

SC Approp 25/11/2015



DA Proposal to Amend the Adjustments Appropriation Bill 2015

Schedule

1. Shift in unforeseeable and unavoidable expenditure from the Department of International Relations and Cooperation to the Department of Higher Education and Training to fund the shortfall in the Department of Higher Education in the 2015/16 financial year

Vote no.	Name of Vote	Description	Amount
6	DIRCO	Expenditure for the impact of the depreciation of the Rand on foreign currency denominated expenditure	720 000 000,00

2. Shifts from various Departmental votes to the Department of Higher Education and Training vote to "top up" NSFAS funding in the 2015/16 financial year

Vote no.	Name of Vote	Description	Amount
2	Parliament	Increased financial support to political parties of the fifth Parliament	7 482 000,00
6	DIRCO	Shortfall in funding for the procurement of furniture and fittings on state owned properties	5 000 000,00
		Shortfall in funding for maintenance of state owned properties	7 868 000,00
		Shortfall in funding for foreign allowances	13 500 000,00
9	Public Enterprises	Shortfall in budget for office furniture	70 000,00
10	Public Service and Administration	Shortfall in funding for printing of the service delivery journal by the policy oversight, development and knowledge management unit	1 141 000,00
11	Public Works	Shortfall in the budget for consultants to develop legislation	1 300 000,00
13	Women	Provision for the co-hosting of the African Union Summit	3 500 000,00
16	Health	Vehicles for the Minister and Deputy Minister in line with the Ministerial handbook	1 259 000,00
17	Social Development	Travel and communication for ministerial outreach programmes	5 000 000,00
18	Correctional Services	Purchase of bulls for reproduction purposes	540 000,00

19	Defence and Military Veterans	Guard services rendered to the Defence Headquarters	11 149 000,00
23	Police	Office furniture and critical security equipment for members in VIP protection and security services	26 500 000,00
		Protection and security services	69 708 000,00
24	DAFF	Annual national beef cattle improvement scheme awards	200 000,00
		Prize money for female farmer of the year awards	450 000,00
25	Economic Development	Reallocation of funds mainly for travel in the ministry	2 361 000,00
26	Energy	Critical operational and project expenditure, which includes: energy awareness, promotional branding and material services, advertisements, media monitoring, printing of corporate publications, and ministerial public participation projects	4 000 000,00
28	Labour	Office furniture and equipment	1 615 000,00
35	Transport	Establishment of the South African network for women in transport summit	7 500 000,00
36	Water and Sanitation	Furniture and office equipment	3 815 000,00
37	Arts and Culture	Operational subsidy to the Moral Regeneration Movement	1 500 000,00
38	Human Settlements	Refurbishments of Ministers offices	245 000,00
		Various goods and services shortages in the ministry	7 519 000,00
		Procurement of furniture	700 000,00
		Total	R 183 922 000,00

**Joint Meeting: Standing Committee on Appropriations and Select
Committee on Appropriations**

**Democratic Alliance,
Report Proposed and Amendments,
Adjustments Appropriations Bill,
[B28 - 2015],
25 November 2015**

Report on amendments to the Adjustments Appropriation Bill

(a) Reason for amendments

The crisis in Higher Education funding is the overarching reason for the proposed amendments to the 2015 Adjustments Appropriation Bill.

While the shortfall due to the agreed 0% increase in student fees for 2016 has been muted for the 2016 budget, several universities cannot afford to operate until then without subsidies from government.

It has now been confirmed that the R1.9 million which the Minister has committed to funding the gap in 2016, R361 million will be plundered from Historically Disadvantaged Institutions (HDI) development grant and the remaining R1.2 million will be taken from SETA's.

The HDI grant is an allocation of about R410 million per year (of R2.5 billion over the next five years) for developing systems for improved management and administration at HDIs. These programmes are sorely needed – the University of Fort Hare (UFH), for example, has been brought the brink of bankruptcy by poor financial management and requires urgent intervention. It will be cut.

The SETA surplus, which itself arose from poor management and negligent underspending at SETAs, had already been earmarked to fund important projects in the TVET sector. The R1.2 billion was slotted to fund:

- 20 Apprenticeship Centres across the country at TVET Colleges;
- 3 966 Apprenticeships in the next three years; and
- 500 TVET College lecturing positions.

These key projects will now be scrapped to address the shortfall.

When asked in Parliament about the probability of there being opportunity costs should the funds be drawn from the HDI projects rather than Treasury itself, the Minister reacted indignantly, saying that there would be no prejudice to poor students. He claimed that the projects would get the money back next year when a new budget is considered. This was entirely disingenuous. The Minister is in no

position to make such guarantees and it is clear that government has no intention of paying these funds back in the New Year.

There has never been a clearer case on the table that this committee must do all that it can to fund the gap from non-priority expenditure in the existing financial year.

A second important aspect of the need to find the funds now, is that Universities simply do not have the reserves to survive until the 2016 budget.

