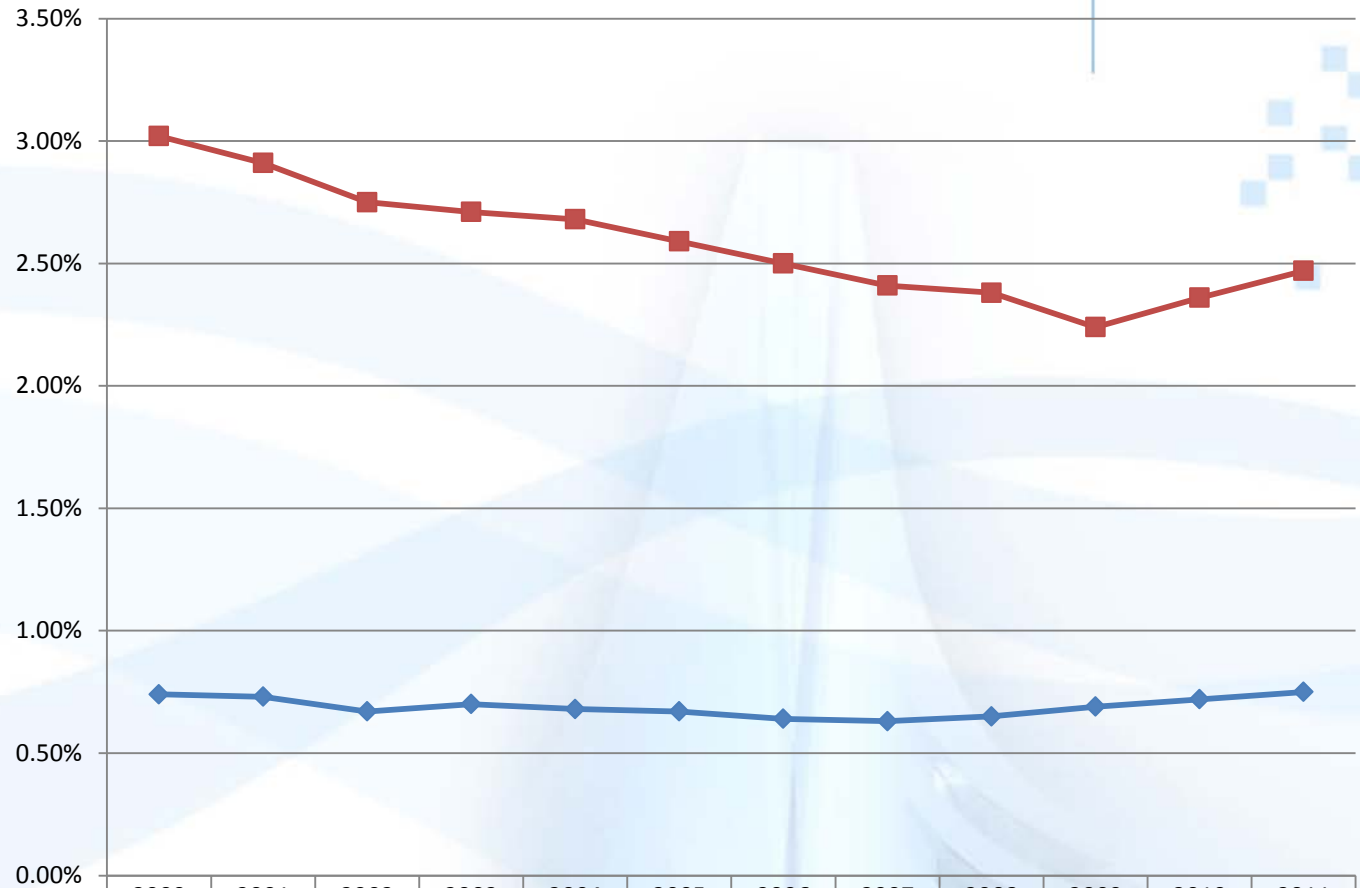
SA Higher Education Funding Framework: Key features

- The funding framework is a *distributive mechanism* to allocate government funds to individual institutions, in accordance with the budget.
- *Cost sharing*: The principle of cost sharing of higher education by government, students and families has been retained in the current funding framework.

