



EQUAL EDUCATION COMMENT ON THE REPORT OF *THE MINISTERIAL TASK TEAM TO DEVELOP A SUPPORT AND FUNDING MODEL FOR POOR AND MISSING MIDDLE STUDENTS*

SUBMITTED BY:

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Overview

The Department of Higher Education and Training (DHET) has published a report of the *Ministerial Task Team (MTT) to Develop a Support and Funding Model for Poor and 'Missing Middle' Students*. DHET has called for the submission of comments on the report.

Equal Education welcomes the opportunity to provide input and comment on the report. Our submission is structured as follows:

- In Part 1, we provide a background of the structure and mandate of Equal Education as a membership-based social movement working towards equality and quality in education.
- In Part 2, we provide an overview of Equal Education's submission to the *Commission of Inquiry into Higher Education and Training (the Fees Commission)*.
- In Part 3, we discuss the positive outcomes from the presented MTT report.
- Finally, in Part 4, we highlight our concerns with the report.

Part 1: Background on Equal Education

Equal Education (EE) is a membership-based, democratic movement of learners, parents, teachers and community members. Its core objective is to work towards achieving quality and equality in South African education. In order to achieve its objectives, EE conducts a broad range of activities. These include campaigns grounded in detailed research policy analysis and supported by public action and mobilisation. Where necessary, EE uses the courts and legal processes to advance the value of, and to contribute to, a strong civil society that holds government, private interests and individuals accountable.

Our core membership base is made up of high school learners, known as 'Equalisers', who actively advocate for quality education for all across five provinces: Eastern Cape, Limpopo, KwaZulu-Natal, Western Cape and Gauteng.

As a movement, Equal Education convenes a national congress every three years, where the leadership of the organisation is elected by its membership. The elected National Council (EE's highest decision making body) is bound to implement the resolutions taken by members at congress. Since being founded in 2008, Equal Education has led campaigns aimed at the development of learning facilities; improved practice; content and access to teaching; the building of commitment and passion among teachers and learners; and improving the overall efficacy of South Africa's education system. Our focus and attention is directed by the interests of our members, who are from working class and poor communities.

EE believes that the systemic crisis in education cannot be solved by government alone.

However, government has a duty to lead society, and marshal all the resources available, both public and private, to achieve quality education for all.

Part 2: Overview of EE's Submission to the Commission of Inquiry into Higher Education and Training (the Fees Commission)

Post-apartheid South Africa has since its democratisation struggled with the provision of a fair and quality education system across all tiers. This has been the legacy of apartheid since the Black majority was marginalised and excluded from the education system. EE has in its submission to the *Commission of Inquiry into Higher Education and Training (the Fees Commission)* in June 2016 highlighted that despite the Black majority's exclusion from meaningful economic participation in the country, the new democracy brought with it access for Black South Africans into institutions and activities they once were excluded from. This included enjoying many freedoms and basic rights now provided for by the Constitution.¹

EE's submission to *the Fees Commission* also highlighted that there is a need for fee-free university in South Africa because funding remains a key determinant of access to high education and with the continued decline of government funding of higher education, universities are required to consider alternative income sources to make up for the shortfall. There is an expectation that universities would seek alternative income from so-called third-stream income sources, however the South African experience has shown that tuition fees have become the most important non-government income source for universities. In our submission to *the Fees Commission*, we recommended the following:²

- Poor students need to be prioritised in the realisation of free higher education in South Africa;
- The government needs to increase funding to universities by at least an aggregate amount equal to the ratio achieved in OECD countries to address the issue of the chronic underfunding of the higher education system; and
- No student who meets the requirements for admission to a university course should be excluded for financial reasons. Students should be funded for the 'full cost of study' including registration and other fees, accommodation, costs of meals, accommodation, travel and books.

University fees have increased substantially over the years, such that the majority of South Africans cannot afford them and, as a consequence, overall access to university is still inequitable. EE thus welcomes the opportunity to respond to the recommendations of the MTT.

