Input for the Presidential Commission by the Minister of Higher Education and Training

Introduction

The Presidential Commission wrote to the Minister of Higher Education and Training requesting that he present himself as a witness in the second set of their hearings. The Commission posed 8 questions, all interrelated, which they indicated that they would like the Minister's input from a policy and political perspective. The Department has prepared notes on each aspect identified.

At a high level, the focus of the questions relates to the progressive realization of Section 29 (1) (b) of the Constitution, and the policy decisions and actions that have been taken by government to realise this right.

The Department of Higher Education and Training (DHET), has since its establishment focused on the progressive realization of the right to further education as expressed in the Constitution.

After the establishment of the Department, it was recognized that a major priority needed to be the development of the full range of education and training to support all out of school youth**.** The post-school system was conceptualised with the aim to overcome the structural challenges facing our society; challenges were recognised, as a large number of young people would face a bleak future if major changes were not introduced. This was highlighted in the Green Paper for Post-School Education and Training published in January 2012.

A study of post-school youth conducted in 2009 by the Centre for Higher Education Transformation (CHET) and the Further Education and Training Institute (FETI)[1] clearly showed the nature of the problem. The report of this study showed that in 2007 there were 2.8 million people between the ages of 18 and 24 who were not employed, not in some form of education or training, and not severely disabled. The so-called NEET youth. This problem was seen to threaten the social stability of South Africa. Minister considered this report and the response was to highlight the need to develop the post-school sector comprehensively and not only focus on the

[1] Cloete, N. (ed). 2009. *Responding to the Educational Needs of Post School Youth*. Cape Town: Centre for Higher Education Transformation.

higher education part of the system, which had previously been the focus. The Department needed to take into account the whole range of educational and training needs, not only of the youth who completed school, but also those who did not. This formed the basis for the work that defined the Department’s focus and priorities. The final White Paper on Post-School Education and Training provides government’s vision and policy framework for the development of the sector.

The Department has therefore firstly prioritised the development of the Technical and Vocational Education and Training (TVET) sector (as described under the response to Question 1 in this document). This is to ensure that the size and shape of the PSET system is normalised and that the proportions of students in higher education and TVET are reversed. The issue of the production of skilled artisans was also highlighted.

Secondly, the approach has been to increasingly improve and widen access to higher education and TVET by ensuring that NSFAS qualifying students (the poor) are effectively funded for their studies. This took place after the NSFAS review in 2010, which made a number of recommendations (**Annexure A).** Many of these have been implemented. **Annexure B** provides a table showing the key changes to the implementation of NSFAS after the review report was received. A key issue has been to ensure full cost of study for poor students supported through NSFAS. The main challenge is that insufficient funding has been made available through the fiscus.

The Department has consistently put in Bids to National Treasury to improve the funding to support students at full cost of study. After the 2010 review the report, Minister submitted a Cabinet Memorandum to request additional funds and argued at the MINCOMBUD that it was essential for government to substantially increase the NSFAS baseline. This was done and it was on this basis that the final year programme at universities and free tuition at TVET colleges was introduced. Since 2013, the Department has consistently attempted to get sufficient funds to effectively fund all poor students (following the Working Group report on fee free higher education for the poor). After the 2015 fees must fall protests, government provided substantive additional funding. Current work is focused on proposing a funding scheme that will also assist both poor and "missing middle" students to access HE and TVET opportunities

Thirdly, the Department has recognized the need to expand the system through the development of new institutions and campuses.

1. The measures taken by government to respect, protect, promote and fulfill the right to further education contained in section 29(1) of the Constitution.

1.1. The right to education

Section 29 (1) of the Constitution of the Republic of South Africa says that:

"(1) Everyone has the right-

(a) to a basic education, including adult basic education; and

(b) to further education, which the state, through reasonable measures, must make progressively available and accessible."

The Department and Government generally, reads the constitution to clearly articulate that basic education, including adult education, is a fundamental/basic right that must be provided to all who need it; while further education, which can be interpreted as including Higher Education (HE) (also referred to as university education) and Technical and Vocational Education and Training (TVET), are secondary rights that must be made progressively available and accessible to those who merit it (meet the academic requirements).

Within the remit of the Department of Higher Education and Training (DHET), the provision of Community Education and Training (CET) gives effect to section 29(1)(a), namely that everyone has the right to adult basic education, while the provision of TVET and HE responds to section 29(1)(b).

It is noted that Section 29 (1) also refers to the provision of school education by the Department of Basic Education (DBE), specifically General Education and Training (Grades R to Grade 9), which gives effect to Section 29(1)(a), and Further Education and Training (Grades 10 to 12), which gives effect to Section 29(1)(b).

To make further education <u>available</u> is interpreted to mean that the <u>system must grow to provide sufficient spaces</u> (opportunities) for study.

To make it <u>accessible</u> means it should be affordable and <u>individuals should not be denied access based on financial need, on the basis of a disability or other form of discrimination.</u>

1.2. What measures has Government taken to respect, protect, promote and fulfill the right to further education?

Government recognized that under one Department of Education (DoE), insufficient attention was being given to the integration of skills development with higher education, further education and adult education. It was on this basis that the Department was established through a merger of relevant sections from the DoE and Department of Labour. After its establishment in 2009, the Department has responded to this right by establishing the Post-School Education and Training (PSET) sector, and working towards opening up opportunities through its development and expansion, and ensuring access by providing financial support through the National Student Financial Aid Scheme (NSFAS), as well as the better utilization of the National Skills Fund (NSF) and Sector Education and Training Authorities (SETAs).

The *White Paper on Post-School Education and Training: Building an Expanded, Effective and Integrated Post-School System* published in November 2013, sets the vision for the PSET system and gives effect to the the priority areas in respect of education and training identified in the National Development Plan (NDP).

The PSET system must provide for school leaving youth (entering Higher Education and the Technical and Vocational Education and Training (TVET) sector) as well as out of school youth who dropped out before Grade 9 and adults (the Community Education and Training sector).

The PSET system comprises of 26 universities (public Higher Education Institutions (HEIs)) and 114 Private HEIs (PHEIs), Technical and Vocational Education and Training (TVET), offered by 50 public TVET colleges and 627 Private Colleges; and Community Education and Training (CET), offered by 9 public CET colleges, incorporating 3 276 learning centres.

The Department also oversees 21 Sector Education and Training Authorities (SETAs); National Skills Fund (NSF); regulatory bodies responsible for qualifications and quality assurance in the post-school system, which includes the South African Qualifications Authority (SAQA), Council on Higher Education (CHE), and Quality Council for Trades and Occupations (QCTO); and the National Student Financial Aid Scheme (NSFAS).

In 2014 the PSET system catered for 1 111 711 enrolments in higher education (969 154 in universities and 142 557 in PHEIs), 789 530 in TVET (710 535 in TVET colleges and 78 995 in Private Colleges), and 275 268 in CET colleges. The NDP and White Paper targets suggest a major shift in focus towards TVET and CET; targets for the expansion of the system are 1.62 million enrolments in HE, 2.5 million enrolments in TVET and a million in CET by 2030.

The NDP also sets the target for 2030 that all students who qualify for NSFAS should have access to Full Cost of Study (FCS) funding through loans and bursaries. FCS includes tuition, accommodation, food and books. In addition, the NDP suggests that all other students who require financial support should have access to affordable student loans backed by state sureties. The NDP also indicates that the loans (NSFAS and others) should be recoverable through arrangements with the South African Revenue Services (SARS). This would ensure that financially needy students are able to study fee-free at point of entry, and pay the outstanding loan after qualifying and being employed.

The measures taken thus far with respect to each of the sectors under the remit of the DHET are discussed below.

A: Technical and Vocational Education and Training (TVET)

1. The Education White Paper 4 – *A programme for the transformation of further education and training* - published on 25 September 1998, was predicated on the wide ranging and extensive process of investigations and consultation initiated by the then Ministerial National Committee on Further Education and Training, which was established on 18 September 1996. The initial policy was released in a Green Paper on Further Education and Training (FET) on 15 April 1998.

2. This White paper started the process for the establishment of FET colleges, declaration of all disparate institutions into these Colleges, with a new governance and funding regime (based on programme funding), the establishment of an academic board, the status of juristic persons to Colleges and flexibility in the employment of additional staff by the College and the ability to be responsive to the needs to the community and economy.

3. This White Paper led to the enactment of the FET Act of 2006 and to the funding norms in 2009. However, the FET college system under Provincial management was not able to be responsive to the needs of learners and the economy and therefore Provinces requested, in 2010, that the newly established Ministry of the Higher Education and Training manage these Colleges at a National level. The legislation was amended, and the FET Act and Adult Education Act were replaced with the Continuing Education and Training Act. In 2013, two distinctive institutional types were created in the public space, namely the Community Education and Training colleges and Technical and Vocational Education and Training colleges.

4. The establishment of TVET colleges under the Department, together with the Skills function having being moved from the Department of Labour to the Department of Higher Education and Training in 2009, has enabled a more focused delivery of technical and vocational education, and the expansion of the sector. TVET colleges are now being punted as institutions of choice; the Ministry has also adopted this decade, as the decade of the artisan and has accelerated the development of artisans.

5. Additional resources from the National Skills Fund (NSF) and Sector Education and Training Authorities (SETAs) have been allocated to the TVET colleges to enable an expanded enrolment.

6. With the help of the NSF and SETAs, the Department has planned the construction of 12 new TVET college campuses; 1 is complete, 2 are nearing completion and the other 9 are in the process of going out to tender. The construction of new campus sites will enable the spaces to become available to support the expansion of TVET opportunities, and ensure that TVET is delivered in accessible locations across the country.

7. From 2009, enrolment in TVET Colleges has more than doubled from 350 000 to 710 535.

8. The funding model for Colleges works on the norm that 80% of the full cost of tuition is provided by the state, with the balance to be raised through fees. However, due to the rapid increase in enrolments, without the necessary increases in resources from the state, the Department is currently only providing about 53% of the cost (rather than 80% as expected). This is putting colleges under enormous strain.

9. Not all TVET learners pay fees. Poor learners (NSFAS qualifying) are supported with bursaries. Approximately 50% of learners in the TVET sector do not pay tuition fees. NSFAS qualifying students also receive allowances for accommodation and travel; however, there is insufficient funding to cover all learners adequately.

