University of Cape Town Financial aid and Fees department submission to the Presidential Commission on funding higher education

1. Introduction

The University of Cape Town prides itself in how it provides financial assistance to deserving students. In our submission, we provide details about how UCT has been providing financial assistance for students from middle class families (up to R550 000 household income) known as GAP funding. This kind of financial assistance programme we believe could be used as a national blueprint in conjunction with Ikusasa Student Financing and Aid Programme to address the financial challenges facing many middle class households. Since the introduction of NSFAS, UCT had minimal protests linked to financial aid due to the pooling of resources from different donors, including government, corporates and own funding. For this reason, we believe an interrogation by the Commission of the UCT model would allow for greater understanding of the interventions in place and may provide ideas for the rest of the system.

Government's focus over the last two decades has been on improving access and increasing the number of university enrolments which, judging by the number of students that are currently in higher education institutions, has been a resounding success. The increased enrolments have not been matched by the concomitant funding from government with the result that universities had to make up the shortfall from other revenue streams. In particular, student fees have been used by most universities to make up for the lack of adequate government funding. However, there is a limit to the extent to which universities can raise income from student fees and third stream income without possibly compromising the public and social good purposes of universities.

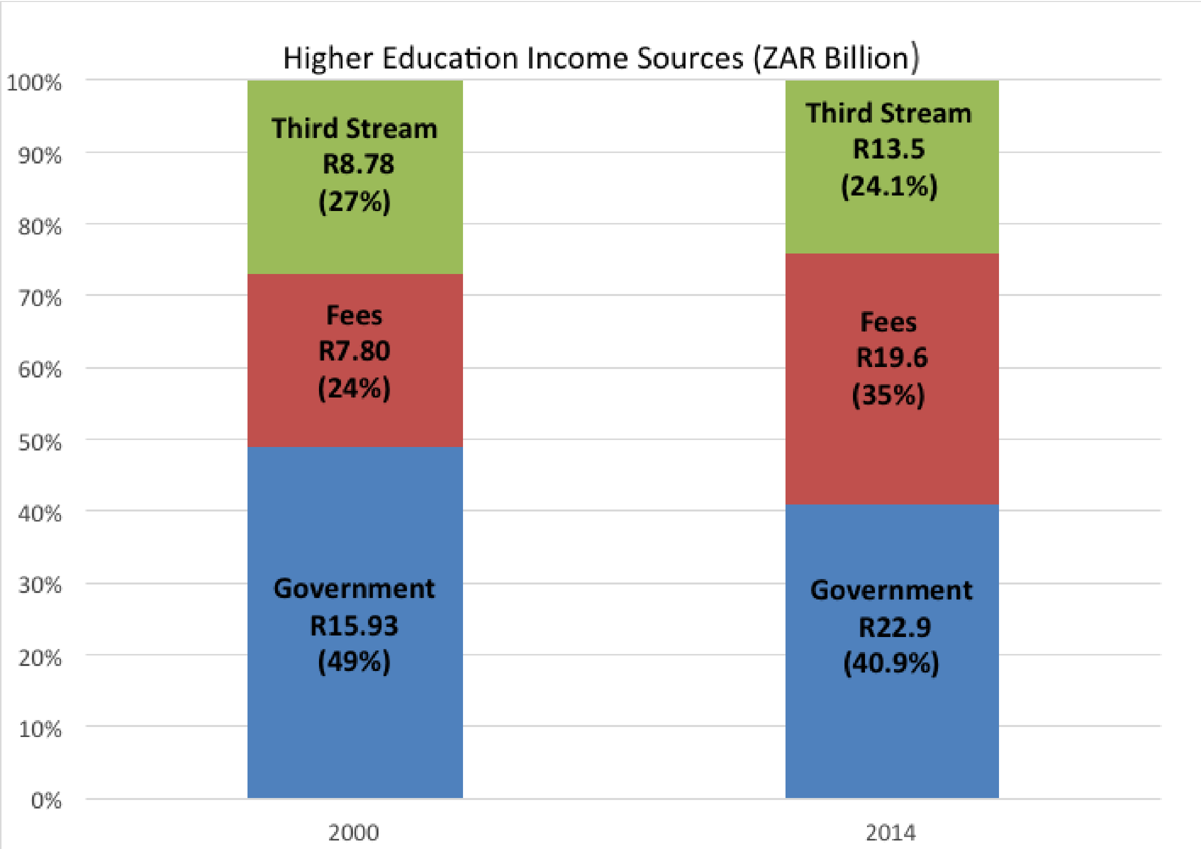
In these circumstances there is a great need for financial and institutional support for needy students. To be effective any such interventions must address the following issues:

- funding students in a dignified manner;
- systemic support for students to succeed;
- incentives for success by the institutions and individual students;
- fraud and corruption; and
- a robust appeals process for genuine cases within strictly defined parameters.

2. Funding of higher education by government

There are three sources of funding for universities, first stream (government subsidies), second stream (student fees) and third stream (research income, investment, donations and other funding).

