

**REPORT OF THE WITS UNIVERSITY PANEL ON
FUNDING MODEL (S) FOR HIGHER EDUCATION IN
SOUTH AFRICA**

10 August 2016

Summary

- an eight-person Panel recorded the views expressed by students and academics & obtained written submissions.
- reforming the current system is possible through, for example, the increased infusion of more state funding; our report is however based on the assumption that to surpass the current crisis a new “hybrid model” is required.
- the model envisages a multi-faceted approach which includes the Government, the Private Sector and university revenues (fees, donor funds and endowments). Such a model would also include public-private partnerships. Such funding could be a complement to the current system or it could be enhanced through the use of financial instruments and Special Purpose Entities (SPEs).

University Tuition Fees: A Global Debate



Cooper Union students seized the clock tower atop the school's headquarters [December 3, 2012] and hung a banner urging the administration to keep the school tuition-free for undergraduates.

Credit: Michelle V. Agins/*The New York Times*

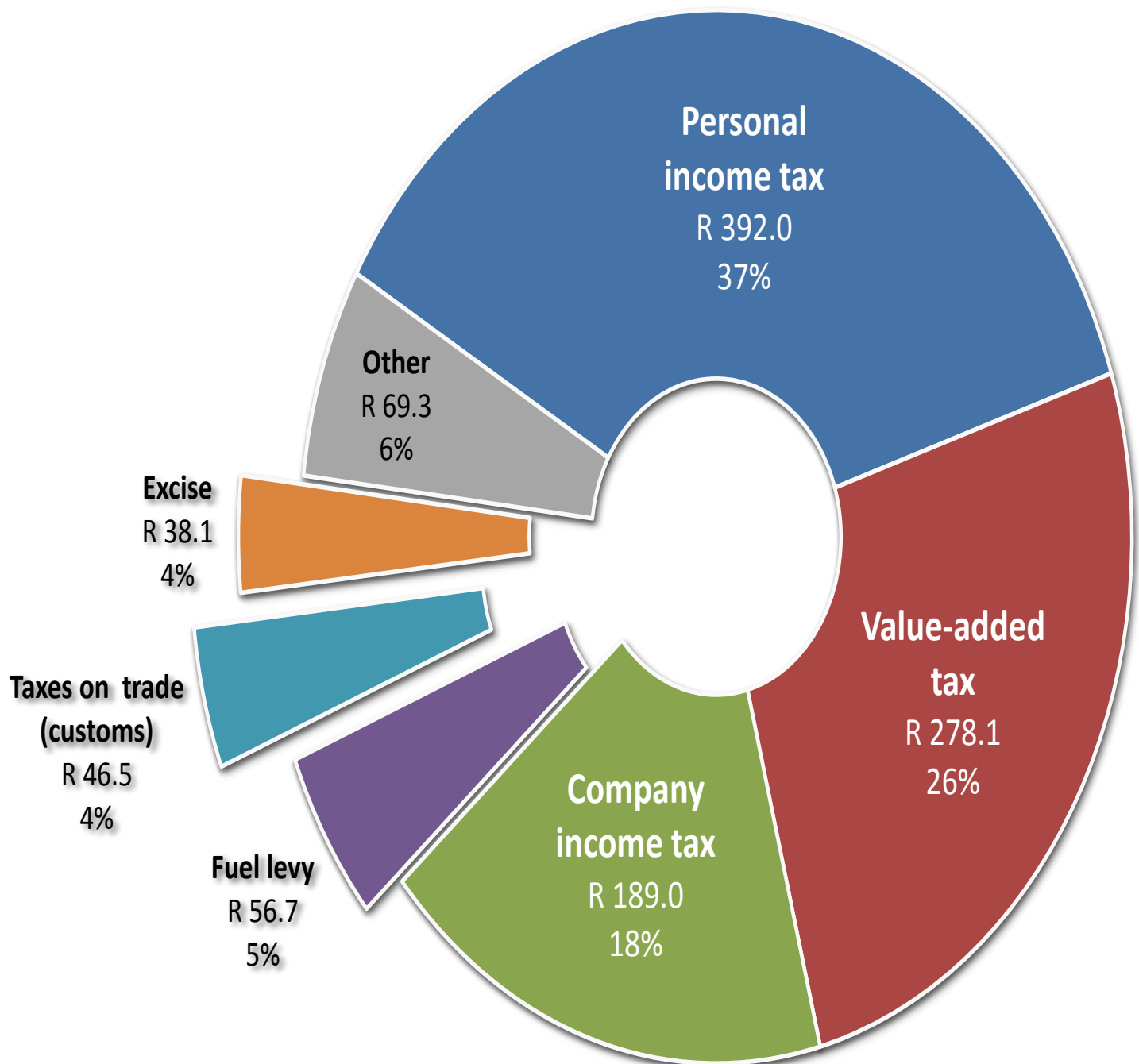


FEES MUST FALL, SOUTH AFRICA, 2015

Painting made in solidarity to the #feesmustfall protest in October 2015. The poster was made available on South African news site *Daily Maverick* for free download and non-commercial use.

