



**PRESENTATION TO SIYAPHUMELELA CONFERENCE - Re-imagining financing of higher education for poor and “missing middle” students—a public-private partnership**  
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# Terms of Reference

## DHET Ministerial Task Team



- Whether or not the [existing NSFAS Act](#), structure and mandate is still suitable to address the funding and other forms of support to poor and “missing middle” students,
- [Raise sufficient funding from the public sector, private sector and other sources](#) to offer a complete solution to fund poor and “missing middle” students at universities and TVET colleges,
- The feasibility of granting [fully subsidized loans to poor students](#) and [loans with progressive reducing subsidies](#) as household income increases for the “missing middle” students,
- The [funding of occupations in high demand](#),
- Develop proposals which contribute towards the improvement of the success and graduation rates for poor and “missing middle” students and [reduce drop-out rates](#),
- Create [an efficient and robust model](#) with appropriate internal controls to minimise leakage, fraud and risk in the granting and disbursement of bursaries and loans to deserving students whilst improve the collection of loan portion granted and convenience to students.



# The proposed funding model and the White Paper for Post School Education and Training

ISFAP seeks to contribute to some of the White Paper objectives:

- a post-school system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa;
- a single, coordinated post-school education and training system;
- expanded access, improved quality and increased diversity of provision;
- a stronger and more cooperative relationship between education and training institutions and the workplace;
- a post-school education and training system that is responsive to the needs of individual citizens, employers in both public and private sectors, as well as
- broader societal and developmental objectives.



# ISFAP and the HRDC

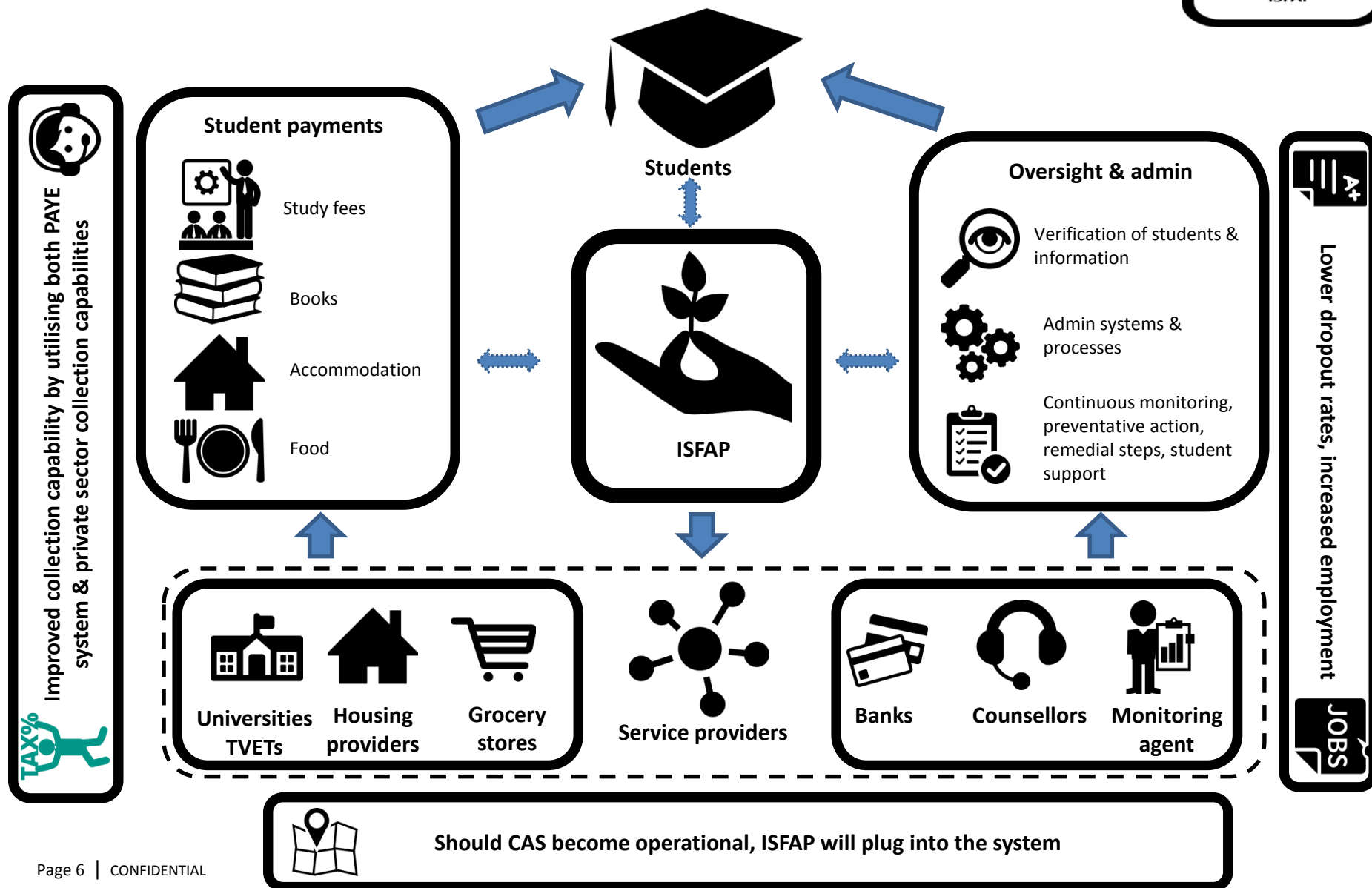
- The work of the HRD Council is organised into five programmes for the achievement of the strategic goals. For each programme there are strategic objectives. The following are the five programmes:
- Programme 1: Science, Maths, Technology and Languages
- Programme 2: TVET
- Programme 3: Higher Education and Training, Research and Innovation
- Programme 4: Skills for the transformed society and the economy
- Programme 5: Developmental state