10. Thus, the state has respected, promoted, and protected the progressive realization of this right. It must however be said that the transformation of the sector is facing the risk of reaching a plateau in terms of enrolments. It is unlikely that there will be any further growth or progressivity without the injection of additional funds.

B: Higher Education

1. In 1993, it was recognized that the Higher Education system would need to transform to respond to the changes taking place in the country from 1990 onwards. A National Commission on Higher Education (NCHE) was set up in 1993 to investigate the development of a single coherent and integrated higher education system going forward. The NCHE brought together a large number of researchers and experts to make recommendations on the development of the system. The NCHE reports formed the basis for the development of the *White Paper 3: A Programme for the Transformation of Higher Education*, published in 1997.

2. The *White Paper 3* was later given expression in legislation in the Higher Education Act (104 of 1997) and implemented through the National Plan on Higher Education (2001). It identified the transformation of the apartheid

higher education landscape as a priority. Two specific mechanisms to enable this transformation were the merger process, which combined institutions that had served different groups under apartheid and introduced three types of universities (traditional, comprehensive and Universities of Technology); and, the establishment of the National Student Financial Aid Scheme (NSFAS) which supported increased access to those who could not afford higher education, mainly poor previously disadvantaged groups. In addition, a new performance-based funding framework for universities, linked to enrolment planning and institutional Programme and Qualification Mixes (PQMs) was introduced. These changes had a major impact on the higher education landscape.

3. By 2007, the public system had grown substantially, especially through distance education, which accounted for more than a third of all enrolments. Infrastructure in many universities was inadequate and groaning under the weight of the increased enrolments. Government introduced the infrastructure efficiency programme in 2007, which led to a major infrastructural renewal process across all university campuses. Continued growth of the system has resulted in university enrolments increasing from 495 356 in 1994 to 969 154 in 2014. The student population has also transformed. By 2014, 72% of university students were African, 16% White, 6% Coloured and 5% Indian. This can be compared to 62% African, 25% White, 6% Coloured and 7% Indian in 2003.

4. The *White Paper 3: A Programme for the Transformation of Higher Education* and the promulgation of the Higher Education Act (101 of 1997) laid the basis for the development of the post-apartheid higher education sector and current funding model for public higher education (universities). The White Paper 3 recognised higher education as both a public and private good. While investment in higher education is of importance for the economic development of the country as a whole, it also emphasised that the knowledge and skills acquired from achieving a university qualification results in significant lifetime private benefits for successful students. It was on this basis that the White Paper 3, recognising that it was not affordable nor desirable in a highly unequal society for the state to provide free higher education for all,

entrenched the principle that the costs for higher education should be shared between public and private beneficiaries. However, it also stressed that finances should not prohibit students from accessing higher education. To ensure that they are not denied access to higher education, financially needy students should be supported, through loans and bursaries, to pay their upfront fees. Through the provision for free basic education targets a much wider group of students in the basic education sector, it should be noted, that the cost sharing mechanism also exists in the public basic education sector where there are fee paying (for the economically able) and fee-free (for the poor) public schools.

5. The establishment of the National Student Financial Aid Scheme (NSFAS) was based on the principle of cost sharing: to provide funding to support financially needy and academically capable young people to pay their fees and open access to higher education for those to whom it was previously denied. NSFAS was established based on considerable research into options available for funding students in higher education.

6. The policy goals to support improved access, social redress and improved success as outlined in the White Paper 3 on Higher Education have been implemented through a range of government-funded programmes at public institutions, including considerable investment in student funding for the financially needy, through NSFAS; an infrastructure and efficiency grant to improve university infrastructure; the implementation of teaching development grants to improve success and research development grants to improve research productivity.

7. Private Institutions have also been regulated within this context to ensure that they offer quality higher education. The Higher Education Act has allowed for the expansion of the PHEIs while ensuring that the public are protected from unscrupulous providers.

8. To respect, protect, promote and fulfill the right to higher education and to ensure that it is made progressively available and accessible, government has amongst other aspects:
   - Supported the system to double its enrolments since 1994;

- Ensured a largely transformed student population;
- Provided substantial funding through NSFAS to support poor students at universities and TVET colleges; since its inception NSFAS has supported 2.6 million[i] students (1.5 million in universities and 1.1 million in TVET colleges) through loans and bursaries amounting to R59.7 billion (according to the 2015/16 NSFAS audited statements). This funding has increased significantly since 2010, and currently supports approximately 205 000 poor undergraduate students to access higher education and 200 000 TVET college students;
- Provided significant investment in foundation provisioning and a range of other initiatives, such as the teaching development grant at universities with the aim to improve the success rates of all students and therefore ensure access with success;
- Implemented the Staffing South Africa's Universities' Framework to assist with improving the quality of provisioning and ensuring the development of the academic profession; and
- Established three new universities (The University of Mpumalanga, Sol Plaatje University, and Sefako Makgatho Health Sciences University) to further increase the numbers of spaces in higher education and ensure the geographical spread of contact institutions.

9. Thus, the state has respected, promoted, and protected the progressive realization of the right to higher education. It has worked to ensure that opportunities within the public higher education space (universities) are increased. It has enabled the development of a private higher education sector. However the transformation of the sector is facing the risk of the reaching a plateau in terms of enrolments. It is unlikely that there will be any further growth or progressivity with respect to increasing spaces and without the injection of additional funds.

C: Community Education and Training

1. The development of the CET sector is one of the priorities of the Department. Currently this is a very small and severely underfunded sector.

It had been severely neglected and is only now receiving the attention it requires.

2. On 1 April 2015, the Minister of Higher Education and Training established nine Community Education and Training (CET) colleges. The CET colleges have been established to provide programmes for adults and out-of-school youth. The CET colleges and Community Learning Centres are part of a network of institutions to provide basic adult education, and further education and training.

3. From 1 April 2015, the Minister inherited the function of the erstwhile Adult Education and Training system from Provincial Education Departments. The CET colleges are part of the measures for responding to section 29 of the Constitution, which states that everyone has a right to adult basic education, and further education, which the state, through reasonable measures, must make progressively available and accessible. The measures that have been put in place to ensure these rights through the CET sector include legislative and policy measures; budget and funding allocation; Programmes and Qualifications; and employment of staff. Each of these are considered in turn below.

4. <u>Legislative and policy measures:</u>

4.1. The Ministry has developed policy and legislation to give effect to section 29 of the Constitution. The Continuing Education and Training Act, 2006 (Act No 16 of 2008) provides for the establishment of Colleges for the provision of education and training to adults and out of school youth. The Act provides for the management, governance, staffing, funding and quality assurance of Colleges.

4.2. On the other hand, the National Policy on Community Education and Training Colleges provides further guidance in alignment with the Act. It provides for a rationale for the establishment of CET colleges, the management and governance structures to be in place, funding, programmes and qualifications to be offered in CET colleges. Part of the qualifications programmes are programmes aimed at realizing the right to basic adult education and progressively making further education available through second chance qualification such the National Senior Certificate.

4.3. The Ministry has also developed Norms and Standards for funding Community Education and Training colleges as policy for the distribution of funding to Colleges and Community Learning Centres.

5. Budget and funding allocation:

The state allocates about two billion rands for the provision of programmes for basic adult education and further education. The state allocates the budget for compensation of employees, goods and services and for capital expenditure. The Act allows for CET colleges to source additional funding through fees, donations and fundraising. Given the fact that CET colleges have been recently established, policies for the provision of bursaries for programmes in CET colleges needs to be explored.

6. Programmes and Qualifications

6.1. The Act and Policy envisions the provision of appropriate and relevant qualifications and programmes for a variety of students in communities.

6.2. The current and proposed qualifications are underpinned by the principle of open access. This means that there are no requirements that create obstacles for students to access qualifications and programmes in CET colleges.

6.3. The CET colleges set specific targets for students annually for a variety of programmes in basic adult education, further education and skills development. The White Paper on Post-School Education and Training, the report of the Auditor-General on Adult Education and Training as well as the Task Team Report on Community Education and Training Centres have raised sharply the issue of quality of provision in the previous Adult Education and Training system that has been inherited by the Department.

7. Employment of Staff:

The employment of staff for the delivery of qualifications and programmes in CET Colleges is a challenging area of provision. Since the function shift of the Adult Education and Training from Provincial Education Departments (PEDs) to the Department of Higher Education and Training (DHET), the Department has to contend with different appointment regimes for lecturers, different conditions of service and differently qualified lecturers. There is a policy intention to appoint properly qualified lecturers, with appropriate conditions of service and incentives. The White Paper for Post-School Education and Training enjoins the Department to provide good quality education and training within the envisaged Community Education and Training colleges. To achieve the stated goal of quality education and training, the White Paper proposes a number of strategies:

a) Training of lecturers in methodologies appropriate for teaching adults and youth;
b) The development of a qualifications policy that provides for minimum standards for qualifications for those to teach in CET Colleges;
c) To support universities and TVET colleges to develop capacity to train lecturers within the CET colleges; and
d) To develop guidelines for the recognition of capacities and experience that exists within communities and to draw on them to strengthen College capacity for the provision of non-formal programmes.

8. The development of the CET sector to fully realize the right to education for all citizens who are not able to access TVET and HE opportunities (potentially 18 million citizens), requires substantial additional funding; it should be noted that such funding is currently unavailable.

2. Government’s response to the demand for fee-free higher education and training

2.1. Significant new funding has been injected since 2010 to support the progressive introduction of fee-free higher education and training for the poor:

- Government, through NSFAS, has already introduced free TVET college education for poor students. NSFAS bursary funding at TVET colleges increased from R318 million in 2010 to R2.3 billion in 2016. This ensures that NSFAS qualifying students receive tuition free TVET. However, there are insufficient funds to support all students who require full cost of study support.
- NSFAS loan funding at universities has increased from R2.2 billion in 2010 to R6.4 billion in 2016. A total of R14.6 billion will be disbursed by NSFAS in the 2016 academic year to support approximately 480 000 students.
- Substantial additional funding disbursed by NSFAS from the National Skills Fund (NSF) for scarce skills bursaries, Sector Education and Training Authorities (SETAs) for bursaries to support skills in specific sectors, Department of Basic Education for teacher bursaries and Department of Social Development for social work, amongst others.
- R2.543 billion of the R14.6 billion has been earmarked for loans to pay off the historic debt of NSFAS qualifying students who were either underfunded or not funded in the 2013, 2014 and 2015 academic years.
- Government's provision of R1.9 billion of the R2.3 billion shortfall resulting from the subsidization of the 2016 university fee increase.
- Current work is focused on proposing a funding scheme that will also assist "missing middle" students to access HE and TVET opportunities.
- The enormous growth in funding to NSFAS over the years shows government's commitment to this approach.

