

## EXECUTIVE SUMMARY OF THE PRESENTATION TO THE FEES COMMISSION ON HIGHER EDUCATION FUNDING

### 1. Structure and functions of Parliament

Parliament consists of two Houses called the National Assembly and National Council of Provinces. Each House has its own distinct role and functions, as set out in the Constitution. However, there are many instances when the two Houses act together to conduct what is called "joint business".

In the national sphere of government, the legislative power of the Republic is vested in Parliament. In other words, Parliament is responsible for making and passing laws. The National Assembly also chooses the President and is a national forum where issues are debated publicly. The Assembly also has to scrutinise and oversee the actions of the executive. The National Council of Provinces, on the other hand, must ensure that provincial interests are taken into account in the national sphere of government. It does that by taking part in the law-making process and by being the forum where issues affecting the provinces are debated publicly.

### 2. The role of Parliamentary Committees

Parliamentary committees are established as instruments of the Houses in terms of the Constitution to facilitate oversight and monitor the government. These committees are the "engine rooms" of Parliament's oversight and legislative work. Committees scrutinise legislation, oversee government action, and interact with the public. One of the most important aspects of the oversight function is the consideration by committees of annual reports of organs of State, and reports of the Auditor-General. Depending on the purpose of the oversight, the Committee will either request a briefing from the organ of State or visit it for fact-finding.

### 3. The role of Parliamentary committees in the Budget process

The national and provincial budget process is a continuous cycle that runs from April to March ~~the following year~~ every year; i.e. the financial year.

During the first quarter the Minister of Finance tables in Parliament the national budget at the same time as the Appropriation Bill, Division of Revenue Bill, ~~fiscal~~ Fiscal framework

Framework for the financial year and subsequent two years, revenue proposals, and macro-economic assumptions underlying the fiscal frame work.

During the second quarter Parliament deliberates and adopts the Fiscal Framework for the upcoming year and begins hearings on the Division of Revenue Bill, which is then passed in Parliament in both Houses. The Appropriation Bill is passed by Parliament in both Houses, and based on this; funds are allocated to departments on a monthly basis. As the Constitution specifies that government can only spend money if it has been approved by Parliament, the ~~National Assembly~~Parliament ~~votes to pass~~passes the budget through the Appropriation Bill.

During the third quarter ~~Parliamentary~~parliamentary committees focus on analysing section 32 of the Public Finance Management Act, 1999 reports for the April–June (1st quarter) period of the financial year; conduct oversight, including briefings on specific issues and site visits; and also ~~report on~~evaluate the annual report and financial statements for the previous financial year.

During the fourth quarter Parliament focuses on consideration of the Medium Term Budget Policy Statement. The Medium Term Budget Policy Statement (MTBPS) is a “mini budget” that highlights key government priorities; the size of the spending envelope for the next three years; the proposed division of revenue and major adjustment of conditional grants s to provincial and local government allocations. The MTBPS is also a government policy document that communicates to Parliament and the country the economic context in which the forthcoming budget will be presented, along with fiscal policy objectives and spending priorities over the three-year expenditure period.

During this period Parliament also focuses on phase 1 of Budget Review & Recommendation Reports (BRRR). That is, to analyse section 32 of PFMA reports for the July-September period (2nd quarter) of the financial year; evaluate strategic plans; and also conduct oversight, including briefings on specific issues and site visits.

It is also in this quarter that Parliament passes the revised fiscal frame-work, Division of Revenue Amendment Bill and Adjustment Appropriation Bill.

#### **4. Budgetary Review and Recommendations Reports in respect of the Department of Higher Education and Training over the last four years.**

During the 2012/13 financial year the PC on Higher Education observed that the demand for financial assistance exceeded the available funds within NSFAS. Further the funding needs of students at the proposed two new universities (University of Mpumalanga and Sol Plaatje University) were going to stretch the limited resource available to the Scheme ~~have~~. The Committee recommended that the Minister approach the National Treasury for additional funding.

During 2013/14 the Committee observed that despite the increase in funding from R440 million in 1999 to R9 billion in 2014, the demand for financial aid exceeded the supply. The increase in student protests across higher education institutions, even where the new model was piloted was highlighted as a major threat to stability in higher education. Furthermore, the new model did not make provision for top slicing and this infuriated some needy students as they were not funded for the 2014 academic year particularly in institutions where the new model was piloted.

