



21 January 2016

STATEMENT ON 2016 FUNDING ALLOCATION AND IMPLEMENTATION OF THE ANNOUNCEMENT BY THE PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA ON SHORT-TERM FUNDING SOLUTIONS

Introduction

Yesterday, NSFAS represented by the chairman Sizwe Nxasana and the Executive Officer, Msulwa Daca and General Manager for Loans and Bursaries, Jomo Jacobs attended the Minister's meeting with vice-chancellors of all the 26 universities to discuss issues around the start of the 2016 academic year and the implementation of the decisions of the Presidential Task Team on Short-Term Student Funding Challenges facing poor and "missing middle" students.

The meeting was one of many stakeholder engagements initiatives we have had as the National Student Financial Aid Scheme (NSFAS) since 2015. This includes meetings and workshops we had with the financial aid officers, student leadership, funders, students, government departments, Sector Education and Training Authority (SETAs), the Banking Association of South Africa, universities and TVET College.

We are working hard to improve our stakeholder satisfaction across the board to build and maintain public confidence that will attract potential sources of funding from nongovernmental organisations, the private sector, private individuals all of which could be both local and international.

NSFAS recently met with student formations to outline the 2016 budget and processes. Just on the eve of the Fees Must Fall in 2015, we had successfully completed the Student Leadership and Capacity Building workshops with all the student representative councils at 50 TVET colleges and 26 universities.

Budget Allocation for the 2016/17 Financial Year

As announced by the Minister of Higher Education and Training, Dr Blade Nzimande, the NSFAS budget will increase from R9, 5 billion in 2015 to R10 billion in 2016/17 financial year. Of this amount, over R700 million has been allocated for full bursaries in scarce and critical skills for the current year. This funding is made available through the financial aid offices at universities, and students who are enrolled in critical skills study programmes, which include science, commerce, health sciences, engineering and many others, should apply for this funding.

Additional Funding R 4,582 billion

The President, in his January 8th statement to the nation, announced that government will allocate an additional R4.582 billion funding to NSFAS to provide;

- For loans amounting to R2.543 billion to assist 71,753 identified students, who qualified for NSFAS funding but were either partially funded or not funded at all over the three past academic years of 2013, 2014 and 2015.
- An additional R2.039 billion to ensure that any of the NSFAS qualifying students, still in the university system in 2016, are supported financially to continue and complete their qualification.

This funding is in addition to the R10 billion that we have been allocated in the 2016/17 financial year. In total, the budget that will be administered by NSFAS in 2016 comes to R14, 582 billion.

NSFAS has communicated administration guidelines with all 26 universities detailing the process to follow in the disbursement of the R4, 582 billion of the additional funding made available as a result of the announcement by the President.

Some of the rules applying to the additional funding include;

- No NSFAS qualifying students who have been offered a place in line with the university enrolment plans should be denied access to any public university based on financial need.

2016 registration fees/ upfront payments

No students who meet the NSFAS means-test who have been offered a place at any university, will be required to pay upfront payments or registration fees when registering for the 2016 academic year. We have already paid the universities and TVET colleges a total of R1.8 billion for the registration fees in advance for all NSFAS qualifying students. We expect that our universities will effectively implement this decision.

We have trained all the financial aid officers on the administration of the funds and therefore we remain confident that these administrators will be able to reinforce the rules of the Scheme. A roving team of 23 NSFAS technical personnel has been dispatched to support the TVET colleges and universities that may need support during this period.

Administration of the Historic Debt

The historic debt of all students who qualify for NSFAS has been resolved. The R2, 543 billion will assist 71 753 identified students with loans, who qualified for NSFAS funding but were either partially or not funded at all over the past three academic years. This funding will be made available to qualifying students, who were studying between 2013 and 2015, in a form of an NSFAS loan. These students would either have been unfunded or underfunded although they qualified for NSFAS funding. In essence, this means that affected students should have applied for NSFAS funding and the results of their meanstest should be available.

The funding aimed at clearing the historic debt will be made available to students through loans that can be converted into bursaries in terms of the NSFAS rules. Students who perform well and pass all of their registered courses will have their loans converted up to 40% bursary. NSFAS will convert study loans in to a 100% bursary when graduation requirements are met during the final year of study.

We have taken a decision as NSFAS that in the administration of the historic debt, NSFAS will pay the capital amount owed by the student to the university. The accounts submitted to NSFAS will have no interest charged and any interest previously charged on these accounts should be reversed. NSFAS will pay for only students that met both the academic

and financial need criteria. Payments will be effected for students who are still studying, dropped out and graduated within the stipulated academic years.

