

**HIGHER EDUCATION SOUTH AFRICA (HESA): INPUT FOR THE REVIEW OF
THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS)
August 2009**

1. INTRODUCTION

The Minister of Higher Education and Training recently announced a review of the National Student Financial Aid Scheme (Government Gazette, 32917 of 10 June 2009). This memorandum represents the collective views of public universities in South Africa, as represented in HESA, on the issues highlighted in the terms of reference of the Review Committee. In addition it addresses a number of related matters which would contribute towards alleviating the plight of students in relation to the cost of higher education.

2. BACKGROUND

2.1 The background to the review of NSFAS is given briefly in the above mentioned Government Gazette and mainly revolves around the inability of NSFAS to meet increasing demands for student financial aid despite increased annual Government allocations to NSFAS and increasing amounts of recovered student loans.

2.2 In the above mentioned Government Gazette the progressive growth in services rendered by NSFAS to include the administration of: Financial aid schemes run by individual universities; special purpose national and provincial government funds such as teacher education bursaries; the management of private sector and donor funds in terms of specified criteria; and of financial aid for students in FET colleges, is set out.

In this regard HESA wishes, first of all, to commend Government for its foresight in establishing NSFAS in 1996 and for its commitment to the financial strengthening of NSFAS throughout the years of its existence. Through this Government has made an inestimable contribution to the high level development of our country's human potential, and specifically to those students coming from economically impoverished backgrounds who otherwise would have been denied these development opportunities.

Despite the challenges facing NSFAS, HESA firmly believes that it represents an undoubted policy and implementation success of the post -1994 Government.

2.3 HESA recognises that this NSFAS review is taking place in arguably the most severe worldwide financial downturn for the past 40 to 50 years, which is not leaving South Africa, including our HE students, untouched. In addition HESA recognises that this Review forms part of Government's commitment to a renewed emphasis on socio-economic development in our country - particularly aimed at improving the prospects of the poor in South Africa- as shown through its five fold set of policy priorities for the next 5 years.

Universities in South Africa, within the framework of their mandates as high level educational institutions, pledge their support for Government's

developmental objectives. They also commit themselves to do whatever they can to lessen the effects of the negative financial climate, particularly for students and more specifically for poor students, in which we find ourselves at the moment.

3. HIGHER EDUCATION FUNDING TRENDS

This NSFAS Review is further informed by recent higher education funding trends- and more specifically by institutional income trends.

While special earmarked allocations for specific higher education (HE) initiatives such as Government's programme of restructuring the institutional landscape through HE institutional mergers and incorporations, and grants mainly for infrastructural improvements aimed at enhancing the quality of teaching and learning at our universities have been made during the past number of years, universities have found it increasingly difficult to cover their normal running costs. This has mainly arisen due to the fact that the allocations by Government for running costs (the so called 'block grant' in the HE funding framework) have not been able to keep pace with inflation and have, in fact, decreased in real terms since 2000.

This has pressurised universities to increase income from other sources such as student tuition fees and income from contract research, endowments, commercialisation of intellectual property, sales of goods and services(such as short courses) etc. At present roughly 40% of all income for universities is from Government subsidies (down from 49 % in 2000), about 29% from student tuition fees (up from 24% in 2000), and about 31% from private income (up from 27% in 2000).

Clearly these figures show that, in order to survive financially, universities increased their share of income arising from student fees and from private income. Both these strategies have potentially negative consequences: Increased tuition fee levels have contributed to placing HE out of reach for academically deserving, but poor students; and pursuing increased private income can sometimes jeopardise the core functions of learning/teaching, research and community service of universities.

4. HIGHER EDUCATION TUITION FEES

In response to these funding developments, HESA launched an in depth investigation into student tuition fee levels in 2007 and published a report in this regard in 2008 which in brief, found that the development of nationally regulated tuition fees, would not be advisable. Neither would it be advisable to move towards a system of free undergraduate education.

Free HE is available in a rapidly diminishing number of countries as most governments (even in developed countries which previously offered free undergraduate education, such as Germany, but do so no longer) grapple with the increasing costs of other competing social services. Obviously South Africa, as a developing country, in any event could not afford such a system which in a country with highly unequal income patterns, would benefit the wealthy as much (and possibly more) than the poor.

