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Commission of Inquiry into Higher Education and Training

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Key questions to be investigated

Mandate

- Higher education funding models in different countries.
 - 1) Brazil
 - 2) India
 - 3) China
 - 4) Australia
 - 5) Norway

Approach

- Took an economic perspective (stayed on top without the micro analysis).
- Will provide thoughts on SA.

Classification of funding models

Model	Classification Characteristics
Model 1	<ul style="list-style-type: none">❖ Low public institution student fees (<\$1500 p.a.) and well developed student financial support systems❖ Local student fees funded mainly by the public sector❖ Country examples include Norway, Sweden and Denmark
Model 2	<ul style="list-style-type: none">❖ High public institution student fees (>\$1500 p.a.) and well developed student financial support systems❖ Local student fees funded by the public sector, private sector and students❖ Country examples include Australia, New Zealand, US and UK
Model 3	<ul style="list-style-type: none">❖ High public institution student fees and less developed student financial support systems❖ Local student fees funded by the public sector and students❖ Country examples include Japan and Chile
Model 4	<ul style="list-style-type: none">❖ Low public institution student fees and less developed student financial support systems❖ Local student fees funded mainly by the public sector❖ Country examples include Austria, Columbia and Belgium

Which model?



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- 1) Brazil – Model 2 and 3
- 2) India – (insufficient data)
- 3) China – (insufficient data)
- 4) Australia – Model 2
- 5) Norway – Model 1
- 6) South Korea – Model 2 and 3

