



**THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA**

16 December 2017

On the 23rd of October 2015, I met with university student leaders, Vice Chancellors, chairpersons of University Councils and representatives of various youth organisations to discuss challenges facing the higher education and training sector. The challenges raised by student leaders and other stakeholders were largely centred around, but not limited to, the overall underfunding of the higher education and training sector; the underfunding and administrative inefficiencies of the National Students Financial Aid Scheme; lack of adequate student accommodation; hunger on campus; and what students called a hostile and untransformed institutional culture at our universities.

On 14 January 2016, I established a commission of inquiry into higher education and training in order to best inform government's decision making process in pursuit of a sustainable solution to the on-going higher education and training challenges.

The Commission was chaired by the Honourable Justice Jonathan Arthur Heher, assisted by Adv. Gregory Aly and Ms Leah Thabisile Khumalo.

The terms of reference of the Commission was to enquire into, make findings, report on and make recommendations on the following:

The feasibility of making higher education and training fee-free in South Africa, having regards to:

- The Constitution of the Republic of South Africa, all relevant higher and basic education legislation, all findings and recommendations of the various Presidential and Ministerial task teams as well as all relevant educational policies, reports and guidelines;
- The multiple facets of financial sustainability, analysing and assessing the role of government together with its agencies, students, institutions, business sector and employers in funding higher education and training; and
- The institutional independence and autonomy, which should occur vis-a-vis the financial funding model.

The Commission was expected to complete its work within a period of eight months and to

submit its final report to the President within two months of completing its work.

At the request of the Commission, I extended the working period of the Commission until 30 June 2017 with the report due within two months of completion of the work.

I received the final report from the Commission on the 30th of August 2017.

I would like to thank the Commissioners and all stakeholders that have participated and contributed to this solution-seeking process.

1 RECOMMENDATIONS OF THE COMMISSION

The recommendations of the Commission can be summarised as follows:

1.1 FUNDING THE POST SCHOOLING EDUCATION AND TRAINING SECTOR

The Commission recommended that government increase Block funding to the Post School Education and Training Sector (PSET) as a whole in line with increased costs for providing quality education and infrastructure needs. The Commission recommended that government increase its expenditure on higher education and training to at least 1% of the GDP, in line with comparable economies. The Commission further recommended that government pay particular attention to the Technical and Vocational Education and Training colleges as they cannot perform at their current funding levels.

1.2 STUDENT ACCOMMODATION

On student accommodation, the Commission found that there is a severe shortage of student accommodation across the higher education and training sector. The Commission recommended that government adopt an affordable plan to develop more student accommodation and that Historically Disadvantaged Institutions be prioritised. The commission further recommended a Public-Private Partnership approach when responding to the student accommodation challenge.

1.3 ONLINE AND BLENDED LEARNING

On the option of Online and Blended Learning, the Commission recommended that Government must further investigate the viability of “online and blended learning” as an alternative in addressing the funding and capacity challenges facing the current higher education and training sector.

1.4 FUNDING FOR TECHNICAL VOCATIONAL EDUCATION AND TRAINING (TVET) COLLEGE STUDENTS

The Commission made the following recommendations regarding the funding of students at TVET colleges:

- That all students at TVET Colleges should receive fully subsidized free education in the form of grants that cover their full cost of study and that no student should be partially funded.

1.5 POSTGRADUATE STUDENTS

The Commission recommended that the NRF bursaries (based on merit, or other criteria as developed by the NRF) for postgraduate students be retained and expanded when possible. The Commission further recommended for postgraduate students to have access to a cost-

sharing model of government guaranteed Income-Contingent Loans sourced from commercial banks (ICL).

1.6 HISTORIC DEBT

The Commission recommended that students with debt, who have since graduated, be offered income-contingent loans (ICL) as well.

1.7 NSFAS

The Commission recommended that the participation of the National Student Financial Aid Scheme (NSFAS) in the funding of university students be replaced by the ICL system. NSFAS should be retained for the provision of the funding of all TVET students and TVET student support if such retention is considered necessary.

1.8 FUNDING FOR UNIVERSITY STUDENTS

The Commission recommended that all undergraduate and postgraduate students studying at both public and private universities and colleges, regardless of their family background, be funded through a cost-sharing model of government guaranteed Income-Contingent Loans sourced from commercial banks. Through this cost-sharing model, the Commission recommended that commercial banks issue government guaranteed loans to the students that are payable by the student upon graduation and attainment of a specific income threshold. Should the student fail to reach the required income threshold, government bears secondary liability.

