

**DATE: 08-02-2017**

**SET 6 - DAY 3**

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

**PARTIES PRESENT:**

The Chairperson  
Commissioners  
Head of Evidence Leaders  
Evidence Leaders  
Experts  
Secretariat

**WITNESSES:**

Dr Stephen Taylor  
Mr Gerrit Coetzee  
Mr Khulekane Mathe  
Mr Raksah Semnuran  
Mr Thabo Tlaba Mokoena  
Mr Riaan Emmelman  
Mr Mike Holman  
Mr Thabo Hollo

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**SESSION 1 – 8 FEBRUARY 2017**

JUDGE: Good morning Miss Pillay, good morning to the representatives of the Department of Basic Education and welcome to?

ADV. K. PILLAY SC: Good morning Chair, you would recall Chair that  
5 thus far the Department of Basic Education only made a presentation to the commission in set 1 of the hearing and because the factual circumstances surrounding basic education and the extent to which learners are adequately prepared for higher education is a theme that has loomed large thus far in the hearings, we have asked the  
10 Department of Basic Education to come back and to actually provide evidence to the commission on which ultimately findings can be made. The evidence leader that will lead the evidence of the department is Miss Lekoane.

JUDGE: Who is going to give evidence on behalf of the department?

15 ADV. K. PILLAY SC: We were told that there are three people who are going to give evidence on behalf of the department, I would ask one of the representative to kindly just inform us because the names we were given does not quite match up with the faces we see so perhaps they could tell us who is going to be giving evidence.

20 JUDGE: Who is the chief spokesman might I enquire?

MR. P. PADAYACHEE: Good morning Chairperson, good morning to the members of the commission, I am not sure about the chief but my name is Paddy Padayachee I am Deputy Director General in the Department of Basic Education, I am standing in for the Director General Mr Mveli who  
25 has apologised. I am accompanied by Dr Stephen Taylor who is a

researcher in the office of the Director General and he will do the first part of the presentation and Mr Gerrit Coetzee will cover the part on the Funza Lushaka and with me also is Mr Elijah Mhlanga the Chief Director communications so we are accompanying the delegation if there are any  
5 questions that my colleagues cannot answer we may assist if possible.

JUDGE: Alright well at this stage of the proceedings we swear witnesses in, that essentially is Dr Taylor, Dr Taylor do you have any objection to taking the oath?

DR. S. TAYLOR: No.

10 JUDGE: Do you swear that the evidence that you are about to give will be the truth the whole truth and nothing but the truth, if you do raise your right hand and say so help me God.

DR. S. TAYLOR: So help me God.

**DR. STEPHEN TAYLOR [d.s.s.]**

15 JUDGE: Thank you. If any of the other witnesses wishes to speak then we will swear you in, in advance of you giving evidence thank you.

ADV. M. LEKOANE: Thank you Chair. The department has prepared a presentation for the commission and I would ask Dr Taylor to commence with the presentations and we will ask questions when they arise.

20 JUDGE: What is your overall purpose if I might ask in coming to the commission today, what is it that you hope to highlight?

DR. S. TAYLOR: Yes good morning Chair and members of the commission. We would like to present an overview of the outcomes of the education system, in particular focusing on outcomes by population

group, part of the context for this is that there has been some debates and after I think the statistician general spoke here as well about outcomes, in particular University outcomes but also outcomes from basic education so we want to highlight those outcomes and hope to  
5 clarify any apparent differences that may emerge and also update the commission on the work of the Funza Lushaka bursary program which my colleague Mr Gerrit Coetzee will deal with that part of it.

JUDGE: Yes, may I ask Miss Lekoane how does that help us, we know that the program exists, we know what it is intended to do, how is it  
10 directed to the questions that we are supposed to answer?

ADV. K. PILLAY SC: Chairperson specifically in relation to Funza Lushaka, you would recall that in the ISFAP proposal mention is made of utilising funds in other departments for example DBE and assuming that that refers to the Funza Lushaka to put those funds into a common pot in  
15 order to be disbursed through the ISFAP program. The purpose of today's session is trying to understand the constraints on the reasoning behind the Funza Lushaka fund and the constraints that attached to those funds and whether or not those can be used for more generalised purposes.

20 JUDGE: Do the representatives here know about the intention of playing with their funds?

ADV. K. PILLAY SC: Well not necessarily playing with their funds but they do know that that is one of the reasons why we have asked them to come and testify in this sitting.

