



BRIEFING TO THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING

03 May 2017

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Higher Education in Context of Current Socio-Economic Context
2. National and Departmental Priorities
3. Budget of the Department over the 2017 Medium Term Strategic Framework
4. Key Issues and Implications for the 2017 Medium Term Strategic Framework
5. Conclusion



1. HIGHER EDUCATION IN CONTEXT OF CURRENT SOCIO-ECONOMIC OUTLOOK

Briefing to the PC on Higher Education and Training

BACKGROUND

- Human Capital Theory argues that formal education raises the productivity of workers; it increases the ability for individuals to add value through the cultivation of their skills and knowledge (Becker,1962; Schultz,1961)
- Higher Education (HE) is an investment (nearly exclusively)
 - **Private>Returns to Individual**
 - Average returns to schooling are highest among low and middle-income countries (Psacharopoulos and Patrinos, 2002)
 - Unlike other Sub-Saharan African countries, in South Africa, returns to education are greatest at higher education levels- returns to education at a level below grade 12 are extremely low (Keswell and Poswell,2004)
 - Better jobs, salaries and life
 - Reduced risk of unemployment, poverty and deprivation
 - Employment rate for those with a post-matric qualification ranges between 81%-89% whereas employment rates for those with only matric qualification sits at around 55%
 - If a household head has obtained a post matric qualification their chances of being below the poverty line are less than 10%

BACKGROUND [CONT.]

- **Collective>Returns to the Economy**
 - Contribution to economic growth and development (of increasing importance the closer a country is from the technology frontier)
 - Necessary – but not sufficient – condition for the promotion of democratic values, social cohesion, cultural development and individual security and well-being
- SA Higher Education and contribution to knowledge economy:
 - PhDs can be seen as a key contributor to high-level skills which are required in the knowledge economy
 - International comparison:
 - In South Korea, Singapore, Taiwan and Mexico doctoral outputs are quite high
 - In 2009, China had 50 000 PhD graduates and by 2011 it had more PhD graduates than any other country
 - In 2002, Malaysia had 4000 PhD graduates and 40 000 by 2012



In 2015, 2530 PhD students graduated from public HEIs and yet Department's targets as outlined in the strategic plan is 12 000 by 2019

KEY CHALLENGES

- High education is moving towards its national development goals but:
 - Challenges with regards to quality and reputation of post school education and training (PSET) ,particularly in respect of technical and vocational education and training (TVET) colleges :
 - Few TVET colleges have qualified teaching staff or staff with the adequate teaching an technical skills
 - Overall education outcomes at TVET colleges are very poor as reflected by : the low national certification/completion rates of 32.5% for national certificate vocational (NCV) level 2 courses and low throughput rates of 2% for NCV levels 2- 4 courses in 2013; national dropout rate of 28.2% for NCV level 2 in 2013
 - Managerial issues: delays in some students receiving their certificates after completing their courses (there were recent student protests due to this)
 - Access and educational performance is still racially and regionally inequitable
 - Graduate output efficiency is low
 - Post graduate enrolment to facilitate transition into knowledge economy is limited
 - Five universities produce 55% of postgraduate qualification.



2. NATIONAL AND DEPARTMENTAL PRIORITIES

Briefing to the PC on Higher Education and Training

HIGHER EDUCATION AND TRAINING AND THE CONSTITUTION

- Need for universal access to quality Higher Education and Training (HET) is clear and a desirable end for a country such as ours
- Section 29(1)(b) states: “*Everyone has the right to further education, which the state, through reasonable measures, must make progressively available and accessible.*”

But

- Unlike rights to basic and adult education, entitlement to further education is qualified and subject to progressive access or availability of state resources
- Similar to housing, healthcare, food, water and social security whose access rights are subject to state’s “available resources”

• *Justifiable to conclude that guarantee to have access to further education is subject to available resources*

HIGHER EDUCATION AND THE NATIONAL DEVELOPMENT PLAN AND MEDIUM TERM STRATEGIC FRAMEWORK

- 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

REVISED STRATEGIC PLAN 2015/16-2019/20

(5 STRATEGIC OUTCOME ORIENTED GOALS)

GOAL	GOAL STATEMENT
Goal 1: Sound PSET steering framework	To steer the PSET system through the development and review of steering mechanisms, integrated planning and implementation oversight by 31 March 2020
Goal 2: Improved PSET services	To improve the PSET system through the provision of appropriate learning assessment services, teaching and learning, and student support services by 31 March 2020
Goal 3: Improved PSET capacity	To improve the capacity of the Post-School Education and Training system through funding interventions and infrastructure development by 31 March 2020
Goal 4: Strong stakeholder network	To develop partnerships and maintain good stakeholder relations in support of an effective PSET system
Goal 5: Excellent business operations within DHET	To ensure sound business management/leadership and effective resource management within the Department.

