

## CHAPTER FIVE

### AN ANALYSIS OF THE STATE OF HIGHER EDUCATION FUNDING: IMPLICATIONS FOR INSTITUTIONAL AUTONOMY AND ACADEMIC FREEDOM

#### 5.1 INTRODUCTION

This chapter examines the uncertainties around higher education funding arrangements and their implications for institutional autonomy and academic freedom. It examines the eighth, ninth and tenth research questions, namely: What is the state of higher education funding and its implications for institutional autonomy and academic freedom? What are the implications of government intervention in higher education in other areas such as the determination of what universities may teach and student admissions? And what is the legitimacy of the claim that the autonomy of higher educational institutions is under threat as a result of government intervention in higher education?

The problems associated with the old funding formula are explored, and the development of a new funding framework explained. The old formula saw students as rational agents able to rationally respond to labour-market demands in their choice of institution to attend, and degrees or course to enrol for. This model accorded the government only the function of funding student demands and correcting any market failures that might arise. The new model, however, aims to improve the overall efficiency of the higher education system and speed up the process of transforming the system of higher education. It recognises that it is impossible to leave the development of the higher education system to market forces, which are not able to find solutions to the reconstruction and development challenges of higher education and the country as a whole.

The funding of higher education, in spite of the changes to the funding framework, remains a key challenge, as it is insufficient and characterised by steady decline. This has resulted in the inability of a number of the previously disadvantaged groups to acquire university education; failure to develop underdeveloped institutions; and inability of many students to study the courses of their choice. Subsidy cuts do not help make higher education more accessible, nor help the system in its attempts to offer essential services to previously disadvantaged groups.

Apart from inadequate funding, higher educational institutions also have to deal with the problem of government interference in how they utilise their funds, what and how they teach and the number of students they enrol for particular courses. These measures tend to erode institutional autonomy and academic freedom and could be interpreted as an attempt by the government to turn higher educational institutions into other government's departments. Higher educational institutions cannot, however, have absolute autonomy, since their existence and activities impact on relevant stakeholders such as staff, students, parents, the government, public and private sector organisations and the country, especially in terms of their contributions towards the human resource needs of the country and their responsibility to account for the public funds they receive. It is therefore imperative for the government and higher educational institutions to establish equilibrium between their functions, institutional autonomy and academic freedom.

## **5.2 THE OLD HIGHER EDUCATION FUNDING FORMULA**

A large proportion of higher education institutions' income is derived from the state through specific funding mechanisms. The models and mechanisms for funding public higher education in the country prior to 1994 was fragmented, in line with the then government's varied governance arrangements. The South African Post-Secondary Education Funding Formula was developed between

1982 and 1983 for the then historically white institutions, and applied from 1984. The historically black universities were also included in that formula in 1985, (with the exception of higher institutions in the homelands), in order to achieve uniformity in funding practice and policy. These homeland higher institutions were, however, placed on the formula a few years later (Council on Higher Education, 2004: 188-189).

The main feature of the old model was that students were treated as agents able to rationally respond to labour market demands. Their choice of major fields of study, institutions and qualifications they chose were assumed to follow the signals of the labour market and their understanding of these signals. Higher education, as a result, became a construct of the kinds of choices that these students made as individuals. The only function which the model gave to the government in the system of higher education was, according to the Ministry of Education (2002: 4), "...that of funding student demand, and of correcting any market failures which may occur". As a market-driven model, the formula could not be used as a steering mechanism to address national objectives and goals (Ministry of Education, 2003: 1.5).

The old higher education's subsidy formula divided the courses that could be subsidised into two categories: natural sciences and humanities. Natural sciences include health sciences, computer and mathematical sciences, engineering, agriculture and the life and physical sciences, while humanities include all other areas of study. Different coefficients were set for each natural sciences and humanities subsidy student. The coefficients were based on real institutional costs and on specific normative assumptions about how higher institutions should function, such as efficient staff-to-student costs and ratios, given specific categories and numbers of students. Moreover, the Rand values attached to the different unit costs had to change annually in order to take account of changing cost patterns and inflation. As soon as the Rand values of the unit costs had been determined for a particular year, the application of the

approved coefficients, plus the total number of students which the higher institutions submitted, according to the Ministry of Education (2002: 5), "...must generate a figure of what the income from all sources should be for a higher education system which is operating in an efficient way".