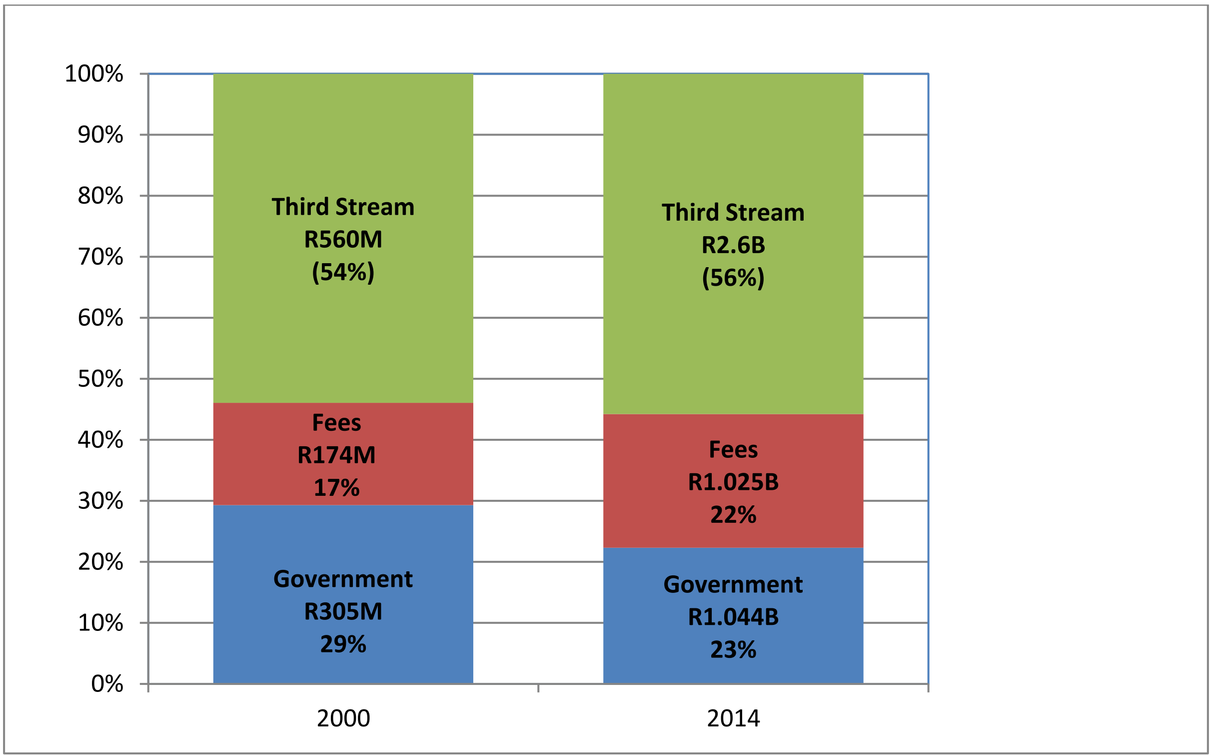
Figure 1: Comparison of university income sources 2000 and 2014 (nation-wide)



Source: DHET and USAf, 2015

In 2000 government funding accounted for nearly half of all university income, but in 2014 this had dropped to 41%. More alarming is the increase in student fees during the same period from 24% to 35%, an increase of 11 percentage points during the period in question. Although, NSFAS funding of poor students has increased over the years (it is accounted under student fees), the reality is that the overall decline in government funding has been compensated by the increase in student fees. Viewing the average state contribution to higher education in relation to the tuition makes it clearer why universities rely on fees as an integral source of their income.

Figure 2: Comparison of UCT income sources 2000 and 2014



Source: UCT Annual Reports

UCT's income between 2000 and 2014 mirrors that of the entire higher education sector. In 2000, government funding accounted for 29% of total revenue while tuition fees made up only 17% and the balance being made up by third stream funding. The most notable change between 2000 and 2014 is firstly the percentage change in government funding and tuitions fees. Government funding reduced from 29% in 2000 to just over 22% in 2014, while fees increase from 17% to account for 22%. The most revealing aspect of this is the monetary value of both income streams, which shows that in 2014 government funding is nearly on par with tuition fees, whereas in 2000 government funding was almost twice the amount of tuition fees. Third stream income which includes largely research funds, student residence accommodation, donations, interest and investments is by far the biggest income for UCT. An analysis of this income stream shows that most of the income is designated and cannot be used for operational needs of the University.

3. The legislative and policy framework underpinning fee free education

The Constitution of the Republic of South Africa (Act 106 of 1996) stipulates that everyone has the right to a basic education, including adult basic education and further education, which the state, through reasonable measures, must make progressively available and accessible. The Constitution clearly supports the notion of affordable higher education for all and progressive support for financially needy students to access higher education, but it does not make provision for free higher education.