2.2. Government is committed to ensuring that all financially needy, academically deserving, university and TVET students, whether poor, working class or middle class, are able to access loans and bursaries so that they are able to access higher education TVET and are not expected to pay fees (FCS) at point of entry. The loan portion of the financial aid for university students should be recovered once the individual is working productively and earning an income through improved systems.

3. The rationale behind the PSET targets set out in the 2013 White Paper

3.1. The development of the White Paper on PSET was driven from within the Ministry of Higher Education and Training under the leadership of the Minister's special advisor, Mr John Pampalis. Researchers appointed through the process assisted in developing the initial Green Paper for public comment. The process for the development of the Green Paper included a reference group that included a wide range of stakeholders, including members from all Branches within the Department. The Department provided the researchers with all information regarding planning and processes being implemented at the time.

3.2. Parallel to the development of the Green paper, the National Development Plan was being developed, managed from within the Department of Performance Monitoring and Evaluation (DPME) under the Minister in the Presidency. The Department was not directly involved in that process.

3.3. Public comments on the Green Paper were received, and based on these together with an analysis of the NDP; a final version of the White Paper on PSET was produced for approval by Cabinet. The White Paper was approved by Cabinet in November 2013 and released in January 2014. A national implementation plan for PSET, underpinned by the vision of the White Paper on PSET, is currently being developed to drive the development of the system over the next 10 to 15 years.

3.4. The targets set within the White Paper include:

- Increase enrolments in higher education (public and private) to 1.62 million by 2030 (1 111 711 enrolments in 2014 of which 969 154 were in public universities).
- Increase enrolments in TVET to 2.5 million by 2030 (789 530 enrolments in 2015 of which 710 535 were in public TVET Colleges).
- Increase enrolments in Community Education and Training colleges to 1 million by 2030 (275 268 enrolments in 2014).
- Improve academics' qualifications in universities to 75% with PhDs by 2030 (34% in 2010, 43% in 2014).

- Produce 100 PhDs per million per annum, i.e. approximately 5 000 per annum (2 200 per annum in 2014).
- Expand infrastructure especially for student accommodation.
- Build the capacity of TVET institutions to become preferred institutions for vocational education and training and expand the geographical spread of such institutions to ensure access.
- Improve teaching and learning, and the success of university and TVET students.
- Build strong relationships between the college sector and industry.
- Produce 30 000 artisans per annum.

3.5. The rationale for these targets were not in the purview of the Department directly. The targets in the White Paper were definitely influenced by the NDP targets. However, experts outside of the Department set these.

3.6. Nevertheless, it may be that for the university sector, the national enrolment planning data were utilized to make projections. The national enrolment planning exercise that took place during the 2010 academic year set the targets for the enrolments for the period 2011/12 to 2013/14. The planned average annual growth rate for the system during that period, after negotiating with institutions, was targeted at 2.8 % per year. If this growth rate were projected forward to 2030, the target of 1.6 million would be achievable. It should be noted that the actual growth of the system for the period (2011/12 to 2013/14) was 3.5%. However, the sustainability of the growth was dependent on student fees and improved funding for financial aid and enrolments. In the 2014/15 to 2019/20 enrolment planning cycle, it was recognized that the system needed to be more realistic in terms of funding made available through the fiscus, and specifically the likelihood that NSFAS funding would not increase at the same rate as it had done form 2010. Therefore, an average annual growth rate of 1.9% was agreed upon for the 6-year period, with a mid-term review to reassess. The mid-term review is currently underway and it is expected that, given the current fiscal situation, the targets will have to be revised downwards to a 0.9% average annual growth.

4. The extent to which the provision of fee-free higher education and training is a priority outcome for government

4.1. Government is committed to ensuring that all financially needy, academically deserving, university and TVET students, whether poor, working class or middle class, are able to access loans and bursaries so that they are able to access higher education and are not expected to pay upfront fees (for full coast of study) at the point of entry. The loan portion of the financial aid should be recovered once the individual is working productively and earning an income through improved systems. However, there is currently insufficient funding in the system to ensure this outcome.

4.2. The Department has held the funding of poor students at full cost of study through NSFAS as a priority since 2010, and has made successive bids through the annual treasury process in an attempt to secure funds for supporting more academically deserving poor students.

4.3. The Minister has set up a Ministerial Task Team to assist with developing a model for expanding the financial aid scheme to include students from working and middle class families. The Department intends to test the model in the 2017 academic year with the intention to implement it in 2018 for the "missing middle" if all legal aspects are in place.

4.4. The current cost sharing model being implemented by NSFAS for university students is in place to advance fee-free higher education at point of access, albeit that there is insufficient funding to cover all qualifying students. Firstly, a student entering university is provided with an up-front fee through an *interest free loan* while they are studying. The interest only kicks in one year after they have successfully completed their studies, at which time they become a debtor. The interest calculated is significantly below the commercial lending rate. In addition, if a student is successful and completes in minimum time, then 60% of their loan is effectively converted into a bursary. Furthermore if the student never actually benefits from the goods of university education, that is, they never find themselves in productive employment, and they remain poor, they never pay back their loan and would in effect receive their entire university education free (paid for by the state).

4.5. It should be noted that the Ministerial Review of the NSFAS (2010) proposed that the full state subsidization of poor students should be progressively realized. It also proposed an income-contingent loan scheme for students from lower middle-income families, the so-called “missing middle”.

4.6. In 2012, the Minister appointed a working group to consider the feasibility and cost of fully implementing fee-free higher education for the poor up to undergraduate level. The working group report suggested that fee-free education for the poor was feasible, but that it would require substantial amounts of additional funding to implement. The quantum of funding would be dependent on a number of parameters, not least of all agreeing on a definition of poverty. It recommended that a policy dialogue be entered into to get agreement and understanding of these terms and set the parameters before any policy statement could be published. A policy dialogue process was started, but was later replaced by a Reference Group led by a Departmental Ministerial Task Team for the development of a funding model for funding poor and “missing middle” students. The Reference Group consisted of various stakeholders, including National Treasury, the Department of Trade and Industry, National Credit Regulator, key student organisations, universities and Council on Higher Education. The Reference Group’s function was to interrogate the findings and recommendations coming from the Ministerial Task Team in order to provide feedback, comments and suggestions into the re-imagined financial aid scheme

4.7. The Department’s Ministerial Task Team was formally established in April 2016 with the mandate to develop a comprehensive funding and support model for poor and “missing middle” students to enable poor students to be fully funded and “missing middle” students to receive affordable loans. The Minister was briefed by the Chairperson of the Ministerial Task Team on 30 September 2016 on the new recommended model. The Task Team recommended that a Public-Private Partnership should be followed which will fulfil the requirements of the new model to source commercial funding for loans and grants of poor and “missing middle” students. The new model is planned for piloting in 2017, while working towards the full implementation of the proposed PPP. A process is underway to register the Public-Private Partnership with National Treasury.

4.8. The Minister advised that upon receipt of the final report, a Cabinet Memorandum should be prepared to inform Cabinet on the proposed blueprint prior to publishing a call for public comments on the model in the Government Gazette. Cabinet should be informed that there is a pilot component in the new model and that approval is also being sought to test the new model through the pilot.

5. The considerations which affect budgetary allocation to Higher Education and Training

5.1. Since its establishment, the Department has had a constructed baseline from which it operates. Within the fiscal constraints that have been experienced over the past number of years, the Department in particular received additional funding for poor students funded through the National Student Financial Aid Scheme and for the 2016 MTEF, fiscal support for the no fee increase.

5.2. The Department acknowledges the current fiscal constraints of Government, but must also acknowledge that this in itself creates numerous challenges for the Department and has a serious impact on the service delivery of the Department. The Auditor-General has also noted the funding constraints of the Department and its resultant impact on service delivery. Despite this, the Department implemented the cost containment regulations prescribed by National Treasury and even instituted additional cost containment measures to ensure that key service delivery priorities receive attention. An additional area of intervention that receives attention is aimed at considering ways by which effectiveness can be improved in an effort to reduce costs whilst still meeting the same objective.

5.3. Various factors affect budgetary allocations made to the Department. These factors include the following:

- Priorities set by Government;

- Interventions pertaining to key social and economic circumstances;
- The staff complement of the Department which has a direct impact on the allocations for Compensation of Employees as well as salary increases that include cost of living adjustments;
- Departmental operations (operational budgets);
- Unforeseeable and unavoidable events and circumstances;
- The submission of budget bids subject to guidelines issued by National Treasury;
- Ongoing commitments such as building rentals, municipal charges and lease agreements; and
- Transfer payments, including the subsidization of institutions such as universities, TVET colleges, CET colleges and public entities.

5.4. It is a critical priority for the Department to increase access to the Post-School Education and Training sector, while ensuring the ongoing success (including quality) of the sector. The current budget constraints make it difficult for the Department to attain the growth targets within the post-school education system in relation to enrolments, infrastructure development (including student accommodation), increased operations and student support services, especially when the targets set by the National Development Plan is considered.

5.5. Another key shortfall comprises sufficient funding of existing students within the system. This includes subsidies paid to institutions as well as student assistance provided through the National Student Financial Aid Scheme.

5.6. Limitations are also placed on Departmental operations due to the capping of the budget for compensation of employees and consequently an inability to roll out the newly proposed staff establishment in conjunction with the creation of a regional presence subsequent to the finalisation of the function shift of the TVET and CET sectors. This pressure mainly arises from the small percentage of the budget that is available for normal operational activities, including the monitoring and evaluation of our institutions, and the sector as a whole.

5.7. The Department has again emphasised its needs by way of the approved budgetary processes as well as dedicated discussions with Treasury officials, meetings between the Minister of Higher Education and Training with the Minister of Finance, as well as the President of the country. Presentations were also made to various Parliamentary Committees. The Department accordingly submitted substantive bids in an attempt to further improve the quality of and access to the Post-School Education and Training system. Detailed information on the bids and the allocations received was provided to the Commission.

5.8. The level of funding of our institutions has declined substantially over the past few years and in turn is affecting the functionality of our student base. Institutional monitoring and evaluation is limited only to the most critical areas. Attempts to reprioritise funding to increase the provision for monitoring and evaluation were unfortunately unsuccessful. The pressures to ensure the success of the system subsequent to the TVET and CET function shift is an ongoing concern. This includes the cost implications for examination services. The limited funding and a reliance of the sector on NSF support for the funding of various activities, is furthermore worry some.