The first step in the formula process was the deduction of institutional or private income shares from the amounts needed to cover non-subsidisable costs, so that the balance was left as the government's share of the ideal total. The different earmarked sums would then be credited to higher educational institutions. The total then became the final subsidy amount, which could be expected by an institution from the government. This indication of what higher institutions were entitled to receive from the government was known as subsidy entitlement (Ministry of Education, 2002: 5).

### **5.2.1 Problems with the Old Funding Formula**

The old funding framework which came into being in 1982/83 was not suitable as a steering mechanism in meeting the policy goals and objectives of transforming the system of higher education in the country, especially since it was based on the market model and cost-driven (Ministry of Education, 2002: 3; 2003: 1.5.1). As a cost-driven framework, the basis for allocating funds to institutions had little to do with whether the costs were linked to the main activities of the institution, namely research, teaching and community service. Rather, the basis for the allocation of funds was, according to Ministry of Education, (2003: 1.5.1) "... the generation of an ideal income for individual institutions based on the determination of actual costs". Although a series of adjustments had been made to the framework, no substantive changes were made to it.

The old formula, which provided that higher education costs would be borne by both the users of the higher education system and the government, because

higher education has both public and private benefits, had the following problems:

- a) the formula did not take into account that all students would not necessarily be able to meet the full costs of their education;
- b) treating all higher educational institutions on equal terms meant that the formula failed to provide measures to counter the impact of these institutions' failure to achieve equal fund-raising;
- c) there were no mechanisms in place to finance the academic programmes of disadvantaged students;
- d) since the formula was not designed to take into account disparate group of institutions of higher learning, it produced an inequitable system, especially when applied to historically black higher institutions, which catered for the educational needs of historically disadvantaged students; and
- e) the income and expenditure data generated by these institutions were very different from the data on which the formula was statistically based (Council on Higher Education, 2004: 190).

### 5.3 DEVELOPMENT OF A NEW FUNDING FRAMEWORK

The new funding framework replaces the former framework, which was based on the market and cost model (Ministry of Education, 2003: 1.8). It attempts to improve the overall efficiency of the system of higher education (University of South Africa, 2005: 9). The *Education White Paper 3, 1997*, according to Ministry of Education (2002: 4), disagrees with the idea of viewing students as rational agents in the labour market. Rather, it posits that this model has failed in the South African context, and as a result, must be abrogated. The *Education White Paper 3, (South Africa, 1997: 4.61)*, on that basis, replaces the student-as-rational-agent model with a planning-steering model of funding higher education, which seeks to bring equity into the higher education system. The government

also takes cognisance of the labour market signals, but does not adopt, according to the Ministry of Education (2002: 4), "...either a narrow 'manpower' planning stance or the 'hands off' stance which is embedded in the student-as-rational-agent model".

The development of the *New Funding Framework* by the Department of Education commenced in 1998, soon after the *Education White Paper 3: A Programme for the Transformation of the System of Higher Education*, was released in 1997. The *Framework* was finalised in 2004 and will be implemented in full for the first time in the 2007/8 financial year (Ministry of Education, 2003: 1.12; 2005: 14). The process took considerable time, because although the principles that guide the development of the new funding framework are outlined in the *Education White Paper 3, 1997*, key policy issues relating to the restructuring of the system of higher education remained unresolved. The *National Plan for Higher Education, 2001* has addressed these issues, and in the process, made it possible to finalise the new funding framework (Ministry of Education, 2003: 1.12; 2002: 3).

A new funding framework, according to the *Education White Paper* (South Africa, 1997: 4.14), was required to speed up the process of transforming the system of higher education in the country. The new funding framework had to be performance and goal-oriented, so as to meet the aims and objectives of transforming the system of higher education, such as equitable access for students, better quality of research and teaching, better student graduation and progression rates, and better responsiveness to economic and social needs. The *National Plan for Higher Education*, (South Africa, 2001: 12) notes that funding, planning, and a new and adequate funding framework are central to achieving set targets and goals.