The White Paper for Post-School Education and Training (November 2013) states that the Department of Higher Education and Training (DHET) remains committed to progressively introducing free education for the poor in South African universities as resources become available. The White Paper cites a Fee-Free Report which indicates that for the poor in South Africa is feasible, but will require significant additional funding of both NSFAS and the university system". Therefore, everything possible must be done to progressively introduce free education for the poor in South African universities as resources become available.

4. Should fee-free higher education be supported?

The idea of fee free education is a moot point. Education is a 'public good' whose role cannot be underestimated in addressing underdevelopment and social inequalities. The contribution of higher education to national economic growth and social development is widely accepted, especially given the local and international economic environment that places a high premium on innovation and ideas. Higher education provides the high level professional and skills needs of a growing economy, contributes to research, knowledge production and innovation, and yields social benefits over and above the private benefits that accrue to graduates.

It is the authors' view that fee-free higher education for all in the current economic context is neither equitable (it becomes a state subsidy to the rich) nor likely to be affordable given other social priorities and the envisaged lack of meaningful economic growth over the medium term. South Africa's economic outlook remains vulnerable to international factors and developments.

- **Affordability:**

  Domestic growth forecasts over the medium term show that government will have an increasingly difficult task to meet its revenue targets, let alone find additional resources. In an environment of rising inflation, higher debt and debt-service costs, and increasing social benefits, beneficiaries, rising unemployment, slow revenue growth impacts on government's capacity to meet the targets of the National Development Plan. Should the country be downgraded, the impact will be even bigger and will make it even more difficult to maintain the current government basket of services let alone provide sustainable funding for higher education.

  In response to the unprecedented student protest action last year around *#feesmustfall*, the government made an additional allocation of R16.3 billion for short-term (next three years) funding challenges in higher education. Of this, R5.7 billion goes towards the funding shortfall at universities caused by keeping fees for the 2016 academic year at 2015 levels, and the carry-through costs over the MTEF period. An amount of R2.6 billion in 2016/17 is transferred to the National Student Financial Aid Scheme (NSFAS) to clear the historic debt of over 70 000 students and a further R8 billion over the medium term to enable currently underfunded students to complete their studies.

  Is it likely the government can fund more? The 2016 Budget Review shows that the funding has been reprioritised from existing government programmes. It is therefore unlikely that further reprioritisation on a significant scale (to roughly double the higher education budget) will be possible without compromising the provision of other government services and priorities.

It is for this reason that the current system of cost sharing becomes even more essential as government will be unable to provide free fee education for all.

- **Equity:**

  The HESA 2007 Fees Report explains that besides fee free education being unaffordable, equity is another important rationale for cost sharing. The equity rationale for cost sharing is predicated on the following premises:

  There is nothing like 'free' higher education. 'Free' higher education is actually paid for by all citizens, including the permanently poor through indirect taxes, whether or not they know that they have been taxed.

  A big percentage of the beneficiaries of higher education are from the richer segments of society who are able to pay a portion of the costs of instruction. Thus, a policy of 'free' higher education would in effect benefit this category of students. Such a policy would have negative equity implications. Simply put, resources would be transferred from the fiscus to affluent families. Through taxation, the poor would be made to pay for the education of the rich. Even if students are poor while at university, they are likely to earn higher than average incomes after graduating. This imbalance in life-time earnings and expenditures can be corrected by a loan scheme while providing 'free' education to those who will be able to pay later.

  Alternately, with fees, and even higher fees for the wealthy, a portion of the tuition fees collected could be used to fund grants and loans for students likely to be excluded from higher education. This has positive redistributive effects. It also allows whatever government funds are available for higher education to be spread to cover more students.

5. The National Student Financial Aid Scheme

The National Student Financial Aid Scheme, despite its current challenges of lack of adequate funding for all deserving students and capacity issues, plays an important role by ensuring that academically able but financially needy students have access to funding. Without NSFAS, deserving students would otherwise not be able to afford to access higher education. The profile of students in higher education has changed considerably over the last 20 years and is now overwhelming black and women.

The White Paper for Post School Education and Training states that in 1994 55% of students at public universities were black (African, Coloured and Indian) and now just over 80% are black. This reality would not have been possible without the establishment of a growing financial aid initiative. However, in 2014 close to 54 000 students (or 29%) of eligible students could not be assisted by NSFAS. Furthermore, the number of funded students declined from 2013 to 2014 (194 923 (university) students to 186 150 respectively).

The 2015 final number of students funded will only be released publicly in September but it is anticipated that only 178 961 university students were funded. The main reason is that the costs of study per student went up more than the total funds available to NSFAS to distribute.

The funding of students cannot be considered without taking into account various factors:

- Is NSFAS funding the right students? The issue of fraud in the system must be addressed given resource limitations vs demand. Hopefully this will be addressed by the DHET fraud investigation.
- The parameters of the National Means Test (NMT) are unrealistic especially in relation to Expected Family Contributions (EFC's).
- National Means Test determining the size of the award; underfunding of students by the NMT and HEI's.
- The lack of funding for the so called "Missing Middle" who nevertheless earn too little after tax to afford the typical costs of university study of R60,000 to R120,000 per year.

