

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

| Ministerial review Recommendation   | FAPSA Response  |
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| <b>10.1 New Higher and further education student financial aid models</b>   |   |
| <p><b>a.</b> The Review Committee firstly recommends the adoption of the new models for financing higher and further education explained in Parts 3 and 4 of this report.</p> <p><b>b.</b> In brief, the Committee recommends a higher education student financial aid model that progressively provides free higher education to undergraduate level for students from poor and working class communities. The model also provides student loans on favourable terms to higher education students from lower middle-income families.</p> <p><b>c.</b> In addition, the Committee recommends the adoption of the proposed further education and training (FET) student financial aid model, which provides fully-subsidised bursaries for all National Certificate (Vocational) (NCV) students at FET colleges.</p> | <p>FAPSA supports the Committee’s proposal of a higher education student financial aid scheme comprising of three components - aimed at different segments of the higher education student body, viz:-</p> <ol style="list-style-type: none"> <li>1. Full state subsidisation of poor students and those from working class backgrounds, to be progressively realised over a specific period.</li> <li>2. Income-contingent loan scheme for the children of public sector employees earning salaries up to a maximum of R300 000 per annum.</li> <li>3. Income-contingent loan scheme funded by the state or other agency for students from lower middle-income families.</li> </ol> <p>FAPSA supports the concept of the PRM and that the allocations to HEIs will no longer be based on race but on the number of students who need financial aid and the funding formula suggested.</p> <p>FAPSA recommends a speedy conclusion of the work of the Commission on the Means Test to support this initiative.</p> <p>FAPSA <b>does not</b> support the proposed model providing for fully – subsidised bursaries for ALL NCV students at FET colleges; rather</p> <p><b>FAPSA proposes that the means test be continued on the basis of the proposed PRM model, to determine eligibility as is the case now at the level of FET. However it strongly recommends that allocations to FET colleges should be sufficient to provide full bursaries (inclusive of class fees, full cost of accommodation and transport) to all those who have indeed met the means test eligibility. This would require that a FCS average be determined for FET for allocation purposes as envisaged in the PRModel. Such allocations should also be sufficient to cater for planned growth in participation.</b></p> |

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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| <b>10.2 Policy development</b>   |  |
| <p><b>a.</b> The Review Committee recommends that a comprehensive policy framework should be developed to articulate the detail of the national policy imperative of providing free higher and further education.</p>  | <p>FAPSA supports the immediate commissioning of drafting of the relevant policy framework to support these recommendations to enhance the understanding and thinking of the stakeholders to HE and Further Education and Training. The Policy framework must outline the details on how free higher and further education would be funded and the mandate of each sector within the higher education.</p> |
| <b>10.3 Changes to NSFAS</b>   |  |
| <p><b>a.</b> This sub-section sets out the recommendations flowing from the Committee’s findings on the current operations and activities of NSFAS. They are broadly directed at rectifying shortcomings identified by the review and at aligning NSFAS’s practices and performance with national higher and further education policies.</p> | <p>FAPSA supports these recommendations.</p>   |
| <b>10.3.1 Legislation</b>  |  |
| <p><b>a.</b> The Committee recommends that the NSFAS Act should be amended to comply with the Constitution of South Africa (Act 108 of 1996) and the National Credit Act (NCA) (Act 34 of 2005).</p> <p><b>b.</b> In particular, Section 23 should be repealed from the NSFAS Act as it forces employers to</p>                              | <p>FAPSA supports the recommendations regarding compliance with Constitution of the RSA and NCA as it relates to Section 23.</p>   |

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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| <p>collect student loan repayments from employees' salaries and pay these directly to NSFAS without the permission of the employee. The Committee concurs with the opinion provided to NSFAS by its Senior Counsel (and subsequently supported by the National Credit Regulator) that Section 23 of the Act offends against Section 34 of the Constitution, which guarantees the right of access to the courts. Counsel's advice was that the Constitutional Court would be likely to strike down this section of the NSFAS Act if it were to be considered by the Court.</p> <p>Counsel also advised that this offence against Section 34 is incapable of being justified in terms of Section 36 of the Constitution, which deals with the limitation of rights.</p> <p><b>c.</b> In the meantime, the Minister and the Department should on constitutional, legal and moral grounds, instruct NSFAS to immediately stop all loan recoveries in terms of Section 23 and to refrain from using the provisions of Section 23 in its debt recovery practices. The Committee found that borrowers against whom Section 23 is used constitute a relatively small minority of 10 percent from whom NSFAS is currently recovering loans. The majority of those repaying do so voluntarily.</p> |   |
| <p><b>d.</b> The Committee further recommends investigating the introduction of a constitutionally compliant section of the NSFAS Act to enable NSFAS to recover loan repayments</p>   | <p>FAPSA supports these recommendations and that this is done as a matter of urgency to rectify it.</p> |