The development of the system of higher education, according to the *Education White Paper 3*, (South Africa, 1997: 2.9), cannot be left to market forces,

especially since it is not able to find solutions to the reconstruction and development challenges of higher education. The *White Paper* therefore proposes a planning model of higher education funding to replace the market model, in order to achieve the following national policy goals and objectives: an adequate regulatory framework, a responsive funding framework, and national and institutional three-year rolling plans. These plans, which are updated annually, consist of data, targets and resource estimates. They facilitate the planning of growth and change in higher education to be more responsive to economic and social needs and ensure stability in the budget process. The planning model consists of the following three steps:

- a) national policy goals and objectives are determined by the Ministry;
- b) three-year rolling plans are developed by each higher institution, indicating their means of addressing the national policy goals and objectives; and
- c) subject to available funds, and on the basis of the interaction between the institutions and the Ministry of Education, which results in the approval of institutional plans, funds are released to respective institutions (Ministry of Education, 2003: 1.7).

As a result of the problems with the earlier funding formula and its unintended consequences, the National Commission on Higher Education recommended in 1996 that a new funding framework be developed to be, according to the Council on Higher Education (2004: 192), "...consistent with the principles of equity (including redress), development, democratisation, efficiency, effectiveness, financial sustainability and shared costs".

The *Education White Paper*, (South Africa, 1997: 4.61), in accepting the recommendations of the Council on Higher Education, declared that since additional funds would be needed for the redress, transformation and expansion of the system of higher education, public funding of the system would have to be

performance-related and goal-oriented. The end result of this kind of funding mechanism, according to the *Education White Paper 3 (South Africa, 1997: 4.14)*, should be improved quality of research and teaching; more equitable student access; greater responsiveness to economic and social needs; and higher levels of student progression and graduation rates. The model would include provision of more earmarked funds for the realisation of specific agendas such as student financial aid and institutional redress, and an easier means of allocating general-purpose block grants to institutions on a rolling three-year basis. In other words, the earmarked and block funding components would be retained but applied differently. Also, the allocation of public funding to higher educational institutions will depend on the ability of these institutions to provide strategic plans and performance reports in relation to the objectives of these higher institutions. The higher institutions' three-year rolling plans, approved by the Education Minister, would thus be used as points of reference for negotiating higher institutions' budgetary allocations with National Treasury (Council on Higher Education, 2004: 192-193).

### **5.3.1 Feature of the New Funding Framework**

The new funding framework considers the main focuses of higher education to be teaching, research and community service, which contribute to improving the economic and social conditions of the country. The new model's idea of prices differs from the old model's. In the new model, the government begins by establishing how much money is available to spend on higher education, and then makes the funds available to higher institutions on the basis of their priorities and needs. The new funding mechanism operates in a top-down manner. In other words, only once the government has determined the amount of funds available for higher education in a given year, and the services that higher education should deliver within that year, do the different mechanisms within the funding framework come into operation (Ministry of Education, 2002: 4 & 6).

The new funding system involves a cyclical process, in which funding by the government depends on the three-year rolling plans which the universities develop, their equity targets, research outputs and graduation rates (Van Essche & Masson, 2004). Although the new funding mechanism is goal-oriented, it is based on a combination of earmarked and formula funding components, not only formula funding as was the case with the old funding formula (Van Aswegen, Rey & Pines, 2003: 1). The new funding framework also ensures that the distribution of government grants to higher institutions, which is in accordance with the approved plans of individual higher institutions, is also in line with policy priorities and national planning, and the amount of funds which the national budget on higher education makes available (Ministry of Education, 2004: 2). The framework does not aim to micro-manage by allocating funds to various higher institutions' units such as faculties and academic departments. Rather, according to the Ministry of Education, (2005: 2), "...various components of the funding framework function as a broad mechanism for distributing single block grants to institutions".

The framework requires the Education Minister to issue an annual statement, in which the following forward determinations aimed at ensuring the stability of the funding framework are included:

- a forecast of the total amount of grants which could be possibly available for distribution to the public higher education system over a three-year period;
- a forecast of the system of public higher education's likely totals of outputs and of planned student inputs for that three-year period;
- information on how required data for input, output and institutional factor calculations will be determined;
- information on the input and output weightings, and on the various reference points employed in calculating block grants;

- information on the mechanisms to be employed in redistributing unallocated proportions of output block grants;
- information on the means of calculating institutional factor grants; and
- information on how the framework will be implemented, and the measures employed to ensure that the system of public higher education is not destabilised (Ministry of Education, 2005: 2).