¹ Equal Education. 2016. *Submission to the Commission of Inquiry into Higher Education and Training*: 3

² *Ibid.*, 14 – 22.

Part 3: Positive Outcomes of MTT Report

EE welcomes the conclusion of the MTT that it is both possible and financially viable to, in the short-term, provide fee-free university education to very poor students, and by means of combined subsidies and loans to poor and ‘missing middle’ students.³ The MTT introduces the Ikusasa Student Financial Aid Programme (ISFAP) as the model for doing so. In terms of very poor students, ISFAP suggests that they will receive financial assistance to cover the full cost of study in the form of grants. It is the MTT’s recommendation that, at a minimum, university students who come from households that receive social grants be afforded free high education through grants.

Poor and ‘missing middle’ students – those from lower middle, and working class households - will be provided with student financial assistance through a combination of subsidies and loans under ISFAP. This combination of subsidies and loans will also be accompanied by an expected family contribution that increases with household means. The MTT suggests that lower ‘missing middle’ students will have a loan component to their financial assistance phased in during their second year of study while upper ‘missing middle’ students will have their loan component already included in their first year of study.

EE welcomes the ISFAP blueprint to fully finance the full cost of study through grants for very poor students, and a combination of grants, loans and household contributions for students as they increase in household means. The provision of a grant component to the financial aid programme is an especially positive move, as it stands to relieve some (though not all) of the burden of debt that is currently prevalent under the National Student Financial Aid Scheme (NSFAS).

In addition, NSFAS has a cap on the amount it can pay per student, per institution, which is frequently less than the full cost of study. Therefore, the indication that ISFAP will make allowance for varying costs at different institutions, and explicitly account for the *full* cost of study, will also relieve students from potential debt incurred as a means to finance what would have been the outstanding amount of their cost of study.

EE also welcomes the proposed ‘wraparound support’. The student support system aims to improve the success and graduation rates of very poor, poor and ‘missing middle’ students. This support will be particularly beneficial to poor students whose transition from high school to university is made difficult by the lack of support. The ‘wraparound’ student support thus holds the potential to truly change poor student’s experience of university as well as improving throughput rates.

³ DHET. 2016. *Report of the Ministerial Task team to Develop a Support and Funding Model for Poor and ‘Missing Middle’ Students*: 8 – 12.

Part 4: Concerns with the MTT Report

While EE welcomes certain proposals of the MTT, we have concerns with the following:

1. NFSAS as a public entity vs. ISFAP as a public-private partnership;
2. Means testing and the grant-loan proportions; and
3. Incentivising the private sector through tax breaks
4. Lack of incentive based loan-to-grant conversion.

NSFAS as public entity vs. ISFAP as a public-private partnership

Our first concern is around the setting up of ISFAP as a public-private partnership (PPP), which means the financial aid programme will perform the role of student funding and support on behalf of NSFAS. The PPP arrangement will be between NSFAS and a Management Company ('ManCo'). The operation of ISFAP will be managed and administered by ManCo, essentially and legally meaning that ISFAP is ManCo.

Setting ISFAP up as a PPP has been justified by arguing that NSFAS needs rebranding in order to successfully attract private sector investment, and in order to cut down on wastage and corruption. However, in order to do this, it gives the private sector a seat at the table regarding the administration of student financing. If ManCo is to represent a PPP, it would presumably include representatives of the private sector. However, the MTT report contains no detail on how ManCo is to be constituted or governed. Without casting doubt on the benevolent intentions of many in the private sector, such an arrangement raises the danger that private investors may acquire a decisive stake in a body which sets the terms for the repayment of loans, and which they may use to maximise their profit. On that point, it must be noted that the interest rates for the different levels of student funding are not outlined in the MTT report either.