ANNUAL PERFORMANCE PLAN, 2017/18

- University system is not growing in accordance with targets (headcount enrolment increased by 1.7% to 985 212 students during the 2015 academic year)
- Some of the key focus areas per programme for 2017/18 include:
 - Programme 3 (University Education): Support the development of historically disadvantaged universities
 - Programme 4 (TVET Colleges Programme): TVET Colleges will continue to be strengthened
 - There has been challenges with enrolment in TVET colleges (inadequate physical infrastructure, insufficient funding, shortage of human resources, lack of relevant teaching and learning equipment and low student access (certification) rates)
 - Programme 5 (CET Colleges Programme): Rationalising the existing CET Colleges/satellites



3. BUDGET OF THE DEPARTMENT OVER THE 2017 MEDIUM TERM STRATEGIC FRAMEWORK

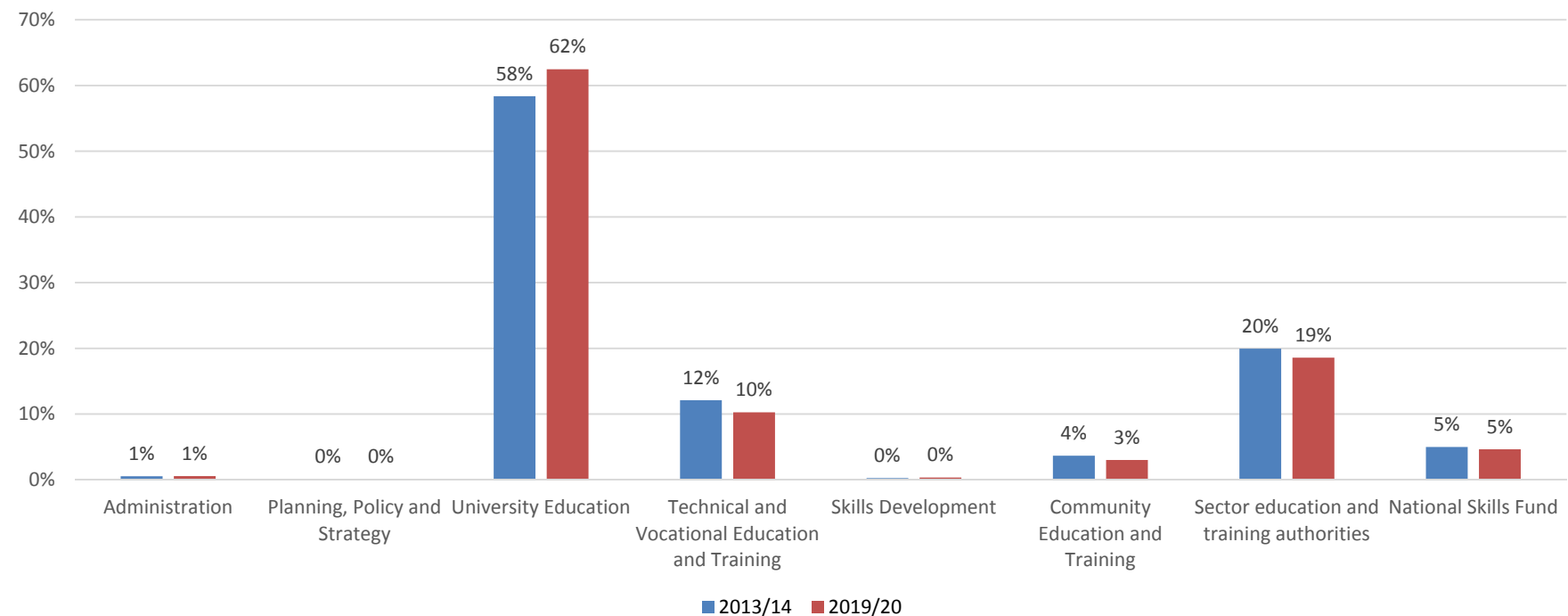
BUDGET AND PROGRAMMES OF DHET

	2013/14- 2014/15	2014/15- 2015/16	2015/16- 2016/17	2016/17- 2017/18	2017/18- 2018/19	2018/19- 2019/20	Real Annual Average Growth 2017/18- 2019/20
Real Annual Growth Rates							
Administration	12.79%	4.16%	1.01%	1.99%	3.24%	1.07%	2.1%
Planning, Policy and Strategy	9.03%	-9.32%	29.33%	-3.49%	2.65%	1.69%	2.2%
University Education	9.93%	-4.24%	12.94%	0.00%	11.44%	-0.05%	5.5%
Technical and Vocational Education and Training	6.41%	-4.39%	-0.96%	0.32%	2.34%	1.29%	1.8%
Skills Development	57.50%	1.30%	-21.32%	26.90%	3.12%	0.74%	1.9%
Community Education and Training	1.92%	-8.76%	6.63%	1.77%	-0.44%	1.49%	0.5%
Subtotal	9.15%	-4.39%	10.22%	0.23%	9.53%	0.20%	4.8%
Direct charge against the National Revenue Fund	15.10%	-1.36%	-4.12%	1.44%	1.96%	2.33%	2.1%
Sector education and training authorities	15.09%	-1.36%	-4.12%	1.43%	1.96%	2.33%	2.1%
National Skills Fund	15.16%	-1.36%	-4.12%	1.46%	1.96%	2.33%	2.1%
Total	10.64%	-3.60%	6.41%	0.52%	7.70%	0.69%	4.1%