- In implementing this model, the Commission recommends that the existing NSFAS model be replaced by a new Income Contingent Loan System. Should government be opposed to this model, the Commission recommended that government consider the “Ikusasa Student Financial Aid Programme”, an Income Contingent Loan Funding Model proposed by the Ministerial Task Team on Funding for Poor, Working Class and Missing Middle Students. The Commission further recommended that government considers the introduction of a university fee capping mechanism to avoid the cancelling out effect. Some key points of the ICL model are the following:
- repayment only begins when the student reaches a certain threshold income;
- payments only continue until such a time as the loan is paid off;
- the repayment period could be set to a maximum period so as to ensure that payment does not impact on retirement accumulation;
- students could be allowed to settle the loan more quickly should they be able to;
- those who emigrate could be required to pay off the loan before leaving;
- loan is made available to all students (Private and Public Universities) ;
- No means test;
- The financing of every university student is achieved through a bank loan at a rate favourable to the student. Whether such financing should extend to the full cost of education will depend solely on the choice of the borrower and his need for such an extension;
- Collection and recovery of the loan will be undertaken by SARS through its normal processes.
- The state can guarantee the loan or, better still, purchase the loan, so that the student becomes a debtor in its books. Professor Lorenzo Fioramonti, in his model, proposed the inclusion of the banks as lenders to students, with a government guarantee, so as to cover the cost for the initial years.
- No student is obliged to repay a loan unless and until his or her income reaches a specified level. At the lowest specified level the interest rate is at its lowest but will increase in

accordance with specified increases in income growth.

- If the loan is not repaid within a specified number of years the balance can be written off.
- The State will repay each student loan to the bank at a given date (say five years from the first advance).

1 REGISTRATION FEES

The Commission recommended for the application and registration fees to be scrapped across the board.

Since the establishment of the Department of Higher Education and Training in 2009, various Task Teams, a Working Group and Commission have been established to address the higher education funding challenge in pursuit of the goals of the National Development Plan.

Having considered the recommendations by the Heher Commission of Inquiry as well as other government investigative reports into higher education funding, it was clear that the sector required urgent and decisive government intervention. It is now, therefore, up to government to assess all the models presented and take a final decision, having taken into consideration the following reality:

POST SCHOOL EDUCATION AND TRAINING (PSET) SECTOR CHALLENGES

The Post School Education and Training (PSET) sector challenges present one of the most urgent threats to the achievability of the targets set out in the National Development Plan, particularly the alleviation of race, gender and class based inequality, poverty and unemployment. The youth require access to opportunities in the PSET sector to ensure their effective participation in the economy and to facilitate our nation's collective social mobility.

As students raised their legitimate concerns about inequalities in access and success in higher education, it became clear that urgent and decisive government intervention is necessary to find a sustainable solution.

ECONOMIC OUTLOOK

Deep levels of income inequality remain entrenched in our country and decisive measures need to be put in place in order to disrupt the vicious cycle of poverty, unemployment and inequality. The recent poverty report by Statistics South Africa reveals the extent to which many black people and Africans in particular, remain trapped by poverty and hopelessness. It is only when higher education and training is accessible to our youth that our country can abruptly disrupt this vicious cycle. Over 70% of South African households earn below the taxable income. A significant number of working South Africans continue to earn below the minimum wage.

Given our history and the current socio-economic reality of our country, an equitable and sustainable solution to the higher education funding challenge is only achievable when higher education is viewed through the lens of the Freedom Charter and in terms of government's developmental agenda.

Weaker than expected economic growth since the global financial crisis has resulted in much lower tax revenues, forcing government to reduce spending and reprioritise its commitments. Government therefore has had to balance fiscal consolidation and funding of higher education

in an environment of low economic growth and revenue. The proposed funding model, especially the phasing in approach, will ensure sustainability of government finances and ensure improved access to education. This approach allows government to gradually phase in fully subsidised free higher education for poor and working class students year on year in a fiscally sustainable way.

POLICY POSITIONS OF THE RULING PARTY ON HIGHER EDUCATION

The provision of free higher education and training for poor and working-class students until the attainment of an undergraduate degree is a standing and binding resolution of both the 52nd and 53rd conferences of the ruling party, the African National Congress.