25 JUDGE: Have they seen the report of the presidential task team?

ADV. K. PILLAY SC: I am not sure if they have but we will get to that in due course.

DR. S. TAYLOR: Alright.

ADV. M. LEKOANE: Miss Pillay are we also going to get some evidence  
5 on the state of readiness for the access to either Tvet's or higher education and the curriculum that prepares a child for options and how advanced if they are pilot projects and into that so that we are able to guarantee the investment that might be necessary for access.

ADV. K. PILLAY SC: I understood commissioner that the department will  
10 deal with that in the course of their evidence today.

JUDGE: Well if they were not going to deal with it perhaps they will now anyway. Yes Dr Taylor would you then irrespective of what we have had to stay would you kick off and see how we get on.

DR. S. TAYLOR: Okay sure. So the overview as I have mentioned is to  
15 start looking at trends and educational access over time firstly with the focus on our population group seeing as that came up in recent discussions here, I will start of by looking at the very long term changes in educational attainment then at more recent trends in the last 10 years or so looking at primary school completion, secondary school  
20 completion, University degree completion rates. I will also focus on school quality trends because that obviously informs the quality of graduates that we produce then that links to link between schools and Universities and then the Funza Lushaka bursary program, part of the presentation will come in.

25 ADV. T. MABUDA: Doctor just before you begin, now I have gone

through your presentation and you deal with certain misleading aspects now I just want to say to you the commission deals with the evidence that presented before them, have you had sight of the statistician generals evidence before us.

5 DR. S. TAYLOR: No I have not, I have not seen that, I have seen many other presentations with him but I was not part of this.

ADV. T. MABUDA: Well you see after your evidence also once we have corrected what is there gets put on the website as transcribed because you see I have a problem when there is something put out in the media  
10 which is different from what is here before us and then you have a response to what is not here before us but a response to what is out there in the media and that is why I wanted to clarify whether what you are giving is on the basis of what you know was said within these four walls.

15 DR. S. TAYLOR: Okay so you are right in that I have not gone through the transcripts from what was presented here exactly so the options then would be just present the positive facts as they emerge, I am not sure whether it is relevant to bring in other things from the debate and see it in that light.

20 ADV. T. MABUDA: No I do think but that is just, I do not want to hinder you in giving your evidence and you will probably deal with certain aspects and where you perhaps have misunderstood that would be pointed, I just want to point that out to .

JUDGE: Dr Taylor you are not the only interested party who has drawn  
25 to our attention the seeming misinformation which appeared in the press

and I think it is really for the evidence leaders to tell us whether the press was rightly reported according to the evidence before us or whether it was not but go ahead and certainly address the matter but we will take it with a pinch of salt that is necessary until we are able to  
5 compare it with the record, thank you.

DR. S. TAYLOR: Okay thank you. Okay so this first graph shows the long term changes in educational attainment, in this case measured by the completion of Grade 9, it shows four lines, one for each of the main population groups in South Africa, on the horizontal axis we have year  
10 of birth, now year of birth therefore represents to some extent the changes over time because older people would have come through the school system longer ago.

JUDGE: And people who came through the school system long ago did not have a Grade 9 anyway.

15 DR. S. TAYLOR: Well okay but what you can see here it is from household survey data, of course that is Stats SA data where people are asked about their highest level of education so they have got Grade 9 or higher according to that then one classifies them as having completed at least Grade 9 and what you can see is that say for the white population  
20 this was near, it was already 90 percent for very old people and has been nearing 100 percent. For the other population groups amongst the older generations, there were big gaps, the black, coloured and Indian populations were far less likely to obtain a Grade 9, amongst the older generations, amongst recent generations there is still somewhat of a gap  
25 but the gap has closed considerably on this measure, we are now even

black and coloured youth are about 87 percent of them achieve Grade 9.

Then if we look at the same thing ...[intervenes]

JUDGE: So that says that almost everybody in the country, almost 90 percent of the country achieves Grade 9?

5 DR. S. TAYLOR: Ja the indicator we have produced suggests 87 percent so you are right, we are nearing completion, well not quite universal, we are almost at universal with completion of primary school, Grade 9 it is nearly 90 percent.

JUDGE: Right.