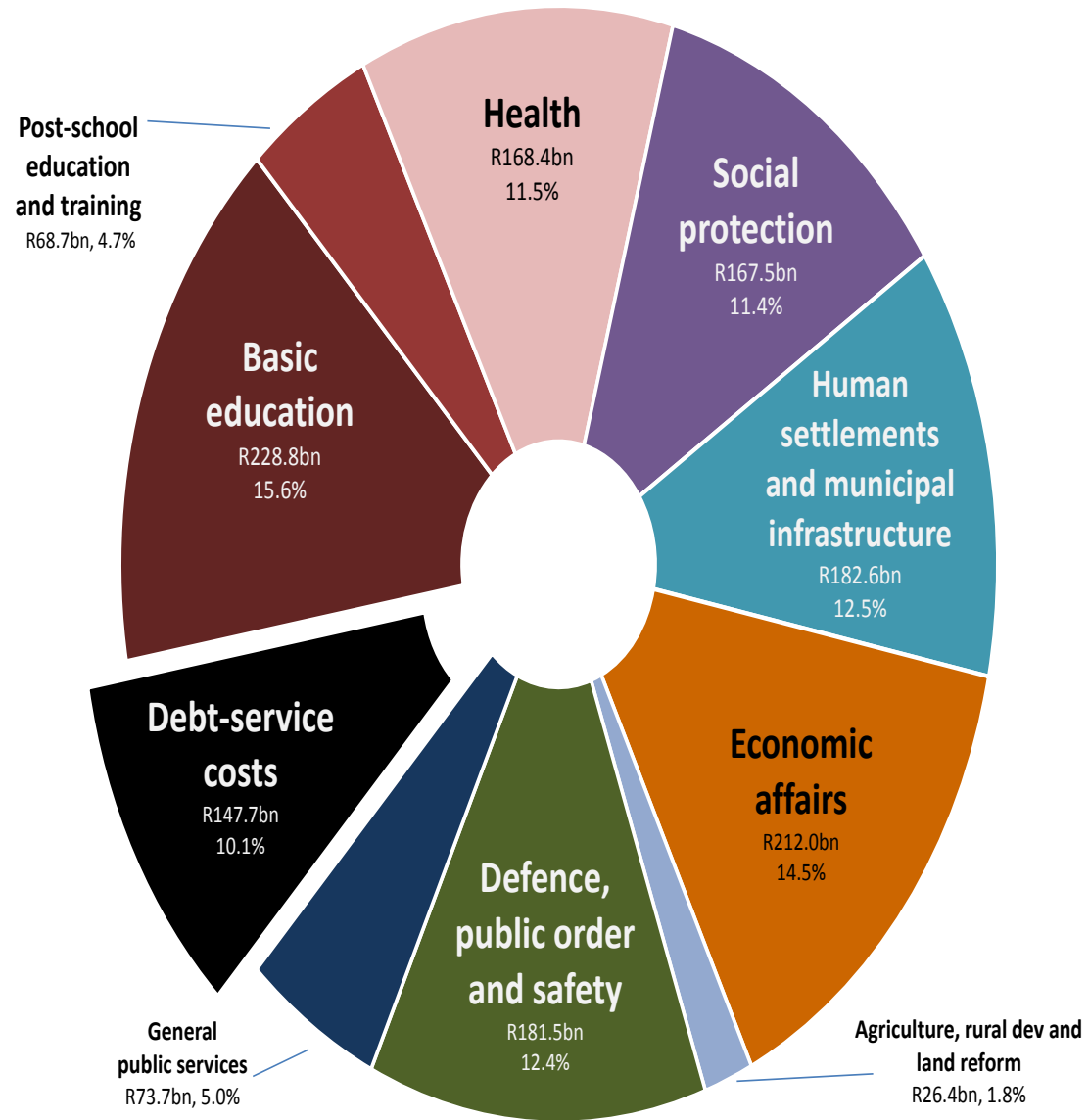
Figure 1: Government Tax Revenue – sources 2016/17

- The South African government spends just 4.7% of revenue, or 0.75% of GDP, on the post-school education and training sector. This includes Universities, Technical Vocational Education and Training (TVET) and other training institutions. The OECD on average spends 1.59% of GDP on higher education, with the UK spending 1.23% and Germany spending 1.31%.
- By far, Personal Income Tax (PIT) and Value-Added Tax (VAT) are the largest contributors to government coffers – 63% of all government revenue. Only 22% of the South Africa population actually pays PIT and VAT.