DEPARTMENTAL ANALYSIS: OVERVIEW: KEY TRENDS

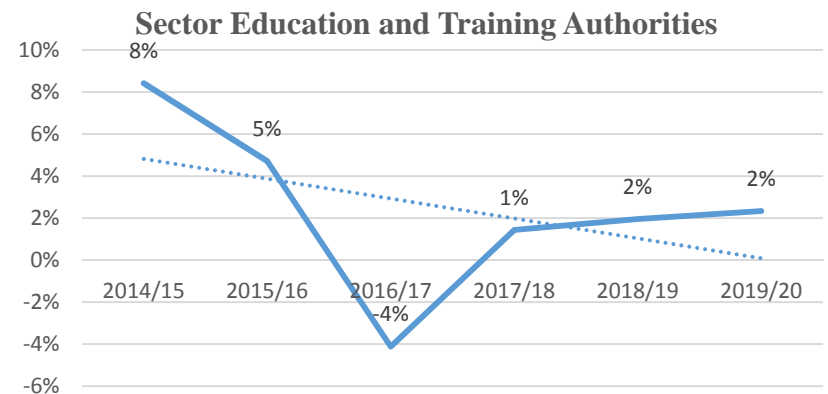
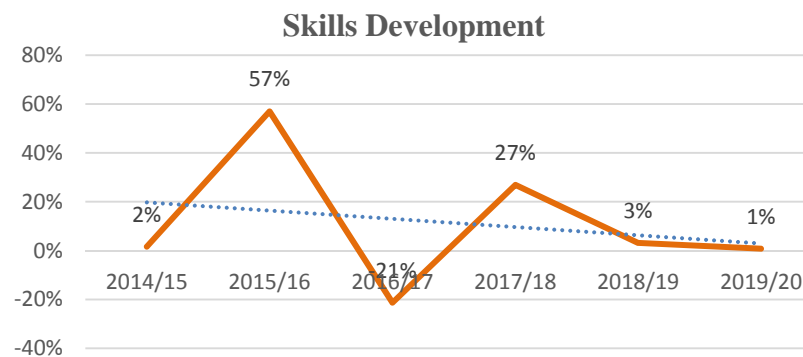
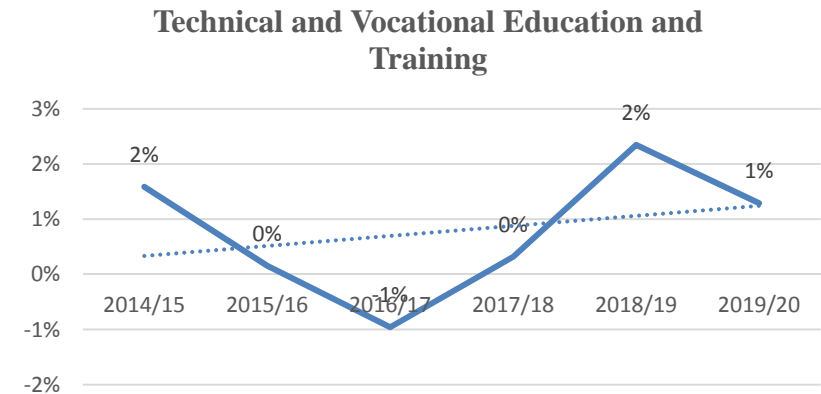
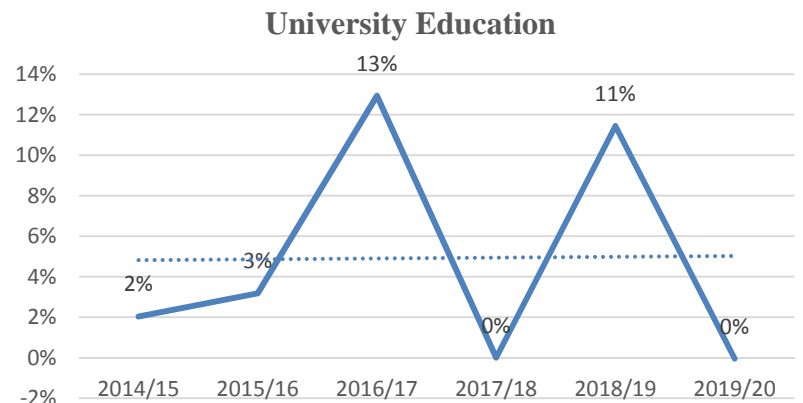
- Over the 2017 MTEF, real annual average growth of DHET budget is 4.1%
- As at 2017/18, the University Education programme consumes the largest share of the DHET's budget at R41.9 billion
 - Between 2015/16-2016/17 the DHET's allocation to the University Education programme grew significantly by 12.9% in real terms
 - Based on real annual average growth between 2017/18 and 2019/20, Government will maintain emphasis on this programme - it is projected to grow by a real annual average of 5.5% per annum
- The second largest driver of the DHET budget is the TVET programme followed by the CET programme
 - Compared to other programmes, their real annual average growth rates over the 2017 MTEF period are amongst the lowest – the TVET programme is projected to grow by a real annual average of 1.8% and the CET programme by a real annual average of 0.5%

OVERVIEW OF RELATIVE PRIORITISATION WITHIN DHET BUDGET



- University Programme consumes largest and increasing share of the DHET budget

OVERVIEW OF REAL GROWTH RATES IN ALLOCATIONS



- Strong growth of 13% for University Education is recorded for 2016/17. Thereafter, growth in allocations slow down in 2017/18 and increase again by 11% in 2018/19
- Allocations for TVET drastically decline in 2016/17

