



# higher education & training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA

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## **COMMUNIQUE ON THE DECISIONS MADE BY GOVERNMENT AS ANNOUNCED BY THE PRESIDENT OF SOUTH AFRICA IN THE JANUARY 8<sup>TH</sup> STATEMENT**

Dear Vice-Chancellors

The Presidential Task Team appointed by President Jacob Zuma submitted its report on short-term student funding on 30 November 2015. The Executive Summary of the Report of the Presidential Task Team is attached.

This communique aims to inform the South African higher education community of decisions that government has taken to address the recommendations made by the Task Team on the short-term and medium to long-term funding challenges.

The President in his January 8<sup>th</sup> statement to the nation announced that government has listened to the concerns raised by students and has made the following key decisions on the short-term funding challenges with the agreement of Universities South Africa:

- a. University students that meet the NSFAS means test will not be required to pay upfront payments or registration fees when registering for the 2016 academic year.
- b. Government will reprioritise R4.582 billion of State funding in the 2016/17 financial year to be allocated to the National Student Financial Aid Scheme (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 or not funded at all over the past three academic years; and
  - an additional allocation of R2.039 billion to ensure that any of these students, still in the university system in 2016, are supported financially to continue and complete their qualifications.

This funding is on top of the R10 billion that NSFAS will administer in the 2016 academic year. The NSFAS will administer this additional funding in terms of their mandate and will communicate the relevant details to all universities by April 2016.



It is important to acknowledge that the higher education system is still reliant on student fees to provide affordable and quality education. A regulatory framework for managing future university fee structures and increases across the system will be developed and implemented for the 2017 academic year in consultation with universities and other key stakeholders.

In addition, a process to develop a new funding model will be put in place, under the leadership of the Chairperson of the NSFAS Board. This new system will provide loans for students that do not meet the NSFAS criteria, but who require financial assistance to access higher education (the so-called "Missing Middle"). We will work towards testing it in the 2017 academic year for full implementation in 2018.

A number of key messages should be uniformly communicated to students, parents, media and the public as recommended in the Presidential Task Team report. These messages are:

- The right to protest peacefully is enshrined in our constitution. However, all students, student leaders and formations should disavow violent protests and the destruction of property.
- The constitution promises the right to further education (higher education and technical and vocational education and training), which the state through reasonable measures, must make progressively available and accessible. This should be quoted and interpreted in as many media platforms as possible to mean that the state must make opportunities for learning available through expansion of the PSET system (growth) and accessible to all by ensuring that university fees are affordable for all and that academically deserving students are not denied access due to financial need.
- No NSFAS qualifying student should be denied access based on financial need. Government will continue to work to ensure that all poor students are supported. The Department will discuss mechanisms for this directly with each institution, in line with enrolment plans, and once the number of students affected is known.
- The shortfall in 2016 due to the no fees increase has been addressed. All universities received their letters informing them of their allocation in December 2015. The Department is committed to transfer the first tranche in January 2016 to ensure that universities are able to manage their required cash flows.
- The Department will work closely with National Treasury in order to ensure that at least an additional R2.4 billion is made available in the baseline allocation for universities for 2017/8 and beyond, in order to offset the 0% fee increase agreed to for 2016.
- A regulatory framework for managing future university fee structures and increases across the system to ensure the affordability of higher education will be developed for implementation.
- The President has announced a Commission to examine future fee structures and mechanisms for making higher education more affordable. The members of this Commission



and its Terms of Reference have not yet been announced. However, the Department will provide information to institutions, once we have it.

- A key message to communicate consistently is "affordable higher education for all".
- The NSFAS rules, particularly regarding continued funding for students initially supported, must be clearly communicated and transparently implemented.
- There are a specific number of student spaces in each institution that have been agreed upon with the Minister in line with limited available resources. Institutions must not over enrol.
- Additional prospective students seeking spaces who did not apply in time during 2015 for spaces at universities must be directed to the Central Applications Clearing House (CACH), which is an integrated service providing career advice and development services and referrals to PSET opportunities. The CACH can be accessed at <http://cach.dhet.gov.za>, via calling a toll-free number at 0800 356 635 or via standard SMS at 49200.
- All universities must develop and communicate transparent student debt policies for students who are not covered by the NSFAS scheme.