# Summary of lending philosophy changes

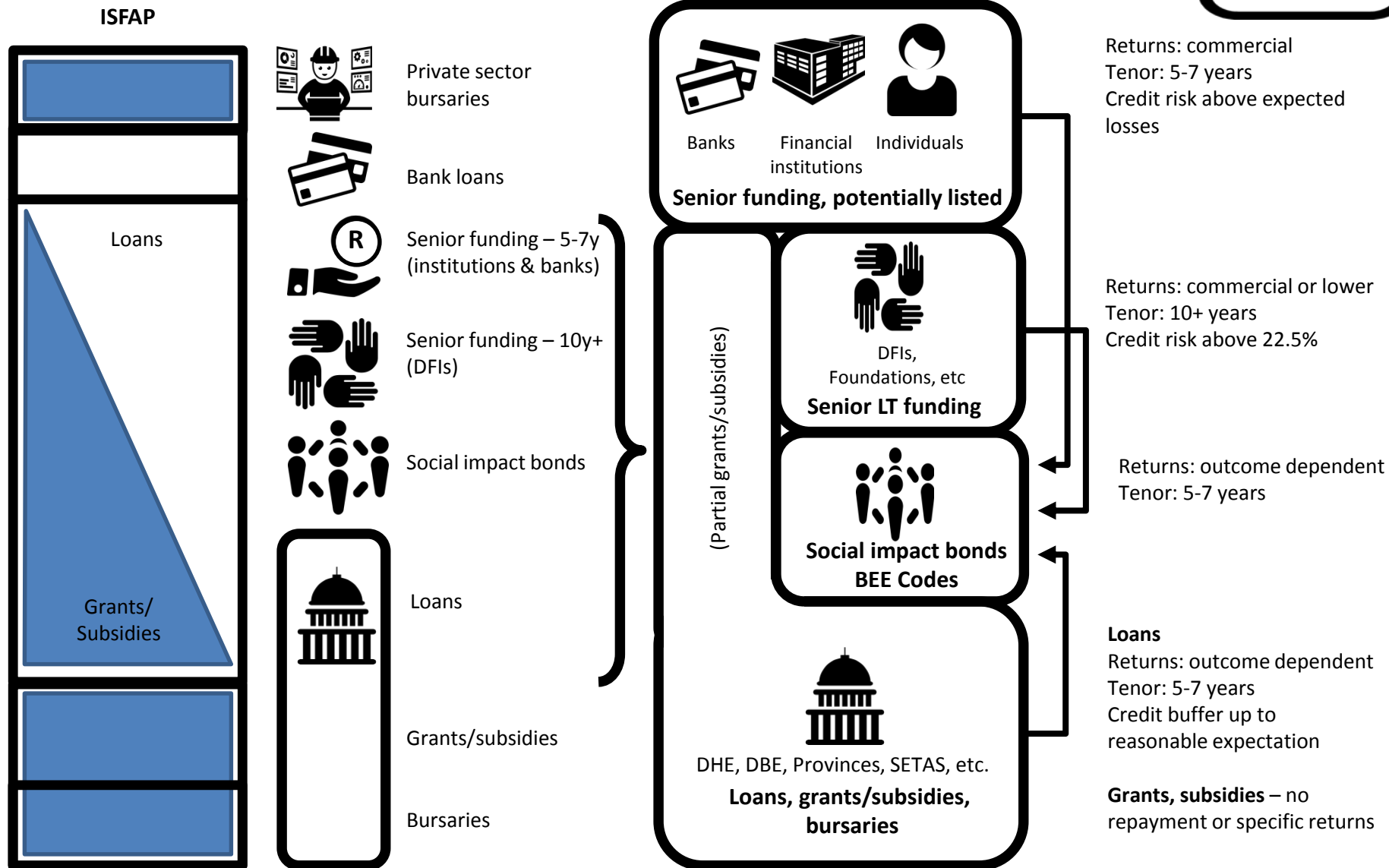
Lending Programme	NSFAS	ISFAP
Poor Students	<ul style="list-style-type: none"> <li>Income below R122 000 p.a.</li> </ul>	<ul style="list-style-type: none"> <li>Covers poor and “missing middle” students</li> </ul>
Rates	<ul style="list-style-type: none"> <li>80% of repo rate</li> </ul>	<ul style="list-style-type: none"> <li>Varied depending on means test and course of study</li> </ul>
Funding	<ul style="list-style-type: none"> <li>Government</li> </ul>	<ul style="list-style-type: none"> <li>Public/Private sector (incl. NGOs, DFIs, etc)</li> </ul>
Debt management	<ul style="list-style-type: none"> <li>Government funded</li> </ul>	<ul style="list-style-type: none"> <li>Privately/Public managed</li> </ul>
Dropout rates & cost to govt	<ul style="list-style-type: none"> <li>High</li> </ul>	<ul style="list-style-type: none"> <li>Low</li> </ul>
Loan versus bursary ratio	<ul style="list-style-type: none"> <li>100% Loan to all NSFAS qualifying students</li> <li>-40% converted to bursary if student passes</li> <li>-100% of final year funding converted to bursary if student pass</li> </ul>	<ul style="list-style-type: none"> <li>Poor students receive fully subsidised funding</li> <li>-Split between loan and bursary based on means test.</li> <li>-More loan versus grant in final of study. Higher proportion of grant in year 1 and 2 of study.</li> </ul>
Programme qualifications	<ul style="list-style-type: none"> <li>Means test and acceptance to HEI</li> </ul>	<ul style="list-style-type: none"> <li>Means test and acceptance to HEI</li> </ul>
Full Cost of Study (FCS)	<ul style="list-style-type: none"> <li>NSFAS applies a CAP (currently R71,800) resulting in underfunding of students where FCS is more than the NSFAS cap.</li> </ul>	<ul style="list-style-type: none"> <li>ISFAP will pay for the Full Cost of Study.</li> </ul>
Occupations in high demand	<ul style="list-style-type: none"> <li>Limited funding and incentives</li> </ul>	<ul style="list-style-type: none"> <li>More funding, better incentives for students, universities, private sector</li> </ul>
Government overall cost	<ul style="list-style-type: none"> <li>High</li> </ul>	<ul style="list-style-type: none"> <li>Low</li> </ul>
Loan repayment while at HEI	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>

