HIGHER EDUCATION SOUTH AFRICA (HESA): COMMENTS ON THE RECOMMENDATIONS OF THE NSFAS REVIEW REPORT

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1. INTRODUCTION

In 2009 the Minister of Higher Education and Training established a NSFAS Review Committee with the purpose of reviewing the goals, policies, processes and procedures of NSFAS. The DHET published the Review Committee's Report towards the end of March 2010 and called for comments on the Report's recommendations from interested structures and parties. This document represents HESA's official response to these recommendations and represents a synthesis and integration of individual university responses obtained by HESA.

HESA wishes to congratulate the Minister on his foresight and decisiveness in launching this very necessary review of NSFAS as well as to commend the Review Committee for a thorough Report and the generally constructive findings and recommendations made therein. HESA is of the view that the recommendations in the Report are generally well thought through, and although some are problematic to HESA and may require more analysis and investigation, on the whole the Report represents a significant step forward in improving financial aid opportunities for HE students and in improving the management and administration of financial aid.

This response of HESA to the various recommendations in the Review Committee's Report should be read together with its original submission on the terms of reference of the Review Committee which was submitted in mid 2009 entitled: Input for the review of the National Student Financial Aid Scheme (NSFAS). The response is attached for ease of reference.

Some general comments are made first and thereafter comments on the various recommendations are presented seriatim.

2. GENERAL COMMENTS

2.1 HESA wishes to emphasise the precarious financial position in which South African universities find themselves against the background of a real decrease over the past decade or more in the proportion of total income made up by Government subsidies. This is highlighted in Chapter 7 of the Review Committee's Report when it states: ' Higher education expenditure is declining alarmingly in both real and student per capita terms. It is also declining as a percentage of the Government's budget and of GDP' (p91). HESA acknowledges that this decline in Government subsidies has put pressure on the other two sources of income available to universities viz tuition fee income and 3rd stream income (typically research grants, contract income, donations etc). While universities have been able to increase levels of 3rd stream income to some degree these increases by no means compensated for declines in Government subsidies, leaving universities in increasingly worsening financial positions.

While universities fully support the access goals set by the Minister, HESA wishes to emphasise that any expansion in student numbers in the higher education system, which is not matched by an increase in Government funding in a manner which, at the very least, retains present levels of total income, could jeopardise existing quality levels in higher education which would not be in anybody's interest- least of all for students. Any elasticity in university budgets to absorb any additional funding decreases has been fully exhausted and such cuts could lead to irreparable harm to our university system with consequences for the delivery of suitable high level person power required for sustained economic growth and development.

In this regard HESA fully supports the findings listed in Chapter 7 of the Report as: ' If Government objectives to increase access to higher education for the socio-economically disadvantaged are to be achieved, it is clear that higher education funding will have to be increased substantially'; and ' Unless adequate funding is provided by the State, access to higher education cannot be increase' (p91).

HESA would thus find it unacceptable if any of the measures foreseen in the Review Committee's Report ultimately resulted in universities having to absorb costs beyond those which they are already absorbing without the provision of additional Government subsidies.

2.2 Against this background the interchanging use of the concepts of 'free higher education' and 'fully subsidised higher education' could be confusing. Higher education is not free in the sense of having no cost attached to its provision. Its provision costs a substantial amount in people and physical resources. If students do not pay for their higher education it simply means that other persons in society must do so or pay more than they are already doing. In addition the concept 'free higher education', does not say anything about who would absorb the costs of such free higher education.

The concept of 'fully subsided higher education', on the other hand, makes it clear that higher education as a valued public good should be subsidised by the general public and at least implies, that universities could be recipients of higher levels of institutional subsidy to make up for any potential loss of current tuition fee income resulting from the introduction of such 'fully subsidised higher education'. HESA would prefer a move away from the terminology of 'free higher education' and suggests that any references to this concept in the Report should be interpreted as meaning fully subsidised higher education.

2.3 While HESA agrees with many of the findings listed in the Report, many of the proposals of the Review Committee for dealing with the various issues which confronted them, are stated in terms of principles only- for example, very little is said about the measures on which the progressive implementation of fully subsidised undergraduate education to students from poor and working class communities is to be based, or on the impact of the suggestion that NSFAS should provide income contingent loans to students who are dependents of public sector employees who belong to the Government Employees Pension Fund (GEPF) which would be funded by the Public Investment Corporation, presumably from returns earned by the PIC on its investments on behalf of GEPF funds, on the pension levels of existing and future pensioners. The absence of indications regarding the underlying assumptions on which implementation measures would be based does make it difficult to comment in any measure of detail on the various recommendations.

2.4 A further complicating factor in both the Review Committee's Report as well as in formulating HESA's response is that the Report treats the South African higher education system as homogeneous, which it is not. Our higher education system is differentiated in terms of a number of dimensions such as socio-economic backgrounds of students, institutional size, geographical location, proportion of undergraduate and post graduate students, knowledge domains in which programmes are offered (such as Science, Engineering and Technology, Health Sciences, Social Sciences etc), mode of educational delivery (contact and distance), research emphasis, 3rd stream income levels etc. This fact has been formally acknowledged and recognised in the recent Ministerial Summit of HE

Stakeholders which gave rise to the following declaration in respect of institutional differentiation:

' A working group should be urgently convened to take forward the framework for institutional differentiation developed in the summit and develop recommendations in consultation with the sector'

A greater recognition of the undeniable reality of significant levels of institutional differentiation in the Review Committee's recommendations would have been in concert with the realities which our universities have to cope with on a daily basis.

Many of these differences imply fundamental differences in the cost structures of universities - this reality is at least partially recognised by the provisions of the existing funding framework. These differences also lead to differences in the income levels for institutions arising from Government subsidies, tuition fee income and 3rd stream income. In not recognising these fundamental institutional differences it is possible to interpret the Review Committee's recommendations as constituting an over simplification of very complex differing realities faced by universities on a daily basis.

Against this background it would be inconceivable to think one could arrive at a single overall and inclusive set of HESA comments which would reconcile the various positions of universities on the recommendations of the Review Committee. Some fundamental differences, for example, occur in the responses of those institutions which run very expensive programmes in, say the Health Sciences, and those which do not.

In HESA's view the absence of any recognition of institutional differences in our HE system in the Review Committee's Report is unfortunate and probably makes some of the recommendations untenable.

3. SPECIFIC COMMENTS

This section covers comments from HESA on the specific recommendations listed in Chapter 10 of the Report. In each case the various recommendations from the Report are followed by comments.

A set of specific proposals on a way forward concerning three major issues being: Using a single average FCS value (and the proposed regulations involving this single value), the establishment of a Central Applications Office, and Fully subsidised education for students from poor and working class communities, are presented in Section 4.

Recommendation 10.1 New higher and further education student financial aid models

a. The Review Committee firstly recommends the adoption of the new models for financing higher and further education explained in Parts 3 and 4 of this report.

Comments:

HESA in general supports the principle of distinguishing clearly between two NSFAS financial aid models: one for HE and one for FET colleges and also supports a greater measure of distinguishing between the various categories of students in terms of related family incomes as set out in the three components of the Review Committee's Report.

Component 1: Fully subsidised education for poor students and students from working class communities.

This recommendation is supported by the majority of universities but reservations have been raised about the ways in which students in these categories will be identified. Some universities are experiencing serious problems with the deliberate falsification of information provided by prospective students for NSFAS purposes and wish to see a lesser dependence on this type of information and a greater dependence on sources of information that can be verified more easily.

