TRANSCRIPT FOR

COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND TRAINING

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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 K Pillay

Evidence Leaders:

- Advocate. M Lekoane
- Advocate. M. Zulu
- Advocate T. Mabuda

Expert(s):

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

TRANSCRIPT

JUDGE J. HEHER: Mr. Daca is this brochure a true reflection of things as they are?

MR. DACA: Which brochure?

JUDGE J. HEHER: Your brochure for today's presentation and yesterday and the day before. It's a true reflection is it?

MR. DACA: Yes it is

JUDGE J. HEHER: Well then Mr. Ally and I have been discussing that there is no need for us to go any further because all your students are so happy. It's quite apparent that if you are a NSFAS student you are happy with life.

MR. DACA: It would appear so.

JUDGE J. HEHER: It would appear so, but perhaps Miss Pillay has a different view of things.

ADV. K PILLAY: Well time will tell Chairperson.

JUDGE J. HEHER: You're still under your oath gentlemen, thank you.

ADV. K PILLAY: Thank you chairperson, before we begin with the program for day 3, Mr. Daca and Mr. Nage I should just let you know that because the program for yesterday was truncated in a manner that it was, there is a number of issues which arose from yesterday's presentation. Which you may find that may need to be addressed in the course of today's presentation so I think the safest way to approach it is to view yesterdays and today's all as one continuous day.

Having said that I think that you have begun with the - - I mean you have prepared a presentation on the specific funding related questions that we asked you around the funding and sustainability of NSFAS. So I think that it's preferable to start the presentation and then in the course of the presentation I'll be putting direct questions to you and most of them emanate from the treasury report into NSFAS. Alright, so you may begin Mr. Nage.

MR NAGE: Today's presentation is around the financial sustainability, around NFSAS and the point we're going to be talking on is, the financial sustainability of NSFAS, funding of NSFAS, impact of higher education pricing index, no fee increase decision for 2016 the cost and impact, better education of student debt, impact of low throughput of .

We touch on that yesterday, recovery of contingency loans. Following on yesterday, we did start to talk about the financial sustainability of NSFAS and for the prior year financial year. We realized that net loans after bursary conversions are actually 15% of total amounts disbursed so meaning that we had disbursed R3.3 billion and only 15% of that amount was realized as a loan that could be recoverable in the future. Meaning that every year the scheme will need additional funding to be able to continue to fund new students and continuous students.

JUDGE J. HEHER: I'm sorry can you just explain what a nett loan is.

MR. NAGE: Nett loan it means that we would have gross loan that is the amount that is left thereafter we've done all the bursary conversions and social benefit component and then the accruals will come up with a calculation that they call it's an impairment calculation in simple terms. That calculation looks at the prior history of recoveries of NSFAS, NSFAS outstanding debt and they try and project the income that the scheme will be able to recover. Based on their estimation they will say that, this amount that is left they are of the view that 52% of it or 50% of it will not be recoverable. So they will take the two billion take out the one billion will recognize the one billion in the book.

ADV. G ALLY: Now you're putting it simply Mr. Nage, but I do think this needs to be explained because there are possibly or probably policies that guide those very determinations. In terms of it's only 50 % recoverable and what is acceptable. Besides all your accounting professionals that have guar pined grabbed and all the rest of that there seems to be in this instance and also there must be some kind of standard and therefore you would need to explain for me.

At least to clarify in my mind what is meant by - - if you've given someone a loan. What measures have you taken to recover that loan and why would you say the loan is not recoverable taking into account certain measures you had taken beforehand, before giving the loan.

JUDGE J. HEHER: Yes that is the point that I would like to start at before we even come at to my colleague's point'. When you advance a loan how do you secure your recovery in advance? Either by information or by provision of security or whatever measures you take to make it the more portable that you recover.

MR. NAGE: Thank you, I think it is only fair that I spend a fair amount of time just to try and explain this. So let's start from the origination of the loans following on from the Means Test discussion that we had yesterday. In the Means Test we don't have a proxy or we do not have a requirement that says, that parents or students must provide a guarantee. So that is number one meaning that this loan is purely unsecured and when we talk about unsecured lending that's what we do. It's purely unsecured.

JUDGE J. HEHER: Well before you come to that. When you have a Means Test do you have any measures in place to test the accuracy of the information that you receive?

MR. NAGE: I'm just going to decouple my answer just to try and make sure that I respond appropriately to you. Based on what the EO reported yesterday, what we are doing in terms of the Students Centred Model. We are administering the Means Test. We are making sure that the information that we receive is credible. So we've got a linkage with the home affairs database. So if a student comes to us and say my parents have passed on.

At least we have that linkage we can be able verify that the parents have passed on. We've got the waiver now that is to prompt the quintal schools and the SASSA to determine that, but now what we do is, we look at whether this student can be able to pay because as much as we require the information from the parents. It is the students ultimately who needs to repay the student loan.

So it is not the parents whose information we've received. So the loan is just purely unsecured that is why one of the things that are included in there its academic ability. So we are saying that if this student is able to perform he or she can be able to get employment. Then they can repay this loan, but that is at the origination of this loan. Students Centred Model, the current model is administered by universities and the information there is administered differently, we do.

JUDGE J. HEHER: What about insufficient information at the time of application to ensure that you're able to make a realistic tracing of the student. If you have to, I mean do you obtain intensive evidence of his home residence. Where his parents are employed and that sort of thing to enable you to trace him if you need to.

MR. NAGE: We do obtain that information, but part of the flaws in the system as it stands and that affects NSFAS negatively, is the agency agreement that we have. So we'll get that information from the universities but what NSFAS in all honesty have not done well is to be able to keep track with the students.

Hence the need to go for Students Centered Model will have a better contact with the student. Every six months for those who are registered for semester courses they'll come to us and one of the questions that will say please verify the information, the email address, cell phone number, home address and home telephone numbers is still the same. That is number one, number two we've started the process now of listing the debt and maybe I should just explain.

When we talk about listing the debt people turn to think that is a negative listing. There is a three stage of listing the debt. Listing the debt with future payments and that is where we need to educate the students. So we list the debt today is not due unpayable, but at least there is that credit information. Then the student he or she finishes gets employment. We require payment from them. They don't pay it's a soft lock, meaning that you want to get a house or a car they will tell you that there is this loan that is outstanding. Please enter into payment arrangements with NSFAS.

Then there is a hard one where after six months we've tried to run after you and you are not paying, then you will have problems. It will be a negative record on you. That's the measures we are putting in place but with the agency agreement, with the universities those things are not in place. Hence our need to transition very quickly to the Students Centred model.

ADV. K PILLAY: Mr. Nage may I just ask you a question around and under the agency arrangement. We know that the universities enter into the loan agreements with the students. What is the contents of those loan agreements and what kind of rights and benefits does it give NSFAS.

MR. NAGE: The loan agreement form, it just says that you've entered into an agreement. In a simple term you've just entered into an agreement with NSFAS just know that this loan is payable in future. Once you start employment and loan is payable. Once you start employment it is incumbent upon you as the recipient of this loan to inform NSFAS when you start employment. That is what it says, incumbent upon you to update your contact details and notify NSFAS. That is what the loan agreement says, but because we as the funder do not have the close relationship with the students.

Student finishes and then they carry on with their lives. The information that we have might find out that the email address is no longer credible or is no longer being used, the cell phone number has changed because these students right now is very difficult to trace them with cell phone numbers because there is so many deals that are going around that for them.

They are just chasing extra airtime, extra data bundle. So they change their cell phone numbers. As and when they feel like it. That's the other issue but so you can see the impact on the loan book. You can see the impact of that on the recoverability book.

JUDGE J. HEHER: Well now do you keep the information up to date. Do you check it? I mean obviously when a student applies, you get the information from the university about the student. What do you do in the course of the next three years or five years as the case maybe to ensure that the information is still valid?

MR. NAGE: One of the measures that we are trying to or one of the measures that are in place granted not full proof. Is to send out statements to students once a year. We are required in terms of the NCR and to send out statements at least once a quarter to debtors.

JUDGE J. HEHER: Do you require acknowledgement that they've received such things?

MR. NAGE: We do require acknowledgment, but what we have found with the data that we have that is not so clear. In that we've if we send for example hundreds of statements only thirty will reach the intended recipient, seventy will come back. That is the problem that we having on this current agency model because our data is not clean at all and the information that gets supplied because there the students can give whatever information that they want to give to the universities and for the universities.

I don't think it is they will spend an audient amount time to make sure that the information that is provided to them by the student is credible and is valid for us. It is very important that is why the Students Centred Model for us is very important and you can see the benefit that now we've began to work with SARS. I will talk a lot about that to try and get more information at least after the Minister of Finance announced the amendments on the tax administration act.

I think it is section 71 that we will get over and above the ID number of the debtor, will get their email address, their phone number, where they work and the employers phone number and there we are beginning to see the difference. I will like try and further when we get to that slide of recoveries. You can see the impact on recoveries picking up before all that SARS gave was the ID number and where she or he is employed so that did not really assist us much.

ADV. G ALLY: Mr. Nage your - - in terms of what Miss Pillay was asking I thought that by now you would have given a sample of this agency agreement. So as to detect what is in there and whether it is because whether it is full proof or not granted. You say it is not full proof and it has its flaws but you need to know what its flaws are in order to correct them.

The reason for stating that is you have students in the current system that you need to recover from and before you come to this think bare this in mind because you still need to educate me with regards to your accruals impairment and so forth. Now this issue of the loans as they are, now for how long do you go down the period before everything is as it should be with your central system? So how long will it take for everybody you have now since 2013 or even before that you've had the system with students on the system? How long does it take to convert to your central system firstly?

MR. NAGE: Thanks, perhaps there are two things, let me just limit myself to talking about debtors. So let's take students out with the debtors, guys who've exited university. At least now with the information that we are getting form SARS we can do something about it. We know where they work, we have their phone numbers, and we have their email address. All that we are doing is just wanting positive concern from them. We can track them meaning that the quality of our data has now improved significantly and that you can see from our debtors.

We used to collect August last year an average of 14 million per month. Now we are averaging 25 million per month. It's still very little but that is a huge jump. You can see at least with our debtors now that is the first thing. We know where they are. We are going to list them as I've articulated earlier and that will have a positive impact. That's on the debtors we are on the right track on that and - - -

ADV. K PILLAY: Just on your debtors before you carry on Mr. Nage are you affected by prescription of debts?

MR. NAGE: If I can finish this then I will answer your question. So our debtors are split in three folds. You've got the ones that are coming meaning that they've just existed the universities 12 months ago and have started working. We've got the ones that we've been dealing with for the past three to five years. Then you've got old ones you know the ones that come from TEFSA days and have been coming with those ones.

MS KHUMALO: Just to interrupt, do you have in your debtors the drop outs that are maybe employed somewhere else but they didn't finish their degree?

MR. NAGE: Yes we do, we do.

MS KHUMALO: They are part of what you are describing now?

MR. NAGE: Yes

MS KHUMALO: Okay

MR. NAGE: Yes, so you have got your old debtors. You can say maybe from 2005 backwards to 1991 and those we've asked the early detection centres like the debt collectors to assist us to collect the debt. The exercise that we are busy with because our book is not as simple as three years has past. So this debt has prescribed. I think it is either Monday or yesterday we did talk about you have a student who enter education in 2000 they drop out for whatever reason they've, got family issues. They've got to go and work three years later they come back. They register NSFAS funds then so we've got debtors who or students who are moving from one year to another. So at what point are you saying this debt has been owing for three months or for three years. It is prescribed so what we have done

JUDGE J. HEHER: Well it can't start to run until they are employed any way.

MR. NAGE: That's another factor as well, so we've also looked at the ones who are employed. So we've gotten, we've sourced the services of an actuary just to try and trace the movements of these debtors. To say when do they enter the system, if they dropped out, how long did they stay out, when did they start, when did NSFAS start to contact them to say that they must pay.

When did the first payment start so that we can determine that if there is a risk for prescription and how much it is? What we know is that from 1991 or 1999 to 2005 that amount is six billion at least we know the amount that is outstanding, hopefully I've answered your question on prescriptions.

ADV. K PILLAY: Partially, just in relation to the six billion. Have you done an assessment of how much of that what is the risk of a portion of that having potentially prescribed?

MR. NAGE: That is the exercise that we are currently busy with and we are hoping that not hoping we are anticipating that we will have the answers by January next year.

JUDGE J. HEHER: It may be an unnecessary level of detail but you're the obligation of the students to pay rises when he gets employed is that right.

MR. NAGE: That's correct.

JUDGE J. HEHER: What happens if he is employed for one month and loses his employment? Has the obligation been generated and does it then continue as if he were continuing in employment. Or does it get suspended when his employment is lost?

MR. NAGE: Perhaps just to finish my earlier answer. Yes the student will start paying once they earn above thirty thousand per annum. That is the condition, it is incumbent upon the debtor to notify NSFAS when they are no longer employed. So they get employed the first month they start paying, for unforeseen reason they lose employment. It is incumbent upon them to notify us and tell us that they are no longer employed.

ADV. G ALLY: Mr. Nage and I'm sure these details are going to muddy waters because what you are saying now is not making sense to me. You say the obligation to pay for the person that is employed arises when that person earns thirty thousand per annum he finishes the year. Well, not finishes the studies for the year he obtained a loan. He is out of work he works on the example of the chairperson for a month and he then unemployed.

He hasn't reached the thirty thousand per annum level yet and this is the mudding of the waters as I see it and perhaps you - - the students are not aware of various defences that might be out there, but according to you the answer is that at present the student is obliged to start paying once they start working and earning at a minimum of thirty thousand per annum and from there each students debt is dealt with as per that debt and whatever arises during that particular time.

MR. NAGE: Okay, here's where….