# How will the ISFAP work for students

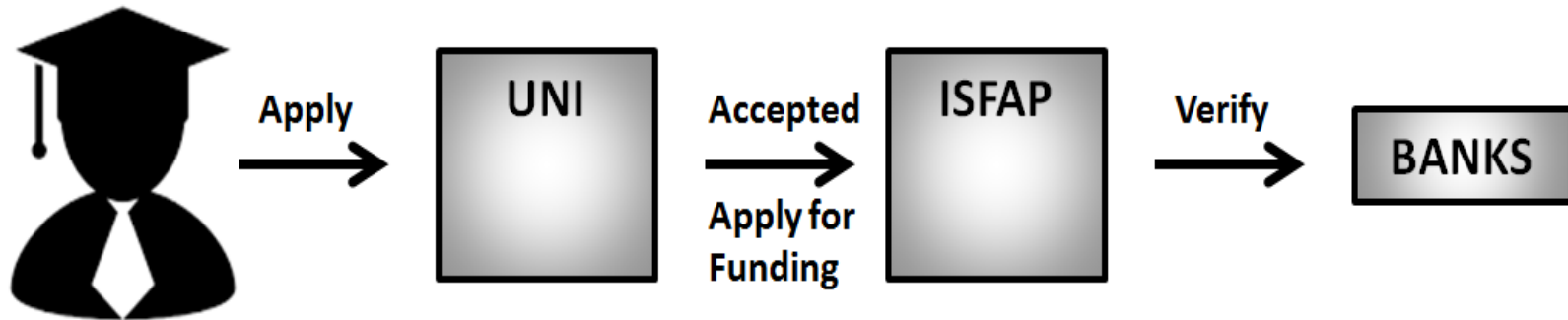




# Outline of the funding model



# Grant/Loan Application Process



## Advantages

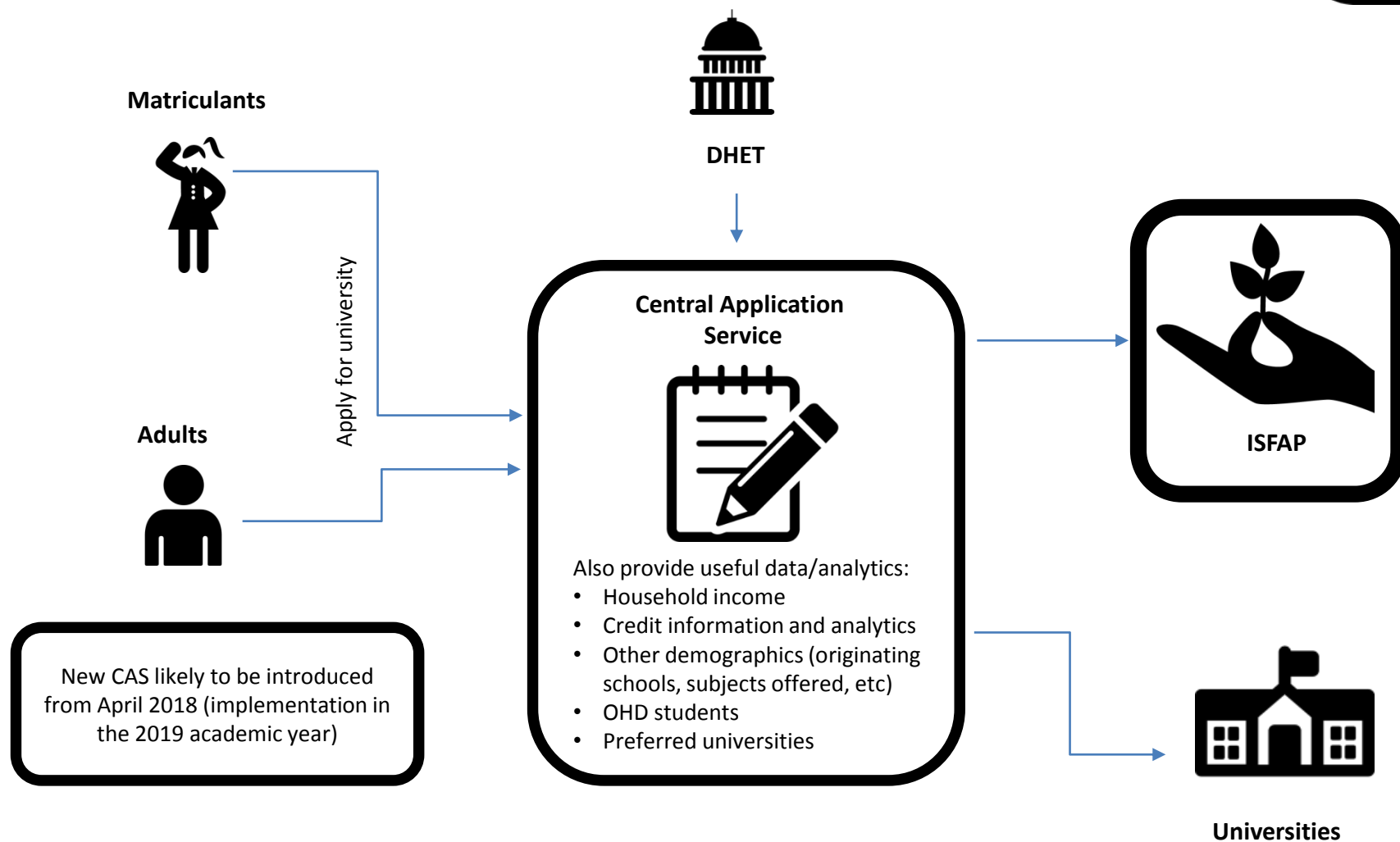
- Student applies to Uni and is accepted for a particular course so no need for the student to go back to Uni for the purposes of this flow
- Costing for course is confirmed so funding application can be done to ISFAP with confirmed course details, amounts, etc that is required for decisioning