Payment of tuition fees has to be seen against the background of the private benefits that the individual student derives from his/her studies, usually enabling him/her to become a higher income earner than a person who does not have a higher education. Clearly, society at large also benefits from the higher education studies of an individual - the so-called public benefits. Tuition fees represent an attempt to

quantify the value of these two types of benefits in financial terms during the course of a student's studies.

The problem of the poor student in paying tuition fees is in essence a 'cash flow' problem which they experience during their undergraduate study years as they will, on the average, enter the higher income earning groupings once they have completed their studies. At the risk of over simplification, the present poor student is also the future more affluent citizen.

One of the most effective ways of solving such a cash flow problem is not by centrally regulating tuition fees and driving them to lower levels, but by instituting a loan scheme linked to incentives in order to reduce loan amounts and linked to a system of recovery of loans- exactly what Government has done with the establishment of NSFAS.

Against this background, HESA put forward the following solutions (apart from increased Government allocations for the running costs of universities), to the problem of rising tuition fee levels:

- More effective communication by universities with students on the costs of HE as well as on the many sources of financial assistance available to them in addition to NSFAS;
- Developing a set of common factors for institutional use when determining tuition fees;
- Establishing acceptable processes on consultations regarding changes to tuition fee levels;
- Achieving greater consolidation of the many different kinds of payments students have to make;
- Strengthening NSFAS' funding base and increasing funding by universities from their own sources for financial aid;
- Reviewing NSFAS' allocation formula as well as achieving greater co-ordination and synergy between NSFAS' administrative and allocation practices and those of the Financial Aid Offices of universities; and
- Mobilising greater levels of private funding for NSFAS.

Some may argue that although the levying of tuition fees is understandable, the fact that very often tuition fee increases are higher than increases in the Consumer Price Index, is not. Tuition fee increases that are higher than the CPI, arise from two main considerations:

i) Up to 65% and in some cases even 70%, of the total running costs of universities are made up of staff remuneration costs. Since annual salary increases usually are higher, or at the very minimum, match the inflation rate, universities invariably find that their running costs, on a year-to-year basis, increase by a percentage figure higher than that of the inflation rate. This is true not only of South African universities but also of international ones.

ii) Universities rely on very sophisticated laboratory and research equipment - much of which is imported at great cost from overseas countries. Apart from exchange rate fluctuations, the high cost of purchasing such scientific equipment and maintaining it, contribute to pushing up running costs beyond normal inflation rates.

Given this background, HESA therefore wishes to pledge its full co-operation, not only with the NSFAS Review itself, but also with any recommendations emanating from this process that advance acceptable solutions to the

problems many students experience with the payment of tuition fees and which would not aggravate the already very serious financial constraints under which our universities function, any further.

5. ACCESS TO HIGHER EDUCATION

Access to HE, particularly for formerly marginalised students, has been widened significantly during the past number of years as is evident from the following figures for the period 2000 to 2007:

- Undergraduate enrolments in public HE have been growing by 4,9% p a
- Enrolments for doctor's degree studies in public HE have been growing by 6,6% p a
- Enrolments of African students in public HE have been growing by 6% p a
- Enrolments of women students in public HE have been growing by 5,5 % p a
- African students now make up 63% of the public HE student numbers- up from 58% in 2000
- Women students in public HE now make up 56% of total student numbers- up from 52% in 2000.
- Despite the acknowledged difficulties in the school system concerning Mathematics and Physical Science, enrolments in public HE in Science, Engineering and Technology (SET) have been growing by 4,3% p a
- For all undergraduate studies, the number of graduates has been increasing by 5,9% p a

(The above statistics are based on the 2007 HEMIS data)

Despite these successes in increased access and admission to HE a recent study conducted jointly by the Center for HE Transformation (CHET) and the Further Education and Training Institute (FETI), showed that in 2007 nearly 700 000 young people between the ages of 18-24, who were in possession of either the former N3 certificate issued by FET colleges or a Grade 12 Senior Certificate and who were not disabled, were neither working nor studying further. Many of these young people, and in turn South Africa itself, would benefit from studying further (though not necessarily at university).

