



**TRANSCRIPT FOR
COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND
TRAINING**

MONDAY – 14 NOVEMBER 2016

QUORUM/SPEAKERS

Chairperson : Judge J Heher

Member(s):

- Advocate G Ally
- Ms. L. Khumalo

Presenter(s):

- Mr. Msulwa Daca (CEO: National Student Financial Aid Scheme-NSFAS)
- Mr. Lerato Nage (CFO: National Student Financial Aid Scheme-NSFAS)

Head Evidence Leader : Advocate M. Lekoane

Evidence Leaders:

- Advocate. K. Pillay
- Advocate. M. Zulu

Expert(s):

- Prof. T. Mosia
 - Dr. G. Simpson
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TRANSCRIPT

JUDGE J. HEHER: Yes Ms. Pillay

ADV. K PILLAY: The first set of witnesses for Set 4 of the hearings Chairperson is the National Students Financial Aid Scheme and I would ask the witnesses from NSFAS to put themselves on record.

MR. DACA: My name is Msulwa Daca, the Executive Officer of the National Students Financial Aid Scheme

JUDGE J. HEHER: How do you spell your surname?

MR. DACA: D-A-C-A

MR. NAGE: Good morning All, my name is Lerato Nage, I am the Chief Financial Officer of National Students Financial Aid Scheme

JUDGE J. HEHER: Do you gentlemen have any objection to taking the oath? Mr Daca?

MR. DACA: Not at all

JUDGE J. HEHER: Thank you. Mr Nage?

MR. NAGE: Not at all

JUDGE J. HEHER: Do you swear that the evidence you are about to give to this inquiry would be the truth, the whole truth and nothing, but the truth. If you do raise your right hand and say so help me God.

MR. DACA: So help me God

JUDGE J. HEHER: Thank you. And you Mr Nage?

MR. NAGE: So help me God

JUDGE J. HEHER: Thank you

ADV. K PILLAY: Chair Ms. Lekoane will lead the witness

ADV. M. LEKOANE: Thank you Chair. The NSFAS is going to deal with five broad issues today:

- (a) The first issue they will be deal with is the regularity framework of the NSFAS,
- (b) Secondly they will give us historical overview of the funding of NSFAS,
- (c) The third is they will explain to us the NSFAS' strategic planning processes and budgeting processes, and
- (d) Then they will deal with the funding models for the Universities and TVETS and
- (e) Lastly they will deal with the procedures governing applications NSFAS loans and bursaries.

JUDGE J. HEHER: Thank you

ADV. M. LEKOANE: Thank you Chair. They have prepared a presentation for us and there's an updated presentation, which we're advised there are no substantial changes, it's just changing slides. So we've asked for them to notify us wherever there are any changes; any they can proceed with their presentation and we will ask them questions and seek clarity when necessary.

JUDGE J. HEHER: Yes. Mr Daka are you going to start?

MR. DACA: Yes Chair I will start

JUDGE J. HEHER: Thank you

MR. DACA: Good morning again. I will start just with the overview of the presentation, I think as already invited, we gonna deal with the regulatory framework; the historical overview; the strategic planning; the funding for both universities and TVET colleges students; and procedures governing applications for NSFAS funding. The first few slides, we just started with an advert of what NSFAS vision is, and what's the mission of NSFAS.....I'm not gonna spend time on those first 3 or four slides. The mission of NSFAS, the values of NSFAS - of Accessibility; Transparency; Affordability; Reliability and Authenticity. And just also the value chain that we have just concluded as to what the core funding process of NSFAS is, is to:

- Obtain Funding,
- Take Applications and originate the application,
- Service and maintain students,
- Make payments to both students and universities and
- Collect money lent to Debtors.

Coming to the regulatory framework, the context of the regulatory framework I think with the 1996 constitution....In 1999 the NSFAS was promulgated as the government's mechanism of achieving progressive availability and accessibility of education. That's the same year that also the Public Finance Management Act was promulgated in 1999. NSFAS is also affected by a couple of other pieces of legislation, general pieces of legislation like the Promotion of Access to Information Act; the Financial Intelligence Centre Act; also in 2005 – the National Credit Act which is Act 34 of 2005 – had played a significant impact in the operations of NSFAs; Tax Administration Act – there were slight changes to the old Income Tax Act as the Tax Administration Act was promulgated in 2011; and Protection of Personal Information – 2013 Act, because NSFAS process a lot of personal information for students and as a public entity it's generally affected by some of the laws that govern the public sector in general. Just the.....

ADV. M. LEKOANE: Sorry Mr. Daka. Can you just the regime before NSFAS, just briefly.....so that we understand what the origin of NSFAS was

MR. DACA: the origin stems from TESFA – the Tertiary Education Fund of South Africa which was an NGO. That also was formed in and around 1991 to fund students at universities. NSFAS then.....the public entity was set up in 1999 out of the roots of TEFSFA, in fact in the NSFAS act, there are transitional provisions on how NSFAS would take over the assets and liabilities that arose out of the NGO – TEFSFA

ADV. M. LEKOANE: And was that TEFSA regime directed towards university students or colleges also?

MR. DACA: TEFSA only funded university students.....The college system then was very different, I think it was going through a massive transformation of its own but TEFSA didn't fund students at the FET colleges then which are now called TVET colleges.

ADV. M. LEKOANE: And can you advise of the criteria under TEFSA – the eligibility criteria?

MR. DACA: The broad criteria of funding under TEFSA as I understand, has been the same as the NSFAS criteria – which is financial need and academic performance. And NSFAS took over some of the key criteria that TEFSA was using to fund students. TEFSA had also funding that was coming from international donor organisations, and some of those funding also had bursaries which was in the form of the funding that came mainly from international donor organisations. Because there was still a lot of international donor funding in the mid to the late 90's.

ADV. M. LEKOANE: Thank you. You may proceed.

MS. L KHUMALO: Sorry can I follow up on the.....the NGO NSFAS, was it linked to the government in anyway. I just wanna find out if it was an NGO that had a mandate from government, what was the situation?

MR. DACA: TEFSA was an NGO that was receiving more and more substantial funding from the state which means it had to do things in accordance with the fund it was receiving; the state was a donor into the fund – TEFSA. But NSFAS is a full state entity, NSFAS is public entity in terms of the Public Finance Management Act, it is no longer an NGO, from 1999 when the NSFAS Act was promulgated, therefore NSFAS became a public entity as defined in the Public Finance Management Act.

MS. L KHUMALO: It's just that....I know that it was done through Admin at varsities; it looked like a loan from Varsity at a time. What was the relationship - was it the same model as current NSFAS or was it a different one? It speaks to the question of at what point does the realisation of the rights started from the government side.

MR. DACA: The funding model of students.....students were applying through Universities even under TEFSA. And even under NSFAS until a year or two ago when we started changing to the students.....in our model that we gonna discuss later. Then students were always applying at universities, but they were applying for money that belongs to TEFSA and later NSFAS – the universities were just acting as agencies.

ADV. M. LEKOANE: If I may just get clarity, sorry Mr. Daka. The Provision of Special Funds for Higher Education and Training Act - the 1993 Act. Did that Act establish NSFAS.....TESFA I beg your pardon, or was TESFA the recognised company that was contemplated under that Act?

MR. DACA: I am not an expert on that one but as I understand it, TESFA was already in existence from 1991, I think probably government was trying to just invest more money into TESFA to fund higher education.

ADV. G. ALLY: Sorry for Ms. Lekoane, you were saying...which Act were you mentioning?

ADV. M. LEKOANE: It's the Provision of Special Funds for Higher Education and Training Act of 1993. We will make a copy available for the Commissioners.

ADV. G. ALLY: Thank you.

ADV. M. LEKOANE: Thank you Mr. Daka.

MR. DACA: Just moving further into the NSFAS Act – as the NSFAS Act was promulgated in 1999, it provided for the management, governance and administration of NSFAS; provided for the granting loans and bursaries to eligible students at public higher education institutions for the administration of such loans and bursaries; and also provided for NSFAS to recover such loans and bursaries granted; and to carry out research and advise on the effective utilisation of financial resources. The key terms of the Act was to establish an expanded student financial aid scheme that is affordable and sustainable, to respond to the human resource development needs of the country and to redress past discrimination and ensure representation and equal access.

The mandate that was articulated in the Act – in the NSFAS Act 56 of 1999 was NSFAS to provide loans and bursaries to eligible students and to develop a criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training; and to raise funds; recover loans and undertake research to improve the utilisation of financial resources; advise the Minister of Higher Education and Training on matters relating to student financial aid; and performing any other functions assigned to it by the NSFAS Act or the Minister. That's the mandate that was then given to NSFAS as part of the NSFAS Act.

The 5 year strategic outlook I'm gonna come back to.....

ADV. M. LEKOANE: [interject] Sorry Mr Daka, sorry to interrupt. Before you move on, Can I ask you what is NSFAS' understanding of the relationship between its mandate and Section 29 (1) (b) of the Constitution?

MR. DACA: Do you mind just reminding us of what Section 29 reads?

ADV. M. LEKOANE: So Section 29 (1) (b) of the Constitution says: *Everyone has the right to further education which the state through reasonable measures must make progressively available and accessible.*

MR. DACA: From where we sit as NSFAS, we see ourselves as an implementing arm of state policy. Then the state through the Department of Higher Education and Training would then interpret what Section 29 says. And then it's further interpreted in the NSFAS Act because....NSFAS over the years has been granting bursaries and loans to students. That's our understanding of how NSFAS fits in into the broader picture of higher education policy.

ADV. G. ALLY: Mr. Daka, the position you put forward now, is it a position that you've as NSFAS come to know as your own or taken from the Department of Higher Education? The reason for asking is this: the constitution talks about progressively making available as well putting practical measures in place. Now you've got two forms of funding; one is loans, the other is bursaries. Now in this commission, we've heard an argument or proposition to the effect that making progressively available as well as putting practical measures in place, in the end, according to them would be free

education – according to them. How does NSFAS see that particular section as well as your mandate?

MR. DACA: NSFAS does not spend a lot of time outside of what is contained in the NSFAS mandate because the NSFAS and Management; they spend a lot of time ensuring that we fulfil what is the NSFAS mandate. The link between the NSFAS mandate and the other Higher Education Acts and the constitution, is managed by the Department of Higher Education and Training to ensure that what then filters into the various entities under the Department of Higher Education and Training would fulfil the obligations that fall under the Department of Higher Education and Training. And NSFAS would its core responsibilities from what is in the NSFAS Act rather than to jump into a higher piece of legislation like the constitution.

ADV. G. ALLY: Thank you.

ADV. M. LEKOANE: Sorry Mr Daka, just a step back. You indicated that NSFAS is an implementing agent of the department but It should be a bit.....I imagine a bit more than that because for example NSFAS would make bids to the department for purposes of implementing its mandate. So what other positive measures, does NSFAS itself separate from the department take to ensure the realisation of the right under Section 29(1) (b)

MR. DACA: It's difficult for NSFAS to do that separate from the department.....I think NSFAS always does that with the department or conjunction with the department. The NSFAS board limits itself to what is in the mandate. Of course the NSFAS board has got an obligation within that mandate to advise the Minister of Higher Education and Training on matters relating to students financial aid. And therefore using that part of the mandate, the NSFAS board would write to the Minister and say: Minister maybe you should consider this and this, in terms of ensuring that there is more access to higher education and training.

ADV. M. LEKOANE: And how often does that happen, how often dos NSFAS advise the Minister?

MR. DACA: In a formal way it does not happen that often but informally the Minister will come and address the board and talk to the board. And therefore there would be interactions between the Minister and the NSFAS board. But formally in terms writing a piece of paper, it does not happen, but of late we've been undertaking more pieces of research which we hope some of them might end up on the desk of the Minister as policy advice.

ADV. K PILLAY: Mr Daka, what we're trying to probe at this stage before we go into the nitty gritty of how NSFAS performs its functions, is we're trying to probe the extent to which NSFAS at a strategic level impacts firstly, the government's understanding of the constitutional right and the steps that ought to be take in order to realise the constitutional right. Now if we can step away from the constitutional right just for 2 seconds. We know that in January 2015, South Africa ratified the international covenant on Economic, Social and Cultural Rights. Through Article 13 of that Right, there is now a clear imperative on government to at some stage, realise the right to free higher education. Did NSFAS consider the impact of the ratification of the Covenant and how that will impact on your work?

MR. DACA: I think the short answer is No, not NSFAS- and independent entity, but because the department was part of that ratification, the department would then speak to the NSFAS board and say: there might these and these implications because as government, we have ratified this protocol.

ADV. K PILLAY: And did the department actually do that. Did the department say to NSFAS: we've now ratified this international Covenant, and the implications of that is the following, on student funding?

MR. DACA: What typically happens is NSFAS sits with the Department of Higher Education and Training on a quarterly basis, and the Department of Higher Education and Training would bring into the discussion new things that they are aware of that NSFAS should consider. And I cannot recall specifically the department talking about that protocol but there is a whole lot of downstream implications that they might have been communicated to NSFAS, but not necessarily referring to the protocol itself.

ADV. K PILLAY: And just to get back to the constitutional right, in the engagement between the department and NSFAS, what has been the discussion around progressively realising the right to further education? And has there been a timeframe attached to that, and milestones attached, as to how to progressively realise the right?

MR. DACA: There's probably a couple of interventions the department together with NSFAS have put in place. In and around 2013, the department approached the Sector Education and Training Authorities to start increasing their investment in student financial aid. And that investment in student financial aid from the SETAs was in the form of almost 100% bursaries. But also in and around 2011.....I'm not sure about my dates here- 2011, there was an introduction of a new funding category that in as much as it was a loan, but it had the potential to be converted fully into a bursary. And it was called the Final Year Program that was given to students.

Therefore at the NSFAS level.....because it was implementing what the department was interpreting as a policy imperative. The department would come with a policy imperative and say: we now want to introduce a new fund which could 100% be converted to a bursary. And also the department came along with the SETAs and say: you need to contribute to bursaries.....again the National Skills Fund joined the fray of entities that were deliberately funding students in the form of bursaries.

We gonna demonstrate later the shift from NSFAS being a *Loans and Bursary Fund* to now NSFAS being a *Bursaries and Loans Fund*.

ADV. K PILLAY: We have begun engaging and asking questions when the DHET appeared before the commission, asking questions of DHET as to how it interpreted the Right and the steps that's it taken to progressively realize the right. Understanding of course that you are an implementing agent, but what we are probing is the proactive steps taken by NSFAS in its engagement with the department with a view to progressively realizing the right.