The 52nd Conference of the African National Congress in Polokwane resolved that “the ANC Government must progressively introduce free higher education for the poor until undergraduate level”. Following this resolution, the 53rd Conference of the African National Congress in Mangaung resolved that “the policy for free higher education to all undergraduate students from poor and working-class communities will be finalized for adoption before the end of 2013” and that “a newly structured national student financial aid system must be introduced to enable fee-free education from 2014 onwards”. The 5th Policy Conference of the ANC held in June 2017 further emphasized that “in line with the resolutions of the 52nd and 53rd Conferences of the ANC, the ANC government accelerates the implementation of a new financial support model to ensure that academically capable poor, working class and middle strata students are supported to access higher education, and receive fully subsidised free higher education and training by 2018”

These resolutions inform government’s drive to achieve the educational goals enshrined in the National Development Plan. At the TVET college sector, our policy objective is to produce thirty thousand artisans each year until the year 2030. In the university sector, our policy objective is to increase public university enrolment by 70% to 1.6 million students by 2030. We further aim to increase the number of university students studying towards Maths and Science Degrees to four hundred and fifty thousand by 2030. In order to achieve these developmental goals, we need a just and equitable system of higher education and training that prioritises poor and working-class households and communities.

Currently our higher education and training sector is confronted with challenges. At the heart of the challenges facing universities and the TVET sector is the overall gross underfunding of the system and lack of capacity to meet increasing demand, with the financial burden gradually transferred to students. Our expenditure of 0.68% of the GDP on university subsidies is far below the average of comparable economies.

Despite significant and commendable contributions made over the years by the National Student Financial Aid Scheme (NSFAS) in fostering equitable access to higher education and training, thousands of poor and working class youth remain unfunded and underfunded.

NSFAS’s definition of “poor and working class students” is outdated and has remained stagnant despite the higher education full cost of study and living having significantly escalated in the past decade and half, leaving thousands of poor and working class students unfunded.

Importantly, universities and TVET college sector challenges go beyond the gross underfunding of the sector. Severe shortages of student accommodation, safety and security,

food insecurity, shortage of adequately qualified staff, high dropout rates and low throughput rates at both universities and TVET colleges require and will receive urgent attention as highlighted by all investigative reports in this sector including the Heher Commission of Inquiry into Higher Education and Training. We further note the negative impact of inadequate student accommodation on poor and working-class students, particularly those in historically disadvantaged institutions.

A hierarchical and autonomous character as well as an alienating institutional culture prevalent at our institutions of higher learning continue to be a direct barrier to the country's transformative agenda. This necessitates that all stakeholders must explore alternatives to the status quo with urgency.

The massive investment the country is making in the development of the human capital of its citizens is expected to yield greater returns to the country both socially and economically. This investment is a precondition for transformation of the sector as a whole and in pursuit of Radical Socio-Economic Transformation.

While this investment will open the doors of learning for poor and working class students, academic support programmes for vulnerable students must be prioritised. With this investment in the PSET sector, the country expects return on investment in terms of improved performance of post school institutions, academic performance of students, throughput and provision of skills relevant and essential for the growth of the South African economy.

GOVERNMENT'S RESPONSE TO THE STUDENT'S PLEA

Having considered all the reports and the state of our universities and TVET colleges, in consultation with relevant departments, the Inter-Ministerial Committee on Higher Education and Training, the Presidential Fiscal Committee and Cabinet, I have therefore resolved as follows:

ON FUNDING THE POST SCHOOLING EDUCATION AND TRAINING SECTOR

We reaffirm that education remains an apex priority of Government's pro-poor policies and a central pillar of our fight against the socio-economic legacy of apartheid and colonialism and its resultant triple challenge of race, gender and class-based poverty, inequality and unemployment as outlined in the National Development Plan. Failure to accelerate equitable access and success in higher education and training directly threatens the achievability of this key objective and everything we have built thus far.

Government will increase subsidies to universities from 0.68% to 1% of the GDP over the next five years as recommended by the Heher Commission and in line with comparable economies in order to address the overall gross underfunding of the sector. This will be done in order to kick-start a skills revolution towards and in pursuit of the radical socio-economic transformation programme as outlined during the 2017 State of the Nation Address.

