

Business Day

Government mulls using Seta surplus funds to help universities

by [Linda Ensor](#), 23 October 2015, 06:30

government is looking at possibly using some of the surpluses that have been accumulated in the sector education authorities (Setas) — about R5bn — to address the financial crisis in higher education, which has been rocked by student protests over fee increases.

However, to do so would require a change in the Setas' governing law, which specifies how they can use their funds.

MPs from all political parties have been asking what Finance Minister Nhlanhla Nene plans to do to tackle the funding crisis in the sector.

Opposition parties have criticised him for making no special provision for this in the medium-term budget policy statement that he tabled in Parliament on Wednesday amid stormy confrontations between police and students.

These concerns were raised again at a joint meeting on Thursday of several parliamentary committees with Mr Nene and Treasury officials on the budget policy statement. African National Congress finance committee member Makhosi Khoza questioned how productively the skills development levy was used, whether "all these Setas" were really necessary and whether their accumulated funds would not be better used for universities and colleges.

The head of the Treasury's budget office Michael Sachs replied that an interdepartmental committee which was set up to investigate the issue of higher education funding was looking into the possible use of Seta funds.

The February budget review said the committee would make a recommendation on this before the next budget.

Another investigation, which includes outside stakeholder participation, is also under way in the Presidency, Finance Minister Nhlanhla Nene added.

More generally, Mr Sachs said the Treasury was concerned about the "imbalances" in the fiscal system due to earmarked taxes, which resulted in substantial surpluses in some institutions while other parts of the government struggled to contain expenditure. The Unemployment Insurance Fund has an accumulated surplus of more than R90bn.

"While these institutions continue to budget for large surpluses other institutions in the postschool education system face significant shortfalls.

"An interdepartmental task team is looking to see how we resolve that issue," Mr Sachs said.

"Obviously there needs to be a short-term and long-term solution to the difficulties that we are facing now.

"These issues need to be discussed as part of both the long-term and short-term solution."

The Setas are funded by means of a skills development levy that is paid by employers and channelled through the fiscus to different Setas, which are currently sitting with an accumulated surplus of about R5bn.

About R15bn is expected to be raised from the levy in the current financial year.

Setas also provide funds to the National Students Financial Aid Scheme which offers loans to university and college students.

The scheme was allocated R9.5bn this year — not enough to assist all those students requiring assistance. It does not have a good track record in recovering loans from students who have qualified.

The Financial and Fiscal Commission estimates that only half of all tertiary students who qualify for state financial help for their education will receive it in the next three years.

Mr Nene said in his engagement with the MPs that an immediate intervention was needed.

Trade-offs would be required in the budgeting process ahead of next year's February budget to find the funds. What were previously regarded as priorities would be downgraded in the light of new priorities that had emerged.

Longer-term solutions were also being investigated, he said.

The interdepartmental committee was also looking at inefficiencies in the use of funds allocated to higher education institutions, Mr Nene said.