Financing higher education in South Africa: Public funding, non-government revenue and tuition fees

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Abstract
The funding of public higher education is currently a moot issue in South Africa. Public funding has been declining and opportunities for winning non-government revenue remain limited. The frequent raising of tuition fees, which is one of the main strategies public universities have resorted to mitigate declining state funding is not without controversy. The article discusses these funding challenges. It argues that the current higher education funding conundrum will hamstring the achievement of the important higher education policy goals articulated in the National Plan on Higher Education. The article finally argues for a shift towards a redistributive funding model by changing the current formula for allocating funding for student aid to universities so that resources are redistributed in favour of the genuinely poor. By so doing, it is anticipated that higher education will be affordable for the poor who are generally sensitive to tuition fee increases, and also the rich, who can afford the current (high) tuition fee charges.

INTRODUCTION
How universities are funded and the quantum of funding available is important for the attainment of universities’ cherished goals, viz. teaching, research, community (public) service, and other contextually determined goals. In South Africa, the funding of higher education is critical for the attainment of the five key policy goals identified by the National Plan on Higher Education (NPHE 2001). These important policy goals are: 1) producing the graduates needed for social and economic development in South Africa; 2) achieving equity in the South African higher education system; 3) achieving diversity in the South African higher education system; 4) sustaining and promoting research; and 5) restructuring the institutional landscape of the higher education system. This article argues that the funding challenges facing South Africa’s higher education could jeopardise the successful attainment of these
important goals. With this in mind, the article discusses various aspects of the higher education funding conundrum in South Africa, viz. declining state funding, limited diversification of revenue sources, tuition fee increases and financial support for financially constrained students.

GOVERNMENT FUNDING OF HIGHER EDUCATION

The most important source of financial support for South Africa’s public universities, as is the case with most publicly funded higher education systems, is the state, which has historically provided the core support for these institutions’ operating and capital expenses. The degree of dependence on state funds by individual universities differs. Some universities receive slightly more than 30 per cent of their total income from government while others receive almost 65 per cent of their total revenues from this source (MoE 2004; Ouma 2007; Van Heerden et al. 2007). On average, public universities receive 50 per cent of their total revenues from state appropriations (MoE 2004).

In recent years, state funding of South Africa’s higher education has declined. This is confirmed by several indicators, viz. state funding of higher education as a percentage of GDP, state funding of higher education as a percentage of total state finance, and state funding of higher education adjusted for inflation.

Figures 1 and 2 provide time series data on state funding of higher education as a percentage of GDP and state funding of higher education as a percentage of total state finance, respectively. Both figures show a declining trend in state funding of higher education.

![Figure 1: State funding of higher education as a percentage of GDP, 1995–2005](source: Figure generated from the data in DoE. 2007a: A6.)
As a percentage of GDP (Figure 1), state funding of higher education declined from a high of 0.82 per cent in 1996 to a low of 0.67 per cent in 2006. From 1995 to 2000, it averaged 0.77 per cent and from 2001 to 2006, 0.69 per cent. As a percentage of total state finance (Figure 2), after peaking at 3.08 per cent in 1999, it has consistently declined through the years reaching 2.45 per cent in 2007. State funding of higher education has also declined in real terms. A recent analysis shows that between 2000 and 2004, government funding of higher education declined by 3.1 per cent in real terms (DoE 2007b). From 1995 to 1999, total state funding of higher education per full time equivalent (FTE) student increased annually by R 352 in real terms (in 2000 rand) but declined annually by R 515 between 2000 and 2004. It is projected that the decreasing pattern will continue in the period 2005 and 2009 (DoE 2007a).

Another important observation is that discretionary funds per FTE student have declined more rapidly than earmarked funding i.e. subsidies not directly contributing to operational costs such as NSFAS (DoE 2007a; Le Roux and Breier 2007). For instance, whereas the state’s total funding for higher education per FTE student increased by an annual average of R352 (in 2000 rand) between 1995 and 1999, discretionary funding in the same period increased by an annual average of R173 (in 2000 rand). In the 2000–2004 period, discretionary funding per FTE equivalent declined by an annual average of R655 in real terms (in 2000 rand) compared to a decrease of R515 for total state expenditure on higher education per FTE student (See Table 1).
Table 1: Annual average increase in state funding of higher education per FTE student

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Increase (in 2000 Rand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education (formula and ad hocs)</td>
<td>173</td>
</tr>
<tr>
<td>Higher Education Total</td>
<td>352</td>
</tr>
</tbody>
</table>


Another important aspect of the weakening fiscal effort by the state for higher education is the termination of allocations for purposes of erecting new buildings at institutions as from the 1997/98 financial year (Steyn and de Villiers 2006; SAUVCA 2004). The inadequate funding for capital expenses has forced many universities to fund capital development from their operating budgets or take loans (HESA 2008). The government has however recently allocated R3.5 billion to universities for improving institutional infrastructure and student outputs (MoE 2007).