5.9. It should also be placed on record that the Department is not prone to or guilty of high levels of underspending. The spending since the establishment of the Department is as follows (Direct Charges excluded):

Financial Year	**Budget R'000**	**Expenditure R'000**	**Percentage spent %**	**Balance R'000**
2010/11	23 776 202	23 752 354	99.90	23 848
2011/12	28 299 514	28 281 697	99.94	17 817
2012/13	31 586 151	31 582 400	99.99	3 751
2013/14	34 333 900	34 331 969	99.99	1 931
2014/15	36 866 681	36 865 521	99.99	1 160
2015/16	41 880 138	41 795 554	99.80	84 584

5.10. To date, the Department has managed to sustain unqualified audit opinions. It is acknowledged though, that a number of risks such as increased operations after the function shift are apparent. These are being managed to the best of the Department's ability.

6. The resolutions on the provision of free higher education taken at the ANC's 52nd and 53rd national conferences respectively and the implications thereof for government's policy

6.1. In 2007, the African National Congress at its 52nd conference resolved to: "*Progressively introduce free education for the poor until undergraduate level*".

6.2. In 2012, the African National Congress at its 53nd conference expanded on its earlier pronouncement in 2007 by noting the following:

- Academically capable students from poor families should not be expected to pay upfront fees in order to access higher education.
- Academically capable students from working and lower middle class families should also be subsidized, with their families providing a household contribution to their studies in proportion to their ability to pay.
- The fees to be covered must include tuition, accommodation, food, books, other essential study materials or learning resources and travel, that is, the full cost of study fees.
- The upfront fees that are to be provided to enable fee-free university education for the poor and subsidised fees for the working class and lower middle strata should be made available as loans through a strengthened *NSFAS (National Student Financial Aid Scheme*). Part of the loan should be converted to a bursary for successful students.

The 53rd conference therefore resolved that:

- A newly structured national student financial aid system must be introduced to enable fee-free education from 2014 onwards.
- A policy dialogue model must be utilised to develop a fully-fledged costing model.

- The current NSFAS must be used as a basis for introducing the newly structured scheme.
- Consideration must be given to a graduate tax for all graduates from higher education institutions.

6.3. Following the 52nd Conference in 2007, the then Minister of Education appointed a Ministerial Committee to review the National Financial Aid Scheme. The Ministerial Committee submitted its report in 2010. Following the report a number of processes were set in place, firstly to improve the funding to NSFAS and ensure that the progressive realization of free higher education and technical and vocational education for the poor was realized, and secondly to improve the administration and functioning of NSFAS itself to ensure that the scheme was more effectively managed and that its beneficiaries were provided with a quality service.

6.4. Many of these resolutions have already been implemented, as government has consistently worked to expand the system (HE and TVET), find ways to progressively support poor and working class students in higher education, and to widen access through an expanded financial aid scheme.

6.5. A new centrally administered NSFAS application model has been implemented. Current work includes the development of a new model for student financial aid that will ensure access to a wider range of students including children of the poor, working class and lower middle class families. This process followed the policy dialogue that was set up after the finalisation of the Ministerial Task Team report on the feasibility of providing fee-free higher education for the poor in 2013.

6.6. The following progress can also be noted:

- University students that meet the NSFAS means test are not required to pay upfront payments or registration fees when registering for the 2016 academic year. **Circulars were sent to universities in this regard together with upfront payments of about R1.4 billion made to Universities in January 2016.**

- Unlike commercial banks, which require surety, NSFAS provides eligible students with the means to obtain a tertiary qualification by offering loans at a low interest rate and a reasonable repayment plan. These loans are repayable as soon as the student begins to work and earns at least R30 000 or more per year. Up to 60 % of the award may be converted into a bursary dependent on the student's year-end results. Final year students at higher education institutions who qualify for NSFAS funding are offered an incentive of having their total loan for the final year converted into a 100 % bursary if they complete their studies in the same year.
- In 1999, NSFAS was responsible for disbursing R441 million in financial aid to students and today the entity is responsible for disbursing over R14.6 billion in financial support to students, with most of the funding provided by government. The budget from the Department of Higher Education and Training for 2016/17 amounts to R8.672 billion and comprises of R6.351 billion for university study loans and R2.322 billion for Technical and Vocational Education and Training college bursaries. Included in the amount of R14.6 billion is R2.543 billion for historic debt. The total number of students assisted by the entity since its inception in 1991 is more than 1.5 million university students and 1 million TVET college students and approximately R59.7 billion has been allocated to finance financially needy students.
- No university or TVET college may adopt the practice of top slicing. One of the principles of the NSFAS student centred model implemented in October 2013 and is being fully implemented to all 26 universities and 50 TVET colleges is to provide the full cost of study as determined by the NSFAS Means Test.

7. The decision by government, taken in October 2015, that there will be no increase in university fees for 2016

7.1. The Chairs of Universities South Africa (USAf) and the University Council Chairs Forum (UCCF) wrote a letter to President Zuma late in September 2015 requesting a meeting to discuss the impending crisis at universities linked to the politicisation of campuses, the shortages of funds to support poor students and the historic debt these students were accruing, amongst other challenges. They requested a meeting with the President and other relevant Cabinet members to discuss these issues and chart a way forward. USAf and UCCF were particularly concerned about potential violence on campuses at the start of the 2016 academic year, and the large number of NSFAS qualifying students who were un- or underfunded due to the NSFAS shortfall, and who would be financially excluded in the new year unless a solution was found. The Minister was alerted to the letter by the Presidency. It was only after contacting the Chair of USAf that USAf formally informed the Minister of the request.

7.2. The meeting was held on 6 October 2015 between his Excellency President Jacob Zuma; Minister of Higher Education and Training, Dr Blade Nzimande MP; various Ministers and Deputy Ministers; and representatives from Universities South Africa (USAf) and University Council Chairs Forum (UCCF). The meeting discussed key issues facing universities, including student financial aid, the politicisation of university campuses and transformation of higher education, brought into sharp focus by various new student movements, e.g. Rhodes must fall, open Stellenbosch, etc.

7.3. Emanating from this meeting, a Presidential Task Team (PTT) was established to look at measures to mitigate against possible student protests and unrest at the start of the 2016 academic year. This meeting took place a week before the second higher education summit due to commence on 15 October 2015.

7.4. At the summit, it became clear that the climate was ripe for protest when the University of the Witwatersrand (Wits) announced a fee increase of 10.5%, coinciding with the first day of the Summit. The #FeesMustFall campaign took the country by storm, spreading first to other more privileged institutions (University of Cape Town, Stellenbosch University, Rhodes University) and then on to other institutions across the country.

7.5. Following the protests over the fee increases announced at Wits, the Minister attempted to broker a solution between universities (represented by the executive committees of Universities South Africa (USAf) and the University Chairs of Council Forum (UCCF)), students (represented by the South African Union of Students (SAUS)), and Staff Unions. At the meeting, it was agreed that fees should increase by no more than 6%; this was seen as a reasonable compromise and stakeholders were requested to go back and negotiate at the institutional level to find a solution within that framework.

7.6. Students immediately rejected this proposal, protests escalated across the system, and students renewed their demand that #feesmustfall and that there should be a 0% increment across all universities.

7.7. The central demand of the burgeoning student protest movement was that "*fees must fall*", which later translated into the demand that there should be free public higher education in South Africa. Other demands were also made on the system, including the insourcing of services, cancelling student debt and calls to decolonise the curriculum.

7.8. On 23 October 2015, the President called a meeting of all student and university leaders, as well as some members of his Cabinet and senior government officials to discuss the situation, try to find some common ground and enable academic programmes and university examinations to go ahead. At the meeting, SRCs and student formations were represented as well as university Vice-Chancellors and Chairs of Council.

7.9. Preceding the meeting, the Vice-Chancellors and Chairs of Council met to caucus on their position. Government did not meet prior to the meeting to caucus.

7.10. At the meeting, the President provided ample time for all students to speak. They had varying positions from a 0% increment, to no fees at all; ending outsourcing; decolonising the curriculum and so on.

7.11. Following the students input, the President requested that university leaders respond. The Chair of USAf (Professor Adam Habib) stood up, informed the meeting that UCCF and USAf had caucused before the meeting, and has a proposal to put on the table for discussion. He then proposed specifically:

- there should be an agreement on a 0% fee increment for the 2016 academic year, which would give time for longer term issues to be dealt;
- the academic programme should be resumed immediately so that the examinations could be written and the academic year successfully finalised;
- Universities would work at the institutional level with their own stakeholders to deal with other issues such as the insourcing of workers and institutional transformation; and
- That the President should consider setting up a Presidential Commission to look into the whole issue of effectively funding higher education.

7.12. Following this proposal, the President asked students if they would accept these suggestions. Students agreed to the terms. The President then gave the Minister of Higher Education and Training, and the Minister of Science and Technology an opportunity to comment. Minister Nzimande accepted the decision. Minister Pandor raised a major concern over how this would be funded. The Deputy Chair of USAf (Professor Derek Swartz) indicated that in line with previous discussions with the Ministery of Higher Education and Training, universities who had good balance sheets would assist with raising the funds required, and that government would not be expected to cover all the costs themselves.

7.13. Following the closure of the meeting, the President announced the following decisions (proposed by universities themselves and agreed to by other parties):

- there would be a 0% fee increment for the 2016 academic year, and the cost of this would be shared between government and the universities themselves;
- each university would work to ensure that charges are dropped against students detained or arrested during peaceful protests;

- students would resume their academic programme and universities would enable this by changing their timetable to create space for students to catch up and effectively complete their examinations that year, enabling the system to continue functioning; and
- a process would be taken forward by a task team to deal with the other issues, and specifically the issue related to the call for free higher education.

7.14. It should be noted that this decision was not a Government decision, it was the universities themselves that put forward the proposal and the collective meeting agreed on it. The President announced the decision.

7.15. The PTT set up on 6 October 2015 was requested to include the 0% fee decision in its Terms of Reference. The PTT was due to report to the President by the end of November 2015.

7.16. The PTT quantified the financial implications of the no fee increase for 2016 at R2.330 billion, as well as the shortfall in NSFAS funding for un- and underfunded students in the system for the 2013, 2014 and 2015 academic years at R2.543 billion. The PTT recommended that government find funding to deal with these funding implications over the short-term.