This problem is exacerbated by the lack in the scope of educational opportunities for young people in this age bracket: Apart from private further and higher education and training, often at exorbitant costs to the individual, the opportunities existing in the public sector mainly consist of universities, nursing colleges and agricultural colleges. This lack of opportunities to further one's study at one of a number of different types of post-school educational institutions has resulted in too many students seeking admission to universities which by their nature operate at very high unit cost levels for students. One solution, which admittedly falls outside the direct ambit of the NSFAS Review, is the creation of a viable post-secondary education and training system consisting, at the very least of universities, nursing colleges, agricultural colleges, FET colleges etc, which would allow students entry into forms of higher education at much lower unit costs than those applicable to universities. In such a system stepwise progression should be made possible into universities for academically deserving students, but who come via alternative institutional routes.

The creation of such a viable Post Secondary Education System would represent a significant step forward in establishing more affordable but stepwise access routes into higher education. It would also contribute to an improvement in the drop out rate

of universities since many students, through such a stepwise entry into HE, would be better equipped to cope with the rigours of HE study than is the case at present.

HESA regards the establishment of such a co-ordinated and flexible post - secondary education system as vital to finding solutions to the problem of skills shortages, the problem of limited further educational opportunities for young people, and the problem of the cost of higher education for school leavers.

6. INPUT ON MAIN ISSUES RAISED IN THE NSFAS REVIEW COMMITTEE'S TERMS OF REFERENCE

In this section collective views from universities in South Africa are given on the main issues raised in the Review Committee's terms of reference. HESA's overall position on each of the issues is given first, followed by some discussion and analysis, leading to suggestions for follow -up by the Review Committee.

6.1. Some major strengths of NSFAS

6.1.1 Advancing equity in access to HE.

Assisting large numbers of financially deprived students in obtaining a higher education and in accessing a FET college education represents one of NSFAS' most important strengths- if not for NSFAS these students would not have had the benefit of further and higher education.

In this way NSFAS has played a very significant role in diversifying our pool of human resources at the higher skills levels, thus contributing to sustained socio-economic development. Given the income inequalities pervading South African society, NSFAS has become a powerful agent of 'levelling the playing fields', at least to some extent, as far as facilitating access to HE study opportunities is concerned.

6.1.2 Becoming a recognised and respected disburser of financial aid for public as well as private funds.

NSFAS' capacity to act as distribution agent and as administrative agent for loan and bursary funds of a number of public sector bodies such as Government Departments other than the Department of HE and Training, private sector trusts and companies, and donor agencies has become nationally recognised.

Since these 'external' funds are often aimed at supporting study in specific educational fields/areas, NSFAS has also been instrumental in addressing skills shortages in specific study areas. Some amendments to the NSFAS policies would however, be required as institutions that currently issue loans via NSFAS, forfeit these funds. This is a strong disincentive for institutions to make use of NSFAS as a 'loan agent'.

6.1.3 Loan recovery and replenishment of NSFAS funds.

Compared to many countries where the financial sustainability of similar financial aid schemes is often extremely shaky, NSFAS has built up a good basis for, at least partial sustainability, through its loan repayment systems.

This does not mean that the level of loan repayments cannot be improved as, for example, better use can probably be made of agencies specialising in the tracing of student debtors and the collection of student debt (many universities already make use of such agencies). In addition NSFAS' already existing access to a number of databases containing some relevant data, could be utilised better to achieve even higher loan recovery levels. However, a sustainability risk to be noted is that loan repayment rate is also dependent on the ability of the economy to absorb graduates who studied through NSFAS loan. In economically depressed period like this one characterised by labour market contraction and massive job losses, it is very probable that the number of those who default on their loan payment is likely to increase.

6.1.4 Tried and tested administrative and accountability procedures.

Although some suggestions are made later on improving NSFAS' already high levels of administrative efficiency, the establishment of tried and tested administrative processes and procedures is an important factor in the public and private sector's confidence in NSFAS as a fund allocating body.