Others have pointed out that fully subsidising students without linking such subsidisation to academic performance removes a very strong incentive to complete HE studies in the prescribed periods of time - an issue which countries having fully subsidised HE studies for students are grappling with in view of unacceptable burdens being placed by students who 'study for life' on their HE budgets.

Universities have argued that the introduction of fully subsidised education will in all likelihood lead to an increase in the deliberate falsification of information on income and earning levels of parents/ families of students applying for NSFAS support. This matter is covered later in more detail.

Some universities have, however, raised principled objections to this recommendation. This objection is based on the fact that the Review Report does not take into account that such poor and working class students, in fact, are only experiencing a temporary cash flow problem which will be alleviated once they have graduated and start earning, and that it also does not distinguish between private and public benefits arising from HE study.

It is accepted that usually HE graduates can hope to earn up to 3 or 4 times that which non-HE graduates can earn. Depending on the field of study, such as Medicine, Accounting, Law etc, the level of earnings of graduates can be much higher than this compared to the level of earnings of non-graduates. On the average, these higher earning levels apply to all students regardless of their socio-economic background as students.

The underlying assumption that that economically active students (once they have graduated) who were funded through Component 1 would somehow enjoy lower earning levels than say those who were funded through Component 3 is flawed.

According to these views, this temporary cash flow problem, as well as the fact that once a NSFAS student has graduated and becomes economically active, his/her earning levels are not determined on the basis of under which component they were funded is best accommodated through income-contingent loans of which, depending on academic achievement, a large portion could be converted into bursaries (see also par 4 and 6.5 of HESA's original submission to the Review Committee).

From those who support the notion of fully subsidised education as set out in the Report, some have argued that some form of re-payment by the beneficiaries of such education is necessary even if it were to be 'in kind' - this could, for example, take the form of compulsory service for Government in an appropriate department for a few years. If such a student were to opt out of this work arrangement he/she should be required to pay back the proportion of any funds owing to NSFAS.

Component 2: Income contingent loan scheme for dependents of public sector employees earning salaries up to a maximum of R300 000 per annum.

HESA supports the intentions to be achieved through this recommendation as it would assist in providing access to HE for students of which some at present may not be able to enter HE as many of these students would form part of the present so-called middle group as identified by the Review Committee and also in HESA's original submission (see par 6.4).

HESA however has some reservations on the proposed funding of these loans through the PIC. Although not stated clearly the assumption is that this scheme would be funded from investment income on the Government Employees Pension Fund as it would hardly make sense to fund this scheme from other funds under the control of the PIC. Investment activities of the PIC are aimed at advancing the best interests of the GEPF which means the best interests of its members - future as well as existing pensioners. These income yields are normally used to adjust pension allocations in an attempt to keep up with inflation.

Unless allowed to decide otherwise by the GEPF constitution, the GEPF Board of Trustees must decide on the utilisation of any investment income generated by the PIC on their behalf and not the PIC. But even if the PIC and the GEPF Board of Trustees were to agree to this proposal, which is debatable, the GEPF and its members would probably be at the losing end of such a scheme as some of the loans will not be recovered and would have to be written off and the portion of the loans converted to bursaries, would in any event not be able to be recovered. In addition it is difficult to justify why existing pensioners may have to forego some of their pension adjustments for the sake of the dependents of future pensioners.

In summary: While fully supporting the aims envisaged through Component 2, HESA is not convinced that the funding mechanism proposed is feasible. If this is so, additional funding would thus have to be obtained for this purpose- probably from Government itself through increased NSFAS funding.

Component 3: Income contingent loan scheme funded by the state or other agency for students from lower middle income families.

Despite the lack of detail in the Review Committee's Report on this proposal, HESA supports this recommendation.

b. In brief, the Committee recommends 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.

Comments:

While most universities support this recommendation, which to some degree has already been discussed in the comments regarding Component 1 above, a few universities are strongly opposed to this on the grounds listed earlier. In addition they feel that there are some other reasons why such a step is undesirable:

i) Given South Africa's very poor study completion rates, an efficiency and performance incentive for students to complete their studies as quickly as possible, should remain- one such incentive is that of repayable loans;

ii) Depending on the definitions to be used to circumscribe 'poor' and 'working class' some students may actually be able to contribute to the costs of their study, but would be subsidised by the State adding an unnecessary cost to the funding of the HE system;

iii) Graduates who have benefited from their higher education in the form of higher levels of earning should not be exempted from bearing some of the cost of their study after they have secured employment as this contribution in turn supports others in need of financial aid; and

iv) Although the amounts in question may not be not large, providing fully subsidised higher education to students could deprive universities of some income which is often used to cross-subsidise other poor students.
Loans to students from middle-income families should provide for a portion of these loans to be translated into bursaries depending on satisfactory academic achievement.

c. In addition, the Committee recommends 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.'

Comments:

Although the activities of the FET college sector largely fall outside HESA 's domain, HESA supports the extension of NSFAS support in the form of fully subsidised bursaries for all National Certificate (Vocational) (NCV) students at FET colleges in view of the critical shortage of skills at the levels catered for by these colleges, subject to the following provisos:

- That such an extension of NSFAS support would not impact negatively on the NSFAS funding amounts available to universities for higher education students; and
- That such bursaries should be supported by incentives, for example, in the form of bursaries reverting to loans for academically non-performing students.

Recommendation 10.2 Policy development

a. The Review Committee recommends that a comprehensive policy framework should be developed to articulate the detail of the national policy imperative of providing free higher and further education.

Comments:

Those universities in support of the recommendations referring to Component 1, support this recommendation while other universities feel that the development of such a policy framework should address their principled reservations about the justification of such an approach as outlined earlier.

Such a policy framework would do much to supply some of the detail lacking from the Review Committee's proposals but HESA wishes to point out again that it would be preferable to establish the terminology 'fully subsidised education' in such policy considerations and not that of 'free education'.

Recommendation 10.3 Changes to NSFAS

a. This sub-section sets out the recommendations flowing from the Committee's findings on the current operations and activities of NSFAS. They are broadly directed at rectifying shortcomings identified by the review and at aligning NSFAS's practices and performance with national higher and further education policies.

10.3.1 Legislation

a. The Committee recommends that 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).

Comments:

HESA strongly supports this recommendation and furthermore hopes that it can be done as speedily as possible.

b. In particular, Section 23 should be repealed from the NSFAS Act as it forces employers to collect student loan repayments from employees' salaries and pay these directly to NSFAS without the permission of the employee. The Committee concurs with the opinion provided to NSFAS by its Senior Counsel (and subsequently supported by the National Credit Regulator) that Section 23 of the Act offends against Section 34 of the Constitution, which guarantees the right of access to the courts. Counsel's advice was that the Constitutional Court would be likely to strike down this section of the NSFAS Act if it were to be considered by the Court. Counsel also advised that this offence against Section 34 is incapable of being justified in terms of Section 36 of the Constitution, which deals with the limitation of rights.

Comments:

As is the case with the previous recommendation in par a) above, HESA fully supports this particular recommendation.

c. In the meantime, the Minister and the Department should on constitutional, legal and moral grounds, instruct NSFAS to immediately stop all loan recoveries in terms of Section 23 and to refrain from using the provisions of Section 23 in its debt recovery practices. The Committee found that borrowers against whom Section 23 is used constitute a relatively small minority of 10 percent from whom NSFAS is currently recovering loans. The majority of those repaying do so voluntarily.