JUDGE J. HEHER: No, no I'm still not finished. I'm sorry, can I understand the obligation to pay arises to the occasion to a particular figure thirty thousand per annum as it were. Does SARS actually supply you with details of the income of all the students on your debtors list who become employed? What is what is your arrangement with SARS in that regard?

MR. NAGE: Perhaps chair if I can answer the first question then I'll finish off with you.

JUDGE J. HEHER: Alright

MR. NAGE: Here's where NSFAS finds itself. If I'm employed by Lerato Nage and I am earning 70 000 per annum. That's what I am earning. That is my contract of employment. I'm obligated to notify NSFAS because at that point what is shown in my contract of employment is that earning seventy thousand. The fact that in month or two I lose employment? It is incumbent upon me that I notify NSFAS, we wouldn't know what will happen to the student in future or to the ex-student in future that's number one, going back to the Chair.

JUDGE J. HEHER: You haven't answered is the obligation then suspended if he notifies you or is the obligation in existence?

MR. NAGE: The obligation is suspended.

JUDGE J. HEHER: I see

MR. NAGE: Because he or she is unemployed

JUDGE J. HEHER: Thank you

MR. NAGE: Then going back to your question, SARS does not give us the income of the tax payer.

JUDGE J. HEHER: It doesn't.

MR. NAGE: It doesn't, they don't, what we do is that we look at where the taxable income line starts. If I'm not wrong it starts at eighty thousand. What that means it that between thirty one thousand and eighty thousand there could be student's ex-students who may be employed. That we do not have data for that we can't track but the loan agreement is very clear they are obligated to notify the funder once they are employed. So there is that gap and that gap falls into some of the old loans that we are struggling to trace. Now coming back to the issue of impairment and how it works.

ADV. K PILLAY: Mr. Nage before you come into impairment, maybe you can just briefly touch on repayment and how on the amount on that students debtors I mean obliged to repay.

MR. NAGE: So the policy of NSFAS says we contact Lerato Nage he's employed, the policy says we will recover between 3 and 8 % of what they earn not of the amount that is outstanding. So we will enter into an arrangement with the ex-student on average based on our calculation. We always have required the ex-students to pay at least five hundred and fifty thousand just on average based on the term of the loan. The longest it takes us is plus minus ten years based on the amount that is outstanding. So that is the repayment. So maybe just to recap quickly once you're employed you need to notify NSFAS. You need to be earning above thirty thousand per annum the sliding scale of deduction based on your salary is 3-8 %

JUDGE J. HEHER: Is that of the net income or the gross income.

MR. NAGE: Of your disposable income of what.

JUDGE J. HEHER: Disposable income

MR. NAGE: So it will be of the net income based on what you've agreed on. Or is it gross income, yah it's based on your net income because it's the money that is available to you.

JUDGE J. HEHER: You have no idea at all what that net income will be in relations to any given employee.

MR. NAGE: Hence the need for us to obtain positive consent. So they will once we get the SARS data we will contact Lerato Nage we will say remember you owe us. You owe NSFAS fifty thousand we funded you. Let's enter into an arrangement how much are you - - how much is your salary? They will notify us and then we will say between 3 to 8 % what can you afford? But then you get other guys that are saying that we've been waiting for you guys here is your forty thousand cheerio then those guys move on, but it's a very soft measure of collection it's really not an aggressive.

MS KHUMALO: And NCA are you ever affected by the National Credit Act on your collections.

MR. NAGE: Yes we are and one of the impact on us is to, firstly we need to obtain a license with them and secondly we need to a positive consent. We'll talk about the impact of that in our loan and you will see the numbers.

MS KHUMALO: Slide?

JUDGE J. HEHER: Does that positive consent come at a time that you fund the student or at some later stage?

MR NAGE: That has been a long running discussion with the NCR for the past two years to say. The loan agreement says the incumbent or the beneficiary is obliged to notify us. At what point does the positive consent expire? You know and they don't seem to be very clear with us because we are saying that but they entered into this agreement. is it a life time positive consent or do we always once we've tracked them down do we always have to obtain a positive consent taking into account that the section 23 H of our Adwa's repealed. There's this section that says yes Lerato Nage we've found the oath deduct the money.

So we were left with nothing you know when this was taken away. In fact we were left with this act that as much as it wanted to regulate the financial services sector. Our view was that we also did not take into account NSFAS the nature of its loan book and how it works in because in simple term. the NCA says you go to FNB you enter into loan agreement you start paying the following month or based on the - - there is no lead time of five or and plus two there is no such a lead time and that is giving us problems. Now getting to the impairment it's been a long run.

ADV. G ALLY: Yes you see the problem is we probably have people that understand the accounting and unfortunately it it's a blur for me and hence the request to explain.

ADV. K PILLAY: Just before you get to impermanent last question. According to the treasury, the performance and expenditure review the 8% 3 to 8% is calculated at your gross of your annual salary and not your net salary.

MR. NAGE: I could have been incorrect, I could have been incorrect sorry. It could be that it's because they would have received that information from us anyway so it could be that it's the gross.

MS KHUMALO: Okay, on the repayment of the drop outs how are you able to get a hold of that because apparently it's a large group of debtors the drop outs who are not N+2 whatever but maybe they took up some loan some years from you.

MR. NAGE: The drop outs will follow the same bruise as guys that have graduated so they entered into a loan. They are obliged to notify us once they start working because guys drop out for many reasons other guys drop out to start their own businesses. Even at some point I think it was one year we were even beginning to pick up that guys who have even dropped out.

They pay even more you know it's not like once guys drop out they forget about their loans. It's still the same difficulties in the old model like the ones who've graduated because all of them have exited the system. One way or the other they've exited the system, now to the accounting and financial part.

JUDGE J. HEHER: Do you find that women are better payers than men

MR NAGE: We haven't done that analysis

JUDGE J. HEHER: You haven't, I see

MR NAGE: We haven't done that analysis

JUDGE J. HEHER: Thank you

MR NAGE: So how the accruals evaluation model works in simple basic terms because with NSFAS we do not have a capital amount. We do not have a due and payable date as it were because the student has. The ex-student has to notify us once they start employment. So it's not like the normal credit agreement where you go to bank one its November they say the 31st of December you must start paying. We don't have that so it's largely trying to project the cash flow.

So they are estimating that given that your repayment and how long it has taken you to or how long it has taken NSFAS to collect the debt. How long it has taken ex-student to pay. Accruals have estimated that it takes eight years from exit of higher education, be it drop out or graduation to collect the debt and finish repaying.

JUDGE J. HEHER: Now I just want to ask you with regards to garnishing orders. I understand that up to 2011 or there about you operated. You were able to operate with garnishee orders in your favour. Now what's changed that? There was some statutory amendment, was there?

MR. DACA: The quick answer is

ADV. G ALLY: You must

MR. DACA: The quick answer is the section that allowed those garnishes was repealed in the act in December 2011.

JUDGE J. HEHER: Was that as a result of the constitutional court declaring it unconstitutional.

MR. DACA: No it was not a declaration by the constitutional court. What had happened is both the review the Ministerial review and the NSFAS in 2010 one of the areas that the review, looked at was a senior council opinion about constitutionality of that section and all that then they made a note about that section 23 and then went through the process it went through the parliamentary process and it was repealed, but there was no declaration of the unconstitutional of it but there was an opinion by senior council in the earlier years about the constitutionality of section 23.

JUDGE J. HEHER: Are you able to say whether that materially prejudice your ability to recover or it did not make much difference.

MR. DACA: It materially did the structure of the recoveries function at NSFAS was heavily reliant on that tool. NSFAS never built any other recovery capacity outside of the reliance of that tool provided by section 23. then almost only the one and the only tool that was available was moved and NSFAS then found itself in a position where it first has to learn how to recover money in a manner that was different from what provided by the tool.

JUDGE J. HEHER: Thank you, I think you're going to get onto impairments now.

MR. NAGE: Yes

ADV. G ALLY: Mr. Nage I will rely on my two assessors somehow, to educate me about impairment because we not going to get your answer because while your answering they'll be another question raised I think you can continue, thanks.

MR. NAGE: Just moving along on the analysis loan book. You can see for the past four years what we spoken about Monday and yesterday. That NSFAS has progressively moved from being a loan scheme to actually being a bursary scheme. If you look at - - let's take 2015 6.4 billion of what was disbursed was a direct bursary to students. The 1.8 billion the 19 % was a social benefit.

Now how a social benefit - - how this is completed is that, accruals look at the prime interest rate that is currently levied in the market. They look at the rate that NSFAS levies on their loan being 80% of that repo. they take the difference of that they tale the holiday that the student enjoy from day one when they enter into a contract to when they exit the system and also twelve months after they exit the system because that is the benefit that the student derives and also the endoplasm impact that is really not martial so you.

JUDGE J. HEHER: Can you please just explain something to me about this. When I read it this morning it struck me that 64 – 70 % of amounts disbursed been written off as bursaries suggests a very high success rate because the writing off as bursaries depends on the success rate of the student. It's that correct?

MR. NAGE: That is correct judge

JUDGE J. HEHER: But surely that 64-70 % bears no relation at all to the actual graduation rate of students and I couldn't match the two but there may be an easy explanation for it.

MR. NAGE: If you look at is coldly it says yes but if you go back to the discussion of N+ 2 that we had yesterday. You will see that- - so let's take 2015 in 2015 you have a mix of students, you've got the first entrance. You've got the second year. You've got the third year you've got the fourth year fifth year. so it's a combination of those it's not a one cohort that moved from this first year go to second year go to third year and then they graduate. Then there is 100 because included in there you have so it's a combination.

So let's start with the DHET grant where the NSFAS rules apply. you've got 60 – 40 % 40% that is your bursary you get to final year where you graduate its 100% but include in here as well you've got Funzer Lushaka that's DBE that says that they are offering bursaries included in here as well you've got the TVETS where the whole amount the 2 billion. it's a bursary based if we had disbursed the 2 billion because the 9.4 billion is made up of the 2.2 billion that goes to TVET's then you've got the SETAs as well that says the we advance money to NSFAS for disbursement to students and if those student progresses. 100% of that loan is a bursary with a work back clause later so its there's many variables that makes up the almost 70% bursary.

JUDGE J. HEHER: I understand and the fact that you tell me that this covers TVET as well. May well be the explanation for the primer facing the normally, thank you.

MR. NAGE: Thank you, I will move along from this slide that's if there are no other questions.

MS KHUMALO: Sorry I just - - on the previous slide with the different the explanation that you're giving. So you're saying that 64%-70% of a certain period or generally since timing memorial because of you're saying it a combination. I understand that you're saying it's not a cohort. It's a variety of but over a year or what period is this 64-70

MR. NAGE: It's for a period, it's for an academic year of study. If we look as 2012 it was 64. If you look at 2015 it was 68. So what we did we said because we can see that 65 70 so on average plus minus 66% of the loans that we give, issue to students gets converted into bursary excluding the social benefit component benefit to them.

MS KHUMALO: But this is not a permanent figure this percentage it's an analysis of the years just these years.

MR. NAGE: Just to pose a question of clarity what do you mean this is a permanent figure.

MS KHUMALO: I'm saying it won't be like generally at NSFAS 64% - 70 is converted to bursaries it would vary.

MR. NAGE: Yes it would vary.

MS KHUMALO: Later on, okay.

MR. NAGE: Yes that's correct Mam, if there are no other questions I'll move to the next slide. I've just swapped the slides around. I will start with this one because it talks about the legislative impact that NSFAS had the repeal of section 23 and the fact that the recoveries started reducing from then. It had material impact and I think on Monday we talked about the capacity of NSFAS and my answer that was yes or no based on the emphasis at a time.

Whether the scheme is fully funded or not at that time. The money that was being given to NSFAS for administration was sufficient because we did not have to build whole lot of capacity, the system Human Resources, contact centre, marketing and communications around the recoveries to try and ramp up this. The impact of this you can see it on the previous slide that I've just passed.

It's the one that reads as follows, recoveries compared to net new loans, just to not to talk about the issue of impairment. What would happen is that we would have disbursed that amount 1 billion. As we've illustrated earlier will be recognized as a new loan but not all of that 23 billion nominal value is due unpayable. Based on the rules of NSFAS the slide that talks about contingency loans at the very end of this presentation has a split between what is not due unpayable and that one is written that amount is written off to zero.

So the amount that we disburse to a student in one particular year is written off to zero because it's not due unpayable. So we only measure the NSFAS ability to collect on the fair value amount that we are saying its due unpayable and it's very clear to see from 2012 that the recoveries figures have just move from 400 million 300 million 200 million and 200 million.

JUDGE J. HEHER: It's I take it by the use of the word impairment that's merely accounting language for a bad debt.

MR. NAGE: There is a slit difference Judge and not to be technical. So impairment is a provision that you're making based on your projections. that you've got this cohort that is studies due unpayable then you've looked at your ability of NSFAS to collect debt and they've been a decline on your recoveries that your probability of collecting is very low meaning that your net asset value will reduce as well.

JUDGE J. HEHER: So impairment is an estimate of future bad debts.

MR. NAGE: You might say so and I would like to just put an example of what we deem to be an impairment where we actually write off the amount. So the NSFAS policy says, if you are deceased and if you are disabled and you are incapable to carry out any work. You must provide us with a certificate then we write off that amount completely. That is what we call because that amount we not going to go out and put resources and recover it.

JUDGE J. HEHER: Alright it's detected to regards to irrecoverable.

MR. NAGE: That's correct.

JUDGE J. HEHER: Alright.

MR. NAGE: That's the impairment that we can chase it in the future

JUDGE J. HEHER: Alright

MR. NAGE: From this presentation you can see this goes to Mr. Zulu's question of yesterday of whether the scheme is able to sustain ourselves that for us for the scheme to begin to play a material impact in the funding of students we'll have to collect 70 times more.

JUDGE J. HEHER: I didn't quite understand that if recoveries are 7% of net new loans why you need to increase by 70 times. I'm sure you right but why?