4.1 The NSFAS National Means Test

Discussions regarding funding needy students cannot be undertaken without consideration of the tools used to determine financial need (eligibility). To this end the current National Means Test takes centre stage. The National Means Test (NMT) was implemented in 2003, for use by all institutions that receive NSFAS funding, in order to ensure that a uniform mechanism is used to determine financial need across the system. NSFAS does not have a single employee at any of the universities administering the means test. Coupled with poor monitoring and oversight from NSFAS, the different higher education institutions have over the years customised the means test to suit their specific context. This has resulted in lack of uniformity in the application of the means test.

The Report of the Ministerial Committee on the Review of the National Student Financial aid Scheme, summed up the difficulties of the NMT when it stated that "the current structure of the means test and the way it is applied by institutions is inappropriate, inequitable and requires revision". In particular it excludes children from families who earn above the R122 000 per annum qualification threshold, but who still cannot afford to attend university. The fact that the NSFAS means test excludes this "missing middle" is universally condemned by institutions, financial aid offices (FAOs) and students. However, communication to universities in 2016 from NSFAS confirmed that there's no threshold on household income, but the means test determines the amount that a student gets. Furthermore, the Review Committee learned during its institutional visits that the usefulness of the means test has been undermined by two major factors:

- HEIs stop using the means test altogether when its results mean too few students are granted loans, causing campus unrest by students opposed to financial exclusion
- The concerted efforts of an apparently large proportion of students at many institutions to provide false information to appear as poor as possible in order to qualify for financial aid.

The Committee heard from institutions in all provinces that students claim to be orphans being cared for by grandmothers who receive state pensions, or to have unemployed parents, in order to beat the means test. Students admitted to the Committee that some supply false information in order to qualify for financial aid. The Committee Financial Aid Officers rely on student affidavits but have no way of validating the information provided.

Although, there has been much attention given to mismanagement at NSFAS over the years, the question of student fraud has never been adequately addressed and we believe it is still the elephant in the room.

As long as there is no guarantee that the right students are being funded, valuable resources are being wasted. The University welcomes the intervention of the Ministry with the forensic investigation at a number of institutions to uncover the extent of fraud and corruption in the use of financial aid, and hopes that adequate measures will be put in place to address any shortcomings identified.

UCT has implemented a system to try to combat fraud by using a Credit Bureau to check or validate parent's employment status. Fraud is taken very seriously, and students and families found to have committed financial aid fraud are charged internally through UCT's Student Disciplinary Court, and a charge of fraud is laid at the local SAPS office. Those charged have been successfully prosecuted, and UCT has recovered all financial assistance and NSFAS funding provided. NSFAS funds recovered have been repaid to NSFAS. It is therefore important that the validation process for eligible students needs to be fool proof. The fraud uncovered has more than paid for the cost of operating the verification system. Other HEI's have started introducing this vetting system, but it is still the minority of HEI's. Furthermore, this should be a centralised function since students apply to multiple universities and currently each one has to do its own checking and investigations. The NSFAS Guidelines & Standards Handbook issued to HEI's for 2016, now requests HEI's to consider applying measures to combat fraud, including using a credit bureau for latest employment information.

4.2 The determination of the EFC

The Ministerial Review Report failed to address the inherent flaws of the test, which results in huge disparities in the EFC, and in many cases unduly high EFC's.

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Table 1 is an extract of students National Means Test data from R100 000 to R126 000 gross income on a family of 4, with 1 dependent studying.

Gross Income	Net Income (after tax)	Postal Code	Family Living Allowance	UCT EFC	NSFAS EFC	NSFAS EFC as a % of Net Income	UCT EFC as a % of Net Income
R 100 566	R 82 464	7785	R 56 499	R 4 000	R 8 568	10%	5%
R 102 900	R 84 378	270	R 60 515	R 4 000	R 7 875	9%	5%
R 103 260	R 84 673	7785	R 56 499	R 5 100	R 9 297	11%	6%
R 104 226	R 85 465	7405	R 67 345	R 3 000	R 5 980	7%	4%
R 104 350	R 85 567	2001	R 61 194	R 4 000	R 8 043	9%	5%
R 104 963	R 86 070	4275	R 69 475	R 3 000	R 5 476	6%	3%
R 107 319	R 88 002	7764	R 67 345	R 3 500	R 6 817	8%	4%
R 107 712	R 88 324	4031	R 77 321	R 1 900	R 3 631	4%	2%
R 108 000	R 88 560	7785	R 60 510	R 5 100	R 9 257	10%	6%
R 108 824	R 89 236	7785	R 60 510	R 5 100	R 9 479	11%	6%
R 110 269	R 90 421	4066	R 64 869	R 4 000	R 8 432	9%	4%
R 115 133	R 94 409	7500	R 67 345	R 4 000	R 8 931	9%	4%
R 115 662	R 94 843	8000	R 60 510	R 6 100	R 11 330	12%	6%
R 119 075	R 97 642	1022	R 74 633	R 4 000	R 7 593	8%	4%
R 120 001	R 98 401	7945	R 56 499	R 7 100	R 13 828	14%	7%
R 120 001	R 98 401	4399	R 64 869	R 6 100	R 11 066	11%	6%
R 120 548	R 98 849	1541	R 63 042	R 6 100	R 11 816	12%	6%
R 120 855	R 99 101	737	R 66 771	R 5 100	R 10 669	11%	5%
R 121 595	R 99 708	3297	R 73 941	R 4 000	R 8 503	9%	4%
R 123 000	R 100 860	7750	R 67 345	R 6 100	R 11 060	11%	6%