funding framework (2012/2013 distribution)

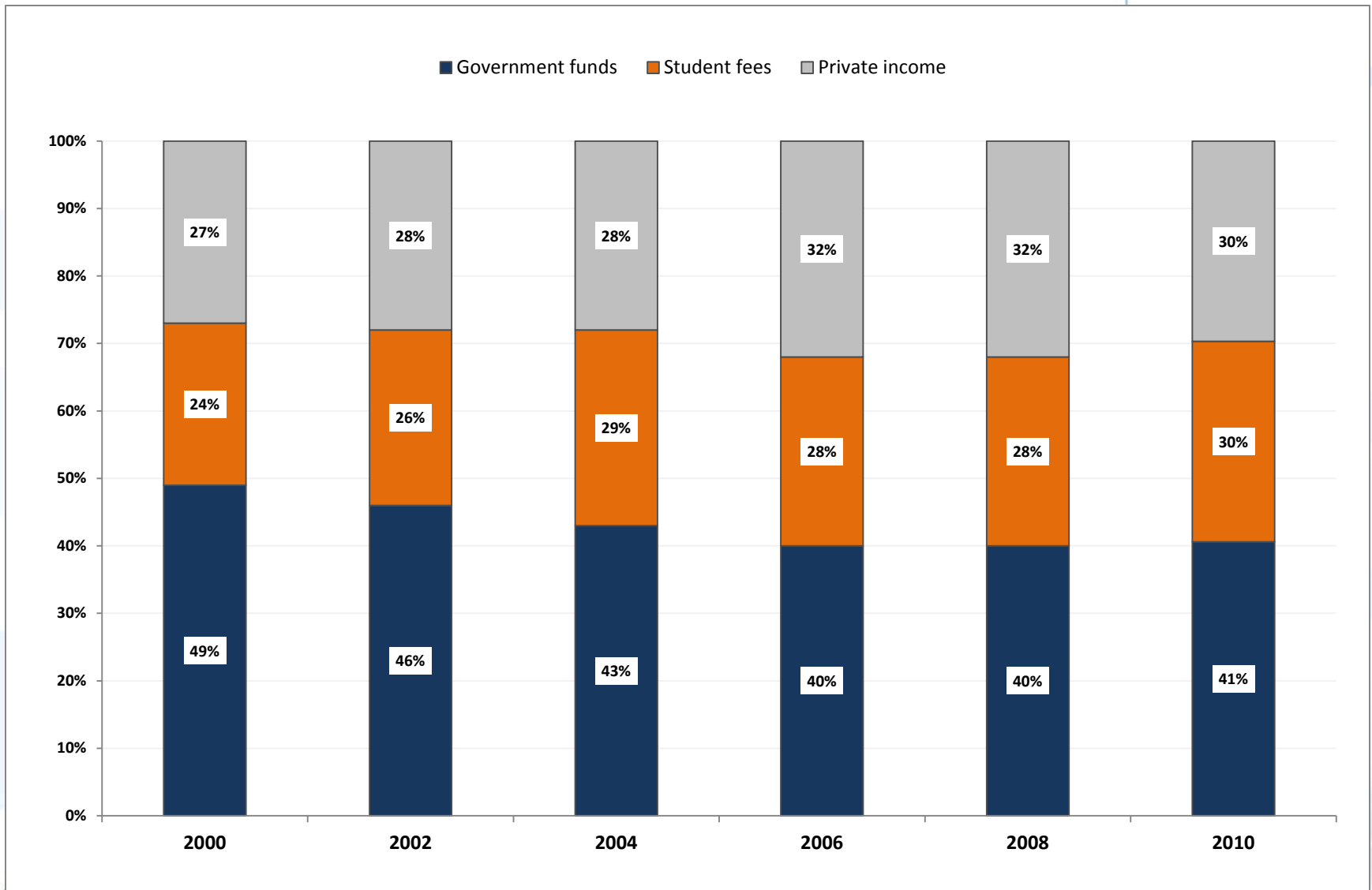


Total government allocations as a percentage of GDP and total government expenditure