MR. NAGE: The simple answer would be at least to get to a point where we can match the DHET allocation that it has been given to NSFAS. Meaning that ranges between 5 billion and 6 billion. We'll have to collect 70 times more but what this means the impact of the - - this it means that you will need its either you need huge resources to capacitate or you can follow the NDP provisions that says that NSFAS or SARS should be able to assist NSFAS.

I think what we are trying to demonstrate here is that the issue of recoveries is that, it's much more complex than just the scheme not collecting or the repeal of section 23 there's a lot more that will need to be done.

JUDGE J. HEHER: That I understand, I just couldn't see the match between the 7% and the 70 times, the 70 times 7 is a great deal more than 100% so I'm not sure that I still understand exactly how it works but I anyway

MR. NAGE: Okay, let me just take a simple mathematics if you had to say 70% by 200. It will give you a number and that number would deem it to be material enough to at least fund student to the value of the DHET grant that we receive every year.

JUDGE J. HEHER: And can you explain to me why the last bullet point net new loans show a declining trend. Despite increase in funding to students why should they show a declining trend if those circumstances.

MR. NAGE: That goes back to - - if we look at the previous slide chair. You will see that the grants increases every year. The bursary component increases, the social benefit component increases because of NSFAS inability to recover aggressively. That reduction from 400 million to 200 million the write off has also increased. So you have 10 billion, let's say 60% of that it's a pure bursary. A 2 billion of that is a social component. You are left with 2 billion even that billion not all of it is recognized as loan because the impairment figure goes up because of the decline in recoveries. That's what we mean by that last bullet there that as much as funding increases net new loans net of impairments continue to decrease. Now going to what NEFSAS is doing after the minster if finance made the amendments to the act we got creditable data from SARS and we began to analyse that data and we found that 9 % of debtors matched to of SARS that are currently repaying while 6 % are in arrears.

JUDGE J. HEHER: I'm sorry; does that mean of the 9%, two thirds are in arrears?

MR. NAGE: Yes that is what it means.

JUDGE J. HEHER: I see

MR. NAGE: So at least with the data that we got from SARS. We are beginning to get stats like these and we are beginning to make informed decisions and that is the capabilities that we did not have. A 75% of debtors matched to SARS that are not repaying are employed in the private sector. While 11% is in the public sector and you can see the numbers here the non-paying. They're in the private sector and we will talk about how we trying to address this issue.

JUDGE J. HEHER: So are SARS actually giving you the names of the employers of these people.

MR. NAGE: Yes SARS is doing that and you will see on the public sector. If I were to talk about the 1.6 billion of public sector. The frustration for NSFAS and that's where the positive is concern law is inhibiting our ability to collect. It's that we know where the 1.6 billion is.

They are on the persal the government roll debt our payroll mechanism they are in SASSA and they are in persal so we know where they are we've got their data but because that section is gone we can't just go and recover that debt or collect it at least we that one it's just an encashment we've written to national treasury to try and assist us maybe if they can have a discussion with the department of higher education and training and the NCR then we can be able to collect this money.

JUDGE J. HEHER: What you need is SARS to have a starched revision for the automatic collection of monies that are owed to you?

MR. NAGE: That would be ideal but I think my explanation is that as is now without SARS being able to assist us. This is what NSFAS is doing in the background to be able to ensure that we can get this money.

JUDGE J. HEHER: Has NSFAS considered or attempted to implement any sort of arrangement with the department of finance? Which would allow SARS to collect on your behalf debts that are owed to you. After all it's in the public interest to there should be collection of debt of this nature.

MR. NAGE: It's a simple question but the answer is a bit difficult for me. I think just to be honest you will be amazed how sister entities in the government. They are not working with each other they just frustrate each other. You know to the point of you wanting to scream. We've had this discussion with SARS. We've has this discussion with the NCR.

We've roped in treasury I mean since the treasury have seconded their Chief Director there. At least things have improved tremendously. Treasury has started to engage with SARS but some of the back ledges that they are getting from SARS it's quite frustrating and we've said to then we as NSFAS we our hands are tied.

JUDGE J. HEHER: Maybe it's the SARS officials that are owing you the money.

ADV. G ALLY: Seriously, perhaps you need to explain to us the real problem that SARS is giving. Is it within their rights to be either deleterious or that they are obstructing you? Now unless we know what it is we can't say leave it or we can't say you need to do more. So we need more detail as to what it is that I happening.

JUDGE J. HEHER: In other words do they give you good reasons for not cooperating on or not to extending their help to you?

MR. NAGE: The answer they provided which they believe is a good answer was because we took the MDP oh sorry. We took the MDP to them and said this is what the MDP says it says, the student loans should be collected through SARS and that is how we started the discussion saying here is the MDP and this is what is written in the MDP you need to do your part the answer. They gave was they have not seen the MDP and that section of the MDP then when we went further in the discussion they said because the NSFAS loans is ordinary debt.

It's not taxed debt it might be wrong to think that they will use the same measures to collect ordinary loans that they would use to collect taxed debt might be effective collecting taxed debt, but because this one does not carry the same legal weight as taxed debt does. you know they might end up having similar challenges that we are having that's when we then started engaging the credit regulator also as part of the discussion, but that was 2 years ago we have now resuscitated the via the department which is the national treasury.

JUDGEJ. HEHER: That's why I suggested it seems to me that maybe necessary to amend the SARS Act to put in a specific provision which enables to collect your debt.

MR. NAGE: It could be that there is maybe some amendments to legislation that might be necessary probably including the NSFAS Act the SARS Act and probably also the credit act.

ADV. G ALLY: When I'm just trying to - - I suppose its water under the bridge. You see when certain legislation is amended affecting other legislation. You are expected within each of the organizations where the public entity or the state to comment on that particular change. Now didn't you see all this coming within NSFAS?

Didn't you see all this coming when these things all came along? Or you thought that no we are ok. We are part of the state so shouldn't be a problem. As I say it could be a matter of oh well its water under a bridge already.

MR. NAGE: This is probably a time when we say it was before our time but I think we're just talking for ourselves. Talking for the entity, I think NSFAS at the time at least when section 23 was being amended was going through dramatic changes within itself. Therefore it was more internally focused for it to be able to make the comments. I think the credit Act was even much earlier was by around 2008. I don't have any recollection of any comment that came from NSFAS during the process of the drafting of the credit Act.

ADV. G ALLY: Ok, thanks

JUDGE J. HEHER: Can you tell me the percentage of the debtors are not on SARS in other words how many of them are not recorded as tax payers?

MR. NAGE: We do have the data but I do not have the percentage at the top of my head.

JUDGE J. HEHER: Well are we talking about 50%, 20% have you any idea?

MR. NAGE: No, no I do it's much less than that, it's much less than.

JUDGE J. HEHER: It's much less than what.

MR. NAGE: Than the number that you just quoted of 50%

JUDGE J. HEHER: I've quoted 2 numbers, 50% or 20%

MR. NAGE: Okay, it's much less than 50%, but I don't want to get myself into a corner. I rather we provide proper information. Moving along if there's no questions around the analysis of the SARS data.

ADV. G ALLY: But Mr. Nage I thing you need to take into account because it then says to you how you then improve the recoveries because if you view SARS as your silver bullet kind of thing. That if SARS comes and plays along we fine now if its 20% that they are not on SARS books at all. Then you still got problem and therefore I think, see it in that light you don't have the number yet, but see it in that light as to how to continually improve recoveries.

MR. NAGE: Yes that's correct and that's where the question of capacity now becomes much more pronounced, to say that once we are very clear that lets say in future SARS will collect this debt. Then we'll know how much capacity we would require to deal with the guys that are below the SARS line and that is still not very clear to us.

The reality is that we'll make as many beats as we need to, but national treasury has the expenditure ceiling and we are also now beginning to feel the squeeze around that. The recoverability of debt but will talk about the NSFAS funding in other slides that follow. Moving along with recoveries just to demonstrate that now NSFAS is getting on track.

Now we've this is the second year running now that management has presented the board. Recovery strategy to the board that outlines how we intend to recover the debt and make sure that at least we've arrested the decline in the recoveries and now are beginning to perform better. We've obtain the SARS data and that is very material to us. The board has seconded two specialist skills from the banking sector that's worked with the banking sector.

Around the analysis you know to assist us with the data analysis of the loan book and we've got another senior personnel whose actually job is to manage loan books at one of the banks. We've ramped up our communications and marketing campaigns. Maybe members of the Commission would have seen that now NSFAS is much more pronounced around the recovery of debt in social media and also through the national treasury.

We've began to engage with employers about last month. We had a meeting the CEO of SALGA where we've entered into a memorandum of agreement. Where they've promised to send letters to each municipality to get their employees to identify themselves because we've got the data to get their employees to begin to either give us the payroll deduction to us. Great, once we get a payroll deduction it's there or we can have separate agreements with them.

They can do a debit order so that we can be able to collect. so at least there were beginning to see traction but the biggest one for us is where national treasury through the association of investment South Africa, the payment solution got all the insurance companies and say guys, NSFAS has data from SARS here are your employees who owe us. can we begin to deduct Old Mutual is on board, Sanlam is no board, MMI is on board and other insurance companies will begin to follow suit because that has been good to us.

JUDGE J. HEHER: Are you finding that - - -

ADV. G ALLY: Perhaps sorry Chair, perhaps you need to clarify when you say that they say you can deduct. Remember you haven't receive the consent from the employee what do you mean by that Old Mutual says you have an agreement they will deduct?

MR. NAGE: Perhaps maybe I can give a bit of background before we get - - we receive SARS data here are the employees from Old Mutual no contact details nothing. We went to one of the insurance companies that I won't mention by name and they chased us out at the door. They said no we are not going to assist you. We are not obliged, but now with national treasury coming on board. National treasury said to them in simple terms we have allowed you to deduct on persal whatever money you want to deduct NSFAS is a state owned entity and if you do not allow them well we won't allow you to deduct on persal in simple terms. That is why guys now are beginning to play ball.

We meet with them we said give us a list of those of your debtors that are our employees. Then we can begin to talk to them either through payroll deduction or debit order and those deductions now have started. The employees have consented via debit order or payroll and we began to deduct.

JUDGE J. HEHER: It seems to me that somehow there should be some national recognition given to the fact or national emphasis placed on the fact the obligation to pay for student loans for empowerment through student education should be regarded as a national obligation. In the same way as paying income tax as such and something should be done through government to implement that recognition would you not agree.

MR. NAGE: I fully agree judge and think the private sector and other government entities are beginning to realize that, perhaps maybe the #feesmustfall of 2015 just brought the issue to the fort, to the core you now just that we need to get as much money as we can to be able to plough it back into student funding, but I must say the entities that have been mentioned here they've been very corporative with us since 2015 to now.

JUDGE J. HEHER: I understand why people may duck and dive in paying utility bills. After all they have to live one can see the difficulty of that because the utility bill does not empower you to work and get a better income at life. Where as a student loan certainly does and I think if the political emphasis is made upon them the national responsibility to pay these things it may get some sort of response.

MR. NAGE: Fully agree with you and one of the things that the Minister said in 2015 was that particularly around the list is that if you are funded by NSFAS you have the money you are working, you have the money you are able to payback, but are refusing to pay then NSFAS must list that individual and that was the change from prior years where it was almost like a total band at least that now that made people realize this debt has to be repaid. Apart from the fact that it's a financial obligation it is also your moral duty to assist those who are coming after you.

JUDGE J. HEHER: But at the same time is it not correct that you finding greater resistance to the repayment.

MR. NAGE: We still do unfortunately.

ADV. G ALLY: But that resistance is it as a result of an argument that says you should be providing free education in any event and that I should not be paying for my education or is it some other argument?

MR. NAGE: No it is for some other reason. It's just those who benefited just being unfair to those who are in the current system because I think if you can have an individual conversation with the students. They will tell you that money needs to be recovered so it can be put back into the system.

ADV. K PILLAY: Mr. Nage the conversation we've had with students is that, they say that because there is an obligation to fund fees free higher education and at the very least an obligation which the state has excepted to fund a fees free higher education for the poor that there should be no obligation to pay it back.

MR. NAGE: Miss Pillay I will just reserve myself to the mandate of NSFAS that says that, we also need to recover outstanding debt and that's what NSFAS is doing because that money, the recover one of the things that are not been clearly articulated by NSFAS is, the impact that the recoveries have in the university and TVET sector between January and March because the government system runs from April to March. During that time the universities needs to operate.

TVETs needs to operate and we use the recoveries money to be able to give them upfront payment. The same upfront payment that enable the students not to pay registration fee that enable the universities to and TVETs to run. So we can't now stop and not recover the impact is much greater than just the students not repaying. It will also have an impact on the infrastructure and also the ability on these institutions to operate optimally.

JUDGE J. HEHER: So it's the question of how important is self-sustainability?

MR. NAGE: Correct Judge.

ADV. K PILLAY: It's also a question of whether there should be self-sustainability or whether the state shouldn't be expected to keep in putting money into NSFAS because that is part of the constitutional obligation.

MR. NAGE: The accountant in me will say that there is a fine bipod and that there is no - - someone has to pay and as we sit currently right now national treasury has a ceiling an expenditure cap. So we can't just put money into the system perpetually without coming up with mechanisms to try and re-inject some funds into the system. So the issue of recoveries is very important and hence I say you know once you take away the noise of the students trying to appeal to the media to actually talk to them. They will tell you that it's very important that NSFAS recover the funds.

ADV. G ALLY: Mr. Nage perhaps we can leave it there. In this instance when asked whether you have your own views about the matters that we are talking about the constitutionality of certain things. The response we received is you are enforcement agency and an implementing agency and at present your mandate is to recover because once you start venturing into the argument that you should always be able to recover irrespective whether the government says it is free or not.

Then we are going into different directions. So your answer is probably more correct to what we have presently. you need to recover because the Act says you must recover and because you're having- - haven't recovered in the recent past sufficiently as possible you are putting measures in place to recover properly. Is that a fair comment?