Gross Income	Net Income (after tax)	Postal Code	Family Living Allowance	UCT EFC	NSFAS EFC	NSFAS EFC as a % of Net Income	UCT EFC as a % of Net Income
R 123 780	R 101 500	4092	R 64 869	R 6 100	R 12 088	12%	6%
R 124 200	R 101 844	1709	R 61 194	R 7 100	R 13 415	13%	7%
R 125 520	R 102 926	7441	R 56 499	R 8 200	R 15 321	15%	8%

The NMT provides for variation based on where the family lives (i.e. area code) to accommodate for cost of living changes. However the NSFAS EFC ranges from 4% (R3 631) of net income (R88K) to 15% (R15 321) of net income (R102K) in this sample range for the same size family. A R15 321 EFC is clearly unaffordable on a net income of R102 926. It is evident that the NMT needs to be reworked.

In order to alleviate the EFC burden on students, UCT has implemented a UCT EFC, which groups the NSFAS EFC's into ranges and a reduced UCT EFC is applied. Table 2 outlines the adjustment made to the NMT EFC to enable families to better meet their EFC commitments, and reduce the chances of academic exclusion resulting from unaffordable NMT EFC's.

UCT does however require that every student makes an effort to contribute towards their studies and requires a minimum contribution of R1 100. Students that have not been able to meet the contribution are assisted at registration with fees clearance. UCT provides a top up bursaries to financial aid students to meet the shortfall between the cost of study, the NSFAS loan and the EFC.

Table 2: NSFAS NMT EFC's vs UCT EFC's

NSFAS EFC Eligibility Bands	UCT EFC	NSS EFC Eligibility Bands	UCT EFC
0-1	1100	17 000 - 18 999	9300
2-2999	1350	19 000 - 20 999	10400
3000-3999	1900	21 000 - 22 999	11500
4000-4999	2400	23 000 - 24 999	12500
5000-5999	3000	25 000 - 26 999	13600
6000-6999	3500	27 000 - 28 999	14700
7 000 - 8 999	4000	29 000 - 30 999	15700
9 000 - 10 999	5100	31 000 - 32 999	16800
11 000 - 12 999	6100	33 000 - 34 999	17800
13 000 - 14 999	7100	35 000 - 36 999	18900
15 000 - 16 999	8200	**37 000 – 40 000**	**19900**

The UCT financial eligibility cut-off is set at a NSFAS EFC of R40 000, which roughly equates to a gross family income of under R230 000 per annum. The NSFAS allocation however does not meet the need of this eligibility cut-off, and UCT funds not only the bursary shortfall or these students but also NSFAS/UCT loans where the NSFAS allocation is insufficient.

4.3 Determining the value of the Award (NSFAS Funding)

The NMT is a comprehensive programme that determines eligibility and also determines the awards size based on student costs. The allowance parameters have been of annual concern since 2003 when the NMT was made compulsory. In its 2009 submission to the Ministerial review UCT indicated that, "The allowances' parameters for students are unrealistic and not in students best interests in facilitating sound academic experience, e.g. for UCT students, Rent and food for the year is stipulated at R9 746, which is R974.60 a month to pay rent and for food. The test does not even cater for the local transport needs of the students."

For 2016 the recommended allowance in the test is R14 255 for rent and food and travel for students in off-campus accommodation. This equates to R1 425.50 per month for the 10 month academic year for students in Cape Town. The current system creates a vicious cycle that contributes to poor performance as students try to find alternative means to feed themselves. (These same students also need to pass 50% of registered courses (higher at some institutions) in order to continue to receive funding.)

The recent students' protest has also highlighted the serious shortage of accommodation for students in University residences. Students therefore would prefer University residence accommodation as they cannot afford off campus accommodation on the NSFAS allowance rates. To address these problems UCT co-funds all NSFAS funded students and has raised these allowance levels significantly. For 2016, students living off campus receive R5 300 per month (R2970 rent, R1 600 food and R730 travel). Students in self-catering residences receive R1 600 per month, and those living at home receive the travel allowance of R730 per month. Students in a catering residence received R100 per month for incidentals to enable them to buy basic toiletries.

