ADDRESS BY THE MINISTER OF HIGHER EDUCATION, SCIENCE AND INNOVATION, PROF BLADE NZIMANDE, ON THE OCCASION OF THE ANNOUCEMENT OF THE IMPLEMENTATION OF THE FIRST PHASE OF THE COMPREHENSIVE STUDENT FUNDING MODEL

14 January 2024

Programme Director Mr Veli Mbhele
Deputy Minister, Mr Buti Manamela;
Director-General of the Department of Higher Education and Training, Dr Nkosinathi Sishi;
DDG University Education, Dr Marcia Socikwa;
NSFAS Board members present;
Members of the media;
Fellow South Africans

Good day

Introduction

On the 24th May 2023, when presenting the Department of Higher Education and Training budget vote, I indicated that we were working towards the finalisation of a new Comprehensive Student Funding Model, based on the consideration of the recommendations of the Ministerial Task Team on the Comprehensive Student Funding Model, chaired by

Prof Mtose, Vice-Chancellor of the University of Zululand. Prof Mtose was deputized by Prof Francis Petersen who is the Vice-Chancellor and Principal of the University of the Free State and the Chairperson of USAF.

I indicated then that through the Comprehensive Student Funding Model, we will introduce measures to support all the categories of students including those who are currently not supported by the National Financial Aid Scheme (NSFAS) bursary and funding policy.

Today I am pleased to stand before you to indicate that we are now ready to implement the first phase of the Comprehensive Student Funding Model, which will ensure that the missing middle students will now be able to access financial support from government in a form of a loan to pursue their studies.

This category of students are those who come from families who have a total income of more than R350 000, but not more than R600 000 per annum.

Today I am pleased to announce yet another important milestone in the commitments of the ANC led government to advance a better life for all as we celebrate thirty (30) years of freedom.

This loan scheme will be administered by NSFAS which has the legal mandate to offer student loans as per Section 4 of NSFAS Act 1999. In order to implement the loan scheme, NSFAS will evoke Section 19 of the NSFAS Act.

NSFAS represents one of the most progressive and successful efforts by the government to systematically break the legacies of inter-generational social inequality in access post-school education and training.

Between 2019 and 2022 NSFAS has disbursed R123 Billion distributed across 2 918 624 beneficiaries.

As an administrator, NSFAS will deliver on front-end services, that is user -interface, and where appropriate will partner with public or private financial institutions as well as universities with experience in running student loan schemes, to provide backend support and other services.

NSFAS will also use existing capacities in the universities to work and oversee the steady growth of capacity in the loan unit to service the scheme and grow the social impact bond (SIB) in the short to long term.

When we make further announcements after the official release of matric results, NSFAS will provide details on the full implementation plan of this loan scheme.

Before I provide more details of the implementation of the first phase of our Comprehensive Student Funding Model, let me remind all South Africans that South Africa's Post School Education and Training (PSET) sector is one of the biggest in Africa with highly developed institutions that feature in the global arena of international education, training, research, technology development and innovation.

South Africa also have the single largest research infrastructure and systems on the African continent.

When the Sixth Administration took over in 2019, spending on education as a proportion of overall government expenditure was 22.7% in 2019/20 and 7.2% of Gross Domestic Product (GDP), far exceeding the benchmarks set by UNESCO, which recommends allocating 15-20% of public spending to education and 4-6% of GDP to education.

I must indicate that as we draw closer to the end of the 6th Administration, this trajectory is massively continuing.

In 2021/22 South Africa's spending on education as a proportion of overall government expenditure was 22.6% and Gross Domestic Product (GDP) at 6.4% which continues to exceed the UNESCO benchmarks.

This illustrates that the ANC-led government continues to spend a large share of its national budget on education (both at the basic education and post education and training).

Ministerial Task Team on Student Funding

Ladies and gentlemen

The Ministerial Task Team (MTT) reviewed a number of solutions to missing middle funding, outlining a number of loan and bursary options already available within the student funding landscape.

A range of proposed emerging funding solutions were explored for the short and medium term.

The work of the MTT was carried out in two phases: the first phase was to support immediate recommendations for the 2024 budget process, and the second phase was to make medium to long-term recommendations for the future funding.

The MTT submitted an initial report to me in July 2021, which was also presented to Cabinet. The final report was presented to Cabinet on 22 June 2022.

The MTT concluded that it is possible for Government to develop a comprehensive and universal financial aid solution that is affordable and sustainable in the long-term.

This comprehensive and universal financial aid solution will resolve the ongoing challenges that affect post-school institutions on an annual basis.

The reported further noted that the new model should not be developed at the expense of funding necessary for institutions to remain sustainable, grow and to develop and support quality higher education that contributes to economic development and skills revolution.

The MTT Report produced eighteen (18) recommendations and explored three high level policy models, supported by financial models, to guide the decision-making on its final recommendations.

Following Cabinet's directive, the Department, consulted stakeholders, including student and labour organizations, Universities South Africa (USAf), Banking Association of South Africa (BASA), BBBEE Commission, Public Investment Corporation (PIC) and National Treasury (NT).

Consultations also took place with the Department of Trade Industry and Competition (DTIC), Business Unity South Africa (BUSA), National Economic Development and Labour Council (Nedlac), Ikusasa Student Financial Aid Programme (ISFAP), Public Protector, Congress of the South African Trade Unions (COSATU), South Africa Democratic Teachers Union (SADTU), Department of Cooperative Governance and Traditional Affairs (COGTA), University Chancellors Forum, and the South Africa Human Rights Commission (SAHRC).

