



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

# PBO

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**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

Pre-budget Brief:  
National Student Financial Aid Scheme (NSFAS)

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Director: Dr Dumisani Jantjies

Authors: Dr N Orlandi

Enquiries: [norlandi@parliament.gov.za](mailto:norlandi@parliament.gov.za)

**Ref. no. 21/2/4 (February 2024)**

To obtain additional copies of this document, please contact:

Parliamentary Budget Office

4<sup>th</sup> Floor Parliament Towers

103-107 Plein Street

Parliament of the Republic of South Africa

Tel: +27 021 403 2360

Email: [pboinfo@parliament.gov.za](mailto:pboinfo@parliament.gov.za)

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## 1. Purpose

The purpose of the pre-budget National Student Financial Aid Scheme (NSFAS) brief is to inform Members of Parliament of the main responsibilities of the biggest loan and bursary scheme of the government. The brief covers the latest developments in terms of changes to the criteria and conditions for the granting of loans and bursaries to eligible students.

## 2. Entity overview (as from the 2023 Budget)

The NSFAS was established in terms of the National Student Financial Aid Scheme Act (1999). The scheme is responsible for:

- Providing bursaries and loans to students
- Developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the minister
- Raising funds
- Recovering loans from debtors
- Maintaining and analysing a database of funded students
- Undertaking research for the better use of financial resources
- Advising the minister on matters relating to student financial aid
- Undertaking other functions assigned to it by the act or by the minister

The scheme aims to provide bursaries to 1.4 million university students and 1.7 million TVET students from poor and working-class backgrounds at 76 public higher education institutions at a projected cost of R159.8 billion over the 2023 MTEF period. In addition to funding received from the Department of Higher Education, the NSFAS also administers funding from other funding institutions (see table 4).

## 3. Criteria and conditions for the granting of loans and bursaries

To qualify for NSFAS aid students must be from homes with a combined household income not exceeding R350 000 per year. Disabled students qualify if their household income is up to R600 000 per annum. Funding is provided for:

- South African citizens
- Registered TVET and University (public) students
- Undergraduate students
- Must not be enrolling for a qualification that duplicates previous learning that was state-funded
- 70 per cent science, technology, engineering and mathematics (STEM) programmes (which may be adjusted to include commercial programmes that are in demand in the labour market or entrepreneurial programmes)
- 30 per cent Humanities programmes
- Students willing to sign a loan agreement

Further conditionalities are:

- Students can apply for the loan in year 1, 2 and 3 etc. in order to continue funding through the study period
- Students are expected to get a 60 per cent pass rate (average)
- Students will be supported for tuition, learning material and accommodation/student housing allowances
- Students who obtain 70 per cent or above on average and completion within the prescribed time will get 50 per cent reduction on loan repayments

A list of some of the courses funded is included as Annexure A.

#### 4. Expenditure trends<sup>1</sup>

Transfers from the DHET constitute an estimated 98 per cent (R159.8 billion) of the scheme's total revenue over the medium term. Allocations are set to increase at an average annual rate of 5.8 per cent, from R48.6 billion in 2022/23 to R57.6 billion in 2025/26.

Table 1: Expenditure trends for the National Student Financial Aid Scheme

R million	Audited outcome			Revised estimate	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2022/23 - 2025/26	
Administration	308.2	251.7	265.1	365.4	303.6	315.5	329.0	-3.4%	0.6%
Student-centred model	32 611.0	37 622.2	47 158.2	48 235.1	50 699.8	54 811.3	57 255.2	5.9%	99.4%
<b>Total</b>	<b>32 919.2</b>	<b>37 873.9</b>	<b>47 423.3</b>	<b>48 600.5</b>	<b>51 003.4</b>	<b>55 126.8</b>	<b>57 584.3</b>	<b>5.8%</b>	<b>100.0%</b>
<b>Current expenses</b>	<b>6 115.9</b>	<b>498.1</b>	<b>1 298.1</b>	<b>1 381.1</b>	<b>1 296.3</b>	<b>1 305.1</b>	<b>1 326.8</b>	<b>-1.3%</b>	<b>2.5%</b>
Compensation of employees	222.6	216.3	190.6	192.2	224.2	237.7	246.6	8.7%	0.4%
Goods and services	5 880.4	269.9	1 101.1	1 181.6	1 066.3	1 063.1	1 076.9	-3.0%	2.1%
Depreciation	13.0	11.9	6.4	7.3	5.8	4.4	3.3	-23.4%	-
<b>Transfers and subsidies</b>	<b>26 803.3</b>	<b>37 375.8</b>	<b>46 125.2</b>	<b>47 219.4</b>	<b>49 707.2</b>	<b>53 821.7</b>	<b>56 257.5</b>	<b>6.0%</b>	<b>97.5%</b>
<b>Total expenses</b>	<b>32 919.2</b>	<b>37 873.9</b>	<b>47 423.3</b>	<b>48 600.5</b>	<b>51 003.4</b>	<b>55 126.8</b>	<b>57 584.3</b>	<b>5.8%</b>	<b>100.0%</b>