## Disadvantages

- Student could be accepted at Uni but is then declined for funding by ISFAP



# Proposed CAS to be integrated in origination process



# Promote and Incentivise Scarce Skills and Occupations in High Demand (OHD)



## Promote better alignment of skills supply and demand focussing on OHD's

- Occupations in high demand will enjoy better incentives for students, universities, colleges and the private sector. This will align supply and demand and significantly reduce unemployment.
- OHD, as determined and defined by Human Resources Development Council (HRDC), in line with National Development Plan.
- Better co-ordination of the SETA's skill development plans.
- Students must be accepted by universities and colleges to study degrees towards OHD.
- Contractual arrangements between universities/colleges, private sector, and ISFAP for student selection, student support, progression, and employment offtake.
- Contractual arrangement between student, universities/colleges and employers (where appropriate) to address entry requirements, pass and success rules.

## Incentives for OHD

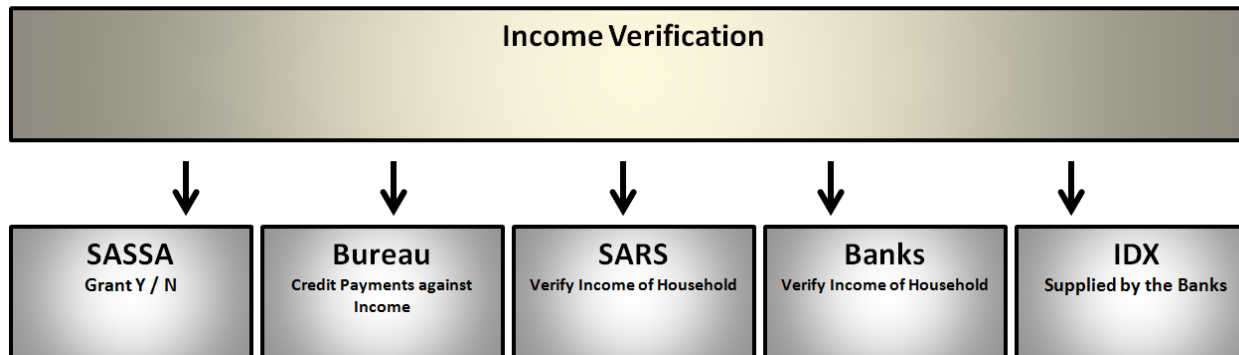
- **Proposed Incentive structure:**
  - Students – students pursuing OHD get more **financial incentives** in the form of larger bursary to loan ratio, interest discount and tax incentives.
  - Universities – academic programmes for **OHD enjoy better incentives than others**.
  - Universities contract **minimum throughput pass rates** where appropriate.
  - Private sector – incentivised through revised **BEE codes** for black students.
  - Additional private sector incentives through **tax breaks** for all students pursuing OHD to be considered.