The Education Minister, prior to carrying out any major changes to the new funding framework, must consult the Council on Higher Education and the higher education sector. Such changes are announced in the Annual Ministerial Statement, and, according to the Ministry of Education (2005: 2) "...implemented at the earliest in the final year of the three year cycle following that covered in the Statement". In 2003, the government announced new financial reporting regulations, which demand that higher institutions adhere to strict standards of accounting and corporate governance. Higher institutions will be held accountable through these regulations for effective and efficient use of public funds and the identification of issues in need of urgent attention (Van Essche & Masson, 2004).

### **5.3.2 Planning Process for the New Funding Framework**

Planning and funding are essential means of steering higher education towards the goals of transformation. The adjusted subsidy formula which was introduced in 1993 ensured that the financial crisis faced by higher institutions in the pre-1993 South African dispensation was stabilised, though this did not resolve the financial inequalities between the historically advantaged and historically disadvantaged institutions. The funding makes special reservations for institutional redress, for student financial aid and for other specific purposes such as, according to the *Education White Paper 3*, (South Africa, 1997: 50&53), "...to

encourage innovation and adaptation, and to build capacity in new areas. Institutions applying for funds through this programme will be required to relate their submissions to their strategic plans”.

The planning process for the new funding formula commences with interaction between individual higher educational institutions and the Ministry of Education. The Ministry determines the needs for funding, in terms of student enrolment plans of individual institutions (Ministry of Education, 2004: 3). The main features of the planning process can be explained as follows: The Ministry of Education analyses the real student enrolment of each higher institution over a four-to five-year period. The Ministry also considers any recently submitted plans, such as equity plans, three-year rolling plans and operational plans. As soon as these analyses are completed, each higher institution receives from the Ministry an initial indication of what the likely size and shape of its funded student enrolment will be over the next cycle of funding years. Institutions are then given the opportunity to react to these initial proposals. They can then submit amended or alternative proposals to the Ministry for discussion. Once the iterative process is over, the Ministry consolidates the individually approved institutional plans into system-wide totals of full time equivalent (FTE) student places which the government will fund during this planning period. Each of the approved institutional enrolment plans is subject to annual review to respond to changing institutional performances or changing external circumstances (Ministry of Education, 2004: 3).

#### **5.4 CATEGORIES OF NEW GOVERNMENT GRANTS TO HIGHER EDUCATIONAL INSTITUTIONS**

The three elements of government funding for higher education are Institutional Restructuring Grants, Block Grants and Earmarked Grants. These can be explained as follows:

#### **5.4.1 Institutional Restructuring Grants**

These are special allocations made to merging institutions in 2004 and 2005 to assist them in the merger process. These grants were allocated to the merging institutions, having considered their academic and business plans (Council on Higher Education, 2004: 202).

#### **5.4.2 Earmarked Grants**

Earmarked grants are allocated to higher institutions to fund the National Student Financial Aid Scheme (NSFAS) (Ministry of Education, 2003: 4.1). Only about 2% of earmarked funds are allocated to other specific matters like interests and redemptions payments on government-approved loans (Ministry of Education, 2004: 5).

#### **5.4.3 Block Grants**

Block grants are undesignated amounts allocated to cover higher institution's operational costs linked to research and teaching. The allocation of earmarked and block grants is subject to the total of public funds available for higher education in a particular year; teaching and research-related services, and other objectives which the government expects the system of public higher education to deliver. The proportion of the higher education budget for allocation to either block or earmarked grants and their subcategories remains the prerogative of the Education Minister. These determinations are made as three-year forward determinations by the Education Minister. In other words, should there be changes, according to the Ministry of Education (2003: 2.1 & 2.3) "...to the proportions of the national higher education budget allocated to any category or sub-category, these would be implemented at the earliest in the third year of the next Medium Term Expenditure Framework triennium".