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
◆ % of GDP	0.74%	0.73%	0.67%	0.70%	0.68%	0.67%	0.64%	0.63%	0.65%	0.69%	0.72%	0.75%
■ % of total government expenditure	3.02%	2.91%	2.75%	2.71%	2.68%	2.59%	2.50%	2.41%	2.38%	2.24%	2.36%	2.47%

Income Sources of Public Higher Education Institutions



Income per FTE enrolled student (R'000)

	2000	2010		Average annual growth (2000–12)	
		Nominal	Real	Nominal (%)	Real (%)
Government grants	17.2	27.8	15.4	4.9	-1.1
Student fees	8.8	20.2	11.2	8.7	2.5
Private income	9.3	20.2	11.1	8.0	1.8
Total	35.2	68.1	37.7	6.8	0.7

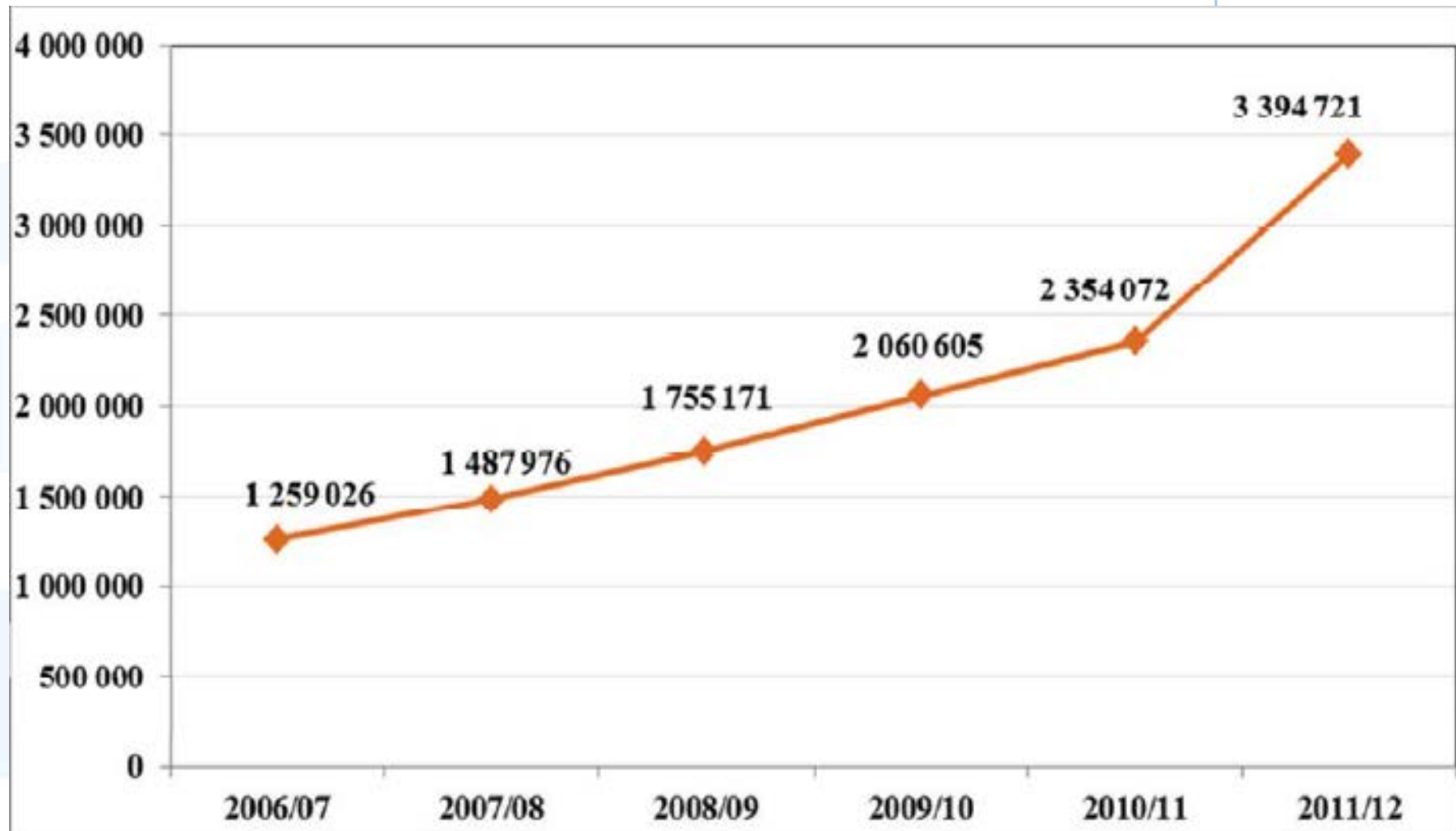
Economic environment

- SA's growth continues to weaken. The International Monetary Fund (IMF) projects a growth rate of 1,7% for 2014, which is well below the 2.7% GDP growth indicated in the budget review.
- Government is pursuing a policy of restrained expenditure growth, which means that spending will continue to grow in real terms (especially in priority areas), but at a much slower pace than before.