# Means Test Process



Student Provides some of the following to ISFAP

- Banking Details
- SASSA Acc nr
- TAX nr
- ID Number of Care Givers



Enquiry Process apply should Information be disputed

This process must be internal to ISFAP, ring-fenced, and strictly governed

ISFAP will calculate the household means with reference to 5 outside parties as depicted in the diagram

# Grant/Loan Matrix



Loans according to higher loan repayment (due to drop-out) plus household means

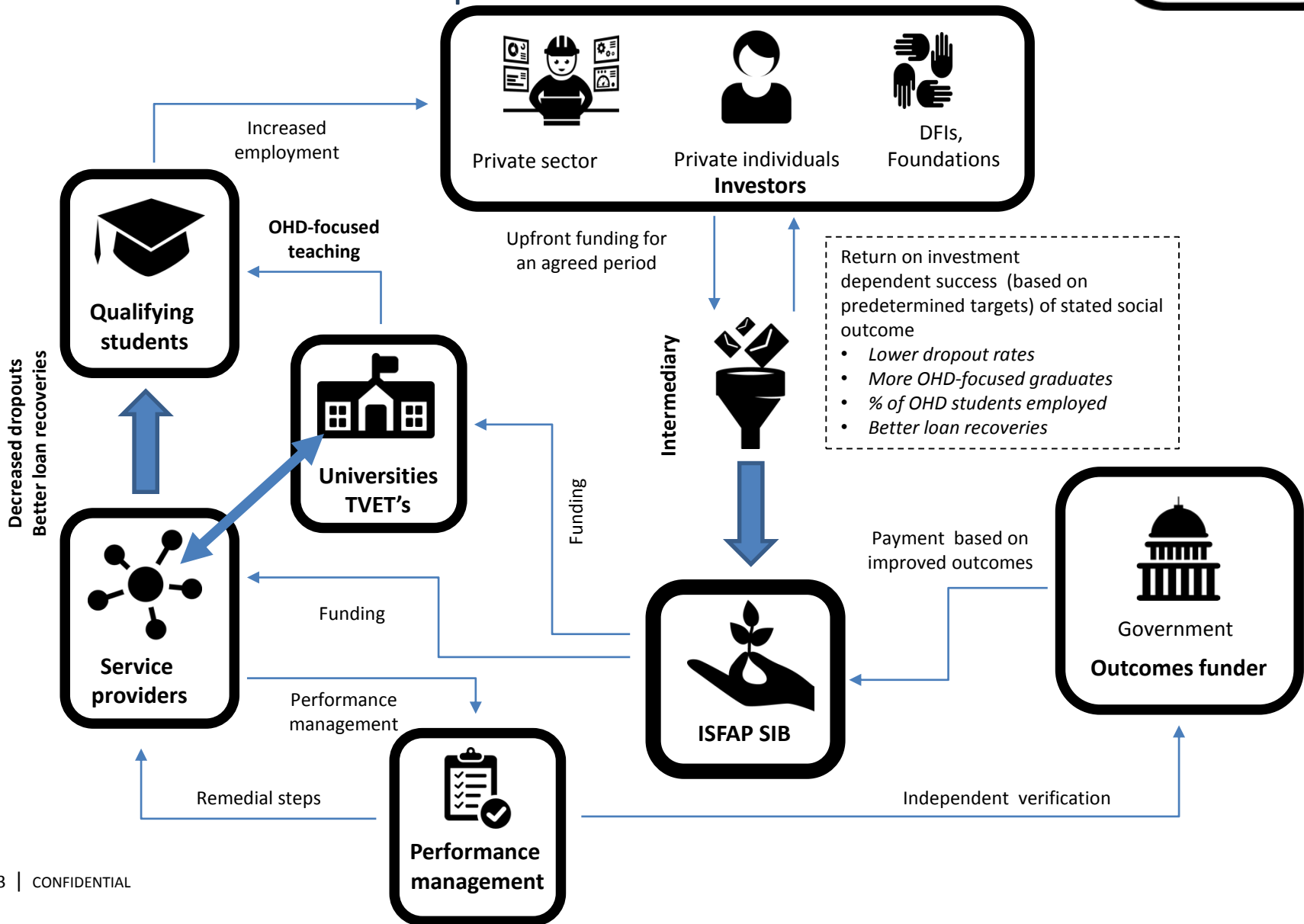
	1 <sup>st</sup> yr	2 <sup>nd</sup> yr	3 <sup>rd</sup> yr	4 <sup>th</sup> yr
R600k	GRANT	LOAN	LOAN	LOAN
	GRANT	GRANT	LOAN	LOAN
Household Means	GRANT	GRANT	GRANT	LOAN
R120k	GRANT	GRANT	GRANT	GRANT

ISFAP will centrally make the decisions regarding who is accepted for funding together with the terms, conditions, and the grant/loan/bursary make-up of the funding

This conceptual model reduces the future burden of debt for the poorer households, and also distributes the loan according to higher repayment ability segments (later years of study).