At a meeting of the Committee on Higher Education and Training on 28 October 2015, Minister Blade Nzimande was asked by an ANC MP whether Universities could use reportedly extensive financial reserves they held to fund the R2.6 billion shortfall created by a moratorium on university fees announced by President Jacob Zuma last week.

Minister Nzimande referred the question to Dr Diane Parker, Acting Deputy Director General: University Education at the Department of Higher Education and Training. Dr Parker made it clear that this was not a possibility and confirmed that University reserves were in general very limited. She also confirmed that the sufficient reserves were essential for universities to operate effectively. Wealthy universities with reserves used these reserves to finance special infrastructure projects and bursaries, while poorer universities had little to no reserves.

Dr Parker also spoke to the shortages experienced by universities in the first three months of the academic year when universities would rely entirely on initial fee payments from students. Government subsidies are only transferred to universities in April of each year. With fee income reduced substantially by the moratorium on fee increase next year, universities will be stretched to meet financial commitments, particularly in the first three months of the year. Dr Parker indicated that wealthy universities may be able to borrow against the ring-fenced reserves to fund this shortfall but that poorer universities would have no such reserves to exploit. Even in normal circumstances, universities with low reserves are "*unsustainable*".

Ultimately, without immediate financial relief, universities without significant reserves are likely to collapse with insufficient funds to pay their expense in the first three months of 2016. The Department has been secretive as to which universities are at threat in this respect, but comments from the Minister published in the Sunday Times on 25 October 2015 revealed that at least eight universities are on the verge of bankruptcy and require bailouts. The Minister remained cagey on the details at the committee meeting later that same week and failed to indicate which universities he was referring to despite being asked.

It is clear, however, that the University of Fort Hare is among them. UFH reported a shortage in required NSFAS funding of over R100 million to the Committee as early as 10 September 2014. More recently, UFH has reported that it will be out of money by the end of the year and that it had a general funding shortfall of over R100 million. Dr Mvuyo Tom, Vice Chancellor of UFH also admitted that the

University had resorted to pilfering NSFAS funds entrusted to the UFH to unlawfully pay salaries of UFH staff.

It is thus clear that UFH, at the very least, is in desperate need of money. It has already resorted to fraud and theft of student funding to keep itself afloat in this year, and even with this theft, the university expects to be out of money by the end of the year. It is incomprehensible how much worse things will be for UFH now that it will not receive the increased fees it had set for next year.

Accordingly, it seems UFH will collapse unless government urgently sends it funds. No doubt, there are likely to be at least 7 other universities in similarly dire straits.

It is thus absolutely necessary for government to urgently assign additional funding immediately and before the next budget. Universities, particularly poorer universities without reserves, urgently need this money to survive January, February and March 2016. This cannot wait until the deliberation of the 2016 national budget but must be dealt with now.

(b) Impact on broad strategic priorities and allocations of relevant budgets

Higher Education

The additional amount to be shifted from various Departmental budgets to the Department of Higher Education and Training (DHET).

This will align directly with the DHET Strategic Plan 2015/16 – 2019/20 as it will provide more funds for student subsidies, both for Universities and NSFAS, and it will thus help to lower the pressure on Universities to increase fees in the long term.

Specifically the following quotes from the Strategic Plan are relevant:

“The provision of funding assistance to students in TVET colleges and universities via the National Student Financial Aid Scheme (NSFAS) will continue to enable poor and academically eligible students to access education in these sub-sectors.”

“A major risk element is the insufficient financial resources for student funding made available for poor students through the NSFAS, as well as the lack of financial aid for students of the working class. **Funding needs to increase substantially in order to support the growth of the sector and poor and working class students in universities.**”

“The increase in university block grants has not kept pace with inflation in the higher education system, which is higher than the general inflation rate. The increase in subsidies has therefore not kept pace with the real growth in the system. As the funding from the Department for universities is on average 40 per cent of the annual income for the sector, **there is more and more pressure on universities to increase student fees.**”

Looking specifically at the proposed R720 million to be shifted away from the DIRCO budget, the quote below from the National Treasury in the 2015 Budget Review shows that this decrease will not negatively affect the Departments ability to achieve it strategic priorities:

“Government spends over R3.5 billion a year to maintain foreign missions. Rapid spending growth is largely attributable to higher property costs and rising staff costs. While the costs of locally recruited staff are too high, cost of living allowances for South African staff are more generous than those offered by other countries and international organisations – between 20 and 50 per cent higher than the United Nations, for example. The location of some of the most expensive missions is **not aligned with trade relations or other economic interests.**”

Finally, the table below covers each amendment and the possible effect on strategic priorities:

1. Shift in unforeseeable and unavoidable expenditure from the Department of International Relations and Cooperation to the Department of Higher Education and Training to fund the shortfall in the Department of Higher Education in the 2015/16 financial year

Vote no.	Name of Vote	Description	Amount	Effect on strategic priorities
6	DIRCO	Expenditure for the impact of the depreciation of the Rand on foreign currency denominated expenditure	720 000 000,00	NONE – a decrease in missions that are not aligned to trade relations is aligned to Treasury proposals.