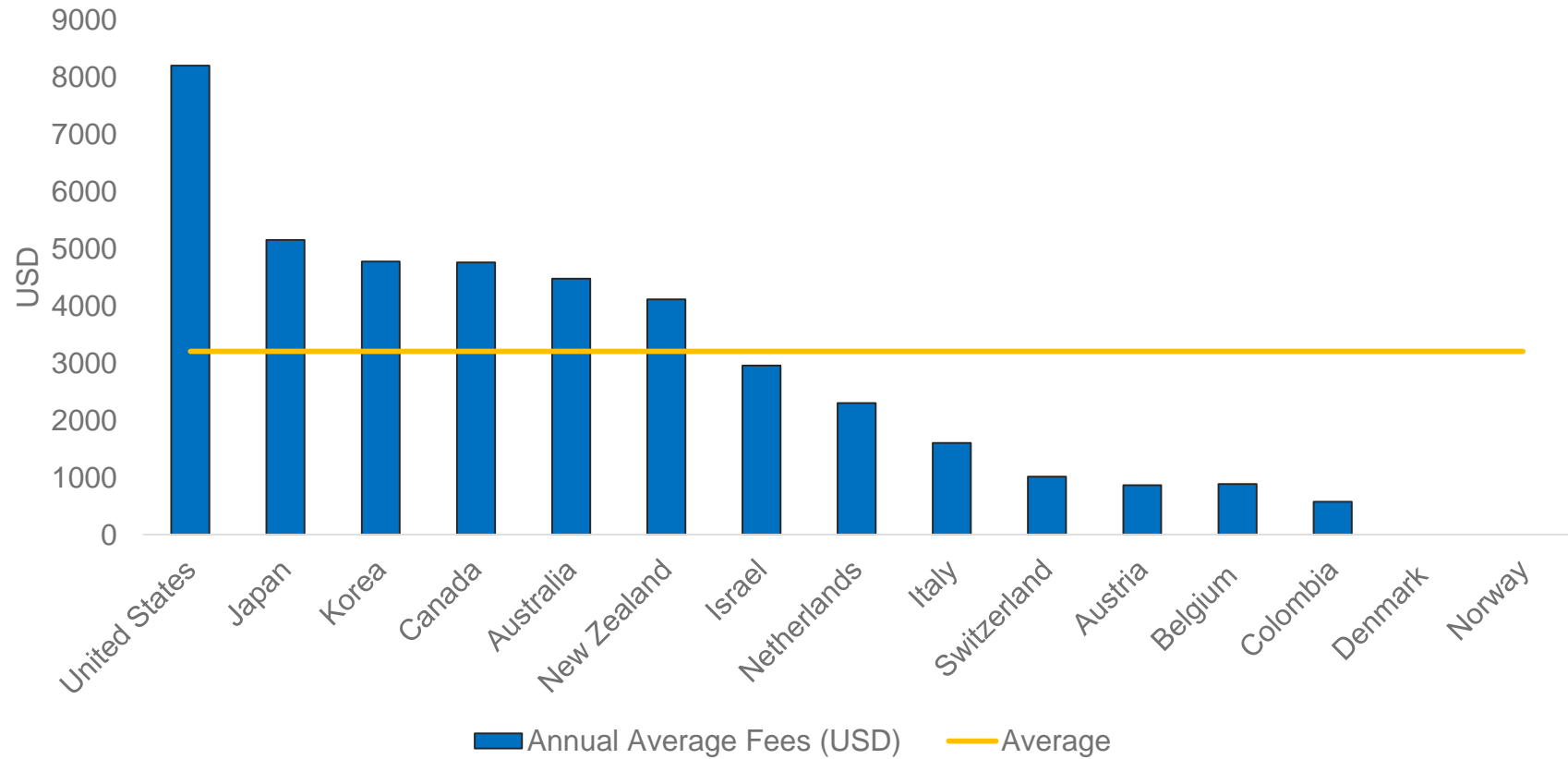
Tuition fees at undergraduate level

About US\$ 3 000 annually



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2013 (latest, PPP)