6.2 Some weaknesses of NSFAS

6.2.1 Delays in finalising institutional allocations.

The very long period elapsing between the beginning of an academic year (which is also the financial year for universities) and payment of annual NSFAS allocations to universities creates serious difficulties for universities and students alike.

Universities only receive their first subsidy payments in April (presumably linked to the NSFAS' financial year commencement date) of any given year and must operate on their own during the first 3 months of a year. The late transfer of NSFAS allocations to universities compounds this problem, especially for students and particularly as far as registration, accommodation, meal and book costs are concerned.

The experiment by NSFAS in making available up to 30% of an institution's allocation upfront in order to solve this difficulty will go a long way in making life a lot easier for institutions as well as for students. This new approach should be formally embedded in the normal NSFAS processes. Consideration should be given to awarding an institution an upfront allocation of up to 50% of its average final allocation during the past 5 years. Such upfront allocations should be accompanied by a minimum of 'paperwork' required from institutions.

6.2.2 Finalisation of loan agreements between students and NSFAS.

The finalisation of the loan agreements between students and NSFAS as facilitated by the institutions is too time consuming and the process is too cumbersome. This is a major contributory factor to the unduly long delay in paying over final allocations to institutions. In addition, this delay also has consequences for institutions which have to enrol students, arrange accommodation for them in residences, arrange for book and meal advances etc, without any formal assurance that the application for NSFAS support will, in the end, be successful.

While the legal strictures governing such agreements are recognised, ways have to be found within these legal requirements of simplifying the administrative and logistical burden on institutions in the finalisation of these agreements. One way of alleviating this burden could be to provide for electronic loan agreements as has apparently been piloted at one or two universities already. This by itself, although helpful, may not be sufficient in solving this problem and any requirements that are not strictly required in terms of the laws governing such agreements, should be eliminated.

6.2.3 Inadequacies in existing institutional allocation formula.

The existing allocation formula governing institutional allocations uses race as a proxy for level of need within institutions but eligible students from all races do qualify to receive NSFAS loans. Such loans also take account of the cost of study at the various universities. The application of this formula in its current form gives rise to serious anomalies as shown below - either, the formula and its application has to be amended or a new formula has to be developed.

HESA fully understands and with the inception of NSFAS, also supported a predominantly race based basis for determining allocations to institutions for distribution by the universities to students under NSFAS' rules. NSFAS was, after all, one of Government's most effective mechanisms in countering the skewed race and gender HE student profile which was established under the previous apartheid Government. HESA, however, is of the view that race as a basis for determining institutional allocations has now served its purpose, particularly when viewed against the present HE student profile and should be replaced with a different basis.

A number of reasons exist why this allocations formula is no longer suitable:

- In essence this formula assumes that all black students (particularly African students) are equally poor and that all White students are equally affluent. Patently this is wrong- particularly so in view of the slow but steady emergence of a black middle and upper class and the spreading of seriously low levels of poverty amongst many Whites students, as equity and redress policies are beginning to show results. In addition, the average African student at a historically advantaged institution (HAI) and urbanised university with a high fee structure, would be far more affluent than the average African student at a historically disadvantaged institution (HDI) which is rurally based and has a lower fee structure- yet the existing NSFAS allocation formula does not distinguish between these two sets of circumstances- effectively disadvantaging the historically disadvantaged institution even more.
- In addition, the formula takes cost of study at institutions into account as well. While this may be appropriate, the manner in which it is done needs to be refined as it once again tends to benefit HAIs relative to HDIs. This arises since HAIs can usually levy higher tuition fees as, on the average, the affluent students (of all races) at HAIs who can pay these higher fees, cross subsidise those students who cannot pay these fees. The student composition of HDIs does not allow for such forms of cross subsidisation and hence their lower tuition fee levels which then influence their institutional allocation from NSFAS negatively.

6.3 Criteria for determining eligibility of students for NSFAS support

HESA believes that the existing criteria used by NSFAS are adequate and do not need any fundamental revision. In summary this means that academic performance, financial standing as reflected by family income levels, a limited application of the criterion of field of study, South African citizenship, and whether the HE institution at which the student is studying is a public one (or not), should constitute the criteria determining eligibility of students for NSFAS.

