



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

**MONDAY – 21 NOVEMBER 2016**

## QUORUM/SPEAKERS

Chairperson : Judge J Heher

Member(s):

- Advocate G Ally
- Ms. L. Khumalo

Presenter(s):

- Mr. Sizwe Nxasana (Chairman – Ministerial Task Team & NSFAS Board)
- Mr Gwebinkundla Qonde (Director General – department of Higher Education and Training)
- Dr Dianne Parker (Deputy Director General – University Education – DHET)

Head Evidence Leader : Advocate K. Pillay

Evidence Leaders:

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

Expert(s):

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

JUDGE J. HEHER: We have two reports on the Ministerial Task Team and by the Department of HET and we have a presentation which.....who is going to lead? Are you going to lead it Ms Pillay?

ADV K PILLAY: I am judge. I am going to lead it.

JUDGE J. HEHER: Well let's go ahead.

ADV K. PILLAY: Thank you Chairperson. The witnesses we have today are the Chairperson of the Ministerial Task Team -Mr Nxasana and we've got the DG of the Department of Higher Education and Training and members of his team.

JUDGE J. HEHER: Thank you. Once again we have a complex presentation by the looks of it, which is extremely thought provoking at first glance. Mr Nxasana are you going to lead the evidence? Are you going to present?

MR G. QONDE: I will start judge.

JUDGE J. HEHER: You will start. How many of your witnesses..... I see Dr. Parker here and the others? How many of your witnesses are actually going to speak?

MR G QONDE: It depends on the questions that they are going to be asked.

JUDGE J.HEHER: There is no need to swear in Witnesses who gave you evidence the last time. Those that were sworn in previously, they are still under as administered the last time. Are there any witnesses, potential witnesses who have not spoken the last time under oath? Yes Sir.....would you.....what are your full names please?

MR S NXASANA: Sizwe Errol Nxasana

JUDGE J. HEHER: Would you swear that the evidence that you about to give will be the truth, the whole truth and nothing but the truth, say so help me God.

MR G QONDE: Yes please help me God.

JUDGE J. HEHER: Thank you. Alright let's make a start if you please Ms Pillay

ADV K. PILLAR: Thank you Chairperson. I think the team has prepared a presentation, so we can begin with the presentation and if we have questions, we'll just ask those as we go along.

MR G. QONDE: Thank you very much.....

JUDGE J.HEHER: Sorry, may we ask you for the benefit of record, to place your name on record before you speak, so that the Transcribers know who is speaking. Thank you

MR G.QONDE: No thank you very much Judge. My name is Gwebinkundla Qonde from the Department of Higher Education and Training as a Director General.

JUDEG J.HEHER: Yes Sir, thank you.

MR G. QONDE: Today we are presenting the work that has been undertaken by the Ministerial Task Team that the Minister set up, which was tasked in the main to investigate and advise the Minister on alternative financing and operating models for funding very poor and missing middle students amongst other things - but we would talk about that bit later. But as a way of background, the genesis in respect to all the work that the department has undertaken in so far as improving efficiencies as well as funding within the entire post-school education and training in the main, started in 2010 upon the Minister and the department receiving quite a lot of complaints from within universities across stakeholders as well as TVET colleges in so far as inadequacies of National Students Financial Aid Scheme in respect to funding students.

At that point, the Minister established in 2010, Ministerial Committee on Review of NSFAS, which undertook quite elaborate work which amongst other things came up: (1) with what was we characterised then in the report as the Missing Middle, as one of the problem areas that funding of students within the system is confronted with, that's where basically this concept of Missing Middle is coming from. It's those students who fall outside the cap of 122 000 per annum, which amongst other things, were not rich enough to be able to afford education in the system but not so poor as to meet the NSFAS Means Test. So the report advised at that time and recommended that we have to work towards fully subsidised funding for the poor students and worked out costs which at that time reflected that NSFAS would require an injection of about R37 billion over the MTEF of which 15 billion was required quite instantly.

And going on from that, there was then a recommendation to adopt a new model of financing students within the system which is a student-centred model amongst other things. And in 2013, a Working Group Report on 'Free University Education for the Poor in South Africa' was established and indeed undertook its work, and recommended a Policy Dialogue Model to determine parameters of which we have undertaken as a department where students, university managers, councils and a whole range of stakeholders were engaging with a view of ensuring that there is sufficient consensus and consultative process both horizontally and vertically in order to arrive at a determination of a policy regime that would enable the question of funding within the system. And in respect....

JEDEGE J. HEHER: [interjects] May I just ask you something Sir? Before I was asked to head this commission, I was not aware of all of these initiatives or any of these initiatives, perhaps because I hadn't made myself aware or I felt no need to at that stage. I have.....and talking to my fellow commissioners this morning, we have an impression that far too little publicity has been given to the huge amount of work that has been done in the preparation of these reports and these investigations. And the general public is lead to believe that the government and government agencies have been doing very little or nothing which is quite clearly not the case.

In the course of these ministerial reviews and working group and so on, how much has been taken, how much trouble has been taken to make the public aware of what has been happening? The students give the impression that almost nothing has been done and that the government has been dragging its feet and so on, which is not the impression that we get just from the primary first reading of this. How much PR has come from your side to publicise the amount of work that you've been doing?

MR G. QONDE: There is some measure of PR that came from our side but basically from the stand point of the department. The intention was actually to inform the bidding processes within government of which we intensely undertook. You would realise that in some of the presentations that we made available to you in respect to our bidding for more money and resources to be allocated for the post-school education and training system and what eventually we would get that though it has increased but was not able to actually cover the need. Between 2010 and 2016 as a public record, you would find that the amount that the government put into national student financial aid scheme increased up to about 45%, that is increase.

JUDGE J. HEHER: I am not talking so much about the amount of money, but the amount of the background work and investigation into what is required in order to improve the situation of students. Because I think the public are as ignorant as I was and I don't think that perhaps that the government side of things is serving itself as well as it should be, having regard to the activity that has been going on.

MR G QONDE: The point I'm trying to illustrate here judge is that there is somewhat a difference between having done the work and also informing the public about it and making resources available to undertake the actual need - so there were those processes. And more of the emphasis we put into ensuring that we bid and we get the resources that are required which unfortunately were not to the extent that they would be able to cover entire problem, that was the purpose from the stand point of the department. You may well be correct that perhaps in terms of publicity and ensuring that we inform the public about the work that we have done, it was not to the extent to which it should have been but it may not that it was the basic intention as such.

JUDGE J. HEHER: What troubles me is that the public may have got a really one sided view of what's going on. Ms Pillay is your attitude similar to mine?

ADV K. PILLAY: I think that the information before us doesn't point out to a very widespread publication of the different reports and the action taken in respect of the recommendations Chair.

JUDGE J. HEHER: Alright. Would you continue please.

MR G QONDE: Thank you very much Judge. Then in respect to 2013 Working Group Report on Free University education for the Poor in South Africa.; in respect to these engagements, one of the thing that really went into the work is the international studies that were conducted, which were showing a variety of experiences across the globe of funding education at tertiary level , free of charge, of which quite a number of countries in as much they have started those policy processes; it proved that it couldn't sustain in the implementation in quite a number of countries. And they reverted back to where they were or in worse circumstances than they were originally at pre-introduction of free education.

And in some countries, is just a variety and also what is important is the recruitment and selection to who would go to a University and who would go to a college, because when government is making this monies available in the countries that we engage with, a determination as to who goes to University is done by government, because they are paying the costs because they want amongst other things to ensure that there is value for the money that they put in. Of course these reports, we have made available to the committee in full unedited. Now the other point is the Ministerial Task Team that was established on the 13th of April 2016 to develop a Support and Funding model for poor and missing middle students. This is what we are about today in respect to the culmination of this work which is chaired by Sizwe Harold Nxasana who is next to me. I got to know Harold only today.....

[mixed voices] [chuckles]

MR NXASANA: Errol

MR G QONDE: Yes I'm making a mistake, I got to know Errol only today. The mandate basically Honourable Judge that was given to Mr Nxasana was to determine and advise on alternative financing and operating models for funding very poor and missing middle students; and to consider relevant legislation, public policy, findings and recommendations of Presidential and Ministerial Task teams, reports and guidelines that we already made points to and also funding of education in high demands in the country. And create efficient and robust model therefore is of implementation and effectiveness in the system.

JUDGE J. HEHER: Yes, we have been given a copy of that report.

MR G QONDE: That's correct Judge. So the Minister also appointed a reference group to interrogate the findings and all relevant stakeholders included and replaced the policy dialogue going forward. And as the Minister indicated when he appeared before the commission that the processes of subjecting the report to government subject would be undertaken and indeed the cabinet has engaged already on the report and it has approved that it has to be published; and also the communication in respect to it - there must be a strategy in place that is put forward amongst other things. And then upon gazetting it, we will actually hear as to what the public is coming up in terms of comments on the report.

JUDGE J. HEHER: When is that likely to take place?

MR G QONDE: We hope in 2017.....to us is one of top priorities that we are working towards at the present moment. Maybe at this stage Judge, with you permitting, I may hand over to the key person who took charges for the development of this report based on the Terms of Reference that were worked out by the department. Thank you.

ADV K.PILLAY: DG before we hand over to Mr Nxasana, may ask you a few questions around the Terms of Reference for the Ministerial Committee, and these are set out on page 11 of the report. I just want to get clarity on a few things, and the first bullet point where the Terms of Reference are reflected, states that: the task team was asked to address whether on the existing NFSAFS Act, Structure and Mandate is still suitable to address funding and other forms of support to poor and missing middle

students. So was the idea then that the task team would do a complete analysis of the current NSAFS models, specifically in relation to poor students as well..... let's just leave aside the missing middle for the moment; into looking at the current NFSAFS structure and how to support poor students.

MR G. QONDE: That's correct Evidence Leader, because the intention was to ensure that we do not constrain the task team in undertaking its work. They have to look at everything possibly that would make their work relevant and implemented, including if so required the change in legislation across the board if there would be a need to amend that legislation in order to give a way for an efficient and effective implementation of the model - that would adequately cover the working class and the poor on the one hand and also the missing middle on the other hand - that was the intention.

ADV.K.PILAY: Alright so if I understand you correctly cause we see the very poor.....those students that are covered by the current NSFAS dispensation; we see those as being distinct from the missing middle who are currently not covered. So according to you, it was the responsibility of the task team to focus on both sets?

MR G. QONDE: Certainly, quiet holistically because the policy of the governing party is actually committed into funding fully the working class and the poor up to the first attainment of the qualification – that is undergraduate degree which hasn't been realised quite adequately since the inception of NFSAFS; and there were some issues in respect to that which in actual fact in 2010 they were raised. But it was also to ensure that amongst other things, issues or measures that would enable to ratchet success in the system in respect to the students, who are supported, should actually be looked at. Because once you put money, there must be value for that money and there must be good returns which in this case would be the pass rate as well as the throughput rate - so they had to look at all these matters quite holistically

ADV.K.PILLAY: That leads us to the second bullet point and the reason why am dealing with this now, is that I just wanted to understand the thinking of government in setting up the task team and what it hoped to get out of the task team. If you look at the second bullet point: the task team was raised meant to raise sufficient funding from the public sector, private sector and other sources to offer the complete solution to fund poor and missing middle students at Universities and TVET's.

Can I just get an understanding why it is in relation to both the poor and the missing middle, that government wanted the task team to look at the possibility of raising sufficient funding from private sector sources. Because we know that and this has been evidence before this commission thus far, government has wholeheartedly accepted the obligation to fund poor students. So why in that context if you look at bullet point 2, is one of the tasks allocated to the task team to look at raising sufficient funding from private sources for poor students?

MR G. QONDE: Basically what informs approach in this one, is both the experience as well as the magnitude of the need. If you look currently, the funding for poor students is mainly from the baseline which is allocated from budgetary allocations from the Treasury, but also there are other sources of funding already that get channelled through NFSAFS from other government departments for instance: Basic Education; Funza Lushaka for the training of Teachers; Social Development and other government

department; Health; National Skills Fund as well as SETAs, and also provincial governments and municipalities - they come the part and support poor students, informed by their policies. But also there are students who are funded by bursaries from the private sector and some companies; banks for that matter, they make monies available either funding students direct or contributing towards the coffers of NFSAS. For instances at some point, Nedbank made available to the tune of 10 million, into beefing up out the coffers of NFSAS.

So those experiences are actually indicating that there is whole lot out there from both public as well as private who are actually willing to come to the party in order to assist poor students to access and attain education in the country. But also the magnitude of the need is too huge, it requires resources from both public as well as the private sector

ADV K.PILLAY: But government isn't stepping away from its acceptance that it's got an obligation to fund poor students?

MR G QONDE: Certainly not - it's just that it's welcoming. You know in a democratic dispensation, you welcome everybody who would like to come on board towards realising a particular objective that's the government is doing of essentially knowing that it has to take full responsibility into ensuring that those resources are made available to fund the working class and the poor on the one hand, as well the missing middle hand on the other hand

ADV K. PILLAY: In relation to the missing middle, how does government understand its obligation to funding?

MR G. QONDE: When this was initially investigated in 2010, the report came out to signal that one of the problem areas that results into students at times dropping out or hugely indebted to proportions that quite high, is students from missing middle. Because theoretically, if you are earning 130 000 per annum, per year as a family, that is not enough really to take any student to a tertiary level or TVET college for that matter. Though you are falling outside the cap of 122, you're still very poor really in theoretical terms. Then, having that experience and also feedback from institutions, as to what problems do they encounter year on year, when registration times comes as well as at the end of the year.

You would also recall that some of the interventions that the department made as early as 2010/ 2011, was to identify the amount of debt that was in the system, and lump sums were identified - it was R200 million at that stage, because some of the students couldn't get their results, so that they can be able to look for jobs. So all those experiences informed us that the question of the missing middle requires attention assistances from government. What could be debatable is to what extent that assistance should actually be given, of which the task team has worked in that area.

ADV K. PILLAY: From the perspective of progressively realising the right to further education, as it's articulated in the section 29 of the constitution, how does government understand its obligation to the missing middle?



MR G QONDE: You would recall when the Minister appeared, he was saying ideally we should work towards a situation whereby any student irrespective of the wealth of his or her parents, if one would want to access money to further his/ her studies. Perhaps it should be one of the objectives we work towards, but it would be based on what will be the terms and conditions. But in this case in respect to the missing middle, it's not one of the luxuries, it's something which the system needs because it's a pressure and a problem area at the present moment.

ADV K. PILLAY: Can I just understand DG, is that government's positions in respect of the right, that you've got the obligation to progressively realise the right of fee free education for all at some stage?

MR G QONDE: It's not fee free; it's provided quite progressively in so far as access is concerned. I think that's what the constitution is actually stipulating.

ADV K PILLAY: That's what I picked up from the report which is why is quite an important point; and I am just trying to understand before we go to the ministerial task team. I just want to get to the Terms of Reference and the Mandate to the task team. What was the understanding of government on the nature of the obligation?

MR G. QONDE: In respect to the stand point of the government, you will reconcile two things: Section 29 of the constitution as well as the resolution of the governing party and of government for that matter in respect to the commitment of introducing fee free higher education progressively for the children from poor and working class families.

ADV. K PILLAY: DG can I muddy the water a bit. I just want refer you to the international covenant on Economics, Social and Cultural rights, which we know South Africa ratified, in the convention in January in 2015. I just want to refer you to article 13:2 of the covenant and I emphasise again it's a ratified covenant which means it's got binding effect. Article 13:2 says: the state parties to the present government recognise that with the view to achieving the full realisation of the rights, higher education shall be made equally accessible to all and that's the question of accessibility you have raised, on the basis of capacity by every appropriate means and in particular the progressive introduction of free education. So in other words, the covenant doesn't limit that particular right to only the poor; it says that they will have to be progressive realisation of free education by implication for all.

MR G. QONDE: It's question of the context in respect to this matter; the context within which we have engaged in all this processes are derived from the constitution and the resolutions that I have made reference to – it's not an open ended thing.

ADV. K PILLAY: I accept that DG but you know what, I'm sure your legal advisers in the department will tell you that the constitutional right has to be interpreted within a particular strategy framework. And one of the crucial factors to be taken into account, is any international law obligations that the country has. And so once a covenant is ratified, that converts those obligations into stronger obligations by virtue of ratification. So I just want to get a sense whether the covenant was considered; the content of the covenant was considered, when you approached the question of the poor and missing middle and specifically those students who also fall beyond the ambit of the missing middle.

MR G. QONDE: No it was considered taking into consideration of course the amount of resources that are available at the present moment and the economic outlook of the country; and what is the contextual reality at the present moment. But in terms of the vision, that's what countries are engaged in at the present moment and these are the discussions also that find themselves even in the AU processes amongst others. You are quite correct from the angle that you are coming from, but the departure point in terms of government, is informed by these prescripts as I've alluded.

ADV K.PILLAY: But do I understand you correctly DG, that the vision is to progressively realise the rights to free education for all?

[mixed voices]

MR G. QONDE: To come in a bit here.

DR. D. PARKER: Perhaps I can just clarify. In terms of the processes that we've been involved in, we take very seriously our constitution and what our constitution says which is very clear, when it talks to the right to further education. It speaks about the right to further education being made accessible and available, it doesn't speak to anything about providing it free and it says that it must be made progressively available.

What government has said, is that for students who are financially needy, we have to be able to find ways of supporting them. And in terms of the work on this particular process, the reason for including the missing middle, was because they have been identified as being financially needy. And that is really spelt out in our white paper on higher education which is very clear about ensuring that those who are financially needy, are not denied access to higher education on the basis of financial need.

What the international declaration says and what the government signed to and in terms of their declarations and reservations was, and I will read to you: "the government of the Republic of South Africa will give to progressive to the right education as provided for in Article 13:2A and Article 14 within the framework of its educational policy and available resources". And therefore the framework of our policy, is the framework within which we understand that.

[mixed voices]

JUDGE J. HEHER: [Interjects] indistinct] understand you to say that in so far as the attainment of the constitution goal requires free education because it can't be realised otherwise, then that is within your mandate that the education should be free. But in so far as the constitution goal doesn't require the progressive realisation through free education, it's unnecessary for us to provide it.

MR G. QONDE: It is.....consistently across.....free education for the poor, I think it's important to emphasise that it has never been a notion of free education for everybody, not at any given stage, so that is the framework within all engagements and processes of government are confined.

ADV K. PILLAY: Just a final point, and that's coming back to what you just testified to Dr Parker. The covenant is very clear that it doesn't limit the provision of free education to the poor, and I accept that

South Africa signed that and added the constraints within available resources which in a sense is almost redundant, because the section does require progressive realisation. So both into the notion of progressive realisation, is the question of resource constraints. The important distinction between what the covenant provides, and what you been testifying to DG is the fact that, the covenant requires that the obligation to provide free education for all to be part of your vision at some stage. It doesn't have to be now, it must just be the vision of the government going forward - that's really the distinction.

MR G. QONDE: But in respect to our own premise as the country, we foreground that - what it actually means for us, I think that's the point that we should not lose sight of.

DR. D. PARKER: Just to.....in terms of what the South African declaration and reservations says, it's very clear, it's not just about resources. It's also about within national education policy, and our national education policy does indicate that we have to provide fee free basic education for all, it be must be made available to all who need it, as well as adult basic education.