Government remains committed to providing funds to support financially needy students to access higher education and extending this to the working and lower middle classes, who cannot reasonably be expected to provide the upfront funds required to fund their participation in the higher education system.

All universities will need to ensure clear communication and management strategies are implemented in order to create stability in the system. Please continue to liaise closely with officials in the University Education branch, and through Universities South Africa, to ensure that the Department is kept updated on events on your campuses.

Thank you for your leadership in these challenging times. Working together, we can ensure stability at our universities and bring about a better system that is more equitable and affordable for all.

Yours sincerely



**Mr G Qonde**

**Director-General: Higher Education and Training**

Date: 13/01/2016

**cc. Chairpersons of Council**

**cc. Chairperson of NSFAS**

**cc. Chairperson of the CHE**



## **Annexure A**

# **Report of the Presidential Task Team on short-term student funding challenges at universities**

## **Executive Summary**

### **Introduction**

The past 24 months have ushered in a new era of a highly politicised and volatile climate on South African university campuses. This has been underpinned by a call for free higher education in a context of limited financial aid and the opening up of access to universities by students from poor families. Whereas the student protests and demands for free education are legitimate in a democracy, there has been some misinterpretation of the constitution in the call for free education. The Constitution of the Republic of South Africa clearly supports the notion of affordable higher education for all and progressive support for financially needy students to access higher education, but it does not promise free higher education.

In the wake of violent student protests and a concern about destruction of university property, leadership from the University Council Chairs' Forum – South Africa (UCCF-SA) and Universities South Africa (USAf) requested a meeting with President Jacob Zuma to discuss a range of issues challenging universities, including funding. A 12-member Presidential Task Team on short term solutions to address university funding challenges was established shortly after a meeting on 6 October 2015 between President Jacob Zuma, Minister Blade Nzimande, several ministers and deputy ministers, and representatives from UCCF-SA and USAf. The task team was given the mandate to develop a short term plan to mitigate possible student protests and unrest at the start of the 2016 academic year, and to report on possible solutions to the immediate student funding challenges.

### **Methodology**

To fulfil its mandate, the task team met on four occasions. Data were collected from a number of sources to inform its work, including but not limited to: DHET briefing documents, Ministerial and Departmental reports and minutes of meetings; data on funding initiatives in universities provided by members of key business organisations; data provided by universities that were triangulated with DHET data. Data analysis and synthesis and report writing were done by a DHET writing team with input from task team members. The task team mandate was undertaken over a very short time, from mid-October to the end of November 2015. This limited the scope of the activities that could be undertaken to inform the report.

### **Context**

At the time of the task team's appointment, universities were in the process of negotiating fee increments for 2016. Students at the University of the Witwatersrand (Wits) rejected a 10.5% fee increase proposed by university management, and Minister Nzimande intervened in the impasse between students and management to broker a 6% cap on fee increases. This fee cap was rejected and protest action that escalated in its intensity spread to other campuses nationwide, with students demanding a zero percent fee increase. Continued protests led to a meeting between President Zuma (accompanied by Ministers and senior officials) and Vice Chancellors (VCs), Chairpersons of Council and student representatives from most of the universities, at the Union Buildings on 23 October 2015 to discuss a way forward. This meeting led to the public announcement by President Zuma of a zero percent fee increase in 2016 and a process for taking other issues forward. Despite this victory by students, protests continued at campuses nationwide, leading to more violence, disruption of exams, and the closing down of a few campuses. Students often 'forced' VCs to make concessions on demands that kept on shifting.

