



# **COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND TRAINING**

**SET 4 OF THE HEARINGS OF THE FEES COMMISSION**

14 November - 25 November 2016

*“FUNDING OF HIGHER EDUCATION AND TRAINING STUDENTS”*

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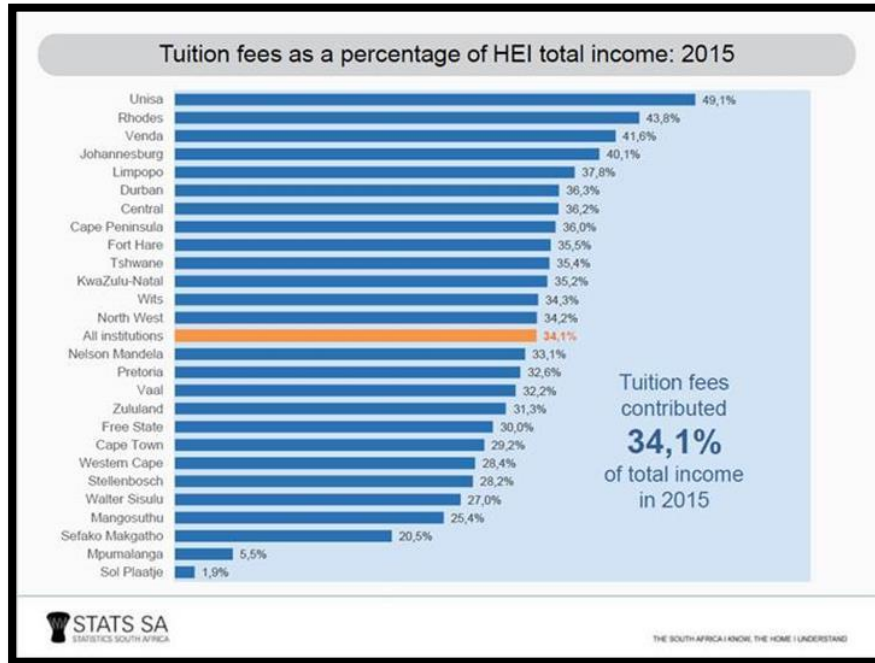
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## Executive summary

Unisa is heavily dependent on fees and NSFAS funding for sustainability. Unisa is not in a position to compensate for the loss of income in the wake of #FeesMustFall through third stream income such as donations or corporate funding. Government support is vital to the institutions viability.



**Figure 1: Unisa Tuition Fee Dependency in relation to other HEIs**

- Unisa is more highly dependent on fee income than other South African Higher Education Institutions (see Figure 1 & Table 1)
- Unisa does not generate as much 3<sup>rd</sup> stream income (e.g. patents, receiving donations, corporate support) as other South African HEIs
- NSFAS funding does not cover Unisa students to the extent that it supports the contact institutions.