10 DR. S. TAYLOR: But if we look at completion of Grade 12, although the gaps have also closed somewhat over time there is still quite a considerable gap between the population groups even amongst more recent generations.

JUDGE: I am sorry to ask you this but when you showed us that first  
15 graph of Grade 9 it does not take into account what is rural population and what is urban population, are you able to give some indication as to whether the missing 12 percent so to say falls into one category or another?

DR. S. TAYLOR: Just given what I know of the sector I would say it  
20 would be more of a problem in rural areas but I have not for this presentation split the numbers in that way but based on sort of analysing these data sets and knowledge of the sector I would say you would expect lower completion rates in rural areas.

JUDGE: Is it almost 100 percent in urban areas or not?



DR. S. TAYLOR: I would not quite say that no, I do not think it would be quite close to 100 percent so I would not want to go on a limb and say that ja.

JUDGE: Sorry thank you.

5 DR. S. TAYLOR: Sure. So if we look at Grade 12 ...[intervenes]

ADV. M. LEKOANE: Sorry Doctor just on the Grade 9 slide do we know whether although 87 percent is the average, if you divide it among the population groups, the racial groups is the standard the same, have you noticed any differences?

10 DR. S. TAYLOR: Ja, so if I am understanding you correctly so the graph does split it by population group so you can see then that for the white and Indian population it is nearly 100 percent that complete Grade 9 whereas for the black and coloured population it is in the high 80's. The quality of those 9 years of education, ja there would definitely be  
15 differences, we do know that those in historically disadvantaged schools tend to receive lower quality of education or at least the achievement scores that are produced at any particular grade level are lower and to some extent later in the presentation I will show in fact Grade 9 level indicators of cognitive achievements that we have achieved so we do  
20 know that there are inequalities at that level.

JUDGE: But the white and the Indian populations have almost levelled out as it were and the black and the coloured populations are showing a reduced increase but a steady increase throughout the years in fact.

DR. S. TAYLOR: Yes there is definitely a steady increase and even in  
25 more recent years as I will zoom in on in a moment, I should also maybe

just mention that the quality question you ask about may be one of the bigger predictors of dropping out later so of not completing say Grade 12. Right so if we move on we see the Grade 12 ...[intervenes]

ADV. M. LEKOANE: Just before you move on, this completion when, I  
5 think there was a JC before where there was potential completion in Standard 8, I do not know what it was called but JC hey, junior certificate, was it not?

JUDGE: Standard 8.

ADV. M. LEKOANE: Yes so if you taking it back in the years would  
10 completion be the actual Grade 12 in term of this graph or completion even during those times when completion was considered to be pre-matric?

DR. S. TAYLOR: No this would be Grade 12 specific so to be absolutely  
15 sure let us look at the criteria, so maybe this is household surveys so people get a set of response options.

ADV. M. LEKOANE: But do you understand what I am asking?

DR. S. TAYLOR: Yes but one of the options would be you know Grade  
10 / Standard 8 certificate which would then be regarded as not having completed Grade 12 for this graph, if that answers the question.

20 ADV. M. LEKOANE: Mm so this, in terms of your answer this graph would not be like this if completion in earlier years was interpreted as anything before matric in terms of what was completion at the time?

DR. S. TAYLOR: Ja it would not be considered to be Grade 12 completion in this graph.

ADV. M. LEKOANE: Okay.

JUDGE: Now this graph is only up until 1990.

DR. S. TAYLOR: Yes, so that is a good question, and the reason for that is because one has to restrict the data to an age range in which people  
5 are likely to have completed Grade 12 if they are going to complete it so you do not want to look at say 18 or 19 or 20 or even 21 year olds because many of them still will complete Grade 12 so if you look at the proportion of say 18 year olds who have completed Grade 12 you will get and underestimate of the real likelihood of completing Grade 12.

10 JUDGE: No I understand that but we have undergone a fundamental change since 1990.

DR. S. TAYLOR: So that is year of birth.

JUDGE: That is the year of birth oh I beg your pardon I see.

DR. S. TAYLOR: Yes, yes it is year of birth but I am also going to zoom  
15 in on the more recent years in a different way in the next graphs so maybe I should do that. I just want to point out that this kind of analysis and it relates to some of the stuff that will come up around the Stats SA numbers, that does not really work for looking at University degree attainment and the reason being because people complete University  
20 degrees at much older ages so it is harder to interpret year of birth as a measure for time when you are looking at University degree attainment so for example if you are looking at Grade 9 attainment there are not many 40 year olds who are going to still get Grade 9 and in that way buy us numbers but it would be problematic to look at say 25 year olds and  
25 say what proportion have completed University degrees and regard that

as the likelihood of completing University degree when actually many people complete degrees in their 30's and 40's even. So this kind of analysis works best for school attainment rates.