### **Factors that could lead to student protests in 2016**

The Task Team identified four key factors that could lead to potential protests early in 2016 for which universities should prepare themselves, and on which this task team needed to provide recommendations. These factors are:

- Upfront fee or registration payments in the 2016 academic year.
- The NSFAS shortfall: this refers to accumulated student debt accrued by students who qualify for NSFAS loans but did not receive loans due to insufficient funds over the period 2013 to 2015, as well as existing NSFAS loan students who did not receive full cost of study loans in line with the NSFAS means test, and therefore have accrued university debt.
- The funding challenges experienced by the "missing middle", i.e. students who do not qualify for NSFAS funding because their household income is beyond the NSFAS threshold. This group of students was instrumental in organising and participating in the #feesmustfall campaign which started at universities with the highest fees.
- Increased demand for academic spaces by new first-time entry students and previous financial drop-outs into the university system is likely to increase pressure in early 2016; failure to secure study places could lead to protests if the influx of these groups of potential students is not managed well.

### **University funding challenges**

Chapter 2 of the report highlights challenges in funding universities and specifically the decline in real terms of baseline funding from R15.93 billion (which constituted 49% of total university income) to R22.9 billion (constituting 40.9%) between 2004/05 and 2014/15. In 2000, the contribution of student fees to university income was R7.8 billion (24%): this rose to R19.6 billion (35%) in 2014. Comparatively, South Africa's spend on universities is quite low as a percentage of Gross Domestic Product (GDP) in comparison to other countries. At 0.72% of the GDP in 2014/15, South Africa's spend is significantly lower



than the average for African countries (0.78%), Organisation for Economic Cooperation and Development (OECD) countries (1.21%) and the rest of the world (0.84%) in 2011.

The underfunding of the system has led to an increased reliance on university fees for income and has led some universities to demand up-front fee payments in the form of registration fees or a portion of the full cost of study. Students' inability to pay these leads to tension and exclusion, and the resultant protests at the beginning of the academic year.

### **Implications of the zero percent fee increase**

Chapter 2 shows that the zero percent fee increment has short and long term implications both financially and managerially. The shortfall in 2016 is R2.33 billion: a solution to this has been found and will be implemented. The President's intervention in settling the fees impasse between students, management and councils, however, may have implications for the degree to which students will accept fee increments coming from university councils in the future.

A zero percent fee increase year on year cannot be maintained if the country is to have a sustainable higher education sector. In 2017, if a no fee increase is implemented, an increase of 15% would be required in the block grant subsidy baseline, bringing the total block grant to R27.608 billion in 2017. This is not affordable within the current fiscal climate. Other solutions are required, and new thinking on how to fund higher education and enable affordable higher education for all needs to be put in place.

### **The NSFAS shortfall**

Chapter 3 focuses on the NSFAS shortfall, which is the additional funding required to fully fund all students who meet the NSFAS means test and were either partially funded or unfunded and were registered in the 2013, 2014 and 2015 academic years. Several categories of students were identified, including: NSFAS applicants who qualified for NSFAS funding but were unfunded due to insufficient resources; NSFAS funded students who received inadequate funding (a practice referred to as top slicing); students whose study costs are higher than the NSFAS funding awarded to them and therefore have a shortfall; and NSFAS qualifying students who cannot afford to pay their family contribution. The chapter contextualises the challenges linked to these various groups and quantifies the amount of funding required in 2016 to provide short- to medium-term solutions to assist financially needy students to access higher education.

### **Funding options for 2016 and beyond**

Chapter 4 focuses on the need for stakeholders in the sector to rethink current funding sources, and sets out how higher education could be adequately funded in the short- to long-term. This includes a critical reflection of the efficacy of the current funding dynamics and a reimagining of what a different and effective funding landscape could look like in the future. It also requires advocating for collective responsibility in respect of all citizens to

ensure a well-funded higher education sector. The chapter makes a number of short-term recommendations for leveraging additional funds to support and invest in students in higher education. It also outlines the principles behind a proposal for sourcing funding to support a model for financial aid that will support the aim of providing affordable higher education for all and fully subsidised loans for the financially needy.