7.17. Based on actual figures from Universities South Africa, the shortfall in 2016 due to the no fees increase was R2.330 billion constituting a tuition fee increment of R1.915 billion and a resident fee increment of R415 million. The agreement reached for the funding of the no fee increase for the 2016 academic year only was as follows:

	R million
Total Shortfall	**2 330**
Reprioritization within the PSET system	2 030
Additional funds funded through the National Revenue Fund	300

The reprioritization within the PSET system was made up as follows:

	R million
Total amount reprioritized	**2 030**
Reprioritisation and cost containment in universities	395
Reprioritisation of the Historically Disadvantaged Development Grant (to cover the effect of 0% at HDIs)	361
SETA surplus funds surrendered to the National Skills Fund (NSF) [initially intended to provide an R800 million fund for post graduate scholarships to support the new generation of academics programme (nGAP); as well as R474 million earmarked for TVET expansion]	1 274

7.18. In response, the Minister of Finance announced in his 2016/17 Budget Vote speech that R16.268 billion additional funding would be reprioritized from within the fiscus over the 2016/17 Medium Term Expenditure Framework (MTEF) period. This was made up of:

- R5.682 billion to ensure that the 0% increase for 2016 is carried through into the baseline funding of universities and does not lead to unmanageable fee increases in the future (made up of R300 million in 2016/17; R2.563 billion in 2017/18; and R2.819 billion in 2018/19);
- R8.043 billion into the NSFAS baseline to fund continuing and new NSFAS qualifying students through loans (made up of R2.039 billion in 2016/17; R2.991 billion in 2017/18; and R3.013 billion in 2018/19); and
- R2.543 billion for loans to students who qualified for NSFAS funding but were either un- or underfunded in the 2013, 2014 and 2015 academic years and therefore had accrued historic debt at universities; this funding would be made available to deal with the historic debt of 71 753 NSFAS qualifying students who were un or underfunded over this period.

8. The recent decision announced by the Minister during September 2016 in respect of university fee increases for 2017

8.1. In its report to the President, the PTT suggested that the current cost-sharing model for funding of public higher education institutions would need to continue into the foreseeable future. However, it recommended that student fees needed to be kept affordable. It recommended that a regulatory framework for managing future university fee structures and increases be developed through a broad consultative process, and that this should be implemented in the 2017 academic year. It suggested that the exact increase in student fees per annum going forward must take into account higher education inflation (± 2% above the normal inflation index).

8.2. The PTT also recommended that an expanded model of financial aid be developed to include the so called “missing middle” students (those who were not poor enough to be funded through NSFAS, but whose families could not support them in higher education), tested in the 2017 academic year for possible full implementation in 2018.

8.3. The Minister met with USAf and the CHE in January 2016. At the meeting, it was agreed that the CHE was best placed as an independent body that had the statutory remit to advise the Minister on higher education matters, to develop a regulatory framework for setting fees for the university system.

8.4. The President announced later in the month that he was setting up a Presidential Commission to look into the feasibility of fee-free higher education and training. Realising that the Commission would not be able to pronounce anything in time for 2017 fees, the Minister decided to continue with his request for advice from the CHE.

8.5. In early March 2016, after agreement with Universities South Africa, the Minister requested advice from the Council on Higher Education (CHE) on the development of a regulatory framework for managing future university fee structures and increases.

8.6. The CHE was requested to take into account higher education inflation and the imperative of growing the system to provide opportunities for academically capable students exiting the schooling system.

8.7. The CHE Task Team decided to split its work into two phases. Firstly, to consider a short-term agreement for the 2017 academic year, since this is the most pressing issue given that universities must set their fees and communicate them to students by September 2016, at the latest. The second phase would involve the development of a regulatory framework for managing student fees into the future. It would need to take into account the outcome of the Presidential Commission on Higher Education and Training before that work could be finalised.

8.8. The CHE handed over its Phase 1 report to Minister of Higher Education and Training on 11 August 2016.

8.9. The CHE based its advice on an economic study of the effects and implications of different levels of fee adjustments to the financial sustainability of the university system. Economic modelling considered the impact of different levels of fee increases on individual universities. Universities' income and expenditure in 2014 as well as operating surpluses or deficits were analysed and used as the baseline.

8.10. The assumptions underpinning the study were: a constant staff:student ratio (i.e. no changes in the staff complement); nominal increase in staff wages of CPI over the next year; higher education funding (including NSFAS) by the state in 2017/18 over the Medium Term Expenditure Framework will remain at the 2014 level of 0.75% of GDP, and 2.49% of the state budget; and no new funding from the state for institutions.

8.11. Three scenarios were considered: 0%; Consumer Price Index (CPI); Higher Education Price Index (HEPI = CPI + 2%) linked fee adjustments. The study showed:

- Allocations to universities per student will continue to decline in real terms (including additional block grant allocated to ensure the carry through effect of the 2016 0% fee increase)
- If a 0% fee increase were implemented in 2017, 19 of the 26 institutions would be in a worse financial position; the sustainability of institutions and the system would be at considerable risk. However, student fees would decrease considerably from the 2015 baseline in real terms.
- If a CPI fee adjustment were implemented, 10 universities would be in a worse financial position; however it is likely that universities would recover from 2016/17 deficits over the medium to long-term if fee adjustments continued in the future. While there would be a nominal

increase on the 2015 university fees, in real terms there would be a small real decrease in student fees.

- If a HEPI fee adjustment were implemented, 8 universities would be in a worse financial position, however all universities would recover from the 2016/17 deficits over the medium to long-term if fee adjustments continued in the future. While there would be a nominal increase on the 2015 student fees, there would be no real increase in student fees, however the NSFAS shortfall would increase.

8.12. The CHE argued that:

- The best solution from the institutions' point of view would be a fee increase of the CPI+2% (HEPI). However, the CHE did not consider this justifiable since the largest proportion of university expenses comprises the wage bill. In a deteriorating economic climate, it is undesirable that in 2017 wages should increase by more than the CPI. Non-personnel expenditure spent on imports is subjected to exchange rate fluctuations and it is unlikely to be as severe as in previous years.
- It is import to balance social justice imperatives with the sustainability of the higher education system and its overall financial stability, and therefore argued that a 0% adjustment was not defensible since it would result in a non-sustainable system, decrease in quality and likely retrenchments of staff.
- An across the board fee adjustment at the level of CPI, is the most defensible solution, as this results in no real cost increase to students and institutions are likely to recover the 2016/17 deficits.

8.13. The CHE therefore advised that:

- A CPI fee adjustment was the most defensible position in the interests of social justice and sustainability of Higher Education; an alternative could be to agree to CPI as a maximum cap for any fee adjustments.
- Since the authority for determining fee increases rests with university councils, the Minister should, through Universities South Africa (USAf), request all universities to commit to a system wide agreement on fee adjustments.

- Any position on the adjustment agreed to between universities and the Department should be fully supported by government.
- All universities must undertake to carry out comprehensive communication and/or consultative processes with stakeholders, especially students.
- Current efforts underway to develop an improved better, more affordable and better-funded financial aid system for poor and “missing middle” students should be supported and expedited.

8.14. After receiving the advice from the CHE, Minister studied these recommendations, consulted with university vice-chancellors and council chairs, various student organisations, organised labour, faith communities, political organisations and government, especially national treasury.

8.15. Institutions were very clear that they required an 8% increase; students demanded nothing more than 0%.

8.16. After considering all sides and discussing proposals with stakeholders, the Minister felt that the best solution would be to recommend an increment capped at 8%; while at the same time providing the funds for students from households with family incomes of up to R600 000.

8.17. Cabinet also considered the Minister’s proposal and approved his recommendation.

8.18. The Minister announced on 19 September 2017 government's 2017 fee support to students from poor, working and middle class families.

8.19. It should also be noted that Minister Nzimande submitted a Cabinet Memorandum on this issue, and the Cabinet Committee supported that he negotiate with universities a CPI linked fee adjustment for the 2017 academic year.

8.20. The following key recommendations and decisions were made:

- Government has recommended that fee adjustments for the 2017 academic year should be determined by universities and should not be above 8%.

- Government will source the funding needed for the 2017 fee adjustment and has committed to pay the fee increase through a gap-funding grant on behalf of all poor, working class and so called "missing middle" families– those with a household income of up to R600 000 per annum – with subsidy funding to cover the gap between the 2015 fee and the adjusted 2017 fee at their institution for the 2017 academic year.
- Students qualifying for the gap funding will not be required to repay the fee adjustment, as this is a grant and not a loan.

8.21. This means that both NSFAS qualifying students and "missing middle" students will experience a no fee increase, as government will pay the percentage fees adjustment.

8.22. The Presidential Task Team report, indicated that the 2016 allocation of R2.330 billion for the 0 % fee adjustment should increase annually by at least CPI + higher education inflation + the % increase in undergraduate enrolments.

8.23. The annual increase over the 2016 MTEF to cater for the carry through effect of the 0% increase for the 2016 academic year announced by the Minister of Finance for the 2017 academic amounts to approximately R2.5 billion for university and TVET students.

8.24. A second 0% increase in university fees in the 2017 academic year for all students would have a financial implication of R2.563 billion for university students only.

8.25. In terms of the financial implication of the current announcement, the exact amount required to cover university and TVET students up to a family income of R600 000 is not known. However, it is estimated that the maximum financial implication would be R2.5 billion. It is noted that it will only be after the application process is implemented that the actual amount will be quantifiable. However, in discussions with National Treasury they have committed to ensure that sufficient funding will be made available to cover all eventualities.

8.26. Administrative mechanisms will be developed to determine the quantum of funding required as government's decision is to subsidise the poor and "missing middle" students; students from families with household incomes of greater than R600 000 per annum, students who receive bursaries and scholarships, and international students will need to pay the fee adjustment. It is estimated that 75% of the current student population will qualify for assistance. Students will be informed on how to apply for the gap-funding grant before the end of this academic year.

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[i] NSFAS 2015/16 Annual Report (students may be funded from more than one funder category, therefore this may be an over count).