Comments:

In line with its support for the recommendations in par a) and b) above, HESA in general supports this recommendation but wishes to express its concern about the effect of such a step on NSFAS' recovery of outstanding loans. Although the Review Committee's Report mentions that this step would only affect a small number of present NSFAS loan holders, the acute need for financial aid for HE students implies that every possible avenue of sustaining NSFAS resources must be utilised. Everything possible must thus be done to ensure that loans are re-paid promptly and consistently.

d. The Committee further recommends investigating the introduction of a constitutionally compliant section of the NSFAS Act to enable NSFAS to recover loan repayments directly through the taxation system. In this regard, attention is drawn to Section 10.3.4.7f of the recommendations.

Comments:

HESA supports this recommendation.

e. 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. The

NSFAS Act currently provides no mechanisms for removal of board members, even in cases in which there are compelling grounds, such as non-performance.

Comments:

HESA supports this recommendation and hopes that the NSFAS Act can be amended as soon as possible in order to give effect to this recommendation.

10.3.1.1 Regulations

a. The Review Committee recommends that appropriate use should be made in future of the powers in terms of 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."

Comments:

Obviously HESA supports this recommendation but wishes to emphasise that any such regulations should have as their primary aim, advancing the aims of NSFAS and not seek to address other non-NSFAS issues in HE. The proposals concerning specific regulations regarding average FCS values and minimum numbers of students from poor and working class communities are covered in more detail later.

b. To date very little use has been made of this provision with the consequence that matters which should be regulated in terms of the NSFAS legislation have not been codified and have been left to convention and practice. The regulations should be gazetted at the earliest opportunity in respect of the following NSFAS activities and operations:

- **Regulating the relationship between NSFAS and HEIs, setting out clearly the rights and responsibilities of each party.**
- **Regulating the content and application of the means test.**
- **Regulating the interest rate and the formula for charging interest.**
- **Regulating the average Full Cost of Study (FCS).**
- **Regulating the minimum provision to be made by universities for residence, travel, books and meals for students who receive financial aid.**
- **Regulating the relationship between NSFAS and the institutional financial aid offices (FAOs), setting out clearly the rights and responsibilities of each party.**
- **Regulating the minimum threshold above which borrowers are required to begin repaying NSFAS loans to align with the minimum personal taxation threshold set from time to time by the National Treasury.**

Comments:

While HESA supports the use of regulations in terms of the NSFAS Act, to advance the aims of student financial aid provision and management, some of the items listed in the above recommendation elicited some direct responses.

HESA suggests that the proposed regulating of relationships between NSFAS and Financial Aid Offices be rephrased to make it clear that it is in fact first and foremost a relationship between two legal entities viz NSFAS and the university in question. Financial Aid Offices are not juristic persons but mere organisational entities which could be constituted differently in different universities and also have differing functions and responsibilities.

The suggestion to regulate the minimum provision to be made by universities for residence, travel, books and meals for NSFAS financial aid recipients was problematic for quite a few institutions. Some felt that this represented over-regulation, while others felt that any such regulations which did not take into account a vast number of institutional differences due to specific regional and local environments would not be meaningful. On the other hand, if they sought to do so, they would become unwieldy and overly complex.

Similar considerations regarding institutional differentiation also resulted in some universities rejecting the notion of NSFAS disbursements being made on the basis of a single average full cost of study (average FCS).

Those who oppose the use of a single average FCS as basis for NSFAS disbursements argue that this is fundamentally contradictory to the provisions of the funding framework which recognises different cost patterns for institutions in terms of, for example, level and field of study- this recognition results in different subsidy allocations to institutions- the recognition of these cost differences should also be accommodated in NSFAS procedures. Thus rather than using a single average FCS, sets of average FCS figures should be used. These sets could be constructed in accordance with the four fields of knowledge provided for in the funding framework and if necessary in terms of some other distinctive features such as broad geographical location (urban/rural) etc.

If this refinement is accepted it would probably enhance overall HE policy consistency. This matter is referred to again a number of times later in the document and is covered more fully in Section 4 of this document where HESA makes some specific proposals regarding this matter.

10.3.2 Governance

a. The Review Committee recommends that the board should be restructured and strengthened to ensure that it is able to perform its duties in terms of the NSFAS Act. In recommending this course of action, the Committee has taken into account its findings of the board's responsibility in relation to policy development and oversight, and the governance weaknesses identified in the independent governance audit contained in the Committee's report. The legal advice to the Committee from the legal adviser in the Department of Higher Education and Training (DHET), confirmed by the chief state law adviser, is that the Minister does not have the power to remove the board and appoint a new board. The NSFAS Act provides only for the appointment of board members by the Minister and is silent on the powers of the Minister to remove appointed members. According to the DHET's legal adviser, the only power the Minister can exercise is the power of persuading individual board members to vacate their positions.

Comments:

HESA supports this recommendation.

b. The Committee therefore recommends that the Minister should call a special meeting of the board in terms of Section 13(1) of the NSFAS Act to discuss the board's performance. In addition, the remaining members may make use of the provisions of the Act to co-opt additional members who would contribute to the effective governance of NSFAS for the remainder of the board's term.

Comments:

HESA supports this recommendation

c. In conclusion, 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.

Comments:

HESA supports this recommendation

d. 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.

Comments:

HESA supports this recommendation.

10.3.3 Management

a. The Review Committee recommends that 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.

Comments:

HESA supports this recommendation.

b. A multidisciplinary turnaround team should be appointed on a short-term contract to facilitate the transition from the current operational environment to the proposed new NSFAS structure. This team, probably consisting of three or four members, would work with the restructured board and board executive committee to implement the immediate and short-term recommendations identified in the review report.

Comments:

HESA supports this recommendation

c. The Committee also recommends that a number of senior management appointments should be made in line with the findings of the recent Governance Audit and aligned with the anticipated outcomes of the capacity and skills audit. These include, but are not limited to, a senior credit manager.

Comments:

HESA supports this recommendation

10.3.4 Operations

10.3.4.1 NSFAS policy development, strategic, operational plans

a. A range of policies and strategy and operational plans should be urgently developed by the board to provide NSFAS with the direction and operational framework necessary to regularise its activities. These include:

- **NSFAS strategic plan.**
- **Risk management policy and plan. Credit policy and plan.**
- **Loan recovery policy and plan.**
- **Business continuity plan.**
- **Fraud prevention plan.**
- **Audit strategic plan.**
- **Performance management system.**

Comments:

HESA supports this recommendation

b. Given the organisational, management and operational challenges currently facing NSFAS, preparation of these policies and plans cannot be undertaken by existing personnel. The work should therefore be outsourced to one or more service providers on short-term contracts. It may be appropriate for the turnaround team referred to in 10.3.3 above, working under the direction of a reconstituted board and board executive committee, to prepare drafts of these policies and plans. Alternatively, preparation of new policies and plans should be undertaken by service providers on a contract basis.

Comments:

HESA supports this recommendation and wishes to suggest that such service providers must be familiar with the challenges faced in the student financial aid field.

c. The first order of business should be devising a strategic plan for the organisation, taking into account the immediate transitional imperatives and the medium- and long-term proposals for restructuring and reorienting NSFAS. Board subcommittees should be restructured in line with the strategic plan.