## **Conclusions and Recommendations**

Chapter 5 presents a number of short-term and long-term recommendations. Underpinning the suggested solutions to the shortfall are the important Constitutional principles of availability of higher and further education (expansion), together with enabling access. The Constitution does not promise free higher education, but can be read to promise affordable higher education and financial assistance to students who would otherwise not be able to access study opportunities. This position informs the strategies that are proposed throughout this report.

The biggest risk factors for student protests highlighted in Chapters 1 and 2 need to be addressed at the sectoral level to address the challenges in a manner that mitigates student protests in 2016.

### **Short-term recommendations to address financial challenges**

*The funding shortfall for universities as a result of the zero percent increase must be addressed:*

The R2.33 billion financial implication will be covered by government (83%) and universities (17%). All universities will receive allocation letters addressing the financial shortfall in the week of 30 November to 4 December. 50 percent of government's portion of the shortfall will be transferred to institutions in January 2016.

Up-front fee payments should be implemented across the system for those who can afford to pay and universities have been given some recommendations on how to manage this.

#### *The NSFAS shortfall:*

The NSFAS shortfall has been quantified to be R2.543 billion. This amount must be made available from the fiscus in the form of loans to provide short-term debt relief to 71,753 students who were funded inadequately or were unable to access financial aid over the 2013 to 2015 academic years.

A further R2.039 billion is required to ensure that currently unfunded continuing students receive NSFAS support in the 2016 academic year. This additional amount needs to be added to the baseline in 2016/17 to ensure that these students are supported to continue with their studies and to succeed.

The total amount of short-term debt relief of R4.582 billion must be made available by government in the 2016/17 financial year, and if at all possible the full amount should be carried through in the baseline NSFAS funding into the 2017/18 MTEF to support greater numbers of financially needy students.

Government, through National treasury, must coordinate the process to deal with identifying and reprioritising funding for this purpose.

*Additional recommendations* are made in the chapter to university management and councils to assist in ensuring that student debt is effectively managed going forward, specifically linked to: donor and private sector funding; revising enrolment plans linked to available resources; limiting top-slicing; applying NSFAS rules consistently; and developing a regulatory framework for managing future university fee structures and increases.

It is important to note that the system will, for the foreseeable future, be reliant on student fees to provide quality university education and this must be communicated to all stakeholders by government and institutions.

### **The “missing middle”**

A communication strategy must highlight that funding options for the “missing middle” are being considered.

### **Increased demand for higher education**

Because of the zero percent increase, students who had previously dropped out of the system because of funding challenges may wish to come back into the system. Institutions should apply their application rules and Senate discretion criteria to deal with any increased enrolment demand. Messages about the processes for application should be communicated unambiguously.

### **Short-term recommendations to address communication and administrative challenges**

*The NSFAS should improve its administrative systems* and strengthen engagement with universities to ensure that the rules of the Scheme are clearly understood and enforced evenly and consistently across all universities.

*The NSFAS should improve communication with students and universities* on matters relating to policies, the timely allocation of funding to universities, the enforcement of the rules and regulation of the Scheme, and so forth.

*Rules pertaining to academic eligibility of students for NSFAS should be applied consistently.* The 50 percent module pass rule should be applied across the board and students should be funded for the full qualification if they meet this criterion as well as the academic criteria for progression. The policy dialogue needs to deal with the consequences of this as well as

look at what parameters must be put in place to ensure a more efficient system that leads to better retention and success.

*Universities* should review and improve the efficiency and effectiveness of their communication system with students on NSFAS matters, including contextualising the funding challenges facing universities in the short- to medium-term.

*All students, student leaders and formations* should disavow anarchy and the destruction of university and private property during protests. Any students caught violating these principles should accept the consequences and this should be emphasised in codes of conduct and in messaging in the communication strategy.