MR. DACA: What has preoccupied the NSFAS board in as much as access of students to higher education, is to ensure that more and more students are able to access higher education. And therefore we have been improving our fund-raising capabilities; admittedly we've been more successful with state entities rather than private entities in the last few years. But you know again....what we've seen as the most important thing is to ensure that students are not excluded

because they don't have the financial means. I think the progressive realization of the right has not been the most topical discussion, the most topical is to ensure that more and more students are able to access higher education and are not excluded because they don't have the financial means to do so.

ADV. K PILLAY: It is of course an important topic Mr. Daka which we will probably crop-up again in the course of this week and probably next week. But we would invite you if you wanted to put together a document which draws together all the efforts that NSFAS has been undertaking in order to progressively realize the right and put it together in one comprehensive document. We would invite if you wish to take the opportunity up to submit such a document to us for us to incorporate that into the work of the commission.

ADV. M. LEKOANE: And just before you move on Mr Daka, sorry. Just in respect of the right also, the constitution says: the right to further education, so it doesn't really limit it to higher education. So you emphasis on higher education but the mandate under the constitution is to realize a right to further education; can you just explain to us what NSFAS' view is on that?

MR. DACA: I guess throughout the course of the discussion, on the policy question, it will be very difficult to separate the NSFAS position from the Department of Higher Education and Training position. And this is one area where the two are very much linked; because the Department of Higher Education and Training, from about 2007 started providing a bursary fund for students at the TVET colleges, which is the further education. That bursary has grown substantially up to R2.3 billion, and it's only a bursary that is being offered to students at TVET colleges. Again we don't have information that says that all students at the TVET colleges are now able to access the bursary. But those that access funding at TVET colleges have got access to a full bursary which is not repayable by the student all.

MS. L KHUMALO: Was there no mention of.....that the funding is 80% and student funds 20% at the TVET colleges? Do you know of a criteria like that? I think I remember hearing something like that.

MR. DACA: That's the funding of TVET colleges by the department as a block grant not the student funding.

MS. L KHUMALO: Ok thanks

[pause]

MR. DACA: Can I proceed in the meantime, I think we'll catch up with the slides. The slides on the Key Stakeholders of course; the DHET, and the Board-that monitors the performance of NSFAS in terms of the mandate, reporting to those stakeholders. We report on a quarterly basis to the department. And bilateral discussions on policy which is probably some of the issues we were dealing with earlier as it relates to the Sector and Student Financial Aid. Also the....we deal with the Ministry of Finance-the National Treasury as we get allocations in the budget. We are sometimes asked to make representation on additional funding that we would need over the medium term. The Auditor General's auditing responsibilities. The Parliamentary committees on Performance and Reporting. And the National Credit Act, in as much as NSFAS is granting loans to students, the loans fall within the ambit of the National Credit Regulator. And we also register the student debt in terms of the Credit Act.

On the next slide on the Partners in the Post School Education and Training Sector. We have other partners which is the Quality Council-SAQA; QCTO; the HRDC; the National Skills Authority. But also the Department of Higher Education and Training is a key governance structure that ensures that NSFAS performs in terms of its mandate. We also have other various stakeholders that we deal with: the South African Union of Students; the Financial Aid Officers, they've got their own association-FAPSA. We also as NSFAS have a dedicated funding for students with disabilities which we then deal mainly with Higher Education Disability South Africa in terms of ensuring that that funding is disbursed according to the rules. USAF – which is Universities South Africa; which is an association of universities, it's also one of the key stakeholders, including the SACPO-which is a committee of college principals – South African College Principals Organisation. Therefore when we deal with universities and deal within TVETs, we deal with those organised structures within the sector. There is.....we also....for instance I've already mentioned the National Treasury as one of the stakeholders. As a PFMA regulated entity, we have to comply to some of the regulations.

ADV. G. ALLY: Before you go ahead Mr Daka, now you say you engage with these organisations, how do you engage and what is the engagement about?

MR. DACA: The engagement broadly is about Student Financial Aid and all of them are interested in the subject of student financial aid. The South African Union of Students being an organisation of various SRCs of universities. There's also in fact an organisation of various SRCs of TVET colleges called SAFETSA. We engage them about informing students about the changes, but also as part of our stakeholder engagement if there are any changes in the sector that we are proposing, we then engage student formations to get buy-in of proposed changes in the sector.

FAPSA is an interested stakeholder because the bulk of the NSFAS funding is administered by universities as agents of NSFAS. And the administrators of that funding at the universities are members of this association called FAPSA. Therefore it's important that if there any changes that NSFAS is mooting in terms of the administration of financial aid, that there's an engagement with the people that are on the ground, that are administering the applications and funding for financial aid.

HEDSA – I've already mentioned the role of HEDSA as a key stakeholder in the disability sector in higher education. We seek guidance from HEDSA from time to time about what our policy should be in terms of funding student with disabilities. We engage with the Vice Chancellors because all our communication to the universities go via the Vice Chancellors. If for instance, we are allocating money to the universities, there's changes in rules; the first person we communicate with is the University Vice Chancellor. But we engage with them as a group, so that hear and understand their concerns as a group of universities and vice chancellors. Similarly with the TVET college principals, we also engage them and various other management structures within the university and TVET colleges.....

ADV. M. LEKOANE: Sorry Mr Daka, other than SAUS, are there any other student representatives?

ADV. G. ALLY: I think he said SAFETSA

MR. DACA: We do engage student at many levels at many levels, at SRC level we engage students

ADV. G. ALLY: I think he said SAFETSA

MR. DACA: We also engage....at TVET colleges with SAFETSA but we also engage at student political formations level. You know students have got their various different political formations, we also engage at that level; especially if there's major changes because we need to ensure that students understand the direction that NSFAS is taking. But also they provide input in terms of how we should best financial aid for students.

ADV. M. LEKOANE: And would such engagements occur, do you set up meetings and what have you?

MR. DACA: We set up meetings mainly throughout the course of the year – and some of these meetings are regional meetings, some are national meetings that we engage students on. FAPSA has got a national conference that takes place every year where we go and engage them on the potential changes for the following year. And then there's various other forms of these engagements, in fact we've got communication that runs with us and the students; the financial aid practitioners; the VCs and Principals of colleges.

ADV. G. ALLY: Mr Daka, you will realise from our probing....you see the students came here, and there's many of them that say: NSFAS is a problem. We had another organisation which consisted of certain concerned people, that included Professor Willie and students also, that said: NSFAS as a vehicle and a means to provide funded education is just not working and shouldn't be there in the first place. And hence we are asking this type of engagement because I would expect that during this engagement, SAUS would have mentioned it; SAFETSA would have mentioned it; and the political organisations that you say.....student political organisations would have also mentioned it. And if they did, what kind of engagements and responses did you get or give?

MR. DACA: We did engage and as you rightly put out, the students I think in the last 18 months or so, have been to the engagements with a disclaimer that: as students or student formations, we are struggling for free education but we understand that NSFAS is here and therefore we gonna engage. They first put a disclaimer that: we as students want free education but now you are telling us about these changes; we need to engage on these changes as something of the short to medium term sort of. That point, they've always raised it that they as the students are in the struggle for free education not in the struggle to improve NSFAS. And we can see you as NSFAS management want NSFAS to work better, they as students are in the struggle for free education. That point they've made it clear to us also

ADV. G. ALLY: And your response, did you not indicate that you've moved as the years went by, to include bursaries and not only loans as part of the funding?

MR. DACA: Once they have laid down the disclaimers they were interested in those responses of us saying: we have moved more from a loan fund to now a bursary fund, but also some of the interventions that we were making. But they had already at that point made the disclaimer that theirs is about free education, therefore they were engaging with NSFAS outside of the free education but we also made a point as NFSAS that NFSAS is set up to administer what currently exists. You know this is the mandate to administer the bursaries and loans; to recover and to research; to raise funding and that's what NSFAS currently will do. The next slide is just on the journey undertaken by NSFAS from TEFSA inception. TEFSA from 1991 TEFSA had..... these are nominal numbers you know, you should look at them with that in mind that they are nominal numbers, they are not inflation adjusted. From 1991 TEFSA had a budget of R 21 million, funded 7

220 students in 1991; moved.....in 1999 NSFAS Act was promulgated, set up with a budget of R441 million rand, funded 68 000 students..

ADV. M. LEKOANE: The TEFSA's budget was for higher education only correct?

MR. DACA: Yes I think to clarify, I will say: universities and TVET colleges so that I don't confuse myself between higher and further education. I will say universities and TVET colleges. The TESFA's budget was for university studies only. NFSAS also when it was promulgated in 1999, it was only funding students at universities with the budget of R441 million. In 2003, that budget had increased to R893 million- 96 000 students funded. 2007 there was introduction of new bursary funds into the scheme; the Funza Lushaka bursary was introduced in that year with the social work bursaries. The budget had increased to R1.76 billion - 125 000 students funded.

ADV. M. LEKOANE: Sorry, sorry Mr Daca. At 1999, the 441 million that was for what, for both universities and TVETs?

MR. DACA: No it's for universities

ADV. M. LEKOANE: just for universities?

MR. DACA: The funding for TVET started in 2007 but it only went to NSFAS I think in 2009 because it was done internally by the department at the inception in 2007. The department was doing it internally, and TVETs then were still under the administration of the provinces. They then as part of that change, were moved in 2009 to a national competency. Then 2009 – 10 years of NSFAS, R3 billion was allocated for funding of students at both universities and TVET colleges. That year the scheme funded 191 000 students both at universities and TVET colleges. I don't have the split there but the numbers at TVET colleges were still very small in 2009. It was the first year that the bursary fund was now being administered under the auspices of NSFAS rather than in the departments or varies provincial departments. 2010, the Ministerial Review Report on NSFAS was released making recommendations on how the scheme should be administered and one of the key recommendation was a more centralized approach from NSFAS in terms of administering loans and bursaries.

ADV. M. LEKOANE: Sorry Mr Daca if I may go back to the 2007 mark there. The Funza Lushaka bursary; that's from the Department of Basic Education, correct?

MR. DACA: That's correct.

ADV. M. LEKOANE: And the social workers, what's the DSD?

MR. DACA: It's the Department of Social Development.

ADV. M. LEKOANE: I see. Thank you.

MR. DACA: Then the second slide on the..... just key milestones and the timeline. 2011 I think we talked there about the original NSFAS Act was amended in December of 2011, with the repeal of section 23. Section 23 is the section of the Act that empowered NSFAS to compel Employers to deduct from debtors without the consent of the debtors, and that section of the Act was repealed in 2011. 2013 NSFAS continued to implement some of the recommendations of the Ministerial Review of 2010, which the key milestone was the implementation of what was christened the student-

centred model. R8.7 billion dispersed in 2013 - 416 000 students funded. There was now increasing numbers of students who were at the TVET colleges. There was also CETA funding and NSF funding had already come on board. And the number of funds that were now being administered under the NSFAS scheme, had increased substantially.

2014, implementation of the student-centred model, where students were now starting to apply directly to NSFAS at selected universities and TVET colleges. I think that program started with 6 universities and 5 TVET colleges with 11 institutions in total under that model. We continued to do that in 2015, we saw that first signs of 'Fees must Fall' in 2015. 2016, we implemented the student-centred model further. We also saw the boasting of capacity at NSFAS with secondment of people from the banking sector to assist. We also saw an additional allocation from the state of R4.5 billion to assist students who had debts that they were owing to the universities and to ensure that those students register in 2016. I think also now in the medium term budget, we have also seen addition by the Minister of Finance R9.2 billion to be made available for student funding over the medium term expenditure framework period.

ADV. M. LEKOANE: Sorry Mr Daca. Regarding the student-centred model; you say that students will start applying directly to NSFAS. Now if we look at the Act, section 18 of the Act, it allows students to apply to NSFAS; so how different is this new model from what was already anticipated under the Act?

MR. DACA: What NSFAS has done over the years, was to appoint universities or what was defined as higher education institutions in the Act; to appoint universities as agents of NSFAS. Therefore universities would open up application windows according to their timeliness; they would take applications from various students; they will assess the eligibility of those applications; and they would fund those students. NSFAS would give the universities the Means Test tools for the universities to carry out the Means Test. But the decision making process by and large, was outsourced to the universities. NSFAS had appointed universities as agents, that is the difference. If you look at section 20 of the NSFAS Act it reads that "the board may enter into an agreement with higher education's institutions, which agrees to become a designated higher education institution for purposes of administering loans and bursaries, to students of that institution on behalf of NSFAS" and that's what NSFAS has done over the years and after the Ministerial Review of 2010, we now started shifting back to a more centralized model rather than the more decentralized..... students applying at different, varies universities. That's the difference in the two models.

ADV. M. LEKOANE: So under the model in section 20, where you used the designated institution. Does it mean that currently NSFAS has agreements with every institution; higher education institution and TVET to whom it disburses funds?

MR. DACA: I'm unsure of TVET but I know of universities there are agreements with each of the universities. I am unsure about TVET - I just need to check that because.... I think it's because we inherited that from the department. Those agreements might be sitting between the department and TVET rather than between NSFAS and TVET colleges but with universities; NSFAS has got those agreements. Some of them are quite old but they are in place.

ADV. M. LEKOANE: And will the terms of those agreements be the same for all universities?

MR. DACA: They are broadly the same because all universities were appointed to administer loans and bursaries on behalf of NSFAS. That was the broad term of the agreement, that: you will administer loans and bursaries on behalf of NSFAS; and NSFAS would then allocate money to each of the universities based on a formula. Then the NSFAS board would sit every year and look at the allocation and allocate money to each of the universities and say: University A - you have so much money, therefore go and take applications from students and fund students based on the allocation that you have.

ADV. G ALLY: These agreements Mr Daga, do they differ from institution to institution or is it just the numbers that change? Can we see a sample of these particular agreements-to see how it is then administered and what is contained in them in respect of the rights and obligations of the institutions and students?

MR. DACA: To the best of my knowledge the agreements are the same, the only difference is just the numbers, the rand values and of course the number of students.

JUDGE J HEHER: Well are you going to make a sample available to us or not?

MR. DACA: Yes chairperson we will make it available.

JUDGE J HEHER: Thank you

ADV. K. PILLAY: Mr Daga may I just ask you a question around the “25 Years of Funding Students” slide; I’m not sure what the number is, but the one that deals with 2013, 2014, 2015 etc. Now if you look at your numbers between 2013 and 2014, you will see that your allocation in 2013 was 8.7 billion and the number of students funded was 416 180. And in 2014 you will see that your allocation had increased to 8.96 billion but the numbers of students funded in that year dropped to 414 802. Can you explain to us why there is a decrease in the numbers of students funded?