PROGRAMME ANALYSIS: UNIVERSITY PROGRAMME

Sub-programme (R'million)	Audited Outcome			Revised Estimate 2016/17	Medium Term Expenditure Framework Estimates			Real Annual Average growth rates 2017/18-2019/20
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	
Programme Management: University Education	1.786	1.959	3.915	4.7	4.3	4.7	5.1	2.15%
University - Academic Planning and Management	5870.868	6249.117	6557.911	11508.5	10273.9	13277.1	14082.5	10.61%
University - Financial Planning and Information Systems	8.685	7.556	8.437	12.6	11.3	12.5	13.5	2.86%
University - Policy and Development	20.226	19.736	21.048	27.6	27.6	30.1	32.4	2.22%
Teacher Education	8.947	10.494	10.208	14.3	19.5	21.3	23.1	2.79%
University Subsidies	22392.77	24195.29	26297.07	27964.8	31606.8	36152.9	38187.9	3.84%
Total	28303.28	30484.16	32898.59	39532.5	41943.5	49498.6	52344.4	5.54%
Total DHET Budget (excl. direct charge against the NRF,SETAs and NSF)	36397.33	39053.51	41943.36	49188.28	52307.64	60671.75	64320.85	
% of Total DHET Budget	77.76%	78.06%	78.44%	80.37%	80.19%	81.58%	81.38%	

- Allocations in respect of university education are expected to grow by close to 6% over the 2017 MTEF

PROGRAMME ANALYSIS: TVETs

PROGRAMME

Sub-programme (R'million)	Audited Outcome			Revised Estimate	Medium Term Expenditure Framework Estimates			Real Annual Average growth rates 2017/18-2019/20
	2013/14	2014/15	2015/16		2016/17	2017/18	2018/19	
Programme Management: Technical and Vocational Education and Training	8.1	9.1	6.2	3.8	5.1	5.3	5.8	0.23%
Technical and Vocational Education and Training System Planning and Institutional Support	5607.3	6104.5	6144.2	6662.4	7089.2	7688.9	8240.6	1.86%
Programmes and Qualifications	88.3	10.1	11.5	10.6	11.5	12.7	13.7	3.11%
National Examination and Assessment	173.2	178.1	439.1	278.5	294.8	314.9	336.5	0.94%
Financial Planning	2.4	2.7	3.8	5.0	7.7	7.5	8.0	-3.32%
Total	5879.3	6304.5	6604.8	6960.2	7408.2	8029.3	8604.5	1.82%
Total DHET Budget (excl. direct charge against the NRF,SETAs and NSF)	36397.33	39053.51	41943.36	49188.28	52307.64	60671.75	64320.85	
% of Total DHET Budget	16.15%	16.14%	15.75%	14.15%	14.16%	13.23%	13.38%	

- Allocations in respect of TVET colleges are expected to grow by a real annual average of under 2% over the 2017 MTEF period – this level of growth not in alignment with the policy goals around TVET colleges in terms of increasing enrolment
- Low growth is coupled with a consistent decline in the proportion of the DHET budget allocated to the TVET programme over the entire period reviewed

PROGRAMME ANALYSIS: COMMUNITY EDUCATION AND TRAINING COLLEGES(CETs) PROGRAMME

Sub-programme (R'million)	Audited Outcome			Revised Estimate	Medium Term Expenditure Framework Estimates			Real Annual Average growth rates 2017/18-2019/20
	2013/14	2014/15	2015/16		2016/17	2017/18	2018/19	
Programme Management: Community Education and Training	-	-	-	2.9	1.7	2.0	2.1	5.1%
Community Education and Training Colleges Systems Planning, Institutional Development and Support	1,771.1	1,847.2	1,653.2	1,883.6	2,055.2	2,165.0	2,328.7	0.6%
Financial Planning	-	-	157.2	166.3	166.3	177.0	186.8	0.1%
Education and Training and Development Support	5.7	5.9	14.0	17.0	11.6	12.5	12.7	-1.3%
Total	1,776.8	1,853.1	1,824.4	2,069.8	2,234.9	2,356.4	2,530.3	0.5%
Total DHET Budget	36,397.3	39,053.5	41,943.4	49,188.3	52,307.6	60,671.8	64,320.9	
% of Total DHET Budget	4.88%	4.74%	4.35%	4.21%	4.27%	3.88%	3.93%	