In general HESA believes that academic criteria and income or poverty criteria should play the major role in determining the eligibility of students for NSFAS support. The matter of field of study as a criterion is addressed later but HESA's general view is that this facet should not become predominant in the award of financial aid to students.

While sympathetic to the plight of students who are permanent residents, but not South African citizens, HESA does not advocate an extension of NSFAS to such students at this stage. NSFAS does not have adequate funds to meet existing needs, let alone to fund such an extension of the scheme. Although also addressed in greater detail later, HESA, for the same reason, does not support an extension of the scheme to students studying at not -for-profit private HE institutions, except if the student numbers were to prove to be so low as to be negligible in terms of their effect on the availability of NSFAS funds.

HESA is concerned at the potential exploitation of the present NSFAS criteria regarding family income, by some unscrupulous applicants who do not represent factually accurate income data. Unfortunately this seems to be a growing problem as more and more institutions seek solutions to this problem of dishonesty, as it has come to be termed in the financial aid context. Decisive steps, although cumbersome, may have to be implemented such as the signing by an applying student of payslips/ pension of parents/guardians in front of a Commissioner of Oaths within the institution. In addition, NSFAS may have to make greater use of SARS databases in verifying financial information supplied by students applying for financial aid.

6.4 The present way of compiling the means test

6.4.1 HESA believes that the present way of compiling the means test as well as the way in which it is applied is no longer adequate and should be fundamentally reviewed or overhauled.

Eligibility for support from NSFAS is based on a nationally devised means test which yields a upper limit value for family income or a threshold value, where a student with a family income above that threshold value, does not qualify for NSFAS support. Financial assistance to students having family incomes below the threshold value is, to some extent, determined by the gap between their family income and the threshold value - the larger the gap, the greater the relative level of financial support and the lower the effective family contribution (EFC). The EFC value represents the amount which NSFAS calculates in terms of the means test calculations, which a family should contribute to the education of the students having this family. The most recent means test threshold value was R120 000 p a.

6.4.2 Threshold value:

Compared to average tuition fee levels at most of our institutions, and when taking the cost of accommodation, meals, books etc into account, this threshold value is simply too low.

The real sufferers are students who have a mean family income a little higher than the threshold value. It is inconceivable that a family with a family income of say, R140 000 p a can support a student at a university, in view of the high cost of a higher education. This problem is aggravated if such a family would consist of a number of potential HE students- at the moment NSFAS provides for supporting at most two students per family.

6.4.3 EFC values:

The present method of calculating EFCs seems to yield unrealistically high EFC values compared to income levels - eg a gross income of R80 000 can yield an EFC of R8 000 which seems too high given the increased cost of living in South Africa during recent years.

This could be the result of unrealistically low subsistence levels provided for in the means test.

6.4.4 Educational delivery mode:

Unisa, in particular is of the view that the present means test formula is mainly informed by conditions pertaining to residential universities and therefore does not take some matters into account which are specific to distance education institutions where learning is taken to the student, rather than bringing the student to learning, as is the case with residential universities.

In addition Unisa at the moment is trying to cope with an increasing number of students who, although enrolled for distance education programmes, study fulltime and are demanding assistance from Unisa in supplying accommodation. Unisa's present allocation from NSFAS does not provide for such costs.

6.4.5 Higher support levels for fewer students, or lower support levels for more students?

HESA is fully aware that solutions to the above issues raised in connection with the means test, bring to the fore the debate on whether one should support fewer students but at higher financial levels, or more students but at lower financial levels.

A solution to this conundrum is obviously not simple. While a significant boost in NSFAS funds from Government and higher rates of loan recovery, would go a long way in resolving this issue, more systemic and structural solutions have to be found as well. HESA is of the firm view each individual institution should use its own discretion (within the ambit of the NSFAS eligibility criteria) to determine if there is a case for higher support levels for fewer students or lower support levels for more students.

In addition, HESA believes that one answer to this problem may be found in the extension of HE study opportunities in institutions such as nursing colleges, agricultural colleges, FET colleges which should all have lower unit costs than universities do. This could be a solution to this problem in that larger numbers of

students would be supported at lower unit cost institutions, leaving relatively fewer to study at the higher unit cost universities. This approach would, however, require better articulation between qualifications offered by these different institutions and systems supporting credit recognition of students transferring from one institution to another.