MR. DACA: One of the key reasons for the decrease is; NSFAS started to make noise with the universities, because there was a practice that was beginning to be widespread of what we then termed ‘top-slicing’; where.....because universities were allocating money to students, they would allocate money to individual students that is not adequate to cover the student’s full cost of study. And of course NSFAS was imposing a cap, at a higher level. But they were allocating money that was far below what the student would need to be able to carry through their academic programme. But in so doing, they were spreading the money to a larger number of students but not giving enough to individual students but spread that, and therefore we started making noise that these practice of top-slicing should be discontinued. And part of what we are saying in those numbers, is because that was the cost to pay ,we said that students should be funded adequately so that they are able to survive the academic year and be able to pass. But the cost to pay, was the number of students funded was going to decrease.

ADV. K. Pillay: So when you say that NSFAs started to make noise around top-slicing, how was this done and was it conveyed to universities?

MR. DACA: At the beginning of each year we write various circulars to universities that contain you know, it might be a change in rules or some of the circulars are about allocating money to the individual universities. This is how we communicate such changes and this one was communicated

via circulars to the universities that they should stop this practice of top-slicing the allocations to try and spread to many students. They should do... as much as possible to try and ensure that students who are funded are funded adequately.

ADV. G ALLY: Mr Daca, sorry Miss Pillay. All these circulars, can you perhaps have us the.....could you let them.....give a copy to the evidence leaders from 1999 to now? Unless they are the same; because you would have made decisions and you say you communicated through circulars and therefore, we would like to know what the circulars said and what was done.

MR. DACA: It would be a tough test for our record keeping but we will try to the best of our abilities to draw up these circulars.

MS. L. KHUMALO: Advocate Pillay, can I just follow up on what you were talking about on top-slicing. I see in your slides later, when you defining concepts, you talk about funding for first opportunity access, is than an equivalent of top slicing or is it a better wording for it?

MR. DACA: No the reference to first opportunity access refers to a policy position taken to fund students for a first qualification; cause NSFAS then funds- by and large, funds students for the first qualification, that's the 'First Opportunity Access Funding' that we refer to in that slide.

MS. L. KHUMALO: And the capping? What do you call the capping on the..... I was making an example about if you have done a BA Law and then you need an LLB which is exactly what you guys are saying, that that is what is required for a professional registration.

MR. DACA: That's why I make reference to by and large. There are still some post-graduate qualifications that get funded based on the criteria that gets set up. But the majority of students who get funded, get funded for the first qualification. There are exceptions that are made for certain post-graduate qualifications that lead to professional designations, that are necessary for students to be able to register - those post-grad qualifications are therefore funded.

MS. L. KHUMALO: So top-slicing in this context- when is it top-slicing and when is it not? Is it per qualification? I don't understand.

MR. NAGE: Just making reference to the slide that you mentioned, that's where we say we fund for qualification, then we fund for tuition; meals; and book allowances; and accommodation. So what top-slicing would mean in this instance, is that the universities will only fund for tuition. So you will find a student not having accommodation but having meal and book allowances; so you are in effect setting him or her to fail because how do you study on an empty stomach. So those are the numbers that came through to us and we looked at them and we started communicating with the universities via circulars. So circulars by and large.....how they work is that NSFAS would issue its handbook but in between that, in between us reviewing the handbook, we will send circulars to universities notifying them of some of the instructions like they must follow certain sections in the handbook or the changes that we want them to implement.

ADV. K. PILLAY: now once you have issued the circular to universities, and warning them against top-slicing, did you monitor - did you take any steps to monitor whether or not universities have been top-slicing after that?

MR. NAGE: We wouldn't necessarily monitor them as in go to each and every institution. But we would look at the numbers that are coming through and also when we get some of the data that come through. And we look at the progression, you know you will find that this university has a certain number of students registering for first year and not a lot of them are progressing, and then the first entry is much lower than we would expect. So those are some of the indicators in the system that we look at.

ADV. K. PILLAY: Alright, because to date, this commission has heard a lot of evidence around top slicing - evidence and submissions from both students and institutions which seems to indicate that it's still very prevalent that institutions are in fact top-slicing at the moment. Are you aware of this?

MR. NAGE: We are aware and one of the biggest interventions that we have put in place is to implement the student-centred model; to deal precisely with this. This is the pot of funding and we are of the view that it can fund an extra number of students, and at least if students apply directly to us, we means-test them or we means-waive them if they are SASSA or Quintile 1-3 pupils, who are going to first year of qualification. And then we can rank them; we can determine expected family contribution and then we can disburse the funds to them; at least we would know that we have control around the funding. So if tuition is X.....obviously it is limited to our cap; NSFAS has a cap, we don't fund for full cost of study - so that is how we are trying to manage the funding that gets allocated to us.

ADV. K. PILLAY: Now the student-centred model as I understand it is still in a pilot stage?

MR. NAGE: No, the student-centred model.....the phase 1 of it has been in operation since 2013 and now we are rolling out to 100% and that we call phase 2. So academic year of 2017, we are hoping that 100% of institutions will be in the student-centred model and we will be able to administer those funds and those institutions centrally.

ADV. K. PILLAY: And you are hoping that once the student-centred model is rolled out 100%, that that would by implication then eradicate top-slicing?

MR. NAGE: It should, it's not something that we are hoping for. It should because we would fund for limited to a cap, obviously; we would fund for tuition; we would fund for book allowances, meal allowances and accommodation. So we.....there won't be a situation where we just fund for tuition .

ADV. G ALLY: Well Mr Nage, you presently have a problem; that nobody is applying to you, which you have put out on television in the newspapers. Now what according to you, is the problem there and how are you addressing it besides the issue of putting out on television and radios?

MR. DACA: We have put out a call with the media first to ensure that the message gets out to the students who should be applying. As part of that.....of putting a call, we have also signed up various partners to assist us in distributing and collecting application forms from students, especially students who might be in areas where there might not have adequate broadband access to apply online. And we are working with the social development through the SASSA system; the National Youth Development Agency through their offices around the country.

We were also supported by private sector entities like Vodacom to get.....to try and expand access, and that is what we are doing. But looking at the numbers again because we are doing this for the

first time -this application. We are adding on the side of caution because we don't really know what the baseline should be, how many students should be applying. We are just looking at the number of students that are writing matric and aiming for that number, but that might be an extremely high number to be aiming for. But because we are doing it for the first time, we rather air on the side of caution that say we have applications therefore we should fund students.

ADV. G. ALLY: But that relates only to matriculants that you are requesting to apply for finance. Your agreement with universities; you say phase 2 is then being implemented, and what happens to those students? And this is what I am trying to get to. Do you have a transfer of those students to your phase 2 system or must those students - and I know you will deal with it later, and we would like to know certain nitty gritty's; but just for now, what is happening to those students that need to apply for next year that you funded for 2016?

MR. DACA: All students who are funded in 2016 don't have to apply, we will transition them into the student-centred model via just a transfer into the new model, therefore that's is why our challenge is mainly students who are in matric and those that might have taken a gap year from 2015 matric and now wanting to come back and study in 2017.

ADV. M. LEKOANE: Sorry Mr. Daka just on that line, what about the group that is called the 'Needs'; that is not in education, employment or training. What is NSFAS doing to try and attract those who qualify come forth?

MR. DACA: We count everyone who is not in the higher education system, as those people we're trying to attract, that is why we going for broadcast media to try and expand the message as much as possible. Everyone who is interested to come to the college system or the university system in 2017 should be applying for financial.....and that will include the 'Needs' that will include those that are matric this year; that might include some of them that might have taken a gap year. All of those and we are also at the same time hoping that the colleges and universities have attracted them because we are only going to fund them if they manage to get spaces at the college or at the university.

ADV. M. LEKOANE: So is this to say when you make your bids to DHET for funding; that you include this group which is about 3 million I think at the last count?

MR. DACA: No, our starting point is the capacity of the college and the university system. The college and the university system have got a certain capacity that they can take each year; therefore it will be an unrealistic number to just use that base as how we put the bid because the capacity of the college system and university system can only take so many students. And the DHET is much better placed to even understand the capacity of the system to assimilate students.

JUDGE J HEHER: It's been suggested to me that it's time to a take a tea-break, would that convenient for you?

ADV. M. LEKOANE: That's fine judge

JUDGE J HEHER: Thank you, we'll adjourn for quarter of an hour

.....TEA ADJOURNMENT.....

JUDGE J HEHER: Thank you gentlemen you are still under your oath. Yes Ms. Lekoane

ADV. M. LEKOANE: Mr Daca I think you were completing your second slide of the '25 years of Funding of Students'?

MR. DACA: Thank you, the next slide is about the sources of funding that NSFAS has. NSFAS is funded through voted funds via the Department of Higher Education and Training - that is the main source of funding. There is also voted funding that comes through other government departments: Basic Education; Social development; of late we have also had funds approved by various boards of other entities in the post-school education and training system especially the SETAs, the National Skills Fund. There has been also some private donor money, Universities' own funding also that funds students. There's also money that come from repayments from NSFAS debtors or students who were funded by NSFAS who are now working and paying back into the system.

ADV. G ALLY: Ok Mr Daca. In respect of university's own funding, and private donors and so forth, perhaps you can just take some time to explain how it works and whether-yah just explain how it works.

MR. DACA: Let me start with the university own funding, which is slightly more significant than private donation. University own funding per annum is about R300 million that come from the universities themselves. The universities with NSFAS have got another agreement about this university own funding which is an agreement between the universities and NSFAS, for NSFAS to administer the funding on behalf of the universities. How it works is, universities will identify from their own council funds and say we have so much money from the universities own council funds that is available that we think we can make available for students.

And most of it is in the form of loans which are converted into bursaries in the same way that NSFAS loans are converted into bursaries. And then they will provide that amount of money and say: we have so much money and then will let NSFAS know that we have so much money that you can grant to students. And the condition is usually, it should be granted to students who are studying within that particular university. If for instance the university is the Tshwane University of Technology, the council there would say: we will fund students at Tshwane University of Technology who after we have allocated all the money that is coming from NSFAS, were not funded - that is how they usually, they use it as a top-up when the money they have got from NSFAS was not adequate and that is how the university funding has come through.

ADV. M. LEKOANE: Sorry Mr Daca, what would be the source from the universities, what would be the source of these funds? Would it come from a block grant or would it be coming from what?

MR. DACA: I wouldn't know the ultimate but I know it's.....they call them the 'Council Funds', which is a council controlled funding. I don't know beyond that as to what was the original source but it's a University's own controlled funding that they are able to make available to fund their own students. And then what happens because these are convertible.....these are loans that can be converted to bursaries. And then the loan portion of it, NSFAS will then collect it later from those students because NSFAS would register those students to the loan system and the loan portion, NSFAS will collect when those students start working. And again recycle that money back into the system

because we would then make it available to the university for the university to fund another generation of students, that is how that funding structure works.

ADV. K PILLAY: Mr Daca can I just understand that so you are saying that once the university tops up funding for particular set of students, and that money becomes subject to the normal conditions that NSFAS money is subject to?

MR. DACA: Most of the universities have opted for that because it makes it easier for, I think the relationship and also for NSFAS to administer it because it does not now bring in an extra layer of complexity in the administration. The only difference is that you can only fund students from university 'A' with that money. If it's coming from TUT, you can only fund students who are studying at TUT.

ADV. K PILLAY: And once you recover that funds, it stays within NSFAS but you ring-fence it for that particular university?

MR. DACA: That is correct! And the university....by and large and I think there is only one exception. The universities can only use it to fund another student. They can't use it for any other purposes rather than to fund the student. That is why NSFAS is also interested in that scheme because we are not in the business of running loan schemes for universities but we want to make sure that more students are funded and by doing that we are able to ensure that there is money that comes to the system.

ADV. K PILLAY: And that money is never repaid to the university?

MR. DACA: Not at all, there is only one exception, I think there is only one university that had asked for the money to be re-paid back to the university. And we are re-negotiating the agreement with that university because we are uncomfortable with that arrangement because that was not the original intention.

ADV. K PILLAY: So do you have a summary or a spreadsheet which shows how much ring-fenced money you are holding on behalf of each of the universities?

MR. DACA: We do, we do because at the loan book level, we will be able to know that out of the money that is sitting in the bigger loan book, how much of it belongs to various universities. But also at an annual location level, we will know that out of the annual budget, how much money comes from various universities cause when we count the total annual budget, we include the allocations that come from the universities. The total from the universities ranges between I think 200 and 300 million depending on what are the pressures in each of the university in a given year

The private donor funding before, I think about last year; where the funding of about R10 million provided by Nedbank - mainly how that scheme worked was....Nedbank would participate in advertising, selecting the students. And then NSFAS was just administrating the back-end of the bursary administration to make sure that students are paid and get their allowances - and that is how the arrangement was structured. The latest arrangement is that NSFAS has gone more into a fundraising pool, which is we.....we've got schemes where we are fund raising from normal citizens or anyone, and they put money into a pool and that money would assume similar rules as any other NSFAS money cause it is just donated by members of the public into a pool. It's not a substantial

amount of money but it gives the members of the public an opportunity to donate money into the system.

MS. L. KHUMALO: Just on that money; in terms of the Act - where is it allowed? We just wanna check how far can we go with that?

MR. DACA: I think Section 14 of the NSFAS Act also talks about the source of the monies that NSFAS deals with, and one of the sources is fund raising, and that's included in the fundraising abilities that NSFAS has been given.

MS. L. KHUMALO: So it's not limited to the members of the community only? It can go to corporates? It can go to everywhere?

MR. DACA: There is no limitations - we can fund raise from any sources that are legal?

MS. L. KHUMALO: Why have you not done that? What has been your limitations now - is it capacity or?

MR. DACA: Probably capacity is the biggest one, cause fundraising can.....especially in the initial stages, can be resource consuming. And the way NSFAS is structured - NSFAS only has a limited amount of money that is available for administration. And in terms of the priorities, the biggest priority is to ensure that you have an efficient administration of the money that you already have, which is substantial amount in terms of billions that come from the state. We also try and look at the low hanging fruit, which is sometimes the recoveries money because recoveries money is also quite a substantial amount of money that can come to the recoveries, therefore when we invest resources we invest a lot in efficient administration of the money that we have but the recovery of loans and bursaries from debtors. We have put some money into fundraising but there has not been significant investment in fund raising initiatives.

MS. L. KHUMALO: Seeing as we need that fundraising element; has there been a conversation at the board level as to how we can work on that potential? As further funding for the fund as you saying your purse is limited but you can extend that with fund raising.

MR. DACA: There is a conversation at board level, but again at the strategic planning level, there are these constrains that you have R200 million administration budget, probably 150 of it will be consumed just by making sure that you Contact Centre Agents; Capturing Clerks and all that. Therefore the capacity of the entity to fund raise is not good enough, but the conversation is there. There is also as part of our annual planning cycles - a target in terms of fundraising that we should go and fund raise. We should say though, working with the Department of Higher Education and Training over the last 2/3 years; we have seen substantial increases in funding from various sources but those sources were mainly state entities not private entities.

MS. L. KHUMALO: Ok, we can leave it there for now.