Comments:

HESA supports this recommendation

d. The Committee strongly recommends that the NSFAS practice of permitting one or more senior managers to commission the drafting of policies and implementation plans on an ad hoc basis directly from the present NSFAS legal adviser should cease immediately.

Comments:

HESA supports this recommendation

10.3.4.2 Central Applications Process

a. The Review Committee recommends the implementation of a Central Applications Process (CAP). The CAP would facilitate the integration of student applications for financial aid with applications for admission to institutions and should be phased in on a regional basis, modelled on the successful CAP already in operation in KwaZulu Natal. Additional regional offices should be based in Western Cape, Eastern Cape, Gauteng and Limpopo. Properly implemented, this will resolve many of the problems of delays in transferring NSFAS funds to HEIs. A key requirement of a CAP would, necessarily, be to sharply cut the transfer cycle.

Comments:

This particular recommendation elicited varying responses from universities ranging from support, qualified support, guarded rejection, to outright rejection. Only a small number of universities were willing to give this recommendation their support - unqualified or qualified.

HESA believes that the development of such a Central Applications Process and its relationship to the envisaged HE Application and Information Service needs very careful investigation and much more consideration than is apparent from the Review Committee's Report. In this regard and against the background of the issues listed next, HESA believes that DHET should establish a Task Team involving HESA and other HE role players in order to carry out such an investigation and analyse the pros and cons of such a CAP in detail and make more informed and nuanced recommendations to the Department.

The following issues were raised by those querying the efficacy of a CAP with regard to student financial aid matters:

- No hard and fast evidence exists that a CAP will cut down on the time taken to process applications and transfer funds. In fact, it is possible that it could result in an undue bureaucratisation of the financial aid applications process and could add to the cost of administering NSFAS applications rather than lead to a decrease in such costs;

- Despite the existence of a Central Applications Office (CAO) in KwaZulu/Natal experience has shown that many students still prefer dealing directly with their institution of choice and by-pass the CAO. In addition some universities queried the Report's view that the KwaZulu/Natal CAO represented a success story and claimed contrary views existed in the HE sector;

- Obtaining student's information for the application of a revised means test as suggested by the Review Committee, will not necessarily be facilitated more effectively by means of a CAP as the information required in terms of the revised criteria, will be as difficult to obtain as is currently the case. In fact, for those students living close to a university but far from the CAO, communication may become more difficult than it is now;

- Universities vary widely in terms of their closing dates for applications for financial aid (as well as for admission applications). These variations are usually linked to specific local and regional factors which also relate to academic year schedules etc. It is difficult to foresee how a CAP will accommodate such valid differences;

- Assistance to students requiring financial aid is not only a funding issue but is often accompanied by the need for personal and study counselling and mentoring. Experience has shown that this is best provided at the institution itself where Financial Aid Offices and Student Support Services as well as academic staff can work in an integrated manner to ensure successful study;

- Universities in provinces for which no CAO are foreseen, have expressed doubts as to the advantages of the envisaged CAP over the present processes in their institutions;

- Unisa in particular cited their recent experiences with a CAO for their students and found that student needs were of such a varied and complex nature, that it proved impossible to deal with all these effectively on a centralised basis and inevitably required the decentralisation of some processes ; and

- No proof exists that a CAP will diminish any abuse or misuse of student financial aid provision. In fact, some argued that deliberate misrepresentation of information is far better dealt with on a decentralised or institutional basis than would the case be on a centralised basis.

Against this background HESA wishes to urge the DHET to consider its proposal that a Task Team be established to consider the establishment of a CAP much more carefully before any decisions are taken on this matter.

10.3.4.3 Allocation formula

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.

a. The Committee recommends that the race-based model should be replaced by a class based model using solely socio-economic criteria, while acknowledging the continuing overlap between race and class in post-apartheid South Africa.

Comments:

HESA supports this recommendation as it is already long overdue.

b. In addition the Committee strongly recommends that all eligible students should be fully funded at the institution of their choice, with full funding having the meaning defined in the NSFAS Act.

Comments:

In general universities supported this recommendation although there were some exceptions. Those who objected to this recommendation did so on the basis that if 'full funding' meant funding based on a single average FCS for the whole country, their objection to the notion of such a single average value meant that they also could not support this recommendation.

Others pointed out that some NSFAS students may not require accommodation for which they have to pay and they should thus not be funded for an expense they may not have. Similarly, some may not have any travel expenses as they could be residing in on-campus residences and they too should not be funded for an expense they are not incurring.

HESA is of the view that if the notion of 'full funding' was based on a differentiated set of average FCS values, this particular recommendation would enjoy greater support amongst universities. In addition it is necessary to provide for different categories of so-called full funding students such as those who require accommodation and need to travel, those who require accommodation but do not need to travel, and those who need to travel but do not require accommodation.

c. In a further departure from the current NSFAS model of calculating allocations based on the institutionally-determined FCS, and noting that in 2008 this formula resulted in NSFAS allocations varying between the lowest of R6 615 at Walter Sisulu University (Butterworth campus) and the highest of R35 275 at Rhodes University, the Committee recommends that all institutions should receive the average FCS per student, regardless of the institutionally-determined FCS. The average FCS was R43 358 in 2009 and, with the exception of five universities, all institutions would benefit from this allocation mechanism.

Comments:

As can be expected from the previous sets of comments regarding the role of a single average FCS in NSFAS allocations to universities, universities were divided in their support of this recommendation.

A few were strongly opposed to using average FCS values as an indirect way of subsidising universities for costs which they have not incurred - this arises if an institution's actual FCS is lower than the average FCS value. The argument is made that this would constitute a permanent form of redress for some institutions while the proposed regulation limiting institutions with an actual FCS value higher than the average FCS value from recouping the difference from students, in fact constitutes a permanent penalisation of some institutions - in this case probably those in which the more expensive study areas such as SET and Health Sciences predominate.

Once again incorporating the notion of a differentiated set of average FCS values in terms of valid differentiation criteria would probably go a long way in reconciling the strongly held, but differing views regarding this recommendation. The differentiating factors which should probably be taken into account would be field of study and/or geographical location. In this regard HESA has put forward some specific proposals in Section 4 of this response.

d. In relation to the institutions where the FCS exceeds the average, regulations should be gazetted prohibiting institutions from charging students for the shortfall between the average and the FCS. The regulations should specify that the FCS must include tuition, accommodation, study material and aids and travel expenses.

Comments:

The above recommendation does not spell out clearly whether these regulations would apply only to NSFAS students or to students in general. The context of the Review Committee's mandate as well as the fact that regulations drafted in terms of the NSFAS Act would have to be directed at NSFAS students, seems to imply that such regulations would apply to NSFAS students only.

Similar to the comments on the preceding recommendation, this recommendation also elicited varied responses from universities ranging from support to outright rejection. A large number of varied issues were raised by universities regarding this recommendation which point to the need for much more analysis and debate around this matter.

- Some universities, including some which would stand to benefit from using an average FCS value as base in calculating university allocations, were of the view that regulations covering these issues could be seen as an intrusion into institutional autonomy and represented micro-managing universities by the State.

- In this regard others again pointed out that such regulations, if at all to be considered, should provide for differences arising from valid differentiating characteristics would - this could however make them too unwieldy and too complex.

- Others pointed out that if FCS based allocations were to be based on the notion of FTE students and not head count numbers (ie regardless of the study load), universities would be placed under severe financial duress with extremely negative consequences for institutions and students alike.