*University revenue generation and cost cutting* have to be pursued in order to render the university system sustainable in the medium- to long-term, and to ensure that the pressure of increasing student fees is limited.

*A media campaign* managed by GCIS and supported by all government departments should be run on TV, radio, print and social media platforms. Key political, business and civic leaders as well as parents, academics and students must be used to convey key agreed upon messages. Key messages to garner widespread support for ensuring that the university system is strengthened and supported and not rendered ungovernable and destroyed are important. The purpose of such a campaign is to shift the public discourse to support universities.

An implementation plan to follow up on agreements reached by the Task Team, e.g. exploring the utilisation of BBBEE to encourage funding of bursaries and scholarships, loyalty programmes etc. is needed. The implementation plan should have clear timeframes and responsibilities and reporting structures should be set up for monitoring progress and holding stakeholders responsible.

## **Medium to long-term strategies to address funding challenges**

### *NSFAS recoveries*

To achieve sufficient re-injection of funding to support other students to be achieved, a #payitforward campaign must be put in place, with high-level support and leadership from all quarters of the system (government, business, civil society, politicians, and parents). The hearts of former NSFAS beneficiaries have to be won so that they realise the importance of paying back their NSFAS loans. Particular attention should be given to debtors working within government, government entities and universities.

### *The "missing middle"*

A process to develop a new model, as described in Chapter 4, will be put in place immediately with the view to test it in the 2017 academic year for full implementation in 2018. Investment needs to be made by the full range of stakeholders to enable this to be implemented.

## **Policy Considerations**

### *Positive listing of NSFAS qualifying students*

The idea of 'Positive Listing' must be implemented as this would show service providers wanting to give students credit how much students owe in fees and thus help to protect students from being overburdened with debt.

### *Funding according to the NSFAS financial means test*

A policy decision should be made that all NSFAS qualifying students should receive funding in terms of the NSFAS means test and all top-slicing should be stopped in the long-term when sufficient funding to support all financially needy students is available.

### *NSFAS policy dialogue*

Some hard policy decisions have to be made in order to extend the scheme to cover all qualifying students. Issues that need such policy decisions include: the definition of the poverty threshold (poverty is a relative concept); what should be covered (full cost of study or only tuition and books); the amount of the loan that should be converted to a bursary; the interest rate to be charged once the student has completed; the % of monthly income that should be paid back into the scheme once the graduate is successfully employed; and the definition of academic progress. Depending on how these parameters are set, the scheme would support more or less students.

The broad policy dialogue currently underway to deal with these policy issues must be strengthened and broadened.

## **Messages to Communicate**

The following messages need to be conveyed:

That the constitution does not promise free higher education (as highlighted in Chapter 1) should be quoted and interpreted in as many media platforms as possible.

The key message to communicate consistently is #affordable higher education for all.

The NSFAS rules, particularly regarding continued funding for students initially supported, must be communicated.

There is a specific number of student spaces in each institution that have been agreed upon with the Minister in line with limited available resources.

Additional prospective students seeking spaces who did not apply in time during 2015 for spaces at universities must be directed to the Central Applications Clearing House (CACH), which is an integrated service providing career advice and development services and referrals to PSET opportunities. The CACH can be accessed at <http://cach.dhet.gov.za>.

Universities must develop a communication strategy and management strategy for the unknown numbers of academically qualifying students who had dropped out/ stopped out due to insufficient NSFAS funding in the past and may come back in 2016 on the back of the #feesmustfall campaign.

All universities must communicate transparent student debt policies.

The President's State of the Nation Address (SONA) in February should address and advocate public private partnerships in the financing of university education as well as the responsibility of all citizens to do their bit, within their means, to fund higher education.

The SONA should also be used to speak out strongly against violence and destruction of property and remind us that universities are places for the generation of knowledge and respectful engagement.

The SONA, as well as other spaces, can be used to call on wealthier parents to contribute more towards education on a voluntary basis.

The SONA is an important platform to emphasise the shift towards affordable higher education in line with the constitution.