Another solution would lie in a more nuanced application of the rules concerning the means test (threshold value) for families with more than two potential HE students.

In addition one should explore the possibility of a partnership arrangement with HE institutions (or even donors/the private sector) to cater for students from families with an income of say between R120 000 and R150 000 pa where NSFAS would provide a portion of the financial aid and the institution (or donor) the remainder- eg NSFAS 50% and HEI 50%- and between R150 000 and R180 000, where NSFAS would contribute a lower proportion than in the previous category and the institution a correspondingly higher proportion - eg NSFAS 40% and the HEI 60%. HE institutions participating in such partnerships could pay over their pro rata portion of funds for students from families in such income categories, to NSFAS who would administer both their own contributions as well as that of the participating universities.

6.5 Relationship between the bursary and loan component of allocations

HESA strongly supports the present incentive based approach whereby students can convert up to 40% of their loan into a bursary and wishes to see this aspect strengthened.

HESA would like to suggest that students who really do well in their studies should benefit from an even stronger incentive- eg students passing all their subjects in a particular year should be enabled to convert 50% of their loan into a bursary, and those with an average mark of 75% or higher in all their subjects in a particular year, should possibly be enabled to convert up to 75% of their loan into a bursary. HESA believes that such a strengthened incentive scheme could play an important part in improving average student through put rates at universities.

HESA acknowledges that funding such a strengthened incentive scheme will cause serious financial challenges for NSFAS and suggests that such a strengthened incentive scheme be phased in over a period of 3 to 5 years.

One possibility in funding such a stronger incentive scheme could come from a carefully designed partnership model with some private sector donors whose funds could be employed for supporting such a strengthened incentive scheme.

HESA does not support the outright giving of bursaries by NSFAS to undergraduate students. Doing so would considerably increase the risk of academically non-performing students and as students in essence experience a cash flow problem until they become money earners after their studies, a loan scheme making provision for converting a portion of such a loan into a bursary is the appropriate way to assist poor students.

6.6 Increasing NSFAS funds.

HESA believes that considerable additional funding for assisting poor students could be drawn down from the private sector on the basis of NSFAS' impressive track record as an agent of such funds.

To this end HESA believes that NSFAS needs to move into the domain of targeted fundraising far more aggressively than it has done so up till now. This may require the establishment of a small team of dedicated NSFAS marketers to spearhead such fundraising strategies. In addition, it may be necessary for NSFAS to establish such a fund raising presence in Gauteng.

As pointed out earlier, such an approach would require a revisit of NSFAS' present policies with regard to Private Sector partnerships, with a view of introducing far greater flexibility into such partnership arrangements.

HESA is furthermore of the view that the considerable amount of funding held by SETAs through the National Skills Fund, could be used very effectively in addressing our country's skills shortages, if a portion of this funding could be channelled to NSFAS or at least, set aside for administration by NSFAS, for FET college and HE students.

HESA is convinced that an extension of the mandate of SETAs to support NQF level 5,6 and even 7 learning at our universities, apart from the benefits for our country as a whole, would result in a significant increase of financial assistance to poor students.

6.7 NSFAS support and priority fields of study.

HESA does not advocate linking NSFAS loans to specific priority fields of study to any greater extent than is the case at present.

HESA's view is premised on the fact that all higher education is valuable and beneficial in the development of the human potential of students. This much is apparent from the four goals for HE set in the HE White Paper of 1997 as:

- To meet the learning needs and aspirations of individuals through the development of their intellectual abilities and aptitudes throughout their lives;
- To address the development needs of society and provide the labour market, in a knowledge -driven and knowledge -dependent society, with the ever changing high-level competencies and expertise necessary for the growth and prosperity of a modern economy;
- To contribute to the socialisation of enlightened, responsible and constructively critical citizens; and
- To contribute to the creation, sharing and evaluation of knowledge

HESA accepts that such a prioritization may be desirable to donor agencies and private sector companies, but does not support the whole scale application of public NSFAS funds for such a purpose beyond that which exists at this moment.