## 5.5 SUB-CATEGORIES OF BLOCK GRANTS

Higher education block grants consist of the following sub-categories: research output grants, teaching output grants, teaching input grants; and institutional factor grants (Ministry of Education, 2003: 3.1). The implications of the latter are as follows.

### 5.5.1 Research Output Grants

These grants are determined based on publication unit outputs and actual research graduates, weighted, according to the Council on Higher Education (2004: 203), as follows: "...publications units 1; research master's graduates 1; doctoral graduates 3". Research productivity, according to the *National Plan for Higher Education* (2001), should be enhanced; research funds should be properly accounted for; and institutions with proven research capacity should be provided with sufficient resources. In the context of the *Medium Term Expenditure Framework* three-year rolling projections, the Education Minister annually determines what constitutes research output. The Minister also determines if it is necessary to submit formal application for the use of research development funds (Ministry of Education, 2003: 3.1).

### 5.5.2 Teaching Output Grants

The funding framework, in line with the provisions of the *National Plan for Higher Education, 2001*, makes teaching output grants available as incentives for higher institutions to ensure greater pass rates, throughput and graduation rates among their students. The Education Minister will annually determine what constitutes teaching outputs and if institutions need to formally apply for teaching development funds (Ministry of Education, 2003: 3.2).

### **5.5.3 Teaching Input Grants**

The teaching input grants of higher educational institutions are generated by the actual total of full-time equivalent (FTE) student enrolments. In other words, the amount that universities receive in teaching input grants is based on their planned enrolments in various programmes and levels of study (South Africa, 1997: 4.20). If necessary, this will be adjusted in accordance with the Education Minister's student enrolment plan. Annually and in line with the Medium Term Expenditure Framework's three-year rolling projections, the Education Minister determines the planned totals of FTE student places for the system of higher education and for every higher education institution (Ministry of Education, 2003: 3.3).

### **5.5.4 Institutional Factor Grants**

Unlike the former funding framework, which provided for institutional set-up subsidies that compensated institutions for basic running costs without considering the size of their student population, the new funding framework does not contain such provision since it holds the principle that the government's funding to higher education is for the purposes of delivering research and teaching related services, and not for defraying costs (Ministry of Education, 2003: 3.4).

## **5.6 FUNDING PROBLEMS**

The higher education policy is widely criticised by various stakeholders such as the universities' management, staff and students, who consider the policy as not working, and the funding provided by government as not sufficient to ensure the realisation of what the government expects from higher institutions (Pityana, 2004(b): 13; Nzimande, 2004).

Funding of higher education remains a fundamental challenge to concerned institutions and the government itself, especially in view of the steady decline in state funding of higher institutions. The funding of higher education in South Africa has become problematic and apparently difficult to manage. Although the funding made available by the government to higher education over the years has been relatively stable as a percentage of the Gross Domestic Product, the education budget and state budget, the years after 2000 have witnessed a decline in this regard. Although education in general receives almost the largest chunk of the national budget, this does not appear to filter through to higher education. According to Pityana (2004(b): 13) "...in real terms, funding for higher education has been progressively decreasing... even though the rate of participation in higher education has more than doubled since then". The National Student Financial Aid Scheme, which was introduced by the government as soon as it took over the reins of governance in 1994, has already made available over R1billion to students in loans, as mentioned before. This, however, has not been sufficient to meet the financial needs of all students. Many students, both enrolled and wishing to enrol for higher education, are not able to get bank loans to finance their studies due to such factors as high interest rates, collateral and blacklisting by credit bureaus (Nzimande, 2004).

### **5.6.1 Problems with the Quota System**

Universities are asked by the national government to reduce and control their student intakes since uncontrolled growth cannot be funded by the system. However, this call has to be balanced against the government's demand for equity and access, to increase the intake from previously disadvantaged students, as well as to give more opportunities to deserving students. The funding framework also pushes higher institutions to produce graduates in specific fields, which the government considers as more beneficial to the country (Van Aswegen *et al.*, 2003: 1).