**Table 1: Unisa Funding Dependency**

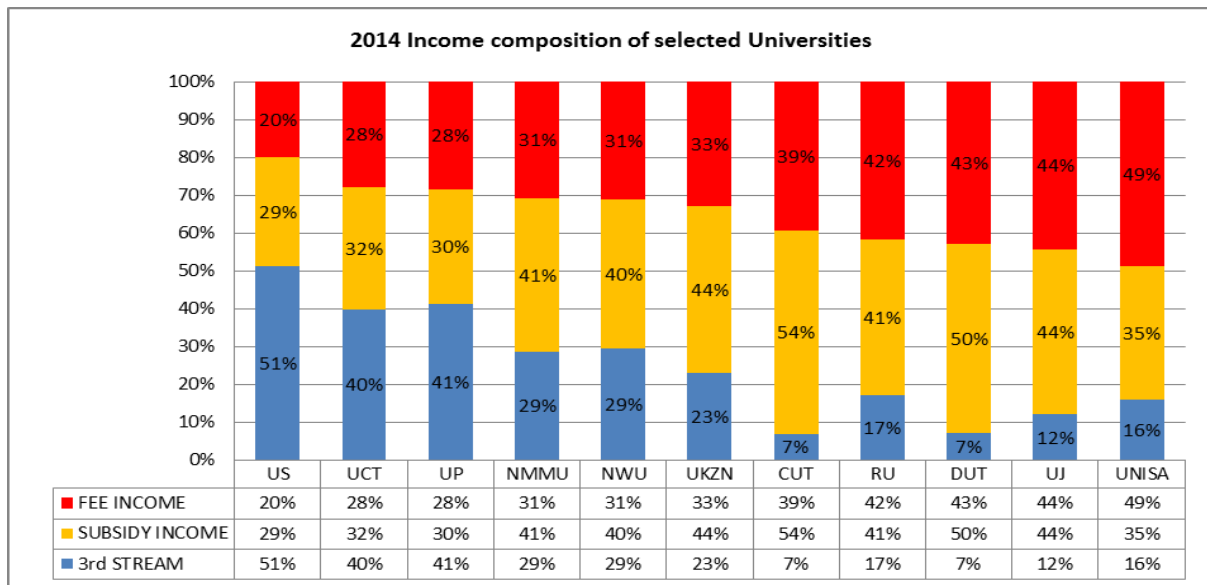
Source of Funding	Contribution
Student Fees	+/- 50%
Government Block Grant	+/- 35%
3 <sup>rd</sup> Stream Income Generation	+/- 15%

# 1 Introduction

The objective of Set 4 of the hearing of the fees commission is to provide information regarding funding for students at the University of South Africa. The report provides the holistic context within which Unisa positions itself. Unisa’s context, as a dedicated Open Distance and Learning Institution, differs substantially from other contact Higher Education Institutions (HEIs) in South Africa. The Unisa environment is complex and a much broader, larger and diverse stakeholder community is serviced than in the case of other South African HEIs. For instance, in 2016 Unisa’s enrolments entail 303 945 students, across the country and internationally.

There is consensus that the cost of higher education in South Africa is definitely a barrier to entry for many. A balance must be sought between improved access and ensuring the continued existence of the institution. The needs of future generations, interests and priorities of the country and the needs of the current generation of students must all be considered and weighed.

October 2015 saw the start of student protests, later referred to as the #feesmustfall campaign. The campaign resulted in the Presidency announcing no increase in fees for the year 2016/17. This has subsequently cut the anticipated fee income for higher learning institutions. In Unisa’s case, the no-fee increase amounted to a shortfall of R 289 million. While government has provided additional support to Unisa of R 202, 3 million, this still leaves a shortfall of R 86, 7 million. An analysis of some HEI income structures (based on audited 2014 data) provided in Figure 2 below, reveal the potential risk faced by institutions arising from their heavy reliance on fee income (particularly in the case of Unisa).



**Figure 2: Income composition of selected universities**

## 2 Major local student funding sources

The following sections explore the major local funding schemes for Unisa. Table 2 compares the external funding schemes of NSFAS, Eduloan and Private Bursaries, as well as funding augmentation by Unisa. These represent a major component of Unisa student funding. (See Table 2 below)

**Table 2: Overall comparison of Unisa funding schemes**

Dimension	NSFAS	Fundi Capital (Eduloan)	Private bursaries	UNISA
Nature	Loans & Bursaries	100% Loan	100% bursary	<b>Supplementary Funding</b>
Accessibility	Online application	Online application	Application downloaded	
Effectiveness	Insufficient funds to assist all applicants	Insufficient data	Insufficient funds to assist all applicants	

### 2.1 NSFAS

The National Student Financial Aid Scheme (NSFAS) has offered loans and bursaries to students since 1999. Since 2014, NSFAS administers a centralised online financial aid hub which manages 25 different funds. (Department of Higher Education and Training, 2010; NSFAS, 2016a; Research and Policy, 2016). The NSFAS viability is maintained through funders and loan repayments of former NSFAS students (Makou et al., 2016; NSFAS, 2016a & 2016). NSFAS is extending its reach, in particular to address the needs of the *Missing Middle* -- students with an annual family income of up to R600 000 per annum. (DHET, 2016; IOL, 2016).