MR. NAGE: Yes it is, thank you. Just moving along with the recoveries and what we are doing. We've already spoken about the appointment of early deduction centres to deal with the backlog. We've appointed a couple of debt collectors and we are beginning to see traction on that. Around the debt that is being collected and then moving to the next slide.

The impact of what I've just discussed in the previous slide to you. You can see it here, that around August 2015 we were recovering just under 15 million per month and to date we are sitting at just over 32 million per month. that's what we are recovering and those are the efforts that NSFAS have put into place to make sure we meet the APP target of 285 million that management has se.t a target that is slightly higher than that to be able to recover outstanding debt.

ADV. G ALLY: While reading it this morning I found it strange that you have a target which is less than your full amount that you are owed. Is this just in terms of performance, management principles? Or why would you have a target less than what you are owed or is it the impairment aspect again?

MR. NAGE: No, so this target is a target per annum. So it is not a target for the whole book. so it's the target per annum too say this is what based on the resources that we are having that we have as an entity ability to collect. Having worked with accruals having taken into account the prior year's performance of NSFAS. we are saying realistically this is what the entity can collect, but that does not mean that when we reach the 285 target we'll stop because it won't be wise for us to put in for example 2billion when we know that we not going to meet that target.

ADV. G ALLY: Thank you.

JUDGE J. HEHER: What is 285 million represent in the total amount of loans advanced in 2016 17, what percentage is it?

MR. NAGE: It will be just I think just under 10% if you look at- - if I understand you correctly Judge out of the 14.5 billion that got allocated to us.

JUDGE J. HEHER: Roughly, yes I realized that the collections are not based on the current year's income because these are not people who are employed.

MR. NAGE: Yes

JUDGE J. HEHER: Well let's put it this way in respect of collectable debt. I'm sorry in respect of debt accrued what is 285 % 285 million represent? In other words it may not be the current year's income or expenditure but I'm trying to put some sort of figure to 285 million.

MR. NAGE: It represents a very small number.

JUDGE J. HEHER: Yes I would have thought so and why is it simply regarded as a realistic figure? How do you come by this 285?

MR NAGE: So the 285 fees is driven by three things. The past performance of NSFAS the actual projections by the accruals. The ability to for NSFAS to realistically recovering the money and the resources that the entity has in place. So when we draw up the annual performance plan.

The AG has smart mergers that they put it place to say is it smart, is it time based, is it realistic and is it measurable. So if we put a number they would say but that it is not smart because you don't have even a fully-fledged recoveries unit at NSFAS. It is not realistic given your past performance. So this is the number that having applied those smart measures we came to.

MS KHUMALO: On this, on this figure how much would have been loaned of 285 million how much would have been loaned is it 14 billion?

MR. NAGE: It is a bit of a - - -

ADV. G ALLY: I thought your answer earlier on to the chairperson was in respect of 14 billion.

JUDGE J. HEHER: All of that would have been loaned but not all of that would have been afterwards recoverable because a large amount would have been written off for, example in bursaries.

ADV. G ALLY: Yes

MR. NAGE: Yes that's correct but I think just wanted to say that it is this 285 target does not include one fiscal academic year. It's an accumulation of the nominal value that we have in our loan book.

MS KHUMALO: Okay

ADV. K PILLAY: Mr. Nage before we step off recoveries can you just give us an idea then we can adjourn for tea just an idea how much does NSFAS spend on recoveries? What is the rand amount?

MR. NAGE: For this fiscal year we spend to date plus minus 8million on recoveries.

ADV. K PILLAY: And is that the more or less an average amount that NSFAS spends each year?

MR. NAGE: In fact this year for us to get to this average of just over 35million. The 8million pushed us further in the prior years because of how NSFAS was structured. We had something like 1million or 2million for recoveries but we will need much more than even the 8million that we have.

JUDGE J. HEHER: Do you regard what you spend as unreasonable in relations to what you recover or is it a reasonable percentage or sorry or reasonable outlay in order to recover what you do?

MR. NAGE: The 10% of the book that we are managing. At least when we talk to the guys from the banking sector is what we should have. So if we have a 23billion nominal value book at least we should be having 10% of that. We have 8 million it is clear to say that it is wholly inadequate.

JUDGE J. HEHER: I'm sorry I didn't hear that.

MR. NAGE: It is very inadequate, it is not enough to get us to a point where we can make a serious stand in recovering the amount of money that we have to recover.

MS KHUMALO: But can we assume that then the 285 - - if maybe the debt is amortized over a spread. It's not the total of the debt in 285 is what you would have collected

MR. NAGE: If I understand your question correctly 285 it's a budget that we've put in for one fiscal year to collect.

MS KHUMALO: Okay.

MR. NAGE: But the amount of money that is owing. If we just take the fair value is plus minus 7.6 billion that at least is something that we should be pursuing aggressively.

JUDGE J. HEHER: But doesn't seem a lot to spend 8 million to recover 285million.

MR. NAGE: That's correct Judge.

ADV. K PILLAY: The amount of 8million seems very low Mr. Nage does this include for example the early deduction centres?

MR. NAGE: It includes everything that has to do with recoveries talks to the capacity constraints that NSFAS faces to be able to operate optimally.

ADV. K PILLAY: And is this an amount that is budgeted by NSFAS or an amount that's given to NSFAS by DHET a ring fenced amount?

MR. NAGE: So how the scheme works because it's a scheduled 3 year entity. It gets an allocation over an MTF period and it must operate within that ceiling. It can't go above that ceiling.

ADV. G ALLY: And that is still within the 200 million admin allocation.

MR. NAGE: That's correct

ADV. K PILLAY: So in other words NSFAS could use more of the 200 million administration allocation or grant administration grant.

MR. NAGE: We could certainly use more.

JUDGE J. HEHER: Well do we know that if you use more you will be more productive in recovering that's what troubles me

MR. NAGE: Yes we will be Judge if you look at the graph there on the screen that just having had that 8 million this year this is the impact that we've made versus the 2 or 3 million that we've had in the prior years.

JUDGE J. HEHER: Well I need to think about that, perhaps we will think about that over tea whether we will solve any problems I'm not sure, thank you.

ADV. K PILLAY: Thank you Chair.

JUDGE J. HEHER: We will adjourn the court now.

…………………………………………………………..ADJOURMENT…………………………………………………………………

JUDGE J. HEHER: Yes, thank you Mr. Daca how would you like to proceed please?

ADV. K PILLAY: Mr. Nage I believe you're on slide 10 of your presentation.

JUDGE J. HEHER: Mr. Nage, yes

MR NAGE: Yes that's correct mam, I'll proceed this slide just summarizes largely what we've discussed for the better part of the morning. That despite the increase in student numbers. Student funding does not necessarily translate into an increase in net asset. We spoke about the impairment and that net asset represents only 37% of the student loans at nominal value and also the discount on student loans nominal value is due to low repayments.

Concretionary interest rates and interest holiday and I spoke a lot about that. So if there are any other questions on this slide I will take them if not I'll move to the next slid. Can I proceed mam? The next slide just compares the student loans nominal value against the fair value and that the discussion of the impairment that we had earlier that approximately only 30% of the fair value of student loans or fair value of student loans approximates 30% of the nominal value as it March 2016.

JUDGE J. HEHER: What is fair value?

MR. NAGE: In simple terms Judge fair value it the nominal value less impairment less what is the entity can be able to recover in simple terms

JUDGE J. HEHER: Sorry that doesn't quite make sense to me would you just tell me that again what fair value is?

MR. NAGE: The fair value is simply the recoverable amount. So you would have has your nominal value at 24.2 billion less the impairment then you have 7.2 billion.

JUDGE J. HEHER: Alright

MR. NAGE: And you can see the impact of the low or the impact of the policy decision. It's reflected by the low number of fair value being impact of low collection policy decision on interest and final year funding. Final year funding, we spoke about that yesterday that 100% of your courses gets written off.

I've spoken about the social benefit of the interest holiday then the ration of fair value denominational value is extremely low and impacts negatively on the sustainability of the scheme and improvement on recoveries' will have a positive impact on trend observed. Everything held constant back to this graph here if that trajectory continues it means that the 7.2billion will increase in the 31st March 2017 financial year when we report, if there any know any other questions on this slide. I will move to the next slide, and the next slide talks about funding of NSFAS on we just though.t we give just a bit of background that NSFAS is a schedule 3 entity and does not generate its own income NSFAS gets an allocation over an MFT period and is fully funded by the state through DAGT. This we've spoken about extensively yesterday student awards for 2015 and I'm not going to spend time much more time on it.

JUDGE J. HEHER: Well I do have a query there

MR. NAGE: Okay

JUDGE J. HEHER: If we go back to slide 10 was it bear with me a moment. yes, slide 9 where you say the entity is set to meet its collections target of 285million for 2016 17 and then I look at slide 13 and I look at recoveries 0.5billion 500 thousand 500million now how do you relate that 500million to the target for collections of 285 million and then 2016 17. I don't quite understand that one relationship.

MR. NAGE: Thanks Judge, so let me just try and decouple the 2 the slide that you referred to number 9 is what we our target for collecting the recoveries that are disclosed on slide 13. Is the amount of money that we re-inject into the funds that we disbursed to students? So for 2015 students award NSFAS its own fund putting 500 million to enable the students to receive their tuition and their books and other allowances

JUDGE J. HEHER: Why do you call it recoveries?

MR. NAGE: Because it's the so the make-up of our allocation is made up of the DHET grant and other funders and also the funds that NSFAS re -injects having collected them over a period of time. So this 500 million it's an opening balance of an X amount plus the amount that we would have recovered of 277.

JUDGE J. HEHER: So there is no direct relationship with the collections.

MR. NAGE: No it has no direct relationship

JUDGE J. HEHER: I see

MR. NAGE: This is the amount that we just re-injected into the - - -

MS KHUMALO: Lack of better word, I'm saying is recoveries a lack of a better word.

MR. NAGE: No it is the correct word.

MS KHUMALO: Because there is another implication.

MR. NAGE: There is an implication. I think if we go back to the earlier slide where we said that for recoveries to make a material impact in the student funding. they'll have to increase by 70 by 74 times this is where we see where recoveries play a role that NSFAS part of the disbursement is that we re-inject these funds that we collect on year on year for student disbarment.

ADV. K PILLAY: Mr. Nage is this are these amounts injected annually does NSFAS inject money back into the system annually.

MR. NAGE: Yes we do Mam.

ADV. K PILLAY: And so why did you say there's an opening balance.

MR. NAGE: The Judge was just trying to make a correlation between us trying to recover 285 and now why here we disclose 500 million to say the numbers are not talking to each other and explanation was that, there's amounts that we've been recovering over the years so this 500 million it would have been made up of that and what we would have collected in the prior year to enable us to re-inject the 500million into the disbursement for students award.

ADV. K PILLAY: And does this specific paragraph for 2015.

MR. NAGE: For 2015 academic year

ADV. K PILLAY: And the 285 I thought was for 2016 2017 target

MR. NAGE: Yes, that's correct.

JUDGE J. HEHER: Yes I appreciate that, what are redubs

MR. NAGE: These are just different funders who have given us money. We just term them repubs

JUDGE J. HEHER: Why, you may turn that way, why do you term them that

MR. NAGE: What would have happened is that if we - - if I could just make a simple example for 2015 academic year. We would have allocated institution a certain amount of money generated from certain funds. When we close the academic year or the financial year. The institution would not have utilized all the money but they still had claims that were generated by loan agreement forms that were signed by students.

Now when we get to the new academic year and the new financial year. The institution will come in and say last year you had allocated me 600 million out of that I only utilized 550. There are claims that are relating to academic year 2015 of 50 million that I still need you to repay form that old allocation and those we call them the resubmissions.

JUDGE J. HEHER: Well, resubmissions is what its short for resubs. Alright, thank you

MS KHUMALO: I just wanted to check what you would have collected over the years stays in an account. Is it the same account where the loans are paid from or is there separate accounts or how do you manage that, how do you differentiate between the different funds.

MR. NAGE: So NSFAS runs a segregated accounts system. I think we plus minus have 35 accounts. So each funder has an account the DHET has an account and recoveries as well have their own account that we do. It's easier to manage accounts that way

MS KHUMALO: Oh so when you talk about opening balance your talking about an opening balance of a particular account.

MR. NAGE: Yes of the recoveries account.t

MS KHUMALO: Okay

ADV. K PILLAY: Mr. Nage in relations to the 63% the DHET at 63billion we know that the allocation from DHET comes in four streams perhaps you can just explain to us what those four streams are?

MR. NAGE: So there's an allocation as she has correctly pointed, but we don't receive all the money all at once. On the 1st of April we receive the first tranche on the 1st of April the second tranche around June third tranche around September and another tranche around November that's how the system works but NSFAS does also contribute in there.

Just to - - maybe notify the department to say this is the best way for us to receive money and for now we've agreed on 3-4 tranches next year. It's going to change because we going to have now a huge number of institutions applying directly to us on the 1st of January. We will have money for that, but then we will need a huge chunk of money coming up on the 1st of April to assist us to be able to pay back the tuition and allowances to institutions.

ADV. K PILLAY: And that's to accommodate the student centred model

MR. NAGE: Yes mam that the impact of the student centred model

ADV. K PILLAY: And had DHET then committed to changing the manner in which the allocation reaches NSFAS.

MR. NAGE: Yes they have and they have taken it up with national treasury

ADV. G ALLY: Mr. Nage this question is phrased in relations to state organs not generating income and interest on monies, but goes back into the fiscas. So the answer you have given to Commissioner Khumalo relating to certain accounts when you report to treasury in terms of given year how does that relate to all these accounts? And if their monies in there. Do you have to then bid for it I think you indicated Monday or Tuesday to Monday in respect of applying to keep that amount for the following year can you just explain that again

MR. NAGE: Thank you for let's say for students funding only. We would have received the money from DHET that we would apply for trenches of surplus then there is other funds that would have given us money for that particular year or for the course of study. Those we keep them based on the agreement that we've entered into with the fund. There's the operating, budget that administration budget that whatever would have left that we wouldn't have utilized, but there's commitments against that we also write down a retention of surplus. National treasury just before we close our books in July of that academic year and financial year for the previous financial year to retain those funds.