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Report	Recommendations made	Status of implementation (if relevant)
1. Report of the Ministerial Committee on the Review of the National Student Financial Aid Scheme	A higher education student financial aid model that progressively provides free higher education to undergraduate level for students from poor and working class communities. The model also provides student loans on favourable terms to higher education students from lower middle-income families	a. Students who qualify and receive NSFAS funding are not required to pay registration fees at universities. Up to 40% of the loan may be converted into a bursary dependent on the student's year-end results. If a student, studying towards a three year degree, is awarded a loan of R40 000, and successfully completes the first two years of study, R16 000 will be converted into a bursary each year. Government has given effect to the Polokwane resolution by introducing, in 2011, the conversion of the NSFAS loan to a full bursary for university students who complete their final year of an undergraduate qualification successfully. The final-year programme rewards students by converting their final year loans into a full bursary if they successfully pass and graduate. NSFAS do not charge interest on student loans until 12 months after a student has graduated or left university. This applies to all the NSFAS loans for any student who was registered on the 1st April 2011, and for any future students who register and apply for NSFAS loans If a student is awarded a loan of R60 000 in his/her final year, and successfully graduates, the R60 000 is converted into a 100% bursary. This means that if a student is successful and completes in minimum time, then 60% of the full loan (R140 000) due to NSFAS is effectively converted into a bursary and will not have to be repaid. b. A Ministerial Task Team, chaired by Mr Sizwe Nxasana, has been established in April 2016 to develop a comprehensive funding and student support model for poor and "missing middle" students. The Task Team must create a model, which will provide affordable financial support for the "missing middle" students and fully subsidised loans for poor students. The Ministerial Task Team has a mandate to determine and advise on alternative financing and operating models for funding poor

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Report	Recommendations made	Status of implementation (if relevant)
		and “missing middle” students. The Chairperson will submit the final report to the Minister in the first week of October 2016. The new model is planned for piloting in 2017, with full implementation in 2018 if approved.
	The adoption of the proposed further education and training (FET) student financial aid model, which provides fully-subsidised bursaries for all National Certificate (Vocational) (NCV) students at FET colleges.	100 % bursaries are provided for tuition fees for NATED Report 191 and NCV qualifying students. Allowances (transport and accommodation) are provided subject to available funding.
	Identifying the poor: An important challenge here is to ensure that there is a clearly defined mechanism for identifying poor students and those from working class backgrounds. A simpler procedure than the current means test is proposed to determine who qualifies for fully-subsidised education: -Students with household income below the lowest threshold of the SARS tax tables. -Students who attended a Quintile 1[1] school and those who received fee waivers at other public schools. -Students from the poorest municipalities	In October 2013, NSFAS introduced a new administrative model for managing NSFAS loans, grants and bursaries, the new student centred model. The new model shifts the responsibility of administering funding from universities and TVET colleges to NSFAS. The new model incorporates a range of innovations aimed at improving administration, including: • Students apply once for funding (not one year of study at a time), and their funding is sustained in subsequent years for as long as they meet academic requirements for promotion from one year to the next, easing the administrative burden on institutions and NSFAS. • The financial means test is automated, and linked to other government databases to verify personal, family, income and employment data, including: ○ NSFAS waives the means test for quintile 1//2/3 learners in the new model and is linked to the social security system to confirm whether the applicants were beneficiaries of a Child Support

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Report	Recommendations made	Status of implementation (if relevant)
		Grant; ○ a link to Department of Education's schools' database to establish whether the applicant attended a fee free school or was given school fee exemptions; ○ a link to Department of Education's EMIS database allowing a speedy confirmation of Grade-12 results, which determine whether a student qualifies for initial financial assistance. New model has been rolled out to all 26 universities and 50 TVET colleges in August 201
	A comprehensive policy framework should be developed to articulate the detail of the national policy imperative of providing free higher and further education	In 2012, the Minister appointed a working group to consider the feasibility and cost of fully implementing free higher education for the poor up to undergraduate level. The working group suggested that free education for the poor was feasible, but that it would require substantial amounts of additional funding to implement. It recommended that a policy dialogue be entered into to get agreement and understanding of these terms and to set the parameters before any policy statement could be published. A National Policy Dialogue on student financial aid and the call for fee-free higher education for the poor, involving the DHET, NSFAS, HESA, the South African Students Union (SAUS), the CHE, National Treasury (NT), the Department of Performance Monitoring and Evaluation (DPME) and the University Council of Chairpersons' Forum – South Africa (UCCF-SA), was established and subsequently had three policy dialogues. The policy dialogue was established not as a policy-making body but an ideas generation forum to enable the DHET to formulate policy informed by actual experiences and interest of the various stakeholders. The dialogue had to address the recommendations of the Report of the Working Group on free university education for the poor in South Africa and had its first meeting on 31 March 2015.

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Report	Recommendations made	Status of implementation (if relevant)
		A 12 member Presidential Task Team on short term solutions to address university funding challenges was established shortly after a meeting on the 6 October 2015 between President Jacob Zuma, Minister Blade Nzimande, several ministers and deputy ministers, and representatives from the Universities Council Chairs Forum of South Africa (UCCF-SA) and Universities South Africa (USAF). The task team was given the mandate to develop a short-term plan to mitigate possible student protests and unrest at the start of the 2016 academic year, and to report on possible solutions to the immediate student funding challenges. The Presidential task team made recommendations on various issues pertaining to student financial aid and recommended that a long-term solution be found as a matter of urgency to create sustainable solutions to fund poor and "missing middle" students. A Ministerial Task Team, chaired by Mr Sizwe Nxasana, has been established to develop a comprehensive funding and student support model for poor and "missing middle" students. The Task Team must create a model, which will provide affordable financial support for the "missing middle" students and fully subsidised loans for poor students. The Ministerial Task Team has a mandate to determine and advise on alternative financing and operating models for funding poor and "missing middle" students. The President has simultaneously established a Commission of Inquiry, led by Judge Heher to look into the feasibility of providing fee free higher education and training (for HET and TVET). The Commission has been given 8 months to do its investigation, and a further two months to develop its report. It is expected to provide its report to the President at the end of July 2016. In order to ensure broad consultation and avoid duplication, the Department the policy dialogue was reconstituted as a Reference Group to support the work of the Ministerial Task Team on poor and missing middle students.

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Report	Recommendations made	Status of implementation (if relevant)
	Changes to NSFAS: The NSFAS Act should be amended to comply with the Constitution of South Africa (Act 108 of 1996) and the National Credit Act (NCA) (Act 34 of 2005	Parliament passed the Higher Education Laws Amendment Act 21 of 2011. The Act was published on 14 December 2011 in Government Gazette 34865 and came into immediate effect. The objective was to make changes to the National Student Financial Aid Scheme Act 56 of 1999 to bring it in line with the Constitution. The Amendment Act Repeals section 23 of the NSFAS Act, thereby cancelling any obligation on the part of an employer of a borrower to make deductions from the remuneration of that borrower in repayment of a NSFAS student loan.
	Investigating the introduction of a constitutionally compliant section of the NSFAS Act to enable NSFAS to recover loan repayments directly through the taxation system.	This is a long-term objective. Engagements between the Ministerial Task Team on the Poor and Missing Middle model and SARS was held. SARS has indicated that they are currently in the process of overhauling their systems and that this will be considered within the next five years. . In consultation with the Office of the Accountant General (OAG) NSFAS launched the positive consent project, through which debtors are requested to give permission for deductions for repayments of their student loans. SARS has also been subsequently engaged with the support from National Treasury. The discussions are still ongoing.
	In relation to composition and performance assessment of the NSFAS Board, the Act should be amended to provide for removal of board members by the Minister	Act No. 21 of 2011: Higher Education Laws Amendment Act, 2011 was published on 14 December 2011 in Government Notice No. 34865 so as to empower the Minister to intervene in the case of poor or non- performance or maladministration by the board of the National Student Financial Aid Scheme; to provide for the dissolution of the board, as well as the procedure for such dissolution; to provide for the appointment of an administrator to temporarily take over the management, governance and administration of the board
	Appropriate use should be made in future of the powers in terms of	The work of the Ministerial Task Team on poor and missing middle, the new NSFAS student centred model, will inform the

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	Section 27 of the NSFAS Act, which provides that: “The Minister may make regulations on any matter which may or must be prescribed by regulation in terms of this Act and any matter which is necessary or expedient to prescribe in order to achieve the objects of this Act.”	Review of the NSFAS Act and the regulations.
	The statutory and discretionary subcommittees of the board should be reconstituted so that they are able to perform the fiduciary duties anticipated in the NSFAS Act. In particular, the board executive committee should be strengthened to function as contemplated in the Act, taking on much of the responsibility for ensuring good corporate governance and operational efficiency.	All recommendations related to governance were fully implemented. All Board committees are constituted with approved terms of reference.
	A capacity and skills audit should be commissioned at the earliest opportunity. The audit should assess the capacity of existing NSFAS senior managers and managers to supervise the current NSFAS operations, to manage the transitional arrangements and to oversee implementation of the new policy framework. Recommendations should be made to strengthen capacity.	Skills Audit and Performance Management System implemented. New organisation structure developed and approved
	A range of policies and strategy and operational plans should be urgently	Between 2011 and 2015, NSFAS has developed policies outlined in the Ministerial Review as well as additional policies in terms of

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	developed by the board to provide NSFAS with the direction and operational framework necessary to regularise its activities	the operations of NSFAS.
	The implementation of a Central Applications Process (CAP)	Approval for the development of the online application system for NSFAS was granted in 2012. The system has been piloted with 6 universities and 5 TVET colleges in 2014 and will be fully implemented at 26 universities and 50 TVET colleges in the 2017 academic year.
	The allocation formula to universities, which is based on each institution's self-determined Full Cost of Study (FCS) and the demographic profile of the student population, the so-called Disadvantaged Student Index (DSI) at an institution, should be replaced. The Committee recommends that a class-based model using solely socio-economic criteria, while acknowledging the continuing overlap between race and class in post-apartheid South Africa should replace the race-based model.	These have been given effect in the new NSFAS student centred model where money follows the student.
	The current structure of the means test and the way it is applied by institutions should be revised. A simpler means test, which requires only three pieces of information, should be used to ascertain eligibility for either free education or a student loan with favourable terms and conditions	The financial means test is automated, and linked to other government databases to verify personal, family, income and employment data, including: • NSFAS waives the means test for quintile 1//2/3 learners in the new model and is linked to the social security system to confirm whether the applicants were beneficiaries of a Child Support Grant; • a link to Department of Education's schools' database to

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		establish whether the applicant attended a fee free school or was given school fee exemptions; • a link to Department of Education's EMIS database allowing a speedy confirmation of Grade-12 results, which determine whether a student qualifies for initial financial assistance
	Respective roles and responsibilities of institutional financial aid offices and NSFAS	Continued training has been offered to the financial aid offices and their role redefined as part of the central application system for student financial aid.
	Urgent attention should be paid to accelerating the processing of loan agreements and recalibrating processes in consultation with institutions to ensure closure before the financial year end. In relation to the interest rate on NSFAS loans, the Committee recommends that the rate should remain below the Repurchase Rate, and that simple interest should be charged to a maximum of double the capital amount of the loan, calculated in line with the statutory in duplum rule contained in the NCA. Interest should be charged from the date a student stops studying, and not from 1 April in the year the student first takes the loan, as is presently the case. In addition, the Committee proposes that a credit review committee should	New model ensures closure before year-end. Implemented in pilot phase. The Credit Refund Project implemented in 2011 specifically related to the "*in duplum"* rule. NSFAS achieved compliance with the *in duplum* rule and repaid monies to students who had been charged too much interest in the past. From the 2011 academic year, the loan will only start to attract interest one year after a student exits the university, through either graduating or dropping out. This policy was applied to all previous loans held by a student still studying in 2011. NSFAS has established a Credit Committee as part of the management committees. The Board finance committee maintains oversight over the loans and bursaries processes.