- In one instance a university pointed out that such regulations could have very negative and undesirable unintended consequences for universities where fee levels may be in excess of the average FCS value, whereby universities would increase the fees of non-NSFAS students substantially to make up for shortfalls between its actual fee levels and those allowed for under such regulations. Such steps could introduce severe institutional tensions and management difficulties as universities desperately seek to balance their books.

- Others again argued that it was not acceptable for NSFAS students to be funded at an average FCS value which was in fact higher than the FCS value pertaining to the institution at which they were studying. If this notion were to be followed through a student should only be funded according to the lowest of either the actual FCS at his/her institution or the average FCS, whichever is the lowest- if not some institutions would in effect be funded for expenses which they were not incurring.

- It was also pointed out that the above recommendation could be inherently contradictory in terms of the Review Committee's own findings where their Report states that: ' Recognising that the dropout rates of NSFAS loan recipients is high and graduation levels are low, the Committee recommends that all institutions which admit students who receive NSFAS funding must include these students in appropriate academic support programmes' (p xxxii). The argument is made that through this statement the Review Committee has acknowledged that the cost to universities of NSFAS students, would be higher and not lower than that of other students. Restricting the revenue sources of universities through regulations such as those foreseen in this recommendation would be counterproductive, as it would reduce and not enhance the ability of universities to provide the additional support required by NSFAS funded students.

Clearly very divided opinions hold within the HE sector on the advisability of proceeding with regulations as proposed in this recommendation. It would be prudent for DHET to consider the issues raised by those objecting to this approach carefully in view of the possible unintended consequences of passing such regulations as mentioned above. In order to find a way forward on this matter HESA would be very willing to engage with the DHET on this particular recommendation in greater detail. It is also HESA's considered view that this particular regulation cannot be divorced from the notion of average FCS values - in particular whether a single average FCS or say, four average FCS values as proposed by HESA, should be used.

e. In light of these proposals on changes to the allocation formula, the Committee recommends that the state must also ensure that all institutions admit a prescribed minimum of poor and working class students – that is, those qualifying for NSFAS support. To this end, the Committee recommends that the DHET should determine the minimum shares for each institution, while limits on the maximum numbers will be determined by the budgetary allocation for the model.

Comments:

This recommendation is seemingly linked to the immediately preceding one in an apparent effort to prevent institutions from limiting the enrolment of fully subsidised NSFAS students in trying to 'cut their losses' in cases where their actual study costs are higher than those set by the average FCS value.

This recommendation elicited some very strong comments from a large number of universities in which some rejected this recommendation outright as constituting unwarranted and indefensible interference in a university's institutional autonomy and its legislated rights with respect to admissions.

In addition, the existing funding framework already contains a factor benefiting students enrolling more African and Coloured South African students and in effect penalising those which do not- the view is held that such a general subsidy related provision can still be defended in view of the need to broaden access to Black students in general but that regulations prescribing quotas of students from poor and working class communities (the majority of whom would be Black) are not.

HESA is strongly of the view that the sector's difficulties with the last 3 recommendations could, at least partially, be resolved by developing a set of average FCS values which reflect valid differentiating characteristics such as field of study. If the example of the funding formula is accepted, this would mean that one would work with 4 average FCS values instead of a single one. HESA recommends that this refinement of the concept of an average FCS value be developed further and has made some specific recommendations in Section 4 on this matter.

10.3.4.4 Means test

a. 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 three pieces of information ascertain: whether the applicants matriculated at a school where they were exempt from paying fees (i.e. from Quintile 1 schools and at fee-paying schools where applicants' fees were waived); where their family home is situated; household income below the lowest threshold of the South African Revenue Services (SARS) tax tables. The means test will identify the poorest applicants, who will be eligible for Component 1 funding in the proposed new student financial aid model described above, i.e. fully subsidised higher education, achieving the policy objective of progressively providing free education to students from poor and working class families. Depending on the availability of funding, other qualifying applicants will be eligible for

Component 2 and 3 student financial aid in the new model, i.e. income-contingent full student loans at favourable rates of interest.

Comments:

HESA supports this recommendation but as was pointed out by some institutions, the information required for the revised means test is still subject to deliberate falsification by applicants and will not resolve what is becoming a growing problem for universities.

b. Students with disabilities who qualify for NSFAS funding either in the form of loans or bursaries should be fully funded and should be required to provide proof of disability only once at the commencement of the financial aid agreement.

Comments:

HESA supports this recommendation.

10.3.4.5 Respective roles and responsibilities of institutional financial aid offices and NSFAS

a. The Review Committee recommends that the respective roles and responsibilities of the institutional FAOs and NSFAS should be adjusted to take into account the existing inefficiencies in the system, new policy framework and the arrangements during the transitional period leading up to the full implementation of the new model.

Comments:

HESA supports this recommendation but wishes to stress that at the primary level interactions should occur between legal entities ie NSFAS and the institutions themselves. Any developments in respect of the above recommendation which do not recognise that FAOs represent mere administrative units in universities could create tensions between NSFAS and the universities themselves.

b. The respective roles of NSFAS and the FAOs at institutions should be set out in regulations and gazetted in terms of the Act. These should specify the compulsory training and ongoing professional development of financial aid officers to be provided by NSFAS and accountability between NSFAS, institutions and financial aid officers.

Comments:

HESA supports this recommendation subject to the views expressed in the comments on the previous recommendation.

10.3.4.6 Loan administration and interest

a. 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.

Comments:

HESA supports this recommendation

b. 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.

Comments:

While charging simple interest could be seen as an added form of subsidisation, HESA supports this recommendation.

c. 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.

Comments:

HESA supports this recommendation but consideration could be given to charge interest . from the date the student stops studying or when he/she becomes economically active with earnings above threshold for the payment of taxation whichever is the earlies.

d. In addition, the Committee proposes that a credit review committee should be established as a subcommittee of the board and a senior credit manager post should be created to exercise oversight over credit management.

Comments:

HESA supports this recommendation.

10.3.4.7 Loan recovery and credit blacklisting

a. The Review Committee recommends that the NSFAS loan book should be revalued to assess the accuracy of the R10 billion valuation; that the revaluation should be conducted by an appropriately qualified independent service provider; 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. The Committee recognises that the revaluation should ideally follow an NCA-compliance audit and the development of NCA-compliant policies and practices, but has been advised that a materially accurate revaluation can be undertaken in parallel with these compliance processes to ensure that it is completed in the current financial year.

Comments:

HESA supports this recommendation.

b. As NSFAS is a registered credit provider, its loan application, granting, management and recovery operations should be compliant with the NCA. As a first step, an independent service provider should be appointed to assess compliance with the NCA and to advise on changes required to the current policies, systems and practices. Following the NCA compliance audit, NSFAS should draft NCA-compliant policies on: credit, interest and loan recovery. The Committee believes that NCA compliance will remedy many of the questionable NSFAS practices identified in the review.

Comments:

HESA supports this recommendation.

c. The Committee recommends that NSFAS should not blacklist students with credit bureaus and should remove the names of all students currently blacklisted with the Trans Union 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 have been blacklisted for predecessor loans, which are up to 18 years old and are probably not legally recoverable.

Comments:

While the majority of the universities either supported this recommendation or had no comment on it, a few felt that this recommendation should be investigated more thoroughly as it could inadvertently advance a culture of non-payment of NSFAS loans, while a few even rejected it outright. Others were of the view that one should consider only including students who have dropped out from their studies and who had failed to honour their NSFAS debt or only those against whom NSFAS still had some legal recourse.