The decline in state capitation for public higher education, as highlighted above, has had various consequences and implications for public universities. As a result of the decline in state capitation, public universities have to various extents experienced some degree of vulnerability that required a response, if they were to remain as effective organisations.

RESPONSE TO DECLINING STATE SUPPORT

Given the relatively high dependence of South Africa’s universities on public funding, the decline in state financial support requires that public universities seek resources elsewhere to maintain stability and be able to prosecute their missions, and attain the important policy goals articulated by the NPHE.

Resource dependence theory provides an important framework for understanding the responses by public universities to conditions of resource decline. Its key argument is that when organisations are deprived of critical resources their survival is threatened. Organisations, therefore, have to ensure a continuous flow of resources in order to survive. The theory assumes that organisations are flexible, and that they will adapt if a change in the environment threatens critical resource relationships (Pfeffer and Salancik 1978; Cloete and Maassen 2002; Gornitzka 1999; Maassen and Gornitzka 1999).

Resource dependence theory further postulates that organisations survive to the extent that they are effective in acquiring and maintaining resources (Pfeffer and Salancik 1978). When resources are in a state of major flux organisational stability is threatened. Organisational vulnerability occurs. Under such circumstances organisational efforts are directed at regaining stability. As put by Pfeffer and
Salancik (1978, 2), ‘[t]he key to organisational survival is the ability to acquire and maintain resources’.

To ‘survive’ declining state financial support, South African universities have, in the main, adapted existing economic exchange relationships to address their current resource needs and have also initiated new exchange relationships. The most important economic exchange relationship that almost all the universities have utilised to improve their resource condition is tuition fees. Many South African universities have made adjustments in the manner in which tuition fees are levied to ensure both cost recovery and optimal revenue generation. Other than implementing regular increases in tuition fees, differential pricing of various instructional services has also ensured high earnings from tuition fees (Ouma 2007).

Mainly because of tuition fee increases, the share of tuition fee revenue in the total income of universities has risen significantly over the years, from 24 per cent in 2000 to 29 per cent in 2004 (DoE 2007b). A recent study by Ouma (2007) shows that tuition fees is one of the fastest growing sources of non-government revenue for public universities in South Africa. Even though, a recent analysis by Le Roux and Breier (2007) shows that tuition fee increases have not fully compensated public universities for the income they have lost in state appropriations. For example, between 1986 and 2003 historically disadvantaged universities (HDUs) registered an increase in real tuition income per weighted FTE student from R4 622 to R6 739 (in terms of 2000 prices), representing a 50 per cent real increase in fees (Steyn and de Villiers, 2006; Le Roux and Breier 2007). Apparently, this increase (50 per cent) compensated the universities for only one quarter of the income they lost as a result of the decline in government contributions (Le Roux and Breier 2007).

Although there seems to be a positive correlation between the increase in tuition fees and the weakening state financial support for public universities, the subject (tuition fee increases) has not been without controversy. Both the government and students have protested these increases. The main concern by government is that tuition fees have increased at a higher rate than government’s contribution to the National Student Financial Aid Scheme (NSFAS). In her budget speech to the National Assembly on 19 May 2006 the Minister of Education made the claim that:

Student tuition fee collections have become a critical resource issue in the higher education sector. Institutions have funded increases in their volumes of activity by raising student tuition fees to “unreasonably” high levels. In turn this has put pressure on state funding to NSFAS. While fees have doubled over the last five years, the increase in funding to NSFAS has risen by 30 percent. (http://www.education.gov.za/dynamic/dynamic.aspx?pageid=306&aid=1651, accessed on 14 February 2008).

The Minister was careful not to blame the increases in tuition fees on weakening fiscal effort for the sub-sector by government but rather ‘their [public universities’] increase in their volumes of activity’. The resultant fiscal pressure on government with regard to the NSFAS, coupled with student discontent, has led government to threaten a

Other than tuition fees, Public universities in South Africa have, to various extents, also utilised other sources of non-government revenue (market sources of income) to improve their resource base. A recent study by Van Heerden, et al. (2007) reports in Table 2 the average revenue contribution of various sources of income for sixteen public universities in 2004.