ADV. G ALLY: Thank you

MS KHUMALO: So do your account for all the funds in terms of PFMA given the private funds.

MR. NAGE: We do mam because some of the funders they do ask us for reports like the SETAs in particular .we have an agreement that in a quarterly basis we will provide them with the reports of how we are utilizing the funds.

MS KHUMALO: And for private donors.

MR. NAGE: For private donors I mean we used to have Ned Bank and now that has fallen off we don't have private donors but they follow the same method that we account for every fund to the funders.

MS KHUMALO: Okay, thank you can proceed

MR NAGE: Moving on further I think this is just outlines the allocation of funds over the years as you can see that we've got DHET. We've got recovered funds. We've got national skills fund department of basic education, SETAs and others. This line just demonstrates how government continues just through the department of higher education and training is the biggest funder amongst all the funds and that NSFAS is a own entity relies heavily on government funding and there is no other private funding and even the other funding made up of Eastern, Cape Province, KwaZulu Natal, DSD Department of Social Development and Military veterans. They make up a small number of the funding that comes back or that gets re-injected into the scheme so the scheme is largely reliant on the - - -

ADV. K PILLAY: Mr. Nage may I please get back to the previous slide for just a second please. Thank you we know that one of the components of the allocation from DHET is the administration grant. Right now in relation to these other government agencies that utilize NSFSAS to disburse funds do they also contribute to the administration costs?

MR NAGE: Yes they do mam, but not all of them. So we have an administration frame work so let's say for example one of the funds one of the SETAs. We have an agreement with them. That we will charge between 3-5% of the funds. That are under administration. So we always say to them not to prejudice the students we will recover those funds via the interest that we would have earned in that bank account.

So we will take our portion but how it works is that we in these funds we use a cash base system. So its year one we enter into an agreement with SETA we earn 5 million. We don't utilize these funds in that financial year it's only when we've actually received the money. So we actually earned interest that we will utilize those funds for our normal operational purposes in the following financial year.

ADV. K PILLAY: And holding the funds doesn't in any way prejudice the student.

MR. NAGE: No it won't because on the old model even the new model we don't pay the funds all at once in April. We pay them in trenches because some of the students they enter into semester courses other trimesters. So we will pay them as and when we are required so in the interim the funds are in a bank and we earn interest on them.

ADV. K PILLAY: And just in terms of your administration costs. it must seems obvious that under the student centred model that your administration costs will increase significantly because you now taking over certain of the functions that were carried by universities have you costed what the increased administration costs will be like.

MR. NAGE: We have mam

ADV. K PILLAY: And does this mean that you have bided for additional for an increased administration grant from DHET?

MR. NAGE: Yes we have, we have with DHET.

ADV. K PILLAY: And have you received money needed to kick off the 100% rollout from January?

MR. NAGE: Yes and no so on the student centred model let me. Just explain it this way we received money for managing historical debt and continues students. That's what I spoke to on Monday around, but all of those students will be administered through student centred model. So they are not going to be administered separately in a certain system.

So with in that respect we have received money but if your question is to be able to be fully and efficiently and effectively run the system are we properly capacitated. The answer is no and we are currently engaging with the department and national treasury to enable us to utilize or to provide us with the additional funding and the department is supportive of that we in the process of finalizing the bid. So the end of the month we will be on a board meeting and will submit those numbers and then we are hopeful that we will get the additional allocation out of that.

ADV. K PILLAY: Now we picked up from the PER report that they were certain challenges regarding experienced by NSFAS in implementing the student centred model just from an administration perspective. Perhaps you'd want to share with us what those administrative challenges were?

MS KHUMALO: Sorry just while he's still on the accounts Advocate Pillay. I wanted to check the treatment of interest do you take it back to treasury the way of the funds you holding or does it get redistributed in your accounts?

MR. NAGE: For the DHET account we like technically take it back to treasury because we have to apply for retention of surplus for the different funders. We send then their accounts at the end of the financial year and the norm has always been just re-inject those funds into the student disbursement. So we don't take it back to treasury because let's say for a SETA for example or Eastern Cape Province those funds we keep them separately.

MS KHUMALO: Okay

MR. NAGE: Miss Pillay going back to the challenges that we experiencing it comes back to capacity. You know the ability to do things efficiently and effectively, but it's also not a question of money you know money. Also doesn't solve problems it creates other problems you know capacity also talks to the ability of the entity to manage multiple projects at a time without over whelming themselves.

So we are reorganizing the entity launching the student centred model trying to recover and that is what the report was alluding to, but money yes it is a critical component to enable us to fully roll out the student centred model and the board and the department and treasury they are very much aware of that.

ADV. K PILLAY: And what measures have been implemented since you've had all these administrative challenges until now to enable you to effectively and efficiently roll out the student centred model on a 100 % basis on January?

MR. NAGE: Since the finalization of the PR report the board.

ADV. G ALLY: Sorry Miss Pillay and Mr. Nage, what is a PR report?

MR. NAGE: Apologies the PR report is the performance expenditure review. It was a study an assessment that was commissioned by the national treasury since the finalization of the said report the board has gone to the private sector in particularly in the banking sector. They've sourced the Head of Business enablement who is running the student centred model. We've received plus minus 5 business analysts who to assist us with the processes.

We've received one business analyst to work on the recoveries and one senior personnel to work on recoveries. So that's the capacity that you know the board has tried to assist NSFAS with. it comes with no substantial costs over a period of 2 years and afterwards the guys would have exited would have transferred skills and we are also just trying to capacitate the organization in the interim.

ADV. K PILLAY: And you say that you have costed what the roll out of the student centred model will be can you just share with us how much it's going to cost?

MR. NAGE: Can I just take a step back and say the roll out of the student centred model is not a project on its own. It's just changing the business process of NSFAS. It's currently operating in a certain way and now is going to operate in a certain way and the figures that we have at the moment over and above the 200 million. That we are looking at least an additional 150million and it's an estimate bases on what we know now and it's a fluid arrangement that we have because some of the things that are coming up is having- - has discussions with the registers. It's the ability to integrate the different systems that our universities are operating with the NSFAS system without creating too much complexity in the system. Those costs come up as and when the registers and the universities find out about them, but estimate is over and above 150million over and above what we have at the moment for administration budge.

ADV. K PILLAY: And we know the implementation for the student centred model is largely dependent on technology and the rolling out of technology does the 150 million include rolling out technology to enable the system to be user friendly?

MR. NAGE: Part of it yes.

ADV. K PILLAY: Does this mean there is more money required in order to ensure the implementation of the system?

MR. NAGE: What I mean by that is not all 150 million will go to the student centred model. Part of it will be for recoveries part, of it will be to capacitate the risk office that we just started and part of it will be the normal operational cost of NSFAS because the scheme as it stand right now it's under capacitated. So we actually moved from a lower base before you even get to the ability to effectively roll out the student centred model. If we were to hold everything constant you will still need money to operate effectively.

ADV. K PILLAY: So you saying that the student centred model would require an additional 150 million so your estimated cost for 2017 just total cost for administering NSFAS what would that be?

MR. NAGE: I said the student centred model will need 150 million if you understand that the student centred model is not a project on its own. It's an entity evolving into something else. so I'd rather say NSFAS in going forward will need an additional 150 million for us to be able to operate efficiently because there is 2 things when you running and entity. It's either you have the benefit of time you don't need more money. You can take as much time as you have. We don't have the benefit of time we have complex projects that we are working on and we need additional resources like now. So for us for financial year end 2017 we will need that kind of money and that is the budget that we are currently finalizing now.

ADV. K PILLAY: And what is the total budget, what is the total cost?

MR. NAGE: There is no one number but the estimate is if you take the 200 million as it stands now and 150 it will be 350 can I proceed.

ADV. K PILLAY: No just before you proceed will that be a recurring cost each year or do you see the cost degreasing over time so in other words are there greater expenses in year one of total implementation that will decrease over time.

MR. NAGE: If we assume that everything held constant then we will say NSFAS at least you will be able to operate efficiently it will need 350million that's assuming new things come up and the world does not change as we know it - - -

ADV. G ALLY: Well just explain that to me how that is possible you need injection to make the system work efficiently and effectively once it has that injection that amount shouldn't be recurring and this is why perhaps you're getting and clarify your answer to Miss Pillay.

MR. NAGE: Thank you. I think it goes back to my earlier explanation. The money is not only for IT system it's also for the processes that are in place. So for the IT system you will increase the capacity. So you will get consultants get software increase capacity but over and above this. There is also the maintenance there is also the processes that changes that.

We call the defects and enhancement. there is also new versions of the system that will be required that's only on the IT side of the system then you go on the peoples side depending on what we want to do and trying to make NSFAS to be like more accessible yesterday or day before the EO did talk about using NYDA officers. If we were to adopt that model to say NSFAS will have some representative at every parts of the province that will need an X amount of money so let me just myself to the operations of NSFAS currently.

We are changing how the structure works. So we are reorganizing ourselves in a particular way so those employees of course are going to be permanent currently we have the chief risk officer. We've hear of business enablement. We have plus minus six analysts that we do not have budget for and if were to take over those costs. They will remain as part of the fixed costs in the system perhaps.

When I say the system I say the whole system not just the IT that is why my explanation is that the student centred model is how NSFAS is going to operate it's not an IT system that is on its own there, that's another part the second part we spoke about NSFAS needing to play a greater role in educating the students around financial sustainability and financial literacy and those are the things that we are going to start engaging on. That is why this 150 will remain and it should be taken may be if I can just move faster to one of the slides.

If we look at these administration expenses our assessment is that for a scheme of the size of NSFAS. It should at least have admin budget allocation of 5% currently in 2016. we are sitting on 1.61% that is extremely low to enable us just do simple things like getting an office space that would be able to accommodate all out employees and they sit in decent conditions. Currently one of the work we are busy with is the issue of the tender to get office space hence the amount of money that is requested to operate that we don't have. So hence I say before we even get to the student centred model just to operate NSFAS we still need funds for that as well.

ADV. G ALLY: No do you see why the more you explain the more we say do we need you but your answers are also that I'm with you now and this is what I need that is.

MR. NAGE: I'm not sure when you say you need me individually or you mean the scheme

ADV. G ALLY: The scheme as NSFAS

MR. NAGE: I wouldn't be able to answer that.

ADV. G ALLY: No, I think it is a situation where the more you seem to be explaining the more funds are going into a system, that and you will still by the end of today give me an answer to my question that I gave you yesterday about the selfish answer that I'm looking for so it's in relation to that.

ADV. K PILLAY: Can I ask a question around this slide 16. I think the one you took us to you've got there the administration grant by DHET is that all money coming in that's reflected on the slide?

MR. NAGE: That's correct mam.

ADV. K PILLAY: So you've got coming in 2354 million in 2016

MR. NAGE: That's correct.

ADV. K PILLAY: And what was your cost your administration cost in 2016

MR. NAGE: We still haven't so this is when you say 2016 you mean 2016 2017 financial year so we haven't closed the books yet

ADV. K PILLAY: Alright maybe we look at 2015 then would be 2015 2016, am I right

MR. NAGE: Yes

ADV. K PILLAY: And so if your input was 165 million what was you administration cost for the year?

MR. NAGE: The administration cost was that we closed with - - it was around 162million then we applied to retain the 3 million via the retention for surplus exercise.

ADV. K PILLAY: Okay

MS KHUMALO: On the same slide bullet number 2 does it flow with your earlier response to Advocate Pillay where you said you've applied for to accommodate the stows am that you've got you've applied for that you said you revised administration costs something.

MR. NAGE: Yes it does mam, if you look at these numbers, you can see that the only major increase in our funding. So you have 148.9 million just from DHET stream that's part of the MT you have and you must operate within the ceiling. Then it moves marginally to 177million. You know in if you look at it. Hardly you could say it's a huge percentage, but in relation to what you are trying to do.

NSFAS has to try and batch itself with admin fees of 22 million and another increase that we got is through the Presidential Statement where the President announced that we will get 4.5billion and we said to treasury you know already that we are battling as it is, then they gave us the 36billion, but if you just limit yourself to the top line. You will see that the 1.6 % admin ratio reduces significantly.

MS KHUMALO: So this bullet is outside the student centred model, this utterance the bullet because you said that earlier you have applied for an increase in the administration cost.

MR. NAGE: Yes mam.

MS KHUMALO: And you got it you said yes and no.

MR. NAGE: Yes if we look at the 36.6 million and in this financial year in the process of making another bid to get additional funding for recoveries and other functions that enable to carry out the implementation of the student centred model.

ADV. K PILLAY: Mr. Nage what doe HD stand for?

MR. NAGE: Historic debt.

ADV. G ALLY: L S Godiso

MR. NAGE: Godiso is a continuing funding so the split of this number is that history Historic debt which is 2.5 billion for guys who were registered for academic 2013 14 15 and out of that the Godiso is continuing school students. So there could be other students who were in the system in 2015 have historic debt but they need to continue with their academic studies in 2016 and 17 government made an allocation of that. So the 2.5 billion is a once off historic debt the Godiso is over the MTF period it's continuing.

JUDGE J. HEHER: Yes would you like to continue please.

MR. NAGE: Yes, can I just continue from this slide or.

JUDGE J. HEHER: Wherever you wish.

MR. NAGE: Okay, I'll just move on to the no fees the no fees increase decision of 2015. So there were no direct costs impact on NSFAS however the no fee increase decision meant that NSFAS can fund more students in the 2016 academic year as the full cost of study did not increase.