HESA is of the view that this recommendation should not be implemented in the absence of having found other ways and means to advance a culture of payment of NSFAS debt, of which payment through a SARS facilitated process could be an option.

d. The Committee also recommends that NSFAS should invite all predecessor borrowers to negotiate a full and final settlement offer. In line with the common law *in duplum* rule applicable to predecessor loans, NSFAS should accept final offers of up to a maximum of twice the amount loaned, regardless of the length of time repayment has been outstanding.

Comments:

HESA supports this recommendation.

e. NSFAS should develop loan settlement and write-off policies as part of its comprehensive policy development process.

Comments:

HESA supports this recommendation.

f. Going forward, consideration should be given to recovery of loans through the taxation system, specifically through SARS. Following its preliminary investigations into the Australian and other recovery schemes, the Committee has initiated negotiations with SARS in this regard. The SARS Commissioner has indicated a willingness to participate in a process with NSFAS and the DHET to investigate similar schemes internationally and to determine the feasibility of the proposal.

Comments:

HESA supports this recommendation.

10.3.4.8 Bursary administration

a. The Review 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.

Comments:

Most universities did not comment on this recommendation while a few accepted it. A few did however object to this recommendation on the basis that Government funding will in all probability never be sufficient to cover the needs of financially needy HE students and that every form of additional funding should be welcomed. The possible cost of no longer providing this service, being that private institutions stop contributing to financial aid for HE students, is far higher than the cost of providing this service.

Others have commented that it is not clear whether this meant that NSFAS would also no longer administer financial aid funds of individual institutions on an agency basis. Those advocating a continuation of this practice did, however, point out that funds recovered by NSFAS through the repayment of loans of such university financial aid funds, should be paid back into the specific university's funds held by NSFAS and not into general NSFAS funds.

HESA suggests that this recommendation be considered anew by the DHET and if possible, for NSFAS to find ways to provide this service.

b. In higher education bursary administration, the Committee recommends a rationalisation of current practices in consultation with funding partners. 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.

Comments:

HESA supports this recommendation.

c. The current 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 cover the obligations of the recipients of free higher education. Students should be offered the opportunity to repay bursaries and loans through service either in government or private sector employment in the relevant field. NSFAS should establish the terms and conditions of repayment through service in consultation with the DHET, affected government departments and other stakeholders.

Comments:

HESA supports this recommendation.

d. In FET bursary administration, the current processing system should be reorganised. Designated bursary administration staff should be appointed to each FET college and in the interim, while the proposed new model is put in place, management oversight and departmental monitoring should be strictly enforced to ensure processing efficiency.

Comments:

HESA is not in a position to comment on this recommendation.

10.3.4.9 Unutilised funds

a. The Review Committee recommends that the board and the DHET should closely monitor and evaluate the measures which 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. Where necessary, the DHET should intervene timeously to ensure that there is no repetition of the situation in which NSFAS remains with significant amounts in unspent funds.

Comments:

HESA supports this recommendation but wishes to point out that a definition of exactly which funds qualify as 'unspent funds' and which not, is needed. In addition management of this facet would require NSFAS to be able to supply information on matters such as number of applicants, number of successful applicants etc.

Some institutions have also pointed out that NSFAS' own rules contribute to the increase in unspent funds as universities are not allowed to redirect funds in so-called ' credit balance accounts' (arising from a NSFAS student obtaining funding from non-NSFAS sources as well) to other financially needy students but must return these 'surplus' funds to NSFAS.

10.3.4.10 Financial services

a. Weaknesses in all internal financial controls which have been identified in internal and external audits should be immediately addressed, including:

- **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.**

Comments:

HESA supports this recommendation although some institutions pointed out that the implications of moving the date for the final institutional claim from February of year (n+1) to October of year (n) needs more investigation as it may actually impact negatively on the ability of universities to make full use of their allocations and could in fact contribute to increasing unutilised funds which obviously is undesirable (see response to Recommendation 10.3.4.9)

b. Matters pertaining to the internal audit function, including outsourcing the internal audit of the NSFAS head office and appointing a chief audit officer, should be dealt with expeditiously.

HESA supports this recommendation.

10.3.4.11 Marketing and communication

a. The Review Committee recommends that the NSFAS marketing and communication function should be comprehensively restructured. A new communications strategy

should be devised to communicate the availability of NSFAS financial aid primarily to students at Quintile 1 schools in collaboration with the Department of Basic Education and should integrate career guidance and testing.
Comments:

HESA supports this recommendation and wishes to request that NSFAS give consideration to market their services at Gr 11 and 12 level in schools as many prospective students are unaware of NSFAS financial aid opportunities or how to access NSFAS funds.

b. Depending on the success of the initiative to extend financial aid to students in Component 2 and 3 of the proposed new model, additional communication channels in conjunction with partners such as the Government Employees Pension Fund (GEPF), the Public Investment Corporation (PIC) and other parties, should be planned.

Comments:

HESA supports this recommendation.

c. The Committee also recommends that NSFAS should be renamed, rebranded and relaunched in an effort to mark a break with the past and to embark on the next phase of the organisation with a clean slate, able to meet the demands of the new policy framework.

Comments:

HESA does not feel it is in a position to comment on this recommendation.

10.3.4.12 Academic support

a. Recognising that the dropout rate of NSFAS loan recipients is high and graduation levels are low, the Committee recommends that all institutions which admit students who receive NSFAS funding should be required to provide appropriate academic support programmes that include NSFAS students.

Comments:

While some universities supported this recommendation others objected to its mandatory intent in the absence of any funding specifically for such programmes from Government. One institution suggested that NSFAS grants should be made conditional on such grant holders registering for academic support programmes.

Overall, and taking the above comments into account, HESA supports this recommendation.

10.3.4.13 Physical infrastructure

a. 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 limitations of the existing physical infrastructure impact negatively on the ability of NSFAS to perform efficiently and cost-effectively.

Comments:

HESA supports this recommendation but wishes to warn against the increase in NSFAS's overhead costs arising from a move to Pretoria and establishing regional centres, if these initiatives do not significantly lead to a more efficient and effective NSFAS management and administration.

b. Any new infrastructure which is procured should be suitable for the needs of NSFAS during the transitional phase and going forward, taking account of the likely scale of its activities once its operations are realigned to meet the needs of the proposed new policy framework.

Comments:

HESA is not in a position to comment on this recommendation.

10.3.4.14 NSFAS administration budget

a. The current NSFAS funding mechanism should be revised and recovered funds should not be used to fund the organisation's operations. The policy intention is clearly that the recovered funds should be used to support students and NSFAS should plan its activities to comply with this directive. The Committee therefore recommends that the NSFAS administration budget should be provided by the department.

Comments:

HESA supports this recommendation although one or two institutions felt that implementation of such an approach should be accompanied by performance measures to ensure that NSFAS' administrative costs were kept in check.

10.3.5 Systems

a. A full review of the functionality, effectiveness, appropriateness and efficiency of all NSFAS systems should be undertaken as part of the activities of the turnaround initiative referred to in 10.3.3 above. The systems identified below are among those which require immediate attention.

Comments:

HESA supports this recommendation

10.3.5.1 Information technology

a. Appropriate information technology (IT) governance structures should be established immediately and an appropriate IT system should be procured and implemented without further delay. Many of the administration problems and delays currently being experienced could be minimised or resolved if a properly administered, specified and functioning IT system were in place.