**Table 2:** Sources of income for sixteen public universities in South Africa, 2004

<table>
<thead>
<tr>
<th>Source</th>
<th>Lowest %</th>
<th>Highest %</th>
<th>Average %</th>
</tr>
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<tbody>
<tr>
<td>Student fees</td>
<td>21.0</td>
<td>37.8</td>
<td>28.1</td>
</tr>
<tr>
<td>Government subsidy income</td>
<td>32.1</td>
<td>57.0</td>
<td>43.1</td>
</tr>
<tr>
<td>Investment income</td>
<td>1.2</td>
<td>27.6</td>
<td>7.7</td>
</tr>
<tr>
<td>International donations</td>
<td>0</td>
<td>9.1</td>
<td>1.2</td>
</tr>
<tr>
<td>South African donations</td>
<td>0</td>
<td>9.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Contract research</td>
<td>0</td>
<td>27.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Sales of goods and services</td>
<td>0</td>
<td>14.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Research grants</td>
<td>0</td>
<td>6.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>5.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>100</strong></td>
</tr>
</tbody>
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As Table 2 shows, student fees, government subsidy income and investment income are the most significant sources of income for all the sixteen universities involved in Van Heerden, et al.’s (2007) study. Some universities apparently did not generate any income from the other sources (donations, research, and sales of goods and services). Tuition fees is the highest source of non-government revenue for the sixteen universities, with international donations and research contributing the least.

Tuition fees is generally the most significant source of non-government revenue for South African universities owing to the policy of shared costs and tuition fee increases, which is usually the norm in a context of weakening state appropriations and unreliable and inadequate non-government or market sources of revenue (as shown in Table 2). The high contribution of tuition fees is also because tuition fee income is directly linked to the core business of universities.
It should be pointed out that although all the revenues generated from the various sources play a role in reducing the dependence of universities on state funding, some of these revenues do not necessarily contribute to the financial health of these institutions. Such revenues include research grants and donations, over which universities only play a fiduciary responsibility. Income from these sources is usually encumbered. It is tied to specific purposes or activities. Universities usually have no discretion over the spending of these funds. As such universities cannot use these funds to offset shortages, for example, shortage of funding for teaching.

A study by Ouma (2007) shows that although the revenue accruing from research is reported as though it belonged to the universities, much of it actually belonged to individual researchers and thus it did not contribute to expanding the financial base of the institutions. In Ouma’s (2007) study, a senior university finance official of a historically advantaged university (HAU) argued that

Research contracts do not add to our financial stability, if anything they weaken it. They do provide resources for research activities, but these research activities draw on university resources without adequately contributing to them (Senior University X finance official, in Ouma 2007, 188).  

According to this official, his university spent more on research than it earned from it. The university is apparently not adequately compensated, in terms of overhead costs, by faculty who use its resources (time, office space, laboratories, electricity, printing, photocopying, etc.) to conduct their research.

Another important observation from Table 2 is the uneven distribution of resource dependence on the various sources of income. As such, even though South African universities have diversified their sources of income, not many of the sources offer meaningful contributions. It is therefore argued that diversification of sources of revenue can only guarantee universities continued financial stability if the various sources accrue significant amounts such that any unforeseen underperformance by one source does not financially destabilise the institution. The reason for mitigating any form of resource dependence should be to guarantee financial health and sustainability, irrespective of volatilities that may negatively impact some sources or markets. It is partly because of the limited distribution of resource dependence by universities on multiple revenue sources that declining government funding causes instability and vulnerability. Thus, unless public universities are able to fairly distribute their resource dependence on various income sources, tuition fees and the fiscus will have to make significant contributions.  