But that further education and training is access and available, that's what our education policy requires. And our white paper on Higher Education and Training is very clear as well in terms of what the policy says. So that reservation is directly in the covenant, and I think in so much as policy would change, then one could start arguing about what we would do. But I think the important thing is that we ensure that all students are able to access higher education and they should not be denied access on the basis of financial need, and that's our main focus in terms of our policy and our processes.

ADV K. PILLAY: Now DG if the government had to accept - and I'm just putting this as hypothetical. If the government had to accept that it's got the obligation at some point to realise fee free education for all; would it have changed the Terms of Reference of the Ministerial Task Team, would it have had any impact on the mandate of the Ministerial Task Team?

MR G. QONDE: No, "relatively for all" would actually entail the working class and the poor and of course the missing middle. And others would access education on their own, so government can't say they can't access but the point is they've got means to access it - so that's what we are working towards. But then the government is making an undertaking into saying, those who fall short of taking themselves through the system in terms of access, it's coming in to assist the realisation of that fundamental objective, which at the present moment is the poor as well as the missing middle, as the studies have actually indicated.

ADV K. PILLAY: Just to move briefly to the third bullet point on the Terms of Reference. It states that: the task team must look into the feasibility of granting fully subsidised loans to poor students and loans with progressive reducing subsidies as household income increase for the missing middle students. Now did government consider asking the task team to look into providing fully subsidised loans.....well bursaries for both the poor and missing middle? So in other words, why the early decision that the missing middle would be required to pay back?

MR G. QONDE: I've indicated earlier on that amongst other things, we have learned from the practises and experiences from institutions themselves as to how these issues pan out to be; hence in our crafting

then of terms of reference, we made these emphasis and gave an open mandate to the task team to actually look at the imperatives of ensuring that we are able to assist poor students as well as the missing. We took that quite into consideration.

ADV K.PILLAY: But DG with respect, it appears from the third bullet point not to be an open mandate, It's in fact the contrary. So rather than ask the task team to investigate the best possible way to fully fund students from poor and missing middle, you specifically carve out for them a specific terms of reference that requires them to look into bursaries for the poor and sliding scale loans to the missing middle.

MR G QONDE: I think consistently what we have been emphasising in this commission is the question of access - that should not be denied. The modalities of funding in respect to attain that access, that's what the task team was looking at amongst other things. So we don't see a contradiction from our own standpoint as government in respect to that.

ADV K. PILLAY: But you'll know that this notion of contingency loans is a huge bone of contention for the students, who complain bitterly about the duty to pay back once they've completed their studies; and the kind of burden that it places on students. And we know that government is fully aware of this because you see it recur over and over in all of the reports into student funding. Now with that background in mind, why does government specifically tie the hands of the task team upfront, by imposing this model of a contingency loan in respect of the missing middle students? And why not give the task team the freedom to look into finding full funding for students from the missing middle backgrounds as well?

MR G.QONDE: I think from our own standpoint, the issue is not just the question of loans but what are the terms and conditions in respect to allowing access and making funding available for that. And to what extent, based on those terms, conditions and models that are out there, to what extent a student would be burdened by a debt. Those are the things that the ministerial task team actually looked at. And their contemplation already is looking on some kind of sliding scale mechanism taking into consideration what would be the concrete evidence, compelling evidence per student circumstances that would be supported through these measures of government - It's not just an open ended thing. So that one we are mindful of, hence the task team has actually looked at the modalities in so far as also minimising substantially the impact of a loan.

ADV K. PILLAY: So put simply DG, was the task team open to consider - and we know once you go through the report, one of the things they did was consider the constitutional obligation in section 29. Was the task team open to consider government's obligation under section 29 and whether or not he children from the missing middle background should be fully funded or given contingency loans - were they able to consider that?

MR G. QONDE: It could be fully funded, it could be both. But central is the question of how can we ensure that we afford every student who would require to further his/her studies, access to the system without any burdensome that will triple that student living life beyond studying. Hence the ministerial task team amongst other things that they looked at, is the question of post-graduation; what are the

possibilities, what are the scenarios, the question of placement, work placement into ensuring that those students who've been assisted are not left in limbo, they are looked after in the entire value chain throughout the entire process up to work placement at the end. Because it's actually taking into consideration the issues that you are raising, how best could they be mitigated so that they not become a burden, but an enabler to all students who would be assisted at various categories they find themselves.

ADV G PILLAY: So what you saying DG is that the task team was free to consider the feasibility of providing fully subsidised loans to the missing middle?

MR G. QONDE: That's correct within a range of a particular model that would be sustainable.

ADV K. PILLAY: Thank you DG, I think we can let Mr Nxasana begin, we will have questions for him in the course of his presentation, thank you.

MR.S.NXASANA: Thank you very much Evidence Leader

JUDGE J. HEHER: Mr Nxasana please put your name on record for the purpose of the transcription please

MR S.NXASANA: Sizwe Nxasana here. And I am going to be taking over from the Director General in presenting the work of the Ministerial Task Team. I will start with the mandate and maybe some of the questions that Advocate Pillay posed and put before the DG, are quite important because clearly it informs all of the of the work we did in our investigation, our review as well as the recommendations that follow.

As been indicated by the DG, we had to take into account previous work that the department had already done. So in interpreting our mandate, we looked at previous reports, previous work that was done whether it was the NSFAS review or the investigation around the funding of poor and missing middle students, the constitution.....and I must say, we obviously did not look at the covenant that the Evidence Leader-Advocate Pillay had indicated. We simply looked at the constitution; we looked at the public policy and various pieces of legislation in executing our mandate or interpreting our mandate.

And as we began the work, one of the key things that we then did was to create the work-streams, in other words the experts that would look at various aspects of how our mandate would be interpreted, and would be exercised. We obviously had to create a Project Management team, a legal work-stream that will look at all public policy, the legislation and regulations.

We looked at the funding, exploring various funding options, both those that sit within the public sector and those that sit outside of the public sector, domestically as well as internationally. We looked at how the process itself would work, taking into account the processes of the National Student Financial Aid Scheme as they currently exist. And obviously I am quite privileged to have started as the Chairperson of the National Student Financial Aid Scheme, so we are quite familiar with that.

We looked at alternative funding mechanisms particularly to address the improvement of the outcomes of the funded students, both those that come from poor as well as missing middle backgrounds, taking into account the relatively high dropout rates that currently affect those students. And that's where the social impact bond is an instrument that we are exploring and we continue to explore. Systems and technology that would be required, especially taking into account the improvements that are required to enhance the current NSFAS systems.

And then we considered how we may run a pilot to test some of the key assumptions of the model, and I will come to that in a moment. And in putting together these work-streams, we also started much earlier on this year consulting with business because one of the key issues and the Evidence Leader had already asked the question around whether the sources of funds were just limited to what NSFAS was getting or whether they were limited to just the public sector. And we wanted to make sure that, one we look at the alternative funding sources but secondly we look at the partnership especially to improve the employability of students when they complete and graduate and how we would link that to the private sector. And therefore consulting with the Business Leadership South Africa, which represents about 85 of the largest companies in this country, as well as Business Unity South Africa, to make sure that at least they were familiar and they were aware of the work that the Ministerial Task team was doing, and where we were going in terms of some of our key recommendation, in terms of our mandate.

As the DG had indicated, the Minister had created a reference group, and the reference group's mandate was to interrogate and provide advice to the Ministerial Task Team as the recommendations were being put together. So there were a number of student organisations that had been identified by the Department of Higher Education and Training including the South African Union of Students who attended the session - the reference group sessions, the South Africa Students Council - SASCO also attended; the Pan Africanist Movement of Azania - who did not attend the reference group meetings, the Democratic Alliance Student Organisation - who attended one meeting, the EFF Students Command - who did not attend the reference groups, and the South African Further Education and Training student Association who also did not attend the reference group meetings.

ADV. K.PILLAY: Mr Nxasana, may I get a sense of what was the level of the students' involvement in the reference group?

MR S. NXASANA: The level of the engagement.....we had five reference group meetings - at least five because there were also subcommittee meetings that were dealing with specific issues. And the level of engagement was very robust, they interrogated the various aspects of the work that the Ministerial Task Team was doing including the recommendations, and in fact some of the engagements lead to adjustments or amendments to some of the recommendations that we were making. So the engagements were very very robust.

ADV K.PILLAY: What was the nature of the input, what were the issues being raised by the students?

MR S.NXASANA: There were number of issues that were raised by the students. They range.....and I'll get into them when I go into the presentation if I may. But if I could just summarise some of those issues;

they range from the governance structure that was proposed in the model, the funding mechanism - especially the means testing process that would be applied in the model and see that it is fundamentally different, as it is proposed from the means testing process that is currently employed by the National Student Financial Aid Scheme, the determination of the occupations at high demand. The promotion of scarce skills was one of those issues that were raised, because clearly initially, in the initial recommendations, there was going to be a bigger focus on the production of scarce skills and there were issues that were raised around that. The calibration of who is defined poor and therefore gets free versus who is defined as missing middle - some of those issues were suddenly pointedly raised. The collection mechanism that is proposed in the model, which you will see later on.

It's proposing the use later on when the South African Revenue Services is able to do so, using that mechanism for student collection and obviously the different treatment that would apply to the poor versus the missing middle students, that certainly would have been an issue that was raised by the students. Every aspect of the recommendations of the Ministerial Task Team would have been interrogated by the students.

MS L.KHUMALO: Before you proceed, I wanted to check, on consultation with business, was the two formations you met; were they exhaustive, was there a particular reason for selecting them or you still have wide-range to consult and what was the attitude of business towards participating here.

MR S. NXASANA: BUSA is an umbrella body of organised South African business and therefore it represents different stakeholders in the business community. And as far as BUSA is concerned, we continue to consult with them, so we in fact.....I think I have a meeting that is currently being arranged for further consultation. As the DG indicated, with the department deciding to issue.....especially after the approval by Cabinet, the report for public comment, we expect further inputs to be made by the various sector including the various sectors of the private sector.

Business Leadership South Africa, in its subcommittees for instance - you have the banking sector, the insurance sector represented by the Association for Investment and Savings in South Africa (ASISA), have been very very involved in the work-streams that have developed some of the recommendations. So they are not just involved at the level of consultation, they form part of the work-streams that have developed the solutions. But obviously there is still further work and other structures of business that would still be consulted after the report has been issued for public comment.

And then the Higher Education institutions and bodies that were also the part of the reference group include FAPSA which is the Financial Aid Practitioners of South Africa and the University Council Chairs Forum and University SA - which is USAF, which represents all of the public universities in the country.

JUDGE J. HEHER: Excuse me, I don't know about the Financial Aid Practitioners of South Africa. Who are they, what do they do, do they include banks for an example?

MR S.NXASANA: No the Financial Aid Practitioners of South Africa is a body that represents all the Financial Aid Officers that sit in the Universities. So for poor students that are currently funded by NFSAFS and this is not only job that they do, but those students would go to a Financial Aid Office at

every University. So every University has a Financial Aid Office and those people have formed themselves into an organisation called FAPSA.

JUGE J. HEHER: Thank you.

MR S. NXASANA: So the Ministerial Reference Group also consulted and included departments.....various government departments and agencies including Department of Higher Education and Training, the Department of Finance or National Treasury, Department of Planning, Monitoring and Evaluation, DTI and National Student Financial Aid scheme, the SETAs, South African Revenue Services, the Broad Based Black Economic Empowerment Commission and the Council for Higher Education and Training. So that's quite an extensive list of government departments or agencies that have some or other thing to do with the funding of students.

And if I just go to the next chapter - the Blueprint itself. So in developing the blueprint, and you'll see in the Executive Summary of the blueprint, we have code-named.....it's a project name for the blueprint to distinguish it from the National Student Financial Aid Scheme. We call it Ikusasa Student Financial Aid Programme - called ISFAP. And as a starting point, we looked at the constitution of the country which has been quoted already, which as far as Higher Education is concerned, says that in higher education, the state must within its reasonable means, make higher education available and accessible. So that was the starting point for us in exploring the construct, the architecture and therefore the recommendation that would inform the blueprint.

And the starting point in as far as our mandate is concerned, started by looking at the TVET colleges which by and large the government already funds the very poor as well as missing middle students that are in the TVET colleges. And the programmes that are either Nated programmes of the NCV programmes, are largely subsidised. And the balance which is not funded or subsidised, is subsidised through the financial aid scheme.

So I think this is the point which is often missed in the country, that when you look at the state's obligation in terms of funding poor students and missing middle students, a lot of programme has already been made in the TVET colleges which are largely funded. So there is a very small percentage of students that are in the TVET colleges that either not going through subsidised programmes or that are not funded through the National Student Financial Aid Scheme. And the criteria for funding.....

ADV. K. PILLAY: [Interjects] Mr Nxasana may I just stop you there just very briefly because we had the NSFAS team testifying before us last week. And their evidence was NSFAS does fund only ministerial approved programmes in TVET'S.

MR. S NXASANA: That is correct because most of the programmes are already subsidised directly by the department. So the NSFAS component, which is the funding which is just over.....almost R2.5 billion, only funds the gap, in other words the gap which is not currently taken care of by the department.



ADV K. PILLAY: The evidences that was before us was that in relation to occupational programmes, and what's called 'other programme' at TVETs, that there is no state subsidisation through DHET....no subsidisation of those programmes

MR S. NXASANA: Ya, Occupational Programmes are funded by companies that offer those occupational programmes, so those are not funded, are not fully subsidised and the DG can.....

MR G. QONDE: [Interjects] No you are correct Chair. Those are programmes that come at the request of a third party. It would be a company, it will be a University for that matter for a short programme of year or what have you; or Sector Education and Training Authorities, they would partner with the colleges to offer certain programmes for a certain limited period of time. So they are at the request in the main of a third party. So the chair is entirely correct in respect to that, here we are talking about ministerially approved programmes that are offered within TVET colleges - which is NCV, as well as Report 191.

ADV K. PILLAY: The only point being DG that there is a body of work, there are number of programme in the TVET college curricula, made up of either occupational programmes or what's called other programmes. Other programmes which an institution wants to offer for an example, for which students receive absolutely no NSFAS funding or DHET subsidisation?

MR G. QONDE: No, we have to look at this in respect to the mandate of a college in so far as the white paper is concerned in the main. That colleges should be able to respond to the needs of the communities within which they are allocated, and those needs are determined from time to time by the respective communities or entities, companies within those communities. They are not within the control of the department as such. It's an arrangement that the college would enter into, upon realising the worthiness of offering such programme based on the arrangements that they would come into together with the third party. It is not something that we would have a control of.

All what we have provided as a policy regime, was that colleges including Universities for that matter, in respect to third extreme income, it wouldn't come from the baseline from the government. They make arrangements with companies for research work, for certain programme with municipalities within in an area, to train councillors or municipal officials in a particular programme.

So we have to look at institutions as being serving communities in a variety of the needs and requests by those communities. We don't want to stifle institution and colleges into saying: you shall offer that we approve as government. They must be able to serve the communities; it's only that variation which we think it's important

ADV K. PILLAY: And yet DG the DHET subsidisation and NSFAS importantly, is limited to Report 191 and NCV programmes?

MR G. QONDE: It is ministerially approved programmes, programmes that got initiated from other processes. They are having a different funding regime, based on the agreement that a college would have or the university would have for that matter with the requesting party

JUDGE J HEHER: Ms Pillay we can the tea break when it's convenient to

ADV K.PILLAY: I'll just check with Mr Nxasana when is the convenient time in terms of the presentation to take a tea adjournment

MR S.NXASANA: Perhaps I could finish just the slide I was on, and then we could take a break. So in the blueprint, one of the key recommendations of the blueprint - and again just going back to the mandate that was given to the ministerial task team. The key recommendation, haven't considered the previous reports, the affordability, the allocations by government of budgets over particularly the short to medium term time-frame, is that it is possible and financially viable in the short term to offer fee free education, with the combination of grants, expected family contributions and loans to the poor and particularly to the poor, and obviously accommodation of grants, expected family contributions and loans to the missing middle. So that's the conclusion that we reached in the recommendation.

And I will explore that when I present how we looked at that model. And perhaps just I could do the next 2 slides very quickly because they simply capture what the mandate says and sort of provide a high level set of objectives that we then explored. So the first one was to promote the progressive support of financially needy students to our education, so that's why we looked at the constitution as our starting point. Secondly to improve efficiencies because we know there are number of inefficiencies in the current model of funding poor students - so how we could possibly do that.

And in terms of occupations and high demand, how we could fast-track through the model the production of scarce skills in the country. And incentivise all these stakeholders; government, Universities, TVET Colleges and the employers or the private sector to focus on producing high skills or scarce skills in the country. And one of the key issues which has been a bone of contention particularly for NSFAS funded students, is high drop-out rates. And how we could provide additional support to the funded and supported students, to help them progress, graduate and find employment when they complete. And also how we make sure that there is so called 'skin in the game' for everyone in the funding of students. Because just going back to the question that was asked by Advocate Pillay earlier on, NSFAS today receives almost 100% of its funding from the public sector, even the funding that was previously received from the private sector has evaporated, has disappeared over the years.

And how do we make sure that in the context of the National Development Plan, that says: education is a societal issue and calls for active citizenry, we bring all the stakeholders around the issue of funding and supporting students in the higher education sector. And then create a shared responsibility among stakeholders, all those stakeholders to fund students. So we explored all of these things because we felt it was important to do it.

ADV.G ALLY: Sorry Mr Nxasana, I think you are on page 14 now....

MR S. NXASANA: Yes sorry I forgot to....

ADV G. ALLY: Can you enlighten us as to point 5 what you have there in inverted commas. We've had that many phrases here in this Commission; I haven't come across that one.

JUDGE J HEHER: What does that point 5 mean?

MR S.NXASANA: Well it means it is important to have the different stakeholders have something to lose or gain by supporting students. In other words, when you look at it at the moment, employers which span the public sector and the private sector, clearly benefit from the students that are produced by the higher education sector. And therefore if they are beneficiaries of that system, it is important for them to increase their investment in that system as an example. And the same applies to higher education institutions, so higher education institutions - yes within the context of constitution and our legislation which talks about how the higher education sector is setup in this country, obviously they are responsible for the production of skills in the country, but in doing so, they need to work with other stakeholders, they need to work with government, they need to work with the employers because very often you do find there are a number of cases where there is a disconnect between these institutions and for instance what happens in the real world - in the world of employment as an example, in terms of the quality or relevance of the programmes offered.

So it is important to have everybody in one room and say: what....in the context of the National Development Plan – just using that as a benchmark; how do we make sure that as country we pull together to produce the kind of skills that we require. That we support the constitutional responsibility of government to make higher education available and accessible, because it can't just be an obligation that sits with government, with other stakeholders sort of sitting on the side-lines. So it is about bringing all of these stakeholders together for the common good of the country.

ADV.G ALLY: Thank you

JUDGE J. HEHER: Ms Pillay, normally we're being pretty flexible about the tea break, but I think that having regard to the extent of this presentation, I think we should confine ourselves to a quarter of an hour

ADV.K PILLAY: That's perfect, thank you Chair.

JUDGE J HEHER: We will adjourn for quarter of an hour.

.....ADJOURNMENT.....

