

Student funds to help 3300 students

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The government has seemingly snubbed a R1bn financial aid package from the Public Investment Corporation that could have helped 3300 students from middle-class families secure a place at university.



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This emerged amid a warning by a task team - appointed by President Jacob Zuma to investigate short-term funding challenges experienced by middle-class students - that protests could be triggered on campuses early next year.

The PIC's proposal made to the National Student Financial Aid Scheme (NSFAS), was meant to assist between 275 and 350 students a year over seven years, as part of an attempt to provide loans to as many as 350,000 financially needy students from upper-working-class and lower-middle-class families.

About 186,000 poor students, whose families earn up to R122,000 per annum, are covered by loans and bursaries from the student aid scheme.

Diane Parker, deputy director-general for university education in the Department of Higher Education, said that the PIC's R1bn proposal "covered too few students" and "it wasn't the sort of solution that could be put in place for the wider problem".

"That's why there was a decision that there needed to be further work to look at what are the full range of options, and can we put in place something that will really cover the 'missing middle' [the upper-working-class and lower-middle-class] more effectively," said Parker.

"We want to look at something that's much broader than [the R1bn] that can really make a big dent in this process around providing funding for students."

She denied the department had turned down the PIC proposal, saying Higher Education Minister Blade Nzimande "hasn't made any kind of particular determination around it".

"But he did request that we look to see whether or not there were other possibilities and that's part of what led towards looking at broadening the net.

"It's not to say that the PIC couldn't be part of the fund that becomes available."

However, a senior source within the department said that a report prepared by officials from the NSFAS, which Nzimande is studying, had found that the PIC proposal "was not a viable option because they are not going to take us out of the problem with what they put on the table".

The source said the preferred route after engagements with the PIC was to negotiate with the banks "because they have a lot of money".

According to the source, the "first route" of the officials from the NSFAS was to meet with the PIC, because it was the largest fund manager in Africa and was responsible for the Government Employees Pension Fund.

However, the source said, the PIC had expressed reservations about the NSFAS's capacity to collect monies owed by students who had graduated and found employment.

"The issue is, we dish out money as loans but you can't recover it so it's a bottomless pit," said the source.

Sizwe Nxasana, chairman of the NSFAS board, said it was not true that his board or Nzimande had turned down the PIC's offer. "The offer has simply been overtaken by events given the student protests which started in October 2015, and the appointment of the presidential task team on student fees."

He said the proposed product was being considered in the context of a broader and more comprehensive funding model for poor and "missing middle" students.

But the proposal was not very attractive because it required the NSFAS to underwrite the default losses on the loans and parents would have to start servicing the interest and capital before students completed their studies.

Nxasana said the financing model he was working on sought to fund poor university students and the "missing middle" students.

It was a public-private partnership involving members of the Banking Association, the Association of Savings and Investments and Business Leadership South Africa.

"The model envisages raising adequate funding from various sources including the public and private sectors to fund poor and missing middle students."

PIC spokesman Deon Botha said an amount of R1bn had been mentioned during the preliminary discussions "but there was no indication from NSFAS that they do not agree with this amount".

"As no official response was received from NSFAS, no final amount for the PIC's participation could be confirmed."

Botha said the PIC managed pension fund monies and had an obligation to manage its credit risk exposure.

Source: Sunday Times

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