ADV. G ALLY: The percentage of your budget for your admin is what Mr Daca or Mr CFO?

MR. NAGE: Just to try and understand your question; are you saying in relation to the total allocation that gets allocated to NSFAS for disbursement to students?

ADV. G ALLY: You give me your budget; I don't know what your budget consist of. You have indicated you get from the state; you get from donors and with regards to that gross total, what percentage goes to admin?

MR. NAGE: So the budget is allocated separately. There's the allocation portion that gets appropriated by parliament and then the separate donors. Then there is another portion for the administration of the operations of NSFAS - that gets separately. The disbursement award ratio is 1.6% - between 1.6% and 2%. So it's quite constrained, if you look at it that way.

ADV. G ALLY: Let's perhaps get deeper into it. When you say the allocation for admin is separate; Is it separate from the allocation appropriated by parliament?

MR. NAGE: It forms part of the appropriation process, but how it works is that we don't get allocated 10 billion if you like and then the department will say take 2% out of that or 10%. No the funds are appropriated and allocated separately. But if you were to match or if we were to compare, and you look at the level of efficiency, you will see that we are at the very low low quartile of what should be an average at least between 4% and 5% of our award ratio.

ADV. G ALLY: Ok, with regards to your personnel budget. Is your personnel budget part of your admin - the 200 or so million that Mr Daka spoke about? And what percentage of the 200 million is personnel?

MR. NAGE: The personal budget it forms part of it - what we call administration budget. Perhaps maybe I can just talk about the construction of that administration budget. So you get allocated let's say 164 million from the department and then depending on how we have ran our operations in the previous year; we will apply for the retention of surplus to National Treasury – it will be something like our 2 million perhaps. And then NSFAS as part of administrating the funds under its management, levies what we call an administration fee. That ranges between 2 and 5% on different funds - plus minus we can generate 30 to 40 million out of that. That's what pushes our administration grant to a number, let's say 200 million. Salaries make up 100 million of that.....of the 200 million; so almost the upper quartile of 50% - that's what employee cost make up that. Then the second biggest line item, is our IT costs - made up of computer services; hardware and software. And the others would just follow.

ADV. G ALLY: You see the reason for asking this, let's assume that the commission says: you not needed. Those particular funds that are available, could be used then for the funding more students; not that we're saying it is. And this is the reason for asking you certain deeper questions rather than what we asked you in your first meeting or your first presentation to us. Is how you actually work in terms of your systems and so forth?

MR. NAGE: So if I understand your question correctly, so if it were to be the decision, so the allocation of the budget would be: you've loans and bursaries, that is the biggest component - so that's where we receive claims; we administer those claims; we pay those claims; we do the ranking; the assessment of student who are apply to us; we do the liaison with the different institutions; the universities; the TVET - that is the biggest part. And then the second allocation goes to computer software, because NSFAS in 2013 decided to transform from this old or the current process of applying to the student-centred model. So the bigger chunk there goes to computer software, the

maintenance of the system, to do the enhancement and to fix the defects.

Then another portion goes to Contact Centres – this still forms part of the loans and bursaries, cause that's where we put a lot of agents there. So what the agents do is they deal with students and overtime for..... For last year I think we hired a couple of agents to work on recoveries, so that's another function we are building. And then the department that goes in there is Finance because that is where the processing of the payment is. So there is a large portion of the disbursement guys who are there. So that's largely how the budget of NSFAS is constructed. So if the commission were to say: ok we continue, increase capacity or we stop today, those are the implications we need to take into account. And then this year we started a risk office to deal with issues of compliance, to deal with issues of fraud and to participate in whatever form of forensic initiatives that we might embark on.

ADV. G ALLY: Thanks Mr. Nage

JUDGE J HEHER: How many employees do you have?

MR. NAGE: Currently we have 198 employees, I stand to be corrected.

JUDGE J HEHER: Are they located in offices all over the country?

MR. NAGE: No chair we only have one office that is based in Cape Town in Wynberg - and everybody is located there

ADV. M.LEKOANE: Sorry Mr. Nage you said that's the percentage of the admin budget....from the admin budget?

MR. NAGE: Yes that is the percentage of the administration budget

MS. L. KHUMALO: So what is the percentage of the administrative budget from the entire funding that you get?

MR. NAGE: If you were to compare the amount that gets allocated to NSFAS and we disburse to institutions and universities, it makes up between 1.6 to 2%...the administration budget if we were to compare that.

MS. L. KHUMALO: If as per all different sources as per this current slide, so you are saying admin is a percent of that?

MR. NAGE: Yes, if we were to look at this year we got 10 billion, so the admin was sitting at 1.8%. We got an additional 4.5 billion, we applied for 34 million to the National Treasury that pushed us up to 1.8%. 34 million was meant to increase the capacity in the administration of these loans and bursaries.

MS. L. KHUMALO: Is that enough allocation especially when there are issues that are as per Act, functions that are bestowed by the Act like fundraising that are not being done because of capacity - so is that allocation in line with what is expected?

MR. NAGE: It depends what you want the scheme to do, and what is the emphasis at the time on the scheme so the.....

MS. L. KHUMALO: In this instance in the context of more access as per the scheme

MR. NAGE: As it stands currently we have capacity issues, and that is illustrated by the secondment of the banking sector guys to come and assist us with Risk and Operations - so the short answer is no. But it is much more new ones than just Yes and No. But yah the short answer..... the administrative budget that is allocated to us is not sufficient to enable us to fully carry out the mandate of NSFAS.

ADV. G. ALLY: Sorry Mr Nage, you just threw it out there. When you said you've got a Risk office, I didn't know there's other people coming to help you. Just tell us how it came about that you got the banking sector to come and assist you.

MR. NAGE: So through the involvement of the Chairperson - Mr Sizwe Nxasana; when he came in and through the board as well in collaboration with the board, we put it to them as they would know, that we don't have money to carry out certain functions. So the new function that has been established, is just the 'Risk', the operation and other parts have been there. And we were looking at how to better manage the funds of NSFAS efficiently and effectively. And the issue of fraud or the students were indicating that there is nowhere they could report this and we don't have the mechanism in place to efficiently and effectively deal with it, so we established that. And the board through Mr Nxasana and his contacts went to different banks and sourced in different capacities to try and assist us.

ADV. G. ALLY: Thank you

MS. L. KHUMALO: Sorry just the different capacities, is it not one bank or is it staff from the bank; are they Consultants; what's the nature of that?

MR. NAGE: The nature of this is that it is a secondment over a period of two years. So it is three individuals, currently it's the Chief Operating Officer from the bank - so the bank will pay all his costs meaning salaries and everything and then NSFAS will pay the costs that are related to the individual carrying out his job like travelling and other things. And then we have one individual from Standard Bank, who's working exclusively on the student-centred model - his function is just Business Enablement and Transformation. And then we have the lady who is the Chief Risk Officer from Nedbank. All of them are on a secondment over a period of 2 years and NSFAS.....the only cost that we incur is just the travelling and other costs that are related to them carrying out their functions.

MS. L. KHUMALO: Is this generosity from the banks or what's in it for them?

MR. NAGE: I think the private sector looked at the #Fees Must Fall as it came up last year and I mean Mr Nxasana and the board, when they started last year October they looked at this and said we need capacity. The private sector just came in and said: we can assist, we don't want anything in return, we can just second people to you for 2 years, let's just enter into secondment agreement and after 2 years I think then the board would then sit down and review that. So there isn't.....they haven't requested anything in return.

MS. L. KHUMALO: Ok, if you are to be capacitated further though, the fundraising function can be capacitated or maybe it will flow from what the three individuals will produce, cause we are talking about capacity for us to get to the banking thing?

MR. NAGE: The fundraising will be separate, so what we will do, we'll just need to look at the emphasis at the point in time. So right now it's access, so there's more money that is needed but also there is the operation of this entity....this scheme that we need funding to be able to operate it optimally. So if we get more funding or we better re-organise ourselves in how we work, then yes fundraising will be something that we..... it is something that we are working on but we will go on full steam but the other leg like the EO has mentioned, it's on recoveries. And when we get to the recoveries section it's either tomorrow or the day after, then we will talk more on the initiatives and how we are working without receiving funding, but the support that we received from the National Treasury and the other private sector to enable us to recover more money. So it's not only a question of just throwing in money in the scheme, it's how we also re-organises ourselves internally.

MS. L. KHUMALO: Ok thanks

MR. DACA: The next slide I think we have already spoken about all those numbers, I am not gonna spend a lot of time on the next slide. This one - the funding allocated, this just shows the various sources of funding I think I have already mentioned a couple of those sources of funding as they relate to the 2015 academic year - the universities with 300 and 11 million; the various SETAs – 259; the Basic Education for the Funza Lushaka bursary scheme; other government department; other government departments include Agriculture, Forestry and Fisheries; Military Veterans, the TRC fund that is managed by the Justice and Constitutional Development, the DHET being the biggest source of funding that comes through to the NSFAS. Then NSFAS it sources funding or it receives funding from these various entities with a slightly different set of rules for each of the fund and so that it can administer that funding; for instance Basic Education, the funding is for the students who are doing teacher training at universities, that is the main function of that fund that gets allocated by Basic Education.

MS. L. KHUMALO: Just sorry Mr Daka - on the seta funding, are we satisfied with the 259 that we are receiving from them?

MR. DACA: I guess we never get satisfied by money, we are always looking for more.....

MS. L. KHUMALO: Is it proportionate?

MR. DACA: We think that there is room to increase the funding of SETA, and it has you know, it only started in 2013 and we are wary that the relationship is relatively new and it went through some ups and downs. But I think now we are on a strong footing for us to be able to deliver on what the SETAs expect and that would result in the SETAs putting in more money into the student financial aid scheme. All the state entities have got their own objectives because the SETA, when put it money, if for instance the Manufacturing SETA, they will want to fund students who are doing certain qualifications in engineering and therefore they will want NSFAS to be able to produce those students and to be able to give them those students. But also some of the SETAs are looking for students who are doing well academically and therefore we are working with the SETAs to ensure that we are able to deliver on what they expect of us so that they can be able to increase the funding that they provide. For a relationship that is 2/3 years old, I think we have done quite well between us and the SETAs to make money available, but I personally think that there is still space for that funding to increase.

ADV. G ALLY: But this funding as I understand it, is what we would almost call “earmark” in the sense that the SETAs themselves tell you who they are funding and what they are funding. And therefore your relationship with the CEOs of those particular SETAs has to be one you need to nurture. But my understanding of this SETA funding is, they tell you we’ve got 10 students in Ga-rankuwa or 100 students in Stellenbosch or so forth; and we want you to fund, to support their education in Engineering or Agriculture and so forth, is that how it works?

MR. DACA: That is how it started but it has now shifted. How it works is.....Financial Services SETA would say to us: we are looking for students who are studying for Accounting in all the universities who meet this academic criteria, here is an amount of money, please ensure that you fund those students.

ADV. G ALLY: What I meant was that they give you an amount you can’t ask for R2 billion to finance Accounting students for that matter?

MR. DACA: We do ask for money and we might not get what we want, we will say to them that: look we know that you have an interest in ensuring that there are Accountants that get funded through university, and they would say that: yes we do have that interest but we have limitations in terms of the amount of money. Instead of having the R100 million that you had wished for, we only have R40 million and therefore we will end up settling for the R40 million. As you say, that relationship between ourselves and the CEOs and the boards of those entities, needs to be strong so that we both understand where we fit in in the broader system.

ADV. G ALLY: And in not giving you the money, what are some of the reasons given for that?

MR. DACA: Couple of them, one major one is that they have got their own funding constrains. And they would say: look we are already committed to other projects that are not necessarily.....as I understand the SETA system, they also have to provide training to people that are already in employment and in as much as they also have the obligation to provide bursaries, and they would say: we have already committed our funding to these and these projects so we don’t have sufficient funding to commit to this one project which is also their own project because they also need to deliver on that project.

JUDGE J HEHER: Please carry on

MR. DACA: Just on some of the facts, I think this year we expecting to fund more than 405 000 students, as there’s been a slight delay in the academic year, the numbers are still being tallied. Also on top of that this year, there is also been money that was made available for historic debts students, therefore there will be number of the historic debts students that will be funded at the TVET Colleges and universities. The total budget that was given to NSFAS this year by the various funders mainly through the Development of Higher Education and Training was R14.6 billion. And we continue to implement the student-centred model. We have at the end of the last financial year.....NSFAS has supported more than 1.7 million students over a period of 25 years. These are the unique students because each student would be supported for a period of 3/4 years depending on how long they stay at university but the unique number of students that have been supported over the years is just over 1.7million

ADV. G. ALLY: Mr Daca, I just need you to take it slow on this one. You had indicated earlier on, all

students funded in 2016 will be funded/transferred to 2017. Now what we are interested in, is the criteria in terms of funding of students. Do you fund whether the person fails or not; what are the criteria in respect to that and for the number of years? I suppose if you are failing it would also coincide with the number of years - but what are the criteria basically? And when you're finished with that one - the reason for 405 000 as opposed to.....it seems to be decreasing as we go on.

MR. DACA: Let me start with the second question. The 405 is still an estimated number - I think we have separated out of that 405, the students who will be funded under historic debts, as that was a one-off project - we have almost put them on the side but it's still an estimate. I expect it to be probably closer to 414 000 which was the number that we funded this year, but that's just a back-of-the match-box calculation at this point before we receive the final numbers from the universities.

In terms of criteria for continuing students, the policy position is NSFAS will fund students for a period of what we refer to as M+2. M or N being the normal number of years that it will take to complete that qualification, plus a 2 year grace period - that's the maximum number of years that a student will qualify for funding. But transitioning from here to here, there is also a minimum requirement: that in each year you should pass at least the 50% of the registered course weight for you to continue to receiving funding from NSFAS. Therefore there is a minimum that gets set year to year and there is a maximum set on a complete qualification basis

ADV M.LEKOANE: Sorry Mr Daka, does this apply to funds from the subsidy or does the criteria also apply in respect of private funds?

MR. DACA: This applies mainly from funds from the DHET subsidy. The other funders would introduce a slightly different criteria - for instance Basic Education through the Funza Ushaka programme would say we are providing bursaries here and want students who will be able to exert themselves and obtain a much higher level of qualification. And the Department of Basic Education manages the progress criteria themselves, it's not managed by NSFAS as to who will be funded the following year. They manage those progression criteria on their own.

ADV. M.LEKOANE: Thank you.

MR. DACA: The next slides are on Strategic Planning Process. The....

ADV M.LEKOANE: Sorry sorry very sorry to do this but the criteria: is it applied in respect of an individual loan agreement or is it a general criteria that applies irrespective of the type of say; course of study that a student is doing irrespective of their personal circumstances?