JUDGE H HEHER: Yes Mr Nxasana, you are still under your oath thank you.

MR S NXASANA: Thank you Honourable Judge

ADV K.PILLAY: Mr Nxasana before you continue, may I just ask a question around the slide on page 12 or slide 12. You mentioned in respect of the second point which is 'Improve Efficiency of the new model over the current model', you testified that there were inefficiencies on the current model which were considered by the task team. Can you just give us an idea of what those inefficiencies were?

MR S NXASANA: There are many inefficiencies and some of them, we will cover in our recommendations around the amendment of the NSFAS Act, which range from the.....If you look at the NSFAS Act, let us just start there. If you look at the NSFAS Act, NSFAS is in terms of the NSFAS Act, supposed to allocate funding to students, raise funding, do research and advise the Minister on all matters pertaining to the funding of students. It doesn't for instance put any obligation on the National Student Financial Aid Scheme to concern itself about the progression of those students, including how the National Student Financial Aid Scheme may work with institutions, particularly universities and TVET Colleges to look at solutions how you for instance; reduce the drop-out rate and work with the department in that regard.

so when you look at the total funding that is available at NSFAS every year, and you consider the progression rates of those students and the drop-out rate that relate to those students, you will find that generally even though the drop-out rate has reduced over time, it is still very hard, so there is a huge amount of leakage in the system. And the second one is around the funding formula itself, because when a student enters university – I'm just going to limit my comment to universities for now because the criteria for funding universities is not the same as the funding TVET colleges.

When a student enters at first year of study as an example at a university, they get a loan, 40% of which may be commuted or converted into a grant if a student passes a certain minimum number of courses. With the high drop-out rate and just referencing that to the drop-out rate, you find that for the students who drop out after first year - obviously they don't get the benefit of the conversion of a grant of the portion of that loan to a grant, which means those students would have a debt for something that they never got. And in fact they can't repay that loan because often those students would add to the pools of unemployed people in the country because they have dropped out in first year, and they have a loan and therefore they are not able to pay that loan because they don't have employment.

There are other inefficiencies - if you consider the recoveries or the collections of those loans; NSFAS has a loan book as at the end of the last financial year ended the 31<sup>st</sup> of March 2016, of some R24 billion. The total recoveries of those loans in that financial year, was about R250 million. Now in the strict definition of what constitutes a loan, one can argue that in fact the bulk of that R24 billion, whose fair value sits at about just over almost R7 billion, so you have a difference in terms of the nominal value of the book, which is R24 billion, and the fair value of that book, which is give or take - about R7billion. You have R17 billion write down, yes part of that is because of the conversion of those loans to grants, part of that is because of the discount in the interest rate that is charged by NSFAS. But the significant amount is simply because those loans are not recoverable. So those are some of the examples of the inefficiencies that exists in the current NSFAS model - there are a lot more others.

MS L KHUMALO: I just wanted to also mention maybe one of the inefficiencies, is the success of the funded students in this model. Is it one of the objectives that maybe the new model looks at how can that can be improved - the extended programmes, the curriculum changes?

MR S NXASANA: Yes you will see later on in the presentation, that we are recommending.....the Department of Higher Education and Training already has a student support programme. So we are recommending the enhancement and the scaling of that student support programme and the acceleration of its implementation to particularly focus on the reduction of the drop-out rate. So you will see later on what the department is doing and what we are recommending in terms of the support of that programme.

MS L KHUMALO: On these 6 strategic objectives, would it be part of the "skin in the game" maybe? Or where would we put it in there?

MR S NXASANA: Yes, absolutely. So you will see in the next slide that I am going to present after these objectives, just the construct, the structure that ties the various stakeholders especially government and the funders of the private sector in the so called 'skin in the game' because it has got to be made to stick to be sustainable in the long term.

MS L KHUMALO: Thanks

MR S NXASANA: May I proceed?

JUDGE J HEHER: Please

MR S NXASANA: So as we know a structure follows strategy, so I have already presented what our key recommendations are which as one to say we believe it is feasible and financially viable to offer free education to the very poor and partially subsidized education to the so called missing middle. And then the next question is: how are we going to do that? How we are going to do that, is to leverage the funding that is currently flowing into the National Student Financial Aid Scheme from the public sector, from various spheres of the public sector, and this includes national departments - obviously the Department of Higher Education and Training, the Department of Basic Education.

At the moment National Student Financial Aid Scheme manages the Funza Lushaka bursary scheme, but there are other bursaries which are managed or funds - maybe let me not use bursaries, there are other funds that are managed by National Student Financial Aid Scheme from other spheres of government or other government agencies. And this includes for instance; the Department of Science and Technology, the National Skills Fund, provinces have their own bursaries, even Local Government have their own funding for poor students, which are managed through the National Student Financial Aid Scheme.

So the way that we look at it.....there are some inefficiencies in terms of the raising of that funding, the allocation of that funding, the duplications in certain cases of problems by different spheres of government, in terms of how the students may be funded. So the proposal here in terms of the structure is that, that funding that comes from all state sources or public sources, will continue to flow through the National Student Financial Aid Scheme. However, there needs to be a process of making

sure that there is better coordination of that funding, so that we eliminate inefficiencies, we eliminate duplication and some leakage in terms of how that funding may be managed. So that's why you see on the left hand side - DBE, DHET, DBE, provinces, SETAs and so on and all the funding continues to flow through the National Student Financial Aid Scheme.

JUDGE J HEHER: Can you just explain some of these things to me, what are DFIs?

MR S NXASANA: Development Financial Institutions. So if I look at the boxes that are within the dotted lines...the dotted rectangle, there will be funding that is raised from other sources outside of the public sector. So those sources include the Development Financial Institutions, foundations, the banks, other financial institutions such as your retirement funds, companies in the private sector, and the recommendation is to collect and aggregate all of that funding into one entity which for lack of a better word at the moment is called FANCO.

So FANCO is an entity established in..... will be an entity established in terms of the Companies Act of 2008, that aggregates and collects all of the funding that is outside of the public sector funding. In other words, it could be local funding from the private sector, it could be international funding, it could be funding from retail investors and so on, and it will be aggregated by this entity called FANCO.

And to improve the efficiencies of how the allocation of funding to students works, the aggregation of both the public sector funding as well as private sector funding, the allocation of that funding to students, the collection of the loan component to the extent that there are loans in the system, all of that back office administration, will be undertaken by an entity called MANCO.

Ok so, this essentially says: to improve the efficiencies in the current NSFAS model as well as have the best practice and the best models in terms of how this would work, all of those back office functions which currently.....some of which currently sit in the National Student Financial Aid Scheme, would be undertaken by this company called MANCO. One of the reasons why that is so.....

MS L KHUMALO: Sorry, on the spread, the fundraising would reside with MANCO?

MS S NXASANA: Yes the fundraising for all private sector sources would be managed by MANCO. So all the funds that are raised by FANCO as well as the funds that come from the public sector, would be managed by MANCO.

MS L KHUMALO: So this would potentially be SOEs or they would take a different vehicle?

MS S NXASANA: No MANCO would also be a company set up in terms of the Companies Act, so it will not be an SOC, it will be a company set up in terms of the Companies Act, which will have representation of both the public sector and the private sector. So it's a PPP arrangement, so it will be set up in terms of the PPP regulations of National Treasury. So it's a Public Private Partnership structure.

MS K PILLAY: Mr Nxasana may I ask just a question going to the fundamental basis for the model which you have set out. As we understood the testimony of the DG, it was that government was looking to access private sources of funding, and then include that into the model for funding of the missing

middle. What you see here is a model based on a PPP arrangement, now my understanding of PPPs is that: the private entity involved in the PPP stands to benefit either through remuneration or in some other form. Can you just explain to us what the benefit would the private entity in the PPP get in this model and why it is that was considered an option?

MR S NXASANA: In this particular model, it's a PPP that is unlike a pure service provision infrastructure PPP. So most of the PPPs that you have in the country are in the infrastructure area, in other words whether its Gautrain, or even the student housing that is currently being explored, or the running of prisons and some of the hospitals and so on. So it's a service provider that comes in, provides a service to the state, a service which otherwise would have been provided by the state, which is supposed to improve efficiencies and that is how the service provider gets compensated. The PPP arrangement in this regard is quite different.....it still falls within the Treasury regulations, however, MANCO is envisaged to be a utility in that it only works on a cost recovery basis, in other words MANCO will have the banks participating in that structure. Why the banks - because the banks have the systems already for disbursement, for collection, for recoveries, for tracking, for providing services to customers and so on.

So it would not be a profit-making entity, it will be a utility but it would still operate in terms of the treasury regulations to the extent that it complies with PFMA, it complies with all the requirements as an entity as per the Treasury regulations. And the key reason for that is that.....there are number of reasons:

- One is to be able to raise funding which is not grant funding, particularly loan funding. So if you go to retirement funds as an example, we know that South Africa has sufficient pools of funds to fund poor and missing middle students. However, to the extent that part of that funding is looking for a return, like for instance; your and my pension fund which is sitting either with GEPEF, with government pensions or with any of other retirement funds in the country. Those funds.....there are couple of things; one...they have to invest in rated entities, so that's why that entity would have to be rated as required in terms of the FSB - Financial Services Board.
- Secondly, you have no mandate to lose those people money, you can't lose your.....my pension fund when it sits there. And therefore it is important that you have the best systems to manage the books. So if you use the track record of the National Student Financial Aid Scheme, I just made the example earlier. So you have a book of R24 billion, you recovered R250 million, you write off R17 billion, no pension fund, no retirement fund will be able to invest in that structure, it simply can't, because of the track record and the inefficiencies that sit in that system. So the only way that we could get by that process was to create the separate entity that then manages all of the back office functions, creates a track record and a rated book, which enables retirement funds and so on to invest in it.

JUDGE J HEHER: Were the banks in any way involved in your investigations?

MR S NXASANA: Yes, they were. So the Banking Association seconded a number of people to.....in fact not only the Banking Association, the Banking Association and ASISA - which is the Association of

Investments and Savings - seconded people, or the banks and insurance companies seconded people that were part of the work-streams.

JUDGE J HEHER: Thank you.

ADV K PILLAY: Can I just go back to the.....to what for example the Banks would benefit by being part of the PPP. You mentioned that MANCO itself is not for profit entity. And the participants within MANCO for example, the banks if they were given the role of cost recovery or the duty to recover loans, would they get paid for those services?

MR S NXASANA: No, in this particular case, it is envisaged that MANCO will do the recoveries, so the recoveries will not be outsourced to external parties. I guess the benefit for the Banks in this case would be.....there would be instruments that are managed by MANCO and I will come to some of those later on, for instance if you are going to issue bonds, and other instruments of investments that may be made available to retail investors, to You and I; you can invest in a student funding bond as an example which is one of the instruments that is envisaged. MANCO will obviously charge a fee on some of those instruments, yes it will work on a cost recovery basis but what it actually does.....the benefit I guess to the system as a whole, is the production of better skills and therefore that is where the ultimate benefit is.

So it's not a financial.....direct financial benefit per se, it is about making sure that there is a structure in the country and I guess the crisis that we have seen with #Feesmustfall, has....I guess changed or encouraged the different way of thinking around social investment for the good of the country.

ADV K PILLAY: And that goes back to the 'skin in the game' point that you made earlier. But apart from that, why was it considered necessary to bring private role players into the equation, and not just set up a separate entity, still entirely government owned and controlled, setting separately from NSFAS to run the new model?

MR S NXASANA: There were number of reasons. The first one was realisation that there is not adequate funding in the fiscus to date to fund and provide fully subsidised education to the very poor and partially subsidised education to the poor and the so called missing middle. And therefore we needed to find other sources of funding, and to be able to do that, obviously it is important to have all these people in one structure. The alternative which we explored was.....well this could be done by the state itself by simply increasing taxes, in other words you could have.....there had been other proposals for things like graduate taxes, wealth taxes, apartheid taxes as so on so, that is one way of doing this.

The one way of doing is to say the state is simply going to hike taxes, it is going to continue maybe try and improve the efficiency of the NSFAS and the government does it itself - and everybody just pays taxes and that's the solution. That solution was explored but given the tax base, tax threshold that we already have in the country, we felt there is another way, and this is a more sustainable way of bringing all these different players into the party in a structure.....the government still has an option to increase taxes, and in any case our own experiences as a task team is it takes a number of years for tax to have a relevant impact and given the current urgency of dealing with the crisis now, how do you find the most



cost effective, the most sustainable way of addressing this that brings all of the stakeholders into the solutions in the contexts of what the National Development Plan is actually saying, of active citizenship - and so that is why we opted for this.

And the second reason, or the third reason rather was about looking at the best systems. So if you look at NSFAS it came out of being TEFSA – Tertiary Education Fund for South Africa. It sort of operated like an NGO in its mind-set, in the systems and the structures. And for many years, the identification of students, the funding of students other than now where NSFAS is implementing the student-centred model, all of those functions sat within the Financial Aid Offices of universities. With the result that the rules were inconsistent, the processes were inconsistent, there is a lot of leakage in.....because universities are not necessarily skilled nor resourced to deal with for instance means-testing of students and so on. So there is a huge amount of leakage and insufficiencies in that system.

So to create the best of class as systems and processes especially if you are going to tap into private sector sources, especially those that may be looking for a return, this was the most efficient way to actually do it.

ADV K PILLAY: But if you factor in the changes which will be effected through the student-centred model which will address most of the inefficiencies that you have been talking about. If one has regard to those developments within the NSFAS system, why was it still considered necessary to opt for an entirely new entity?

MR S NXASANA: The raising of funding is probably the biggest one because, as I said earlier.....given the NSFAS track record, there is absolutely no way for many many years that NSFAS will be able to raise private sector funding given just where it is today. And even though you have a student-centred model, yes that is being implemented – it's only the front end.....students apply directly, the administration, the back-office systems, the processes, would take a quite a lot of effort.....especially given how the administration budget of NSFAS is currently structured, to get to that stage where there is confidence for other players to put money into that structure.

ADV K PILLAY: Can I just understand in terms of the model that has been proposed, on page 15, on slide 15, is it anticipated that you will divorce the poor from the missing middle students?

MR S NXASANA: No, so the back-office functions that would be handled by MANCO will manage all of the students that are funded, in other words, the very poor, poor, the missing middle through that structure.

MS L KHUMALO: Just that you've taken part of the question. I wanted to check the MANCO function in line.....remember you said earlier that it is feasible to fund the very poor and then the missing middle. And then you are saying in the context of this model, does that satisfy the requirements of the constitution and the covenants that were mentioned before fully or does it still need some re-visiting?

MR S NXASANA: We believe that the model starts a real deliberate process by the country to make higher education available and accessible. From day one, it will obviously be.....subject to the amount of

funding that is available, does not fully address what the constitution says but it's a very deliberate effort, a very viable effort to start to address that issue. And you will see later on when we talk about the funding sources. Because on day 1 when we set the structure up, people still need to figure out, they still need to see how it works, so there's certain categories of funding that will take a couple of years to really be fully realised but it does go a long way. And therefore in the calibration of the levels of students that we'll be funding, depending on their financial background, you start at a certain point and then you can subtly grow that over time in line with what the constitution says.

So, what.....in fact it does in a way because you progressively you want to be able to.....as your available sources of funding become available, you fund more students, more and more students get fully subsidised education and so on. But on day1, you have a starting point which is by order of magnitude as the way I see it, better than what the NSFAS says or does, so it is the beginning of addressing the issue.

JUDGE J HEHER: So I take it that in the course of your later presentation, you are going to explain to us how this model will not only theoretically but in practice generate a larger income than we have yet experienced through NSFAS?

MR S NXASANA: Absolutely. And I must make the point right now that, one of the requirements of the treasury regulations to be able to set the structure up is the conducting of a detailed feasibility study.....we have done a feasibility study but there is a lot more detailed feasibility study which is required which we will talk about later on. So in principle we believe it is feasible, it is possible but in terms of determining exactly..... for instance the definition of who is very poor, the definition of who is poor, the definition of missing middle, within that range of up to 600 000 - there are various levels and assumptions that still need to be interrogated and tested in a lot of detail that which we haven't done. We have done some work and we have done a lot of actuarial and financial modelling, but in terms of what would satisfy National Treasury and government, especially given the contingent liability which sits in terms of what the state may be in for, there is still a fair amount of detailed feasibility which is required, but we have done a fair amount of work already.

ADV K PILLAY: That was going to be my next question Mr Nxasana, it is around the question of the description of the missing middle and the threshold of R600 000. I have looked at the report, there is no clear explanation for how that amount was arrived at. In fact it ties it back to the Minister's decision to.....the interest rate for 2017 decision. Can you just tell us how you arrived at the R600 000 threshold?

MR S NXASANA: We did a number of scenarios as part of the actuarial and financial modelling. So we have looked at various thresholds of what the definition of the so called missing middle may be, using Stats SA data, using UNISA data and other sources of data.

And I guess the decision by the Minister to pack the missing middle upper threshold to R600 000, was certainly a factor in terms of where we ended up but we have a number.....we have calibrated a number of scenarios of what that definition may look like. So just going back to what I was saying in terms of the detailed feasibility study, we still need to go back and we are in the process as we speak of the scenarios including the financial implications of each scenarios. For instance if I might just use the examples that

we have worked on, if you just take the very poor, we have sort of started with the very poor saying you know, it's everybody or every household or student who comes from a household who gets social grants.....and we have a number, which is determined by Stats SA. And then we have the minimum tax threshold which is about R79, R80 000, then we have a R100 000, we have R122 000 which is the NSFAS upper threshold at the moment, then we have R150, R200 and so on right up to R600 000 because each of those scenarios, in terms of the combination of grants, scholarships, loans, family contributions, has a particular financial outcome. So that's why I say we have sort of kept the report and recommendations, sort of broad but there is a huge amount of data that sits behind it, that looks at all of these scenarios and their financial implications.

JUDGE J HEHER: Mr Nxasana this model that you have developed, is it intended to cover the whole of the university system and the whole of the TVET system?

MR S NXASANA: It is meant to cover all of the university system up to whatever we define as the missing middle. But there are other elements of the model that could be applied to the whole university system I'll talk later on about the wrap-around support in line with what the department has already put in place in terms of the student's development. And as far as the department is concerned, this is available to all students.

So we just want to enhance that component to reduce the drop-out rate for the funded students under the model. But there are elements of the model that actually could apply to the whole students. As far as TVET colleges are concerned, just going back to my earlier point in the presentation, is that Nated as well as the NCV programmes in TVET colleges, are already subsidised by government. Yes there is a component which is funded through the National Student Financial Aid Scheme and therefore the definitions of who is poor and who is missing middle in the universities, is not necessarily the same as what applies to the TVET colleges. So I think it is important to make that distinction, but broadly, yes the model will apply to universities and TVET colleges given the differences in the definitions and criteria that might apply to universities versus the TVET colleges.

JUDGE J HEHER: I assume that you are not concerned with adult education?

MR S NXASANA: No, the model does not.....so if you look at the definition of higher education and training, there are community colleges there which the model has not looked at at all. So we have only focused on universities and TVET colleges - not anything else that might fall under post-school education.

JUDGE J HEHER: Thank you

ADV K PILLAY: and was consideration given to funding non-ministerial approved programmes in the TVET colleges?

