



PARLIAMENT  
OF THE REPUBLIC OF SOUTH AFRICA

# **PRESENTATION TO THE COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND TRAINING**

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**Acting Chairperson of the Standing Committee on**  
**Appropriations (SCoA)**

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# Presentation Outline

Section A: Guiding Principles for SCoA

Section B: Public Participation

Section C: Discussion of Key Questions to SCOA

Section D: Way Forward



# SECTION A: GUIDING PRINCIPLES FOR SCOA

# Key Guiding Principles of SCOA

- In performing its functions as provided for in the Money Bills Act, the Committee is always guided by the urgency to fulfil its constitutional obligations. In particular, in ensuring resources are directed to the achievement of the progressive realisation of the right to education.
- The Bill of Rights is the cornerstone of democracy in South Africa. It enshrines the rights of all people living in South Africa and affirms the democratic values of human dignity, equality and freedom
- Relevant to this discussion is Section 29(1):  
*“Everyone has the right... to a basic education, including adult basic education; and to further education, which the state through reasonable measures, must make progressively available and accessible”.*
- SCOA is further guided by the Freedom Charter’s principle that:  
*“The Doors of Learning and Culture shall be opened” and “ that higher education and technical training shall be opened to all by means of state allowances and scholarships on the basis of merit”.*

# Mandate of SCOA

- The Standing Committee on Appropriations (the Committee) was established in terms of the Money Bills Amendment Procedure and Related Matters Act, No 09 of 2009 (the Money Bills Act). In terms of section 4(3) of the Money Bills Act, each House must establish a Committee on Appropriations whose powers and functions include considering and reporting on the following matters:
  - Spending issues;
  - Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriation Bill and the Adjusted Appropriation Bill;
  - Recommendations of the Financial and Fiscal Commission (FFC), including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
  - Reports on actual expenditure published by the National Treasury (section 32 reports); and
  - Any other related matters.

# Parliamentary Oversight

- In the South African context, oversight and accountability are constitutionally mandated functions of legislatures to scrutinise and oversee executive action and any organ of state.
- Oversight functions include ensuring that policies announced by government and authorised by Parliament and Provincial Legislatures are actually delivered. This function includes monitoring the achievement of goals set by legislation and the government's own programmes.
- SCOA is one of the mechanisms of the National Assembly envisaged in section 55(2) of the Constitution to ensure all executive organs of state in the national sphere of government are accountable to the Assembly and to maintain oversight of the exercise of national executive authority. The exercise of national executive authority, including the development and implementation of national policy by the President and Cabinet, is subject to the parliamentary oversight and members of Cabinet must account to Parliament.

# National Development Plan and Higher Education and Training

- The National Development Plan (NDP) envisages the higher education and training sector playing an instrumental role in facilitating skills development and innovation
- The 2014-2019 Medium Term Strategic Framework (MTSF) sets out measurable targets aligned to NDP and national policy goals:
  - Increase university student enrolment from 950 000 to 1.07 million
  - Increase Technical and Vocational Education and Training (TVET) (formerly further education and training - FET) student enrolment from 650 000 to 1.2 million
  - Increase number of artisans produced from 18 000 to 24 000 per annum
  - Increase PhD graduates from 1800 to 3000 per annum
  - Increase the number of engineering and science graduates
  - Increase the number of qualified TVET lecturers
  - Reduce student dropout rate

# Funding Framework

- The current funding framework of higher education in South Africa is underpinned by four principles:
  - Sharing of costs – government and students
  - Autonomy in determining fees – ability to set student fees independently
  - Funding for service delivery – funding linked to teaching and knowledge outputs
  - Funding as a steering mechanism – steer the system in line with social and economic goals
- Our immediate focus is to find workable solutions in order to save the 2016 academic year and for the sustainability of the academic programme. **This calls for Partnerships and all stakeholders to work together.**





## **SECTION B: PUBLIC PARTICIPATION**

## Public Participation

- The Committee, in order to deepen democracy, good governance and promote public participation during the budget process, regularly invites public comments. To give effect to this process in assessing state funding issues including higher education, a number of stakeholders were identified in the 5<sup>th</sup> democratic Parliament:
  - Department of Higher Education and Training (incl. NSFAS);
  - National Treasury;
  - Financial and Fiscal Commission (FFC);
  - Parliamentary Budget Office (PBO);
  - Human Sciences Research Council (HSRC);
  - Council of Higher Education;
  - Joint Committee hearings with other Committees of Parliament;
  - Business Unity of South Africa and Business Leadership South Africa
  - National Union of Metalworkers of South Africa (NUMSA);
  - Congress of South African Trade Unions (COSATU);
  - Researchers, students, civil society and citizens.