In addition UCT's Student Residence Policy has changed in recent years, and 1st year financial aid/NSFAS students have priority access for student accommodation. This is an extremely positive approach, given the strong link between academic performance and residence accommodation.

It is important that a realistic approach is taken to funding students in order to facilitate academic success. Funding without the vision of success is a wasteful exercise, whilst acknowledging that there are many components to academic success. UCT actively seeks to address these components.

UCT has extensive academic support initiatives, an Early Warning System to identify students at risk in their first year, a First Year Experience Programme and so forth. The DHET's contribution through earmarked grants for teaching development, and foundation programmes plays a pivotal role. However, more still needs to be done to address the ongoing challenges that students experience to ensure that NSFAS funded students' success rates equates to the success of the general student cohort.

The main argument regarding the NSFAS is that its funding is insufficient to award loans to all intellectually talented and deserving students and further, that the threshold of eligibility is too low.

Finding mechanisms to address the leakages and wastage within the current funding constraints coupled with improving the throughput rates could go a long way towards addressing the financial aid needs of the country.

As such, several universities have to find other financial means to support financially needy students who do not receive the NSFAS loans. Given that the NSFAS is critical in expediting person power formation in South Africa, and also in achieving the public good function of higher education by supporting poor students, it is urged that extra resources be injected into the scheme. The Task Team considers the strengthening of the NSFAS as necessary to provide full funding to all who need. There is also a great danger in Ministerial capping of tuition fees since a university like UCT is only able to provide top-up funding as described above through cross-subsidising financial aid students and gap students (see below) form the higher fees paid by upper class students.

4.4 The "Missing Middle" and UCT's GAP Funding Programme

The 2009 Ministerial Review stated that, "the Review Committee found that in the current NSFAS scheme, students who are the children of lower middle income public sector employees, particularly teachers, nurses, police personnel and lower ranked civil servants, are excluded from qualifying for financial aid because their household income is above the R122 000 per annum qualification threshold, though these parents are often unable to afford higher education for their children."

UCT had already identified this dire need, and in 2008 launched the University Council funded GAP funding programme to cater for the missing middle from the 2009 academic year. At that time UCT was the only institution providing some assistance to the "missing middle". The same NSFAS application process is used by those that do not qualify for financial aid, who are automatically considered for GAP funding against the University approved criteria outlined in Table 4.

Table 3: UCT GAP Funding (Missing Middle) Income eligibility bands **Gross Income Band**	**Percentage Bursary towards total course fee costs**
R230 001 - R329 999	50%
R330 000 – R429 999	40%
R430 000 – R529 999	30%
R530 000 – R550 000	20%

Eligible GAP funded students are provided with a bursary and a loan subject to their study accommodation type. The loans offered are:

- R44 000 NSFAS/UCT loan offer to students in residence and private accommodation, including local students approved by SFA for residence or private accommodation.
- R13 000 NSFAS/UCT loan offer to students living at home.

For GAP Students with undergraduate siblings at UCT; the 2nd and subsequent siblings will receive a 50% course fees bursary.

Table 5 outlines the growth in demand for GAP funding since 2009, has been fairly significant and is a clear indicator of the growing need for assistance to these students to enable access to higher education. The rise in numbers after the first 2 years is attributed to greater awareness of the ability to access financial assistance to study at UCT.

Table 4: NSFAS and GAP funded students at UCT since 2009

Year	NSFAS/Financial Aid	GAP/Missing Middle	TOTAL
2009	2585	238	2823
2010	2689	259	2948
2011	2780	353	3133
2012	2736	613	3349
2013	2763	652	3415
2014	2828	685	3513
2015	2687	834	3521
2016	2884	911	3795

To ensure fairness, the GAP funding programme was modelled on a part bursary and part loan assistance, to ensure that GAP funded students were similarly funded to financially needy students, i.e. a loan component and a UCT bursary component.

Table 5: Cost of financing the UCT GAP Funding Programme since inception (2009)

Year	GAP/Missing Middle	Bursary	Loan	Total Aid
2009	238	R 128 310	R 3 599 411	R 3 727 721
2010	259	R 133 750	R 4 877 942	R 5 011 692
2011	353	R 200 307	R 6 816 703	R 7 017 010
2012	613	R 6 038 226	R 7 565 878	R 13 604 104
2013	652	R 10 893 244	R 10 190 851	R 21 084 095
2014	685	R 12 016 196	R 11 866 524	R 23 882 720
2015	834	R 13 831 908	R 20 755 023	R 34 586 931
2016	911	R 16 385 819	R 25 000 000	R 41 385 819

The financing of the GAP funding programme is in addition to meet the funding shortfall of NSFAS funded students and to guarantee funding to all financial aid students with a gross family income of less than R230 000. The increase in demand has had a direct cost implication; since 2009 the cost of financing the GAP funding programme was R3.7 million to a projected R41.3 million for 2016.

The racial profile of GAP funded students is relatively static at approximately 79% black students (African, Coloured and Indian) and 21% white students, whilst financial aid/NSFAS students racial profile has been approximately 10% white and 90% black students.