MR S NXASANA: We did look at them, not in any detail, but came into a conclusion that in fact, based on some of the numbers that we looked at, and we only looked at the occupational programmes.....and I must qualify that. So we only looked at the occupational programmes and in a lot of cases, TVET colleges

actually even make a margin, in other words a profit out of occupational programmes, so they are not just run on a cost recovery basis, and therefore, we took a view that because, just going back to what the DG was saying, those programmes were funded by third parties, the TVET colleges make some money out of them and the students benefit from them because they are paid for in large measure by those third parties. The students are not prejudiced by them, and in fact the students benefit quite a lot because very often they are linked.....occupational programmes are linked to internships, learnerships and so on. So the pathways to employment are much stronger and clearer for occupational programmes and the students simply get those. If you access them, you are probably going to be funded fully; you are probably going to end up with a job, or a learnership or an internship.

ADV K PILLAY: And other programmes, in other words those that are not ministerially approved and not occupational programmes?

MR S NXASANA: No we did not look at those.

MS L KHUMALO: On the determination of how the funding will be divided between....remember you were saying university funding and TVET in so far as they differ, then there will be funding available. So in the structure, in the model where would that decision reside?

MR S NXASANA: Well the policy decision is a government decision. So when you look at the legislation.... well let's start with policy. When you look at policy of government and then you look at legislation regulations that applies to TVET colleges and universities, that's the determination by the department. So all the structure does is to implement what the legislation or regulation say.

MS L KHUMALO: So operationally where would it be?

MR S NXASANA: Operationally there are elements that sit within institutions. In other words....let's just start with the enrolment. The enrolment process at universities and TVET colleges is determined by the plans, by those institutions which are submitted to the department. So you can't enrol people that are not part of the plan, that's the starting point. So once the institution has now decided to admit and enrol those people, the funding mechanism that applies to those students given the means-testing, then it's managed through the processes here. And one of the recommendations that we have in the report especially around the NSFAS Act is.....at the moment the regulations, or the Minister has not used the regulatory mechanism that sits in the NSFAS Act, for instance determining the definition of means-testing, the definition of a number of aspects that sit in the formula. So we've recommended that those regulations be used and be strengthened especially if you are going to have a PPP structure such as MANCO because you can't leave that structure to sometimes determine what happens, so it's important for the Minister to determine some of those regulations so that the policies of government are properly.....we don't end up with unintended consequences.

MS L KHUMALO: So practically there would be at an institution an Ikusasa office so to speak - where operationally all of this is being implemented?

MR S NXASANA: The implementation thereof, but I am also saying, part of the implementation sits with the institutions. So you start with enrolment, Ikusasa can't determine what the TVET college and what the university admits. We also can't determine the progression rules that apply to students in terms of: you are now first year or second year, so there are a lot of those things where you depend on what the institutions do, but the department also has a number of responsibilities. So just talking about the wrap-around support as an example, there are plans, there are initiatives in the department that will be enhanced or worked through the departmental structures, supported through MANCO or Ikusasa, so it depends on which elements you are talking about, but the back office management support clearly would sit within ISFAP.

[mixed voices]

MR S NXASANA: So if I may continue, so if you look at.....and this is illustrative, in other words it really goes back to the question that was posed by Advocate Pillay in terms of how the funding mechanism would apply to the different categories of students that would be supported. So on the left hand side, you will see that we have four categories which are still to be defined and we have done a lot of work in terms of defining what those are, but there is further work in terms of the detailed feasibility study that needs to be done here. So you have the very poor, poor, lower missing middle, upper missing middle. And in the report we make reference to 600 000 as the upper threshold for the upper missing middle. The bottom is a student that comes from.....someone who has nothing, including people who or households that may be getting social grants as a basic minimum.

So we are saying for the very poor, as defined.....as we define them later on as part of the detailed feasibility study. In their 3-year programme and assuming a 3-year programme here because some programmes maybe shorter, some may be longer than 3 years but we just used for illustrative purposes a 3-year programme. So in that 3 years, they would get fully subsidised education in other words they would get free education for that 3 years in the form of grants. If they have a programme which is a 3 year programme and they end up doing an extra year for whatever reason, they may get for that fourth year, a grant and be offered a loan for that programme which would obviously make sure that they still have funding for the full cost of study in that 4th year.

So the green here depicts....it's not a loan that is forced on them, it is a loan that is offered to them. I think that is an important distinction compared to how NSFAS operates. So the loan is offered, it is not forced on you because you may have money sources from other sources and so on but the loan is offered.

MS L KHUMALO: Can we just assume that maybe the 4th year is a requisite for a qualification - maybe you need a 4 year LLB

MR S NXASANA: If your regulation time was a 4-year programme, you will get full cost of study for that 4th year. It is only if you take one year extra than regulated time or one year over and above what the students call record time, you will then in that year get a partial grant.

[mixed voices]

MS L KHUMALO: So the 3 years here, then is subject to whether the degree, the junior degree is 4 years or 3 years?

MR S NXASANA: So it depends on the regulation. So you would fund fully for the regulation time of that programme. So like medicine, medicine is a 6 year programme - excluding the community service year. So you get the full cost of study for your 6 years. If you are doing Engineering, some Engineering programmes are 4 years, you will get a full cost of study for that 4 years.

ADV G ALLY: My understanding presently is that NSFAS funds N+2

MR S NXASANA: Yes

ADV G ALLY: Which would mean in this 3 year programme, your illustrative 3 year programme seems now to be changing that particular policy to N+1 and not N+2, is that correct?

MR S NXASANA: That's correct. So as far as your poor students are concerned, you will see that we are recommending here that your 1st and 2nd year.....and then again this is for illustrative purposes based on the detailed feasibility study that will be done. You then start to introduce an element of expected family contribution which is a concept which applies to NSFAS today. So in NSFAS, the number of differences here for starters we are recommending a full cost of study, NSFAS uses a funding cap which is at the moment R72 800 and you know out of the 26 public universities, more than half have full cost of study which is more than R72 800 - so that's a major policy difference, which again obviously from the state stand point, needs to be tested in terms of its feasibility and viability. But the second category which is poor you will see that we start to introduce an expected family contribution, whose definition is sort of similar to the NSFAS definition.

So if a parent earns a certain threshold....let's say 120 000, there'll be an expectation of some contribution from that household in funding that student. So the student will have a full cost of study but a portion of that full cost of study will be in the form of a grant which is a significant portion, and a portion will be an expectation that the family will make some contribution towards the education of their kids. And you will see that....

JUDGE J HEHER: By full cost of study you now mean tuition plus transport plus accommodation?

MR S NXASANA: Everything

JUDGE J HEHER: Everything?

MR S NXASANA: So it is registration, tuition, accommodation, food, books or devices...and even a small stipend.

MS L KHUMALO: You refer to it as an expectation, is it not compulsory?

MR S NXASANA: It is an expectation which is a definition which is currently used in NSFAS. So it's an expectation.....

MS L KHUMALO: Is the student forced to contribute in this manner - what was the students' attitude in your consultation about that?

MR S NXASANA: The concept applies to NSFAS at the moment, and then again this EFC - or the Expected Family Contribution, is going to be a factor that is determined by the feasibility because if the country.....someone has to pay for something, so if the state can pay fully for the poor students.....well not just the state, the state and the other sources that we have identified in the structure that we presented earlier - obviously that will be possible. But as I said, we are still going to do a whole lot of detailed feasibility looking at income sources, looking at what families are earning, looking at the fees in the institutions and so on. But it is about affordability here, so that expectation is saying: instead of giving that student 100% of their full cost of study, they may get.....I am making an example here; for illustration purposes they may get 90%, and there's an expectation that the family will come with the 10%.

MS L KHUMALO: In your consultation that you referred to earlier, were the students amendable to that?

MR S NXASANA: Well, it depends.....students are not a homogenous group - so they are not a homogenous group. I think the call by students, some students at least is for free for all, that's not what we are saying here. There is some call from other students who agree with the model so, that is why I am saying it depends on which student body you are talking to because they are not a homogenous group.

MS L KHUMALO: But I'm sure the comments, the public comments will determine what would be the voice I think?

MR S NXASANA: Yeah

ADV G ALLY: Mr Nxasana, let's perhaps get to more of the detail of the students that were part of the reference group. Now SAUS has made their representation in this commission, SASCO I'm not too sure, they could have also. Now, when you talk about homogenous groups, I know there's groups out there that do not form part of SAUS which is the SRCs and who might not also.....SASCO, so you will have DASO, and you will have PASMA and so forth. Now when we are speaking about the groups in the reference group, to be more to the point that my colleague Commissioner Khumalo is asking, SAUS and SASCO, what were their points in regard to the issue of expected financial contribution of the poor as illustrated in this particular diagram.

MR S NXASANA: I think those students that were part of the reference group were quite clear that as far as the poor is concerned, the expectation is for free - that point was quiet clear. What we are doing here, is to look at what the country can afford, and clearly one of the things that was indicated in the model is that; in line with what the constitution says, if there's a plan that shows how progressively we are going to make this available, we are going to make.....especially for the poor free education available. And there is a clear plan of and a pathway of how we could get there, we believe that it is a feasible solution to put on the table. But students were very clear, for poor they want free.

ADV G ALLY: Thank you

JUDGE J HEHER: I have 2 questions. The one is, you were busy answering my question and you added at the end 'plus a small stipend', what did you mean by that?

MR S NXASANA: Well, if you consider the needs of the students, especially poor students, there are certain things that fall outside your normal four big categories of tuition, accommodation, meals, and books or devices that are important ingredients in allowing students to succeed. I'll just make an example of women students, they need sanitary pads as an example. If you are poor, you don't have money to do that

JUDGE J HEHER: I'm sorry I didn't hear that, they need some.....what did you say?

MR S NXASANA: Sanitary pads

JUDGE J HEHER: Oh, I beg your pardon

MR S NXASANA: So, and you have students..... just like it happens in basic education, who miss school or university because they simply don't have the money to go and buy some of those things that enable them to attend lectures. So we believe a stipend is necessary in certain conditions. So it's an allowance that is given to students and it will be controlled in terms of where they spend that allowance. And we use all manner of systems, technology and so on to make sure that that happens

JUDGE J HEHER: That's the one question. The other question is this; these loans are going to be repayable when a student earns sufficient money to repay them, isn't that right?

MR S NXASANA: That's correct.

JUDGE J HEHER: Why is there any basis for distinguishing the poor, the very poor, the missing middle because when they come to repay which may be 10 years after, they will all be exactly in the same footing. They will all be earning equally because they all have to earn the same figure before they repay.

MR S NXASANA: Well the thing is this; for the very poor as defined here as well as the poor, the grants are not repayable at all. So what we....

JUDGE J HEHER : That I understand, I'm talking about the loan portion.

MR S NXASANA: Oh the loan portion? The loan portion yes kicks in only for those that would be offered loans, so again they are not forced on them. And yes they have to repay and you will see later on when we talk about the recommendations around repayment, that the repayments would kick in at the level where students earn a certain minimum amount of money. I think we have to bear in mind that for poor students as well as missing middle students very often they have a huge number of other obligations when they graduate.

JUDGE J HEHER: So 10 years down the line when they come to repay these, everybody is on an equal footing



MR S NXASANA: They are not-

JUDGE J HEHER: Some have done well, some have done badly, some poor have done very well, some very poor have done very well, some have done very badly. You can't really index them to what they were 10 years previously when they were at university.

MR S NXASANA: Well, the argument to that judge is that the tax system takes care of that. In other words, we have a progressive tax system in the country. So for people who would be doing well later on regardless of whether they were poor they will be paying tax at a higher tax threshold but they will have an obligation for a loan which they had which was given to them to enable them to access higher education which includes obviously the fact that they would have been supported through a grant and so on. So if you look at this, we are saying for those students, we understand that the repayment.....when you look at the.....and I'm sort of jumping ahead before we got to this point. If you look at the green on the slide, you will see that the loans by and large.....even for the missing middle start later and increase later in the years of study, because you don't want to increase the level of burden of debt for those students earlier on especially where they have the highest risk of dropping out. So the loan kicks in at a later stage, it improves the recovery at that point - so the fact that they do well later on should not mean that they....

JUDGE J HEHER: But if they are all doing equally later on to this extent, that unless that any person earns shall we say R30 000 a year or whatever the figure may be, that you fix. Nobody is going to have to repay, and only when any of them reaches that figure does he/she have to repay. So why distinguish between the poor and the very poor, because the poor surely should repay the same year of the loan as the very poor. Because they are each going to repay at the same time when they have the same means.

MR S NXASANA: No the needs were not the same, so that's why when you look at the calibration of the combination of loan, EFCs and grants. as the levels of income improve, that's about progression - again if you interpret the constitution the way that we have interpreted it, which says; if you look at-household income there is some responsibility for parents to pay for....someone has got to pay for that grant, or that scholarship or that loan. And therefore, as the household income increases, the level of poverty and the level of disadvantage is not the same.

So you make a distinction because you are trying to bring those that are right at the bottom, to have access to higher education. So the fact that they may do well later on....that's why I say there is a correlation between that and the amount of tax that they will pay at that point versus.....

JUDGE J HEHER: But they are each going to pay the same amount of tax if they are each earning R30 000 a month or whatever the figure is that you fix as the limit.

MR S NXASANA: Yeah but their level of disadvantage is not the same.

JUDGE J HEHER: Why not?

MR S NXASANA: It's not the same because a poor student...

JUDGE J HEHER: They have been working for 10 years each and they each earn R30 000. How can you say their level of disadvantage is the same or not the same?

MR S NXASANA: No it's not the same because your honour if you are a poor student, typically you have your extended family to look after, you have....

JUDGE J HEHER: But you might have that as a very poor student, you might have that as a poor student, you may have 6 family members and be a lower missing middle and a one family member and be very poor. So I don't know how you can possibly index it like that

MR S NXASANA: No we can actually, so in the means testing processes that we do, we don't just look at a blunt instrument like what NSFAS looks at. You look at the family situation, so if a family for instance has a household income of 200 000, they have 2 students or 2 kids that are at a higher education institution, you look at that into account in the determination of means-testing. So the relative poverty will have some of those criteria that are taken into account in determining what that household can afford or not.

ADV G ALLY: Mr Nxasana, perhaps you and the Chairperson are not understanding each other. I think the disadvantage that the chairperson is talking.....that you were talking about is, at the beginning in terms of your assessment of that household.

JUDGE J HEHER: When the studying takes place

ADV G ALLY: That very poor person is at a disadvantage. What the chairperson is putting to you, is there any disadvantage at the time that all are earning this R30 000. Because you are all earning the R30 000 and are you then saying, even at that point, there is still a disadvantage?

JUDGE J HEHER: Which may be many years down the line

ADV G ALLY: And that is the explanation that he is asking for.

MR S NXASANA: And my argument is that Yes. There is still a disadvantage because your history and your background where you come from still determines what happens to you when you complete and you start earning.

MS L KHUMALO: Is there provision.....

JUDGE J HEHER: [interjects] Sorry I find it very difficult to follow. 10 years down the line when a man starts to earn, you don't know how many brothers and sisters have died, how many have become successful themselves, how many.....the father and mother have done well. You can't compare the family's circumstances 10 years down the line with what they were 10 years before.

MS L KHUMALO: I just wanted to check just to follow up on what the judge is asking. Is there a provision later to maybe in the amendment of the SARS act to speak to those issues? And to articulate them better? Because I saw in the presentation there is that allowance for an amendment in legislation.

MR S NXASANA: No the amendment to the SARS Act only deals with a couple of things, one it deals with the incentives, tax incentives that will be given to the funders of poor students, and missing middle students. Secondly it deals with the recovery process later on when SARS is ready to....

MS L KHUMALO: So the recovery process will speak to the very poor who got grants and now can repay, not in the repaying sense in that they will be taxed accordingly so to speak.

MR S NXASANA: No. SARS will only deal with those that got loans. So I mean I hear what the question of the judge is. We still use a baseline.....so one of the key issues that students have been raising with the current way that NSFAS used to operate is that they have to keep proving that they are poor. And we are assuming you are poor at point of entry, you are poor at point of exit. So your circumstances have not changed, yes we may be wrong in that assumptions because things may have changed, but it would become quite complex to try and keep going back to students to determine their relative level of poverty. So that's the assumption that we are making.

JUDGE J HEHER: So you assume a man who is poor will always be poor - that seems to me to be flawed surely

MR S NXASANA: Until they graduate and find employment which changes the standard of living, which is where relative poverty plays an important role because that student typically has to uplift their household so that those that come after them, they pay for siblings and so on, which some of the students may not have to do.

JUDGE J HEHER: I hear what you are saying and I understand that that can be the case. But let us assume that you have got the first student who is one of the very poor, and by the time he is earning R10 000 a month, his 2 brothers have gone through the system, have got university degrees and they are all doing fantastically well. It doesn't seem that your baseline is consistent, where else somebody else may have gone down in the world and he still has to pay. So you are actually not indexing what is happening when the loan is repayable against what it was when it became due.

MR S NXASANA: Ya the only thing that we are indexing is the level of income which triggers the payment for that person, but we are not looking at their circumstances at that point.

JUDGE J HEHER: Okay you have explained it to me, I thank you.

MR S NXASANA: Ya

MS L KHUMALO: So when you say the tax when a poor student, a very poor student is earning, the taxation automatically makes him in a certain bracket - you are talking about the current, like with the status quo now, how our tax system is, in that if you earn on a higher bracket you pay tax in a higher scaling. In any event you are saying it is sufficient whether or not you had a grant earlier?

MR S NXASANA: Exactly. So I think we sort of talked about the principles, so there are a number of.....if I can just recap, there are a number of important public policy issues in the slide:

- The first one is the concept of full cost of study which is not how NSFAS currently operates, has a funding cap
- The second one is obviously giving full grants to the very poor students for the full cost of study which is obviously not the case at the moment.
- The third one is to give even for the missing middle more grants in the earlier years compared to later, so the way that NSFAS works at the moment is you get a loan at point of entry, 40% of that may be converted into a grant if you pass a certain minimum number of modules. The same applies to second year, if you are doing a 3 year regulated programme, your final year gets converted into a grant. So this is actually flipping the grant and loan decisioning on its head. It's actually turning it completely upside down for the reasons that we have just discussed earlier.

ADV G ALLY: Mr Nxasana I do think though that you need to clarify when you say NSFAS doesn't fund the full cost of study. It depends at which institution you are.

MR S NXASANA: Correct

ADV G ALLY: Because if the cap, which the cap is at 71 000 and the university that you are at is R65 000 full cost of study, you actually are funding the full cost of study.

MR S NXASANA: That is correct

ADV G ALLY: And it would seem the NSFAS management also forget to mention that because they say: we don't do the full cost of study because of the cap' but I do think that we need to sometimes be accurate in what we say, so that everybody understands that the cap is only disadvantaged the person that is at the university that is over the cap.

MR S NXASANA: That's correct. And just according to the recent national treasury study, about 13 of the public....so in other words, half of the public universities have cost of studies that are less than R71 800.