ADV. K PILLAY: I'm sorry, I'm sorry Mr. Nage can we just deal with slide 15 I think you skipped slide 15 completely. The SETA funding and how it works.

MR. NAGE: Yes, no slide 15 just I think there was a question either Monday or Tuesday that members just needed to understand that the SETA funding and how it works and this just shows the growth over years of SETA funding there is a slide deep between slide 2016 and 2017 part of the reason is that the SETAs would fund us for the course of study. So let's say they give us money in 2015, but it is not for only one academic year.

It's for three academic years so the students would have exited the system and some of the SETAs did not enter into an arrangement with us hence the slide decrease from 257 to 235 but the EO already indicated yesterday that out of the fund raising it's something that's in is his office and he deals with on a daily basis.

JUDGE J. HEHER: Is this SETA funding both for universities and or TVET colleges?

MR. NAGE: For universities, for both

MR. DACA: The bulk of the SETA funding is for universities but there is some SETAs that provide but it's very small amounts that go to TVET College students

MR. NAGE: Can I continue from this slide?

JUDGE J. HEHER: Yes please

MR NAGE: We will move to the decision of no fee increase and I'm on the slide that talks about the impact of higher education price index on NSFAS and these numbers are from the universities. They're not NSFAS numbers they the universities but they do show the increases from different universities. If we just locate ourselves on the academic year 2014 2015 you can see that the higher education price index of universities like the University of Venda is 13%.

What this table trying to illustrate is that NSFAS grows its funds in relation to inflation but the higher education price index far out strips the CPR and members would know that. Even for this academic year or the following academic year. The universities requested an 8% because they said that is the lowest that they can go. That still out strips that, so the no fee increase where government put in 1.8billion allowed NSFAS to be able to push their money further than they would have in other financial years. If there are no other questions on this slide. I will move on to the next slide.

ADV. K PILLAY: Mr. Nage before you carry on with these slides. I had a few more questions around the Students Centred Model. That I think are quite important I mentioned to you that these are some of the leftover from yesterday. I just wanted to get an understanding from you, have you costed the implication of removing race as a proxy for disadvantaged?

So in other words under the student centred model you will know to be confined to only be allocations and I know it's what you did in the past when you give allocations to universities in respect of African, Coloured and Indian students and that now you have a wider range of students who may access NSFAS funding have you costed whether or not that would have any significant cost implications for NSFAS.

MR. NAGE: We have not but what we know for sure is that. It will have an impact on the cash flow of universities because whereas universities were guaranteed a certain amount of money. Right now we are only going to fund the students that are there. So if it happens which is bit unlikely that WITS loses 200 of their students that were NSFAS students. Then would lose some funds, but we haven't done a study that says if we remove race this is what we going to this is what the impact is going to be on NSFAS.

ADV. K PILLAY: Can I just understand that the WITS example that because it's something I hadn't understood before I started this Commission. So there's an allocation that gets given from NSFAS to the universities.

MR. NAGE: That's correct mam.

ADV. K PILLAY: But then how the university administers that allocation to university students it's left to the discretion of the university.

MR. NAGE: No mam it's not left to the discretion of the universities.

ADV. K PILLAY: Okay, so once you make an allocation to WITS based on the numbers of African Coloured and Indian students that fit. That are registered for a full time equivalent course how does WITS then deal with the allocation that been made by NSFAS?

MR. NAGE: So the process would be around December. We would write a letter to WITS and say you've got on the DHET funding. You've got plus minus 250 million then WITS will go and register students get, students to sign loan agreements forms to that cap then WITS will submit claims over the course of the year to claim against this money. So we don't transfer the 250 million to WITS once or just after we notify them we pay them based on the claims they submit to the scheme.

ADV. K PILLAY: And is WITS entitled to give NSFAS funding to - - for an example a white student even though the allocation to WITS was only in respect of African Coloured and Indian students

MR. NAGE: Yes that's correct because on the Mean Test race does not play any role it's only on the allocation.

ADV. K PILLAY: But of course all the funding that WITS gives to students need to be within the cap that NSFAS gives to WITS.

MR. NAGE: That would be correct.

ADV. K PILLAY: I'm sorry I just needed that explanation as the difference of allocation and the actual grant of funding to individual students.

ADV. G ALLY: And here we sorry. This is where my confusion comes in because I understood it differently how do you explain top slicing within that example?

MR. NAGE: So top slicing works as follows, if we go back to - - if we can just transport ourselves to yesterday's presentation. Where we had the full cost of study table that outlined the fees, the meal allowances and the books. So on what other universities would do say okay, we only going to fund you for tuition and books. We not going to give you money for accommodation or for food because instead of funding 20 students we might at least we'll be able to fund 40 students. So now the impact you see, some of the impact you see throughput some of the students drop out which is not sustainable.

ADV. G ALLY: And that is how I understood you to explain that, now is that part of the 250 million. Remember WITS University says these are the students that qualify for NSFAS and make a claim to a cap of R71, for arguments sake now the R71 contains books meals and transport.

MR. NAGE: That's correct.

ADV. G ALLY: And within the 71 000, so the top slicing then takes place within that explanation. That Miss Pillay was asking for that they can do whatever they want within the cap of 250 million and would be able to fund more students but stay within the cap.

MR. NAGE: They are doing that but it's against the NSFAS handbook guidelines.

ADV. G ALLY: Okay, thanks.

ADV. K PILLAY: If I can then take you to the student cantered model just to understand the difference between the two systems. Now we know that the student centred model is based on the all for some principle. So in other words that the students would get as close to full cost of study as possible right. So there would be no top slicing now according to the PR report that there would be. You would have a national audit eligibility queue and that that's the basis funding will be granted. Perhaps you can explain this eligibility queue and how students will be placed in the queue.

MR NAGE: Maybe I should take a step back and say the PR report. It was an exercise and included in there is a recommendations that are not necessary mean that NSFAS needs to implement. It was a study that was commissioned by national treasury, but we haven't sat down with the department and say here is the outcome of the PR review report and this is what you must do.

ADV. K PILLAY: But is there going to be an eligibility queue on the student centred model?

MR. NAGE: What we use under the student centred model is that we don't have a queue. So we have students applying, we have cut off time and we rank them all at the same time and funding becomes a cap.

ADV. K PILLAY: But once you rank them. Does this mean that you've got students to continue and that you begin funding from the first and move on with as much money as you've got?

MR. NAGE: Yes once the student is in the system we fund them for a qualification. So if the qualification is five years we fund them for five - - -

ADV.K PILLAY: And what in ranking the students that is the language you. What criteria do you take into account?

MR. NAGE: The ranking is another term for Means Test. we perform a Means Test and we look at financial eligibility, the waivers that are in place and academic eligibility because if you and I are poor and have - - there's no expected family contribution then we will go into academic performance.

ADV. K PILLAY: And does the field of study - - does that make a difference to the ranking? So in other words if I'm studying for a scarce skill for an example to become. I don't know if a doctor is a scarce skill or not and you studying to be a lawyer which is not, definitely not a scarce skill. Does it place me higher in the ranking or the same as you?

MR. NAGE: I will limit my example to the DHET. There there's no discrimination you can study to be a priest we will fund you, but obviously with other funders. They do have specific skills like the DBE for example. They will say they funding for teachers so we can only fund teachers.

ADV. K PILLAY: Alright but in relation to the DHET funding. There's no criterion of scarce skills taken into account.

MR. NAGE: No there's not

ADV. K PILLAY: And so he ranking is done purely on the basis of the outcome of the Means Test.

MR. NAGE: That will be correct.

<u>ADV. K PILLAY:</u> I'm just trying to understand, so where there is outcome of the Means Test is equals. So in other words students are equally poor and are doing equally well in their respective courses. All of those students will be entitled to be equally funded.

<u>MR. NAGE:</u> They will be, but funding will play a role in there so there will be limit of funding where some of them will fall out.

<u>ADV. K PILLAY:</u> And where do you draw the line how do we know which students will fall out?

<u>MR. NAGE:</u> That is one in a million example that you are describing now, but I think just to answer your question. What the government has done having to address the issue of having the students who are the same and another one falling of is that. They said to the Universities for this academic year, that all NSFAS qualifying students should be registered and they made an allocation or the put money aside through Minister Pravin Gordon's MFT MTB budget because part of the 9.2billion included in there. Now is the 1.5billiom included for this year so it's not your normal MTF that start in the following financial year.

<u>ADV. K PILLAY:</u> Okay, can I just understand what that mean? Does that mean all students who as a result of a Means Test, who qualify for NSFAS funding will get NSFAS funding?

<u>MR. NAGE:</u> Yes to the best of our knowledge the universities provide - - the universities in this academic year provided us with a list of all students who were qualifying for NSFAS and who were unfunded based on the department's directive.

<u>ADV K PILLAY:</u> and for next year?

<u>MR. NAGE:</u> That funding that is where the 9.2 billion comes in to try and so let me just take a step back on the Godiso fund that we spoke off earlier. For this financial year government made available NSFAS 2 billion for the next financial year of 17, 18. The government has made available 2.9 billion for the following year is 3 billion to cater for continuing and new student, the treasury in their October mid-year budget.

They've made available 1.5 billion for this financial year to deal with these students and they've made the rest available in, I think its 2.7 billion in another month in another financial year to cater for NSFAS qualifying students who could not be funded. So in theory as we stand, everything held at constant qualifying students. There shouldn't be a NSFAS qualifying student who's not funded in the system.

<u>ADV. K PILLAY:</u> and do you have an understanding of an idea of the demand out there? For example for next year. If in fact the word gets out that all students who qualify in the current Means Test will be accommodated and will be funded whether or not the money that has been allocated by government will be sufficient to meet the demand.

<u>MR. NAGE:</u> Based on the guys that are in the system, yes we do have that number. It's driven by Universities, but the new cohort that is going to enter the system the grade 12. we don't have a number yet but that those should also be largely taken into account or be catered for on the allocation that we have been catered for, but we don't have the exact numbers for the new cohort

that is coming because it's not only the grade 12. I think yesterday you spoke of guys who are unemployed and they are not studying and we do not know how big that number is.

They might want to enter the higher education system as well. Can I proceed? Thank you. The next slide just compares the higher education price index and the impact on NSFAS. Number 1 it just talks about what drives the higher education price index is that is largely driven by staff expenses, the books that need to be imported from overseas. That's called the non-durable goods and that falls, forms part of the expenditure basket.

Then number 2 is for Universities with more than one diverse income stream. The widening between CPI and HEPI gap may be bridged. I think it was on Monday, we spoke of Universities who also re-inject their funds into funding students. So you might find out that you are a medical doctor and you study at WITS its 150. NSFAS gives you allocation to a point and Universities that top up that, but for those who do not have funds or who do not have a wide diversified income stream.

The students do carry that cost and that is illustrated on number 3 and then number 4. What NSFAS is trying to do to align the loan cap more closely to the average full cost of study of the respective University? We look at possibly differentiated by institutional type acknowledging that, cost drivers at more research intensive Universities or at Universities with larger student numbers or more rural numbers of qualifying students etc. what we mean by this, is yesterday we spoke of Means Test.

We spoke of the cap, we spoke of full cost of study and we've said on the full cost of study some of the numbers that are coming up are students in Venda are requesting 20 million for food. Student in UJ no R20 000 rather students at UJ are requesting R4 000. That can't be correct. We can - -that's wrong. Now NSFAS is going to try and play a much greater role in that, to try and streamline the full cost of study and align it to their cap so that there is less variety of cost or less differentiate of costs over and above.

ADV. K PILLAY: Mr. Nage does NSFAS have a view of whether or not there should be a fee regulation?

MR NAGE: I was about to get there Miss Pillay. the Department through the council of education to Commission of study to try and have some sort of a regulation on how fees should be charged from one University to another. Based on the degree or program, but obviously taking into account other Universities are more researched intensive and others are not. We are also awaiting that study because it's going to have an impact on what we are doing. If there are no any other questions.

ADV. K PILLAY: You've stopped short of saying whether or not you support fee regulation or not.

MR. NAGE: I think for NSFAS, we don't have an official position or not. We don't have an official position.

ADV. G ALLY: Because you're an implementing one that will be always your answer.

MR. NAGE: That is correct.

MS KHUMALO: But in your opinion would fee regulation if you make an assessment on the situation would it assist you in implementation.

MR. NAGE: If I can answer your question. This way the no fee increase had a positive impact on the funds that were allocated to NSFAS could fund more students.

MS KHUMALO: Fee regulation on institutions.

MR. NAGE: We don't know what the outcomes would be because if we regulate the fees does not necessarily mean that, if I use this example medicine an UCT and it's just an example, is R150 medicine at WITS is R200 we might end up in a situation that were medicine is R200. So it could have a negative impact on NSFAS or we could end up in a situation where medical fee costs is actually R120 and it would be beneficial to NSFAS. So it's a bit difficult for us to say that what the impact of that study will be on NSFAS at the moment.

ADV. K PILLAY: Does NSFAS - - Has NSFAS studied the cost drivers that apply in each in the different institutions just to get a sense of the relationship between average full cost of study and cost being charged by a particular university?

MR. NAGE: No we haven't we haven't carried out an extensive research study on that. If I can move on further, if there are no any other questions on this. I think we - - on this slide we spoke extensively about it in the last 2 days. Universities have been slow in submitting claims again in the historical debt allocation.

MS KHUMALO: Is this as per circular is that circular 6?

MR. NAGE: Yes this is part of the circular. So just a bit of a background last year December there was a Presidential Task Team. In January the President announced that he'll make 2.5 billion available, but it was driven by the submission that was made by the Universities.

That 71 753 students need to be funded for academic year 2013 to 2015. Now for NSFAS has to make sure that these funds are actually going to settle student debt and no other ancillary costs that are included in the student fees. We requested number 1 Universities to get students sign loan agreement forms. Understanding that the caps in 2013 is not the cap as in 2016.