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	be established as a subcommittee of the board and a senior credit manager post should be created to exercise oversight over credit management	
	The NSFAS loan book should be revalued to assess the accuracy of the R10 billion valuation; that an appropriately qualified independent service provider should conduct the revaluation; and that the revaluation should be undertaken timeously to enable the Minister, if necessary, to report any adjustment to Parliament prior to the financial year-end. This revaluation should be based on a reassessment of the validity of all loans currently on NSFAS's books and on the calculation of the interest accruing on these loans.	Following the audit disclaimer of 2010, significant resources were applied to ensure that the correct amortisation of the loan book was computed in 2011. Auditors independently verified the parameters and results of the revised loan book amortisation. An actuarial valuation model to determine 'fair value' for loans in accordance with IAS 39 (GRAP 104) was developed. NSFAS conducted a comprehensive review of the student loan book since inception, in terms of the requirements of IAS 39 and GRAP 104 Financial Instruments Recognition and Measurement. Based on the results of the review, NSFAS changed its accounting policy, which resulted in fair value adjustments on initial recognition of student loan. NSFAS also changed its accounting policy relating to the recognition of interest on student loans to be compliant with the provisions of GRAP Revenue from exchange transactions. Previously, NSFAS had not accrued for interest revenue on student loans in accordance with GRAP 9, but only for interest on student loans where the debtor had initiated repayment.
	The Committee recommends that NSFAS should not blacklist students with credit bureaus and should remove the names of all students currently blacklisted with the TransUnion ITC credit bureau and/or any other credit bureaus. To initiate the process, the Committee recommends the immediate removal of the approximately 5 000 debtors who	This was immediately implemented. However, there are now discussions on how we can protect recoveries without prejudicing debtors.

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	have been blacklisted for predecessor loans, which are up to 18 years old and are probably not legally recoverable.	
	Committee recommends that NSFAS should handle only public funds and should not continue to provide a state-subsidised bursary distribution service to private sector bursary scheme funders	The act provides that NSFAS should also raise funds. Some of the funds might be raised from the private sector resulting in a need to administer private sector bursaries.
	Standard form contracts and service level agreements (SLA) should be used for all future agreements. Designated administration staff should be appointed to each bursary funder; funders' complaints should be dealt with in terms of the SLA or escalated for the attention of the CEO and board executive committee	Memoranda of Agreement have been finalised with funding partners. These includes the reporting requirements and obligations of both parties
	The Review Committee recommends the establishment of the NSFAS head office in close proximity to the DHET headquarters in Pretoria, supported by four regional offices in the Western Cape, Eastern Cape, Free State and KwaZulu-Natal.	The Board advised that the change to new IT and other systems would be more difficult if they were combined with a major relocation to Pretoria and it was decided that this would not be feasible at the time.
	The Review Committee recommends that the board and the DHET should closely monitor and evaluate the measures which	The NSFAS Board initiated a process to closely monitor the utilisation of funds by institutions and put in place a system to re-allocate funds unutilised funds. As a result, no funds remain unutilised. NSFAS maintains sufficient cash flow to enable it to

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	were put in place in 2009 to prevent NSFAS remaining with tens of millions of rands in unspent funds at the end of the financial year in a context where student loan funding is inadequate to meet demand	make upfront payment to universities.
	Given that the board has fiduciary responsibility for substantial amounts of funds, it should ensure that the scheme is fully compliant with the provisions of the King reports, with specific emphasis on the Code of Corporate Practices and Conduct. In this process, due attention should however be paid to the non-commercial nature of NSFAS and the need to appropriately adapt the King recommendations to suit the manner in which NSFAS should operate.	The Auditor General has given NSFAS unqualified audits since 2010. The disclaimer of 2010 focused on the following: a. Student loans: Initial measurement at fair value not performed in accordance with International Accounting Standards No. 39 (IAS 39); b. Revenue from exchange transactions: Interest income on student loans not calculated applying the effective interest method over the term of the loan in accordance with Generally Recognised Accounting Practice No. 9 (GRAP 9); c. Impairment of student loans and provision for doubtful debts not substantiated by management; d. Misstatements in the calculation of interest income and debtor balances.
	The Review Committee recommends that the NSFAS marketing and communication function should be comprehensively restructured	This was done and a new structure approved.
	Weaknesses in all internal financial controls which have been identified in internal and external audits should be immediately addressed, including:	These issues were addressed with the implementation of financial management controls from 2010, the introduction of an integrated loan management system in October 2013, and the implementation of the capacity building and resourcing plan

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	▪ Reviewing all internal financial controls. ▪ Urgently attending to independent reconciliations within the finance function. ▪ Appointing a management accountant. ▪ Putting in place appropriate policies and strategies on the debtor's book. ▪ Setting up a specialised credit management unit. ▪ Establishing an integrated loan management system (LMS) at institutions. Moving the final institutional claims date to the end of October from the current practice of closing claims in February of the following year.	
	The Review Committee recommends that the main source of raising the required funds for student financial aid is through government funding on a sustainable basis for the short, medium and long terms. The concept of the NSFAS project clashes fundamentally with the concept of a for-profit or full-cost-recovery operation, such as a student loan bank. Primary among these is the "hidden subsidy" built	a. The 2010 review report indicated that NSFAS required three times its budget to meet the demand for financial aid from qualifying applicants. Government, through National Treasury, allocated additional funding of R1,6 billion, R2 billion and R2,1 billion towards NSFAS bursaries and loans for students at higher education institutions and bursaries for students at further education and training colleges for the period 2011/12 - 2013/14 and is included in the NSFAS baseline. The Department has consistently submitted request for additional funding for NSFAS to support poor students on a sustainable basis. Although NSFAS has received a steadily increasing budget, it is unable to adequately support financially needy students. The Department has calculated that an additional amount of R4.832 billion would be required

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	into NSFAS through the Repo Rate-linked interest charged on NSFAS loans and the loan-bursary conversion academic performance incentive. These translate into a repayment ratio of slightly over 50 percent. NSFAS was thus conceptualised and is currently structured to recover only half of the funds it disburses. This makes it anathema to any full-cost-recovery or for-profit operation, which must seek to recover more than 100 percent of the funds disbursed.	in the NSFAS 2017/18 baseline, to ensure that 25.5% of undergraduate students enrolled are supported through NSFAS full cost of study loans in 2017. A total additional amount of R17.351 billion would be required over the 2017/18 MTEF. b. NSFAS Board has approved a funding raising strategy in the 2015/16 financial year. The NSFAS strategy for raising new funding for the 2015 academic year and beyond comprises the following key focus areas: 1. Increased funding commitments by existing funders over the MTEF period; NSFAS Banks 2. Consolidation of existing funding for post-school bursaries/loans from national and provincial government departments for administration by NSFAS with the objective of improved efficiency of funding against common agreed criteria (potential to eliminate duplication of effort and resources); 3. Identification of new funders in the public and private sector for students currently eligible in terms of the NSFAS means test; and 4. Identification of new funders to fund students currently not eligible in terms of the NSFAS. c. The Minister did not disapprove the recommendation by the Review Committee for the establishment a student loan bank, and requested the NSFAS Board to investigate a funding product for the missing middle. The proposed funding structure, submitted in July 2015, which has been agreed upon by NSFAS and the Public Investment Corporation (PIC) consists of an advance of a R1 billion debt facility over a period of 10 to 15 years, in the form of a Medium note from the Public Investment Corporation (PIC) covering loans to an estimated 3 300 dependants and NSFAS making available a R333 million once- off equity contribution to be used as a default risk cover in case a parent or student defaults on a

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		loan repayments. The sustainability of the proposed missing middle funding product is dependent on a NSFAS equity contribution, which will be drawn from the recoveries. The NSFAS recoveries are re- injected into the fund to provide new loans to students who are eligible in terms of the NSFAS Means Test. Implementing the missing middle proposed product would be at the expense of deserving poorer students. The risk burden on NSFAS was great as NSFAS is liable for ensuring that the PIC gets the R1 billion it would be investing and return on investment. There is a material risk if the debt collection does not materialise. The default risk level has been calculated at 32%. The model has been found to be inadequate. d. The Presidential Task Team Report in November 2015 supported a process to develop a new funding model that would provide loans for students that do not meet the NSFAS criteria, but who require financial assistance to access higher education. It suggested that the process should be put in place immediately with the view to testing it in the 2017 academic year for full implementation in 2018. e. A Ministerial Task Team, chaired by Mr Sizwe Nxasana, has been established in April 2016 to develop a comprehensive funding and student support model for poor and "missing middle" students. The Task Team must create a model, which will provide affordable financial support for the "missing middle" students and fully subsidised loans for poor students. The blueprint has been refined through engagement with multiple stakeholders including student organisations, government – including Nation Treasury and DHET, the private sector and higher education institutions. The Chairperson will submit the final report to the Minister in the first week of October 2016. The new model is planned for

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		piloting in 2017, with full implementation in 2018 if approved.
	The practice of offering bonded bursaries, which can be repaid through, for example, community or national service in the chosen field of study, should be expanded to the recipients of free higher education. DHET should engage further with the Department of Public Service and Administration on the feasibility of introducing bonded bursaries in departments in all three spheres of government.	Task Team report on introducing a community graduate service
	The Committee recommends that student financial aid should not be linked to priority fields of study at this stage for two main reasons. The first is that all higher education is valuable and beneficial in the development of students' potential and serves the public good. Secondly, the identification of priority skills areas is currently flawed and needs to be revised before a justifiable and sustainable link could be considered.	This is part of the above Task Team Report
	The Committee recommends that it would not be viable to extend state funding of bursaries and loans to students in not-for-profit private HEIs. This is based on the rationale that the state's priority should be funding the public higher education system	The NDP recommended that funding for poor students should be extended to students studying at private higher education institutions. However, given the shortage of funding for students studying at public institutions the rationale will remain.