Source: National Treasury, 2023 Budget

Government funds 85.6 per cent of students who are from poor to emerging middle class families. From 2024/25 funding will be expanded to fund a loan scheme for the 11 per cent missing middle class students.

Government has committed the initial capitalisation fund totalling R3.8 billion to support the loan scheme in 2024. This amount comprises of R1.5 billion from the National Skills Fund (NSF), and R2.3 billion from Sector Education and Training Authorities (SETAs). This amount will fund 47 per cent of the missing middle students, that is, 31 884 of the estimated 68 446 missing middle.

From 2025/26 onwards the Department will ensure that the seed funding contribution by government is increased from R31.6 billion to R42.1 billion over ten years. This is approximately R3.1 billion to R4.2 billion annually.

The student-centred model funded 751 250 students in 2022/23.

#### 5. Performance monitoring

Table 2 shows a selected number of performance indicators to monitor performance on its responsibilities. These indicators are linked to the responsibility of NSFAS to provide bursaries and loans to students. More than a million students are currently being funded by the NSFAS and is expected to grow over the medium-term expenditure framework (MTEF).

<sup>1</sup> 2023 Estimates of National Expenditure

Table 2: Selected performance indicators for the National Student Financial Aid Scheme

Indicator	Audited performance			Estimated performance	MTEF targets		
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Amount (rand value) recovered from debtors per year	R551.3m	R388.2m	R300.8m	R388.5m	R407.9m	R404.2m	R412.3m
Number of university students obtaining financial aid per year	393 781	393 767	504 336	427 851	431 412	450 000	460 341
Number of TVET students obtaining financial aid per year	307 409	289 418	265 747	323 399	337 224	337 224	337 224

Source: National Treasury, 2023 Budget

Table 3 shows the actual audited performance information as reflected in the 2020/21 Annual Report. Reasons are also provided for non-achievement of targets.

According to the 2021/22 Annual Report of the NSFAS, the entity assisted a total of 5 325 517 students (3 124 875 university students, 2 198 656 TVET students and 1 986 other institution students) since its inception in 1991. In 2021/22, the entity assisted 826 084 (2020: 765 740) students with awards.

Table 3: Performance information of programme 2: Student-centred model as reflected in the 2020/21 Annual Reports

Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Actual Achievement 2020/21 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reasons for deviations
1. Number of qualifying NSFAS students funded in approved programmes at public universities and TVET colleges per year	New Indicator	New Indicator	496 525 Achieved	68 674	<ul style="list-style-type: none"> <li>There was over enrolment of first-time entry students at UNISA.</li> </ul>
			270 476 Not Achieved	(40 424)	<ul style="list-style-type: none"> <li>There was an extension of the academic cycle due to the COVID-19 pandemic.</li> <li>Semester 1 and Trimester 1 replaced the new intake of Semester 2 and Trimester 3.</li> <li>Due to the COVID-19 pandemic there was no new intake for semester 2 and semester 3. This was not in the control of NSFAS, but it was a sectorial decision.</li> </ul>

Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Actual Achievement 2020/21 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reasons for deviations
2. Percentage of funds disbursed consistent with the NSFAS value proposition per year	New Indicator	New Indicator	98.2% Achieved	1.2%	<ul style="list-style-type: none"> <li>Funds were disbursed to public universities and NSFAS exceeded the planned target</li> </ul>
			100% Achieved	3.0%	<ul style="list-style-type: none"> <li>Funds were disbursed to TVET colleges and NSFAS exceeded the planned target</li> </ul>
3. Total Rand value in funding administered, in addition to funding received from DHET, for financial aid annually	New Indicator	New Indicator	Administered = R1 778 295 815.57	(R121 704 184.43)	<ul style="list-style-type: none"> <li>The indicator and the target did not follow the SMART principle criteria and does not tie up with MTEF figures</li> </ul>
			Deposited = R 1 725 093 124.11 46 47		
4. Total Rand value recovered and allocated to loan accounts annually.	R628m Not achieved	R551m Not achieved	R388 184 335 Not achieved	(R411 815 665).	<p>The institution has underperformed by 51% on its annual target.</p> <p>The underperformance is attributable to the following:</p> <ul style="list-style-type: none"> <li>The ongoing pandemic has negatively impacted the collections due to the impact in the economic environment.</li> <li>The high unemployment had a direct impact on collections.</li> <li>High unpaid debit orders particularly in December has negatively impacted on collections.</li> <li>Failure to send statements to NSFAS debtors due to internal process challenges.</li> <li>No other collective mechanisms</li> </ul>
5. Percentage of partner collaboration with NSFAS per year	New Indicator	New Indicator	0% Not achieved	(100.0%)	<ul style="list-style-type: none"> <li>The indicator did not follow the SMART principal criteria</li> <li>While the organisation worked with all the listed partners, the measurement instruments listed in the indicator were impractical</li> </ul>

Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Actual Achievement 2020/21 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reasons for deviations
6. Number of operational reports on student queries across all channels within the contact centre per year	New Indicator	New Indicator	8 Not achieved	(4)	<ul style="list-style-type: none"> <li>The indicator did not follow the SMART principle criteria</li> <li>The Organization only has two types of reports that measure student queries.</li> </ul>

Source: 2020/21 Annual Report NSFAS

The above performance information from the 2020/21 Annual Report shows that almost all indicators to measure performance and to determine efficiency and effectiveness were new. Historic data is therefore not available. The student numbers reflected in the Annual Report, however, are not in line with the numbers reflected in the 2023 Estimates of National Expenditure.

In 2021/22 the Entity again developed new indicators. The Annual Report therefore reported on the new indicators, without reflecting historic information on the performance indicators in the table above. The indicators as reflected in the 2021/22 Annual Report are found to be not useful to determine efficiency and effectiveness of the funds spent or to monitor the performance on the responsibilities of the entity. This is the opinion of the parliamentary budget office and has been confirmed by the findings of the Auditor General with regards to performance information. The auditor indicated that specific indicators are not well-defined and verifiable. The auditor was unable to audit the reliability of the achievements of the listed indicators reported in the annual performance report (p.98 of the 2021/22 Annual Report). The report of the Accounting Authority (p.108 of the 2021/22 Annual Report) reflects the amounts allocated and the number of students awarded. Table 4 shows the student awards by funder category for the 2020 and 2021 academic years.

Table 4: Student awards by funder category and per student for the 2020 and 2021 academic years

Student awards by funder category	2021			2020		
	Rand	Number of students	Amount per student	Rand	Number of students	Amount per student
General / returning student allocation	3 310 797 233	72 974	45 370	6 299 973 361	111 153	56 678
First time entrants	30 202 611 454	463 589	65 150	23 132 462 080	377 300	61 311
Students with disabilities	136 364 935	1 804	75 590	94 361 888	1 421	66 405
National Skills Fund	301 707 939	3 873	77 900	15 528 186	157	98 906
SAICA partnership - Thuthuka Fund	61 632 793	771	79 939	29 506 246	421	70 086
TVET bursaries	4 628 875 127	270 134	17 135	6 217 972 079	261 144	23 811
Funza Lushaka teacher bursaries	1 177 323 355	11 487	102 492	1 215 455 265	12 964	93 756
Sector Education and Training Authority	731 540	12	60 962	12 768 918	408	31 296
Other funding categories (1)	128 351 234	1 440	89 133	50 570 868	734	68 898
<b>Total</b>	<b>39 948 395 610</b>	<b>826 084</b>	<b>48 359</b>	<b>37 068 598 891</b>	<b>765 700</b>	<b>48 411</b>

Source: 2021/22 NSFAS Annual Report and own calculations

(1): Other funding categories include funds from government entities, private donors and funds recovered from institutions

Table 4 shows the difference between the awards per category and per student ranges between R17 135 for TVET bursaries to R102 492 for Funza Lushaka teacher bursaries.



The following section provides a summary of some of the auditor's findings on 2021/22 Annual Report that are directly linked to the responsibilities of the entity.