### 5.6.2 Consequences of Reduced Funding

The nature and effectiveness of the new funding framework dominates current debates around the funding of higher education in South Africa. As the government continues to shape the attitudes of higher institutions to bring them in line with national policy objectives, the new funding mechanism is having a negative impact on the behaviour of these institutions. Since public funding is not sufficient to meet all of the institutions' needs, they have to seek alternative and additional sources of income, such as higher tuition fees, contract research and consulting work (Council on Higher Education, 2004: 200-201).

Although the system of higher education in the country has been vigorously transformed so as to redress the educational imbalances of the past, the reduction in allocations to universities counteracts this. The subsidy cuts cannot enhance the transformational need for increased access to higher education; neither will they enable the rendering of essential services to the previously disadvantaged groups (Van Aswegen *et al.*, 2003: 2). Insufficient funding of universities, especially of less privileged institutions, leaves them unable to upgrade their facilities and infrastructure like laboratories and libraries. In the beginning of 2005, a number of institutions such as the Tshwane University of Technology and the University of Pretoria experienced protests by dissatisfied underprivileged students who were excluded from the institutions for not paying their registration and tuition fees.

The government's position on funding contradicts its efforts to promote social reform, especially, according to Van Aswegen *et al.*, (2003: 2), "...in the field of higher education which constitutes such a vital component of the necessary social reform". Since many higher institutions were already in a bad financial state prior to the new funding framework, it was therefore ill-considered of the government to effect such reductions in subsidy allocations.

The government has reacted to the dissatisfaction of various higher education stakeholders by claiming that it never committed itself to meeting all the funding needs of higher educational institutions. As soon as the first formula was introduced in 1982/83, the previous government realised that it could not provide the amounts which the formula generated. As a result, the government immediately introduced reductions to the subsidy totals. A feature of the old model which underpins the current formula is that the government is the funder of last resort. In other words, the basis of government subsidies to higher educational institutions lies with the determination of actual costs of reasonably efficient institutions, and decisions about which of these costs should be covered by government subsidies (Ministry of Education, 2002: 4).

The funding of higher education by the government is to a large extent based on the hope that higher institutions would provide for the rest of their costs through private income sources, such as tuition fees. The new framework accepts the fact that the government can only spend what is available. In this regard, the funds which institutions receive from the government are performance and goal-oriented in the sense that they are intended for only those services rendered in terms of teaching and research which are linked to approved three-year rolling plans of higher institutions, and which contribute to the country's economic and social development. These funds are not meant for meeting particular levels or types of institutional costs, but are related to academic activity and output. Moreover, it might not be possible for the government to maintain steady levels of funding, because the country's expenditures are lower than international standards, and, according to the Council on Higher Education (2004: 207) "...steady values of subsidy per student have been achieved to the detriment of capital expenditure".

This leaves higher institutions with the daunting task of diversifying their income as much as possible, as they have been doing through additional and alternative sources of income such as contract research, donor funding and collaborative

agreements, often at the expense of their traditional functions of teaching, research and community service.

## 5.7 IMPLICATIONS OF FUNDING FOR INSTITUTIONAL AUTONOMY AND ACADEMIC FREEDOM

Higher institutions are established in accordance with legislation such as the *Higher Education Act, 1997* (Act 101 of 1997). However, they are governed by their own regulations, with the university council as their highest governing body. The *Bill of Rights*, as contained in the *Constitution of the Republic of South Africa, 1996*, accords these institutions their institutional autonomy and academic freedom. The *Bill of Rights* (South Africa, 1996: sections 16 (1); 29), posits that further education, which must be made progressively accessible by the state through reasonable measures, is the right of everyone. It further provides for freedom of scientific research and academic freedom. These constitutional provisions have been operationalised through the formulation and implementation of educational policies.

Institutional autonomy, according to Jansen (2004: 2), means the right of institutions to make decisions on core academic concern for themselves; and academic freedom is the absence of external interference in seeking these concerns. Institutional autonomy consists of the following essential components: freedom to choose staff and students and determine the criteria for retaining them in the institution; freedom to determine the contents of the curriculum and degree standards; and freedom to disburse funds to the various types of expenditure, based on available funds (Fourie, 2004: 2).