ON PUBLIC TVET COLLEGES

- The provision of fully subsidised free education and training will be extended to all current and future poor and working class South African students at all public TVET colleges starting in 2018 and phased-in over a period of five years.
- All poor and working class South African students enrolled at public TVET Colleges will be funded through grants not loans.
- For TVET colleges, full cost of study will include tuition fee, prescribed study material,

meals, accommodation and/or transport.

- The government will further invest in the training and development of existing TVET staff and the recruitment of additional qualified staff to improve the quality of teaching and learning at TVET Colleges.
- Funds will also be directed towards the improvement of infrastructure in the TVET sector.

ON PUBLIC UNIVERSITIES

- As a result of this substantial increase in subsidy to universities, there will be no tuition fee increment for students from households earning up to R600 000 a year during the 2018 academic year.
- Noting our nation's staggering levels of income inequality and considering the definition of Poor and Working Class Students that has remained stagnant and outdated despite the escalating cost of living and studying, and in order to maximize the developmental impact of our pro-poor higher education policies, the definition of poor and working class students will now refer to "currently enrolled TVET Colleges or University students from South African households with a combined annual income of up to R350 000" by 2018 academic year. The Minister of Higher Education and Training shall revise this quantum periodically in consultation with the Minister of Finance.
- Having amended the definition of Poor and Working class students, government will now introduce fully subsidised free higher education and training for poor and working class South African undergraduate students, starting in 2018 with students in their first year of study at our public universities. Students categorised as poor and working class, under the new definition, will be funded and supported through government grants not loans.
- NSFAS packages already allocated to existing NSFAS students in their further years of study will be converted from loans to 100% grants effective immediately.
- This policy intervention will enable government to extend fully subsidized free higher education to youth from well over 90% of South African households. Duly, from 2018 onwards, eligible South African children of the unemployed, social grant recipients, South Africans earning below a minimum wage, domestic workers, farm workers, mine workers and entry level civil servants such as teachers, nurses, policemen, municipal workers, security guards, refuse collectors and informal traders amongst others will now access public universities and TVET colleges for free through grants provided by their government.
- In order to achieve its intended targets of access and success, fully subsidized full cost of study will include Tuition Fee, Prescribed Study Material, Meals, Accommodation and/or Transport.

ON HISTORIC DEBT

- The matter in relation to the management of NSFAS debt due to its complexity will be dealt with by the Minister of Higher Education and Training after due diligence has been undertaken by the Department of Higher Education and Training; Department of Planning, Monitoring and Evaluation and the National Treasury to determine the quantum of funding required.

ON THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS)

- Grants for poor and working class South African students at universities and TVET colleges will continue to be managed and administered by the National Student Financial Aid Scheme through their recently completed student centred-model.

ON STUDENT ACCOMODATION

- The building of new student accommodation and refurbishment of old student housing at

both universities and TVET colleges will be given urgent attention, with priority given to Historically Disadvantaged Institutions.

ON ONLINE AND BLENDED LEARNING

- Government will further investigate the viability of “online and blended learning” as an additional mechanism to deal with capacity challenges across the PSET sector.

ON TRANSFORMATION OF THE PSET SECTOR

- The challenges facing higher education in South Africa go as far back as other students’ protests that came before the fees. I urge the Minister of Higher Education and Training to work with the relevant government agencies and other relevant stakeholders within the higher education sector to address the issue of transformation of the PSET sector as well as matters related to curriculum alignment.
- The Minister of Higher Education and Training will also need to form partnerships with business, other relevant government agencies and stakeholders within the higher education sector to reposition and rebrand TVET colleges into world-class and state of the art facilities that produce the skills that the country needs. The curricula of TVET colleges must be improved, reviewed and refocused so that it can make the much needed contribution in the fight against the current skills deficit that the country is facing.
- Low graduation rates and high dropout rates at all TVET colleges and universities will be given urgent attention by all higher education and training stakeholders. The immediate implementation of free higher education for poor and working class South African youth is part of Government’s Radical Socio-Economic Transformation programme aimed at safeguarding the future of our country in pursuit of the goals of our National Development Plan as outlined during this year’s State of the Nation Address. I would like to take this opportunity to wish Grade 12 Class of 2018 success as they await their National Senior Certificate results. May these opportunities created by government be utilised to lay the foundation of your future empowerment and the inclusive growth of our economy. I thank you.

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