Okay let us zoom in on primary completion rates in more recent  
5 years, so this shows from 2004 to 2015 and ...[intervenes]

JUDGE: Does primary completion mean completion of primary school?

DR. S. TAYLOR: Yes it means completion of Grade 7 primary school  
yes. Again by population group, against it is based on Stats SA general  
household surveys and what we can see here is that even in the last 10  
10 to 12 years there has been improvements amongst the black and  
coloured population, especially amongst the black population where it  
has moved from 90 percent to nearly 96 percent primary school  
completion according to this indicator so we are seeing some progress  
even at this level where we are approaching universal completion of  
15 primary school. If we look at secondary school completion rates in  
recent years we again see as before the larger gaps do remain between  
the population groups but also some progress I think for the black  
population going from just under 40 percent of youths completing matric  
in 2004 we are now nearly at 50 percent so that is roughly 10 percentage  
20 point improvement in Grade 12 completion or secondary completion in  
the last 10 or so years.

ADV. M. LEKOANE: Sorry Doctor if I may just take you back to your  
previous slide, the primary school completion, what accounts for the dip  
around 2012 among the coloured, Indian and white population.

25 DR. S. TAYLOR: Yes I do not actually know but I would caution strong

interpretation of trends from sort of one year to the next because this is sample based, these are sample based surveys so you tend to get changes simply due to the sample especially say in the Indian population group where the sampler is always a bit small, you tend to see jumps  
5 from one year to the next and so one should be careful of over interpreting those and also small changes to the questionnaire design or the sampling methodology, those kinds of things can create little jumps which are in a sense artificial to the trend and so one needs to look at the trend over time to make a sort of an overall judgment.

10 ADV. M. LEKOANE: Doc on that note, the integrity of the information that is presented as evidence can we rely on it if that is your utterance on it?

DR. S. TAYLOR: Yes I think this is as good as we have so we need to rely on it, these household surveys are well respected by academics will  
15 use these in sort of top publications and they are well respected and we know the levels of uncertainty that we have around S Smit as well so those can be calculated so I do think this is a scientific methodology and sample based surveys are not really regarded as any less accurate necessarily than administrative data sets which have population level  
20 figures, I will show you some from the matric data, some information from administrative data as well to present an overall picture.

JUDGE: In GHS what does the G stand for?

DR. S. TAYLOR: General Household Survey.

JUDGE: General thank you.

25 COMMISSIONER ALLY: What is the normal standard deviation with

these kinds of trend studies?

DR. S. TAYLOR: So the correct or the sort of technically correct measure to think about would be the standard error which is a type of standard deviation and they would vary say across population groups  
5 here as well because the larger the sample the lower the standard error for example the estimates will be most accurate for the black population because there are more of them included in these surveys. As I have mentioned the Indian population is particularly small and so one always has to exercise some degree of caution and try to get around that by  
10 doing things like pulling years of the survey together or having wider age ranges, in this case I have also shown three year moving averages as I have pointed out in the bottom there which is also a kind of a smoothing technique to sort of deal with jumps that might create a distraction from one year to the next.

15           Okay so this is administrative data now on matric graduates and it just shows another long term picture of the numbers of matrices being produced every year, in 1970 it was at about 43 000 in 1990, it was at about 191 000, in 2000 it was up to 280 000, 2009 - 330 000 and last  
20 years matric class was up at 440 000 so one can see steady and quite substantial increases over time just in the numbers of matriculants produced annually.

JUDGE: How does that compare with the increase in the overall population?

DR. S. TAYLOR: It is faster certainly.

25 ADV. M. LEKOANE: Faster.

DR. S. TAYLOR: It is certainly faster than the increase in the overall population ja.

JUDGE: Alright.

DR. S. TAYLOR: One could try to produce a new graph which kind of did  
5 some population control but to a large degree these household surveys are also adjusting for that because they are the proportion of the population so they take into consideration proportions rather than just numbers and I think in all of this it is important to look at proportions and numbers and to understand them as such.