The academic freedom of higher institutions, according to higher education leaders and academics, is under threat, as the government's higher education policies are seen to undermine this inherent right. Universities' principals and top

management claim that the government's funding policies undermine the academic freedom of higher institutions. For instance, the merger policies are seen to violate institutional autonomy. The new funding framework for higher education is also considered in the same light as it attempts to prescribe what courses higher institutions may or may not teach, and to control admissions as a prerequisite for adequate funding (Pityana, 2004: 2 & 4). The government cannot take over the functions of universities by deciding the courses that they can teach, even if universities tend to enrol students in academic disciplines which are not considered priorities of government.

Felicity Coughlan, Director of Strategic Planning at the University of the Witwatersrand, also supports the claim that the government's funding policy undermines institutional autonomy. She posits that the government is infringing on the autonomy of universities by instructing them on the number of students they can enrol. Universities should be allowed to decide how many students to enrol and how to allocate government funds to more students, she argues. She also considers this approach by the government as a new means of limiting the amount of funds allocated to higher institutions. She further says that since there will always be students who are neither prepared for university nor adequately financed, having less students therefore will not guarantee better pass and dropout rates (This Day, date unknown, 2005).

A critical concern from a sectoral viewpoint around the implementation of the funding strategy, is the complex interrelationship in the governance of higher education in the country between institutional autonomy and public accountability. In terms of the new funding framework, the total of public funds available to higher institutions is determined solely by the government, without any input from higher institutions, except their contributions through the three-year rolling plans. This is similar to the old formula in which the higher institutions had no input. In the new funding framework, it is the prerogative of the Education Minister, in line with the *Medium Term Expenditure Framework*, to determine

what teaching and research outputs consist of; define what 'disadvantage' means; determine the benchmark ratios for teaching and research development funds; and determine the weightings attached to teaching and research outputs. Various stakeholders have seen the autonomy of higher institutions to be under jeopardy as a result of these Ministerial powers to carry out such far-reaching changes (Council on Higher Education, 2004: 206).

The government has defended its intervention in higher education through the mergers and incorporations of higher institutions and the funding arrangements on the grounds that these are all geared towards setting the higher education landscape on a path of higher growth, development and equitable provision of education for all people, and therefore the creation of a better life for all. The government also justifies these initiatives by saying that: that transformation within higher institutions has remained slow to make meaningful impact on the country's democratisation processes; numbers of administrative and academic staff within previously advantaged institutions have not increased dramatically; previously disadvantaged institutions do not as yet have sufficient funding to improve their infrastructure or to hire highly qualified personnel; and the funding to higher institutions must be accounted for as it is the government's as well as the tax payers' money. Since universities are the custodians of the country's future leaders, the government believes that it must take an interest they cannot be left alone without taking interests in their products, that is, the graduates, research output and publications (Pityana, 2004: 2 &4).

### **5.7.1 The Possibility or Impossibility of Absolute Autonomy**

In practice, it would be unrealistic for higher institutions to enjoy absolute autonomy because their existence and functions affect various stakeholders such as staff, students, parents, employers, the government and even the country as a whole, because these institutions contribute towards the human resource needs of the country. Therefore, higher institutions are accountable to these

stakeholders. Autonomy therefore demands adequate response to societal expectations with simultaneous satisfaction of the needs of higher institutions. Although it is generally agreed that higher institutions need to account for the resources they receive as well as for how they balance the requirements of society with their own needs, there is no consensus on how and to whom higher institutions should be accountable. Higher institutions, as a result, find themselves, according to Fourie (2004: 2), "...being pushed and pulled in a number of different directions by groups of stakeholders and are increasingly finding it impossible to be all things to all possible constituencies. Not the least of these challenges is their relationship with the state".

The initial policy proposals made after 1994 for higher education emphasised the role of the state in higher education transformation. This led to consensus on the principles and values that should guide policy formulation, adoption and implementation. Accountability and institutional autonomy are among the values adopted by relevant legislation and policies, such as the *Education White Paper, 1997*. Accountability and autonomy relate to the relationship between higher educational institutions and the government. A look at the functions of the state within the system of education and within society is necessary in order to understand this relationship. The functions of the state include the development of a functional and well structured system of education in order to take care of its citizens' welfare. As a public good, therefore, higher education needs public investment, and this is provided by government in the form of physical and financial resources, which the system of higher education needs for operation (Fourie, 2004: 5&2).