During the 2014/15 financial year the Committee observed that the NSFAS loan recovery for 2014/15 financial year was low. Further, the poor loan recovery strategy was seen as a disincentive to possible private funders / donors for the scheme during the period under review. The Committee recommended that adequate funding for higher education be assured as well as strengthened partnership between private sector, business and the Department on funding for higher education.

During the 2015/16 financial year the Committee observed that the Department was in contact with the historically disadvantaged institutions (HDIs) that were experiencing financial constraints, after the implementation of a zero fee increment. This intervention was aimed at bringing stability in the institutions to mitigate eventualities that might negatively impact the academic programme. The Committee welcomed the additional funds allocated as well as other interventions such as the establishment of the Commission to consider the feasibility of providing fee-free higher education in South Africa.

During the 2016/17 financial year the Committee observed that the Department and some its entities continued to be underfunded. The current funding of the Department was found

not ~~to~~ ~~match~~ing its expanded mandate of producing a “skilled and capable workforce to support an inclusive growth path”.

#### **5. Discussions and the recommendations in the funding of the post school higher education and training since 2015.**

On the 18th February 2015 the PC on Higher Education had briefings ~~by~~ from the Department of Higher Education and Training on registrations and enrolments in Higher Education Institutions (HEIs) and Technical and Vocational Education and Training (TVET) Colleges in 2015. The Committee also received a Briefing-briefing by the National Student Financial Aid Scheme (NSFAS) on allocation of study loans and bursaries to HEIs and TVET Colleges in 2015.

On the 10th February 2016 the Committee received briefings by the DHET on registration and enrolment in Universities and TVET Colleges in the 2016 academic year ~~-~~ and a Briefing briefing by the NSFAS on allocation of funds to Universities and TVET Colleges in the 2016 academic year.

During the processing of the 2015 Medium Term Budget Policy Statement, the Standing Committee on Appropriations engaged with various stakeholders on the funding challenges facing the higher education sector. During the deliberations it became clear that further research and information was required in order for the Committee to apply itself on the matter. To this end, the Committee requested the Parliamentary Budget Office to conduct the research and analysis on the matter. The findings thereof are contained in the PBO presentation as presented on the 18 October 2016.

#### **6. Discussions and the recommendations on the funding of fee free higher education and training.**

The issue of fee free higher education was discussed during a meeting of the 24 August 2016 when the Minister of Higher Education and Training and the Department updated the Committee on the developments in the Higher Education Sector and the proposed fee adjustment for 2017 academic year as well as the feasibility of fee free higher education.

**7. Discussion and recommendations on the funding {and} the decision taken in 2015 that public universities would not increase student fees for tuition and accommodation for the 2016 academic year.**

The Portfolio Committee on 04 November 2016 conferred with the Standing and Select Committees on Appropriations mainly on funding of higher education sector and the post-school education and training sector in general. It was during this meeting that the Department presented on how the zero percent fee increment shortfall of R2.330 billion was going to be funded and funding requirements for the PSET sector as a whole as well as engaging on the recommendations contained in the 2015 Budgetary Review Recommendations Report of the Portfolio Committee on Higher Education and Training. The observations and recommendations are contained in the Report of the Standing Committee on Appropriations on the 2015 Medium Term Budget Policy Statement, dated 25 November 2017.

**8. The considerations which affect budgetary allocation to the post school education and training sector.**

The Portfolio Committee observed that the 2016/17 funding of the Department does not match its expanded mandate of producing a “skilled and capable workforce to support an inclusive growth path”.

It was also noted by the Committee that there was no funding allocated in the 2016 MTEF to cater for zero percent fee increment in 2017 academic year going forward.

Further, the Department targeted to cover at least 80 percent of college students with NSFAS bursaries, however, the investment of R2.4 billion for 2016/17 was insufficient, taking into account the National Development Plan (NDP) and White Paper targets. The 2016 bursary shortfall was estimated at R2.3 billion, which was projected to grow to R5.6 billion if the current level of funding is maintained.