We tried to recreate the world where in 2013, 14 and 15 and to date only 49% of claims have been submitted by the Universities. We've had discussions with the department. We've the discussion with financial executive forum of university of South Africa where the CFO sit for and we've had the discussion with the national treasury.

JUDGE J. HEHER: Can I understand what that means in practical terms? Does this mean that the historical debt owed to Universities is being paid off?

MR. NAGE: That would be correct Judge.

JUDGE J. HEHER: Does it mean the liability of student to repay his loan is being written off?

MR. NAGE: A portion of it Chair, because we are applying the NSFAS rules as they were then. So let me say for example for 2015 academic year the cap was R67 800. If my memory serves me well. The student debt was R80 000, NSFAS will pay R267. The student would still have a debt that is being owed by the student. So we are not going to take all the fee account and just write off everything.

JUDGE J. HEHER: I'm not sure that I understand you. The students owe debt arising from the amount advanced on their behalf by NSFAS to the university or am I wrong, I'm framing it.

MR. NAGE: No, NSFAS would not have advanced any funds to students at that time. The Universities would have registered the students because those would have been NSFAS qualifying students that were unfunded and have debt that needs to be paid now. In answering your question, I had said that if the student debt at a point in time was R80 000 and the cap for NSFAS was R67 200 now NSFAS would settle the debt to a cap in that 2015 academic year.

JUDGE J. HEHER: Yes I understand that, that surely doesn't affect the liability of the student to refund, to repay his loan. That's just playing the principal. Playing creditor isn't it?

MR. NAGE: My colleague will add here, but just to finish the student would have signed a loan agreement form for 2015.

JUDGE J. HEHER: Yes

MR. NAGE: So his or her loan amount would reduce by the amount that NSFAS will pay to the Universities.

MR. DACA: Just to add, the portion that NSFAS would take over it's not taken over on a like to like basis. For instance we would have paid R60 000 of a student fee and the debt that student owed the university. When that R60 000 gets transferred to NSFAS. It's not on a like to like basis the first one is the interest rate that would have been charged it's different for in the NSFAS system.

If that student is still studying, the interest rate would revert back to 0% again in the NSFAS System. We will take a look at results of that student for that academic year. If that student had passed that academic year. They will qualify for that conversion of 40% of the portion of that debt into a bursary. Therefore what they would have carried at the universality and what they would end up with, earned on the NSFAS side will be different amounts because of the obligation of the NSFAS rules when that debt gets transferred over.

JUDGE J. HEHER: Yes that I understand, what I'm trying to say is this that, the payment by the state of the historic debt doesn't actually reduce the student's liability?

MR. DACA: It does because of the obligations of the NSFAS rules. It does and it may be significant at some instances.

ADV. G ALLY: Or maybe let's try again, the student owes in terms of the loans agreement with the University R80 000 for that academic year and we not going to get into Mr. Daca's interest and so forth. NSFAS says they will pay the University R67 000 of the R80 000. The student in terms of the loan agreement now only owes the university R13 000

JUDGE J. HEHER: Is the student's liability not transferred to NSFAS?

MR DACA: Just to carry through this example, the student would owe the University if it's above the cap. In this example then they would have a residual amount of R13 000 the debt that would be transferred to NSFAS from day one would be R67 000. whatever but on day two when NSFAS has got the results of that student we'll convert a certain portion of that R67 000 into a bursary therefore the total liability of that student would end up being, you know somewhere depending of what the results is of that student.

JUDGE J. HEHER: Yes that I understand that will always be the case but what about the student who doesn't get the benefit of the bursary

MR. DACA: The student who has failed will not get the benefit of the bursary

JUDGE J. HEHER: So his historic debt is not written off except in so far as in the University gets paid through the government.

MR. DACA: His historic debt is not written off, but again if that student is not employed he is not going to get lawyers letter saying you must pay this amount. Which he was getting on the other side with the debt that he owed. That is the only benefit that we will get is we will wait for him or her to get employment and earn above R30 000

JUDGE J. HEHER: That's the case with every student.

MR. DACA: For that student it was not the case until that day that government intervened.

JUDGE J. HEHER: I'm not sure that I understand that because he would have never been liable to pay whether the government intervened or not. If he didn't get employment.

MR DACA: No the universities would enforce their debt whether employed or not they don't use NSFAS rules the universities would enforce their debt situation.

JUDGE J. HEHER: I see so these are the unfunded students.

MR. DACA: These are the unfunded students.

JUDGE J. HEHER: I see, alright.

MR.NAGE: We can proceed from these slides here if there are no other questions

ADV. G PILLAY: Let's just go to the question of the historical debt again Mr. Nage. As I understood the decision in 2015. it was to ensure that students who qualified for NSFAS funding at the time were not financially excluded but by virtue of the student debt, but what you the example that you've given now where the NSFAS cap is lower than the debt owed by the student may I still result it in the student being excluded because they still owed money to the university.

MR. NAGE: Not necessarily now what this funding is meant to do. Is meant to settle the debt owed over an academic period of time, but these students if they are continuing will have that small debt with the universities but they won't be financially excluded from the university what has happened here is that NSFAS is in forcing its rules.

JUDGE J. HEHER: Well I hope you fully understand, Miss Pillay I'm not sure if I entirely do.

ADV. G ALLY: Let me try a different way. Let's assume the University says our admission policy is this, one you need to be academically. You need to qualify academically. Two you must not owe debt from the previous year. Now in the example that we've been using that person owes R13 00 which they know is not going to be paid by NSFAS is that, can that person theoretically and practically it is true that the university can use that admission criteria will that person be excluded.

<u>MR. NAGE:</u> Those students should not be excluded based on our understanding, they should not be excluded.

<u>ADV. G ALLY:</u> Well

<u>JUDGE J. HEHER:</u> Because they've been paid because the university has been paid by the state

<u>MR. NAGE:</u> Because a large portion of the debt that was owed to universities had been settled by the state and the state has guaranteed it over the MTF period

<u>ADV. G ALLY:</u> The state has only guaranteed R67 000 over that period. State hasn't guaranteed the R80 000 per year. that is due to the university so on what grounds would the university or the state be able to say well I'm not interested in whether that person owes you must just take the person.

<u>MR. NAGE:</u> If we use- - if we say this student owed R80 000 and I'm a university. I was getting zero from this student government came in they gave R67 200 surely as a university you look at this and say I received nothing yesterday today. I'm receiving R67 200 and part of this warranty is guaranteed over the MTF period. So the fact that there could be some R13 000 that is left and I don't want to talk on behalf of universities that should really not discourage.

<u>ADV. G ALLY:</u> And hence this is why, I was saying is it not in this discussion the universities prerogative whether to allow or to disallow and government's negotiation with those universities to relax certain admission requirements on the basis of what you said now.

<u>MR. NAGE:</u> So from NSFAS side one of the things we have done now is Commissioners can recall the presentation for yesterday. We had 3 cohorts the unfunded historical and the underfunded and that is something that we have also brought into the attention of the Department to say remember when the allocation of 250 million was made to NSFAS. It didn't mean that all debt was going to be settled. It meant that we were going to apply the NSFAS cap and decide the unintended consequences of that and that is what the department is busy dealing with.

<u>ADV. G ALLY:</u> Thank you.

<u>JUDGE J. HEHER</u>: So are students then aware that they may still be indebted to the university?

<u>MR. NAGE:</u> I'm not aware of that Judge.

<u>JUDGE J. HEHER</u>: Because I misunderstood so certainly thought that perhaps historic debt was such as release the students but apparently it isn't.

<u>ADV. G ALLY</u>: And that's how the 19 September's statement of the Minister was read and understood irrespective of whether the students accepted it or not. When we heard the Minister, he and we got acknowledgment of debt and historic debt. He said historic debt is wiped out. The new ones of the NSFAS cap wasn't even mentioned. Which now creates a somewhat different situation and hopefully Miss Pillay we can deal with that with, but I'm not sure whether the department that is coming tomorrow is going to be able to deal with this as well also.

<u>JUDGE J. HEHER</u>: Is this how you've understood it all along Miss Pillay or not?

<u>ADV. K PILLAY</u>: That's correct Chair and I just want to put to Mr. Nage that the actual wording of circular 6. If I think the wording of circular 6 kind of doesn't bring out the explanation to what you are giving us Mr. Nage. Can I just read out what circular 6 says it says all universities are requested to send to us the names, surnames, ID numbers, email addresses, and amount owed, per year to administration?

The Mean Test results that for these students that is the students with the historical debt that was submitted to the DHET as part of the Presidential Task Team on the 24th of January. NSFAS will send a template to the universities to copy onto it the data. This template speeding the processed and claims to the universities then paragraph 6 says the following universities are requested to allow students who meet the criteria and were included in the list of noted to the DHET.

So in other words that's the difficulty that I was putting to you as to would it not then otherwise been allowed to register because of the debt, historic debt and this is a call in circular 6 asking universities to allow those students to register and then circular 6 says the following it says universities are requested to allow the students who meet the criteria to register as NSFAS will pair the amounts declared as owed less the interest so circular 6 makes it clear that you'll pay debt minus the interest the is no mention of the cap

<u>MR. DACA:</u> Then going to circular 6, the….the order of circular 6 let me go into the request for Universities to register those students. It was a one of the issues, it was timing issue because technically in the universities own debt management system by the time we were issuing that circular the students. Therefore if the universities has applied the strict criteria those student were not going to be allowed to register. They owed money to the university.

therefore that's why they university to say you need to allow these students to register as if we've already paid and that time had not paid. we were only going to start paying form 1st April given the government financial year but let me come to the 2nd part issue and probably made an nonissue in the broader scheme of things to be the real issue because maybe we should provide the numbers by far.

The significant number of students were below the cap because what the intervention was these students qualified for NSFSAS and were going to be funded by NSFSAS but they were not funded simple for one reason that NSFAS didn't have money on that year. It dint have sufficient money and then the universities either resorted to top slice for those students or not fund them at all. Therefore we are closing the gap as if there were sufficient money.

They would have been closed in any case 2013, 2014 or 2015 that was the understanding and the again on the Presidential Task Team submissions. The discussions that took place Presidential Task Team with the submission and Universities was that give us the amounts that these students are owing and as a result of those reasons would have been the amount that NSFAS would have covered.

If NSFAS had sufficient money that was the understanding and maybe, we can put the - - and go into the date and see there how many of those students are actually above the capital. I know that there were 1 or 2 universities submitted students above the cap amounts and is probably not as significant issue that we may with our example have made it to be.

JUDGE J. HEHER: Well I didn't hear anything in circular 6 about the reasons.

MR. DACA: I thing that's probably just an extra of circular 6 and that there are unknown in circular 6. I think that is correct chair circular 6 was designed to address these students who qualified for NSFAS funding but who weren't funded due to top slicing or simply just not been funded by the university. Chair I see that it is now 13H05 may I ask we take a lunch adjournment now please.

JUDGE J. HEHER: Yes

………………………………………………………..ADJOURMENT………………………………………………………………..

JUDGE J. HEHER: Thank you Miss Pillay where to from here?

ADV. K PILLAY: Thank you chairperson I believe Mr. Nage is on slide 22

JUDGE J. HEHER: Thank you

MR. DACA: Just slide 22 and I believe 23 talking about the impact of low throughput rate. We've dealt with this yesterday the various studies on cohorts but the point is if throughput rate could improve in the broader system just from the perspective of the state.

It will reduce sorry it will result in the normal cost per graduate because with the same amount of money the state would have more students which have graduated in the higher education system. That id the bigger impact of the throughput rate is on the investment that the state makes to the university system and to NSFAS also as part of that broader university system.

ADV. K PILLAY: Mr. Daca may I ask you a question around throughput rate has NSFAS investigated the throughput target on the NDP and what role do you see for yourselves in achieving those targets.

MR. DACA: We have looked at the throughput targets in the NDP, NSFAS. We've always been seen ourselves as a pressure group to the universities, to pressurize universities to improve their throughput rate. If you remember yesterday in universities where we find close to 18% of the undergraduate population. If we try and do something in those universities about throughput rate. We'll probably have to replicate the university itself but we believe that it's the universities responsibility to ensure that they do indeed improve the throughput rate.

ADV. K PILLAY: And just while we are on the subject of the NDP targets. We know that NDP has very specific targets for post grad studies for PHD and beyond. What funding opportunities will NSFAS have for post grad students going forward?

MR. DACA: As NSFAS we are trying to focus on one thing and do it well. That is to fund students for the undergraduate qualifications. We had discussions with the NRF, whose main focus is more on the postgrad funding to almost try and clear that line to divide and say that NSFAS concentrates on this space. NRF takes over the postgrad space and that is what we are trying to do to try and make sure that we fund. We do quite well making sure that students in undergraduate and TVET colleges are properly and adequately funded.

ADV. K PILLAY: Now I know that the PR report speaks about funding of B Tech Degrees. Does NSFAS fund B Tech Degrees which is postgrad degree?

MR. DACA: The front statement is not, but there are qualifications in the statement that are B Tech's. I think that we interrogated that issue yesterday and said that there are about certain B Techs that are in certain lines of study that would be funded precisely. They will allow the student to venture for professional designation and some of them because there no substitute national diploma for that B Tech itself. I think is a subject for more the CHE is something that is under review and NSFAS is not leading process, but we following whatever then happens to B Tech. What replaces reputable and then assess it against our own criteria to see whether it will or will not be funded.

ADV. K PILLAY: And we know that the NRF have a very limited scope for funding of postgrad. It's a very constraint funding in the face of that. Does NSFAS see a greater role itself funding postgrad students particularly in light of the DP targets and the transformation of the whole sector?

MR. DACA: Not yet I think that NSFAS is trying to perfect the funding for undergraduate students. That's why we also wanting to walk that road with the NRF. So that they understand what we do and we understand what they do. If we have student that are looking for postgrad funding then we can refer them to the right address being the NRF.