- For the post-school sector as a whole for the period 2013/14 to 2016/17, the average annual MTEF growth is projected at 7,7% (compared to over 15% for higher education in the period 2010/11 to 2013/14 when it was the highest growing sector).

National Student Financial Aid Scheme (NSFAS)

- NSFAS is an income contingent loan and bursary scheme established in 1995 “to change the racially skewed composition of the student population in SA by providing funds for disadvantaged but deserving students to afford higher education.”
- Primary source of NSFAS’ funding is the state, but the scheme also receives donations from local and international donors.
- Additional funds are provided by other national government departments, which fund bursaries in areas of scarce skills in the economy, e.g. the Department of Basic Education for teacher education and the Department of Social Development for training social workers.
- NSFAS also administers loans on behalf of public universities (*redistributive funding?*).

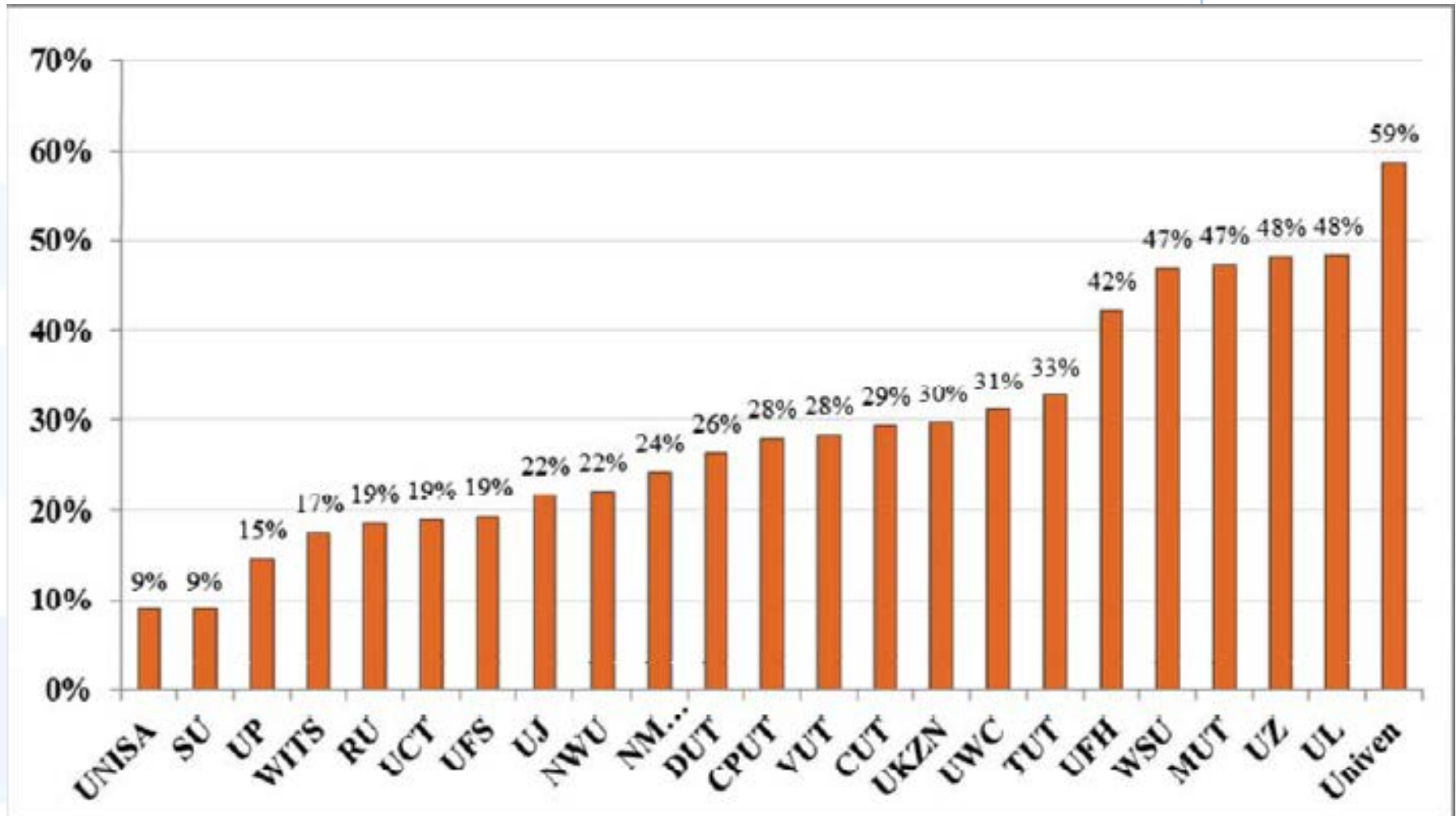
Total NSFAS allocations to universities, including recovered funds (2006/07–2011/12) (R'000)