Moreover, the assumption of greater efficiency which the private sector brings with it are not always justified, nor is a PPP any guarantee that funds will not be lost to corruption or wastage. In fact, the new system may well struggle with even greater administrative burden, given that it is being centralised and removed from institutions of higher learning, and that the loan and grant elements of each student's funding will be run separately. There is also a risk of duplication of bureaucracy, given that DHET has recommended NSFAS continues to administer public funds. Achieving a functional NSFAS speaks to the challenge of developing a capable state, something which cannot be achieved simply by outsourcing problems to the private sector. As such the role of the private sector in achieving funding for students - an urgent priority - should nonetheless be clearly circumscribed, to avoid any potential for harm.

Means Testing and the Grant-Loan Proportions

The second of our concerns is regarding the means test currently employed by NSFAS. The means test is a central tool in determining student eligibility for financial aid, and identifying which students are the most financially deserving of those who apply for financial aid.⁴ This test is based on a formula which takes into account the applicant's household income, number of dependents in the household and the family's cost of living.⁵ Working in tandem with this formula is the Expected Family Contribution (EFC) calculated based on a family's disposable income by considering income sources of all the family members depending on the income.⁶

However, the MTT report contains no details on the practical considerations relating to means testing: the point at which a 'very poor' student becomes a 'poor' student, 'lower missing middle' student or 'upper missing middle' (using the report's own terms). Nor are the varying levels of loans, subsidies and household contributions detailed. These details have a large bearing on how the new scheme will play out; without these it is difficult to assess it.

The MTT further proposes that decisions will be made centrally regarding who is accepted for funding - thereby removing the decision-making, administration and processing of NSFAS funding applications from institutions. However, regardless of whether centrally processed, the means test still requires students to provide various documents such as proof of income in the form of payslips, pension slips and sometimes as affidavits stating the source of income. This is a generally unpopular aspect of the current system, and expects students to perform their poverty: students who come from low or no income households will be subjected to this humiliating process of proving how poor they are in order to be considered for funding. While some form of means testing is definitely required, alternatives to this system should be explored, such as automatically granting all students from no-fee schools full subsidies. Such a system would also be administratively simpler.

Incentivising the private sector through tax breaks

At two stages the MTT report mentions incentivising the private sector through tax breaks: at one point it is stated that under the new scheme, employers who take on their employees' student debt will receive tax benefits for doing so; at another point, banks which invest in student funding will receive "favourable capital treatment".

Without real details on the extent of these tax breaks, it is difficult to assess how benign is

⁴ [http://www.nsfas.org.za/content/publications/Working%20Paper%20Series%20no%201%20-%20Research%20on%20the%20research%20available%20FINAL%2019April2016%20\(2\).pdf](http://www.nsfas.org.za/content/publications/Working%20Paper%20Series%20no%201%20-%20Research%20on%20the%20research%20available%20FINAL%2019April2016%20(2).pdf) Accessed: 14 May 2017

⁵ <http://www.nsfas.org.za/content/studentssupport.html> Accessed: 15 May 2017

⁶ Ibid.

this measure to achieve buy-in from the private sector. It is clear that it will result in a loss to State coffers, which could have remained in the public sector if directed straight to universities. In fact this could lead to a perverse situation in which the State's tax incentive simply funds profit-making in the private sector. More detailed information must be made available in order for a fuller assessment.

Lack of Incentive Based Loan-to-Grant Conversion

Our final concern stems from the MTT's proposal that that the loan-to-grant funding conversion (for the 'missing middle') will be done away with, and that the rationale for doing so is that it will assist with the management of loans. EE however believes it is a crucial component of financial aid. NSFAS currently uses this system and over the years, this conversion from loan to grant or bursary has also worked as a means of encouraging academic progress. It is an attractive feature of a loan programme and as a result, can be effective in incentivising students' academic behaviour through the offer of repayment forgiveness.⁷ The loan to grant conversion could be improved upon: perhaps by taking into account the different academic capabilities of students and attaching different conversion percentages as a means to not only incentivise high performing students but rather all students. There is therefore an argument to be made for its improvement, however, removing it completely stands to do more harm than good especially in terms of financially-related student drop-outs or exclusion from universities.

⁷ *Submission by NSFAS on Fee-Free Higher Education, 2016.*