In terms of HESA's earlier suggestion of a greater usage of SETA funds for assisting poor student in their FET college or HE studies, such funds (or a portion thereof) could possibly be devoted to assisting poor students in particular priority areas.

HESA wishes to point out that some of the existing financial aid schemes linked to particular fields of study such as Funza Lushaka and Social Development bursaries were implemented before all the implications for institutions had been thoroughly

thought through. This resulted in unnecessary confusion and delays in administering such funds.

6.8 Extending NSFAS support to not-for-profit private HE providers

HESA does not, in general, support any extension of NSFAS services to not-for-profit private HE providers. If the student numbers involved are small and if financial administrative services by such not-for-profit HE providers can be provided adequately, HESA would probably have no principled objection to such an extension of NSFAS' services, provided that such a step would not affect allocations to public institutions negatively.

Regarding this matter HESA wishes to raise the obvious concern that as NSFAS cannot even meet the existing demand for financial assistance from public institutions, extending its services to not-for-profit HE providers will only make matters worse from a financial perspective.

In addition, the administration of financial aid within NSFAS' policies and rules by institutions is an onerous task requiring a considerable amount of institutional capacity and resources. HESA is not convinced that such not-for-profit HE providers would be able to provide the required level of services to meet NSFAS' requirements.

6.9 Blacklisting of non-loan repaying students

HESA recognises that this is a very sensitive practice but is of the view that the concept of good citizenship is part and parcel of a university education. This includes honouring any legal and morally binding commitments. In view of this, HESA feels that if NSFAS carries out their present set of procedures regarding the sensitive issue of blacklisting, properly and with empathy, it would not support a drastic step such as doing away with this practice altogether.

HESA's understanding of the way in which NSFAS manages this issue, is that a number of administrative steps first have to run their course, before a non-loan repaying student can be blacklisted. For HESA the question is therefore one whether these administrative steps are reasonable and whether they could be extended without jeopardising the seriousness of a breach of contract by the student.

HESA's information is that, once all means of locating the debtor and coming to a loan repaying arrangement with him/her, have been exhausted, the following steps (in order) are embarked on:

- i) NSFAS issues four statements during a 12 month cycle warning that the student runs the risk of being blacklisted unless NSFAS is informed of his/her employment status.
- ii) If the debtor informs NSFAS that he /she is unemployed no further steps are taken until such time as the student's employment status changes and when the student earns more than R30 000 pa, when debt repayment commences in accordance with NSFAS' normal debt repayment rules.
- iii) If no communication has been received from the student at the end of the 12 month cycle, the student is informed by registered letter that unless he/she contacts NSFAS within 14 days and makes repayment arrangements, he/she is to be blacklisted.
- iv) If no response is received, the student is blacklisted.

v) Once a formal debit order repayment has been arranged or a first loan repayment is received, the blacklisting is lifted within 24 hours.

6.10 NSFAS' administrative and allocation practices.

6.10.1 HESA wishes to acknowledge once again that NSFAS has succeeded in establishing a very good track record of effective administrative processes and procedures. On the other hand, the various institutions receiving NSFAS allocations bear a very heavy administrative burden.

6.10.2 e-Based administrative processes:

Although progress has been made, HESA advocates a significant speeding up processes aimed at establishing a greater e-based administrative platform by NSFAS.

Financial Aid Offices at universities tend to be understaffed and often also lack expertise in the management of the various aspects of financial aid. The streamlining of administrative processes is, therefore, of great importance to universities, particularly as some of them feel that NSFAS, of late, has been shifting more and more financial responsibilities to the institutions.

Instrumental in doing so would be e-based student application forms, e-based loan agreements, and the earlier release of means test information.

Institutions find it extremely difficult to manage their student interactions if information regarding means test calculations is not already available by November/December of year (n-1) for year (n). e-Based administrative systems, apart from their many other advantages, would presumably help NSFAS to make such information available earlier.

6.10.3 HE-NSFAS interactions:

HESA feels that despite efforts from HE institutions as well as from NSFAS, ways have to be found for strengthening NSFAS- HEI interactions significantly.