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2. Report of the Presidential TT on short-term funding challenges at Universities	The Funding shortfall for universities as a result of the zero percent increase has been quantified at R2.33 billion. Universities and Government have agreed that they will share the cost of the shortfall resulting from the zero per cent fee increment. The State will cover 83% and universities will cover 17% of the shortfall.	In response to the campaign for no fee increases in 2016, Government provided R1.9 billion of the R2.3 billion shortfall created by the no fee increase agreement. Government reprioritised an additional R16.2 billion to higher education over the 2016/17 – 2018/19 Medium Term Expenditure Framework (MTEF) period to deal with issues related to the 2016 fee freeze and National Student Financial Aid Scheme (NSFAS) shortfall challenges. This ensured that the fees were kept at 2015 levels in 2016. All universities received their allocation letters for addressing the financial shortfall due to the zero percent increment announced by the President on the 23 October, in the week of 30 November 2015 to 4 December. Fifty percent of government's portion of the shortfall was transferred to institutions in January 2016 and 1 April 2016 respectively.
	Total amount of short term debt relief of R4.582 billion should be be made available by government in the 2016/17 financial year, and if at all possible to be carried through in the baseline NSFAS funding into the 2017/18 MTEF	R2.543 billion in 2016/17 to provide NSFAS loans to assist 71 753 identified students, who qualified for NSFAS funding but were either partially or not funded at all over the past three academic years. R8.04 billion to provide NSFAS loans to support unfunded continuing students and new students in the 2016 academic and onwards, made up of R2.039 billion in 2016/17, R2.991 billion in 2017/18, and R3.013 billion in 2018/19.
	A regulatory framework for managing future university fee structures and increases should be developed and agreed upon through a broad consultative process. This should be applied as part of an integrated planning process built on the current process for negotiated enrolment	The Minister of Higher Education and Training after consultation with Universities South Africa, requested the Council on Higher Education (CHE) to coordinate the development of a regulatory framework for managing future university fee structures and increases across the system. The CHE Task Team (CTT) decided to split the work into two phases. Firstly to consider a short term agreement for the 2017 academic year, since this is the most pressing issue given that universities must set their fees and communicate them to students by September 2016 at the latest.

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	planning implemented by the DHET	The second phase would involve the development of a regulatory framework for managing student fees into the future. Such a regulatory framework would have to take into consideration the importance of finding a balance between affordability and sustainability. The CHE handed over its Phase 1 report to Minister of Higher Education and Training on 11 August 2016.
	A process to develop a new model will be put in place immediately with the view to test it in the 2017 academic year for full implementation in 2018	The DHET Ministerial Task Team was formally established in April 2016 - Sizwe Nxasana as its chair. The Task Team mandate is to develop a comprehensive funding and support model for poor and "missing middle" students to enable poor students to be fully funded and missing middle students to receive affordable loans. The Chairperson will submit the final report to the Minister by the first week in October 2016. The new model is planned for piloting in 2017, with full implementation in 2018 if approved by government.
	Institutions should apply their application rules and Senate discretion to deal with increased enrolment demand. Messages about the processes for application should be communicated unambiguously	The Department issued a communique to all Vice-Chancellors in January 2016 highlighting the number of key messages that should be uniformly communicated to students, parents, media and the public as recommended in the Presidential Task Team report.
	The idea of **Positive listing needs** must be implemented, as this would show service providers wanting to give students credit how much students owe in fees and thus help protect students from being overburdened with debt.	The NSFAS Board has implemented the positive listing needs in 2016.
	A policy decision should be made that all NSFAS qualifying students	This policy decision will form part of the Review of the NSFAS Act and has been incorporated in the new NSFAS student centred

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	should receive funding in terms of the NSFAS means test and all top slicing should be stopped over the medium to long term when sufficient funding to fully support all financially needy students is available.	model.
	Apply the NSFAS means test in full	This policy decision will form part of the Review of the NSFAS Act and has been incorporated in the new NSFAS student centred model.
	The 50% rule should be applied across the board and students should be funded for the full qualification if they meet this criterion plus the academic criteria to proceed.	This policy decision will form part of the Review of the NSFAS Act and has been incorporated in the new NSFAS student centred model
3. Working group for fee free education	The Working Group highlighted that free university education for the poor in South Africa is feasible, but will require significant additional funding of both NSFAS and the university system. Preliminary calculations of the actual cost of introducing free university education for the poor are R930 million for the 2013 cohort of students, R932 million for the 2014 cohort of students, and R980 million for the 2015 cohort of students. All these would be additional to what already is provided by NSFAS, which on its own is not sufficient	
	Free full cost of study for undergraduate university education for the poor in South Africa should be	The NSFAS has held dealt with key recommendations as seen in the progress against Ministerial Review Committee

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	introduced using the current NSFAS structure and procedures as a basis, but refining these over time, and simultaneously ensuring that corporate governance, fund management procedures and loan recovery practices at NSFAS are completely overhauled and rendered above reproach. In effect, NSFAS will be required to implement a number of key recommendations emanating from the Ministerial Review Report (2010).	
	Those initially and primarily eligible for free university education, on the basis of NSFAS income-contingent loans, should be learners holding National Senior Certificates with university exemption and coming from households earning less than the lowest SARS tax bracket, meaning that they will be required to make no household contribution	The NSFAS Financial Means Test aims to establish which the most financially needy students are as well as the amount that a family can be reasonably expected to be contributing to the cost of study. Universities and TVET colleges **MUST** use the NSFAS FMT to determine which students are eligible9 and how much the loan or bursary should be. SARS tax brackets are used.
	In addition, learners holding National Senior Certificates with university exemption and coming from households earning between R54 200 and R271 000 (in 2010 prices) should be eligible for free university education in a similar manner, but should be required to make some household contribution	The parameters are one of the policy decisions that are currently being considered and will flow from the work of the various committees and commissions.
	As and when the assumptions	See above

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	underpinning the calculations in this report of how free university education for the poor can be costed, or when additional funding can be sourced or provided, additional categories of needy children may be progressively included	
	Eligibility should be determined on the basis of duly refined and properly administered NSFAS means tests	NSFAS has refined the FMT in the new model. Students from Quintile 1 to 3 schools are waived from the FMT.
	The policy dialogue model as utilised in this report should be considered as the starting point for developing a fully-fledged costing model both for free university education for the poor and, ultimately, for a comprehensive student financial aid and academic support system which takes into account adequate housing, proper nutrition, cultural inclusion, and enhanced awareness through career and vocational guidance at school level	Hard policy decisions have to be made in order to extend the scheme to cover all qualifying students. Issues such as the definition of the poverty threshold (poverty is a relative concept); what should be covered (full cost of study or only tuition and books); the amount of the loan that should be converted to a bursary; the interest rate to be charged once the student has completed; the % of monthly income that should be paid back into the scheme once the graduate is successfully employed; as well as the definition of academic progress. Depending on how these parameters are set, the scheme would support more or less students. A policy dialogue was established but was replaced as a Reference Group to the DHET Ministerial Task Team on poor and missing middle model.

Annexure B

OLD NSFAS	IMPROVED NSFAS
Before 1 April 2011, NSFAS charged interest at 80% of the repo rate on all loans from 1 April of the year in which the loan was issued, including while the student was studying. This has resulted in students leaving university with a debt that has accrued interest throughout their studies.	NSFAS will not start charging interest on student loans until 12 months after a student has graduated or left university. This will apply to all the NSFAS loans for any student who was registered from 1 April 2011, and for any future students who register and apply for NSFAS loan funding
Up to 40% of the loan may be converted into a bursary dependent on the student's year-end results.	Up to 40% for all years except the final year is converted to a bursary; in the final year, 100% is converted to a bursary if the student completes all their credits to graduate. Government gave effect to the Polokwane resolution by introducing, in 2011, the conversion of the NSFAS loan to a full bursary for university students who successfully complete their final year of an undergraduate qualification and graduates.
Students were required to pay registration fees	Students who qualify and receive NSFAS funding are not required to pay registration fees at universities. Upfront payments were done in January to all institutions in 2016.

OLD NSFAS	IMPROVED NSFAS
If a student successfully completed their qualification in minimum time, then 40% of the full loan due to NSFAS is effectively converted into a bursary and will not have to be repaid.	If a student is successful and completes in minimum time, then up to 60% of the full loan due to NSFAS is effectively converted into a bursary and will not have to be repaid.
Insufficient funding to support "missing middle" students	A Ministerial Task Team, chaired by Mr Sizwe Nxasana, has been established in April 2016 to develop a comprehensive funding and student support model for poor and "missing middle" students by looking at raising funding from public and private sectors to be piloted in 2017 and rolled out in 2018.
NSFAS, over the last few years, had been inefficient because its systems were outdated. Students did not know their status before registration and had to apply each year.	A new student-centred model was introduced in 2013 and implemented in 2014 with 11 institutions. In 2017, it will be rolled out to all institutions. Under this model, allocations would be managed by NSFAS. Students will know their funding status before registration and would apply only once for a course of study.
All applicants subjected to NSFAS Means Test.	Quintile 1 to 3 learners waived from NSFAS Means Test.

OLD NSFAS	IMPROVED NSFAS
The practice of top slicing results in financially needy students obtaining partial loans which do not cover all necessary fees, including boarding, lodging and books, resulting in debt.	The NDP sets the target for 2030 that all students who qualify for NSFAS should have access to Full Cost of Study (FCS) funding through loans and bursaries. FCS includes tuition, accommodation, food and books. One of the principles of the NSFAS student-centred model implemented in October 2013 and being fully implemented to all 26 universities and 50 TVET colleges is to provide the full cost of study as determined by the NSFAS Means Test.