2. Shifts from various Departmental votes to the Department of Higher Education and Training vote to "top up" NSFAS funding in the 2015/16 financial year

Vote no.	Name of Vote	Description	Amount	Effect on strategic priorities
2	Parliament	Increased financial support to political parties of the fifth Parliament	7 482 000,00	NONE – Political party funding is sufficient at the current level for all business to remain on track.
6	DIRCO	Shortfall in funding for the procurement of furniture and fittings on state owned properties	5 000 000,00	NONE – Furniture is not a strategic priority

		Shortfall in funding for maintenance of state owned properties	7 868 000,00	NONE – As noted by Treasury, DIRCO missions cost too much as it is, so for the Department to cut back would be good.
		Shortfall in funding for foreign allowances	13 500 000,00	NONE – Again, if cuts are necessary then they should be made.
9	Public Enterprises	Shortfall in budget for office furniture	70 000,00	NONE – As above
10	Public Service and Administration	Shortfall in funding for printing of the service delivery journal by the policy oversight, development and knowledge management unit	1 141 000,00	NONE – Not a priority
11	Public Works	Shortfall in the budget for consultants to develop legislation	1 300 000,00	NONE – Not a priority
13	Women	Provision for the co-hosting of the African Union Summit	3 500 000,00	NONE – Not a priority
16	Health	Vehicles for the Minister and Deputy Minister in line with the Ministerial handbook	1 259 000,00	NONE – Frivolous expenditure
17	Social Development	Travel and communication for ministerial outreach programmes	5 000 000,00	NONE – Not a priority
18	Correctional Services	Purchase of bulls for reproduction purposes	540 000,00	NONE – Frivolous expenditure
19	Defence and Military Veterans	Guard services rendered to the Defence Headquarters	11 149 000,00	NONE – The DoD should be able to protect itself
23	Police	Office furniture and critical security equipment for members in VIP protection and security services	26 500 000,00	NONE- As above
		Protection and security services	69 708 000,00	NONE – Not a priority
24	DAFF	Annual national beef cattle improvement scheme awards	200 000,00	NONE – Not a priority
		Prize money for female farmer of the year awards	450 000,00	NONE – Not a priority
25	Economic Development	Reallocation of funds mainly for travel in the ministry	2 361 000,00	NONE – Not a priority
26	Energy	Critical operational and project expenditure, which includes: energy	4 000 000,00	NONE – Not a priority

		awareness, promotional branding and material services, advertisements, media monitoring, printing of corporate publications, and ministerial public participation projects		
28	Labour	Office furniture and equipment	1 615 000,00	NONE – As above
35	Transport	Establishment of the South African network for women in transport summit	7 500 000,00	NONE – Not a priority
36	Water and Sanitation	Furniture and office equipment	3 815 000,00	NONE – As above
37	Arts and Culture	Operational subsidy to the Moral Regeneration Movement	1 500 000,00	NONE – Not a priority
38	Human Settlements	Refurbishments of Ministers offices	245 000,00	NONE – Frivolous expenditure
		Various goods and services shortages in the ministry	7 519 000,00	NONE – Not a priority
		Procurement of furniture	700 000,00	NONE – As above
		Total	R 183 922 000,00	

(c) Implications of each amendment on affected vote and main divisions within that vote

DIRCO

The shift of R720 000 000,00 of expenditure due to the impact of the depreciation of the Rand on foreign currency denominated expenditure will no longer be accommodated.

The Department will thus need to consider closing non-strategic foreign missions, or on cutting down personnel at some missions in order to make up for this expenditure.

Others

Each line item noted below will have to be aborted by the relevant Departments concerned. As these

(d) Impact on balance of transfer payments, capital and recurrent spending

As the amendments proposed are budget neutral and only propose shift in amounts between budget votes where there is frivolous and non-priority spending, none of the amendments have an impact on transfer payments, capital or recurrent spending.

(e) Impact on service delivery

Service delivery will not be negatively impacted in any of the budgets from which amounts are being shifted.

None of the line items identified relate to key service delivery areas within the relevant budgets.

For DIRCO specifically, service delivery would not be effected by closing non-strategic missions. This is a global trend and in such a tough economic climate, as noted by Treasury, such changes become imperative.

In Higher Education service delivery will improve as more assistance will be provided to Higher Education institutions for relief to poor students.

This must be a priority for us.

(f) Relation to other reports

Most notably, these amendments are made in line with the *Report of the Ministerial Committee for the Review of the Funding of Universities* (the Report) and the *National Development Plan (NDP)*.

Specifically the report noted that:

- *“the amount of government funding is not sufficient to meet the needs of the public university system”* and that
- *“Government should increase the funding for higher education, to be more in line with international levels of expenditure. This will enable the system to improve the functioning and resourcing of the universities, especially the under-developed universities”.*

Further, the goal of the NDP is that by 2030 headcount enrolments should reach 1.6 million in public universities. This can only be achieved if subsidies are made available for poor students and if Universities are subsidized in order to ensure that fees are not raised too high.