# Reducing the dropout rates

## How the ISFAP Social Impact Bond will work

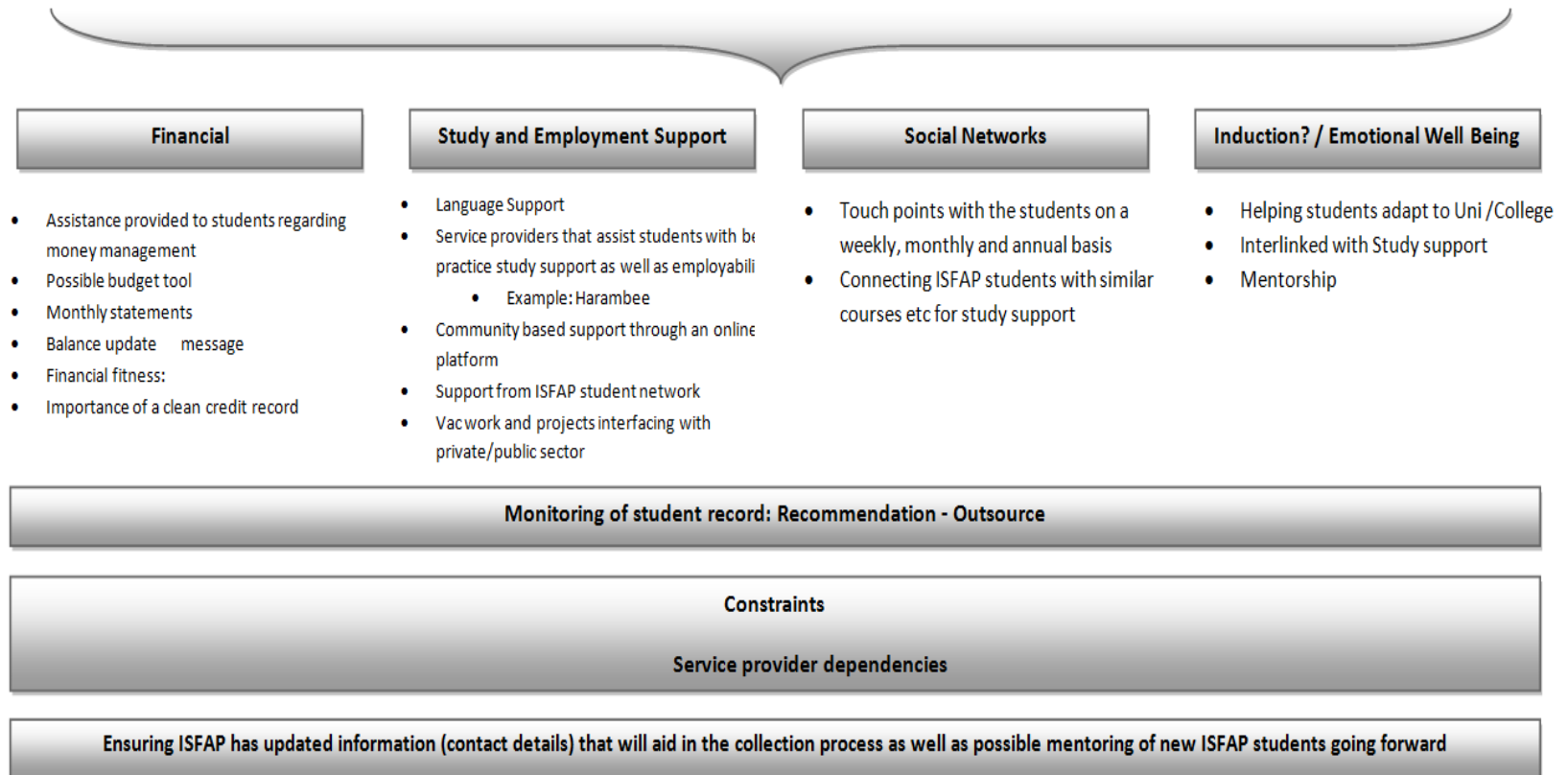


# Social Support



## Social Support Eco System

**Aim: An overarching support function that will assist students with their needs and also contribute to the success of ISFAP, funded through a social bond.**