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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| <p>directly through the taxation system. In this regard, attention is drawn to Section 10.3.4.7f of the recommendations.</p>   |   |
| <p><b>e.</b> In relation to composition and performance assessment of the NSFAS Board, the Act should be amended to provide for removal of board members by the Minister. The NSFAS Act currently provides no mechanisms for removal of board members, even in cases in which there are compelling grounds, such as non-performance.</p>   | <p>As indicated above, the NSFAS Act should be amended as a matter of urgency to make sure that its inline with the relevant legislations. <b>The issue around the Powers vested with the Minister regarding the appointment and removal of the board must be dealt with by making provision for a <u>due process</u> that would be followed in case of non-performance - where guidelines pertaining to expectations and conduct should be documented against which board members should be measured. This should be premise on the principles of fairness, integrity and respect for members.</b></p> |
| <p><b>10.3.1.1 Regulations</b></p>   |   |
| <p><b>a.</b> The Review Committee recommends that appropriate use should be made in future of the powers in terms of Section 27 of the NSFAS Act, which provides that: “The Minister may make regulations on any matter which may or must be prescribed by regulation in terms of this Act and any matter which is necessary or expedient to prescribe in order to achieve the objects of this Act.”</p> | <p>FAPSA note the concern of the Committee and suggest that when the Minister applies this provision of the NSFAS Act, he/she consults with the relevant HE and Further Education stakeholders for implementation.</p>  |
| <p><b>b.</b> To date very little use has been made of this provision with the consequence that matters which should be regulated in terms of the NSFAS legislation have not been codified and have been left</p>   | <p>FAPSA supports this recommendation. <b>We strongly recommend that these provisions be formulated in consultation with all HE and Further education stakeholders.</b></p>   |

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

to convention and practice. The regulations should be gazetted at the earliest opportunity in respect of the following NSFAS activities and operations:

- Regulating the relationship between NSFAS and HEIs, setting out clearly the rights and responsibilities of each party.
- Regulating the content and application of the means test.
- Regulating the interest rate and the formula for charging interest.
- Regulating the average Full Cost of Study (FCS).
- Regulating the minimum provision to be made by universities for residence, travel, books and meals for students who receive financial aid.
- Regulating the relationship between NSFAS and the institutional financial aid offices (FAOs), setting out clearly the rights and responsibilities of each party.

Regulating the minimum threshold above which borrowers are required to begin repaying NSFAS loans to align with the minimum personal taxation threshold set from time to time by the National Treasury.

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.2 Governance**

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

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

FAPSA notes the concerns raised by the Review Committee regarding the NSFAS board and suggest that these concerns be addressed as a matter of urgency.

However, **FAPSA supports the strengthening of the current NSFAS Board by co-opting additional members who would contribute to the effective governance of NSFAS for the remainder of the board’s term then the dissolution of the board as suggested in this report.**

**FAPSA supports proposals for the NSFAS Board to establish its Credit and Internal Audit Review Sub-Committee and the creation a Senior Credit Manager and Chief audit officer posts to exercise the oversight over credit and internal audit management.**

FAPSA strongly recommend that members of the board be fully supported by the Minister to ensure its effectiveness, good corporate governance, operational efficiency and in fulfilling its fiduciary responsibility.

Matters pertaining to the internal audit function, including outsourcing the internal audit of the NSFAS head office and appointments, as indicated above should be dealt with expeditiously.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

of the board's term.

**c.** In conclusion, the statutory and discretionary subcommittees of the board should be reconstituted so that they are able to perform the fiduciary duties anticipated in the NSFAS Act. In particular, the board executive committee should be strengthened to function as contemplated in the Act, taking on much of the responsibility for ensuring good corporate governance and operational efficiency.