A student loan from NSFAS covers tuition fees, residence or private accommodation, food, books and travel costs. This loan must be repaid to NSFAS when the student completes study and finds employment. If the student excels academically, up to 40% of a NSFAS study loan may be converted into a bursary. Since January 2014, students who qualify can get vouchers through the NSFAS sBux system to use for food, accommodation and travel.

**Table 3: Overall NSFAS allocation statistics 2015/2016**

	2015	2016
New grants for student loans and bursaries	8 765 174 000	9 394 614 000
Student loan recovery and interest injected	445 607 265	517 444 715
Total loans and bursaries awarded before bursary conversion	8 962 470 233	9 289 748 451
Operational expenses	(168 972 000)	(176 068 000)
Administration expenses to awards ratio (%)	1.89	1.90
University bursaries**	4 157 238 000	4 352 950 000
TVET Colleges 100% bursaries	1 959 466 000	2 067 044 435
Percentage of courses passed	85.68%	84%

(NSFAS, 2016b, p. 86)

In the 2016 academic year, only 12 576 Unisa students benefited from NSFAS funding, which represents a very small proportion of the overall Unisa enrolment. Table 4 shows an increase of NSFAS funding by R40 526 730 between 2012 (R135, 570,060) and 2013 (R176, 096,790). However, it decreased to R116 562 071 in 2015. Table 5 relates to NSFAS bursary awards specifically.

**Table 4: Total NSFAS awards at Unisa, 2012-2016**

	2012	2013	2014	2015	2016
<b>Applications</b>	63 151	93 844	Pilot	Pilot	Pilot
<b>Students awarded</b>	19 257	23 019	16 873	15 517	12 576
<b>Qualifying unfunded students</b>	9 375	17 912	Pilot	Pilot	Pilot
<b>Amount allocated by NSFAS</b>	R135 570 060	R176 096 790	R119 338 815	R116 562 071	R128 028 443

**Table 5: NSFAS Bursaries 2012 - 2016**

	2012	2013	2014	2015	2016
<b>Applications</b>	NSFAS Data	NSFAS Data	NSFAS Data	NSFAS Data	NSFAS Data
<b>Students awarded</b>	5 826	5 752	6 670	6 687	4 557
<b>Amount allocated by Donors</b>	R58 765 548	R69 380 172	R47 067 156	R70 214 275	R48 030 622

### 2.1.1 NSFAS student experience

In 2016, the DHET announced R14.6 billion for 2016/7 NSFAS funding. In part, the funding will be earmarked for about 70 000 of students who have been identified as not being, or only partially, funded during the period (2013 to 2015) (Makou et al., 2016). Loan repayment recovery is only 35%. Recovery starts 12 months after completion of studies and rises to 8% when pay reaches R59 300 or more per year, with interest capped at 8% per annum. Final Year Programme loans are converted to a 100% bursary if the student meets the academic requirements for graduation. Certain funding categories provide 100% bursaries for university students.(NSFAS, 2016a, 2016b).

While many students qualify for NSFAS funding, all are not catered for. Moreover, the application cycle and application and registration cycle at Unisa are not aligned. This means that there is a delay before funds from NSFAS are available.

The *Missing Middle* has also become a focus for NSFAS funding. There needs to be a clear position about how this constituency will be identified. Currently, the definition of a R600 000 threshold is open to abuse, so a more systematic and systemic approach would be needed. For purposes of uniformity and consistency, it is recommended that the DHET should draw up Guidelines, for the *Missing Middle*. This way of doing things will ensure that Universities apply the same principles across the board.

## 2.2 Fundi Capital (Eduloan)

Fundi Capital provides loans to students who are unable to fund their own studies and are able to commence repayment of the loan from the first month that it is awarded. The 100% loans can cover tuition, textbooks and electronic devices. Applications are made online, or in person, at the Fundi Capital offices. Insufficient data are available to assess whether Fundi Capital is able to assist all students who apply for loans through their platforms.