Various reasons can be given for the limited resource dependence by public universities on the various non-government sources of income. These reasons include (Stumpf 2006; Ouma 2007):

- Generally weak university/business relations;
- Limited industrial/business base in South Africa;
• Limited tax breaks for individuals and companies;
• Limited research capacity for some universities. Research funds follow research capacity. It is difficult to attract significant research funding in the absence of established research capacity (Ouma 2007). Capacity is the very essence of strategy (Navarro and Gallardo 2003). Limited research capacity explains why most HDUs generate significantly limited funds from research compared to HAUs. For instance in the 2000–2004 period, earnings from research made up about 28 per cent of the University of the Witwatersrand total revenue compared to about 1 per cent for University of Fort Hare (Ouma 2007). From a resource dependence perspective, research capacity could be described as a part of unique “resources”, which foster the competitive advantage of the universities that possess them. As Das and Teng (2000, 32) posit, “what [an organisation] possesses would determine what it accomplishes”.
• Lack of developed alumni and fundraising structures and absence of the culture of “giving”; and
• Impoverished geographic and economic environments of many higher education institutions, especially HDUs. The deprived local economies in which many South African universities are located provide limited opportunities for these institutions to acquire and accumulate capital. Thus, universities that are located in vibrant economic contexts will be more privileged than those that are located in economically deficient environments. The economic context determines the available opportunities for income generation (Ouma 2007).

Another challenge with regard to revenue from non-government or market sources (excluding tuition fees) is the phenomenon of revenue volatility. For various reasons revenue from market sources tend to fluctuate, at times significantly, from year to year. Revenue volatility, however, appears less a concern with government funds than with the non-government contributions (Ouma 2007). Consequently, although state funding of public higher education has been declining, it still remains the most stable source of revenue for public universities.

The factors above simultaneously limit public universities’ ability to generate significant revenue from non-government sources.

TUITION FEES AND RELATED ISSUES

As already discussed in the preceding section, tuition fees is one of the most important sources of revenue for all South African universities. It has also been argued that many universities have made adjustments in the manner in which tuition fees are levied to ensure both cost recovery and optimal revenue generation. These adjustments mainly entail differential pricing of various academic programmes and regular increases of tuition fees (Ouma 2007).
The differential pricing of study programmes is underpinned by two major factors: the cost of provision and the market demand for study programmes. Courses that are expensive to offer, especially in the faculties of health sciences, and engineering and the built environment, attract higher fees than programmes, mostly in humanities. The market demand for study programmes has also been utilised by universities to charge variable fees. Highly demanded study programmes and those whose graduates have potentially higher earning capacity attract higher fees and vice versa. Thus, study programmes that may be relatively inexpensive to mount but are in high demand will inevitably attract high tuition fees.

Since in South Africa tuition fees are institutionally determined, differential pricing of study programmes has at times led to considerable variations between institutions. It is not uncommon for significantly varied fees to be levied for similar study programmes of almost similar quality across different institutions. The considerable variations in tuition fees are also a consequence of, inter alia, a lack of a single and system-level model to guide institutional practices regarding the setting of tuition fees.

The previous section has briefly discussed tuition fee increases. A recent analysis by Griesel (2007) shows that tuition fee increases are driven by three main factors: cost of provision, inflation and income generation. As already pointed out, many South African universities have not been able to generate significant income from non-government sources. In the face of declining state financial support, these institutions seem to have resorted to tuition fees to meet the increasing costs of providing study programmes and also balance their budgets.

Closely related to the cost of provision is inflation. One of the criticisms against tuition fee increases is that universities have been raising tuition fees over and above the general rate of inflation. In response, public universities have argued that universities’ internal inflation is usually higher than the national inflation rate. In a recent study by Ouma (2007) a senior university finance official argued:

… they talk about fees being too high; … that the university has put its fees up higher than the inflation rate. I think that is very naïve. I don’t think these are helpful comments. First of all, in terms of the realities, universities’ internal inflation is not CPI [consumer price index]… . CPI for production and service industry is not the same. It is much higher for the service industry. It is therefore not good to talk to us about CPI, because we are not manufacturing steel or processing fish! (Senior University X finance official, in Ouma 2007, 184).

The argument in the above quotation points to what economists have described as the ‘cost disease’, where costs and prices of some services, for example education, tend generally to outpace the rate of inflation (Baumol and Bowen 1966; Johnstone 1999; Johnstone 2001). Higher educational inputs, such as journals, laboratory consumables, and specialised research equipment, tend to experience a higher than inflation growth in prices. What this means for higher education is that due to
significant growth in higher education’s ‘market basket’, for universities to be able to continue to generate sufficient revenue (in real terms) from tuition fees and be able to prosecute their mandates effectively, they have to raise tuition fees over and above the national inflation rate.