### 5.1. Failed responsibilities

Material misstatements of revenue, expenditure, current assets, receivables, and disclosure items in the submitted 2021/22 annual financial statements identified by the auditors were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse opinion (states that the financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles). Some of these include:

- Effective and appropriate steps were not taken to collect all revenue due.
- The auditor was unable to conclude whether the other information (included by the accounting authority) is materially misstated relating to the reported performance information because the auditor was unable to obtain sufficient appropriate audit evidence for programme 2: student-centred model.
- The entity's governance structures did not apply sufficient oversight over the effectiveness of financial and performance reporting and related controls.
- The action plans developed by leadership were not adequate to address findings raised in the previous year to ensure the prevention of repeat instances of material non-compliance, address the material findings on the performance report, and detect and rectify material misstatements in the financial statements. Action plans were also not effectively monitored to track the implementation of the COP plan and to hold management accountable against the progress made.
- The entity did not have the necessary systems and processes in place that were fit for purpose in the environment it operates. Furthermore, due to the large volume of information and the reliability on other role players in the sector, the entity's controls to manage completeness of data were not sufficient.
- The entity did not have the necessary capacity to carry out its operations in both finance and information systems. Consequently, the entity was highly reliant on the work performed by consultants and did not have the necessary capacity to monitor the work performed by them.
- The entity disbursed tuition fees and allowances to students above the maximum amounts stipulated in written agreements with the respective students. In some cases, this was due to the written agreements being incorrectly generated with erroneously low amounts, while in other cases this was because the entity disbursed more than the total cost of study for the students.
- The entity is also owed money by tertiary institutions (universities and TVET colleges) for monies not used by students due to students deregistering or being awarded bursaries from other donors, or due to disbursements exceeding the student's total cost of study. In such circumstances, the funds disbursed by the entity must be repaid. In the past, institutions declared the amounts as owing to the NSFAS through a process referred to as 'final reporting'. This process has not taken place for most institutions for at least the past five financial reporting periods.
- The accounting authority enlisted an external service provider on 16 March 2023, to assist with the reconciliation process between NSFAS data and institutions' data at a student level for the 2017, 2018, 2019, 2020 and 2021 academic years. This was termed the close-out project. As at 15 September 2022, the entity had not accurately quantified the extent of over-disbursements.

## **6. Key challenges created by the NSFAS**

In addition to the governance matters raised by the Auditor General of South Africa, the Board of Directors of Universities South Africa (USAf) is concerned with challenges created by the NSFAS that affects the higher education sector. The education sector is, for example, affected by the administration of new NSFAS initiatives such as the defunding of students, the direct disbursements of student allowances and the cap on student housing allowances. These challenges will be discussed in a separate brief to Members of Parliament.

## **7. Conclusion**

The NSFAS is mainly responsible for providing bursaries and loans to students from poor and middle-class households. In addition to its responsibilities in terms of the National Student Financial Aid Scheme Act, 1999 (Act 56 of 1999) and others, the entity is required to adhere to good governance practices in terms of the Public Finance Management Act, 1999 (Act 1 of 1999).

Over time the entity has faced several challenges that required the review of policies and practices. Some of these challenges have not been addressed while new challenges have been identified with the review of policies, administrative matters and other external factors in terms of skills development.

## Annexure A

- Hospitality, Tourism and Travel
- Industrial & Organizational Governance and HR Development
- Information Technology and Computer Sciences
- Life Sciences
- Marketing
- Media Studies
- Nature Conservation
- People/Human-Centred Development
- Physical Planning, Design, and Management
- Preventive Health
- Process Plant Operations
- Project Management
- Psychology
- Public Policy, Politics, and Democratic Citizenship
- Rehabilitative Health/Services
- Rural and Agrarian Studies
- Education
- Traditions, History, and Legacies
- Urban and Regional Studies
- Communication Studies
- Cultural Studies
- Design Studies
- Earth and Space Sciences
- Engineering and Related Design
- Environmental Sciences
- Finance, Economics, and Accounting
- Generic Management
- Human Resources
- Information Studies
- Language
- Literature
- Mathematical Sciences
- Music
- Office Administration
- Performing Arts
- Physical Sciences
- Primary Agriculture
- Procurement
- Promotive Health and Developmental Services
- Public Administration
- Public Relations
- Religious and Ethical Foundations of Society
- Safety in Society
- Secondary Agriculture
- Transport, Operations, and Logistics
- Visual Arts
- Consumer Services
- Curative Health
- Early Childhood Development
- Electrical Infrastructure Construction
- Environmental Relations
- Film Television and Video
- Social Sciences
- Higher Education and Training

Note: It would be useful to have the number of students funded and the number of students that graduate per course.