ADV G ALLY: Thank you

MR S NXASANA: So if we continue, so the next slide is just looking at how this model will work for students. So the students will apply just like they do with the student-centred model of NSFAS. They will be allocated funding which covers....depending on where they fall in terms of the means-test, they will be given the support in terms of those things that are on the left hand side, university fees, accommodation, books, meals and a stipend as we discussed earlier. On the right hand side, in addition to that funding and leveraging what the department is already doing and implementing, we will enhance the academic support which is in the form of tutorial support, academic literacy and so on, social support, life skills, mentoring, medical support, because those are important ingredients in the success and graduation and probability of students when they finish.

ADV G ALLY: So Mr Nxasana perhaps you can indicate. The NSFAS management indicated that they do fund extended programmes presently.

MR S NXASANA: Ya

ADV G ALLY: And in respect of this, on the right hand side, is this one different from that which they are funding presently?

MR S NXASANA: Well at the moment NSFAS doesn't.....other than funding extended programmes and an extended programme is an N+2 and supported but it does not include-

ADV G ALLY: So in that context that [indistinct] so it's just the N+2....

MR S NXASANA: Ya

ADV G ALLY: Like the +2 that is regarded as an extended programme or does it include academic support and so forth?

MR S NXASANA: No there is no academic support provided through NSFAS. The department does and that's why I'm going to ask Dr Di Parker if I may with your permission Chair, to just talk about the university capacity development programme which is on the next slide.

DR. D. PARKER: Thank you very much-

JUDGE J HEHER: Sorry before we get there, are you now off the slide which is number 17?

MR S NXASANA: Yes Chair

JUDGE J HEHER: Well before you leave that might I ask you, are there any examples anywhere in the world where medical support is provided to students?

MR S NXASANA: Yes there are examples in this country. I chair as an example the South African Institute of Chartered Accountants Thuthuka Bursary Fund and we provide this. So you know students get sick and they don't have money to go to clinics or to a doctor and that's in addition to a stipend, there's a funding specifically allocated to that.

JUDGE J HEHER: I'll tell you why I ask this question, because I see with the stipend on one side and the medical support on the other, you have got life skills training and mentoring. Quite frankly, we listened couple of days ago to 2 students who quite openly and blatantly admitted that they had committed fraud in order to obtain the NSFAS grants. And it didn't seem that there was any attempt by NSFAS to check up on any of their allegations at all at the time when they made their representations and it seemed that there was no sort of accountability involved.

MR S NXASANA: Well judge that's one of the areas that we sort of talked about earlier around the efficiencies of the monitoring and the systems and internal controls at the National Student Financial Aid Scheme which there is a forensic investigation which is led by the department at the moment, I'm sure the DG can talk about it but they are certainly some of those challenges.

JUDGE J HEHER: See the more you give, the more you open yourself up unless you have very careful monitoring

MR S NXASANA: Absolutely

JUDGE J HEHER: And it was a worry when we heard what was said a couple of days ago. These things were just 2 students who came to give evidence and they told us quite frankly that this is what they have done. And if they are 2/2 how many are there out of 200 or 2 000 or 200 000, it's very worrying when one sees that.

MR G. QONDE: No I think that is an important confession judge, [laughter] in respect to that but the way we relate to it is just crime as it would be anywhere else.

JUDGE J HEHER: Sure

MR G QONDE: One would argue that.....

JUDGE J HEHER: But that doesn't mean that the bank that lends money, if it happens to be a bank doesn't take steps to insure that the crime is not committed.

MR G QONDE: No fraud happens everywhere including in the banking sector itself.

JUDGE J HEHER: Yes sure but....

MR G QONDE: But the issue here is that what then having picked up some of these practices within the system, what have we done as a department? So the Chair is correct, there is a forensic investigation which is currently taking place at the present moment. They have finished first phase, they went into the second phase. I think before the end of the year we could be getting the final report where we would be able to have an understanding of the extent and intensity of this practice within NSFAS. But we treat crime as crime

JUDGE J HEHER: Thank you

MS L KHUMALO: Mr Nxasana, on the medical as the Judge is asking, is there intention to improve the infrastructure that is currently in varsities or is there a different scheme that you want to introduce to students?

MR S NXASANA: The intention is to use facilities that are either available at these institutions but very often especially in a lot of the historically black universities they simply don't have clinics, areas of counselling or support, medical support that are on campus. So and very often students have to go outside to external service providers to receive medical attention which may be really critical and they need this. And we have a number of cases just based on my experiences with the Thuthuka where students end up actually going home, because they just don't have the money to go to clinic and so on. And when they are battling with some medical condition they lose a lot more time than they would otherwise have lost had they been given medical support closer to where the campuses are.

JUDGE J HEHER: But then again the question arises, who is going to supply this medical support - NSFAs, your funding company or who?

MR S NXASANA: Well, it will be made available to the students through the support which they get, so, I'll explain a little later on when we look at the pilot. So each of the faculties in universities, and maybe we are jumping ahead of what Dr Di Parker is going to present, there will be, there are typically..... the universities are building systems and processes internally to provide this wrap-around support. So there's a plan and a budget by the department, so you have people that would be Programme Managers that are close to what is happening in the life of students and they will be accredited providers to stop abuse, we are proposing to use internal controls that include utilizing approved suppliers and for instance if there is a stipend, there is a payment that goes to an external party or a third party, it will have to be an approved third party which has gone through a particular verification process before they are accredited to do this work.

JUDGE J HEHER: Yes, because I hardly saw that the DHET for example would be capable of monitoring whether medical support is required or not.

MR S NXASANA: No I mean it will be accredited and approved providers.

JUDGE J HEHER: Thank you

MR S NXASANA: So if I may Chair hand over to Dr Di Parker

DR. D. PARKER: Thank you very much. One of the recommendations of the ministerial task team was around improved support for students receiving financial assistance to ensure that their throughput is improved. Now this is something that the department has been concerned with for some time and we are in the process of finalising what we calling the 'University Capacity Development Programme' within the department to deal with issues of the success of the system. We have in general opened up access to higher education and particularly at universities, but we are still struggling to ensure a success of students in particularly throughputs of students generally.

Over the past while, we have had 2 specific grants, the teaching development grant and the research development grant. They were separate grants that were available in the system to support universities to improve research, output and to improve teaching in the system. And when we had the review of the financing of the higher education system and that report came out, they recommended that we take these 2 grants and put them together and create a new grant which would really focus on the development of universities generally.

And so over the past 2 years, we have been working with the system to look at how we could develop a new programme that would really support the development of universities for success. And this particular programme has 3 legs, only one leg is relevant here but I thought just to put it into context; the one is around ensuring student support for success, the second one is around developing the staff at our institution to ensure improved teaching and learning and research and community engagement. So it's really staffing the South Africa's Universities programme. And then the third one is around improving curricular and the transformation of curriculum programmes to ensure that effective programmes are put into place. So very specifically the students' success side of it is about saying: how do we systematically and systemically deal with the issues of student's success. Over the past 3 years, every

single university has had what we call a 'Teaching Development Programme' in place, that we have funded through a grant. And through that process, they have been developing various kinds of activities to improve the success of their students. And you will see there on the right hand of the slide, kinds of activities that have been put into place, tutoring programmes, mentoring programmes, academic development programmes, supplementary instruction which is where they take more mature students to work with younger students and to support them in teaching and learning, first year experience programmes where there is an attempt to deal with the problem of first year dropouts, various type of psychosocial support and also extended programmes. All of these things are in the system but they all act as individual activities and we haven't had a systemic way of seeing how we can utilize this to support students generally and to ensure success. And so what we are trying to do now is to create this into a systematic model to support success. If you look now on the right hand side of this....

MS L KHUMALO: Sorry Dr Parker, what's the timing of this - at what point does it happen, post registration or?

DR. D. PARKER: It's a general programme for students in universities to support them throughout, from their first year, from the moment that they register going forward.

MS L KHUMALO: At registration?

DR. D. PARKER: From registration going through their entire career as a student at the university.

MS L KHUMALO: ok I'm just trying to link it to this assumption that a kid arrives under-prepared at any event. So I was one of those that arrived underprepared

DR. D. PARKER: Perhaps I can just come in now because I'm trying to explain the slide and then your question will be answered. So what we are trying to do now is we are trying to create a systematic process and if you look on your left hand side of that diagram we are saying, when we look at a student coming to university, they come from the schooling background. So they start in their schooling background and there they are prepared in differential kinds of ways and what we are needing to do is have our intervention starting in the schooling system through career advice, through the career development services which the department is already putting in place and have put in place, and we are offering that now systemically, so that exists there. So as you are starting to recruit young people into the university sector, you need to start at that point by providing them with the kind of career advice that will enable them to choose the right kind of programmes for their interests and their capabilities. And then through the central application service, they apply and they are admitted into the university. And when they get into the university, we need number of pillars in place to enable us to understand and to support those students.

So right on the one end, there is this issue of data analytics. how do we collect data about students, how do we understand what is happening in the system, how do we think about utilizing the full datasets that are available through the HEMIS and from other qualitative and quantitative aspects in order to get an understanding of what's happening. And that should lead into certain kinds of processes in universities which provide early warning signals when a particular student who has been registered is in



trouble, so that we can see that through the data collection and we can identify individual students as that is happening. So it's not at the end of year where they have already failed that you recognise that something has happened. It's right at the beginning when they write their first test that you recognise there could be a problem there. And that then is linked into the students advising services. So the idea is that we need to support and to develop better student advisory services. We need to support staff and the development of staff in student advisory services so that these students, who are identified through early warning systems, can be picked up and can be advised. They can be sent to the right kinds of areas, if it's a medical problem - they can go and get medical help, if it's a problem related to some psychosocial support - they can get that help, if it's an issue around providing better mentorship - they can get that help. So the whole idea is to identify to be able to provide them with that help and then of course there is a students' support services which include all of these different kinds of programmes that might be available so that one understands how they can be integrated in.

So what we are doing in the system is we are flipping from having just had all these various activities that weren't systemically dealt with into the kind of support and that's just general for every single student who is in the system who has entered anytime in their student career to be able to pick up these kind of problems and to enable this kind of support that is required. When it comes to students that are going to be supported through funding, specific funding through the ISFAP and NSFAS, the idea is to intensify that. These are students that are possibly at higher risk but to ensure that as a subset they are followed and they are mentored in a more intense way and I think the wrap-around support that suggested by the ministerial task team fits in with that. But the important thing is that this is in the actual universities we are working as well, to think about how we can improve student support within the TVETs as well but it's at the institutional level and it's offered through the institutional processes to generally improve success at universities. So we don't have just opening up of access as a continual thing, but we match the access with the real possibility of success. Thanks.

JUDGE J HEHER: Dr. Parker a couple of days ago, a week or so we had quite a lot of evidence about an extended curriculum programme, and a report that had been prepared and submitted to the department. One witness said that the report had been rejected, and another witness told us that it hadn't been rejected, does this fit into this Capacity Development Programme and if so how?

DR. D. PARKER: Yes, you will see at the end of that list of things right at the end there is an extended curriculum programmes, currently we do fund extended curriculum programmes to a specific grant called the foundation provisioning grant. Now, the idea is that that grant will stay but those students and students on extended programmes could be supported through this whole programme, and that's integrated into it.

The department didn't fully reject the report that was provided by the council on higher education. But what it did indicate was that we need to look at the whole range of possibilities and really understand what the key issues are underlying the problems of students' success. And that implementing across the entire system an extended curriculum programme as the default position, wasn't something that was supported at that particular stage. However, the extension of the extended curriculum programmes is something that is being put into our enrolment planning process with universities. We are working with

them to increase the number of students on extended programmes to about 30% of the total system at the moment by 2020 I think.

JUDGE J HEHER: I see. We were told that there was a response to this report and that we would in some time let into the secret as to what the response says, and so I assume that it will happen?

DR. D. PARKER: I don't think the response were a secret, there was a....

JUDGE J HEHER: No I'm not suggesting it was secret....

DR. D. PARKER: We can provide a copy of the letter of response that was sent to the CHET, to the presidential commission.

JUDGE J HEHER: Thank you

MS L KHUMALO: So we've had people raving about the success of the SAICA programme, I don't know if it's the one that Mr. Nxasana is heading is it something similar? Is it the same development programme for the SAICA students?

[mixed voices]

DR. D. PARKER: The SAICA students are provided with the development programme that is offered through SAICA but it fits into this overall viewpoint but perhaps Sizwe can respond.

MR S NXASANA: Yes, it certainly fits in as Dr Parker has indicated, however, in terms of how we are looking at scaling it across all public universities and TVET colleges.....and I know this picture only makes reference to universities, but in fact this wrap-around support would apply to TVET colleges as well, so it's just an error on the slide. so yes it would be similar but the elements that we are adding for scalability, including how we may use technology to offer this wrap-around support including what Dr. Parker has just said here in terms of what the department is doing, because there is a need for systems including analytics capabilities in the system that will be able to track students almost on a real time basis. So we are going to leverage on what the department is doing to actually be able to do it across.... if you add TVET colleges it will be almost more than a million students in the programme compared to the Thuthuka programme which is about 3 000 students.

MS L KHUMALO: And the funding will be affected by that?

MR S NXASANA: Yes, I will talk later on around the funding sources. so, one of the things in addition to the budget which the department has allocated to this University Capacity Development Programme, is to raise additional funding and significant additional funding in a form of Social Impact Bonds, and it's a particular financial instrument that's a 'pay for success' instrument to be able to do it.

MS L KHUMALO: On the same slide on schooling, how do we assist with that because you remember you were saying Dr. Parker earlier that.....that's what I wanted to know, at what point does this start taking shape.....and we know that there has been evidence that sometimes it needs to start at schooling which is why I wasn't sure if it was schooling in English or schooling in our schools basic education.

DR. D. PARKER: I think what we are talking about here is; we are saying it starts in the basic education system and obviously there are a number of processes basic education that we are putting in place in order to improve success in schools. But in terms of coming into the post schools system into higher education, one of the absolutely key aspects is around career advice in relation to that. But improvement of the schooling system itself that is something that requires an enormous amount of focus. Not only from basic education but also from higher education particularly in the development of Teachers.

ADV G ALLY: Dr. Parker, on this particular matter, you will know from the report by CHE, and one of the aspects mentioned is at some universities you have entrance exams, and the reason for that entrance exam has been and I have debated with the department on this issue relating to the national senior certificate whether it is the determinant of success at university or not. What is the department's view about the issue of entrance examinations that pick up the unpreparedness of students?

DR. D. PARKER: I think you are probably referring to the National Benchmark Test. So the National benchmark Test, the department has consistently indicated that that test could be utilized to identify under-preparedness of students and to be utilized as a developmental tool. But we do not agree with the idea of it being used as a selection criteria because we do have the National Senior Certificate which is our certificate. But there are some universities who don't use the National Benchmark Test, there are some that have created their own testing process in order to identify what the developmental needs of the students are, and it's one of the questions that we have been thinking about in terms of this whole programme that we are dealing with here is, to what extent should the National Benchmark Test be utilized, or some other kind of assessment be utilized to assist, particularly in the data analytics part of this issue.

I mean one of the biggest problem with the National benchmark Test at the moment is that it's a pen and paper test. And should it be, should we have a kind of test that enables young students when they get into the university system to do it online, so that that data could then be utilised in terms of assisting in identifying those students who require more support. But I think, and our Minister has indicated this many times before, we have a large proportion of students who come out of basic education who go into higher education. And those students we have are the very best students from the basic education system, and we have to support them, we have to enable them to succeed in higher education.

ADV G ALLY: Thank you

MS L KHUMALO: So the intention for Ikusasa is to also contribute in that 'paying for success' would start may be at high school if funding allows, or what is the situation?

MR S NXASANA: Other than plucking into what the department is doing, we haven't looked at raising funding for basic education. However.....just going back to what Dr Parker was saying, there's already a collaboration between the Department of Higher Education and Training and Basic Education in terms of career guidance. There is a programme called 'Khetha', which is about supporting students from Grade 8, which is when they make subject choices, so that they make more informed subject choices, and be able to extend that to include sharing knowledge with students or scholars or learners at that

stage around sources of funding, bursaries, scholarships and so on. Because that's all of the kind of information they require, the kind of choices they can make whether they should go to university or look at vocational programmes at TVET colleges and so on.

ADV G ALLY: The only sad thing Mr Nxasana about that is that not all schools have vocational Guidance Teachers, and that is where one of the deficiencies in the system are, that one would expect that you have, because as you would know, at an early in your life, you need to be guided and sat and told: well if your marks at school are at a certain grade and you don't lift it, you cannot pursue that which you wanted to pursue. But you need that guidance at an early age and unfortunately that is not happening. And then you get a situation like we had at the University of Johannesburg a couple of years ago of the influx of students at the gates, where the student finds out, I've got a higher mark than I thought I would get – what they call walk-in students. So if these were done at an earlier age and it basically what.....the observation I have is that there needs to be more consultation and corporation between the two departments – that is Department of Higher Education Training and Basic Education. I know there's work being done and the sharing of data and information will take us a long way in improving access for success.

MR G QONDE: No all schools are covered in the country, in respect to career guidance, and including the distribution of support material in respect to that, and also being on air and Television. We cover all 11 languages in different radio stations amongst other things. We are collaborating intensely with the Department of Basic Education in respect to this, because one of the things that we have identified as a problem in the system, that's why the part that Di has presented, should not be seen in isolation with respect to career guidance that we have rolled out in all the schools in the country, in partnership with DBE, SABC and quite a number of platforms that we utilised.

The other element that you are touching on which is important, is in respect to the timing of application by students, and in respect to that, we are running a programme 'Apply Now', which is strictly at invoking and triggering into students the need to take paper, pen or go online to apply. And it's also reinforcing what they would apply for in the system, through career guidance. And what are the support systems and mechanisms that are in there, financially and otherwise – it's a full package in respect to preparing students towards finding space in the post-school education and training system.

The other area that you are touching on is in respect to central application system, where we have discouraged walk-ins, that is the reference to the UJ incident, that in the case that you are not admitted in any of the institutions that you applied at, all that information is housed centrally in the department. And we are having a system of interacting with all institutions and place those students in respect to their areas of choice. So it's a full package from the beginning to the end but this one was at a more escalated level, on campus, when they are there, they have applied, they've made choices in respect to guidance that they got at schools and from other platforms that we have. What is the kind of support on campus now that they are there, so I think that's what Dr. Parker has been elaborating on.

MS L KHUMALO: Thanks DG. I think the assurance that we were seeking is that for this model to work, is that the schooling actually creates an opportunity for students to know that they have choices, which is

why career guidance is important, in that they focus on varsity only. And then it lessens the burden on varsity, and when they have chosen the career, in that the curriculum and the support system.....I remember when we were at high school, we used to go to varsities on Saturday schools and all of those programmes, which might have been funded by something like Ikusasa. We were just seeking that assurance that for this work, because even when they arrive at varsity and they are under-prepared, as a lot of evidence has come her that the challenge with success is the under-preparedness of the funded student, then it means you are not getting a return on investment in that space. So I was saying in the pilot project maybe later, you guys can display that there is a potential for that growth in schools just to lessen the burden on this model

JUDGE J HEHER: Miss Pillay?

ADV K PILLAY: Thank you Chairperson. Before we get to Funding Model Assessments, I see that it's now 13:20, may we take the lunch adjournment now?

JUDGE J HEHER: Until when?

ADV K PILLAY: Until 2 o'clock

JUDGE J HEHER: Adjourned until 2 o'clock

.....ADJOURMENT.....

