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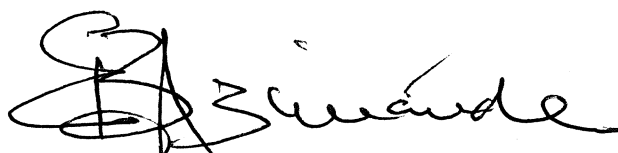
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**GOVERNMENT NOTICE****DEPARTMENT OF HIGHER EDUCATION AND TRAINING****No. 143****28 February 2014****REPORT OF THE MINISTERIAL COMMITTEE FOR THE REVIEW OF THE  
FUNDING OF UNIVERSITIES**

I, Bonginkosi Emmanuel Nzimande, MP, Minister of Higher Education and Training, hereby publish the Minister's Foreword of the Report of the Ministerial Committee for the Review of the Funding of Universities, October 2013. The full report is available on the website of the Department of Higher Education and Training, [www.dhet.gov.za](http://www.dhet.gov.za)

**Dr BE Nzimande, MP****Minister of Higher Education and Training**

Date: 27/01/2014

## Minister's Foreword

There is widespread acknowledgement that higher education is a major driver of economic competitiveness in an increasingly knowledge-driven global economy. Higher education provides both economic and social benefits for the public as well as for the individual who obtains a higher education qualification. There is a strong association between higher education participation rates and the levels of development of countries. The *National Development Plan 2030* emphasises the importance of a highly skilled workforce as well as innovation for development.

South Africa, like other developing countries, is faced with financial constraints and backlogs in higher education as a result of the growth and wider participation in higher education over recent years. In South Africa the problem is exacerbated by historical disadvantage. The public higher education system in South Africa following the merger of a number of higher education institutions from 2004/05, was until recently made up of 23 public universities with varying degrees of capacity, expertise and resources. Two new universities have been established, to start operating at the beginning of 2014.

The public higher education system in South Africa comprises an array of different universities, ranging from highly developed, well-resourced universities to those that are under-developed universities and constantly face financial difficulties performance challenges. International comparisons reveal that the level of funding available for the higher education system in South Africa is relatively low. It is therefore not surprising that, without exception, all of the country's universities cite inadequate funding as the main cause of the higher education system's failure to measure up to its potential and fully realise the transformation agenda of our country.

While adequate funding of higher education is important, this in itself is not sufficient to ensure a well functioning and quality higher education system. Resources that are available need to be utilised in the most effective and efficient manner. Our universities and higher education stakeholders at times fail to acknowledge the misuse of funds due to mismanagement and corruption. Various independent assessment, administrator and

forensic reports over the past few years show some deeply embedded corrupt practices in some of our universities with respect to management of resources. The extent to which these practices are prevalent in institutions that have not been under scrutiny has not been tested. It goes without saying that good and clean governance and management is a critical component of a healthy higher education sector.

The allocation of resources in the higher education sector is underpinned by the 2003 funding framework, which is built on the principle of shared costs between (mainly) government and students. The main feature of this funding framework is that it is a goal-oriented mechanism for the distribution of government grants to individual institutions, in accordance with a) national planning and policy priorities, b) the quantum of funds made available in the national higher education budget, and c) the approved enrolment plans of individual institutions. The funding framework is accordingly an important steering mechanism for achieving policy priorities, the most important of which is the overall transformation of the higher education system. Specifically, the current funding framework was expected to contribute to the realisation of equitable access, better quality of research and teaching, better student progression and graduation rates, and better responsiveness of the higher education system to economic and social needs.

Since the full implementation of the current higher education funding framework from 2007 onwards, various stakeholders have identified a number of weaknesses and limitations in it that called for its review. Criticisms include that the framework distributes resources without taking into account a number of critical factors such as: the cost of running certain programmes, the location of some institutions, historical legacies of the country, the resource- and revenue-raising potential of some universities, and the quality and level of preparedness of students. Despite these challenges, some of our universities are internationally recognised and credited. Others however, especially historically disadvantaged universities, are still far from achieving required levels of recognition despite a number of them having seen improvements over the past few years. Historically disadvantaged universities, which are mainly located in poor, rural areas, serve in the main poor students who are poorly prepared for higher education

studies. These students are mostly dependant on National Student Financial Aid Scheme (NSFAS) funding to access higher education, and therefore adequate levels of NSFAS funding are vital to ensure that no student is excluded from higher education on the basis of its affordability.

One of the main purposes of the current review was to determine whether the current funding framework exacerbates the financial challenges of historically disadvantaged universities. I am pleased that this particular problem received due attention in the review and I trust that the recommendations will go a long way towards accelerating the development of these universities, so that they will be resourced to fulfil their proper role in the higher education landscape.

While the Funding Review Committee does not recommend the 'capping of student fees', this is an area that I believe requires further attention. The NSFAS budget has increased substantially over the past few years and more students than ever before are benefiting from the student financial support provided by government. However, the increase in the NSFAS budget has been negated by student fee increases that have, in some instances, been higher than inflation; and in a number of universities there have been double-digit increases, with the result that many middle-class families are now struggling to keep up with the rising costs of higher education. Access to higher education is a fundamental basis for economic empowerment; and therefore it is incumbent on us to ensure that student fees remain affordable to allow for greater access for the poor, and for working-class and middle-class families.