Comments:

HESA does not feel that it is in a position to comment on this recommendation.

b. The Committee also recommends that the Electronic Loan Application Form (ELAF) system should be finalised and rolled out immediately. As an interim measure, an IT expert should be appointed to the proposed turnaround team and tasked with

resolving issues which have prevented the full implementation of the electronic loan processing system.

Comments:

HESA supports this recommendation.

c. NSFAS should make a significant investment in developing its own systems to distribute loan and bursary funds and to communicate with students using the latest smart card, cellphone and other technologies.

Comments:

HESA in general supports this recommendation but some institutions pointed out that a NSFAS students' needs are varied and complex and are best dealt with locally on an institutional level where a variety of student services are available for utilisation.

10.3.5.2 Document storage system

a. Based on its finding that NSFAS does not have a safe document storage system, and that the electronic system is not yet fully in operation, the Committee recommends that NSFAS should store documents, especially loan agreements, off-site in a secure and fireproof facility from which they may be retrieved when required.

Comments:

HESA does not feel it is in a position to comment on this recommendation.

10.3.6 Mechanisms for raising student loan funding

a. The Review Committee recommends that the only viable source of raising the required funds for student financial aid is through government funding on a sustainable basis for the short-, medium- and long-term future. This recommendation is based on investigations into the parameters of the recapitalisation of NSFAS and into the possible establishment of a student loan bank. The idea of a student loan bank has been raised as a possible conduit for private sector funding of a national student loan scheme. The NSFAS project included, from the beginning, several inherent concepts that clash 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 into NSFAS through the Repurchase Rate-linked interest charged on NSFAS loans and the loan-bursary conversion academic incentive. These translate into a repayment ratio – the total recoverable by the scheme under optimal conditions – of slightly over 50 percent of total loans made by NSFAS. NSFAS was thus conceptualised and is currently structured to recover only half the funds it disburses. This makes it anathema to a full-cost-recovery or for-profit operation which, by its nature, must seek to recover more than 100 percent of the funds disbursed.

Comments:

HESA notes this recommendation.

10.3.6.1 Student financial aid linked to priority fields of study

a. The Review 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 premised on the fact that all higher education is valuable and beneficial in the development of students' potential and serves the public good. The second reason is that currently, the identification of priority skills areas is flawed and needs to be comprehensively revised before a justifiable and sustainable link could be considered.

Comments:

Quite a number of institutions supported this recommendation and felt that financial aid for specific fields of study should be accommodated through specific earmarked funding made available to NSFAS such as is the case with teacher education. Others argued that institutions with a predominance of Science, Engineering and Technology programmes would inherently be disadvantaged compared to an institution with a predominance of social science and humanities programmes, as costs for SET programmes could be close or higher than average FCS values, while costs attached to social science programmes would generally tend to be lower. In the longer run this recommendation could be detrimental to Universities of Technology and other universities with a very strong emphasis on SET, Health Sciences etc.

Once again this problem could be resolved if one worked with, say, 4 average FCS values in accordance with the knowledge fields used in the higher education funding framework.

b. The Committee nevertheless recognises that there is merit in the idea of more directly linking the two cornerstones of higher education policy: the right of access and contributing to the skills pool necessary for a growing, dynamic economy.

Comments:

HESA agrees with this observation.

c. Further investigation is necessary to align these two imperatives, and such an investigation should be undertaken, possibly as part of the current process of developing a more integrated and collaborative relationship between the skills-based entities such as the National Skills Fund (NSF) and the Sector Education and Training Authorities (SETAs), and the HEIs, which was announced by the Minister in his November 2009 policy statement.

Comments:

HESA agrees with this observation but wishes to point out that in general the more costly areas of study also tend to represent areas of skills shortage - this would mean that introducing a number of average FCS values based on the knowledge fields used in the funding framework, on which to base NSFAS allocations, would at least go some way towards reconciling these two imperatives.

10.3.6.2 Extending financial aid to students in not-for-profit institutions

a. The Review Committee recommends that it would not be viable to extend state funding of bursaries and loans to students in private not-for-profit HEIs. This recommendation is based on the rationale that the state's first priority should be funding the public higher education system. There is a significant shortfall in funds to meet even the current demand for student financial aid in public institutions. Substantial state funding is required to address the funding needs of poor students and those from working class and lower middle income households who attend public

HEIs. The Committee therefore recommends that meeting these needs should be a priority, making the extension of financial aid to students at private not-for-profit HEIs unviable.

Comments:

HESA supports this recommendation

4. PROPOSALS AND CONCLUDING REMARKS AND PROPOSALS

HESA wishes to re-iterate its appreciation for a very thorough piece of work to the Review Committee and for serving HE and our country in such a dedicated and faithful manner as is evident from its Report.

In most cases, HESA supports the recommendations made by the Review Committee although some qualifying remarks were made for some of the recommendations. Not all these qualifying remarks are encapsulated in the form of distinct proposals but HESA wishes to emphasise that this does not mean that they are not important and can be ignored - on the contrary, HESA feels that taking account of these qualifying remarks and accommodating them appropriately in the relevant recommendations, will assist very much in improving the practical implementation of the recommendations.

In respect of three specific matters, HESA however encountered fundamental and principled difficulties with the recommendations. It is in respect of these three matters that HESA wishes to make some formal proposals for consideration by DHET.

4.1 The use of a single average FCS value as a basis for calculating institutional allocations.

Tuition costs do not make up the whole of an average FCS value and some of the other elements such as accommodation costs are influenced by the geographical positioning of universities. Strictly speaking one should thus use average FCS values which take account of differences in cost of tuition due to some study fields being more 'expensive' than others as well as geographical differences which affect accommodation costs.

Although the above point of departure would, in HESA's view, be the correct one to follow, HESA in the interest of simplicity has proposed that instead of using a single average FCS value, NSFAS uses 4 average FCS values linked to the 4 fields of study used in the funding framework. This would lead to the following four average GCS values being used to calculate institutional allocations where the number in brackets after each study field refers to the DHET's Classification of Educational Subject Matter number (CESM) which forms a cornerstone of the annual data submissions of institutions in terms of the HEMIS system:

- FCS(1): The average FCS associated with the study fields:

  Education (7), Law (12), Psychology (18), Public Management (19)

- FCS(2): The average FCS associated with the study fields:

  Business, Economics and Management (4), Communication, Journalism and Related Studies (5), Computer and Information Sciences (6), Languages, Linguistics and Literature (11), Philosophy, Religion and Theology (18), Social Sciences (20)

- FCS(3): The average FCS associated with the study fields:

  Architecture and the Built Environment (2), Engineering (8), Family Ecology and Consumer Sciences (10), Mathematics and Statistics (15).

- FCS(4): The average FCS associated with the study fields:

  Agriculture, Agricultural Operations and Related Sciences (1), Visual and Performing Arts (3), Health Professions and Related Clinical Sciences (9), Life Sciences (13), Physical Sciences (14)

In order to make up for cost differences in accommodation costs due to geographical location, HESA proposes that in addition to using the above four average FCS values, universities be allowed to recoup any differences between higher actual FCS values and average FCS values from other funding sources such as private donations made for this purpose but not from the NSFAS students themselves.

Using such an approach would require annual allocations from Government to NSFAS and from NSFAS to institutions to keep pace with inflation increases applicable to higher education which are normally accepted to be higher than the usual rate of inflation.