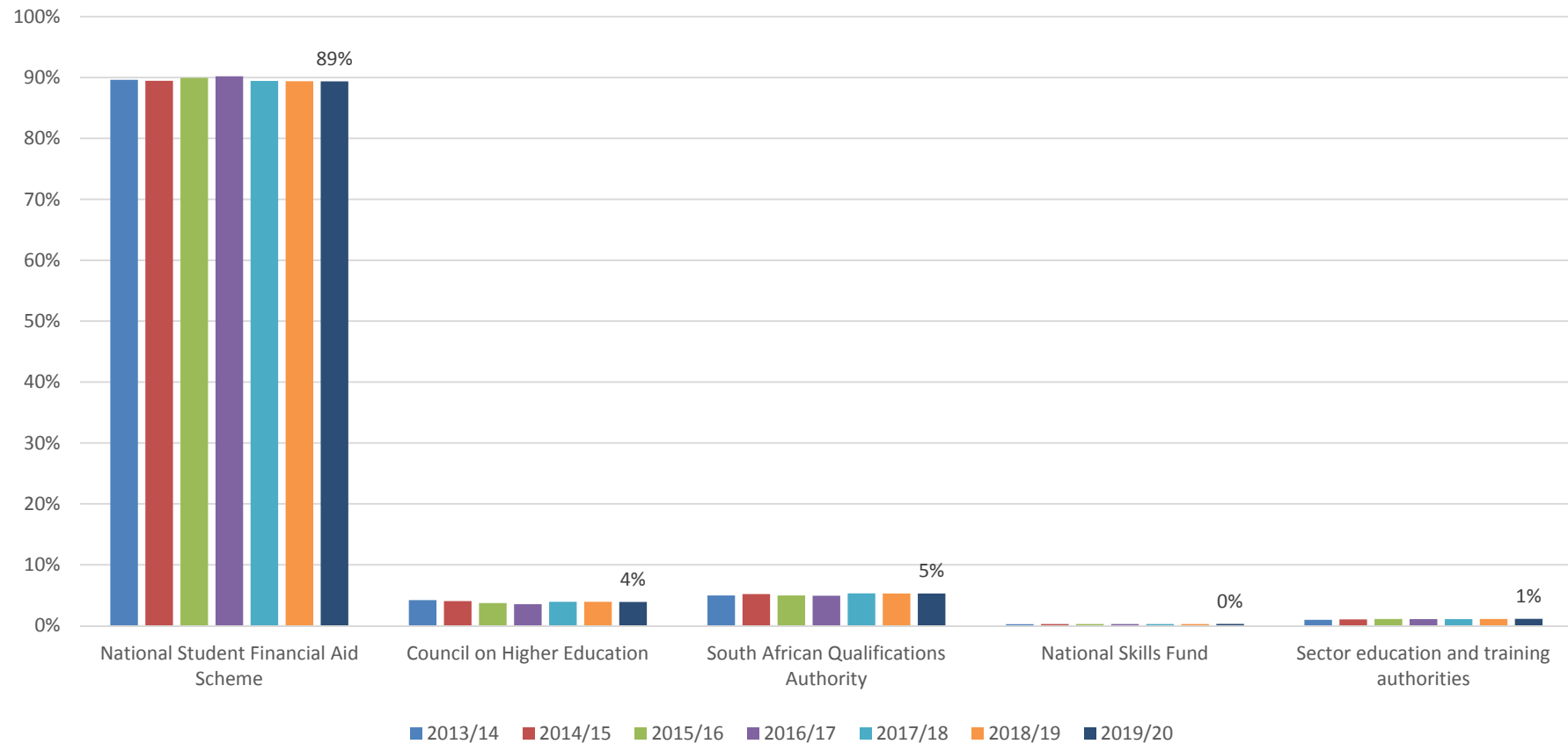
- In addition to the very marginal real annual average growth in resources to the CET colleges programme over the 2017 MTEF period, the proportion of the DHET budget allocated to the programme is also projected to decline over the outer years of the 2017 MTEF period

ENTITIES REPORTING TO DHET

R million	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Audited Outcome			Revised Estimate	MTEF		
National Student Financial Aid Scheme	893 867	947 499	991 084	1 043 611	1 095 792	1 159 348	1 224 271
Council on Higher Education	41 888	42 689	40 819	40 928	47 946	50 727	53 568
South African Qualifications Authority	49 401	55 008	54 757	56 895	64 940	68 707	72 555
National Skills Fund	2 416	2 768	3 031	3 092	3 328.3	3 593.6	3 890.8
Sector Education and training authorities	9 674	11 071	12 126	12 371	13 313.2	14 374.6	15 563.3
Total	997 246	1 059 035	1 101 816	1 156 896	1 225 319	1 296 750	1 369 848

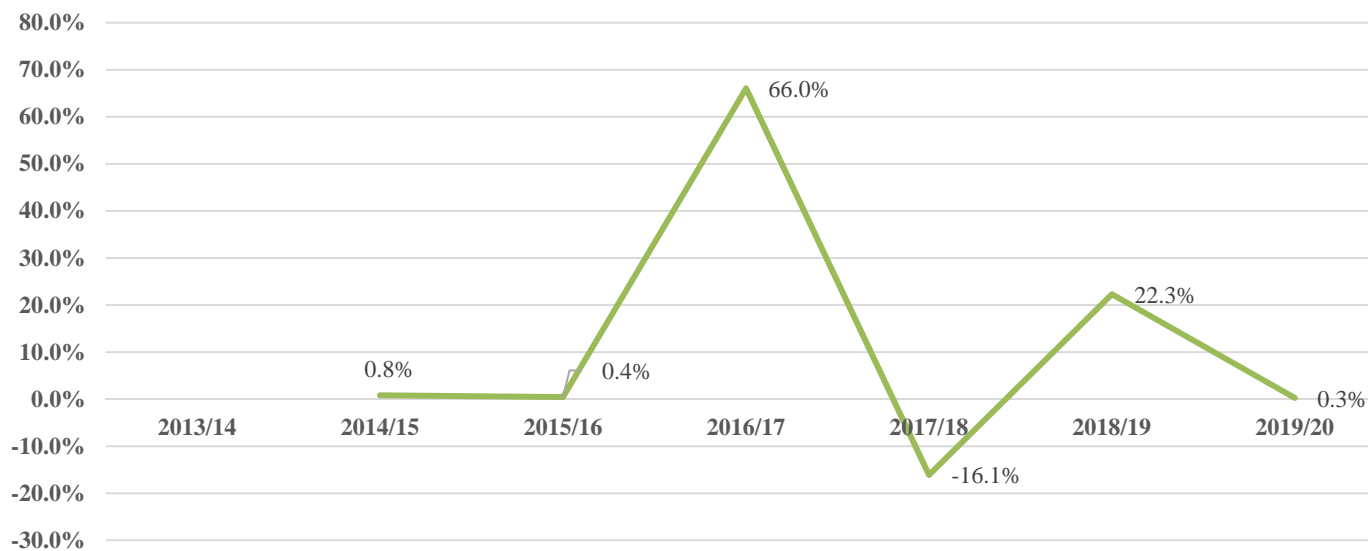
- Largest entity transfer is in respect of the National Student Financial Aid Scheme (NSFAS)