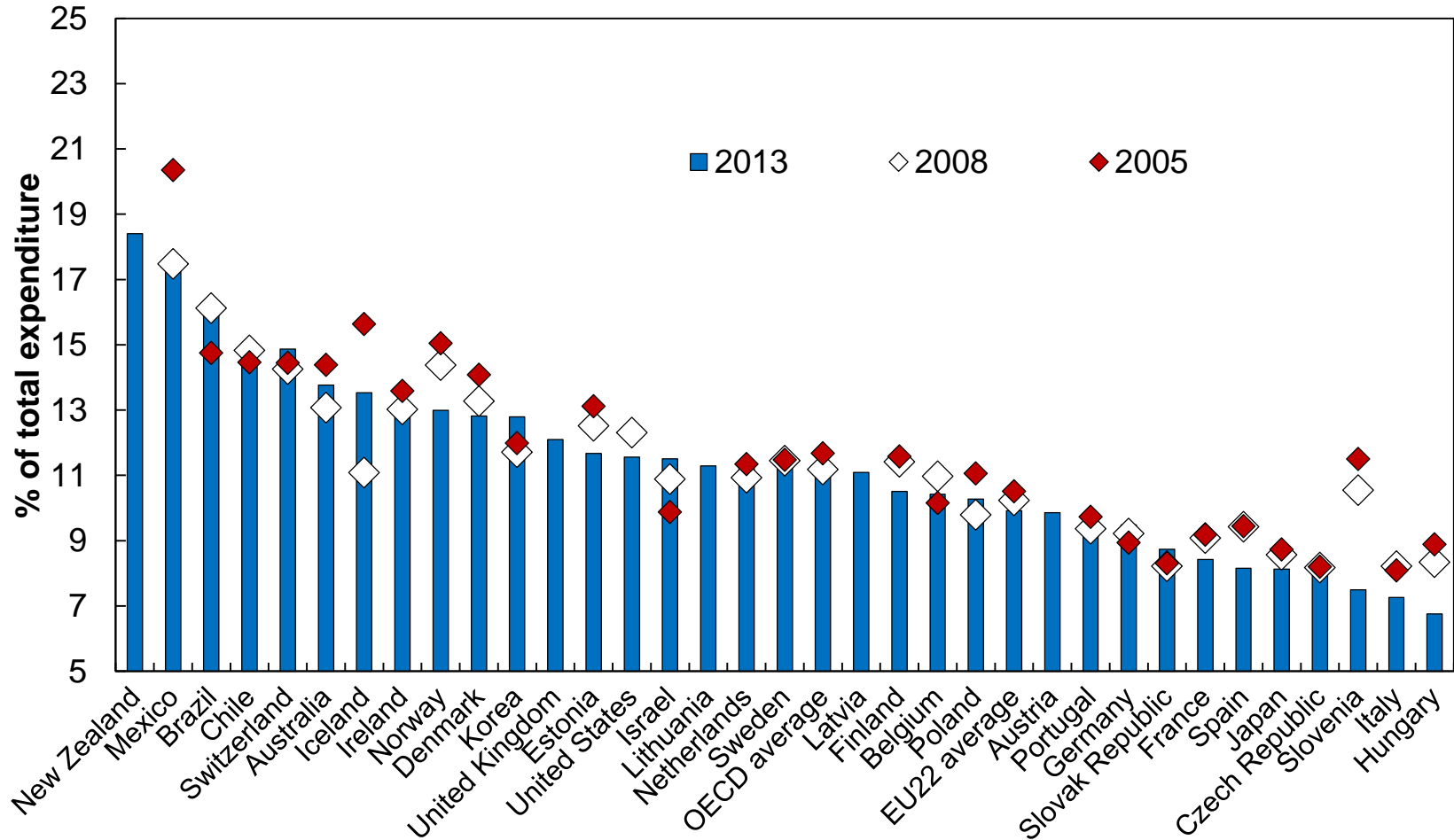
Source: OECD, Investment Solutions

* No tuition fees are charged by public institutions in Denmark and Norway

OECD countries expenditure on education



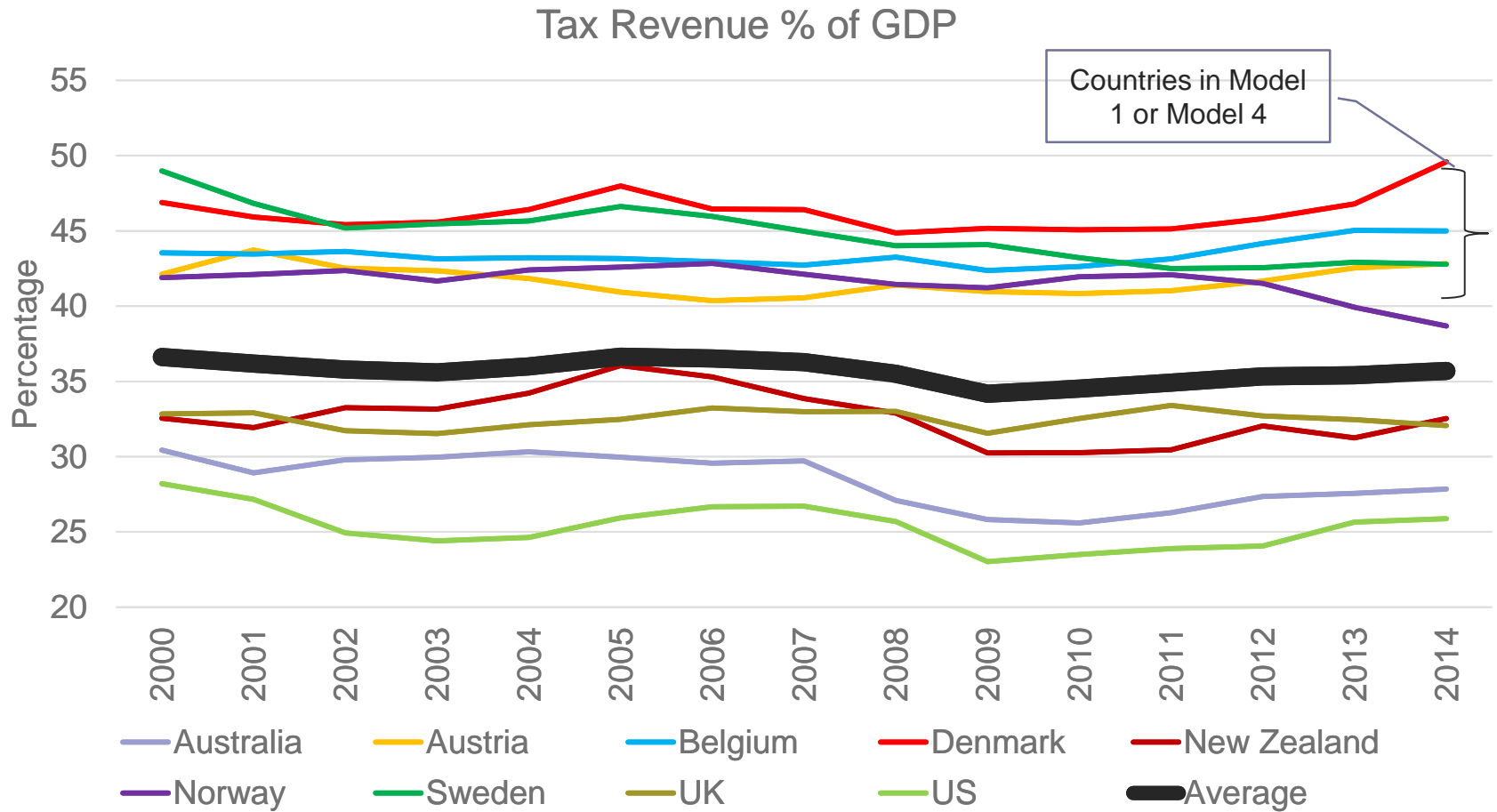
SA spends 23% of total expenditure on education



Source: OECD and National Treasury

Tax collections determine public funding model

High revenue more funding for tertiary education





Which model is SA falling into?