It is clear therefore that the state is a major player in the higher education sector. However, Jansen warns that higher educational institutions will find it difficult or even impossible to regain their autonomy if they lose it. The erosion of this autonomy will not stop unless all the institutions of higher education in South Africa collectively make their disapproval heard (Holiday, 2004: 1). The challenge

ahead is for higher institutions and the state to reach equilibrium between their functions, institutional autonomy and academic freedom.

## 5.8 CONCLUSION

This chapter has examined the uncertainties around the higher education funding formula and the implications of current higher education funding arrangements for institutional autonomy and academic freedom. Higher educational institutions may not be able to enjoy the kind of autonomy and academic freedom that they seek, since their activities influence a wide range of stakeholders, including staff, students, parents and government, as these institutions contribute towards the human resource needs of the country. Higher institutions are therefore accountable to these stakeholders.

The fact that higher institutions have to account for their activities and the money they receive from the state, and the fact that the functions of the government include the development of a well-structured and functional system of education, mean that the state cannot overlook the higher education sector. Higher institutions are required to be accountable for how they spend public money and to achieve good results with it, in the public interest. In a sense, public funding of higher education can therefore be considered as a means by which the state fulfils its obligation to support higher education. In another sense, the government is able to direct the system of higher education towards particular targets and goals through the powerful mechanism of funding.

The finance mechanisms the government uses can infringe on higher institutions' autonomy; the government has gained power over these institutions to the level that it can make decisions on their core activities. The state even determines the courses it will fund and explicitly claims some courses are more desirable than others.

Numerous complaints have been voiced by various higher education stakeholders about the difficulty of finding sufficient resources to meet the challenges of higher education. These complaints include the pressure on academics to deliver more services with fewer resources; to undertake academic capping since the system cannot fund uncontrolled growth; to balance that between the need for access and equity; to increase the number of students from previously disadvantaged backgrounds; and to give more opportunities to deserving students.

South Africa's higher education policy is considered by a number of academics to be ineffective. They contend that it is overly prescriptive and contradictory. For instance, some policies focus on ensuring that more students, especially those from previously disadvantaged backgrounds, acquire higher education, while the same government that formulated these policies attempt to control the number of students gaining admission to higher institutions, on the basis that funding is insufficient. These policies will not be beneficial to the previously disadvantaged communities where there are many people from poor backgrounds who are in need of higher education. By restricting access to higher institutions, these policies will furthermore limit academic freedom.

Government intervention in higher education through the mergers and incorporation of higher institutions, as well as the funding arrangements is geared towards setting higher education on a path of higher growth, development and equitable provision of education for all people, and, therefore, the creation of a better life for all. In view of the high level of dissatisfaction and complaints by higher institutions over insufficient funding, the government has ordered a review of its financial commitment to these institutions. The review process will not be examined in this thesis as it is still in the preliminary stage. This will be left for future studies.

As it would be impossible to realise the goals of accelerated development in South Africa without a fully functional, efficient and effective system of higher education, a critical question is whether enough resources are being provided to meet current educational challenges. Will reduction in funding enable the realisation of these laudable objectives? The answer apparently is no. The government really needs to allocate sufficient money to the higher education sector and give universities more space to execute their functions without interference. Although the transformation and restructuring of the higher education landscape are necessary, the government must support these processes by ensuring that adequate funding is provided for higher education.

Higher institutions also have a major role to play in increasing their financial resources. Shrinking government funding to higher institutions means that these institutions must vigorously seek alternative sources of funding sufficient to cover the shortfalls in state allocations. This will show that higher institutions are serious about resisting government interference in institutional autonomy and academic freedom.

Although the state has a duty to provide strategic direction, regulatory frameworks and policies for an effective and efficient higher education system in line with the provisions of the *Constitution of the Republic of South Africa, 1996*, the *Education White Paper 3: A Programme for the Transformation of Higher Education of 1997*, and the *National Plan for Higher Education, 2001*, these objectives can only be adequately fulfilled by the state in partnership with the management of higher institutions and their governance structures.

In chapter six, a number of important problems that result from the government's intervention in higher education through its policies, mergers and incorporation, and funding arrangements will be considered so that policy options can be offered.