Although there is marginal profile shift, black students remain the largest beneficiaries of student financial support. However it is the nature and the limitations of that support that needs further engagement.

The Chairperson of NSFAS, Mr Sizwe Nxasana (2016) has made public a proposal named Ikusasa Student Financing & Aid Programme (ISFAP) which is based on a public private partnership in which government and the private sector participate to provide funds to students who are studying at tertiary institutions. The aim of ISFAP is to incentivise all stakeholders (government, the private sector, universities, civil society and students) to participate in addressing this critical social need.

The Commission will no doubt be aware of the proposal which is work in progress. As we understand it at the time of writing, according to the proposal, South African capital markets are deep enough to provide funding for ISFAP. The existing loan programme will be updated to make it more suitable for proposed funding. The intention is to develop an open platform software system to centrally manage the loan application process, activation and disbursements. The qualifying criteria will be increased to R600 000 household income to cover the "missing middle" The upper cap to be scientifically determined. Banks' participation will allow for significant investment in the origination and risk management of student loans. This will improve student participation and significantly improve recovery rates, thus reducing the cost to government. Banks are an integral part of the origination and verification process –speed of setup and experience in managing funding vehicles. Students apply at universities but complete the income and FICA verification and "proof of income" process at any local participating bank. A flexible repayment profile that is sensitive to a student's expense commitments once the repayment threshold is triggered. This is especially important in South Africa where young graduates play the role of bread-winner in their families. Poor students from households earning R150 000 and less get 100% subsidy. Subsidy level reduces as household income increases up to R600 000. The intention is to provide funding for students whose household income does not exceed R600 000 per annum. A sliding scale (same as what we use for GAP funding at UCT) will be applied.

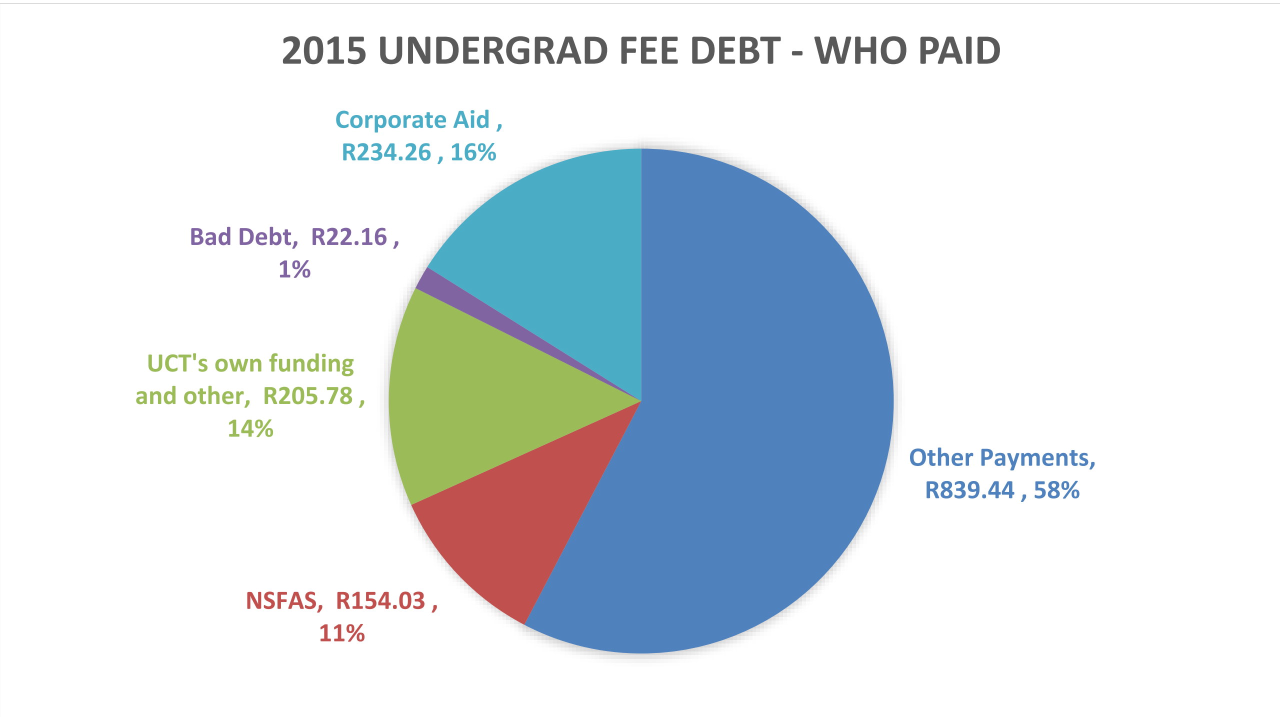
The University fully supports this initiative and believes that it will go a long way towards addressing some of the inefficiencies with the current financial aid processes at NSFAS. The private sector has significant expertise and investment in collections processes and systems. Useful additional data can be utilised to ensure more successful collections. In addition to normal collections processes, repayments can be processed through existing PAYE structures, which should require little additional investment in systems and development required. This will address the repayment challenges faced by NSFAS. Realising that most of the drop outs happen at first year, focus will be on this cohort and a full grant covering the full cost of study will be provided. The cohort of continuing students (second year until graduation) would then qualify to part grant and part loan. As the student progresses, the grant reduces and the loan component increases. The final year programme will be phased out and students will no longer get a full bursary but a 100% loan. The student would only start repayment once they have graduated and are earning above the income tax threshold, and interest is waived until completion.