MR. DACA: On the DHET grant, the criteria is a broad criteria; there is however room through currently what is called the 'Financial Aid Committees' at the various universities to hear appeals from student who might not have been funded for failing to meet some or part of the criteria. Therefore there is a small window for students who might not have met that criteria but for reasons that are well-known or can be condoned at university level for that student to be funded for the following year.

MS. L. KHUMALO: Is that criteria cast in stone or you do take deviations from it?

MR. DACA: The appeals process by its nature has got some subjectivity into it, because I think a group of people sit in each university and look at the circumstances of those cases. Because as universities will look at it, they will look at it together probably with the academic exclusion criteria that you know if that student had failed, but because of circumstances that surround the failure, then the university decides to still keep the student at the university and that part of the decision might also say: we need to consider the failure on the financial aid system because if that student is not supported therefore you know is not gonna to make it anyway.

ADV. G. ALLY: Now the practicality of next year. You have students that for one or other reason have not written examinations. One could be because of the protest and they were just not in the state of mind to write examinations. What considerations do you take into account in the following year because remember you've also got a criteria of 50% of your course work which must be passed. When do these determinations take place? Because students register in Feb.... well January and start classes in February some in March maybe but...

MR. DACA: Under normal circumstances, that determination would have been done mid-December. As you allude to the fact that this year, there is a different set of circumstances and firstly the impact would be on timing and we might not be able to make that determination in the middle of December at various universities or at some universities because of the postpone of the examinations. But we are still of the view that at some point that determination will have to be made whether a student has passed or not passed. At that level is a timing issue. There is though a possibility that someone might say then because of the level of disruption this year, the general performance of students is not what it could have been and that's something that the universities, we have been talking to universities to deal with if there are special cases that have to be dealt with that involve academic performance.

The universities are well placed to deal with issues that deal with academic performance; us as NSFAS we sit at the end of that process, where the university say: has this student performed or not performed. They have performed then they continue to be funded; they have not performed they won't be funded - but again there is that window of appeals. Again universities will deal with all appeals that relates to academic performance. If it's something that has to do with academic performance, the universities are well placed to deal with that.

And at the end of that process is a Funding Agent that says: the university had decided to condone this this performance by these students because of the circumstances around that performance and therefore funding could be considered for those students. That's how we are dealing with it and of course it continues to change as circumstances change. We're still not sure whether the universities that said they are going to write exams now they will indeed write and finish exams therefore timing is still uncertain on our side

ADV. G. ALLY: Did you not have a similar situation in December 2015 and therefore and how did you deal with that if it was a similar situation?

MR. DACA: The problems were more or less similar in 2015. I think the changing circumstances in 2016 going to 2017 is, we are fully implementing the student-centred model. NSFAS will now be making the final decision from the central point. The universities were dealing with similar issues last year, but they were dealing with it at a local level - we now have to deal with it at a broader

systematic level

ADV. G. ALLY: What measures have you taken to apprise students of the new measure that will be taking place in terms of notifying each and every one of them, because they are your customers and clients.

MR. DACA: We have not had a broad messaging to the students as yet about the past criteria, and as far as we concerned, the past criteria remains the same until there is evidence to the contrary. We're still working on the past criteria - the minimum year to year criteria and the M+2 criteria, it remains intact. Timing issues - I think timing issues are well documented that we might get results much later than we thought we would and that is something we are working together with the universities. Because once universities have got delayed exams, it's likely that they will also delay the registration for next year and therefore it's just rolling the time from getting them in December.....the results in December therefore maybe getting them sometime in January.

ADV. G. ALLY: Thank You

MR. DACA: The next sets of slides is on the Strategic Planning Process, I think pull through from the National Development Plan, but more specifically the Medium Term Strategic Framework which is the targets that will be cascaded to the Department of Higher Education Training as part of Outcome 5. And that then also gives the.....also the mandate that NSFAS has in terms of the NSFAS Act and the white paper on post-school education and training.

Part of the strategic imperative that NSFAS is dealing with is to increase the funds available for loans and bursaries to students and including the full costs of study for students from poor and working class backgrounds. And also as part of recommended cost recovery through SARS, which is something that came through from the National Development Plan, that NSFAS must consider recovering loans through SARS and implementing a graduate service programmed linked to loan servicing. Just the 5....the 5 year strategic outlook in terms of the items that the NSFAS Board is focusing on in the current strategic cycle...

ADV. K. PILLAY: [interjects] Mr Daga before you move on to the 5-year Strategic Outlook; can I just understand from a planning perspective and this may take you out of your stride a bit but I think it's important to just understand the processes within NSFAS. I just want to get a sense.....we know that in the past 2 to 3 years, there has been a significant bail-outs from government, directed towards NSFAS in very significant amounts and they have been coming periodically and I think it's summarized in your 25 years of Funding Students slide - where you indicate for example in February there was an additional 4.5 billion allocated to NSFAS. We know that very recently in the mid-term budget, the Minister of Finance announced an additional 2.9 billion which is going to directed to NSFAS. Now when these big bail-outs come in, how do they affect planning within NSFAS? So in other words, how do you decide what do you do with the money? Just in terms of process, what happens?

MR. DACA: Probably the easiest part of it is how do you decide what to do with the money because usually when that money comes, there is already a long queue in terms of the students that need assistance. For instance with the historic debts students, there was already a determination of the number of students that owe universities certain amounts of money and some of those students

studying. But the broader impact on NSFAS and the strategic planning process is.....it then calls on NSFAS sometimes to do something that is slightly different from what was originally envisaged when the planning phase was concluded. Because for instance when in December or in January when the announcement was made that more money would be made available to NSFAS, we had already concluded the planning for the new year end that was going to end in April.

And we almost had to re-open some of the planning documents so that we can now take care of the increased volume of work, because what mainly it was.....it was increased volume of work. It was doing the same thing but at a larger scale. There was increased complexity brought about by increased volume of work. But then also.....in fact at that same time, we then realized that we were given an allocation of R4.5 billion, which roughly translated to an increase of about 50% of the previous year's budget. But the one thing that was not in the allocation was the administration part of that 4.5, because now it meant more work to NSFAS. And we had to quickly get into the discussion with the Department of Higher Education and Training and the National Treasury and say: there needs to be a mechanism to ensure that NSFAS has got the administrative capability to carry out this additional amount of work that has just been given to it.

ADV. K. PILLAY: And at that level, the level of discussing the practicalities of dealing with this additional money - how does the fact that the money is a once off bail-out; how does that feature in those discussions? So for example when you beef up your administration in order to disburse the money and the fact that this is a once-off payment - does that feature in your discussions?

MR. NAGE: Maybe let's just decouple the amount; the 4.5 billion is made up of 2 billion for continuing students - meaning that it's part of the MTEF. So this academic year of 2016, we received the 2 billion for 2017 - we gonna receive the 2.9 billion, then for 2018 - is going to be 3.1 billion. Then there is the 2.5 billion for historic debts - that is the once-off that you are relating to.

So the funding application that we made to the department or to National Treasury via the department, we decoupled it too. We said the 16 million that we need to just manage the historic debts - so it will be a once off allocation. And then for the continuing students, we made a bid of 19.3 million, if I remember the numbers correctly - and that we'll continue over the MTEF period. So the 9.2 billion that has been given to us as well, we'll make a separate bid for that and that will form part of the MTEF period allocation for the administration fees.

ADV. K. PILLAY: Can I just get clarity, I'm sorry the numbers are just being thrown very quickly, what amount was dedicated to the students' historic debt?

MR. NAGE: the amount for the historic debt to manage the 2.5 billion was 16.8 million - that is the bid we made to the national treasury via the department

ADV. K. PILLAY: sorry did you say billion or million?

MR. NAGE: 16.8 million – it was meant to manage the 2.5 billion

ADV. K. PILLAY: Can I just understand, so the 16.8 million is to administer the.... what was it 2 point something billion debt. But in terms of an assessment of the debt, was that the total amount of the debt, the historic debt?

MR. NAGE: If I understand your question correctly, the historic debt allocation that was made to fund 71 000 odd students, was 2.5 billion. We looked at the capacity that is required to be able to administer that, cause it's a separate process from what we are doing. How this fund is allocated is that we went back three academic years. The rules were different then; we required the students to sign the loan agreement forms for each year; the funding cap was different - it was not 71 800; so we applied the rules; we recreated the situation as it was in 2013, 2014 and 2015. And it's a separate process, that is why we needed to get funding for that and we employed people separately to deal with that on a short- term contract, so that when this project ends, the need for that funding ends as well.

ADV. K. PILLAY: And the once-off funding received from Treasury to deal with historic debt, was the total amount needed? Was the total amount received?

MR. NAGE: Yes

ADV. K. PILLAY: And who costed the amount of the historic debt that was on your books?

MR. NAGE: The historic debt my understanding was that there was a presidential commission that was set up, that was made up of our Chairman, who was there as well - Mr Sizwe Nxasana, and the Financial Aid Officers - one of their representatives there, the students were there - their representative, and Vice Chancellors and the department. And the process was as follows: that each university was requested to go back to their books, look at their fee accounts and determine the number of students that were qualifying for NSFAS that are still owing. So it was NSFAS qualifying students who would have been funded had there been funds allocated at that time or at that point in time. The universities collated the numbers, they sent it through to the commission and they determined a number being the 2.5 billion out of that and the department was administering that whole process.

ADV. K. PILLAY: And the 16.8 million that was received from the department, that was separate from the amount allocated for historic debt etc. Was the 16.8 million an additional amount?

MR. NAGE: Yes, it was over and above - so the two processes were separate

ADV. K. PILLAY: You received the 16.8 million from the department or from Treasury?

MR. NAGE: The authorization was given by the two institutions. The reason why that is the case is because NSFAS operates on a ceiling as well. So we get an allocation and we can only spend to that allocation, so the department needed to notify National Treasury so that they can say yes or no, in this instance they agreed to the request.

ADV. K. PILLAY: You were dealing Mr. Daka with the October.... the MTEF amount of 9.2 billion - how does that affect your planning; just purely from.....obviously we're going to the nitty gritty of it later on. I just want to understand from a planning perspective - once you get an allocation of that nature, how does it affect your MTEF planning?

MR. DACA: Again that amount arrives when there is a queue. At the beginning of this year, universities were asked by the department not to turn away any students who qualified for funding simply because there is not enough money. And as I understand all universities obliged.....they

registered the students, which means that there were those students in the system already in 2016 academic year who qualified for funding but were not funded simply because there was no money for all the students.

And therefore part of what's going to happen is now, there is now increased volumes again going to next year which means those students who were in that list will now join in and become funded students because there is now space that has been provided through the additional allocation over the medium term in terms of funding allocation. Again it's not new processes, it's volumes, it's the addition of volumes and again we are dealing with a similar issue that to ensure that with the addition of the volumes, we have got the capacity to be able to administer the increased volumes, we are almost back where we were when the 4.5 billion arrived to ensure that when this one arrives next year April, we have sufficient capacity to deal with it.

ADV. K. PILLAY: We will deal with the incidental costs of administering the additional amounts given by the National Treasury. I just want to understand, have you costed what it would cost to fund all the students in the queue, so that you take care of everybody who's currently in the queue.

MR. DACA: There is various costing depending on various assumptions that have been put into the costing. I think probably the people that have done quite a good work in this space is actually the Department of Education and Training....it did some work. I think National Treasury also tried to do something in terms of tying to costs what it would need. And I think the key issue is about where we cut off in terms of who will qualify for funding; at what level would we say: this once should be funded and this once should not be funded. And those costing also, to what extent do they take care of the total cost of study at the various universities and the differences that exist within the university system in terms of the total cost of study for students.

And again whether the assumptions are made at the higher quantile or they are made at an average in terms of the numbers of the students. Therefore the numbers can vary just based on the inputs that are put into the modelling in terms of the number of students that qualify for funding. But maybe it's interesting this year, that at the beginning of the year, there was R4.5 billion made available on the basis of R2.5 billion worth of data submitted by universities, cause universities say: we have so many students who qualify for NSFAS and owe NSFAS, and the number was quantified - 71 000. And they got funding for all the students that were in that list. Most students who was in that list was not funded, which means all the students that might have qualified for NSFAS in 13, 14, 15 but were either unfunded or underfunded, were now in 2016 provided funding retrospectively; which means in theory we shouldn't have any students coming from those year that qualify that were not funded. And then again with a note from the department to the universities this year saying: please don't turn away students just because they don't have money, those that qualify for NSFAS - if a student would have qualified only for the reason that you don't have money in 2016, don't turn them away.

Now that cohort is going to be funded, in theory there should be no students who qualify for NSFAS that are unfunded in the system as we sit now. And I say in theory because sometimes universities want to revise the number that they submitted and they say: we might have made a mistake in this and this calculation. But in theory there should be no students that are now unfunded. With the NSFAS allocation this year being 14.5 billion, 2.5 billion being once off, but there is that group of students who were registered but unfunded which we were given a costing of 2.2 billion rand for

those students. Which means with a budget now at NSFAS of 14 billion roughly, in theory there is no student who qualifies for NSFAS who is not funded, and I qualify that by saying in theory because we have asked for all the students and that's what we have got. And the amount of money it would take to fund those students at a real level is about 14 billion.

ADV. K. PILLAY: And when we're talking at this stage about students who qualify for NSFAS, are we talking about students who come from families that earn an income of R122 000?

MR. DACA: [laughing] That's probably the toughest issue. What has happened..... let maybe spend a few minutes on this one. What has happened in the sector or the higher education system, there is this number - 122 000 that has developed – and it is not an official policy position. Because universities were administering funding on behalf of NSFAS; what some universities then did, seeing the amount of money that they have and saying: look NSFAS has allocated us R300 million. And I think there was an example somewhere in literature of R122 000, and it was just an example - it actually got a life of its own from being an example to being a policy by example.

And then universities started discouraging students who come from families that earn above 122 000 from applying because of they seeing the resources that they have, that we only have R300 million, If we look at our own modelling, we wouldn't be able to fund any students that come from a family earning R122 000. And that is seemingly to be how the R122 000 gained a life of its own. But varies universities have used like slightly different qualifying criteria and that's probably part of the problem that we've been having as we're transitioning from a decentralized system to a more centralised student-centred model. Is we now have to try and amalgamate all those things that were not entirely the same from university A to university B; cause you might find that in some universities they would have funded student who come from families that earn above 122 000; but some universities might have ended up not even at 122 000 but below 122 000. But again there was also the factor that we spoke about earlier of top-slicing, cause then in as much as they would have funded those students, some universities might have top-sliced those students to just try and spread the money to a bigger number of students rather than funding the students fully and the money ends where it ends.

ADV. K. PILLAY: So what's the official position - what's NSFAS position? What is the amount....the total family earnings that qualifies you for NSFAS? So in other words under the student-centred model, what's the amount that would be used – what's the criteria?