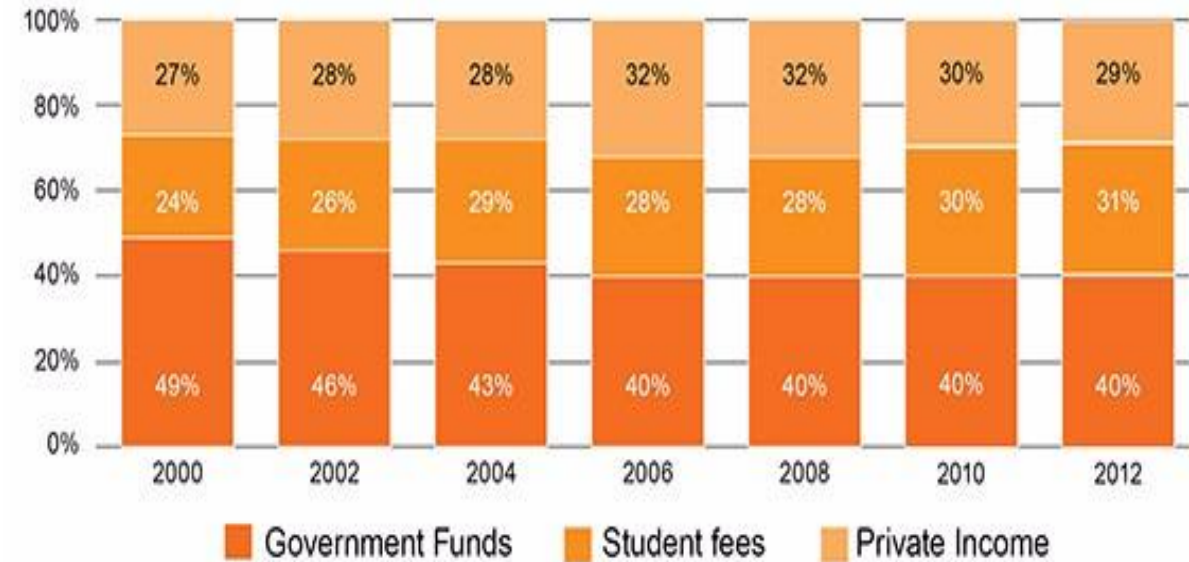


Source: National Treasury: 2016

Figure 2: Government Expenditure 2016/17



Income sources of public higher education institutions



Source: Department of Higher Education and Training (2010)¹ and Moving Forward (2012)²

A Hybrid Funding Model

- The ultimate objective of a revised funding model should be the meaningful widening of access to tertiary education, especially for those students and families who cannot afford fees.
- In a recent article published in *University World News*, Nico Cloete made the observation that, ‘all fee regimes are a Trilemma of Trade-offs: public (government) investment – enrolment – private costs. And the trade-offs are influenced by a combination of what different political groupings think the role of higher education is in that society and which constituencies’ interests are dominant.’
- The differences in the proposals tended to revolve around two distinct issues: there were those proposals that focused almost exclusively on the extension or revision of the current funding system of government subsidies, plus NSFAS (National Student Financial Aid Scheme), plus university revenue in the form of fees. On the opposite end were those proposals that presented novel or innovative ways of creating new forms of funding that could supplement the current funding system. Thus, even though there were differences in the assumptions and objectives of the proposals, most presented what we would like to term a “hybrid model” of higher education funding.

A Hybrid Funding Model – Some Proposals

- From the first of our public meetings, it became clear that fees were only a small portion of the larger dilemma of how to fund individual students from the beginning of their degree to the day of completion.
- However, it also became apparent that none of our respondents supported a free-for-all system in which even those who could afford to pay were fully funded. This led to various proposals for means testing and/or a sliding scale based on family income.
- By far the most mentioned aspect of the current funding system were the NSFAS loans which currently range from the minimum amount per student of R2 000 and the maximum amount for 2016 of R71 800. The Panel noted the evolving nature of NSFAS and the possibility that support may rise from the current figures.
- Some proposals evaluated the idea of expanding higher education funding through increased taxation, or a graduate tax.
- The private sector already funds students in higher education, mostly in the form of bursaries and scholarships, but also indirectly through investment in infrastructure and academic posts.
- There were some suggestions that these so-called “Section 18A” benefits could be improved and changed to provide more incentives for companies to fund institutions of higher education.

A Hybrid Funding Model – Some Proposals

- Some proposals looked at the question of a sliding scale of fees based on income. For example, one academic suggested that legislation be introduced to implement a differentiated fee structure in universities based on socio-economic status.
- The banking system is the most obvious beginning for a discussion of private or study loans. At the present moment, a young person requires a loan guarantor in order for them to apply for a student loan. It was suggested that one of the ways in which this system could be reformed is for the state or a future employer to assume the role of loan guarantor.
- The last set of proposals were based on the assumption that even if the current system was reformed (including both the private and public contributions to higher education), there would still be thousands of students unable to access higher education. Thus, the suggestions were about radically changing the relationship between the public and private sector by creating a Special Purpose Entity (SPE) and/or a privately managed nationally-based asset management fund.