Fees are on the high side

First Year Undergraduate Fees 2016/2017

University	Average Fees
1. University of Pretoria	US\$2 828 (R48 314)
2. UKZN	US\$2 800 (R38 323)
3. University of Witwatersrand	US\$3 394 (R46 464)
4. UCT	US\$3 530 (R38 708)

Which model is SA falling into? ...continued

Model	Classification Characteristics
 Model 2	<ul style="list-style-type: none">❖ High public institution student fees (>\$1500 p.a.) and well developed student support systems❖ Local student fees funded by the public sector, private sector and students❖ Country examples include Australia, New Zealand, US and UK
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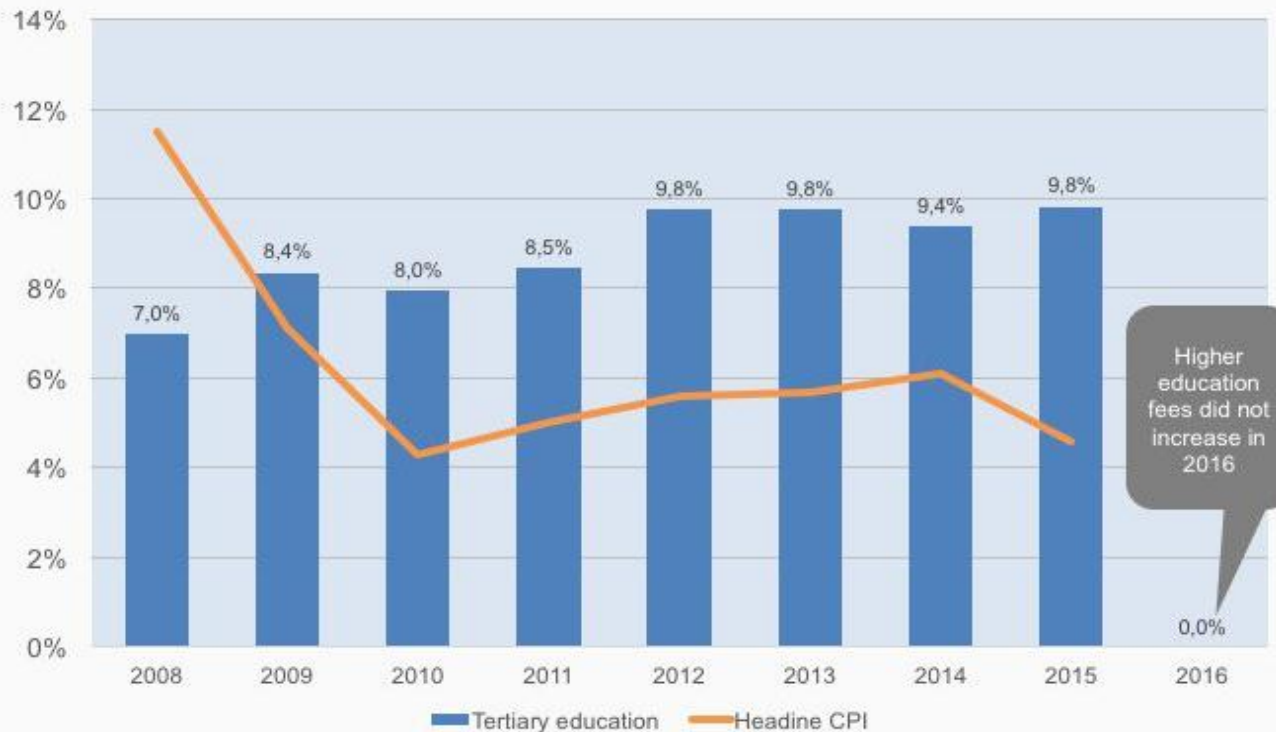
Based on sample data undergraduate fees p.a. exceed \$1500, thus placing SA in either Model 2 or Model 3.