ALLOCATION SHARES (%) PER ENTITY



TRANSFERS TO NSFAS 2013/14-2019/20

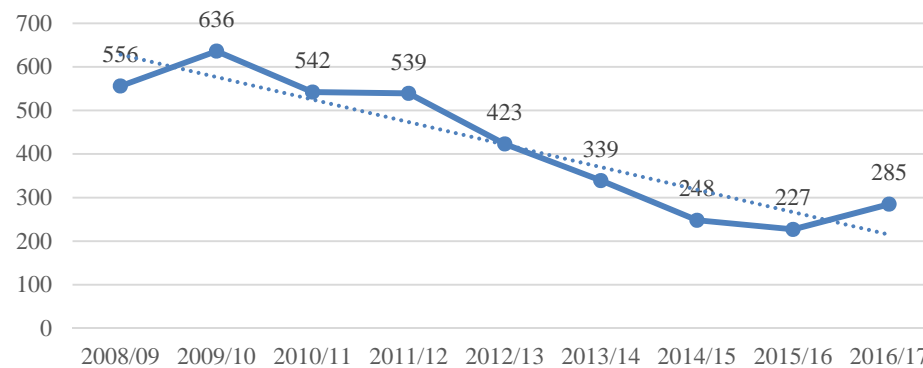
Real Year on Year Growth in NSFAS Transfers



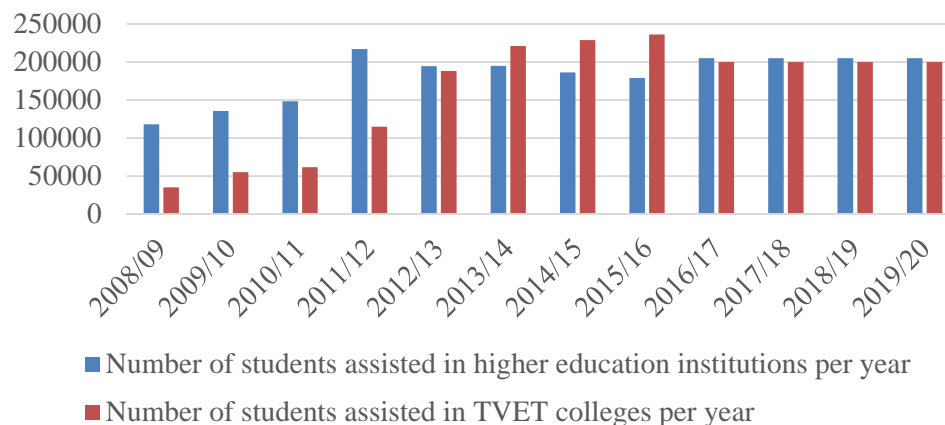
- Commission is concerned over key challenges that the funding scheme continues to face. Real growth in allocations to NSFAS have been erratic - affects the ability of the institution to plan and adequately, effectively absorb and adjust to increases or declines in resource allocations

NSFAS: PERFORMANCE INDICATORS

Amount of funds recovered from NSFAS debtors per year (R million)



Number of students assisted in Higher Education Institutions and TVET Colleges



- Between 2008/09 and 2019/20 the number of students assisted by NSFAS at higher education and TVETs has and is projected to continue to grow
- In terms of amount of funds recovered, analysis shows that between 2008/09 and 2015/16 the recovery of NSFAS debt declines- slight recovery as of 2015/16
 - In terms of improving recovery of funds, options around differentiating repayment periods and interest rates charged on outstanding amounts should be explored and could be closely linked to earnings level
- Over 2017 MTEF period, the number of assisted students at TVET colleges is projected to be lower than the number of students being assisted at universities

NSFAS: TOWARDS A MORE EFFECTIVE FUNDING SCHEME ?

- The new NSFAS student-centred model seeks to address some of the challenges related to the non-repayment of loans and to ensure that students are better funded, including the “missing middle”
 - Under the new funding model, NSFAS allocates funding for the student and pays it directly to the institution to fund their tuition costs. According to NSFAS this will ensure that registration fees are paid timeously and more efficiently. In addition to the tuition costs, NSFAS disburses an allowance for food and textbooks and it also makes provision for accommodation and transport costs
 - Recent student protests at the University of the Free State and the University of Venda, which arose after delays in the payment of students’ living allowances (which includes stipends for food) point to the need for improved coordination between NSFAS and universities and colleges so as to ensure that students do not bear the brunt of poor coordination
 - It was unclear whether the delayed living allowances payments were as a result of NSFAS paying the students’ registration fees late or whether it was as a result of universities not responding quickly enough after NSFAS had paid the registration fees



4. DHET PERFORMANCE AND IMPLICATIONS FOR 2017 MTEF PERIOD

Briefing to the PC on Higher Education and Training

ASSESSMENT: STRAT PLAN, APP AND 2017 MTEF BUDGET

- Based on the strategic objectives of the DHET and more specifically the 2017 MTEF priorities as outlined in the 2017/18 APP, the budget and real growth in allocations do not appear adequate

2017 MTEF Priorities as Per 2018/18 APP

Projected Budget Performance over 2017 MTEF

Programme 3 (University Education):

- Support the development of historically disadvantaged universities
- Implement an expanded financial assistance and support model for funding academically deserving students from poor, working and lower middle class families

2017/18 =0.0% 2018/19=11.4%
2019/19=-0.05%

Programme 4 (TVET Colleges Programme):