Although the justification for tuition fee increases by public universities is plausible, the increases vis-à-vis declining state capitation has the inevitable deleterious consequence of making higher education unaffordable for many poor South Africans, and also discouraging them from aspiring to pursue university education. The tuition fee increases are therefore likely to make higher education in South Africa a rare commodity, only available to the rich, hence exacerbating the already unacceptably high inequalities in the country.

For several universities, especially HDUs, tuition fee increases are also likely to aggravate the problem of student debt. A recent analysis by Steyn and de Villiers (2006) shows that student debt is already a considerable problem for several HDUs. Recent student disturbances at several universities (e.g. Universities of the Witwatersrand, Johannesburg, Limpopo and Tshwane) over tuition fees (and also student debt) are yet another consequence of tuition fee increases. And as has already been pointed out, as a result of the tuition fee increases, government is considering introducing a policy of tuition fee regulation, and student organisations are calling for a policy of free higher education. Public universities are therefore in an unenviable situation: state appropriations are declining; opportunities for winning non-government income are limited, yet raising tuition fees is unwelcome. In these circumstances, a rethinking of the financing of South Africa’s higher education cannot be overemphasised.

**FREE HIGHER EDUCATION?**

One of the suggested solutions (especially by students and certain political formations) to the current tuition fee conundrum is the introduction of free higher education. Free higher education has several advantages and also disadvantages. The main advantage is that it may spur an increase in the social demand for higher education. In theory, many poor students will be able to access higher education. Higher education would thus become a popular commodity. An expanded participation of the poor in higher education has many positive externalities, especially in a country like South Africa with high income inequalities, high crime rates, and skills shortages.

Unfortunately, free higher education will instead benefit the rich since a big percentage of the beneficiaries of higher education, as it is now; will be from the richer segments of society. Children from higher socio-economic backgrounds usually attend high quality schools hence their domination in higher education participation profiles. Free higher education will therefore disproportionately benefit the rich yet they are able to pay a portion of the costs of instruction. Such a policy will therefore have negative equity implications as resources would be transferred from the fiscus to affluent families. Through taxation, the poor would be made to pay for the education of the rich (HESA 2008).
Free higher education would also be too expensive to offer. State resources are not infinite and are competed for by other equally important (some even more important than higher education) priorities such as basic education, health, national security and infrastructure. It is important to note that government’s main concern over tuition fee increases is that tuition fees have increased at a higher rate than government’s contribution to the NSFAS hence putting pressure on government to increase funding for the scheme. Consequently, if the tuition fee increases are already making unsustainable resource demands on government, how about free higher education?

Even though the tuition fee increases have made it strenuous for the poor to afford higher education, the increased cost of higher education remains cheap and affordable for the many rich South Africans. Thus, a possible solution to the current tuition fees conundrum is a cost sharing model that makes higher education affordable for the poor without necessarily making it cheap or free for the wealthy.

**MAKING HIGHER EDUCATION AFFORDABLE FOR THE POOR**

One possible way of making higher education affordable for the poor without necessarily making it cheap for the rich is through a redistributive tuition fee model. A redistributive tuition fee model refers to differential pricing of higher education according to the available disposable income of the prospective student or the student’s family. In such a system, once tuition fees are set, students from low income families only pay what they can afford while wealthier students pay the entire amount. As such, poor students will pay lower fees while students from well-off families will pay higher fees (HESA 2008).

In this model, financial aid would be used to keep the price of tuition relatively consistent and at a level of affordability for the more indigent students and their families. In such a system tuition fee increases and the number of students that can be accommodated would be linked to the provision of financial aid (HESA 2008).

The present cost sharing model in South Africa already has some aspects of a redistributive tuition fee model: students from lower family deciles are provided financial support through the NSFAS (in the forms of loans and bursaries) and vice versa. Through loans, and especially bursaries, poor students pay less fees than those from privileged backgrounds. Thus, for the current cost sharing architecture in South Africa to achieve redistributive goals, tuition fee increases must be accompanied with increased financial aid awards. Unfortunately, the available NSFAS funding is insufficient to cover study costs of many poor students, especially those in HDUs (DoE 2005; HESA 2008; Le Roux and Breier 2007). As a result, the tuition fees demanded of poor students is beyond what they can afford, hence their averseness to tuition fee increases.