5. Role of the private sector (corporates) in funding students

In an address to the Ernst & Young Strategic Growth Forum Africa in Sandton (02 November 2016) the Deputy President of the Country, Cyril Ramaphosa challenged the private sector to provide more funding to higher education. He stated that government was already funding higher education through the R9.5bn provided to the National Student Financial Aid Scheme (NSFAS) bursaries and loans, but there's a need to leverage more funding for student in financial need.

The Deputy President stated that "no country has achieved what we want to achieve without affordable and accessible education and what was needed is to move with speed and purpose to address these fundamental issues of access, transformation and quality outcomes (see Business Day, 03 November 2015). This call was further made by the then Minister of Finance, Mr Nhlanhla Nene when he delivered his budget speech on February 2016. The Minister of Higher Education and Training has repeatedly indicated that the country cannot afford free higher education for all and therefore the wealthy must pay. The Minister also stated that the private sector needs to also contribute as they also benefit from the graduates produced by the Universities.

Figure 3: 2015 Undergraduate financial aid support at UCT in 2015



Source: UCT own data

Figure 2 shows that in 2015 corporate sponsors contributed R234 million (16%) towards financially deserving students while NSFAS total contribution amounted to R154 million (11%). The NSFAS funding includes R118 million made as part of the NSFAS main allocation and R36 million conduit funding received through NSFAS. Funding from own resources and other through UCT amounts for R206 million (14%). Other payments including private student loans and fee paying parent amount to R839 million (58%) and forms the biggest chunk of funding for UCT.

It is our view that other comparable universities including WITS, Stellenbosch, Pretoria and Johannesburg would have a sizeable amount of their fees paid through their own or corporate funding. Engagements with the private sector should be done in such a way that allows the corporates to continue to operate their own bursary schemes in addition to any required participation in a general funding scheme. Any loss of corporate funding would represent a huge loss to the system already in dire need of financial aid for deserving students.

JET Education Services Report (2015) states that it is difficult to measure the full extent of corporate social spending in South Africa, nevertheless education always ranks at the top of private social investments. According to the Report, in 2012 businesses contributed R1.3 billion to different education programmes, from pre-primary to tertiary and adult education. The Report further states that these figures are probably underestimated, as CSI budgets do not usually include company products, services and employee time, which are normally included in foreign donors' aid budgets. Furthermore, the Trialogue surveys are mainly on large corporations and do not include the small and medium enterprises, which the Perold & Associates (2012) estimate to contribute more than R4 billion a year to education. Overall, the local corporate sector financing to South Africa's basic and higher education sector surpasses by and large official development assistance (ODA) from traditional bilateral and multilateral donors, which in 2011 and 2012 was reported to be merely between R150 to R300 million (National Treasury, 2012).

6. Public Accountability versus institutional autonomy

The 1997 White Paper affirms the principles of academic freedom, institutional autonomy and public accountability. Public accountability requires that institutions receiving public funds be able to report on the following: the effective and efficient spending of the funds; the results that they achieve with the resources; and how they have met national policy goals and priorities. Within the higher education system there is a growing recognition of the importance of accountability regarding the use of funds, accompanied by an increased reliance on cyclic planning, monitoring and evaluation of the utilisation of funds and the implementation of initiatives.

The University is well aware that as public institutions, and with the use of public funds, public accountability is paramount and there is no justifiable reason why universities should not be expected to account like other state entities for the use thereof. It is our view that the current measures in place including the submission of audited financial statements, an annual report, progress reports and audited factual findings reports are adequate for ensuring greater public accountability. In conjunction with Universities South Africa, the Department is embarking on a process to develop a set of indicators that can be used for determining the financial health of universities.

7. Conclusion

We aware of the tight deadlines set for the Commission but believe that there are enough reports on the funding of higher education to assist the Commission make informed and pragmatic recommendations on the progressive introduction of free fee higher education for the poor. The student protests in 2015 were a watershed moment for the country and the subsequent violence and destruction which followed up to this day requires a fundamental policy shift about the investments that government must make in ensuring that it delivers on its constitutional duty to remove financial barriers to higher education. Given the current economic climate, there is no doubt that government on its own cannot shoulder the burden of free fee education for all. Our submission shows the extent to which other stakeholders, including the corporate sector and the university, through the levying of tuition fees contribute towards ensuring that poor and working class students are funded at UCT.

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