**d.** Given that the board has fiduciary responsibility for substantial amounts of funds, it should ensure that the scheme is fully compliant with the provisions of the King reports, with specific emphasis on the Code of Corporate Practices and Conduct. In this process, due attention should however be paid to the non-commercial nature of NSFAS and the need to appropriately adapt the King recommendations to suit the manner in which NSFAS should operate.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.3 Management**

**a.** The Review Committee recommends that a capacity and skills audit should be commissioned at the earliest opportunity. The audit should assess the capacity of existing NSFAS senior managers and managers to supervise the current NSFAS operations, to manage the transitional arrangements and to oversee implementation of the new policy framework. Recommendations should be made to strengthen capacity.

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

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

FAPSA supports the principle of an on-going capacity and skills audit throughout the organisation.

**We also strongly support the appointment of the Multidisciplinary turnaround team which should include secondment of people with financial aid expertise from the Higher Education Institution on a short-term basis to facilitate the transition from the current operation environment to the proposed new NSFAS structure.**

**In the interim, we strongly recommend the immediate appointment of senior management to vacant positions, with the necessary skills and experience to add value to the organisation. In the same vein, the finalisation of the Performance management system to be finalised as a matter of urgency to ensure performance and accountability. Capacity building and skills development should always be part of this process on an ongoing basis through which NSFAS can enhance its ability to identify and meet development challenges.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4 Operations**

**10.3.4.1 NSFAS policy development, strategic, operational plans**

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

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

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

**c.** The first order of business should be devising a strategic plan for the organisation, taking into account the immediate transitional imperatives and the medium- and

FAPSA supports the recommendations for the urgent development of the necessary policies and operational plans. **In this regard, FAPSA supports the expansion of the terms of reference of the Multidisciplinary Turnaround team to include the process of formulating and drafting these policies under the direction of the NSFAS Board.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

long-term proposals for restructuring and reorienting NSFAS. Board subcommittees should be restructured in line with the strategic plan.

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

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.2 Central Applications Process**

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

We are not sure what exactly the Review Committee is proposing here and the basis within which such proposals are made. But, importantly, regarding the issues of Central Application Processes for Admission to University and for Financial Aid application, the following should be done:-

**FAPSA does not support the principle of Central Application Process for Admission.** It is our view that the *admission of students in general and needy students in particular is a strategically important function of a HEI. A number of institutions, of late, have invested huge resource, both in terms of funding and human resources to ensure that this strategic objective is realised.*

**FAPSA does not support the principle of Central Application for Financial Aid.** As it stands, institutions are faced with serious problems of administering their own applications for financial aid that are incomplete, with outstanding documents, where it takes more than two (2) months for students to submit the necessary documentation for processing. If you consider this, together with the fact that the process of central application would require more than just the capital and human resources but would be costly to poor students that we are trying to assist. *Further, an assumption that a "one-size-fits-all" approach can easily be adapted to HEI is impractical, and indicates that a thorough research of this area needs to be undertaken.*

**FAPSA supports the decentralisation of NSFAS to 4 regions, to perform exactly the same NSFAS functions and responsibilities as envisaged in this report. In the long term, when these regional offices are up and running, NSFAS must investigate the feasibility of regional Financial Aid Application.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.3 Allocation formula**

*The allocation formula to universities, which is based on each institution's self-determined Full Cost of Study (FCS) and the demographic profile of the student population, the so-called Disadvantaged Student Index (DSI) at an institution should be replaced.*

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

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

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

FAPSA supports the concept of a class-based model and that students should be fully funded;

NSFAS must continue to determine the FCS (FCS must include tuition, accommodation, study material and aids and travel expenses) on an annual basis. Mechanisms should be put in place to make sure we have the required funding - based on FCS;

**FAPSA supports the recommendation that the regulation be constructed in such a manner that institution are not adversely affected or suffer substantial financial loss. Benefits to students should thus be within the frame work of the full cost of study.**

**FAPSA supports the principle where DHET and HESA determines the minimum share of prescribed poor and working class students per institution, whilst the maximum would be determined by the budgetary allocation for the model. Special consideration should be made regarding the capacity of each institution when this determination is made.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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