MR. DACA: The official position is NSFAS has a means-test, and the means-test does not look at one factor. It does not only look at the family income. It looks also at the family expenses and the structure of the family, therefore the means-test has got various inputs into it before it comes to an answer that is called the 'Expected Family Contribution'. And students that come from the families....from the poorest families they would then.....the means-test will say: your expected family contribution is zero. In fact the means-test also gives a negative as an answer which is quite something we have to look at. Your expected family contribution is zero - that means that student qualifies for full funding.

For some students, they might come from families that might have 150 000 income, but the structure of the family might have these and these expenses - they have got 3 students at university, and it might say your expected family contribution is 8 000 - I am just making an example. That's the

strict official position that there is actually no cap in terms of the top of input in the means-test. But the means-test runs various factors in it, to come at an answer and the answer is probably easier; I think to use general economic term is probably trying to arrive at a 'pseudo disposable income' for that family. That's what the expected family contribution is. It does not work on one line which is the gross income or total income of the family. It works on a variety of.....there are a variety of inputs that get put into the means-test looking at trying to calculate the expenses of a family with a structure that would have been submitted to the application process.

ADV. G ALLY: Now when you explain it that way - no wonder people don't know what's going on. As I understood you in your first presentation, I told the universities this and they said: no matter what I say the amount is 122. I understood from you in your first presentation in Limpopo, I think it was. You said there is a formula, you don't know where the 122 came from - you as NSFAS have a formula. Now in basic terms, what is that formula because you seem to be struggling to indicate what that formula is that the university must apply. Forget about them now putting a number - what is the formula?

MR. DACA: The formula in basic terms.....because this is a calculation tool that gets put in.....the formula in basic term is....

ADV. G ALLY: Well let's start again, where do you get that tool?

MR. DACA: The universities get it from us on an annual basis, we send them the tool.

ADV. G ALLY: You send them a tool? What does that tool consist of?

MR. DACA: That tool in basic term what it does on each family structure - it takes family income and subtracts family expenses to arrive at what is called the 'Expected Family Contribution'. And I say family expenses because there are expenses that are allowed in the formula; there are expenses that are not catered for in the formula - it will not look at all the expenses that a family would. It would say: these are the expenses that we think are necessary for a family of this size to be able to survive and it would subtract those expenses to come up to what it then determines it as family contribution towards the education at that time.

ADV. G ALLY: Wait wait, let's go through it slowly. Family Income subtracted by Family Expenses, then where do you go?

MR. DACA: Then your answer is the expected family contribution. Then from the expected family contribution, if for instance the fee of the student is.....say the total fee of the student is 68 000 and the mean - test say the expected family contribution is 8 000, then the award that the student would qualify for is 60 000, because the means-test has determined that that family should contribute 8 000 towards the education of that child.

ADV. G ALLY: The family income is taken how? The head of the household or each person in that particular family?

MR. DACA: The theory behind it is: the household income, which is the total income that gets into that household, of course you know the definition of the household is something that is contested on its own - but that's the theory of the calculation is: everyone that lives in that household

ADV. G ALLY: And the same with the expenses - the same definition?

MR. DACA: And the same with expenses.

ADV. G ALLY: Thank you

MS. L. KHUMALO: I see Mr. Daka on earlier slides, where you were talking about the regulatory frame work and there was a list of pieces of legislation. I see the Children's Act or an Act in that regard. Is that in terms of minority or majority of the child or is it in terms of what you are talking about?

MR. DACA: Where this comes from is..... from the NSFAS Act itself that says: the board must determine the criteria for the granting of loans and bursaries. The means-test is a tool to implement that policy – that's what the means-test is.

ADV. G ALLY: I don't know if you.....the Commissioner is asking how the Children's act comes in to play in respect of your whole framework.

MR. DACA: Let me admit my lack of knowledge of the provision of the Children's Act

ADV. G ALLY: The commissioner doesn't say that it is there. She thought when she put it to you; there were certain acts that you were mentioning. Was the Children's Act not one of them and how the does Children's Act then, come into the framework in respect of NSFAS? So if you go back to the timeline and regulatory framework, maybe we must go back there and see if it is there.

MR. DACA: No it is not one of the legislations that I mentioned as critical

MS. L. KHUMALO: No it's Act 38 of 2004. If you look at the timeline regulatory framework in 2005....that's the Act I was referring to

MR. DACA: I'm really not sure what role it would play in terms of the calculation

MS. L. KHUMALO: I would imagine if a means-test has a lot of evidence presented, that maybe it needs refining, this role maybe in terms of this act would have to form part of the discussion, I'm assuming?

MR. DACA: What we are doing, because the means-test has gained popularity or notoriety for a couple of reasons. One is: it had a lot of inputs that are very difficult to verify, and therefore.....then was subject to suspicion that this is where things go wrong, because I think the means-test on its own is a fine tool, or it's a relatively good tool that works. But because the inputs are very difficult to verify, and therefore it then put to question the credibility of the output, because if you have the inputs that you cannot verify to a third party and say: if for instance so and so say my parent or family income is so much you, have the pay slip, or in some instances there is an anecdotal evidence that now more and more students come with grandmother's payslip rather than their parents' payslip. And the tools that the universities have - they didn't have the tools to verify whether it is indeed that this child or this potential student is being taken care of by the grandmother.

And that is one of the issues that the means-test has been suffering from. What then is happening as part of the new student-centred model roll-out, cause now as NSFAS, we are able to negotiate with

various government entities at the central level. We are negotiating with the Social Development departments, Home affairs about getting access to data from source which is the data of the mother or the father of so and so, sits in the population register which is with home affairs. And the data of the history of the child that the child has been earning a social grant since its social developments and that gives anecdotal evidence about the situation of the child. But also with basic education, they sit with anecdotal evidence of where the child comes from in terms of the school they come from as part of their schooling career. Then we are trying to integrate now data sources now from the owner of the data rather than relying on supporting documents that might not carry the credibility of being the inputs to the means-test.

ADV. K. PILLAY: Mr. Daga if I could just indicate that we are going to be looking at the means-test in quite a bit of detail tomorrow and I'm sure that Mr. Zulu has got a number of questions prepared on the suitability of the means-test, just generally and then the specific detail of it. So perhaps for today we could go back to the Strategic Outlook section of the presentation.

JUDGE J HEHER: Ms Pillay, would you tell me when it's convenient for you to adjourn. You can go on as long as you like, but you choose the moment

ADV. K. PILLAY: Chairperson I believe that Mr. Daga is about to start the Strategic Overview section which is a new section, so it might be an appropriate time now to take the lunch adjournment

JUDGE J HEHER: Right then, we will adjourn

.....LUNCH ADJOURNMENT.....

JUDGE H HEHER: You are still under your oath

MR. DACA: We were talking about the strategic Planning Process and we were already on the...going through the second slide which shows the 5 year strategic outlook for NSFAS and the focus on this 5-year strategic plan including stakeholder satisfaction; enhancing employee engagement; focussing on policy and research; and turning around a negative trajectory on loan recoveries....

ADV. M. LEKOANE: Sorry Mr. Daka, who actually prepares the strategic plan, who is involved in preparing the whole document.

MR. DACA: The initial input of the strategic plan comes from Management and it gets presented to the board. And then the Board would, in a special session that deals with strategic planning, will deal with the strategy. And then the board eventually then approves the strategy for it to be submitted to the Department of Higher Education and Training as part of the government wide planning framework. And then just on the strategic outlook, then also rolling out the student-centred model and strengthening compliance with laws and regulation. The strategic plan also has got two strategic goals in it. One being an efficient and effective public entity in providing student financial aid; and the second one is increased access to higher education and improve financial aid environment.

MS. L KHUMALO: Sorry to interrupt you. The student-centred model is it approved already? Is it the model that is currently.....

MR. DACA: Yes the student-centred model is approved, it's now being fully rolled out, in fact we are in the last phase of the roll-out of the student-centred model

JUDGE H HEHER: I don't know whether you intend to embroil on any of these aspects of the strategic outlook. I for one would be interested to hearing about how you intend to turn the negative trajectory of loan recoveries. Do you intend to tell us about that or not?

MR. DACA: We do intend to say but we also have put it on the presentation that we have prepared for Wednesday to deal with recoveries.

JUDGE H HEHER: That's fine then. Then you need not say anything. Thank you

MR. DACA: That will give me the liberty not to deal with this slide in detail because I know a lot of things that are on the slide will be dealt with later on in the week.

JUDGE H HEHER: I see. Thank you.

MR. DACA: On a different presentation of the same thing in terms of the strategic planning process saying the responsibility of the Board and Executive Management. We conduct a Situational Analysis which includes external and internal environmental scanning. And also look at the NSFAS value chain which is how we gonna service the core customer which is the student. And review of the objectives to ensure that they comply with the framework presented by Treasury, which is the smartness of the objectives. I have already spoken about the strategic goals; there's a goal statement for each of the strategic goals; the outcomes and the performance indicator on each of the strategic goals. There are two strategic goals as I have indicated; there's Goal 1 and there is Goal 2.

ADV. M. LEKOANE: Sorry Mr Daca. The strategic Goal 2, refers to increased access to higher education. Is it only to higher education in the light of the applicable policy imperatives?

MR. DACA: I think in some instances, the use of the term higher education is meant to include TVET college education. And that's why sometime when we want to be specific, we then say: university and colleges; because both universities and TVET colleges are part of the post-school education and training; which is a term that is much more now part of the literature. And we also want to use that literature so that when we refer to post-school education and training; we refer to both universities and colleges. And then when want to refer to universities, we say universities and for refer to colleges we say colleges, which is the TVET colleges.

ADV. M. LEKOANE: So this is to mean that, it's not to focus on higher education programmes or programmes that lead to only higher education qualifications. It also deals with below higher education?

MR. DACA: That's correct; it deals with programmes that will be offered by TVET colleges. This slide is just another representation of the previous slide. I am not gonna go into all of the items that are listed because they part of the strategic pillars that have been agreed by the NSFAS board for NSFAS to concentrate on. And on an annual basis then NSFAS Management approved by the Board and also submitted to the Department; prepares an Annual Performance Plan that is based on the 5-year strategy. Therefore we carve out things that will be achieved next year and try and predict the 2 outer years of that year. But each year gets adjusted on an annual basis as the environment that NSFAS operates in changes from year to year. But from the 5-year, the key strategic objectives remain the same on the 5 year, because they are based mainly on the NSFAS mandate which is contained in the NSFAS Act.

ADV. K. PILLAY: Mr. Daca can I ask you about the Goal 2 – The Performance Indicators are: Increased total number of student loans and bursaries; and the second performance indicator is: Augmented Capital available for Disbursement. These are performance indicators for the institution - for NSFAS. Now how is it that NSFAS sees itself having control over for example Augmented Capital available for Disbursement.

MR. DACA: The second one is probably easier for NSFAS which Augmented Capital available for Disbursement; because NSFAS through its own initiatives and through also some of the strategic objectives cause one of the outcomes that NSFAS seeks to achieve is increased funding. And that increased funding means that we meet with the CEOs of the various SETAs and other agencies that are necessarily forced to put money into NSFAS. There is no framework that says they must put money into NSFAS, it's about relationships that we have to build with those entities and that's how we ensure that there's Augmented Capital available for Disbursement to students. The trickier one is probably the first one which is: Increased total number of student loans and bursaries; cause in as much as we've been increasing the funding in the last few years, we've not been particularly increasing the number of students funded. Because also of our intention to ensure that we give quality funding to students; we don't necessarily just pushing the numbers in terms of the number of students funded. And therefore we are not vigorously pursuing the target of having more students funded; we are pursuing the target of improving the quality of funding that is granted to students.

ADV. K. PILLAY: In relation to the second performance indicator, the one of Augmented Capital, has NSFAS considered how it can possibly get the allocation from DHET or from Treasury via DHET increased and what kind of action it can undertake to pursue that?

MR. DACA: Between NSFAS and the department, I think on an annual basis, there is a tour to the Treasury to deal with the issue of student funding. And the role that NSFAS plays is on presentation and analysis of the data that is coming from the universities to say: we are seeing that these are the trends that come from universities, there's more and more students that require financial need and the department works with NSFAS to make a presentation to the Treasury on an annual basis. And some of them presentations have resulted in more funding, but in some instances have resulted in a discussion and engagement between the department and the Treasury; and the Treasury indicating the constraints that the fiscus is under in terms of being to intervene in terms of the all the wishes we might have ourselves and the Department of Higher Education and Training.

What NSFAS can do in terms of augmented capital, we focus mainly on the stakeholders that are not necessarily forced to bring money to NSFAS and ensuring that we work closely with them - the SETAs; National Skills Fund and various other government departments that have got smaller investment into student funding; who might need some of the output that comes out of student funding. But they don't have an allocation in their budget that says: we gonna take money to NSFAS. And that's where most of the work is spent in terms of ensuring that there's augmented capital available for disbursement. The amount of money that comes from Treasury to DHET, that is mainly dealt with by the DHET rather than by NSFAS. And NSFAS deals with the other stakeholders which is the other entities that....from here to here will decide whether to give money or not give money to NSFAS.

This is the same, is just another perspective in terms of the balance scorecard of the planning framework that is recommended by Treasury, and NSFAS uses it to plan for the annual indicators that are put in the planning document.

I will propose to take a break and the CFO will take the presentation form here.

JUDGE J. HEHER: Thank you

MR. NAGE: I'm gonna talk to the funding model for university students and for the TVET colleges or the TVET students rather. I would start with the university students. NSFAS largely has been concentrating itself on the three key concepts with the last one around free education coming out now in 2015, and we have begun to apply ourselves. Just to reiterate, NSFAS looks at the first qualification, and on other instances at University of Technology, the students who study the Diploma, that we consider to be the first course of study, they go on to do B-Tech that leads to professional qualifications and we do fund that. And around the issue of making sure that we provide quality funding, we also look at funding the right amount; funding the right qualification. And as it has been illustrated, we've started in 1999 with the cap being R13 000, now having increased to R17 800. And that's an increase of plus minus R58 800 in the course of this period of funding students by NSFAS. And the funding cap really is determined by an average calculated on the basis of projected cost for the following year of study. And we also look at who should receive that and we'll talk more about it tomorrow and Wednesday around the means test and how we apply that. Moving on to the following slide, this is the AS-IS Model. So plus minus 78% of students and

universities are still on the old application model and you can see that's where the institutions are playing a bigger role in making sure that they administer the funding for NSFAS. So they receive allocations – the Universities from NSFAS based on an allocation formula that we'll talk more in detail about tomorrow. And on other instances between January and the 1st of April, universities will come to NSFAS to request funding; it could be 30% of their allocation. And NSFAS does pay that upfront payment, and largely that money comes from the funds that we would have recovered over a period of the financial and some other funds that were left....that were not disbursed in that particular year of study. We award the loans, the universities pay the allowances on behalf on NSFAS, they submit the claims to NSFAS and NSFAS pays a small role of checking the claims and making sure and making sure that we pay those claims. And currently what we are working with which is very important to us, is the new student-centred model, and you can see from this illustration that the impact or the participation of institutions in this model has now being reduced significantly. Universities only play a role around the registration, making sure that the students that have been registered – that data is transferred to NSFAS, and then NSFAS manages the allocations. For this upcoming academic year of 2017, NSFAS still kept the allocations –so we have now taken the allocations away from institutions. And the returning students they don't have to apply provided that they've met the criteria that are contained in the NSFAS rules. The university gives us the registration and we ensure that we pay the allowance to students within 48 hours. This model will assist to deal with some of the challenges that are embedded in the sector. We have situations where NSFAS disburses funds to universities but students might get their allowances around August or October of that academic year. And the impact of changing – why are we changing the model? The new student-centred model will enable NSFAS to have better contact with students; to track students; to look at the students' experiences; we have control around the disbursement processes; we gonna with students who go through most of the academic year without having received funding. And we'll monitor that students do sign on agreement forms and schedule of particulars for TVET students.