**Table 6: Fundi Capital 2012 - 2016**

	2012	2013	2014	2015	2016
<b>Applications</b>	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor
<b>Students awarded</b>	Unknown, administered by Fundi Capital	Unknown, administered by Fundi Capital	Unknown, administered by Fundi Capital	10 817	8 874
<b>Amount allocated by Donors</b>	Unknown, administered by Fundi Capital	Unknown, administered by Fundi Capital	Unknown, administered by Fundi Capital	R62 733 981	R55 649 852

## 2.3 Private Bursaries

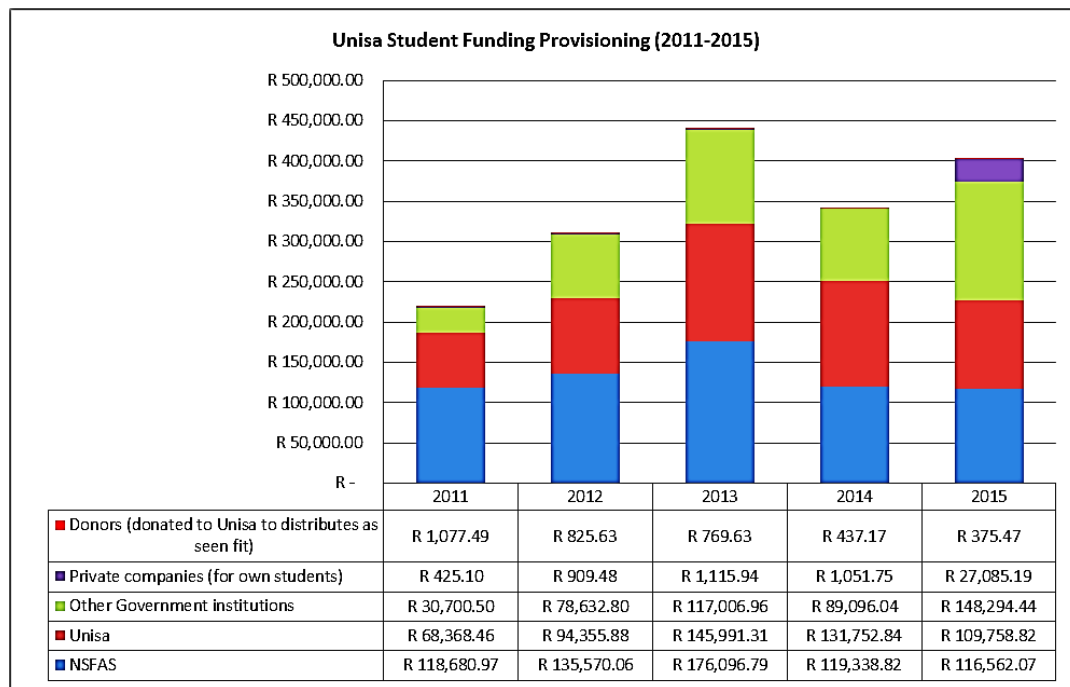
Full bursaries are awarded to students who meet donor criteria. Bursaries can cover tuition, textbooks and/or electronic devices. Students apply directly to the donors or to Unisa. Application forms can be downloaded from the Unisa webpage or collected at Unisa campuses. . Selection is made at the point of application. Donors are invoiced based on student registration and payment is made by donors. Where possible, funds are fully utilised, but due to the large number of Unisa students, funds received are not sufficient to cover all financially needy students.

**Table 7: Private Bursaries 2012 - 2016**

	2012	2013	2014	2015	2016
<b>Applications</b>	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor	No. of students unknown as can apply directly to donor
<b>Students awarded</b>	3 088	4 071	4 148	10 964	5 336
<b>Amount allocated by Donors</b>	R21 602 355	R49 512 361	R43 517 801	R105 540 820	R93 234 275

**2.4 Supplementary/Augmented funding by Unisa**

While Unisa appreciates the contribution of NSFAS to our students, it is entirely insufficient. The timing cycle of the funding process and the applications and registration periods of Unisa also do not match, creating complexities. It is of concern that many NSFAS loan repayments are outstanding, as this is a major component of the Fund’s viability. Unisa continues to supplement NSFAS assistance to students (see Figure 3 below), along with a growing number of private companies sponsoring their own students.