JUDGE J HEHER: Yes Miss Pillay

ADV K.PILLAY: Thank you Chair we were at slide 20 of your presentation Mr Nxasana.

MR S.NXASANA: Thanks very much. So if I may request the Chair that we.....because there are a lot of questions even earlier on that are covered later in the presentation, so if it would be okay to.....other than questions of clarification to do the presentation then.....

JUDGE J HEHER: I have no objection to that, you may proceed

MR S.NXASANA: Thank you Judge

So the next chapter of the presentation deals with the funding sources based on the recommendation, with the key recommendation being that we believe it is feasible and financially viable to offer free education to the poor and partially subsidised education in the form of grants to the missing middle. So the next chapter explores how the funding sources may look like and how the students may be funded including looking at assumptions as to the number of the students that could be funded under the proposals.

So there are number of assumptions that we take, and we've already started talking about the full cost of study and what that looks like. So in our assumptions around looking at the total cost of providing this funding to the poor and the missing middle students, we have looked at the studies that were done by the National Treasury - the GTAC unit of National Treasury, which has looked at the full cost of study at the 26 public universities - and for this purpose, we are only looking at universities, we are not looking at the TVET collages. And we've taken the averages according to that study which show that the average cost of study.....if you just take the 26 public universities and you sort of divide and use a simple division....divide by two, you get to the average cost per student of R92 000 in 2018 which we have escalated. So we've taken the study which they did last year, we've escalated that using inflation - CPI index to 2018 and we arrive at R92 000.

And the student numbers.....obviously we've taken the enrolment numbers as determined in terms of HEMIS - The Higher Education Management Information System by institution and we have taken into account the breakdown of those students in terms of individuals that would either be doing full contact programmes or distance programmes, broken down into Bachelors programmes as well as Diploma studies. So that's how we've sort arrived at the numbers, and as I said we have not looked at the TVET colleges in this assumption - on the basis that the TVET programmes are already fully funded and either through the NCV or Nated programmes or otherwise through NFSAFS, - that's why they were excluded out of this computation.

If you turn over the page, on page 21.....the actuarial model that we've done, we've looked at the Stats SA numbers in terms of the students that we assume will be entering the education sector going forward, especially those that go on to study Bachelors programmes as well as Diplomas. And we've looked at that using the 2011 income and expenditure survey of Stats SA and adjusted it for CPI to determine the 2016 numbers.

And we've taken the NSFAS' expected family contributions and adjusted those numbers to inflation and for certain variables, like for instance.....just going back to some of the questions that were raised earlier, you've got to make certain assumptions around household income assuming how many households have more than one student that is at a higher education institution. So we have done certain adjustments in that regard. So if you go on to Slide 22 and you look at the number of students below R150 000; between R150 000 and R300 000; from R300 000 household income to R450 000; and then between R450 000 and 600 000 using the Stats SA data in terms of households incomes - so that information is available from Stats SA, you can then make certain assumptions and deductions around the number of students that would be funded under each income band.

So for students who come from households that earn below R150 000 - and this is Universities only to remind ourselves, you have 209 907 students. So now when you take that number and you do a reasonable Maths test by looking at the number of students that are funded by the NSFAS especially after the decision was made by government last year to cover all the underfunded or unfunded students that had NSFAS qualifications, that were unfunded or underfunded under the historic debt programme that was approved last year - NSFAS this year would have covered all students that come from households that earn R122 000 and less, and that number is sitting at about 180 000 students.

So if you look at the 150 000 , you can sort do a reasonable Maths test, that that number is more or less correct – and remember this excludes the TVET colleges. And that's about 30% of the students in the system, if you take the total enrolment numbers as determined by HEMIS, which is about 819 000 students in the system. So you would fund 30% of the students and the students that come from families that earn between 150 and 300 000, would be 334 000 students and this is cumulative. So the 45% is 30 plus another 15% and so the numbers are cumulative. So the 334 is a cumulative number; the R450 000 – you get to 397 000 students - which is 52.5% of the students in the system; and R600 000 you will be covering about 65% of the students in the Universities system which is just over 500 000 students. Just for clarity, does that make sense? Okay.

And then we have taken obviously the 92 000 as an average cost of study, and if we are to fund all those students regardless of whether they get grants or loans - it's just total funding required, you would require:

- 19 billion for the students that come from households that earn below 150,
- 28.9 billion for 300 000 household income,
- 450 would be 33.8 billion and
- For 600 000 household income and less, you would require R42 billion per year.

So if you look at that R42 billion, you then say: where are we going to get this money from? And the next slide which is ISFAPs sources of funding, so at the bottom you have all of the government sources that include the Department of Higher Education and Training, Provinces, SETAs, BBBEE commission, Contributions, Private sector, NGOs, CSI funds, in other words this all grant funding which flows through government sources and that's a first category.

The second category....just going up, which sort of....have those.....that looks like symbols of people, are funding sources that we believe you can tap into using an instrument called 'Social Impact Bond'. Now, what is Social Impact Bond? A Social Impact Bond is a financial instrument that you sell to a third party, typically: a Bank, a Retirement Fund, a Social Investor, a Philanthropy that that buys that instrument to fund a social activity which would improve certain outcomes. So in our particular case, that's a funding that we would raise from all those sources to increase a capacity which is already available through the University Social Development Programme that Dr Di Parker talks about to reduce the dropout rate.

The assumption being that those investors get compensated by government if there is a proof over a period of time, it may be over 5, 10, 20 years that there's been a significant saving in the state because the dropout rates have reduced because of the interventions that have been made by both the investment by government as well as the private sector - so that's called a Social Impact Bond. It's an instrument that is widely used now, started in about 2010. In a lot of countries; Europe, Australia, the US, use social impact bonds quite effectively to deal with issues where there may be an inefficiency in the public service that is being offered. In our case, it is the high cost of dropout rate in the system. So if we can reduce that, we can save the country or the state a significant amount of money and that's how those Social Impact Bond Investors get compensated.

The third category – are Development Financial Institutions, Foundations, Senior long term funding, in other words these are investors who are looking for two things; they are looking for a social return – a social return here is improvements in success rates, graduation rates and employability of students. But they also want some financial return, so if I just use examples of DFIs that exist in this country, you have the Development Bank of South Africa, you have provincial development financial institutions such as ITHALA and so on. They are looking for a return but their return is not equivalent to a commercial return, there's a social return turn which they are looking for with some financial return. So those would be your DFIs.

And then right at the top which is the fourth category, these are now Retirement Funds that manage your money, my money and that are looking for a normal commercial return and where would they get that return – they would get that return from the loan component of the student funding that would be in the system. So those are categories of where the funding could come from.

Now the next slide just looks at how much government in terms of the recently announced Medium Term Expenditure Framework, has allocated or budgeted to allocate to universities. So this is what Minister Pravin announced in October and you'll see that there's already.....given the decision that was made by government last year to fund historic debt, to fund returning students, that are qualifying... NSFAS qualifying students, you can see that there is already an additional R8.8 billion and it goes up to R9.8 billion in this 2017/2018 fiscal year, R10 billion and so on.

So we are assuming that funding is not going to increase for the purpose of this exercise in the presentation. And we see the allocation that's going to TVETs already, so you have 2.3 billion in the 2016/17 fiscal year which grows to 2.78 billion in 2018/19. So we've assumed that those sources of funding are going to be maintained in terms of the announced Medium Term Expenditure Framework.



So the next significant potential sources of funding is funding that comes from the BBBEE Act. Now the BBBEE Act.....let me start off by saying, the BBBEE Act is a voluntary code in terms of the revised Codes of good Practice. It's not a levy, so companies are not forced to make a contribution to the BBBEE Act, in terms of the revised Codes of good Practice, however we know that companies and employers, and this includes State Owned Companies, have to make a contribution because they want BEE points, they want to be rated, especially if they are doing business with government

And the Department of Trade and Industry through the BBBEE Act, has created a BBBEE Commissioner, and the level of contributions by companies has been increased....previously up to last year it was 3% of payroll, that level of contribution has been increased to 6% of payroll.

Now if you use the skills levy....the Skills Development Levy that are sitting at 1% of payroll, the country today raises about R15 billion out of the SDL – the Skills Development Levy. Because the BBBEE Act is a voluntary Act, in other words it's not a levy, obviously you assume that the contributions that would be made, may start at a lower level, would increase as the company sees the benefits of getting the BBBEE points. And we've met with the DTI as well as with the BBBEE Commissioner and recommended that a percentage of the skills development contributions, be allocated to funding the poor and missing middle students.

And we've agreed, they came back and agreed that 25% of that 6% could be made available to funding poor and missing middle students – there are a number of qualifications that we have applied to it.

[inaudible comment from Judge J Heher]

MR S.NXASANA: At the moment the system has not worked that well because all that companies needed to do, was to prove that they've used part of their budget for skills development. They did not have to spend the money directly themselves, that's why last year the BBBEE Act was changed from that self-declaration of self-spending to an actual contribution. But again, I want to emphasize the point that it's not a levy, it's still a voluntary contribution.

So at the moment what companies do, they claim the points.....the BBBEE points, based on what they would have verified....you have verification agencies in terms of BBBEE that verify that; I'm Company X and I have spent 3% of my payroll on skills development for black people – and it has to be black because it's a Black Economic Empowerment Act. So in future, based on the revision to the act, you can actually write out a cheque as a company such as writing a cheque to ISFAP to funding students and you get a BBBEE certificate.

JUDGE J.HEHER: That I understand but where does the money....that which is presently being owned, where does it go, into what sort of fund does it go?

MR S.NXASANA: it goes to training programmes and there are a lot of training programmes – a lot of which are not really effective. There are programmes that are run by SETA, there are programmes that are run by universities or TVET colleges - they are completely uncoordinated, there are programmes that companies run themselves, so in fact the majority of the programmes are the programmes that

companies run themselves. And then they have to submit a verification that they've spent the money and that system up to now has been subject to a lot of abuse.

JUDGE J HEHER: The reason why I asked is because if you are going to use that 25% of that 6, what is the 25% reducing?

MR S. NXASANA: The 25% is simply organising that 25% of the 6% that it can be directed to the funding students, and you can write a cheque and you get....

JUDGE J HEHER: I understand but who is going to suffer as a result of the 6% being reduced to 4 and half percent?

MR S NXASANA: I don't think anyone is going to suffer because even under 3%, companies were saying they battle to spend the 3% - so they were not even spending the 3% and the process was open to a lot of abuse, and companies or employers were submitting a lot of claims under the BBB which....in a lot of cases were not quite valid. So no one is going to suffer.....with the threshold having been increased with 6%, what this proposal which has been accepted by DTI and BBEE, actually it makes it easy for companies to: one comply and secondly for the verification to take place because you actually write a cheque, as opposed to say you run a training programmes for your staff, that may be very difficult to verify.

JUDGE J. HEHER: Has any of this been discussed with organised business?

MR S. NXASANA: Oh yes absolutely! It certainly has been discussed with BUSA, it's been discussed with BLSA, it's been discussed with the sectoral bodies and it's a very easy way for them - a lot of them welcome because suddenly it makes it extremely easy for them to comply and get the points on one hand as well as spend....all they need to do is to write a cheque - for 25% you get the points. Whereas in the past year, we would have to...they still need to put programmes together for the 75%. But they were saying.....companies were saying, they were battling to spend the 3%, it's now going to be doubly difficult to spend the 6%, and this a way that we partially make it easy for them

JUDGE J. HEHER: I see, so effectively the one and half percent of the 6% would be used for the funds for IFSAP?

MR S. NXASANA: That's correct. In the third category, it's all the private investment into funding students. And obviously here you talk about retirement funds, you talking about....You and I can invest in a student funding bond and expect....just like you invest for retirement bond, so you get.....you buy an instrument which gives you a return over a period of time. So there are number of instruments that we envisage, to create here, to be able to fund students.

So if I turn over the page - slide 27 and you look at how much funding.....remember that we have a R42 billion number that we say, if we are going to fund just over 60% of the students we need. Initially when you set up the scheme, obviously you have government funding which is R17 billion, grows to 18.5 and 19 billion through the Medium Term Expenditure Framework.

And the second category is BBBEE, so BBBEE is potentially a significant source of funding. And we've made certain assumptions here that if you take the 1% which is the skills development levy, which all employers have to pay, we're raising R15 billion or the country raises R15 billion which goes into the National Skills Fund. So we are assuming that the 1 and half percent, because it's not a levy, it's a voluntary contribution, we'll probably start at about 8 billion in 2017/18 as a contribution. So we've almost halved the contribution that's going to the SDL because of the voluntary nature of it. And as companies see the benefit, they start to contribute more. So that will grow to 10 billion and 15 billion by 2019/2020.

JUDGE J. HEHER: Is there not a possibility that this contribution because of the lack of cooperation from the private sector may be made a compulsory contribution?

MR S. NXASANA: Well what the DTI has indicated is that instead of....the BBBEE Act is still a voluntary Act in terms of contribution. It has certain stipulations in it in terms of what qualifies and what doesn't qualify. And what they have said is that they will include an amendment to the DTI Act, obviously if they are asked by the Department of Higher Education and Training to do so as a primary department including that stipulation of the 25% so that it is very clear as opposed to a number of elements that are in the BBBEE Act, that are clarification guidelines. So instead of issuing clarification guidelines, they'll actually amend the Act to include this 25% stipulation.

JUDGE J HEHER: Still as voluntary?

MR S. NXASANA: Still as voluntary yes

JUDGE J. HEHER: If it were not a voluntary, if it were a compulsory, what would you then raise?

MR S.NXASANA: You just use the SDL as a proxy, so the SDL is a 1% of payroll at the moment, and we raised R15 billion. so you can actually do an easy calculation, so if it was a levy as opposed to a contribution, it essentially means that you would easily raise R22.5 billion just like that, however for you to go to through that process, it means National Treasury has to pass a 'Money' Bill and a Money Bill which is what a levy would be, takes much longer to put in place. So it's still a possibility that you could migrate from being a voluntary contribution to being a levy in future but that process would obviously take some time.

And then the private capital markets..... we've been quite conservative in making assumptions around the amount of money that would be raised from private capital markets, simply because you are creating a new platform here, it doesn't have a track record, so people would take time to warm to it, and understand how it works. It would take time to register....

JUDGE J. HEHER: Sorry Social Impact Bonds?

MR S.NXASANA: Yes, Social Impact Bonds are sort in the category as well. So it just takes time to....one you got register that instrument, sometimes it's not provided for in the Financial Services Board, so that process can easily take about 3 to 4 years before you are able to issue a prospectus to sell that

instrument. So those are the assumptions that we've made here, that it would take on average about 4 to 5 years before some of those instruments were available for selling in the market.

So that's why you start to see the contributions increase quite significantly in the 2019/2020 year. And when you look at this, clearly it does show that you can significantly increase funding using the BBBEE Skills Development.....it shouldn't be called a levy, sorry there's an error on the slide there, it's not a levy, it's a contribution. And then you start to then create the other instruments which kick in a little bit later. Which means in terms of the proposal, you would probably start....you would increase the number of students that are funded in the missing middle. The level of grants may be lower and they increase over time especially for the missing middle as you go forward. But it still fundamentally addresses what the constitution says because out of this funding, you'll give the poor students free as we indicated earlier, you'll give the missing middle some support initially which increases over time as more funding becomes available

The next slide does a comparison of the National Student Financial Aid Scheme with ISFAP, starting with the means-testing test process. NSFAS is at a R122 000 and below - household income. ISFAP would go right up to 600 000, obviously there is a qualification here because with the announcement that was made by the Minister this year, to absorb the fee increase for missing middle students next year, obvious that increase sort of falls somewhere in between, in other words it is not necessarily managed by NFSAFS, but at least government is already making some commitment to absorb that increase.

And the interest rates.....at the moment NSFAS' are 8% of repo, so the interest rates here under the proposed model will be varied depending on the means-test as well as course of study. So because we want to promote scarce skills, certain interest rates would be better rates if you are doing a programme that is contributing to scarce skills as compared to others. So we may have some differentiation in that regard.

The funding under this model will be a combination of public and private as opposed to NSFAS, which is almost 100% government. The data management will be done by PVP - MANCO as we discussed earlier. The dropout rates, there'll be specific funding that leverages what the department is already putting in, and therefore over time, the dropout rate should reduce. The qualifications in terms of means-testing, the same would apply in terms of higher education institutions and acceptance to higher education institutions.

The principal on forgiveness is the same. Over the page.....if you look at the loan versus bursary ratio - NFSAFS at the moment you get a loan, 40% gets converted to a bursary if you pass your first and second year and 100% in your final year. In the new proposal, you'll have more grants in the earlier years and loans that are sort of back-loaded for those people who are offered loans. So there are fundamental policy differences between the two, and the means-testing system would be exactly the same. Over the page, there would be more focus in terms of scarce skills production.

We believe that the overall cost will be lower under the new system because you have risk sharing. Even if in terms of loans, government is not going to absorb all the defaults in loans, in other words, if there are people who don't pay their loans, MANCO takes the loss and the private sector would have put in

equity capital which is the loss absorbing into that structure. So it's not just government at the moment like in NSFAS, government takes the whole loss - so you have a risk sharing arrangement that actually happens here. So to be able to do this, just over the page talking about the legislative changes....

JUDGE J. HEHER: Before we get to that, may I ask you two things because I don't want to come back to them. You said that this would result in low dropout rates and cost to government, just summarise very shortly – I'm sure you've said it before but why low dropout rates?

MR S NXASANA: Remember the presentation by Dr. Di Parker around what government is doing in terms of Student Development Programme, and remember that we said that the private sector....government has allocated for instance R900 million to be able to help reduce the dropout rate. That amount is what government can afford at the moment, it's not adequate. So we seeking to raise additional funding, significant funding from private sector sources to focus particularly on leveraging what department is already doing at Universities and TVET colleges, to offer this wrap-around support – which is additional academic support, psychosocial support, medical support and so on. So the cost of the system will actually go down because of that.

JUDGE J HEHER: Yes and why do you say ISFAP would result in more money being channelled to occupations in high demand?

MR S. NXASANA: Well there are number of proposals that you'll see later on when we look at proposed legislative changes that include incentives that will be offered to universities in the form of additional grants and TVET colleges, the incentives that would be given to employers to put more money into those scarce skills programmes - that would also make a contribution to the production of scarce skills, the text incentives that would be offered to investors that are supporting some of those scarce skills. All of that converges to increase the focus on scarce skills.

JUDGE J. HEHER: Alright thank you.

MR S.NXASANA: And part of that includes a discussion between.....we understand that universities and TVET colleges are not just about producing vocational programmes. We understand that institutions of higher learning are there to produce knowledge as well. But in a country where you have a miss-match of supply and demand of skills, you have unemployment graduates on one hand, you have more than a million vacancies on other hand, it means we've got to try and address that equation by...that's why the skin in the game discussion for instance comes in. Because I can tell you now, I've been a Non-Executive member of Business Leadership South Africa for the last 15 years, not once have.....and this represents 85 of the largest companies in this country....not once have we ever sat with TVET colleges and universities as a body, and had a discussion around the relevance of the programme which are offered, the quality of the programme that are offered, the curriculum that is offered in a lot of cases.