# **SECTION C: DISCUSSION OF KEY QUESTIONS**

Progressive Realisation Of The Right To Education

Efficiencies Within Higher Education Funding

Other Factors Considered in Funding

## Finding and Recommendations

- **Observations/findings made during the 2014 Appropriation Act process:**
  - ✓ With regards to value for money in higher education, the Committee highlighted that the investment made by government in higher education and training has increased significantly over the past few years though the increase in expenditure has not been proportionate to the increase in the skills level of the country's workforce, especially within the previously disadvantaged communities.
  - ✓ **Recommendation**
  - ✓ That National Treasury in partnership with the Department of Higher Education and Training develop and implement strategies to link funded municipal capacity building programmes with Further Education and Training (FET) programmes and position municipalities as employers of choice for FET graduates.

## Finding and Recommendations

- **Observations/findings made during the 2014 MTBPS process:**
  - ✓ The funding allocations for post-school education and training will rise rapidly in the medium term from R59.5 billion in 2014/15 to R68.1 billion in 2017/18. Out of the allocations for the post school, 55 per cent consists of subsidies to universities and contributions to the National Students Financial Aid Scheme.
- ✓ **Recommendation**
  - ✓ National Treasury in partnership with the Department of Higher Education and Training consider the mechanisms on leveraging funding streams within the Sector Education and Training Authorities and the National Skills Fund towards student funding in higher education, especially increased funding for the National Student Financial Aid Scheme.

## Finding and Recommendations

- **Observations/findings made during the 2015 Budget Adjustment Process:**
  - ✓ In recognising the 2015 Fees Must Fall student protest, SCOA convened a special joint briefing with the Select Committee on Appropriation and the Portfolio Committee on Higher Education and Training,
  - ✓ SCOA invited and received briefings from the Department of Higher Education and Training, National Treasury, the Council on Higher Education (CHE) as well as the Financial and Fiscal Commission (FFC)
  - ✓ The focal point was on finding solutions for adequate funding and zero fee increment in Higher Education and Training.

## Finding and Recommendations

- **Observations/findings from the 2015 Budget Adjustment Process**

- ✓ The Committee received National Treasury's submissions that it was not necessary to amend the 2015 Adjustments Appropriation Bill as resources can be mobilised to fund the shortfall as a result of the no fee increment in universities in 2016.
- ✓ The Committee welcomed initiatives to fund the no fee increment but was seriously concerned at the impact it would have on that this will have on programmes for the Historically Disadvantaged institutions and earmarked support for TVETs and universities. The Committee urged all stakeholders should ensure these institutions are adequately assisted.
- ✓ The Committee received Department of Higher Education submission that that the zero fee increment shortfall of R2.330 billion for 2016 will be shared between universities and the Department.

## Finding and Recommendations

- **Recommendations made during the 2015 Budget Adjustment Process:**
  - ✓ That National Treasury together the Department of Higher Education and Training and relevant stakeholders including the leveraging of expertise to support higher education institutions most affected by the reprioritisation exercise especially the historically disadvantaged institutions.
  - ✓ That the Department of Higher Education and Training and National Treasury ensure funding is mobilised in the 2016 MTEF for all affected programmes in Historically Disadvantaged Institutions and TVETs as result of reprioritisation and that these programmes continue as planned.
  - ✓ The Department of Higher Education and Training ensure that there is continued support for TVET and CET and that vocational skills programme links with the private sector are continually strengthened.



## Finding and Recommendations

- **Observations made during the 2015 MTBPS Process:**

- ✓ The Committee welcomed the range of options for long term funding provided by the various stakeholders which include significantly reprioritising state funding, committed implementation of plans to sell nonstrategic assets, increasing the tax burden, ensuring those who afford to pay more or borrowing.
- ✓ The Committee agreed with recommendations of the Portfolio Committee on Higher Education on that adequate funding for higher education and training will enable the Department to achieve on its objectives, and that allocation of infrastructure grants to TVET Colleges will enable colleges to maintain, expand and develop their infrastructure to alleviate the acute shortage of student housing in colleges; and the need for partnerships between private sector, business and the Department of Higher Education and Training.

## Finding and Recommendations

- **Recommendations made during the 2015 MTBPS Process:**

- ✓ Embark on a comprehensive reprioritising programme for leveraging funds for higher education through state funding;
- ✓ Consider a programme aimed at selling nonstrategic assets;
- ✓ Consider options at increasing tax revenues with due consideration to the macro-economic growth objectives of the state;
- ✓ Consider options at leveraging funds within the post school system including re-examining the efficacy of SETAs, UIF and others and their budget balances;
- ✓ To benchmark South African higher education funding with comparable countries;
- ✓ To immediately embark on a comprehensive partnership building drive with key stakeholders in the financial sector to implement innovative ways for funding higher education students;

## Did SCOA Consider any inefficiencies in Higher Education and Training?

- **Observations in the 5th Democratic Parliament:**
- NSFAS's administrative and operational challenges mainly due to lack of proper monitoring and evaluation in the Department.
- The levels of internal inefficiency are unacceptably high, about 50% of students who enrol in universities dropping out before graduation. This is both wasteful and unsustainable, hence SCOA called for all stakeholders to undertake a concerted campaign to address these inefficiencies.
- The Committee assessed and considered submissions by various stakeholders on the need for attention to be given to NSFAS loan and debt recovery rates, that universities should self-examine operational effectiveness and implement cost containment measures, that SETA funds be re-examined and that universities to share infrastructure, services and resources where practical and overall improvements in internal efficiencies.