- Introduce revised budgeting, enrolment and strategic planning processes in colleges
- Ensuring that provision of support for students is premised on a holistic approach to address different student socio-economic backgrounds
- Developing common standards for governance, management and leadership to provide DHET with a framework for monitoring/evaluating quality of governance in TVET colleges

2017/18 =0.32% 2018/19=2.34%
2019/19=1.29%

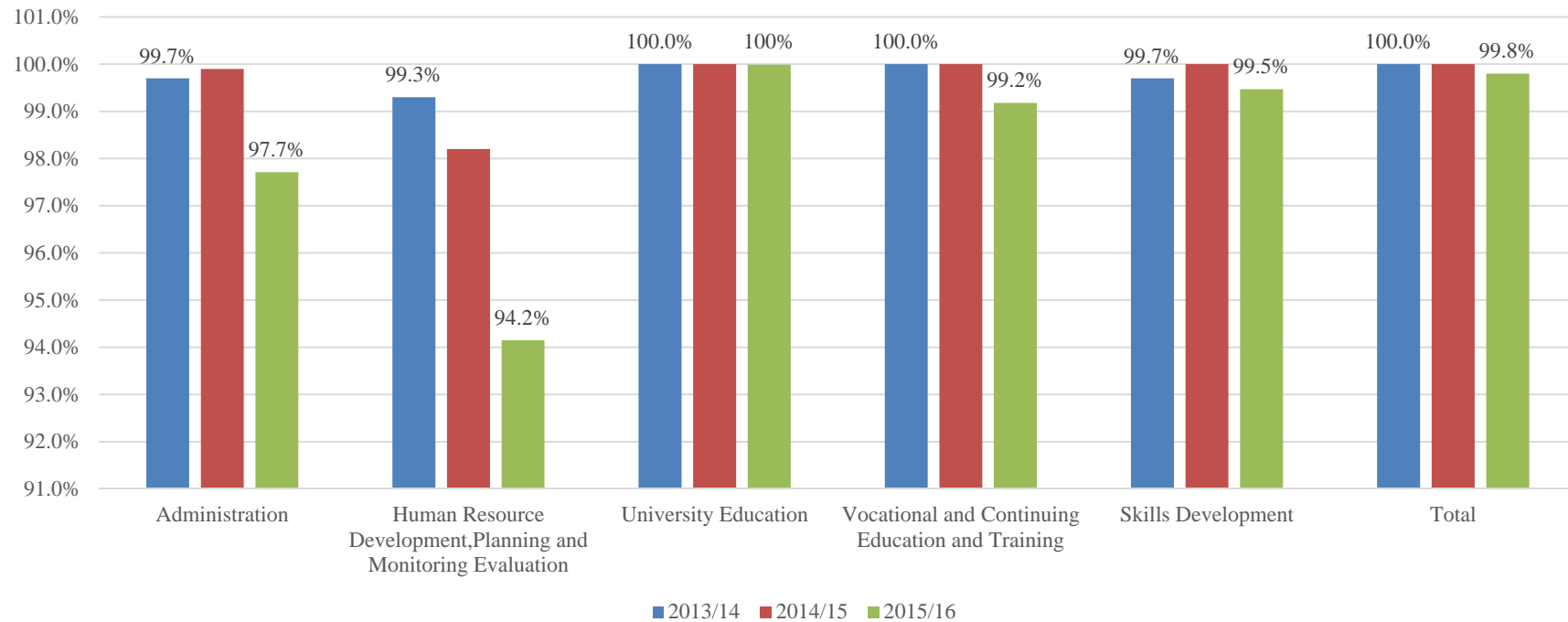
***A number of outcome indicators for this programme have targets set at zero due to lack of funding (e.g. number of additional beds for student accommodation, students entering the foundation programme by March 2017, success rate in foundation programmes*

ASSESSMENT: STRAT PLAN, APP AND 2017 MTEF BUDGET [CONT.]

- Based on the strategic objectives of the DHET and more specifically the 2017 MTEF priorities as outlined in the 2017/18 APP, the budget and real growth in allocations do not appear adequate

2017 MTEF Priorities as Per 2018/18 APP	Projected Budget Performance over 2017 MTEF
<ul style="list-style-type: none"> • Programme 5 (Skills Development) • Review of the SETA landscape National Skills Development Strategy • Conduct a Skills Development Act needs analysis • Develop a plan for improving the lead time (number of days) from trade test applications received until trade tests are conducted 	<p>2017/18 =26.9%</p> <p>2018/19=3.12%</p> <p>2019/19=0.74%</p>
<p>Programme 6 (CET Programme):</p> <ul style="list-style-type: none"> • Securing additional sites (physical infrastructure) and resources for establishment of pilot CET colleges • Ensuring the functionality of the 9 CET colleges established in each departmental region • Ensuring equitable distribution of funding among departmental regions • Developing robust financial management systems for CET colleges 	<p>2017/18 =1.77%</p> <p>2018/19=-0.44%</p> <p>2019/19=1.49%</p>