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

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.4 Means test**

**a.** The current structure of the means test and the way it is applied by institutions should be revised. A simpler means test, which requires only three pieces of information, should be used to ascertain eligibility for either free education or a student loan with favourable terms and conditions. The three pieces of information ascertain: whether the applicants matriculated at a school where they were exempt from paying fees (i.e. from Quintile 1 schools and at fee-paying schools where applicants' fees were waived); where their family home is situated; household income below the lowest threshold of the South African Revenue Services (SARS) tax tables. The means test will identify the poorest applicants, who will be eligible for Component 1 funding in the proposed new student financial aid model described above, i.e. fully subsidised higher education, achieving the policy objective of progressively providing free education to students from poor and working class families. Depending on the availability of funding, other qualifying applicants will be eligible for Component 2 and 3 student financial aid in the new model, i.e. income-contingent full student loans at favourable rates of interest.

FAPSA support the principle of a proposed funding of students from Quintile 1 Schools and where applicants matriculated at a school where they were exempted from paying.

**However, FAPSA propose the speedy conclusion of the review and research of the current means test based on the study done by NSFAS to determine the magnitude of the financial support per students in Component 2 and 3.**

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

FAPSA strongly supports the recommendation regarding student with disabilities.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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

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

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

FAPSA supports this recommendation.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.6 Loan administration and interest**

**a.** Urgent attention should be paid to accelerating the processing of loan agreements and recalibrating processes in consultation with institutions to ensure closure before the financial year end.

**b.** In relation to the interest rate on NSFAS loans, the Committee recommends that the rate should remain below the Repurchase Rate, and that simple interest should be charged to a maximum of double the capital amount of the loan, calculated in line with the statutory *induplum* rule contained in the NCA.

**c.** Interest should be charged from the date a student stops studying, and not from 1 April in the year the student first takes the loan, as is presently the case.

**FAPSA supports the recommendation regarding the processing of loan administration, charging of interest to remain below the Repo Rate including the *induplum* rule. In this case the interest should be charged from the date the student completes a first qualification or from the date at which the student drops-out. FAPSA further propose that students pursuing post graduate qualification should also not be charged interest on their loan whilst pursuing their studies – on condition that their funding should be for a maximum of 3 years. This means post graduate students should be charged interest at the end of a third year or as soon as the completion of the post graduate qualification or from the date at which students drop-out, whichever comes first. After 3 years, the interest be charged whether the student is studying or not. This is on the basis that a first post graduate qualification must be completed in record time, if funded by government, and that funding be offered only if the student is studying full-time for a post graduate qualification.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.7 Loan recovery and credit blacklisting**

**a.** The Review Committee recommends that the NSFAS loan book should be revalued to assess the accuracy of the R10 billion valuation; that the revaluation should be conducted by an appropriately qualified independent service provider; and that the revaluation should be undertaken timeously to enable the Minister, if necessary, to report any adjustment to Parliament prior to the financial year end. This revaluation should be based on a reassessment of the validity of all loans currently on NSFAS's books and on the calculation of the interest accruing on these loans. The Committee recognises that the revaluation should ideally follow an NCA-compliance audit and the development of NCA-compliant policies and practices, but has been advised that a materially accurate revaluation can be undertaken in parallel with these compliance processes to ensure that it is completed in the current financial year.

**b.** As NSFAS is a registered credit provider, its loan application, granting, management and recovery operations should be compliant with the NCA. As a first step, an independent service provider should be appointed to assess compliance with the NCA and to advise on changes required to the current policies, systems and practices. Following the NCA compliance audit, NSFAS should draft NCA-

compliant policies on: credit, interest and loan recovery. The Committee believes that NCA compliance will remedy many of the questionable

FAPSA supports the recommendation.

**However, a follow-up research of what the best model is, should be undertaken as a matter of urgency.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

NSFAS practices identified in the review.

**c.** The Committee recommends that NSFAS should not blacklist students with credit bureaus and should remove the names of all students currently blacklisted with the TransUnion ITC credit bureau and/or any other credit bureaus. To initiate the process, the Committee recommends the immediate removal of the approximately 5 000 debtors who have been blacklisted for predecessor loans, which are up to 18 years old and are probably not legally recoverable.