Eligibility criteria

- be a citizen of South Africa;
- be accepted as a registered student at public university in South Africa when the award is made (students in private colleges do not qualify);
- be studying for a first tertiary qualification;
- be judged to have the potential to succeed; and
- be regarded as financially needy.

Percentage of undergraduate contact students that were NSFAS recipients (2010)



Number of NSFAS student awards, 1995 – 2010

Year	Number of students
1995	40 002
1996	67 641
1997	63 272
1998	67 558
1999	68 363
2000	72 038
2001	80 513
2002	86 147
2003	96 552
2004	98 813
2005	106 852
2006	107 586
2007	113 519
2008	117 766
2009	135 208
2010	148 387



Key features

- All loans are income-contingent, meaning that students are required to repay only when they have stopped studying, either by graduating or dropping out, and are earning an annual income above a threshold set in regulations to the Act. At present the threshold is R30 000 per year.
- Interest rates are set at 80% of the Repurchase (Repo) Rate, the rate at which the South African Reserve Bank lends to commercial banks. In 2011, this translated into an effective rate of 4.4%.
- Interest starts to be charged only 12 months after a student stops studying.
- Academic success is rewarded by a significant incentive in the form of a conversion of up to 40% of a student loan to a bursary on an annual basis (DHET, 2012a; DHET, 2010; HESA, 2008).

NSFAS not designed to be self-sustainable:

- *significant discounts (40%) to encourage performance.*
- *Bursaries*
- *below market interest rates*



Challenges

→ Race based allocation formula:

weighted number of disadvantaged students = (FTE enrolled African students x 3) + (FTE enrolled Coloured students x 2) + (FTE enrolled Indian students x 1).

- Inadequate funding - funding is insufficient to award loans to all applicants that potentially qualify for NSFAS, and that both the maximum and minimum sizes of awards are not sufficient to meet the study costs of students.
- NSFAS allocations are currently based on average cost of study programmes and not the actual cost. This leads to underfunding, hence the inability by some NSFAS beneficiaries to meet their study costs.
- Means testing that does not consider broader manifestations of need. reports point out that the current NSFAS threshold of eligibility is low. This has the consequence of leaving out students who qualify for financial assistance, especially those from (lower) middle class families, the so-called *missing middle*.

- NSFAS had not been sufficiently strict in enforcing institutional compliance with its policies.
- Poor loan recovery