In addition HESA wishes to point out that the Review Committee's recommendations do not clearly spell out that in the event of actual FCS costs being lower than the average FCS costs, individual students would not be entitled to the difference on a personal basis. HESA recommends that in such cases institutions should be allowed to utilise such funds to fund other needy students. This matter may need some further investigation.

Following an approach as outlined above, would have the following advantages over the Review Committee's proposed use of a single overall average FCS value as basis for calculating institutional allocations and not allowing institutions to recoup any differences between actual FCS values and lower average FCS values from any source at all :

- It would give recognition to a generally accepted form of differentiation in our HE system related to differences in the costs of learning programmes- these differences reflect actual costs usually related to laboratory and field work intensive programmes;
- It would go some way towards recognising valid cost differences in matters such as accommodation costs, arising from the geographical location of institutions;
- It would be in line with the recognition of forms of differentiation in our HE system as accepted at the recent HE Stakeholder Summit and as reflected in the ensuing Summit Declaration;
- It does not introduce a new principle but is consistent with existing HE policy reflected in the funding framework for universities and would avoid the policy contradiction which is inherent in a single average FCS compared to the provisions of the funding framework;
- It gives recognition to institutions in which high cost programmes in Science, Engineering, Technology and the Health Sciences play a predominant role;
- It will enable Universities of Technology in particular, to pursue their mandates of strengthening their involvement in the more expensive SET programmes without fear that doing so would become financially impossible for them;
- It will assist in some way in linking financial aid to priority areas as the skills shortages experienced in our country predominantly occur in the more expensive academic programme areas;

- It will avoid many unwanted institutional responses such as lowering intakes in SET, Health Sciences etc to the detriment of the human capital needs of our country in order to cut their losses if only a single average FCS value is used; and
- It could make the passing of regulations (albeit in a somewhat amended form) regarding institutions not being allowed to charge NSFAS students for any shortfall between actual costs and average FCS costs, and the prescription of a minimum number of poor and working class students, more feasible.

An argument can be made that working with four average FCS values would make the administration of financial aid more difficult. From an institutional point of view this is not the case as the information required to calculate four FCS values is also that required to calculate a single FCS value. From NSFAS's point of view it would mean a more differentiated approach to calculating institutional allocations but once the required software has been developed the problem, if it is one, has been resolved. In any event the advantages and benefits of the approach proposed by HESA by far outweigh any perceived increase in administrative burdens.

Adopting the approach advocated above by HESA could assist in resolving many of the difficulties which HE institutions encountered with recommendations based on the concept of a single FCS value and HESA wishes to argue strongly that, if at all possible, it should be accepted.

HESA would like to propose a joint HESA/DHET/NSFAS Task Team to work on the refining this proposal and its implementation at the level of NSFAS, institutions and the student him(her)self, as well as in solving the problem of exactly what costs should be included in the definition of FCS. In addition this Task Team should find ways of resolving the problems which HESA has with some of the regulations proposed involving the use of a single average FCS value as well as prescribing quotas in respect of students from poor and working class communities.

The issue of which costs should be included in the full FCS value and whether provision should be made for FCS values in which, for example, accommodation costs are first included and then in a second value, excluded, would be for universities to assess students themselves in terms of their qualifying for accommodation and or transport assistance and then amending the FCS value accordingly for such students. This matter should however best be resolved on a national level as it could give rise to widely differing practices in the sector and lead to much misunderstanding and tension between students and university management.

4.2 The establishment of a Central Applications Office.

The recommendations concerning a CAP elicited widespread objections within the HE sector with only a few institutions supporting such a CAP. From the various responses of universities it is clear that general doubt exists as to whether such a CAP will add appreciable value in the sense of introducing quicker fund transfers, leading to a more effective administration of NSFAS applications, solving problems arising from the presentation of fraudulent income data by students; and providing for a holistic support and advisory service for financially needy students.

HESA wishes to re-iterate its proposal that DHET establishes a Task Team involving HESA as well as other interested parties, to investigate this issue more fully. It is HESA's considered view that doing so will not materially affect moving ahead with many of the other recommendations and will not hold back the implementation of the Review Committee's recommendations to any significant extent.

4.3 Some implementation issues relating to the provision of fully subsidised undergraduate higher education to dependents from poor and working class communities.

Many universities supported the recommendations concerning the provision of fully subsidised undergraduate higher education to students from poor and working class communities but a number objected to this on principled grounds - these grounds were listed earlier and will not be re-iterated here. Despite these principled and fundamental objections, HESA accepts the necessity for introducing fully subsidised university study for some students but wishes to emphasise the need to address the following more practical aspects in this regard:

- Lack of detail on identification on an institutional level of poor and working class students:

Of general concern was the lack of greater detail on exactly how such poor and working class communities would be defined in practice and whether institutions would be able to carry out such identification with a reasonable amount of accuracy.

- Deliberate falsification of information.

Institutions are desperately trying to find more effective measures in solving the increasingly serious problem of deliberate falsification of information by students. This practice is likely to gain even more ground with the introduction of fully subsidised undergraduate education. Solutions to this form of dishonesty, which in HESA's view amounts to some unscrupulous students 'stealing' from those students who deserve higher levels of financial aid, are urgently needed. In this regard most institutions felt that a CAP would simply make matters worse as it would be far easier 'to get away with it' on a centralised applications basis than on a local applications basis.

HESA wishes to propose that DHET/NSFAS convenes a workshop of all interested parties (which could include law enforcement agencies such as SAPS) on ways to deal with the growing problem of deliberate falsification of information.

- Incentives for fully subsidised NSFAS students to complete their studies as soon as possible.

Strong reservations were expressed by institutions on the absence of a meaningful emphasis in the Report on academic achievement for NSFAS students as a requirement for continued NSFAS support. Particularly in the case of fully subsidised undergraduate higher education, the absence of any kind of incentive for students to complete their studies in the shortest time possible, is extremely worrying. Many countries are trying their level best to resolve this issue 'after the fact' so to speak and are finding it extraordinarily difficult to do so. The phenomenon of the 'life long' student is unaffordable even in developed countries. South Africa cannot afford to slip into this practice as it will have dire consequences for completion rates as well as for the financing of higher education.

HESA wishes to propose that, especially in the case of fully subsided NSFAS students appropriate incentives be introduced to manage the possible consequences of students simply 'taking forever' to complete their studies. Not doing so would in effect mean that that some new and fresh students will not be able to access NSFAS funding as too large a portion of NSFAS funding would be spent on such 'life long' students.

- Need for some form of repayment by students receiving fully subsidised education

It has already been pointed out that there are no reasons why a student who received fully subsidised education and one who received no financial aid should have any differences in earning power once they have graduated and have become economically active. Not requiring any kind of repayment from a fully subsidised student does not seem defensible. **HESA proposes that repayment in kind such as serving for a few years in a Government department could be considered as such an 'in kind' repayment**. The number of years to serve the public in this way could be made shorter on the basis of very good academic achievements of students.

In conclusion, HESA is optimistic that if, at the very least, acceptable solutions can be found along the lines proposed by HESA above, under each of the three headings:

- The use of a single average FCS value as a basis for calculating institutional allocations,
- The establishment of a Central Applications Office, and
- Some practical implementation issues relating to the provision of fully subsidised undergraduate higher education to dependents from poor and working class communities,

South Africa will have made a major breakthrough in the area of student financial aid and pledges its full support to work together with DHET in developing these proposals further.

31 May 2010