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

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

**f.** Going forward, consideration should be given to recovery of loans through the taxation system, specifically through SARS. Following its preliminary investigations into the Australian and other recovery

schemes, the Committee has initiated negotiations with SARS in this regard. The SARS Commissioner has indicated a willingness to participate in a

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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| <p>process with NSFAS and the DHET to investigate similar schemes internationally and to determine the feasibility of the proposal.</p>   |   |
| <p><b>10.3.4.8 Bursary administration</b></p>   |   |
| <p><b>a.</b> The Review Committee recommends that NSFAS should handle only public funds and should not continue to provide a state-subsidised bursary distribution service to private sector bursary scheme funders.</p> <p><b>b.</b> In higher education bursary administration, the Committee recommends a rationalisation of current practices in consultation with funding partners. Standard form contracts and service level agreements (SLA) should be used for all future agreements. Designated administration staff should be appointed to each bursary funder; funders' complaints should be dealt with in terms of the SLA or escalated for the attention of the CEO and board executive committee.</p> <p><b>c.</b> The current practice of offering bonded bursaries which can be repaid through, for example, community or national service in the chosen field of study, should be expanded to cover the obligations of the recipients of free higher education. Students should be offered the opportunity to repay bursaries and loans through service either in government or private sector employment in the relevant field. NSFAS should establish the terms and conditions of repayment through service in</p> | <p>FAPSA supports the recommendation.</p> |

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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|---|--|
| <p>consultation with the DHET, affected government departments and other stakeholders.</p> <p><b>d.</b> In FET bursary administration, the current processing system should be reorganised. Designated bursary administration staff should be appointed to each FET college and in the interim, while the proposed new model is put in place, management oversight and departmental monitoring should be strictly enforced to ensure processing efficiency.</p>   |  |
| <p><b>10.3.4.9 Unutilised funds</b></p>   |  |
| <p><b>a.</b> The Review Committee recommends that the board and the DHET should closely monitor and evaluate the measures which were put in place in 2009 to prevent NSFAS remaining with tens of millions of rands in unspent funds at the end of the financial year in a context where student loan funding is inadequate to meet demand. Where necessary, the DHET should intervene timeously to ensure that there is no repetition of the situation in which NSFAS remains with significant amounts in unspent funds.</p> | <p>FAPSA supports this recommendation. In the interim, the NSFAS board and the DHET should closely monitor and evaluate the measures which were put in place in 2009 to prevent NSFAS remaining with tens of millions of rands in unspent funds at the end of the financial year in a context where student loan funding is inadequate to meet demand. Upon implementation of the Review recommendation around NSFAS re-configuration, this responsibility should lie entirely with the NSFAS Board.</p> |

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

| <b>10.3.4.10 Financial services</b>  |   |
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| <p><b>a.</b> Weaknesses in all internal financial controls which have been identified in internal and external audits should be immediately addressed, including:</p> <ul style="list-style-type: none"> <li>• Reviewing all internal financial controls.</li> <li>• Urgently attending to independent reconciliations within the finance function.</li> <li>• Appointing a management accountant.</li> <li>• Putting in place appropriate policies and strategies on the debtor’s book.</li> <li>• Setting up a specialised credit management unit.</li> <li>• Establishing an integrated loan management system (LMS) at institutions.</li> <li>• Moving the final institutional claims date to the end of October from the current practice of closing claims in February of the following year.</li> </ul> | <p>FAPSA supports these recommendations aimed at addressing systemic problems, but</p> <p><b>However, FAPSA is of the view that the October deadline for final institutional claims is unrealistic given the challenges faced by institutions. These challenges ranges from the fact that there are a number of institutions whose programmes/course of study are semesterised. This means students are allowed to apply for financial aid in the second semester. In all institution, registration for second semester starts towards the end of July or beginning of August - which means institutions have only one month to accept application for financial aid, capture and assess them and to call-in students to complete Loan Agreement Forms. This is impractical. Secondly, In the second semester, given the capacity problems within institutions, there are a number of other competing institutional priorities that has to be undertaken during this period, such as audits, issuing and receiving of financial aid application for the subsequent year, capturing of these applications, finalisation of other funding that is made available in the second semester by other donors etc. It is therefore our recommendation that the final institutional claims date be the end of the 15 December each year.</b></p> |
| <p><b>b.</b> Matters pertaining to the internal audit function, including outsourcing the internal audit of the NSFAS head office and appointing a chief audit officer, should be dealt with expeditiously.</p>  | <p>Please refer to proposal on 10.3.2 above (on Governance).</p>  |

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.11 Marketing and communication**

**a.** The Review Committee recommends that the NSFAS marketing and communication function should be comprehensively restructured. A new communications strategy should be devised to communicate the availability of NSFAS financial aid primarily to students at Quintile 1 schools in collaboration with the Department of Basic Education and should integrate career guidance and testing.