## **What Other Key Factors Were Looked At When Considering the Budgetary Allocations to the Department?**

- The Further Education and Training (FET) Function Shift - In the 2013 MTBPS, SCOA recommended that National Treasury develops and implement mechanisms to ensure that baseline funding requirements are in place for the successful transfer of the FET colleges function to the Department.
- SCOA also noted with concern that monitoring and evaluation by the Department was mainly done through desktop exercises and submitted reports due to a limited operational budget.
- SCOA views rigorous monitoring and evaluation over the Department's entities and funded institutions as critical for the effective and efficient use of resources towards the improvement of student success.

## **What Other Key Factors Were Looked At When Considering the Budgetary Allocations to the Department?**

- SCOA supported the submission by the Department that more funding within the Budget Vote be reprioritised towards its operations as this would allow for more resources to be employed towards the monitoring and evaluation of transferred funds.
- The SCOA further noted the Department's indication that a forensic investigation relating to NSFAS administration and operations will be undertaken.
- In responding to this, SCOA recommended that National Treasury as part of the 2015 Adjustment Appropriations Bill consider ways of increasing the operational budgets of the Department through reprioritisation of allocated funds within the 2015 budget framework allocations in order to significantly improve their monitoring and evaluation capacity.



## **SECTION D: THE WAY FORWARD**

## Way Forward

- The Committee notes that the post school system currently caters for approximately 1 million university students, 720 000 TVET college students and 330 000 CET college students. The Committee further notes that the NDP states that all qualifying NSFAS students should receive Full Cost of Study loans and that students who do not qualify should have access to bank loans, backed by State sureties.
- **The Committee will in the current budget process and 2016 MTBPS ensure:**
- Enhanced and strong oversight by Parliament together with all partners in society for the adoption of budgets that eliminate wasteful expenditure and that government implements more cost-effective service-delivery models that will make more resources available for sustainable, adequate and equitable funding for higher education.

## Way Forward

### **The Committee views the following as critical issues to be looked into within the higher education sector:**

- NSFAS must become a model of operations excellence. All challenges pertaining to accessibility, recovery of historical debt and overall student support must be addressed urgently.
- Value for money is a major concern. Throughput and pass rates must be improved. The Committee notes that data shows that students from poor socio-economic backgrounds are disproportionately at risk of failing and dropping out of their studies. Resources and support must be focused on this group.
- Value for money. Social compact is critical and beneficiaries of NSFAS must payback or work back for the state for all to benefit from this investment.
- All cost drivers in higher education must be fully examined and understood and efficiency sought which will minimise the financial burden on students.
- Efforts to be aimed at saving the academic programme for this year as solutions continue to be sought on funding higher education.



# Relevant Sources

- ATC131105: Report of the Standing Committee on Appropriations on the 2013 Medium Term Budget Policy Statement, dated 05 November 2013A: available at: <https://pmg.org.za/taled-committee-report/837/>
- ATC141119: Report of the Standing Committee on Appropriations on the 2014 Medium Term Budget Policy Statement, Dated 19 November 2014 Available at <https://pmg.org.za/taled-committee-report/2515/>
- ATC150603: Report of the Standing Committee on Appropriations on the Appropriation Bill [B6-2015] (National Assembly – Section 77), dated 3 June 2015. available at: <https://pmg.org.za/taled-committee-report/2422/>
- ATC151125: Report of the Standing Committee on Appropriations on the Adjustments Appropriation Bill [B28 – 2015] [National Assembly (Section 77)], dated 25 November 2015. Available at <https://pmg.org.za/taled-committee-report/2620/>
- ATC151125: Report of the Standing Committee on Appropriations on the 2015 Medium Term Budget Policy Statement, dated 25 November 2015. Available at: <https://pmg.org.za/taled-committee-report/2621/Available> at: <https://pmg.org.za/taled-committee-report/837/>
- National Treasury (2016) *National Treasury Position on Fees Matter*. Available at: [http://www.treasury.gov.za/comm\\_media/press/2016/2016092001%20Position%20on%20fees.pdf](http://www.treasury.gov.za/comm_media/press/2016/2016092001%20Position%20on%20fees.pdf)
- National Treasury (2015) Budget Review . Available at: <http://www.treasury.gov.za>
- National Treasury (2016) Budget Review <http://www.treasury.gov.za/>