ADV. K PILLAY: Has NSFAS engaged with the DHET around the funding of postgrad students?

MR. DACA: No, no there's not been a separate discussion around the funding of postgrad. I think DHET shares the same view that NEFSAS should spend its energy on undergraduate funding.

MS KHUMALO: We had a presentation here of potential extended programs to improve success just maybe to work on the impact of these rates. So and it's got a potential from presentation of a career maybe revamping of the career. Which should be more costly so to speak have you guys are you contemplating that and who something that will maybe affect your strait plans going forward.

JUDGE J. HEHER: It was suggested that a 3 year degree should be converted to 4 year degree so as to make the articulation between school and university, more effective articulation. Have you given consideration to that?

MR. DACA: We have by, again we have made a decision that we will align ourselves with how long the degree will be. when that decision is made - - currently what we do is we also fund extended programs for instance universities are already offering B Com over 4 years rather than 3 years and we fund that extended programs which are B Com over the period of 4 year.

ADV. G ALLY: Wait now you say that you do fund a B Com degree over 4 years. Are you where your Honour's degree is part of your CA or are you saying a 3 year B Com degree the extended program is funded by NSFAS? Which universities are you referring to?

MR. DACA: The extended programs are funded by NSFAS. I know one example I think it's the University of Cape Town who's got a 4 year B Com degree.

MS KHUMALO: The Impact, would it have an impact on your plans though if it would if a decision would have to be taken in terms of your plans.

MR. DACA: There should be an impact, but that impact analysis has not yet been done as to what the impact would be because we don't know what degrees will end up being treated. Where they will be 4years and where 4 year will now become 5 years there has not been an impact analysis.

There will be an impact, it could be that if we might be regulating what is already happening given tan. We also have an N+2 as part of our criteria. We could be that the impact will be minimal because we might already be funding those students for 4 years in university. While now the degree is converted to be a 4year BSc or B Com. It could be that we are just regulating what is already inside the system.

MS KHUMALO: Okay

JUDGE J. HEHER: It MAY make no difference at all because all your students will be pushed one year down the line any way so it just means that everything is delayed further by a year

MS KHUMALO: On the throughput for TVET now is there an assurance just on the success rate as well of those students. Do you guys ensure like I know there's been issues with the vocational training. The in service training and maybe should have an impact on the dropouts. When kids at TVETs are need that in service training and are not able to. Do you guys play any role in ensuring that your students actually get in companies?

MR DACA: No we don't play any role in that area.

MS KHUMALO: With the SETA funding.

MR. DACA: Some SETAs offer students in service training or the internships, but again the limited role that NSFAS might play there is to just provide information back to the SETAs. Which in most cases would already have sent to the SETAs because the SETAs as funders they are entitled to the information of the students that they funded.

MS KHUMALO: And it's not a concern or you guys don't feel it's within your scope to maybe to ensure that there is retain in your investments or so to speak.

MR. DACA: We currently think we'll be taking too much.

MS KHUMALO: Or like fund raising as well

MR. NAGE: If there are no any other questions on the throughput we'll move to recovery of contingency loans. We just have an analysis and spoke extensively about this just the split of the book as it stands. That 13.3 billion of the book is not due unpayable it includes guys who are studying obviously. The due payable is 14.8 billion but out of that we've done further analysis to say that 1.3 billion is the current debt that is outstanding on due unpayable.

The 702 million is in arears and then 12.8 billion it's the non-repaying debtors and those are the guys where we've employed and are continuing to employ debt collectors to chase them and those are the guys which will take them through to the ICT processes of earlier articulation.

ADV. K PILLAY: Just in term of the recovery of loans, does the death of debtors play any role in recovery

MR. NAGE: Yes Miss Pillay all the deceased debtors we write off that debt so NSFAS does a match with home affairs and if debtor is dead we write of that debt.

ADV. K PILLAY: And the quantification of that written off debt.

MR. NAGE: For the financial year of 2014, 2015 we wrote off something like the north of 200 million and I think for 15 16 we - - it was a very small amount around just less than 10million if my numbers serve me correctly.

ADV. G ALLY: Have you had a discussion around this particular issue let's assume an estate has the means to repay the amounts that is owed to you. It would appear to me from what you said yesterday and today now is that on death is that the debt is written off and there's no need to even inquire into the estate of that particular person is there what the reason is for that?

MR. NAGE: Currently that's the position our policy position of NEFSAS

ADV. G ALLY: Which is stated where

MR. NAGE: In our policy document, that's the policy that we apply that if you've disabled and are enable to carry on your work or you are dead we not going to spend resources.

ADV. G ALLY: Ok, let me ask you this now

MR. NAGE: To recover money

ADV. G ALLY: Ok, this that book that you spoke about hand book.

MR. NAGE: No sir the hand book deals with largely how the university should administer the NSFAS funds.

ADV. G ALLY: Okay, let's start again then in terms of the Act you. There's no powers to make regulations and so forth all your powers are derived for the Act. Is that correct? Now this policy because it says here recover debt and so forth and you have condition in terms of your agreements. Where does the issue of written of on death come in? And when you say it's a policy I would expect you would provide that also to the evidence leaders because is it written or is it just what is it.

MR. NAGE: NSFAS has debtors management policy that it applies in regulating and how it should collect its debts and if you look at - - if you take 14.8 billion and we are in no way saying that 200 million of the deceased guys you can try its minimal, but if you look at the finer resources that we have.

It would be very impractical or the course versus benefit of trying to collect money whilst we still have guys who are alive and we don't have enough resources to try and chase those. Now to enter into legal battles to the estate and try and recover funds. It won't be beneficial to NSFAS but we can provide the debtors management policy to the evidence leaders.

JUDGE J. HEHER: Looking at the hard figures on your slide 25 non repaying debtors of 12.8 billion rand is a vast debtor's book

MR. NAGE: It is a massive book

JUDGE J. HEHER: These aren't repaying debtors are these people that are employed but are not paying.

MR. NAGE: Yes Judge maybe if we can go back to earlier slides just trying to locate this

JUDGE J. HEHER: The 86% are they

MR. NAGE: It's if you look at this this comes from the SARS data that we received that at least as much as they are not paying now at lest we know where they are ye sits slide 7 now we have better contact information than we used to have before because before all we got form SARS this is the employee this is where they working and this is their number

JUDGE J. HEHER: So they are the 86% that you mention here this 12 and a half

MR. NAGE: Yes, yes that'll be correct at least now we have their contact details their email address number.

JUDGE J. HEHER: I hear that but then you say you expected to collect 285 million in the coming year with a debtor's book of 12.8 billion. That sounds like a gross under recovery and these are people in employment. They may not at all be earning the maximum, but they could have the minimum. I should rather say a large number of them would be earning the minimum.

MR. NAGE: There is a timing issue here between when we set out our targets at the beginning of the year and when we received the information at from SARS.

JUDGE J. HEHER: I understand

MR. NAGE: So the information from SARS plus minus 3 weeks old

JUDGE J. HEHER: 3 weeks

MR. NAGE: Yes, that's in this form that we able to know that this is where they are

JUDGE J. HEHER: So well let's go to this time next year

ADV. G ALLY: What is you r target next year

JUDGE J. HEHER: How much are you expecting to recover next year of this 12.5billion of which by then will be somewhat bigger?

MR. NAGE: I won't be able to answer that question

JUDGE J. HEHER: It does seem if I may say so that this is a very efficient. I back your pardon inefficient debt recovery machine and this is one of the most serious criticisms of NSFAS administration. That its debt recovery has been so inefficient so is there a concentration on pushing it up and how and you can't be talking about 260 million again next year.

MR. NAGE: Perhaps just to elaborate further Judge. On the 285 million that is the target that we put forward but our own estimate is that we will clock 400 million for this financial year. So already we have forecasted more than that. It is still minimal given just the 12 billion debt book that is outstanding but also we are constraint by the resources that we have like for this year we only received 8 million and it has enabled us at least, to say we've revised our targets. We going to get 400 million and this let me stop there be as management. We drafted a recovery strategy.

We discussed it with the board we put the funding requirements .we had a figure of plus minus 1 year to enable us to collect a figure of 490 million this year and if we were to go with the Treasury the same figures. For next year 17 18 we are going to collect just under 1 billion plus minus 998million that we are going to collect. So the issue of recoveries we are taking it very seriously but we are limited by the funds that we have.

JUDGE J. HEHER: I asked you have you ever actually issued summons against somebody for a loan debt.

MR. NAGE: No we haven't

JUDGE J. HEHER: Why not

MR. NAGE: So one of the things that I contained is how we should recover debt. Is that if a debtor is delinquent must try and go through the state attorney to try and recover that debt. Now so if you look at some of the debt it ranges from R300 000 some R15 000. We felt that it won't be the best utilization of our resources to try and issue someone summons and recover this debt.

JUDGE J. HEHER: The reason why I ask this question is simple way because if the word gets out into the market place that this is how this particular creditor pursues his debtors, then if I listen hard I can hear the laughter loud and clear in fact because people are going to regard you as a joke.

MR. NAGE: Not necessarily Judge, I think what we are doing now more so after the statement by the minister. It's to now list this debt even to least the one that is not due unpayable with a future repayment date. For the guys like these one the 12 billion the non-paying ones. We've got their information. We going to contact them and we going to tell them the steps that we going to take.

So at least they will know now that we've spoken to them. The debt is listed, it's not an adverse listing. We going to have a soft lock and then we'll have what we call blacklisting. You know that word that people like using we will have that. So eventually is going to have a negative impact on them and those are the things that as I'm testifying before the commission, we've began working on them.

JUDGE J. HEHER: It does seem, may I say that if there is a principal that one should attempt to make the scheme as self-sufficient as possible. That you going to have to really increase the strength of your administration in that regard.

MR. NAGE: I fully agree with you Judge.

JUDGE J. HEHER: Well perhaps in May before we finish this commission. We'll ask you well how things are going. I'm sorry, yes thank you.

MS KHUMALO: Judge can I ask in more or less what the Judge is saying in terms of capacity. Do you - - I don't know. Has some thought been applied maybe as NSFAS? The function should be limited to the distribution and then other functions be in another space because I hear the CEO saying it will be too much. So do you feel that maybe the Act bestowed too much for your capacity and that maybe an alternative should be out there for efficiency?

JUDGE J. HEHER: Like SARS, SARS doesn't seem like they having problems just collecting.

ADV. G ALLY: Yesterday you had your capacity building in your slides, your recovery agent and so forth. So that was the capacity that you were speaking about. That you were trying to build as part of your admin.

MR. NAGE: Yes and that is what I said, but also we are limited by the funding that we receive from treasury, you know. It is a bit of a tight spot that we find ourselves in. you know, but those are the things that we've brought before the Ministry and the treasury. We've put before them to say management says that if they just get an extra funding. Here's how much they will collect and they are applying their mind to it. It's part of the bid that we've made to say that we need additional capacity to be able to collect this debt.

JUDGE J. HEHER: It does seem to me though that you might feel debt collecting is perhaps not part of your core function

MR. NAGE: No, no not necessarily Judge.

ADV. G ALLY: Since section 23 it was repealed in other words

MR. NAGE: What has happened, if commissioners can recall yesterday when I was asked about whether the scheme is properly capacitated or not. I said it depends on the emphasis on that point in time. Back then recoveries were largely taking care of themselves because there was this section and the emphasis was making sure that we can disburse the money efficiently and effectively. NSFAS will close its financial years with a lot of money on the bank but student at universities or wherever will be starving.

The focus was to try and make sure that this machine and this system can be able disburse funds and we've done that successfully over the past 5 years. Whatever we've given, we disburse and we can be able to account for it. What has happened now is the recoveries have become something that is very critical to us and that the board has shifted its mind.

That is why they've seconded some of the banking sector skills to try and orpiment the lack of capacity that we have because we even got the bid for additional funds. It doesn't mean that if we bid today that in a months' time we going to get the funds. Government operates on 18 months life cycle and we don't have the luxury of that. At least some of the measures that we are putting in place is to say that if we list these guys in credit bureau.

It will make their lives a little bit difficult now they will do what we told them to do in the loan agreement forms about 20 years back. If others are still owing us then they can come to us and notify us. Then we can have a discussion with them. At least those measures we've put in place for them. It's a quick win that's number one on the 1.6 billion for state debt. The national treasury is applying its mind on it and they are for assisting us that we can collect on pastel persal and parsal databases. So even without funding that we need there are as a management of NSFAS. We are doing because those are just low hanging fruits but we will still need, maybe an extra warm body to be able to do the running work, the field work you know. So it doesn't require whole lot of millions to try and assist us where we have a problem it's on the backlog where we need debt collectors and other guys.

JUDGE J. HEHER: Okay, thank you

MR. NAGE: We've reached the end of our presentation and I think it's the end of our time in the Commission.

MS KHUMALO: Yes, until May next year.

MR. NAGE: Up until further notice I guess.

ADV. G ALLY: Mr. Nage you and Mr. Daca owe us some answers on questions posed yesterday.

Surely you not going to ask me to repeat it.

JUDGE J. HEHER: Well owe you. Thanks, but what you owe us. you can put into hard copy so we did ask for copies of reports yesterday and I don't know if you have a note, but the Evidence Commission as well will liaise with you and tell you what we still would like to see and I doubt this is the end of your involvement because at a later stage when it comes to funding you might - - will have some more input that you might want to make to us, but we do appreciate the work that you've put in and we know that it's not a simple job at all and we thank you for the clarity of your explanations from both of you and we can only say well done thank you.

MR. NAGE: Thank you Judge and thank you evidence leaders

MR. DACA: Thank you

JUDGE J. HEHER: Miss Pillay would you like to whether you can try to ruffle up the information my colleague Mr. Ally particularly ask for it.

ADV. K PILLAY: We will prepare a list of questions and send it through to Mr. Daca

JUDGE J. HEHER: Thank you