Role of affected students

The message to students should be simple: “Government has made money available to clear the historic debt”. However, to access this funding, as a qualifying student, certain conditions must be met:

- A student should be studying between 2013, 2014, and 2015 financial year.
- A student should have applied for NSFAS funding during those years.
- A student should have been unfunded, or partially funded by NSFAS during this three year period
- A student should sign a new Loan Agreement Form that would assist NSFAS to clear the historic debt

Universities play a crucial role in the administration of the funds. About 70% of the student population funded by NSFAS is assisted through the Financial Aid Offices. Therefore, NSFAS will continue to work with universities to ensure that they identify the deserving students who qualify for NSFAS funding.

The selection criterion is based on the NSFAS Means-Test tool, which by large considers financial neediness and academic performance. The tool assesses the extent to which the student’s family can make a contribution to the full cost of study. It assesses the financial position of the family in terms of its income against its cost of living to determine the relative expected family contribution (EFC) for that student. In order for students to be considered eligible for NSFAS funding, students have to have applied for financial aid with all relevant supporting documentation so that their EFC can be calculated. Students are then ranked from those who are least able to make a contribution to those who are able to make a contribution, until such time as the funding allocated to that university has been fully committed.

We must emphasise that NSFAS has sent a Historic Debt Loan Agreement Form to all universities to be completed by students in respect of 2013 to 2015 fees. A separate agreement form will have to be completed in respect of 2016 fees for continuing students.

NSFAS will pay the universities upon receiving completed loan agreement forms. Universities will work with NSFAS to ensure that there is sufficient communication to students and former students who meet the criteria for this fund.

New Funding Model for Poor and “Missing Middle” Students

A process to develop a new funding model as recommended by the Presidential Task Team has been put in place under the chairmanship of the Chairperson of the NSFAS board. This new model seeks to provide loans and bursaries to the current NSFAS qualifying university students and the “missing middle”. The new model is planned for piloting in the 2017 academic year with full implementation expected in the 2018 academic year.

DHET Disability funding

In December 2015, we have approved a new more inclusive policy on disability. Working with Higher Education Disability South Africa we have taken into consideration other forms of disabilities that may be crucial in determining and assessing the kind of assistance we should provide in addition to paying for tuition and other allowances.

Scarce Skills Funding

The Human Resources Development Council chaired by the Deputy President of the Republic of South Africa is developing South Africa’s human resources strategy which will identify some critical and scarce skills which are required to support the National Development Plan. What is required is to better align the strategies of the various stakeholders to produce these scarce skills. These stakeholders include the Department of Basic Education, universities, TVET Colleges and NSFAS on the supply side, and the employers and programmes which support entrepreneurship on the demand side..

Recoveries/ Loan Repayments

NSFAS loan book has a potential to inject a significant growth to the pool of funds disbursed annually. All loan recipients of the scheme and society in general should be made aware of the importance of repayments. Whilst there have been challenges on this front, much more vigilant and diligent action will yield positive results. Repayments of

NSFAS loans can go a long way to assist students who need financial support to further their studies at public higher education institutions.

The NSFAS board has put strategies in place in collaboration with other entities to recover money from debtors who are gainfully employed and can give positive consent for deductions from their payroll or make other acceptable arrangements. The aim is to improve how we collect and thus maximize recoveries. Since the launch of the campaign in October 2015, we have collected R8.5 million from 12,000 first-time payers as a result from the new recoveries campaign.

A decision was taken to make repayment terms affordable because the majority of our debtors come from low income households. Interest is only charged 12 months after a student has completed studies by either graduating or dropping out. In addition to these new terms, repayments are now based on the salary that is earned and start once a salary is R30 000 or more per year. This means that a debtor would start payment at 3% of the annual salary, increasing to 8% or more when a salary reaches R59 300 or more per year. For example, a beneficiary will pay back R900 a year on a salary of R30 000 a year, or R84 per month. Interest is charged at 80% of the repo rate, which is the repurchase rate at which the Reserve Bank lends to commercial banks. NSFAS will continue to charge interest on all outstanding balances. It is therefore very important for beneficiaries to start repaying loans as soon as possible.

In order to assist as many students as possible, we have improved our operations. During 2016 registration period, our Contact Centre operating hours are now from 08h00am – 08h00pm on Monday to Friday; and from 08h00am to 16h30pm on Saturday. An addition to the normal operating hours, 10 inbound Contact Centre agents were employed and trained to assist with student application queries. At the moment, we have 38 agents that deals directly with all the inbound calls. This has helped us to improve our service level and customer satisfaction. Since the beginning of registration period, NSFAS had received a total of 25 076 calls and processed at least 19 291 enquiries through email system.