ASSESSMENT: HISTORICAL SPENDING PERFORMANCE OF DHET 2013/14-2015/16



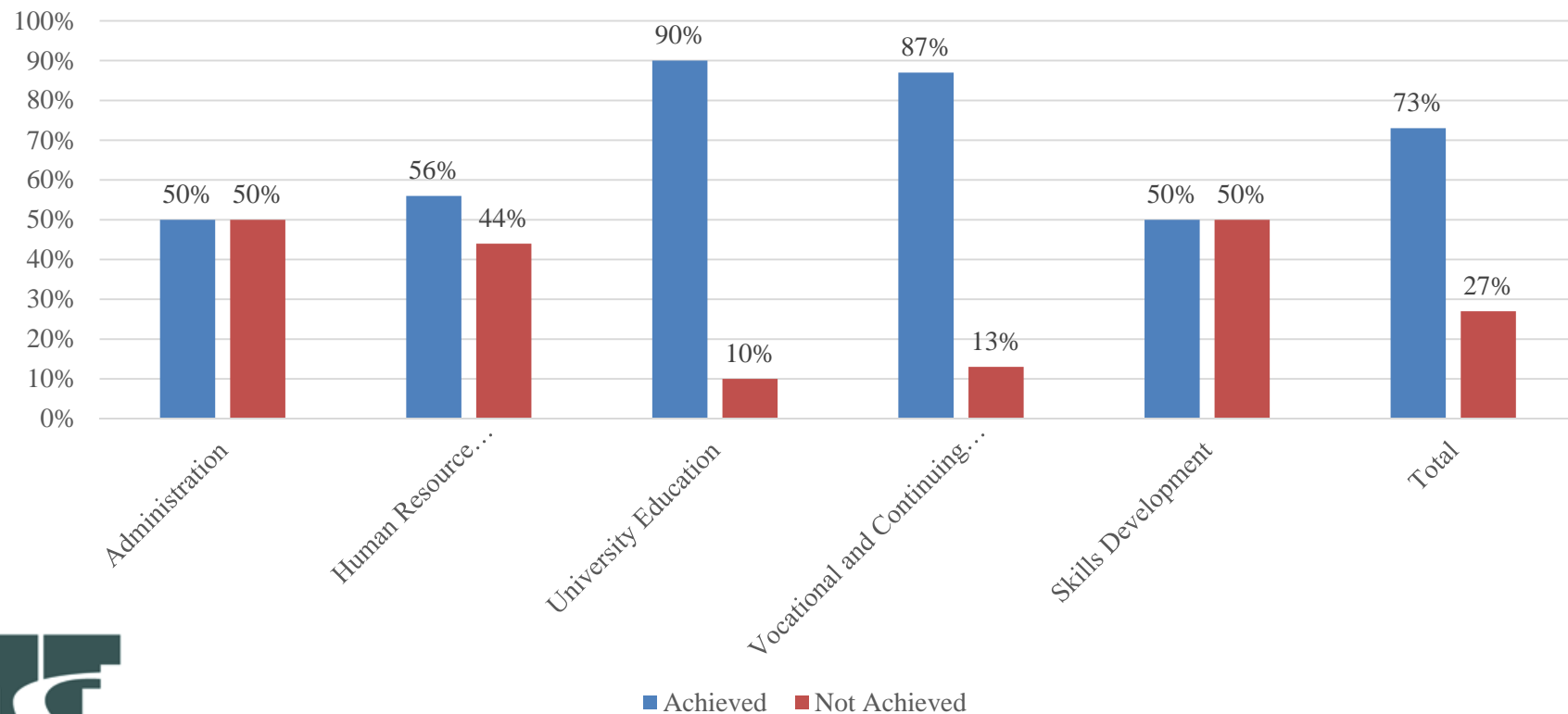
- The department consistently spent 100% or close to 100% of its total budget between 2013/14 and 2015/16. Underspending in 2015/16 equivalent to roughly R84.5 million and largely the result of :



Slow filling of vacant posts due to the large volumes of applications and posts that were advertised as part of the TVET and CET function shift process

ASSESSMENT: ACHIEVEMENT OF PERFORMANCE TARGETS (BASED ON 2015/16 ANNUAL REPORT)

- The department achieved 73% of its performance indicators, but spent 99.8% of its budget, suggesting that budget and performance are not well aligned– raises the issue of effectiveness and value for money.



PERFORMANCE TARGETS

(STRATEGY TO DEAL WITH UNDERPERFORMANCE)

Admin: the underperformance was due to lack of capacity in the Recruitment and Selection Unit

- A need to automate recruitment processes was identified and an e-recruitment system will be prioritised.
- The capacity improvement and appointment of a dedicated Deputy Director: Recruitment and Selection would address shortfalls on performance.

HR: due to new additional requirements in the policy development processes, such as SEIAS that were introduced in August 2015

- Department has identified detailed planning and regular monitoring of processes will be done

Skills Development

- Registration and completion (closer monitoring of the SETAs PIVOTAL allocations in relation to workplaces and learner contracts for artisan training).
- SETAs need to assist in finding options within their sectors to report on non-funded employer training as these numbers are not validated and captured for artisan data reporting.
- Artisan National Trade Test System: the external provider, SITA has been prompted to find cost effective interventions to accelerate the delivery of the software.

CONCLUDING REMARKS

- Higher education and training are central to achieving long-term developmental goals as per the NDP, however:
 - Real annual average growth over the 2017 MTEF period is not adequate when compared to DHET's targets (as per strat plan and 2017/18 APP) over the 2017 MTEF period
 - Historical performance of the DHET in terms of percentage of performance indicators achieved relative to proportion of the budget spent, raises questions around value for money and efficiency – something to monitor over 2017 MTEF period
 - Historical underfunding of colleges, especially TVET colleges, persists and raises concern around how these institutions will contribute to developing skills the economy requires
 - NSFAS new student-centered model needs to be complemented by greater coordination with universities and TVET colleges
- The students' stance and the political response to their stance leaves at least two public finance questions to be answered:



– How much would it cost society to increase public support to HET?

– What is the most efficient way to raise the money?

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