Fee increases at universities

Three-percentage points above CPI inflation since 2010



Annual percentage change in tertiary education fees and headline CPI



Source: Statistics SA, Financial statistics of higher education institutions, October 2016

Illustration of the cost of free education



Burden to the state will more than double!

Data are expressed in R millions		2016/17	2017/18	2018/19	2019/20	Average over the medium-term
1) Post-school education and training	a	68 952	77 550	80 856	89 839	
2) Total non-interest expenditure by the fiscus		1 291 800	1 393 800	1 489 500	1 608 000	
3) Ratio of education spending to Total Expenditure		5.3%	5.6%	5.4%	5.6%	5.5%
4) Cash receipts from operating activities	b	99 330	108 270	118 014	128 635	
5) Responsibility of generated income assumed from fiscus	a+b	168 282	185 820	198 870	218 474	
New ratio of education spending to Total Expenditure		13.0%	13.3%	13.4%	13.6%	13.4%
						2.4 times

Notes: Cash receipts from operating activities represents tuition fees earned by universities (grants from government have been excluded). This amount was compounded by the average increases seen previously of three-percentage points higher than CPI, assumed at 6%) bringing the growth rate to 9% annually.

Sources: National Treasury, February 2017 Budget and Statistics SA

Proportion of expenditure by function of total

Japan, second largest holder of Treasuries



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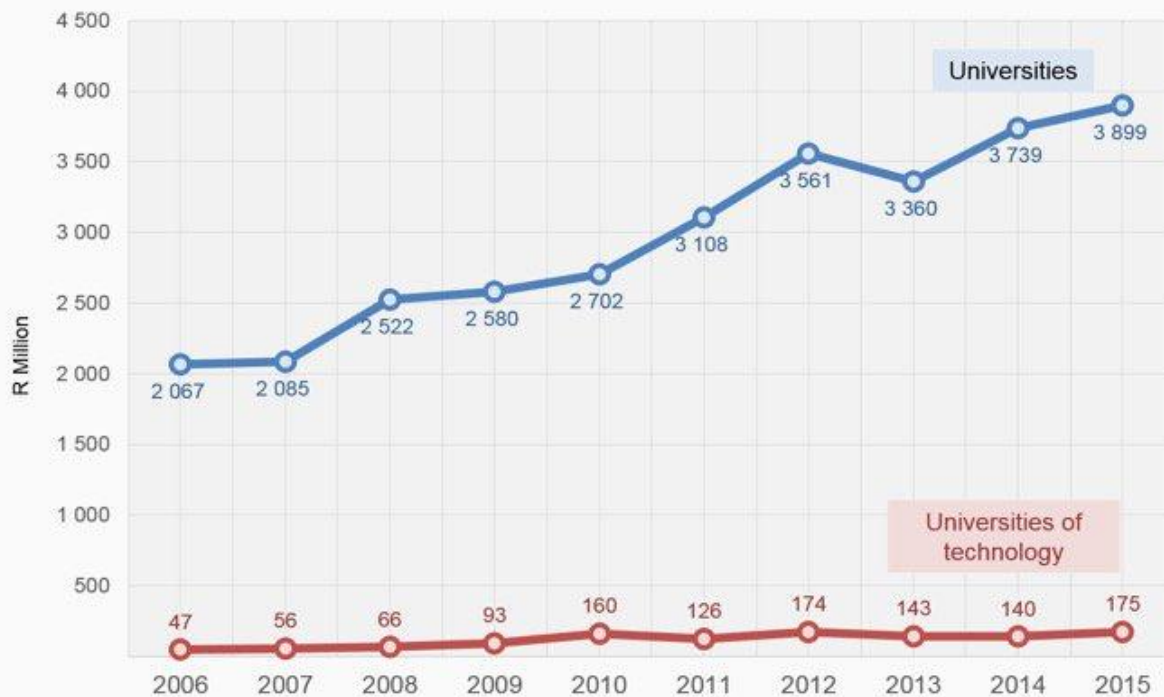
	% of total medium-term expenditure (average over the planned years)	
Basic education	17.5%	
Economic affairs	15.3%	
Human settlements and municipal infrastructure	14.1%	
Defence, public order and safety	14.2%	
Health	13.5%	← 13.6% New weight @zero fees
Social protection	13.0%	
General public services	4.9%	
Post-education education	5.5%	
Agriculture, rural development and land reform	1.9%	

Sources: National Treasury, February 2017 Budget

Private capital involvement

R4 billion received in 2015 alone

Donations to HEIs (Rm)