Many HEIs feel that NSFAS staff members do not really have a grasp of what Financial Aid Offices have to go through in compiling loan agreements that will pass muster, or how psychologically taxing it is to deal with students day after day who are in financial straits. If possible, it would be of great help if specific NSFAS staff members could be assigned to specific HE institutions. In this way those NSFAS staff members would build up a good understanding of institutional specifics and institutions would be assured of an identified NSFAS service point. A better understanding of specific institutional challenges in this field by NSFAS staff would do much to foster closer co-operation and lead to more effective services to students.

6.10.4 Staff capacity in Financial Aid Offices:

HESA is of the view that HE institutions and NSFAS should explore opportunities for providing more effective training for staff in Financial Aid Offices.

In an effort to improve service levels and offer training, Financial Aid Officers at universities have established a voluntary association: Financial Aid Practitioners of SA (FAPSA) and HESA has been given to understand that FET colleges are also

becoming part of this structure soon. This step should yield positive benefits for staff capacity and staff expertise in institutional Financial Aid Offices.

Financial Aid Offices at universities operate under pressure right through-out the year but none more so than during the first few months of an academic year. In fact, during this period many universities augment their Financial Aid Offices by moving other university staff there for a while, or by employing additional temporary capacity. It would be worthwhile for NSFAS and Financial Aid Practitioners to explore areas on-going requiring training with a view to deepening the Practitioners' understanding and application of the NSFAS criteria and regulations.

6.10.5 NSFAS media and public communication:

HESA is also of the view that NSFAS needs to communicate its services more effectively to prospective students.

Although NSFAS has made laudable efforts in this regard, universities are of the view that, especially with regard to prospective students, more could be done through sustained national media and public campaigns during year (n-1) with a view to studies in year(n).

6.10.6 Unclaimed institutional NSFAS funds

HESA wishes to stress the importance of clearer and more nuanced media communication around so-called unclaimed funds.

In a recent media statement NSFAS pointed out that an amount of R38 million remained unclaimed at the end of the 2008 financial year. Unfortunately, and probably not intended by NSFAS, this created an impression of laxness on the side of HE institutions and resulted in a considerable amount of negative publicity for our universities.

HESA is of the view that, while there may have been instances of administrative shortcomings at the Financial Aid Offices of some universities, the existence of such a pool of unclaimed monies arises from a far more complex set of interactions within institutions and in society as a whole.

Certainly, a sizeable portion of these unspent funds arise from the fact that the application of the NSFAS criteria, specifically with regard to the means test, simply means that there are insufficient numbers of students who qualify. In fact, HESA's view is that the existence of such a pool of unclaimed funds shows that either the threshold value of R120 000 for family income rules out too many deserving cases, or the Expected Family Contribution levels are too high, or both.

In addition, some universities reported a lower uptake by students of their Teacher Allocation compared to say, their General Allocation where they may experience a shortage of funds. Unfortunately NSFAS rules do not allow for any form of transfer of funds by institutions from the one category to the other, often resulting in the repayment of unclaimed funds in the Teacher Allocation.

Since such earmarked allocations of public funds normally arise from a specific ministerial budgeting decision, allowing universities to transfer money in cases where there is not a sufficient uptake of earmarked funds to their General Allocations, would in effect constitute a unilateral change in a ministerial decision. A solution to this problem could be found if universities

were to inform NSFAS by mid-year of any likely surpluses in such earmarked public funds and NSFAS were to approach the Minister of HE and Training for a formal decision to reallocate these surplus funds to the General Allocations of universities.

6.11 NSFAS' governance and management arrangements.

HESA feels that the composition of NSFAS' Board should reflect expertise and experience in the complex fields of university funding, student financial aid, broader student issues, and administrative and financial management.

In addition, preferably all staff, but at least senior NSFAS staff, should be subject to regular and formal performance appraisal linked to appropriate incentives and disincentives.

7. CONCLUSION

HESA wishes to re-iterate the importance it attaches to a well functioning NSFAS as one of the most effective instruments in achieving Government policies concerning access to HE.

In addition, HESA affirms its full support for the review of NSFAS and offers its co-operation and assistance in any way which the Review Committee deems suitable.