**Figure 3: Unisa student funding (2011-2015)**



**Table 8: Unisa funded awards, 2012-2016**

	2012	2013	2014	2015	2016
<b>Applications</b>	NSFAS data	93 844	Pilot	Pilot	Pilot
<b>Students awarded</b>	29 616	21 597	15 620	12 769	5 699
<b>Amount allocated by NSFAS</b>	R94 355 877	R145 991 308	R131 752 842	R101 758 818	R117 217 482

### 3 Foreign Aid and external collaborations

Foreign aid and external collaborations do not represent a major portion of student funding. The most prominent of these are the Ethiopian collaboration and NRF funding of postgraduate students.

#### 3.1 Ethiopian Collaboration

The University has had a collaborative relationship with the Ethiopian Ministry of Education since in 2008 and it provides in-kind additional academic support to the Ethiopian Master’s and Doctoral students. The students are predominantly government employees and the support is intended to ensure completion of studies so that the incumbents can provide improved delivery of public services in Ethiopia. The Ethiopian government is responsible for tuition and other fees. Table 10 shows the headcount of Ethiopian students by qualification with the majority being doctoral students.

**Table 9: Overall Funding by Ethiopian government for Ethiopian students (Head Count)**

Degree Level	Academic Year		
	2014	2015	2016
<b>Doctorate</b>	478	488	490
<b>Masters</b>	185	140	125
<b>Honours</b>	18	6	2
<b>Under Graduate</b>	86	69	45
<b>Total</b>	767	703	662

#### 3.2 National Research Foundation (NRF) Funding

Funding from the NRF provides both a direct or indirect source of financial support for postgraduate students. Postgraduates may access funds *directly* through various bursaries and grants which are advertised and comprise the competitive route to fund access; these are known as Freestanding Scholarships and Fellowships. Postgraduate students may also gain access through the *indirect* incentives route. This may be accessed through Grantholder-linked Scholarships and Fellowships, where NRF- rated academics allocate portions of their NRF funding to the postgraduate students.

Alternatively, postgraduates may gain indirect access to NRF funds through Block Grants, which are awarded to the institution that nominates the student or fellow for the grant based on a set of selection criteria provided by the NRF. (See Table 7)

**Table 10: NRF Funding Schemes**

	Honours		Masters		Doctoral	
	Students	Amount	Students	Amount	Students	Amount
Freestanding Scholarship & Fellowship	0	R 0	44	R 3 660 000	62	R 6 394 446
Block Grants	36	R 1 640 000	10	R 470 000	1	R 110 000
Grantholder-linked Scholarships	2	R 40 000	26	R 1 025 000	18	R 1 452 000
<b>TOTAL</b>	<b>38</b>	<b>R 1 680 000</b>	<b>80</b>	<b>R 5 155 000</b>	<b>81</b>	<b>R 7 956 446</b>

#### 4 Conclusion

This report provides relevant information and context on the funding of Higher Education and Training students as required in submissions for SET 4. In South Africa, Unisa is the HEI which is most dependent on student fees. While Unisa does not have the lowest third-stream income, it is not nearly sufficient to compensate for the loss of income in the wake of #FeesMustFall, even in combination with donations or corporate funding. Government Block funding is thus essential to ensure the sustainability of the University.

#### **Recommendations:**

- Additional government support to HEIs highly dependent on this support for sustainability, specifically Unisa.
- Stakeholder input and the drafting and formulation of a sustainable Policy on Free Education.
- Open discussion, prior to implementation, of the recommendations still to be released by the Presidential Commission on Free Education, in order to consider South Africa's fiscal position.
- Universities, as is currently the case, be allowed to determine the content, context and quality of their education in order to respond to calls for Decoloniality and Africanisation.
- In all of the above, the DHET should take the advice of the Council on Higher Education (CHE).

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