The Department is now working closely also with the Department of Monitoring and Evaluation.

The Department furthermore conducted an international benchmark study of student financial aid schemes in different parts of the world.

Growth in South Africa student funding

Ladies and gentlemen

Our historical review of the South Africa policy developments in student funding has shown that State resources to support student funding in the post school education and training sector have grown exponentially since the establishment of NSFAS.

The work on other bursary and scholarship funding in the university sector shows that **161 292** students in the public university system received bursaries from sources other than NSFAS.

These funding sources includes funding from the private sector, other government funding, and funding provided by institutions themselves.

The desktop report on funding available for university study from the website: SA Bursaries in 2021, highlighted that there were **3 304** student funding pockets in the form of loans, scholarships, and bursaries.

This report advocates for a more closer collaboration between government and the private sector to ensure the massification of funding options to students.

As we gradually implement our Comprehensive Funding Model, we will continue to work with all funding stakeholders to ensure that we consolidate these multiple bursary schemes to ensure that we have a consolidated and efficient loan and bursary system in South Africa.

Household income threshold for funding the missing middle student category

As you may know, currently government is providing funding through NSFAS for the children of the working class and the poor who wants to access post school and training in South Africa.

The 2017 National Income Dynamic Study (NIDS) data estimates that **85.6%** of all households fall in the low-income category, earning less than R350 000 per year and **11%** of households fall into the missing middle category.

This tentatively means that currently our ANC-led government funds **85.6%** of students who are from the poor working-class families. Government will now be expanding its funding through the loan scheme to the **11%** of the missing middle students.

Plan for the missing middle

Ladies and gentlemen

I now want to present to you our plans for the funding of the missing middle student following our consultations with the National Treasury on the viability of launching the loan scheme.

Our plans are divided into two phases as follows:

Phase 1 (2024-2025):

Government has committed the initial capitalisation fund totalling **R3.8 billion** to support the loan scheme in 2024.

This amount comprises of **R1.5 billion** from the National Skills Fund (NSF), and **R2.3 billion** from Sector Education and Training Authorities (SETAs). This amount will fund **47%** of the missing middle students, that is, **31 884** of the estimated **68 446** missing middle.

We have also committed funds to revive NSFAS ICT systems, including the loan system.

On the implementation of the scheme, the Department has thus far consulted with the National Treasury, University Vice Chancellors and Student Leaders.

Further workshops will be held with the Registrars and Student financial officers once NSFAS has obtained Board approval for the funding guidelines.

Implementing Phase 2 of the funding model:

In implementing Phase 2 of the funding model (Long term 2025-2034), the Department will ensure that the seed funding contribution by government is increased to **R31.6 billion** to **R42.1 billion** over ten years. This is approximately **R3.1 billion** to **R4.2 billion** annually.

Together with the National Treasury, we will continue to engage with relevant institutions, including public and private financial institutions to expand the scheme.

In order to qualify for the loan, students should meet the following criteria:

- Students whose annual household income is between R350 000-R600 000;
- TVET and University (public) students;

- Undergraduate or postgraduate students;
- 70% Science, technology, engineering and mathematics **(**STEM) programmes (which may be adjusted to include commercial programmes that are in demand in the labour market or entrepreneurial programmes);
- 30% Humanities programmes; and
- Students willing to sign a loan agreement.

Conditionalities:

- Students can apply for the loan in Year 1, 2,3 etc. in order to continue to be funded through the loan. Student are expected to get 60% pass rate (average);

- Students will be supported for tuition, learning material and accommodation;

- Students who obtain 70% or above on average and within prescribed time will get 50% reduction on loan on request.

Leave of absence of the NSFAS Board Chairperson

In light of the Chairperson of NSFAS having taken leave of absence, i have appointed Prof Van Staden, the former Vice Chancellor of the Tshwane University of Technology (TUT) as an Acting Chairperson of NSFAS with immediate effect.

I have already had a briefing session with him emphasising the importance of NSFAS to prioritise readiness for the begining of the of the 2024 acadeic year. The acting Chairperson will also priotise the employment of a new CEO and fully implement the Werksmans report that was commisioned by NSFAS.

Conclusion

Let me take this opportunity to thank President Cyril Ramaphosa and the entire Cabinet for ensuring that government protects the right for access to education by approving the implementation of this phase of the Comprehensive Student Funding Model.

My gratitude also goes to my Deputy Minister, Mr Buti Manamela, the DHET team led by Director-General, Nkosinathi Sishi, the Ministerial Task Team, led by Prof Mtose, the Banking Association of South Africa (BASA)**,** Universities South Africa (USAf), Public Investment Corporation (PIC), National Treasury (NT), Department of Trade Industry and Competition (DTIC), Business Unity South Africa (BUSA), National Economic Development and Labour Council (Nedlac), Ikusasa Student Financial Aid Programme (ISFAP) , students formations (SAUS and SATVETSA), Public Protector, Congress of the South African Trade Unions (COSATU), South Africa Democratic Teachers Union (SADTU), BBBEE Commission, Department of Cooperative Governance and Traditional Affairs (COGTA), University Chancellors Forum, and the South Africa Human Rights Commission (SAHRC) and other who I might not have mentioned.

Let me also take this opportunity to wish to apply for this loan scheme well. My thoughts are also with the 2023 matriculants who will be getting their final results soon.

In conclusion, NSFAS will provide more details on the loan scheme including the loan funding guidelines. They will also provide details on the date for the opening of the applications for loan scheme including methods of applying for the loan.

Thank you very much.

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