# Proposed Project ISFAP Timeline



2016

- Distribution of Blueprint
- Stakeholder consultation
- Legislative and regulatory changes
- Start development in May 2016

2017

Implement ISFAP  
in pilot sites

2018

Full rollout

# Pilot concept



## Framework of Pilot

- Focus on “missing middle” only
- Limited group of OHD students to be selected
- Select a few universities and TVET’s
- Start with a single cohort studying different degrees/programmes and possibly extend over time
- Pilot to be transferred to ISFAP

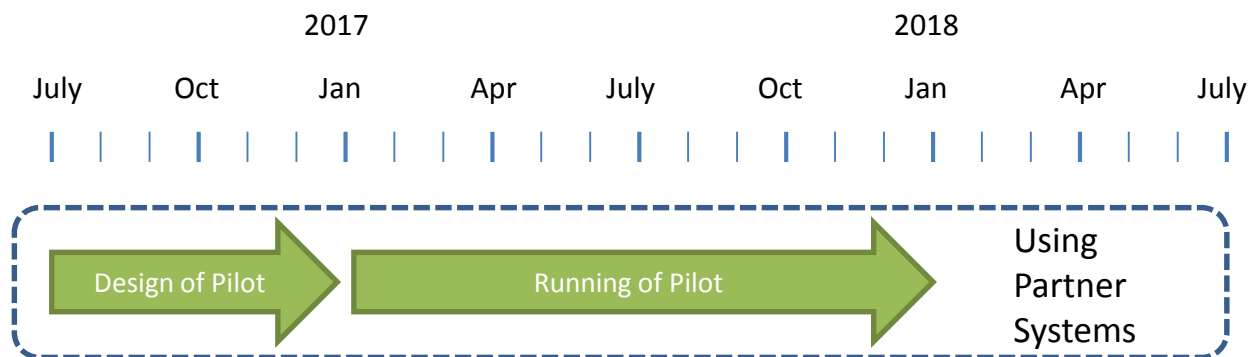
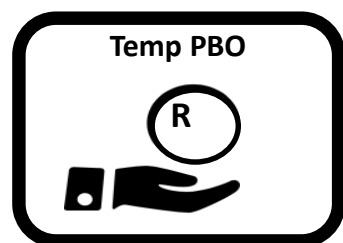
## Areas to Test within Pilot

- Selection process
- Contracting, disbursements and collections
- Loan vs. grant decisions
- Structure of partnerships with universities
- Private sector grant capital raising
- Design of appropriate student support
- Determination of Social Impact Bond key performance Indicator matrices
- Administrative capacity

*Social Support will need an SIB to scale it, for the pilot we may consider working in institutions and with partners that already offer this support such as Thuthuka, Rural Education Access Programme (REAP), and the Michael and Susan Dell Foundation.*



# ISFAP Build and key milestones



# Governance structures – NSFAS & ISFAP pilot



## 1. NSFAS

- NSFAS will continue to be governed in terms of existing legislated governance structure and management.
- Government funding will continue during the interim period, until ISFAP is fully established and operational.
- Private sector assistance in day-to-day operations will continue to be sought as and when appropriate to ensure enhanced collection levels.

## 2. ISFAP pilot

- Alternative structures that can house an ISFAP pilot project are being investigated.
- The ISFAP pilot project will be conducted through a new company, being held 100% by the above structure.
- The intention will be to utilise, where possible, an existing vehicle that will not require legislative changes.
- Government will participate in the ISFAP pilot project by appointing a limited number of board members.
- Funding in the form of donations and “soft” loans will be raised from private sector and donor funders.

# CONCLUSION



Project ISFAP

New partnership to fund more poor students