MS. L. KHUMALO: Sorry CFO, if we go back to the previous slide: 'Allowances paid within 48 hours' – this is a year before?

MR. NAGE: No what would happen is that the student will come in January; they will register online; the minute they sign the loan agreement form –so they will complete the loan agreement form; they will receive what we call OTP – One Time Password; they will enter that; and that will be taken as student having registered or signed the loan agreement forms. And between that and the time where a student has signed loan agreement forms, we take 48 hours to pay the allowances – not all of it, obviously it is staggered based on what we would have agreed with an institution.

MS. L. KHUMALO: You pay to the institution?

MR. NAGE: No we pay directly to the student via voucher system. So NSFAS operates a voucher system that is cellphone based

MS. L. KHUMALO: So the voucher system is the one in existence? Cause we heard students from Univen talking about that, or is it another model that's coming up with this new...

MR. NAGE: The voucher system is the one that currently exists for universities that are in the student-centred model and Univen and DUT are those universities universities that are in the student-centred model, and NMMU as well.

JUDGE J. HEHER: What's on the voucher?

MR. NAGE: So what you get on the voucher is pockets. The voucher would say: you have R100 for example for meals; you have R200 for books; you have R300 for transport. You will only spend that amount to the max based on those pockets as allocated to you by NSFAS.

JUDGE J. HEHER: When the pocket is empty, what happens?

MR. NAGE: When the pocket is empty, it's empty – because NSFAS has a cap

JUDGE J. HEHER: How soon can it be replenished?

MR. NAGE: We pay monthly, so we pay once a month, so we just take an average of 10 months, then divide that amount and every month we pay the student's allowance

MS. L. KHUMALO: Does it say where you can spend?

MR. NAGE: Yes we have merchants that we've signed up. Shoprite is one of those merchants; SPAR as well is one of those merchants. And we also have informal merchants that operate across the universities that are in the student-centred model.

JUDGE J. HEHER: And does he then present the voucher to the merchant, and the merchant claims it back from you?

MR. NAGE: Yes. How the transaction will work is that the student.....let's say Student A will go to Shoprite, would want to purchase food; will present that voucher to the merchant; the merchant will take it; and will provide the student with the food; the student will leave; they will submit the claim to us – cause it's virtual money; NSFAS through their finance department will put money in the Treasury account and do a clearing, and pay that virtual money to the respective merchant. So what students carry is actually not physical cash

ADV. G. ALLY: So for instance, the system will be implemented at the University of Zululand, so In Emoyeni where you are, you must drive to get transport to Empangeni in order to go to Shoprite because there's no Shoprite everywhere in the rural areas. So have you taken that into consideration?

MR. NAGE: Yes we have. So we have Shoprite; we have SPAR; we are negotiations with Pick N Pay; and we all also have informal merchants that operate across the universities and the surrounding areas in that particular university.

MS. L. KHUMALO: I take it then formal merchants would be in your database as informal merchants?

MR. NAGE: Yes they will go through the registration process

MS. L. KHUMALO: Ok

ADV. M. LEKOANE: Sorry Mr. Nage at this stage of a student applying online, they would already been admitted to an institution?

MR. NAGE: Returning students yes

ADV. M. LEKOANE: But the new students?

MR. NAGE: The new students they don't have to have applied to university, they can apply to us. Like the Grade 12 now, they haven't received their results but they can still apply to us

ADV. M. LEKOANE: How does that work, would they know what course they are applying for; because then how do you determine the amount.....?

MR. NAGE: They would know which course they are applying for, but as you look at the academic calendar; they'll only be able to know their results in the following year being January, when we come back from the recess. And it would be late for them to only start applying then. It's only if they are not successful in their studies, that NSFAS will reject them

ADV. M. LEKOANE: Then what happens to those funds?

MR. NAGE: They would have indicated the University that they would like to go to. So the NSFAS process does rankings once. So there's a cut-off time where we say: we not gonna take applications anymore but we would communicated that upfront. We'll take a number of students, assess them all at once. So if it happens that Student A and B were not successful in their Grade 12 studies, they won't form part of that assessment, automatically they'll be excluded. Because the results come.....when we get the results from the DBE, they will appear but having failed or school leaving, so they don't qualify for Bachelor's Degree.

ADV. M. LEKOANE: So what happens to the money that was allocated to those students who have now been rejected?

MR. NAGE: So how the process works is that we don't allocate funds. Once the student has registered with us and is successful, we send them a pre-approval, so we'll say: you've been pre-funded. So you still need to go another layer where we look at the funds that we have. And we rank all the students all at once, and if it happens that seeds-out, then we'll send a final notification, and say: you've been unsuccessful. So we don't allocate funds to each student, there's just one pot of money that all the students if applied will be assessed all at once.

So this is the application process. From Grade 12 Learners who are considering applying to NSFAS, we look at: academic eligibility, financial eligibility; registration; then we originate the loans once you are a NSFAS funded student. We look at students obviously who have a Bachelor's pass; they need to meet the academic admission requirements of that university – that is very important for us. We take students that come from Quintile 1 to Quintile 3, those are means test waived. We look at the SAASA grant status. Those as well they are means test waived because they come from the poorest of the poorest families; so we don't waste time trying to do a means test on them cause we know that they do qualify for NSFAS in terms of financial eligibility.

ADV. G. ALLY: Determine EFC? What's an EFC?

MR. NAGE: The EFC is the Expected Family Contribution. Based on what the Executive Officer illustrated earlier that the Means Test how it works looks at: Gross Income; Deductible Expenses and the pseudo Disposable Income that is left there. Based on what the calculation says, it's either your EFC is zero or it's an X amount of money, NSFAS will pay you less of that. Then going further, just the detailed illustration of how the student-centred model works; is that there's an online application; there's a once-off process with supporting documentation; NSFAS does the evaluation; we verify the information that has been given to us. NSFAS has now established a link with the Home Affairs, where even in the past few weeks; we have "resurrected" some of the parents that were dead when students were applying in the previous years. We do the ranking and funding at the particular point in time. We would have received the list of registered students from the different universities. We look at registered students on NSFAS, that is driven by the loan agreement forms. So the student would have received a One-Time Pin on their cell-phones – they will input that, to mean that they have signed the loan agreement forms. The loan will be created in NSFAS system; we will disburse the tuition to the respective universities and the allowances to the students.

ADV. M. LEKOANE: Is there a hard copy option for this....for those students who don't have access to electronic devices?

MR. NAGE: Yes. NSFAS also does allow for manual application and we will talk more about that tomorrow but I can just give you a brief overview of how that works. So NSFAS has entered into an agreement with the Methodist Church; with NYDA to allow NSFAS to operate in their centres across the country, to deal with the so called rural students, cause it doesn't mean that rural students cannot use the but the problem there is that there's connectivity problems. So we've also catered for those students to make sure that we don't exclude them.

ADV. G. ALLY: Mr. Nage. In respect of the CAS – Central Application System of some universities; we are told by DHET they want to implement that across the board for universities. Has NSFAS thought about how they gonna link this NSFAS system to the CAS system?

MR. NAGE: Late last year and earlier this year, we've had discussions with the Central Application System; to date they have not indicated themselves how they intend to run the system of making sure that there's one central application system. What they are running now is a pilot called "CATCH", and we are not very clear, I think the department is a well-placed body to be able to provide more answers on the Central Application system; it's been going on for years now.

ADV. K. PILLAY: May I just ask the question before you move further. On this graph that we've been given – these boxes, I think it's the previous slide yes. At which stage do unsuccessful applicants who've been pre-approved.....at which stage are they informed that they have not been finally approved.

MR. NAGE: The students are informed – both successful and unsuccessful, after the ranking and the funding. So we would have closed at a certain date, we would have taken a number of students, assessed them based on academic eligibility; financial eligibility – I will just limit my example to the first time entrants because the continuing one you already have the information so we just look at the academic eligibility. Afterwards, we will send a final SMS or notification that tells the student that He or She is unsuccessful. However it doesn't end there, there's an appeals process where students if they feel that they were unfairly excluded or they need reasons why they were excluded

– NSFAS has a credit committee that deals with the appeals process. So they could be a situation where around February and March, students who were excluded initially might be funded or it could come to the same conclusion.

ADV. K. PILLAY: But at the stage of being informed whether or not they've received final approval, have pre-approved students registered at the university?

MR. NAGE: They would have registered at universities cause we would have insisted that we receive a registration list from different universities. This example applies on the 2015 academic year course of study, meaning that we didn't take the disruption of academic years into account – cause right now everything is all up in the air.

ADV. K. PILLAY: And what happens to a student that hasn't been finally approved but who cannot afford to study

MR. NAGE: NSFAS also has a cap for funding unfortunately. But at least for this year, even if those students not in the student-centred model, the department did say: that universities should not deny NSFAS qualifying students, they should register all the students. So to the best of our knowledge, all qualifying NSFAS students were allowed to study in the 2016 academic year.

ADV. K. PILLAY: But just going forward, there is a chance that a student who has been pre-qualified and was registered, will not be finally approved

MR. NAGE: Yes there is a chance

ADV. K. PILLAY: What happens to registration costs?

MR. NAGE: All NSFAS qualifying students are not required to pay registration fees

ADV. G. ALLY: At all 26 universities?

MR. NAGE: At all 26 universities yes

ADV. M. LEKOANE: And TVETs?

MR. NAGE: Yes and TVETs. I'll come to TVETs, right now my presentation is only for universities. This slide just demonstrates the impact the NSFAS has had over the years on universities. The funding from 2003 to 2015, the funding cap increased from R20 000 to R67 200 in 2015 academic year, and this year is R71 800. African students at different universities increased from just under 5% in 2000 to 70% in 2013 and that represents a total of 87% increase over time. If you look at the impact that NSFAS has had from 2000 to 2015, the number of students that were funded by NSFAS has increased from 19% to 24%

JUDGE J. HEHER: I'm sorry, may I just interrupt you. This percentage of African students I'm afraid I don't understand it. "Percentage of African students in universities has increased from 4.48 to 70.1%". 70.1% of what?

MR. NAGE: of African students that are registered at universities – NSFAS qualifying students.

JUDGE J. HEHER: What do you mean by African students?

MR. NAGE: We mean Black students?

JUDGE J. HEHER: Not the people from the rest of Africa

MR. NAGE: No, No

JUDGE J. HEHER: I see, I beg your pardon. I understand

MR. NAGE: And then the types of qualifications that we fund, it's the 3-year or 4-year Degree. As the EO had already illustrated earlier or indicated, we fund M+2, so we allow for 2 years of students might fail or something might happen. And we fund the Diploma programmes and other post-graduate programmes.

ADV. K. PILLAY: Can I just ask a question around the 87%. What percentage of students who receive or qualify for NSFAS funding are white students?

MR. NAGE: We can provide that information, we don't have it at the top of our heads but tomorrow we can provide it.

JUDGE J. HEHER: Do you get substantial applications from white students, or Indian students or coloured students? How do they pan out?

MR. NAGE: They differ from university to university. So if you look at the University of Pretoria, you'll have a substantial number there. If you look at the University of Stellenbosch, you'll have a little bit. If you look at the University of the Free State, you'll have numbers of white students there applying. But at other universities like Wits and UJ, it will be traditionally mainly Black students, by that I mean Africans, Indians and Coloureds.

JUDGE J. HEHER: Thank you

ADV. M. LEKOANE: Sorry Mr Nage. If I can go to the 11% under increase and average forecast of study. Now that 11%, what proportion of that is just tuition fee separate from other related fees like accommodation and what have you?

MR. NAGE: I don't have the split at the top of my head but we can provide that tomorrow.

MS. L. KHUMALO: Once allocated as per voucher, does it say that so much is for this, or it's just an amount and the student can use it as he deems fit?

MR. NAGE: The allowances have pockets, so it will be clearly indicated that for books you get X amount of money; for accommodation - it will be an X amount of money; for food - it will be an X amount of money; and for transport - it will be an X amount of money.

MS. L. KHUMALO: And there's no freedom to move from one pocket to another, if maybe he needs all the books

MR. NAGE: No there's no freedom

MS. L. KHUMALO: So it goes back?

MR. NAGE: It goes back. So the policy of NSFAS is that if the student has not utilised their X-bucks voucher by the end of the academic year, NSFAS takes that money to re-inject it into the funding pool. And also on meals, we do have restrictions – things like alcohol, condoms, we don't allow students to purchase such things

MS. L. KHUMALO: Is it just those two?

MR. NAGE: All the things that will not have an impact in ensuring that the student performs. Students need food, accommodation and....

ADV. M. LEKOANE: It's because it's not full cost of studying Mr Nage?

MR. NAGE: No we don't pay up to full cost of studying, we have a cap

MS. L. KHUMALO: So are those limitations documented anywhere?

MR. NAGE: Yes, through our agreements with the merchants?

ADV. G. ALLY: Mr Nage, surely it can't be right that you don't give full cost of studying. It would depend on the university. So, if the University of Zululand has a tuition fee of R25 000 and your cap is R71 000, which then also takes into account transport; meals; books; and so forth. You could have some universities where you are funding the full cost of studying, and do you know the number of universities and the programmes?

MR. NAGE: So maybe let me take a step back. So generally NSFAS funds up to a cap. Some of the universities, the numbers that we've ran, we found that the average full cost of study is still within the NSFAS cap, so we do pay full cost of studying. But if you look at other professions like Medicine for example, let's take UCT or Wits, you might find that the full cost of study is R120 000 as an example. NSFAS will only fund up to a cap of R71 800.