One way of increasing funding to poor students is by changing the current NSFAS allocation formula for individual higher education institutions so that more resources are available to the genuinely needy students. The present NSFAS allocation formula
is a challenge to the attainment of redistributive goals, both effectively and on a wider scale. The NSFAS allocates funding to institutions based on an annual allocation assessment and formula. The allocation formula is informed by the number of disadvantaged students, demographic profile and the average full cost of study (AFCS) at the respective institutions (Steyn and De Villiers 2006). The weighted number of disadvantaged students (WDS) at each HEI is determined by means of the following formula (Steyn and de Villiers 2006, 66):

\[
WDS = (\text{FTE enrolled African students} \times 3) + (\text{FTE enrolled Coloured students} \times 2) + (\text{FTE enrolled Indian students} \times 1)
\]

Recent analyses have suggested a change in the manner in which the WDS is arrived at (DoE 2005; Le Roux and Breier 2007). The two analyses advice that race as a proxy for need be discarded. The use of race assumes that all black students (especially Africans and coloureds) are socio-economically needy. Given the specific history and evolution of the NSFAS, it is understandable that the present formula is racially based. Although race is still an important factor with regard to the socio-economic profiles of South Africans; black South Africans hardly constitute a homogeneous class of socio-economic disadvantage (Seekings and Nattrass 2005).

The result of the present NSFAS allocation formula has been that although universities with bigger populations of black students receive higher NSFAS allocations, hardly do institutions with the highest number of poor black students, in dire need of NSFAS funding receive sufficient funding to meet the students’ study costs (DoE 2005; Le Roux and Breier 2007). DoE (2005) reports that on average black students in HAUs are more affluent than black students in HDUs. There is therefore need for a change in the NSFAS allocation formula so that funding is targeted at the most needy. In that way, universities with the highest number of actual needy cases will receive greater allocations, enough to cover the needy students’ study costs hence reducing the net cost of attendance for poor students. Expanded state funding of the NSFAS and reforms in the scheme’s allocation formula are key in making higher education affordable for the poor – without necessarily making it cheap for the rich.

CONCLUSION

This article has teased out the major funding challenges facing South Africa’s public higher education. Declining state funding, shift toward the greater role of tuition fees as a source of institutional revenue (through tuition fee increases) and the inability of public universities to fairly distribute their resource dependence on multiple (non-governmental or market) sources of income have been identified as the main funding challenges facing South Africa’s higher education.

Among other things, the article has argued that tuition fee increases are likely to continue as long as government funding and revenue from market sources remain
insufficient. It is further argued that to avoid aggravating the current inequity in access to higher education, student debt crisis and student protests on campuses; tuition fee increases should be accompanied with increases in financial aid. Also, to limit pressure on government with regard to NSFAS funding and also for NSFAS funding to benefit the genuinely needy, it is suggested that race as a criterion for NSFAS allocations to institutions be reviewed in favour of socio-economic need. That way, it is anticipated that NSFAS resources will be redistributed to favour indigent students (most of whom are black, anyway), most.

Overall, a change in the funding of South Africa’s higher education is necessary to ensure that the higher education system achieves its cherished goals as articulated in the NPHE. An ideal change in the funding of higher education would be one that simultaneously promotes higher education institutions’ ability to prosecute their missions and encourages, especially poor students, to pursue higher education. As argued, students from low income groups are price sensitive, and the current practice of increasing tuition fees to compensate for the decline in state capitation could have an adverse impact on enrolments for these groups of students. Therefore, the current funding conundrum of South Africa’s public higher education has the potential deleterious consequence of discouraging the enrolment of students from low income and underrepresented groups, and is inimical to the attainment of the five key policy goals identified by the NPHE.

NOTES
1 This article was initially prepared for the ‘Financing Higher Education Summit’ Organised by Ingwe Communications, 6 and 7 March 2008, at Brooke Conference Centre, Randburg, Johannesburg.
2 Universities could also manage resource dependence difficulties by effecting cost-cutting measures and efficient utilisation of available resources.
3 Broadly, HAUs have greater research capacity than HDUs. For instance, all the six Department of Science and Technology (DST) and National Research Foundation (NRF) Centres of Excellence are hosted by HAUs. The same applies to NRF ‘A’ rated researchers, whereby many of them are found in HAUs.
4 Higher education has high private and social returns. These include high life time earnings, improvement in income distribution patterns, development of skills necessary for economic growth, strengthening of democracy and political, cultural and technological advancement of society.
5 As has already been argued, the cost of higher education, though expensive for the poor, is already cheap for the rich. Many of the top performing secondary schools where children of the rich go, charge higher fees than many universities do.

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