- 82% is concentrated in the **top six** institutions
- **University of Stellenbosch** being the major beneficiary.
- Universities of KwaZulu- Natal
- Cape Town
- Nelson Mandela
- Pretoria
- Wits

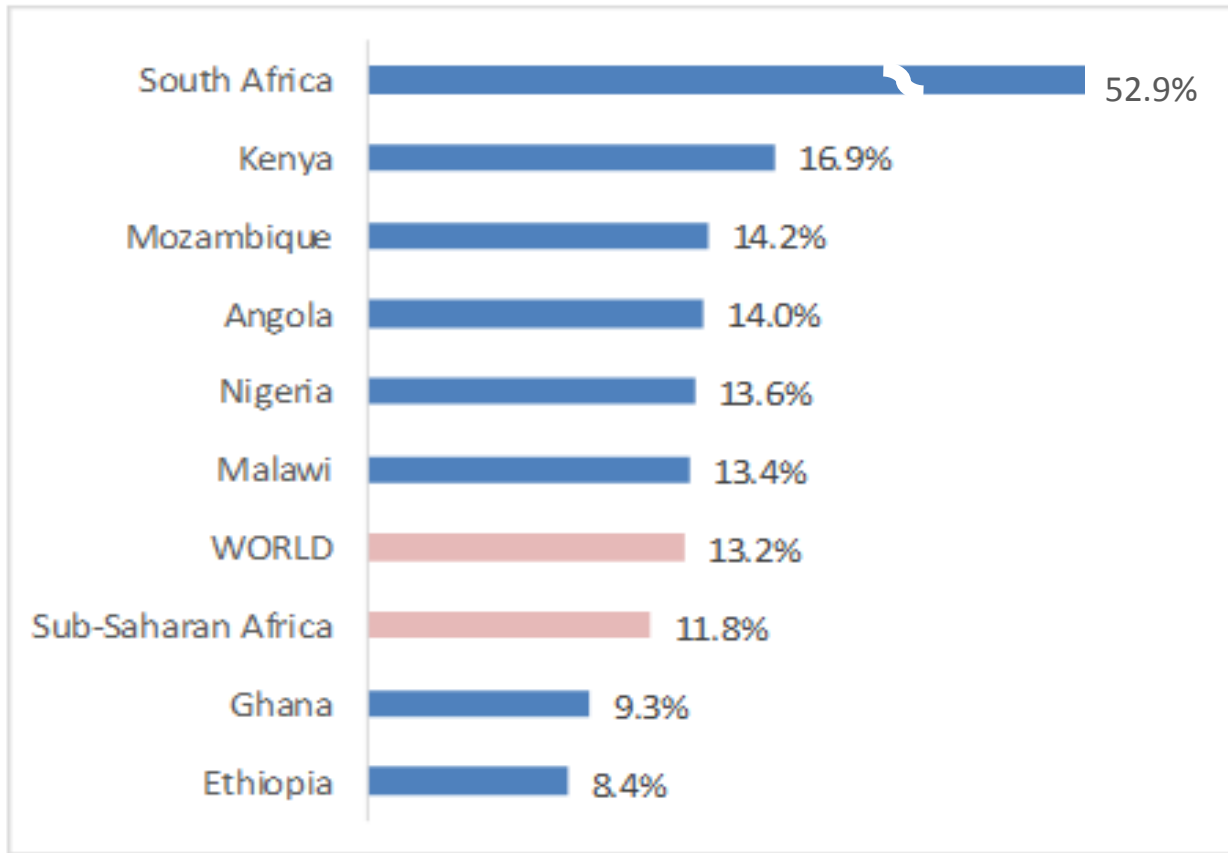
Note: HEIs represents Higher Education Institutions

Source: Statistics SA, Financial statistics of higher education institutions, October 2016

Comparison of youth unemployment

SA worst amongst its SSA peers

Youth unemployment rate for selected countries in sub-Saharan Africa, 2014



Source: International Labour Organisation (ILO)



- Countries exhibiting a relatively **higher tax revenue** as a percentage of GDP (average of 35.6% over 2000-2014) appear to be located in Model **1** and Model **4** in which tuition fees are funded mainly by the public sector.
- Based on World Bank data, SA only exhibit an average tax revenue as a percentage of GDP of **25%** over 2000-2014, **too low to fund** any further public expenditure on tertiary education.
- **Private sector** may by be required to fill this gap, e.g. education tax on corporates.