ADV. G. ALLY: Hence my proposition to you, Ms. Lekoane asked you about the full cost of studying and you say: you don't fund the full cost of studying. Actually in some universities and some programmes, you are funding the full cost of studying.

MR. NAGE: Yes, that was generally that we do not fund the full cost of study; however other universities are to a cap or within a cap, and for those we do fund their full cost of studying.

MS. L. KHUMALO: I saw on one of the previous slide, there was something about a 'Right', finding a 'Right'. You don't have a slide like that?

MR. NAGE: It's under "Defining Concepts". This is meant to say 'Finding the Right Amount'

ADV. M. LEKOANE: The correct amount

MR. NAGE: Yes you could say that

MS. L. KHUMALO: So this will be full cost as per the Advocate's question?

MR. NAGE: At other universities, not all universities. So if you take University of Zululand, University of Venda for example. The majority of our universities, we'll fund the full cost of study because our cap is higher than their fees

ADV. G. ALLY: May I just ask the question. Allowances for students with disabilities, does that also form part of the cap or does it operate separately from the cap?

MR. DACA: We bridge the cap when we fund students with disabilities, cause the policy on funding students with disabilities provides for and above what our cap; which means assistive devices are not included within the cap, they are above the cap

ADV. M. LEKOANE: Do you have a separate Means Test for that?

MR. DACA: In a way, Yes. What happens with students with disabilities is there is a discounting of the EFC, which means there's almost an implicit factor that the cost to a family who has got a student with disability, is much higher than a family that doesn't have a student with disability. And therefore there is a factor that gets put in to say: look, we would ordinarily assist a family that might not have been assisted if it was a normal student.

ADV. M. LEKOANE: Okay

MR. NAGE: Moving on to the TVET and how that system works. So the TVET system is largely managed by the department, the funding decisions are made by the department. This funding was introduced in 2007, and it only fund for two qualification: NCV and Report 191. The funding that gets allocated this year being the north of 2 billion, 2.3 billion. It covers largely 33 to 35% of these students in the TVET sector. And the programme costs are approved by the department annually in terms of the funding the norms. So NSFAS the role that it plays, is just the disbursement of funds. So we do not determine the allocation like we do for universities. We get funding from the department having determined how the allocation should work between qualification NCV and Report 191 but the process remains the same. So the difference here is that NSFAS on the universities will determine the allocation as it stands and we will allocation letters to different universities. With the TVET, the department does that part. Other than that, everything remains in terms of the old application model or the new student-centred model that we are rolling out.

ADV. G. ALLY: The 33-35% is of the total TVET population or where do you get that number from?

MR. NAGE: It is the total population of TVET students.

ADV. G. ALLY: And would that coincide with the total number of NCV and Report 191 students?

MR. NAGE: Yes. And the other major difference here is that in TVET, it's just bursaries, so there are no loans that need to be repaid. And NSFAS does not have to come up with any mechanism to recover outstanding loans from students.

ADV. K. PILLAY: Mr. Nage may I just a question about that. We know that in terms of the Report 191 programmes and the NCV programmes, that the department pays 80% of the programme to the institution, and the institution can charge fees up to 20% of the total amount and it got a 10% leeway to either go up or down. So it's either 30% or 10% tuition fee, does it mean that NSFAS funds that amount either 30% or 10% of the total programme cost per student?

MR. NAGE: NSFAS would take the difference that the department does not fund through the R2 billion allocation that gets given to us

ADV. K. PILLAY: Which means then that first there has to be a decision by the institution as to how it will set its tuition fees, either 30% or 10%

MR. NAGE: In conjunction with the department. So the department would know by the time they make an allocation to NSFAS, they would know whether they are giving the 10%, or the 20% or the 30%.

ADV. K. PILLAY: And so the NSFAS allocation will differ from institution to institution, depending on where they set the tuition fees

MR. NAGE: Yes that allocation would have been done by the department

ADV. G. ALLY: Now just a slight in my mind complication, is in TVETs, they don't talk about the students themselves being funded. The department funds the Full Time Equivalent which has muddied the water here for the Governors Council in terms of what they are; and who they are funding. Because they were told to enrol so many students, and now they can't get funds for those students which puts them in debt. Now are you aware of how that system works, or all you do is administer the bursary?

MR. NAGE: The NSFAS involvement in the TVET process is to administer the bursaries. The construction of the TVETs and how they work, that is totally under the control of the department

ADV. M. LEKOANE: Would the NSFAS funds for TVETs, include accommodation and the likes. Is it full cost of study or not?

MR. NAGE: With TVET, it's slightly different because we assume or the norm is, students should be living around those TVET areas. So they don't need transport and they don't need accommodation allowance. They don't get book allowance because they get learning materials from the TVETs. But there are instances where students might....I think the radius is 10-12 km's, where students might live further away from a certain TVET. And those they will get transport allowance and accommodation allowance, but it's a very small number of those students.

ADV. K. PILLAY: May I just ask why is it a small number of students?

MR. DACA: The TVET College Bursary Guidelines is also a document that is constructed by the department. And part of what is embedded in the TVET College Bursary Guideline is what the CFO has said that the big chunk of the money for TVET colleges goes to tuition because of the assumption that the TVET system is supposed to be localised rather than the university system. And therefore there is a set-aside that a big chunk of the bursary needs to pay for tuition. And it's a smaller portion that is set aside to be able to intervene and pay for other allowances that the student might need for instance. In some instances there might be accommodation. But in most instances, I think we are now finding a chunk of students are getting a transport allowance because they are staying outside of the radius of the college. Then there is a deliberate decision in the guidelines that at least 70% of that bursary portion needs to go pay for tuition rather than allowances

ADV. K. PILLAY: We've heard from students in TVETs, who speak of hardship. Obviously the TVETs attract the poorer sectors of society. And so, has there been any inquiry into whether the assumptions on which the guidelines are built are indeed correct and that in fact there are not large amount of students who are not living within the close enough radius to the TVET colleges.

MR. DACA: Again the process is a DHET process as I say, even the guidelines themselves were not done by NSFAS. I know the department had set up a team last involving department officials and college principals to look at that whole scenario. But I know the new set of guidelines that have been published, they have a minimum of 70% of money should be spent on tuition, and then up to a maximum of 30% could be spent on allowances. And I suppose that is the outcome of the consultative process that the department engaged with the college principals.

ADV. K. PILLAY: And that was my second difficulty. Form what you've just described, it sounds as if the pot remains the same and that you are re-dividing the pot. So in other words, not that there's going to be additional funding to the TVETs to compensate students who are living far from the colleges. It just means less money now for going towards tuition and a portion of that going towards other costs.

MR. DACA: Not necessarily. The wording of the guideline is: the minimum of 70% should go tuition, the maximum of 30% should go to allowances. However there's still shifts that some colleges might still end up with 80% going to tuition. I think with the consultation process, there was a feeling that in some colleges, there's a situation from one college to the next, it's not the same. Because this is a blanket guideline that applies to all 50 colleges, you need to bring a little bit more flexibility so that colleges can move within a bigger range than the range that was there before. Because some college were saying: we have more students who are looking for allowances and we have already covered the tuition side, therefore we need a little bit of gap to be able to covet the transport allowance for students who want to attend the college

ADV. K. PILLAY: But given that we are dealing with the poorer sector of society here, and if you compare that with the kind of funding that's been given to students in the higher education context; one would have hoped that the policy would be: that you would pay the entire amount of tuition fees and we know it's a relatively small amount-between 20 and 30%. And of top of that would pay then whatever additional costs the student incurs to access the TVET

MR. DACA: I think the real question then is about the absolute rands amounts that are available. There's R2.3 billion that goes around to the 50 TVET colleges. And unfortunately with the interventions that have been at the university system, there has not been significant increases at the TVET college system. And that's probably a discussion that it's already taking place at the department level in terms of seeing how can we increase also the funding that's available for students at TVET colleges.

ADV. K. PILLAY: And has there been submission from NSFAS to DHET and to National Treasury to demonstrate that the funding in relation to TVET students is short and that it needs to be boosted in order to adequately provide for TVET students?

MR. DACA: Not from NSFAS but there has been submissions from the department to the National Treasury. Because the department manages this process of TVET colleges, they are the ones that are

responsible for allocating funds to individual colleges. The department is also in charge of the TVET College Bursary Guideline. NSFAS is almost a back-end Administrator in the TVET colleges. We are more involved as NSFAS in the university sector than the TVET sector.

ADV. K. PILLAY: And is there any data available to give us a sense of the spread of that R2 billion across all the TVET colleges, so that we can get an understanding of whether or not the full tuition fee is covered in respect of students who qualify for NSFAS?

MR. DACA: We should be able to because at allocation level, we are to say how much was allocated to each of 50 colleges

ADV. K. PILLAY: And are you also able to say whether or not there are students who qualify for NSFAS funding but who don't get the full amount of tuition fee covered?

MR. DACA: No I don't think we'll have that data. Maybe going forward we'll be keeping that data because now even the TVET college students will be applying to the centralised system. We will be able to keep the full data of the applications and the status of the applicants.

ADV. M. LEKOANE: And have you had any discussions about not limiting the NSFAS funding to government approved programmes. Because we've had that some of the programmes have issues such as relevance and so forth. Because I understand that the funding of NSFAS is for ministerial approved programmes.

MR. DACA: And I guess that relates to TVET colleges. We have not participated in that. It is the department that solely deals with that process. Because it is the department that makes the determination on how which programmes are going to be funded

ADV. M. LEKOANE: So there is no discretion on the part NSFAS. Suppose there is some money left over, and the student applies but not in a ministerial approved programme, can such a student apply to NSFAS?

MR. DACA: NSFAS does not carry that discretion. In fact when there's money that has not been used in a college, we write to the department and say: college so and so has used 95% of their money, there's 5% that is left. And it is the department that again makes a decision on what happens with that 5%.

MR. NAGE: Just the last slide: 'Procedures Governing the Applications for NSFAS Funding'. So as part of the Agency Agreement, NSFAS sends what we call 'NSFAS Handbook'. And what is contained in there is the rules and guidelines on how NSFAS should be administered and should be utilised and disbursed by each university. We have issued a handbook in 2008, 2011, 2016 and the 2017 academic year handbook is currently underway. In between those handbooks, we have issued circulars as the EO had alluded earlier. Where there might be some information that we would like to communicate to universities, we would issue a circular to universities.

Thank you. That's the end of our presentation.

ADV. G. ALLY: Just on your circulars; you will recall in your previous presentation in Limpopo, you spoke about Circular 6; which had according to you three aspects. The last one being: the

universities being told no student must be turned away for want-off finances. What were the other two again?

MR. NAGE: I stand to be corrected, the other two was to: inform the students of the outcomes of the presidential commission around.....

ADV. G. ALLY: No, No. Circular 6 has three points to it. And when we were speaking to the EO – Mr Daka the last time, it was to the effect that you've paid what was due –that's the R71 000 I take it. The one that is not fully paid, is the ones that the department said you must accept all students, and you still need to find out whether those are NSFAS qualifying or so forth. I just wanted you to go back to that situation, unless it's coming up tomorrow or Wednesday

MR. NAGE: We are calling up Circular 6 just to remind ourselves what is contained in there

ADV. G. ALLY: And the reason for saying this is, you will recall we put it to you that universities said: they haven't received the full amount that is due to them. And you said: we could be still checking whether it's the right amount or not. So keep that in mind in your response.

MR. DACA: Circular 6 dealt three key portions of funding after the presidential task team allocation of 4.5. And it was explained to the universities the process in terms of how they are gonna access that was made available by government. The first portion being the R2.5 billion that was made available to cover students who had debt at the universities. There was a number of 71 000 odd students who were.....and that was to explain to universities that those students need to sign agreement forms. And then once universities submit those agreement forms, then NSFAS would pay universities in respect of those students.

The second portion was to explain to universities that there's also a R2 billion that is made available to ensure that students in the 71 000 group who are continuing to study in 2016, would continue to be funded and this is how they are going to be funded; and the administrative procedures around how the universities will also access that funding. And also asking the universities to inform NSFAS of the number and value that they need to cover those students, cause we didn't know at that point how many of those 71 000 are still in the university system in 2016. That is the second portion of Circular 6. The third portion, I think it was that you started with, which was to say the department has written a letter to all universities saying: register all qualifying students even if there is no money attached to them.

And then as NSFAS we were then saying to universities: please give us the numbers, you have now finished registration, we need to know how many have you registered and what is the total fees attached to those students that you have registered. And we were given those....it was us giving directive to the universities in terms of those three processes that had to unfold for the universities to claim money. The third one, there was no money in the system but we wanted to go back to the department and say: seeing that you have written a letter, this is now what the letter is gonna cost, so that the we can start the whole process of bidding and ensuring that those students are covered.

ADV. G. ALLY: So that point 3 section still hasn't been dealt with – it hasn't been finalised.

MR. DACA: It has now been substantially dealt with. I say substantially because there's probably one small piece of it that has not been completely closed-out. Because the NSFAS board then with the

department had an allocation to those students....an initial allocation to those students. The amount that the universities say they need at that point, which is at the beginning of the year, was R2.2 billion. And then the NSFAS had already within the system managed to find R1.4 billion to be able to allocate to those students. And that portion had moved, and then the NSFAS board advised the department that there is still 850 odd million that needs to be allocated, to fully cover those students. But there are two shifts that had happened on both sides of that 2.2 billion. One is, some of those who might have been on that list, have found alternative funds through other bursaries and all that, which that number might have gone down slightly on that side. But also on this side, with the announcement of the Minister of Finance that there is now additional money over the MTEF. That has now also assisted us to be able to say we are in a position where we are now ready to say all those students can be fully covered; cause we have now got additional money only just a few week ago, and the administrative processes are being followed.

ADV. G. ALLY: Thank you

ADV. M. LEKOANE: So the costing was done after the letters went out?

MR. DACA: That's correct. I think from the side of the department, it was to say because it was then in January and February, students were being registered. If you miss that window period and you start with the administrative process, the students will be home by the time you wake up. It was to say: look let's start with this one, the students are already at university registering, let's write a letter. Then after that as NSFAS, we then entered the discussion by doing the costing of how much that would cost the system for the students that are registered. Because at that point when the letter was written, there were numbers that were floating around, but they were not real numbers because they were not based on the cost of each student that each university has registered through that letter from the department.

ADV. M. LEKOANE: And is it possible for us to get a copy of that costing document, I presume it's a document.

MR. DACA: Ya....It's almost like public information already

ADV. M. LEKOANE: Will you provide us with a copy maybe tomorrow?

MR. DACA: Yes

ADV. M. LEKOANE: Thank you

JUDGE J. HEHER: Do the Evidence Leaders have any more questions this afternoon?

[No]

JUDGE J. HEHER: Thank you. Could we roll this until tomorrow then? Thank you for the very full presentation that you have given us.