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

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

FAPSA supports the recommendation.

**FAPSA supports the concept of renaming, rebranding and re-launching on the basis that a marketing and consumer research is done to ascertain whether there is a need to do this. It should not just be on the basis that we want to start with a clean slate.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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| <b>10.3.4.12 Academic support</b>   |  |
| <p><b>a.</b> Recognising that the dropout rate of NSFAS loan recipients is high and graduation levels are low, the Committee recommends that all institutions which admit students who receive NSFAS funding should be required to provide appropriate academic support programmes that include NSFAS students.</p>   | <p><b>FAPSA supports this recommendation.</b></p> <p><b>Importantly, funds must be set aside (ring-fenced) by DHET to support this critical initiative and put mechanisms in place to monitor the implementation of this project. It is critical that periodical Institutional reports to DHET should include this aspect of academic support.</b></p>   |
| <b>10.3.4.13 Physical infrastructure</b>  |  |
| <p><b>a.</b> The Review Committee recommends the establishment of the NSFAS head office in close proximity to the DHET headquarters in Pretoria, supported by four regional offices in the Western Cape, Eastern Cape, Free State and KwaZulu Natal. The limitations of the existing physical infrastructure impact negatively on the ability of NSFAS to perform efficiently and cost-effectively.</p> | <p>FAPSA supports the concept of Regional offices supported by a Head Office.</p> <p><b>If the concept of regional offices is implemented, in our view, it is immaterial where the Head Office is, as long as the responsibilities assigned to both the regional centres and Head Office are clearly defined and there are sound administrative and monitoring systems in place. In the main, the responsibilities of the Head Office would be to co-ordinate activities at regional level and to deal with executive and policy matters of NSFAS and servicing of government and private donors. This can be done without a costly exercise of moving the Head Office from where it is currently.</b></p> |
| <p><b>b.</b> Any new infrastructure which is procured should be suitable for the needs of NSFAS during the transitional phase and going forward, taking account of the likely scale of its activities once its operations are realigned to meet the needs of the proposed new policy framework.</p>   |  |

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.4.14 NSFAS administration budget**

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

FAPSA supports this recommendation.

**10.3.5 Systems**

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

FAPSA supports this recommendation.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.5.1 Information technology**

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

**b.** The Committee also recommends that the Electronic Loan Application Form (ELAF) system should be finalised and rolled out immediately. As an interim measure, an IT expert should be appointed to the proposed turnaround team and tasked with resolving issues which have prevented the full implementation of the electronic loan processing system.

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

FAPSA supports this recommendation.

NSFAS should investigate the best and effective communication interface between NSFAS, HEI and students.

**10.3.5.2 Document storage system**

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

FAPSA supports this recommendation.

**FAPSA’s response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.6 Mechanisms for raising student loan funding**

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

FAPSA supports the recommendation, but

**FAPSA recommends that a Committee of experts be appointed as a matter of urgency to investigate the best model regarding how funds would be raised to support component B & C as proposed. This Committee should also investigate the best debt collection model as alluded to in the report. It is critical that this aspect is dealt with thoroughly to avoid the recurrence of the situation NSFAS finds itself in currently around debt collection and compliance or lack thereof with the regulations and the Constitution.**

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

**10.3.6.1 Student financial aid linked to priority fields of study**

**a.** The Review Committee recommends that student financial aid should not be linked to priority fields of study at this stage for two main reasons. The first is premised on the fact that all higher education is valuable and beneficial in the development of students' potential and serves the public good. The second reason is that currently, the identification of priority skills areas is flawed and needs to be comprehensively revised before a justifiable and sustainable link could be considered.

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

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

FAPSA supports the recommendation.

**FAPSA's response to the Report of the Ministerial Committee on the  
Review of the National Student Financial Aid Scheme**

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

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

FAPSA supports the recommendation.