And of course yes you have occupational programmes that are sort of cover outs in TVET colleges but we need to address.....if you talk about quality in higher education which is what the students are saying, it is important to have all of these people, all of these key stakeholders in one room talking about

what quality means. And we believe that this model at least make a contribution in that discussion and in that debate.

JUDGE J. HEHER: Thank you

ADV K.PILLAY: Mr Nxasana, the students are also asking for decolonised education and obviously that's got implications for curricula - has this been considered by ISFAP and how does it future in the model?

MR S. NXASANA: No we have not considered decolonised education in the model because we believe..... quality of programmes may have colonisation or colonised concept or context in them, but we haven't looked at that. Because I think the country still needs to define what decolonised really mean, at least we haven't ventured into that space in terms of its definition. What we've ventured into, is to look at students being produced to play an active role in the economy which talks to employability on the one hand but also understand the importance of for instance students being given the tool and the skills to be entrepreneurs and so on, and play an active role in the economy. But part of that it may have a decolonised context which we haven't explored.

ADV. K. PILLAY: Just in relation to the interrelationship between the NSFAS and ISFAP, will the introduction of ISFAP have any impact on the operation of NSFAS?

MR S. NXASANA: Yes it will. Can I come to that....you'll see there are DHET recommendations in terms of the transition arrangements and the impact on NSFAS later on, so I'll touch on it in the presentation. So the legislative changes....we touched on the NSFAS Act earlier on, that the Act was passed in 2000, does not cover or extend the mandate of NSFAS to cover certain things, for instance the dropout rates are not part of NFSAFS mandate and the production of scarce skills, yes NSFAS manages the part of the money that comes from the National Skills Fund as well as other sources which are targeting particular skills, but it's not the mandate of NSFAS as defined.

The support of quality improvements at universities and TVET colleges, in other words supporting what the department is already doing, is not in the mandate of NSFAS at the moment. The partnership with employers to increase employability or participation in the economy, is not part of the NSFAS mandate at the moment. These are just some of the example of areas where we believe the NSFAS Act needs to be amended and enhanced. Then the amendment of the Broad Based Black Economic Empowerment, the Chair has already raised the issue in terms of what may be required. At the moment, the recommendation with our discussion with DTI and the BBBEE commission, is to instead of having the 25% just as a clarification guidelines, is actually to amend the Act to include the contribution of the 25% as part of the BBBEE Act.

And over the page, the Income Tax Act....we've only covered some of the key amendments that are proposed here. The Section 18a: deductions, which are exemptions in terms of the Income Tax Act, we are seeking certain.....they are not major but they are important amendments that would be made to contributions by companies into ISFAP that would qualify in terms of deductions. And then if a company.....and one of the things we want to do is to encourage companies to take over student debt for those students that have debt. But what would happen under the current Fringe Benefits Tax, is that

that student would suffer immediate Fringe Benefits Tax if that happens. So if I'm Sizwe and Company X takes over my student loan, I would already even before I start working, have a Fringe Benefits Tax. So we have asked for a deferral of that Fringe Benefits Tax over time. And then last but not least, to improve the efficiency of the system, to change the Tax Administration in way that would allow SARS in future to collect the outstanding debt - just like SARS does with the SDL, with the Skills Development Levy and the UIF. So it will work exactly on the same basis obviously on an Income Contingent basis, in other words, once a threshold of when repayments start, once a person is earning income, it would kick in at that level and it's an automatic deduction of once of their payroll. And so it would improve recovery and collections quite significantly

ADV.G. ALLY: Mr Nxasana, did you have any discussions with the Davis Commission - Tax commission, in relation to these amendments sought or possible amendments to Income Tax Act?

MR S. NXASANA: No we've had discussions with the Tax Policy Unit of National Treasury as well as SARS, including the Commissioner - so we haven't spoken to the Davis Commission.

JUDGE J. HEHER: May I ask you before you continue to the next leg. Is there anything in your presentation so far which goes beyond the report?

MR S. NXASANA: No, the report pretty much covers everything that we are gonna present

JUDGE J. HEHER: So this in a sense is a praisey of the.....

MR S. NXASANA: Yes it's a praisey of what's in the report

JUDGE J. HEHER: Thank you. Please go on

MR S. NXASANA: So to be able to do of most of what we are proposing, we then recommended to cabinet, which cabinet approved that we run a pilot on some of the aspects or test some of the aspects that are contained in the recommendations. And because the pilot is envisaged to be run in 2017 next year, we don't have a lot of time to wait for legislative changes, to create the MANCO or FANCO structures and so on. So we then proposed that we would use partner systems to test certain things. And we looked around for structures that would be suitable, that would provide similarities with what we are proposing from a governance standpoint. And we have through the South African Institute of Chartered Accountants agreed that we could use the Thuthuka Education Upliftment Fund, that's different from the Thuthuka Bursary Fund. Because the Thuthuka Bursary Fund only funds Accountants, so the Thuthuka Education Upliftment Fund is very broad in its mandate. So we would use that from an administration standpoint, so all the funding that we raise for the pilot will go through and be managed by TEUF - Thuthuka Education Upliftment Fund. And we are getting donations, so we started the process of raising funding from DFIs, from Foundations, from Financial Institutions and so on to be able to run a pilot in 2017.

So we've looked at what we gonna be testing in the pilot. We are testing....remember the selection of students and the means-testing is very different from how NSFAS does the selection and testing at the moment. So that's one of the things that we gonna be testing, in other words the means-testing,

applying the rules that we are proposing in the ISFAP model. The selection of universities, so we went through a process in the reference group of determining which universities we could select, especially those that would focus on the scarce skills and certain programmes. We looked at the support...this wrap - around support and what form it may take. Just going back to our earlier slide that adds to the Student Development Programme of the department and enhancing that further - so we gonna be testing that. And then focus on scarce skills.

And we talked about the National Benchmark Test earlier, so we will only use those for those programmes that identify the NBG Test not for as a selection tool, but rather as a tool that identifies development gaps and the state of readiness of the student. And then we looked at the contracting with universities as well as TVET colleges and the students. The structure of the partnerships, because you need a partnership here - just going back to the skin in the game of having partnerships between employers, the department and institutions, so we'll be looking at the nature of those partnerships.

We will be looking at the loss absorbing capital that would be introduced by the private sector. We would be looking at the student support, the Social Impact Bonds, the application constraints and so on. So one of the things we are not testing for here, is the recovery mechanism for the loan component. Yes there would be loans that are offered to the students in the pilot, and by the way the pilot will only focus on the missing middle, because we didn't want to confuse the funding of the students that are in the NSFAS fold, other than for those programmes that are offered in the pilot that include NSFAS funded students.

Those students who are NFSAFS funded, will also get the wrap - around support - I think that's an important point. So after a lot of deliberations - I mean we only started raising funding just over a month ago, so we are targeting to raise about R200 million for the pilot, we already have just over R100 million that companies have contributed

JUDGE J. HEHER: Who is 'We' who's doing this? You I thought were a Ministerial Task Team or have you now evolved from something beyond the Ministerial task Team?

MR S. NXASANA: The Ministerial Task Team is actually doing this. So when I say 'We', I'm talking about the Ministerial task Team

JUDGE J. HEHER: Thank you

MR S. NXASANA: Thank you. All of these....the pilot and how the pilot is going to work, was part of the proposals that were interrogated at the reference groups meeting that we had. Over the page....this is for illustrative purposes, if we raise R100 million, we can fund just over 1 000 students – and we already have just over R100 million for the pilot. It just gives you an indication of how working with the department, with the institutions, we have selected the students into the various programmes and you'll see there's a mix of rural based universities with urban universities, University of Technology and so on....in the pilot, including one TVET college that is in the pilot.



And when you look at the roles and responsibilities of the pilot, there are roles and responsibilities that affect the universities and TVET colleges which is selection of students.....so because we don't have all the front-end systems yet, we will depend on the systems of universities for enrolment for identification of the student. And once that has happened, the universities will give us the information of the students for means-testing purposes. And we have agreed that.....for instance when a student applies, they give us an ID number plus the ID number of their parent or guardians. We then put that information through the database of the banks to determine the means-testing. And for legislative reasons including POPPIE, we have a service provider in the form of one of the biggest Audit firms, which then categorises that information into income bands, and they give us information for means-testing which sort of indicates the means-test level that that student will fall into.

And the students....there's a contracting process with the students because it's important for them to have their own obligations, so they must attend lectures, they must supply regular feedback – we're using a technology tool which is a self-reporting tool which we are developing already and are going to implement from next year. Students also sign up into subjecting themselves to this wrap-around support and it's not optional. So once you are selected, you are part of this funding, you have to subject yourself to the wrap-around support that we indicated earlier. And obviously for the Pilot Team, we will manage the whole process which includes the selection, the disbursement of funds, the management, the partnerships with universities and TVET colleges, the design of all....And all of these areas are quite important inputs into the detailed feasibility study to see if we have to scale this across all universities and TVET colleges, what is actually going to be required, especially given that, there are major differences in terms of how the administration and management works compared to how NSFAS works at the moment.

To conclude Chair, there are number of recommendations....with the DHET having looked at the Ministerial Task Team report, that the DHET has made, and I would like to, with your permission hand over to the DG and Dr Parker take us through this

JUDGE J HEHER: May I just before you come to that, because you are coming to the end, put on record because perhaps Dr Parker can deal with it. It seems to me we are in a position here where you could seriously embarrass us and we could seriously embarrass you - in the sense that supposing we put in a report in 3 months' time and we say we think your project is nonsense and shouldn't be pursued. I bet suppose we would, I bet suppose we did. Because we have considered various things that you might not have considered. Supposing you go ahead with your scheme, it to some extent pre- determines what we can do because you would have already laid down the parameters of the way you see the future should be conducted which may limit us in what we can suggest. Do you see what I am saying?

MR S NXASANA: Ya I do

JUDGE J HEHER: And forgive me for saying so but, it does suggest to me that the left hand didn't know what the right hand was doing - that while you were preparing what is a comprehensive report, into how the future of funding of education should take place, we were appointed to inquire into the feasibility of funding of education. Do you have any comment on that?

ADV G ALLY: Or does the last bullet perhaps take care of that?

MR S NXASANA: Yes so, I mean.....

JUDGE J HEHER: We can't know until the test is done whether you are going to be successful or not. We can't say in advance that you are going to be unsuccessful in your testing of the model, and neither can we put in a recommendation which says your model shouldn't be tested. So whatever we put in is subject to what your test shows up.

MR G QONDE: Why don't we handle this matter in this fashion honourable Judge. In respect to the commission, we don't have a mandate and authority to speak on it. All what we are doing from the standpoint of the department, is to put to the attention of the Commission.....

JUDGE J HEHER: Yes indeed, I appreciate that

MR G QONDE: What we have done and the consideration of our submissions before this Commission, it is a matter that will be left to the Commission itself to make a determination.

JUDGE J HEHER: I accept that that's why I am raising the potential for embarrassment between each of us and looking to see what your attitude is to that. You may say to me that could be no possible embarrassment or difficulty and here is a suggested way of solving the problem.

MR G QONDE: No we can't make a determination as to how the process should unfold, comfortably of course and open for the commission to make use of what it would think it's usable in respect to our contribution and submissions to the Commission.

JUDGE J HEHER: But your contribution depends on the outcome of your pilot tests doesn't it? Supposing your pilot tests are unsuccessful, what then?

MR G QONDE: The pilot is just one of the measures that we have undertaken over time in respect to mitigate the challenges that are currently confronting us at the present moment. Some of course may have impact in relation to medium to long term, as to whether that is sufficient or not those are the matters that the Commission would actually consider. And finally make a pronouncement in relation to them. So we are comfortable into leaving it on that note. We won't really make any attempt to talk about the commission itself. If the judge would permit us as a department to...

JUDGE J HEHER: Mr. Qonde I'm happy that should be so, and I was merely asking whether you had anything to offer in that regard. So thank you for what you have had to say I appreciate that. Of course we have to decide which way we go and how we accept your report or don't. Yes would you like to continue with the next section?

DR. D. PARKER: Just in terms of the next part really, it's.....the ministerial task team provided the report to the minister and it has been looked at by the minister and the department. There are a number of issues that the department felt needed to be highlighted. The first one is around the NSFAS currently that it should continue to administer public funding. Whatever happens in terms of the NSFAS Act

review, and how NSFAS is adapted should we implement this new model in the future, we would still see it as being the core institution that would manage public funding.

JUDGE J HEHER: Yes, you see this is as a long term solution

DR. D. PARKER: Yes. We also felt that it is very important....

ADV K PILLAY: Dr Parker, I'm sorry before you move off the 1st bullet point. Perhaps you can explain to us in practice how it's intended to work. So the allocation would come from DHET to NSFAS and what would then happen?

DR. D. PARKER: In terms of the public private partnership - MANCO would manage the funds coming from the 2 areas so, the distribution of funds. But NSFAS would administer, work with and deal with all the public funding. FANCO will deal with the funding coming from the other aspects and these 2 streams of funding would then be brought together in terms of the final distribution of funds in terms of the various aspects that are in the model.

ADV K PILLAY: I'm just trying to come to grips with how the model will affect NSFAS's current operation because we know that NSFAS has got a substantial portfolio at the moment. And it's a portfolio that's an involving one under the student-centred model. Now with the introduction of ISFAP, how will that affect the NSFAS model?

DR. D. PARKER: Perhaps I should - and maybe Sizwe can come in as well on that. But in terms of our understanding, and it really goes to the 2nd bullet point, is all of the processes that are being developed at NSFAS at the moment in order to strengthen and improve NSFAS and particularly the platforms for the student centred model and so on. What we would want is for the new model leverage on that, in other words, all of those aspects would be absorbed into the overall operations of ISFAP. However, in relation to the funding, they will come from different portions, so if we think about the new IT system for example, that have been set up by NSFAS it will leverage on those IT systems in order to enable the disbursement of funds.

ADV K PILLAY: So just to use a practical example, if I am a student intending to study in 2017, or say 2018 to make things simpler, and I am from a single parent family and my mother earns a R100 000 per annum, do I apply to NSFAS or do I apply to ISFAP for funding?

DR. D. PARKER: In the long run, all students will apply through the same portal because it's all going to be integrated into the central application service. And there you will apply for funding, for financial aid. So it will be one funding application portal in that respect.

MR S NXASANA: If I may add Chair, so it is envisaged that CAS - the Central Application Service will be up and running in 2018, so just to....Dr Parker's point, the student will apply at one point, so there is a single point of application. The criteria for means-testing will obviously change assuming this feasibility study sees the light of day and there is necessary approvals through the appropriate structures in government. So the means-testing process then changes from 2018 onwards to the new decisioning principles that are applied in or recommended in the model. And the....

ADV K PILLAY: Sorry Mr Nxasana may I understand what that means, does that mean that NSFAS's means test will no longer be used post 2018?

MR S NXASANA: Well....there is a migration path of how we get there, so there may be elements....in terms of the transition arrangements initially, just like at the moment, taking the R122 000 so, once there has been a detailed feasibility that determines the different household income bands you will probably have a situation where the first card which is let's say people who come from households, students who come from households who get social grants as an example. they apply the new rule, those between that and 122 000 who may have a migration path which may last more than one year in terms of those transition arrangements, again we've got to correlate this to what can be afforded, just going back to the funding sources that are indicated earlier we will have to look at what the detailed feasibility study says, which portions can be migrated first to the model and then overtime we will plan a pathway that goes to what the full ISFAP model is proposing.

ADV K PILLAY: And is the idea to eventually replace NSFAS with ISFAP? And I say eventually so further down

MR S NXASANA: No, it depends which aspects you are talking about. The funding platform and principles yes. NSFAS still continues to exist so the proposals that we have made if you look at the report, MANCO is....NSFAS continues to exist into the future but does not manage the back-office function. We have already mapped the student-centred model systems and identified that we can actually utilize about 70% of them, they are not all elements that are sitting in the NSFAS student funding model that would be appropriate or scalable to use under the proposed model. So you will still have to invest quite a lot into the upfront in the origination sort of engine especially if it's going to link to the central application service. However, the loan management, the administration of loans and grants all of that, will be managed by MANCO and currently those systems are quite different in terms of what ISFAP proposes compared to what NSFAS does, so we will have to build them from scratch.

The integration with TVET colleges and universities where we link directly to the portals of the universities and TVET colleges does not exist at the moment, so there are a lot of those systems that would have to be built from scratch. The tracking of students on a real-time basis doesn't exist at the moment so we will have to build those from scratch and they will sit in MANCO. The recoveries modules, the communication modules, all of those don't exist so they will have to be built from scratch and they would sit in MANCO.

And NSFAS essentially, one of the recommendations actually that came from the ministerial review of NSFAS which was done in 2010 to 2012, was that NSFAS needs to have a presence at institutional level, or at least in the provinces where the institutions are. At the moment NSFAS sits in Wynberg and we dispatch people especially at the beginning of the year to go to universities, it's not ideal. So part of the recommendations here is that NSFAS structures, an infrastructure is increased under the ISFAP model to have closer representation to the universities and TVET colleges because we are going to deal with educational students working with institutions, providing support, linking with the programme managers for this wrap-around support and all of those systems don't exist at the moment and we

envisage that NSFAS will do them. So we will take some of the back-office staff to MANCO, develop new systems in MANCO, strengthen NSFAS to one; administer public funds as its recommending, but also improve the front office interface with universities, TVET colleges and students which at the moment is very weak.

ADV K PILLAY: But from a substantive perspective we know that the rules attached to NSFAS funding is different from the rules attached to ISFAP funding. So when a student applies for funding through the central point, which rules will apply to the funding that they receive?

MR S NXASANA: As I indicated earlier, there is a migration path depending on what can be afforded initially in the system, where we may start with very poor categories. So there will be one application, it will be categorized in terms of the rules, the decisioning rules that will apply to it. Some students especially.....let's take the very poor will go through the new system of decisioning, the missing middle may go through a combination, because the NSFAS systems are also not rigid including the criteria that is used. So I mean right now.....in our next board meeting next week we are looking at thresholds, we are looking at means-testing and so on. So you could start to adjust some of these in 2018 - the NSFAS rules that is, so that they are closer to some of the decisioning criteria that we are going to apply in ISFAP.

ADV K PILLAY: Is the idea then ultimately the ISFAP rules will replace the NSFAS rules?

MR S NXASANA: Absolutely, yes. If the feasibility study proves that it is all viable and feasible, financially viable.

ADV K PILLAY: And in instances where the NSFAS rules are more progressive than the ISFAP rules what would happen?

MR S NXASANA: Well, the one area which I can think of that you can call progressive, I'm not sure it is because it's a loan, is the 80% repo rate. So at the moment you charge...one you call an instrument a loan and it doesn't really comply with the strict definitions of what a loan is because of the recovery experience. That's the only sort of progressive rule which may be different in the loan component understanding that it's only the students that are in the missing middle in certain categories that will be offered loans. Otherwise....I know the system at NSFAS really well to know which ones are progressive and which ones are not.

ADV K PILLAY: I think the one that comes to mind is the fact that NSFAS allows students to pay back within N+2 years. I didn't see an equivalent in the ISFAP model.