The funding of universities must address the plight of disadvantaged institutions while ensuring that the relatively advantaged institutions to remain internationally recognised and competitive. The review identified several challenges that need to be addressed. Of great concern is the fact that the participation rates of African and coloured students in higher education remain low compared to whites and Indians. This is untenable – both from a social justice perspective, and in terms of meeting the demands of the 21st century and the needs of our economy. As indicated in the current report, the realisation

of the enormous benefits associated with higher education requires higher levels of participation. Higher levels of funding and the expansion of the capacity of the higher education system will be needed in future to expand access to higher education, especially for African and coloured students.

In my first engagement with the Review Committee, I explained a number of broad principles that had to guide the work of the Committee. These included sustainability, predictability, stability and consistency. A number of our universities are world-class academic institutions at the cutting edge of research in various spheres, while others may be better situated to make teaching their primary purpose. This brings the need for a differentiated university sector to the fore. Both teaching and research are critical for the development of highly skilled academics, workers and researchers, and it is important that both these activities are adequately funded. It is government's vision that all universities should at least develop research niche areas and that all universities will participate in research and innovation, albeit to various extents. The *National Development Plan 2030* sets out a developmental trajectory that indicates the need for increased levels of research and innovation. Teaching is equally important and it is essential that all universities offer a high quality undergraduate education and also provide quality teaching at post-graduate level.

The review of the funding framework took place against the backdrop of a global economic downturn, which inter alia affected the funding of higher education in many countries. South Africa has not been immune from this global economic downturn, and in August 2012 all government departments were informed that they had to cut their baseline allocations over the 2013/14–2016/17 Medium-term Expenditure Framework (MTEF). Following consultations with the National Treasury, the budget of higher education institutions was spared the proposed cuts – this amid lower-than-anticipated revenue collection by the national government.

The planned expansion over the next decade must be funded both adequately and intelligently to ensure that our universities improve the quality of their offerings and improve their throughput rates. This review is the first step towards that realisation. The current report is released to stimulate and encourage public debate and meaningful

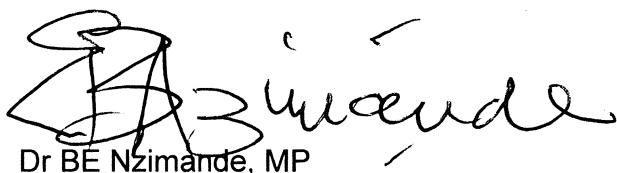
engagement. It is important that this debate be informed by facts, as the report demonstrates two critical points. Firstly, government funding has not kept pace with the growth of enrolments in the system. Secondly, it is often how resources are internally allocated within universities that exacerbates the challenges some universities face.

I have requested that a technical team and reference group be established to carry through the next phase leading to the development of a new funding framework. The technical team's main responsibility will be to model all the recommendations made by the Committee and together with the reference group assess the impact on all universities. They will on the basis of this work develop a draft funding framework/policy for further consultation with the sector. This process should be completed within the next nine months and following that a new university funding framework/policy will be finalised for publication.

It is important to emphasise that the implementation of a new funding policy will be phased-in over a number of years, to ensure stability and predictability in the budgets of universities. However, the weak financial position of many historically disadvantaged universities has necessitated that I take immediate action. I have decided to implement the Committee's recommendation that a 'disadvantage factor', that will take into account the special circumstances of historically disadvantaged universities, be introduced. We have been fortunate that new funding has been allocated from the vote in 2015/16 for enhancing university education. This will be utilised to introduce the new factor into the current framework. As this is new funding, there will be no adverse impact on the budgets of other universities. The aim of this new grant is to ensure that over the short, medium and long-terms, historically disadvantaged universities improve their levels of development and efficiency. This reinforces the approach that I took for the third infrastructure and efficiency cycle, which placed a lot of emphasis on supporting infrastructure development for historically disadvantaged institutions/campuses. It is encouraging to see from the Committee's report that several historically disadvantaged universities are on an upward trajectory and, with the right government support, investment and oversight, are set to become leading institutions in their niche areas.

All stakeholders must realise that while adequate levels of government funding are central to driving the vision of higher education, public accountability for the use of such funds remains a key priority. The recent amendments to the Higher Education Act and the revision of reporting regulations are all aimed at strengthening how universities fulfil their responsibilities to account for the use of public funds. Following the publication of the Green Paper for Post-School Education and Training in 2010, and the extensive consultations and comments received, a new White Paper for the system was drafted. In November 2013 Cabinet approved the White Paper for Post-School Education and Training. The White Paper affirms the principles of academic freedom, institutional autonomy and public accountability. It is therefore important that the team appointed to model the funding review recommendations takes into account the White Paper as a guiding policy document.

I would like to extend my gratitude to the Chairperson of the Committee for the Review of the Funding of Universities, Mr Cyril Ramaphosa, all the Committee members, the researchers, and the Departmental officials who sacrificed their time and effort towards the realisation of this important report.



Dr BE Nzimande, MP

Minister of Higher Education and Training

27 January 2014

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