MR S NXASANA: In fact, I misspoke a bit when I talked about N+1 when Advocate Ally was asking...that picture.....the picture that we showed earlier on which shows the loan, the expected family contribution and the grant, this one here. So and just to clarify in how we envisage how this is going to work, the grant for the poor, for the very poor may last in the regulated time of a programme or a degree, diploma or a certificate. But the loans will continue to be offered especially because one of the key elements of this is that we understand students may take 6.....once a student has been through their 3 years of

study, their chances of success and graduation improves considerably. It may take 7 years or 8 years whatever, but their chances of passing improve quite significantly which is why we are front loading the grants in that system. In terms of the criteria, compared to how NSFAS currently operates. Now we will not just stop at N+1 to offer loans to students. So this is where I probably misspoke and maybe I didn't quite clarify this because those loans will become....will continue to be available to those students as they continue in the system. Because at that moment yes maybe you have turned off the grant tap but you have a loan which is available because the probability of success.....sometimes even if a student doesn't graduate typically if a student has dropped out at 3rd year, it's much easier to find employment, it's much easier for them to start a business already have a track record, in fact we know examples... maybe these are not necessarily very relevant examples in the world but if you look at people like Mark Zuckerberg or Bill Gates they are all dropouts, they all dropped out around the 3rd year and they figured well that the university is....well I've got everything that I need now, I don't need a certificate now I'm going to start my business.

And you have a lot of examples, even in our country of situations like that. In fact I have 2 members of my family who are exactly like that, they went up to 3rd year and maybe they were left with one or 2 courses they said: 'no I don't need this course anymore' they go and start a business and they are extremely successful people. So the point I'm trying to make is, those people are in a much better position to pay a loan if they need a loan which will be offered to them.

ADV G ALLY: Mr Nxasana, this is where the water starts getting muddied, because it would appear since the presentation of NSFAS Management that in a week or 2 somethings might change from what they testified to here. Because we had a whole week of them and they are busy with also an implementation of next year's programme, and would be capturing certain data and certain decisions were taken in respect of students that are in the system now and then the others that are applying, this is why you have television marketing going on for matriculants to applying for NSFAS. Now taking that background into consideration and what Miss Pillay has asked you, we are more interested in, is there not going to be confusion out there, in respect of students and how their supported by NSFAS, ISFAP and so forth?

MR G QONDE: Thank you very much. I think some of the questions are more talking to the synchronisation of business processes, which becomes in the main purely an operational matter. But the development of ISFAP through engagement and analysis of business processes as they currently exist in institutions, in the department, as well as at NSFAS itself. It is a venture which is developed with full participation of NSFAS itself in order to reinforce this kind of intervention that we are talking about. So when we are looking at it, we should perhaps not look at NSFAS just as a standalone entity out there which is not fitting into these processes that are currently unfolding.

And secondly, I think the task team sought to elaborate a bit as to what could be the implications in relation to ISFAP or NSFAS on page 34 of the big document. And subsequent then to that illustration, the roll out in terms of operations is engaged and synchronised with NSFAS processes. So there is no conflict in relation to those processes for the operations in so far as the department, NSFAS and ISFAP is concerned, hence this question of how do we introduce the pilot, what are the parameters and how are we looking at taking it forward. I think perhaps if we could bear in mind those processes and back-office

work which is currently happening at the present moment, it may actually assist into giving an indication of how this process is unfolding in the overall within government processes, within NSFAS processes, as well as within ISFAP processes.

ADV G ALLY: DG that might be true of your understanding of the processes. For us it's important that the student out there knows how they need to engage with the process because, and it's not only saying that NSFAS is a separate process I understand your phased approach in terms of implementation. The students might not understand it that way and perhaps you need to indicate how the students will be brought and bought. I am a matric student now, how do I get into the system and how does the system treat my application when it is made for financial aid? So perhaps that part will assist.

MR S NXASANA: Yes it's a very valid point and questions. Maybe let me describe the transition arrangements and the considerations that we have made in making sure that from a student's stand point, there is no confusion. The first consideration was to make sure that for the pilot in ISFAP, we only focus on the missing middle and not the students that are applying through NSFAS.

Now NSFAS is migrating from a pilot of the student-centred model to a full implementation of the student centred model. And I have already indicated, we have met the student-centred model in terms of process and systems and 80% of it will simply roll over into ISFAP when ISFAP is ready for implementation assuming the detailed feasibility study says we have a green light and we are going to go ahead.

Now when you look at that migration path, it is a change management issue and a communication issue. So there has been a massive communication campaign which NSFAS has been driving, started in July this year. The first cohort which are the students who are doing Grade 12 this year applying into institutions next year, we opened the taps in August for them to enrol online and there is a dual online as well as manual process and so on.

So those processes, if you envisage, let's say we are now this time next year, November 2017, what would essentially happen is exactly the same as what is happening now except we probably will depending on where the central application service is, there will be a major campaign, a communication campaign that says: if you want to apply to university or TVET college, in fact it will apply mainly to universities you apply through a central application service, it's the same process that you would have followed with the application for funding other than it is now asking you as a student to indicate which university you want to go to, what programme you want to do and you have a number of choices that you face and all of that goes into a clearing house into CAS.

So that's a front end, that front end is the same whether you are applying for NSFAS or ISFAP, it's exactly the same. The back-end is then the rules that apply to you depending on where the feasibility study and ISFAP would be at that point. So if we say from 2018, all students that come from a household that receives social grants and we link directly to the SASSA system, to the SARS system, to the home affairs system, so you already know, even to the [indistinct] system which is the DBE system that determines which quintile schools are you coming from a quintile 1, 2, 3 school you receive a social grant off you go.

You don't have to do anything as a student we already know. All we need to know is which institution you are going to. That's what we need to know. You are going to UKZN or you are going to King Hintsa TVET college, you have funding that is allocated to you. Once the institution in terms of its enrolment plan has accepted you, you are funded.

So it's actually not muddied water, there is a very clear transition arrangement which must be supported by a clear and comprehensive communication plan to make sure that there is no confusion in the system. And I am making really just an example but there is a lot of detail that sits behind it.

ADV G ALLY: When it appears, it clarifies in my mind that what your management from NSFAS had given us here, hasn't been thrown out with the water and things like that. So the clarification also goes further to indicate that the ISFAP is more targeted at your missing middle also so your...I mean in the pilot that was where I was worried about the confusion that its only targeting the missing middle for now in the pilot. And that the other processes, that were mentioned by the NSFAS management will continue and where they can be enhanced, they will be enhanced obviously.

DR. D. PARKER: Continue then - Sizwe can you put that back on the slide. Just in terms of the conversation that has been going on here, one of the key principles is an integrated system. And we mustn't think of, and I think this is...we coined the name ISFAP just because in this process, there needed to be some other label to hold on to. And as we go forward, if we implement such a programme, it will have its name, and it will only be one name. The entities that are behind it will not be the names put forward, so I think it's really important to recognise that.

ADV K PILLAY: Dr. Parker just to ask a question about that, I think the crucial difference between the two is that NSFAS is a statutory body run entirely by government, owned entirely by government, whereas ISFAP is a PPP which makes it a very different creature. In circumstances where you are talking about the realisation of a constitutional right, I think that's really where the discomfort between the two entities stems from.

DR. D. PARKER: Yes and I think that right at the beginning, that was explained around this type of PPP that we are coming with, we are bringing to the fore here. But the issue from a student's perspective is that there is a financial aid scheme that they will apply to. And depending on where they are, the funding will come from different sources. But in the end, it will be one integrated programme that will be dealing with financial aid and you will access it through the central application service.

I think that we must also understand the time-line, the time-line isn't as short as perhaps we've indicated here because, this year we are talking about the pilot, that has been mentioned and cabinet has indicated that we should go ahead with that pilot but at the same time, there are number of issues that have to be dealt with from a legislative point of view.

And the full implementation of this should it go ahead, would need to deal with all of those particular aspects. and as indicated, in order to implement something like that, we really needed to have a full feasibility study and that's really required in terms of the National Treasury regulations, and I think it's number 16 specifically in setting up the PPP.



But also in terms of what are the financial implications in the long run - what are the life cycle costs of this, how do we ensure sustainability of it and so on. And so we have set up that project the timing always seems to be....it's an interesting timing because we have been under such pressure and we have known that we need to deal with this issue.

You asked a question earlier chair about whether or not we sort of moving in another phase, that's just a ministerial task team work. And in fact we have already moved into another stage because this feasibility study is now already registered, and we are currently starting to implement it, there is a project management team, the Chair of the Ministerial Task Team will be the Chair of that project management team, the Steering Committee for this feasibility study and for the pilot. But we are now bringing in members from the Department of Higher Education and Training as well to be part of that. So that as we go forward now we have moved in to another phase, we are moving into the phase of implementing a pilot of trying to test some of the key ideas that have been put into the system, and then to deal with this full feasibility around all of the different aspects.

Part of the process then is that we've got the feasibility study that's ongoing, we are about to publish the report for public comment. I know earlier the DG was mentioning the dates of January and February but the process at the moment is to publish for public comment as soon as the Minister signs off on it which could be by the end of November or even the first week of December. That will then go out and what we are saying is we want public comments in by the end of January.

And then we will be looking at analysing those comments into February and March and the analysis of those public comments will feed into the feasibility study as well as the longer term thinking around the development of this model. The report will also be sent to the Council on Higher Education because the Council on Higher Education has a really important role in terms of advising the Minister in relation to any aspect that has an impact on the higher education system. We would also then ask specific advice from the Council on Higher Education in relation to this. And it won't just be part of the public comment process - it will be expert advice that we would be asking them on.

So the comments from the Council on Higher Education will also be seriously considered and integrated into this process. In terms of this, all the comments that will be received will be analysed by the project Steering Committee that is being currently established by the DHET and as I indicated, it involves members from the Ministerial Task Team, members from the department but it will also be supported by our National treasury GTAC centre. So that then, this work will be ongoing during the year in order to really analyse what is happening. The outcomes from the pilot, the public comments, the CHE's advice, and of course, whatever the Presidential Commission reports and comes up, will then all be looked at in terms of how this thing and if there is a final model that would be put into practice.

One of the key things we have committed ourselves to is that whichever students gets supported in this year's pilot, we would ensure that they are fully supported through out to attain their qualifications regardless of the final outcome of the particular process and whether the model is put place.

But I think a critical, critical aspect of this is that whatever the outcome is of this whole process, it needs to fit in with the recommendations either come from the Presidential Commission as well because we

can't be putting something in practice maybe it answers what the DG was saying in relation to the work of the Presidential Commission, we are not trying to think about what that might be, we rather looking at what we are currently doing in terms of what we put into this system.

And if you recall right at the beginning we mentioned that this had been one of the recommendations from the presidential task team that had been set up last year. So the final model, once we have gone through this entire process, there will be a determination on such a final model that would then be put into practice. That would bring all of these things together. In terms of going forward then, we have taken this to cabinet, cabinet has considered the report and it has agreed that we should publish it for public comment and that we should pilot these particular aspects of the model in the 2017 academic year. And as I indicated, the long term time line in terms of implementing anything that comes out of this would be dependent on all those other processes.

So in terms of the feasibility study that we are conducting during 2017, we have already sponsored the PPP registration with National Treasury with the PPP Unit. The project office is being established and Sizwe Nxasana will be appointed as the Project Officer. We have got Transaction Advisors in terms of this process that have already been appointed and then once the feasibility study is complete we would....- the contracting process for the feasibility study is in....will happen early in 2017, I think there is a bit of a typo there.

The feasibility study is being under taken with the Transaction Advisors but the actual contracting processes will begin in early 2017. So the ISFAP pilot and the detailed design and built work will begin in 2017 and feed into the feasibility study. We have already got the design in general but the details of that in terms of the particular issues such as the IT systems, and some of the other aspects that we are working with, the pilot institutions on, will need to be finalised before the beginning of the registration period so that these issues can be dealt with.

And then you know based on the outcome of the feasibility study and all of these other aspects, the continuation and the implementation of this model would then be decided on. I think that brings us to the end of the presentation and thank you.

JUDGE J HEHER: Well now, you have told us that this is to be a long term attempt to achieve a long term solution. Can you just explain, I'm sure it is in the report itself but, I don't know what the answer is. To what extent have you keyed this in to the NDP targets - so to determine whether the model that you proposed will assist in the achievement of the NDP targets?

DR. D. PARKER: Thank you. I think in terms of the NDP targets, there are a number of aspects. So one hand is what it says specifically about funding students, so the NDP is very clear, it indicates that NSFAS qualifying students should be offered fully subsidised funding and that other students should also be offered affordable loans. So the way in which we have thought about this and built it is to look at in the long run how this would be a feasible model for enabling exactly that in terms of financial sustainability and financial aid to all students who might need it in the system.

On the other aspect, it's around how do we deal with the issue of enabling financing for financially needy students to meet the kinds of enrolment targets that are in the NDP. That in itself is a very difficult issue because if we....to actually manage the 1.6 million students in universities and the 2.5 million odd students in the TVET system, substantial additional funding will be needed over that longer period of time. And currently, the work we are doing with national treasury and the work we are doing in terms of the national plan for post school education and training is looking at those targets. And what is going to be realistic in terms of us going forward.

So obviously we would want to get as much funding as we can into this pot to enable us to meet those and to support students for those targets but there are numerous other aspects involved as well. Not the least of all, what it would mean to expand the system in terms of infrastructure costs and so on. So this particular model is really about look at how we support students to go into higher education but there are all sorts of other financial implications in terms of reaching those targets. In supporting institutions themselves as well as the development of infrastructure to deal with those sorts of numbers so we are working with National Treasury in relation to those targets in the longer run. DG I don't know if you want to add to that

JUDGE J HEHER: On an entirely different tack, over and over again in the course of our hearings, it's been emphasized to us that unless there is a re-appraisal of and a re-invigoration of an innovation of the whole system of higher education and perhaps even basic education, it's hopeless to pour money into higher education. That you can find all the funding you want and pour it in but it would just go out through the hole in the bottom or the holes on the side which exist. Now your pilot project doesn't contemplate that those holes would be fixed at the time you undertake the pilot project. What do you have in mind as far as that is concerned?

DR. D. PARKER: I think in terms of this as I indicated earlier, yes there are some leakages in the system but I think we mustn't look at the system as being completely useless. I mean it does develop skills for the country and what we have to do is we have to strengthen the system. So that is something that we understand, it's required and we are working with our institutions in terms of the development of the capacity of the system to ensure better efficiencies and to ensure better utilization of funding. So when I was talking earlier about the University Capacity Development Programme, for example, that's specifically focused on that, ensuring better efficiencies in the system, ensuring that we support students better to succeed, ensuring that staff development becomes a major focus to improve what is offered by universities and also dealing with the issues of curriculum transformation.

At the same....so these things are not either or processes – they are parallel processes. And as we work together, we need to strengthen the system and ensure that those students that we fund, are able to have a better chance of success, in relation to going forward. I think the issue around how we fund education generally and the importance of basic education and early childhood development, we had also mentioned in our earlier presentation to the Commission is critical. You see funding at a higher level and funding students to access at a higher level through a combination of grants and loans, for us is probably the most rational of supporting students into higher education, whereas at the lower levels

particularly basic education and ECD, the country really needs to deal with effectively funding and ensuring improved results at those levels.

JUDGE J HEHER: I'm not sure whether you have answered me or you haven't. You want to test the student to see if they can run 400 metres but he is suffering from TB and you say; well let him run the 400 metres and we'll fix the TB later

MR. G QONDE: No, if I may just come in here. I think perhaps what we need to emphasize is that we've got one education system in the country. It's just that government configured how then the services should be rendered to the public, through basic and higher education in order to give a better focus and dedication of interventions. But government interventions in so far as improving the quality of education generally, improving Literacy and Numeracy – the interventions more more focused on schooling level as well as adult education and training through various programmes because we need to create a sufficient baseline in respect to what would be feeding into the system as you go a bit higher in the education system. And there are various interventions that are being initiated.

The Judge perhaps may remember that even in respect to technical and vocational education. Basic education has introduced a notion of technical schools at the present moment, with well-developed curriculum, because we saw it quite important in respect to giving a dedicated focus at the schooling level and ensure that through the processes of career guidance, what then the studies that we have conducted together with basic education have informed us in respect to the kind and the nature of curriculum reform as well as the resources that need to be pumped into the system.

One another thing that we haven't mentioned is that the question of development of the system, is quite holistic in nature and also inform in the manner in which resources are deployed. Cause the other aspect which is a bit silent on this, is the development of new generation of academics. Because for the system and to be able to sustain itself, you have to replenish the current cohort of academics. So there are a lot of interventions that are in there and they should not be seen in isolation but more reinforcing one another. One of the things perhaps as an unintended consequence of 0% increase for 2016, monies that we put aside for the development of academics – new generation of academics in the country – about R800 million from National Skills Fund, had to be redirected into finding this 0% increase, thereby really denying the country another important level that requires significant attention, because we've got now, an ageing cohort of academics in the country. If we are not doing something about it, we may not produce Lawyers at the rate and the pace.....

JUDGE J HEHER: That would be a blessing

[laughter]

MR. G QONDE: I don't think so. We would have fewer judges than we would need amongst other things...Judge. So there are a lot of things that are happening and the interventions are quite holistic looking at the system as a whole. It's so perhaps unfortunate or fortunate that we are more focused now on issues that relate to *FeesMustFall*, because it's an area that became quite vocal *in* the system. But the system is a lot broader than just a university or even just TVET colleges, it's huge' it's broad and it

requires huge resources right from Early Childhood Development up to the highest qualification you may think of at a university level.

MS L KHUMALO: Just a last question. I wanted to check if say decision makers have got different recommendations which are different from this model that has been presented. Is this able to sustain itself as an alternative.....this model?

MR. G QONDE: I'm not sure whether I understand your question quite.....All the processes that are currently unfolding, have been approved by cabinet, including this one. And it's in relation to a whole lot of other processes that have been currently undertaking. So at a policy level, we've been given the go-ahead, hence the pilot will be going ahead.

MS L KHUMALO: So I'm saying in the event that a different body comes to a different determination about the model, is this one able to sustain itself in the current format that's presented in now, or it will have to integrate itself to whatever decision that's made. That's what....

MR. G QONDE: I think the relevant decision making structure would make that determination based on the proposals that would be out before it

MS L KHUMALO: But having created this model, is it designed in a manner that it's able to be flexible?

MR. G QONDE: From our standpoint, it is not rigid, but it's an enabler for broader society, it's going to gazetted for public comments. And we'll have to engage with that feedback, the commission may also make some recommendation in respect to what those public comments would actually be feeding into what we have to take into consideration going forward, in respect to ISFAP. Certainly it would change; it's not public comment for nothing. But if public comments all of them, for argument sake are coming saying: no you are right, word by word, comma by comma, full stop by full stop - who are we to change it, we live with it.

MS L KHUMALO: [chuckles] So my inquiry still remains – is it able to sustain itself or to operate in a parallel context or it's all or nothing; this is my point...it's either this works or...

MR. G QONDE: In so far as it is required, yes it's adaptable, it would

JUDGE J HEHER: Gentlemen, ladies, thank you very much indeed. That's given rise to a number of questions – to put it mildly. But we really appreciate the thought and the hardwork that's gone into this and the trouble you have taken in explaining the report of the Ministerial Task Team to us. But I do think we need to read the report in detail ourselves, which we will do. Thank you very much