10 ADV. M. LEKOANE: Doc has there been a change in the population of the country generally over this period?

DR. S. TAYLOR: There certainly has been, we know there has been population growth, I have not got the numbers in front of me as to exactly what population was in the 70's and what it is today but I know it  
15 has an increase by tenfold.

ADV. M. LEKOANE: So what would influence the growth in the number of graduates would be the population, the growth or the desire for the people to complete so to speak, what would it be?

DR. S. TAYLOR: It would be a combination, population growth would  
20 account for some of the increase in raw numbers certainly but it also, because we also can see that it is has been, there have been increases as a proportion of the population as well it would also reflect both the desire for education and the availability of that education that has been made and the obvious thing as well is in recent years access to  
25 education for the black and coloured and Indian population groups have

been expanded considerably ja.

ADV. M. LEKOANE: This has an impact on how the resources get allocated in departments would it?

DR. S. TAYLOR: Yes it would.

5 ADV. M. LEKOANE: The desire and the resources.

DR. S. TAYLOR: Yes so we have not really come here to speak about allocation of funds but the formula is for figuring out how much funding to go to the difference provinces and schools is based on enrolments at schools. Then this shows the number of NSC passes according to our  
10 administrative data that have been produced since 2008 and it shows it by population group and what you can see is that for the, firstly you can see the black population group makes up by far the bulk of matric passes every year, you can see that also that is the group in which there have been the most substantial increases just in the last 8 years or so.  
15 Then if we look at the number of bachelor passes which is a category of NSC pass which is what qualifies one to enter University, we can see again a similar story where the majority of bachelor passes now are black candidates and that has also been the population group with the strongest increase.

20 The coloured population group has also increased although it does not look as spectacular because there are fewer of them but you can certainly see the black population more and more black bachelor passes coming out of the national senior certificate. So in fact it has doubled since 2008 from about 60 000 to about 120 000, just making  
25 that point. Okay so this is where you must stop me if I am not speaking



to you what was presented previously.

JUDGE: No it has not been presented, this I think Miss Pillay relates to the same point that was made in the letter that I handed to you.

ADV. K. PILLAY SC: That is correct Chair.

5 DR. S. TAYLOR: Okay so the question is, is what proportion of youths complete University degrees and it has been a matter of debate recently because there have been misleading reports in the media which have tended to follow Statis A releases for example the Business Day last year ran with the headline saying black youth less educated now than 20  
10 years ago, then News 24 quoted the statistician general as saying that in 1980 for every black graduate there were 1.21 white graduates. Currently for every one black person who graduates from University there are 6 white people who make it through successfully and I would argue that that is not supported by any data including Statis A's data or  
15 reports.

ADV. K. PILLAY SC: Chair may I just intervene to confirm that we reading the transcript as the witness is testifying and that is indeed what the statistician general testified to before you.

JUDGE: To my recollection certainly but ...[intervenes]

20 COMMISSIONER ALLY: That particular paragraph is correct.

DR. S. TAYLOR: Okay.

COMMISSIONER ALLY: But what I want you to do is know that the statistician general started with the context to his evidence and his context talks about the demographic dividend, now and the reason why

he says certain things goes back to his context so and this is what will not come out if you just take something out without knowing the context in which certain things were said so you might also interpret it differently having read the whole of his evidence but this paragraph is as it appears  
5 in the record.

DR. S. TAYLOR: Sure, okay so again based on what discussions I have had with the statistician general and what I have seen in other presentations I have heard the demographic dividend story that it held and in a sense I think he makes some important overall points about the  
10 problems that emerge when large sections of your growing population do not receive the necessary education and that is important and there is a lot of area of agreement there would be but I think it is important also to get the numbers right and these are very specific numbers that are being presented here which I am sure we would agree is important to be clear  
15 on and so I want to argue that both the number and the proportion of black and coloured youths competing in various degrees has increased over time and give us some perspective on the context of where I think these, why I think these claims are being made and misunderstood and I think it comes down to a particular type of graph or indicator that has  
20 been produced by Stats SA and I want to point out a few things about this graph.

The first thing to notice is there is quite an alarming trend, if you just look you have got something about University attainment on the vertical access and you have got year on the horizontal axis and you see  
25 an alarming downward trend for the black population which immediately

sets off alarm bells and immediately just appears strange to anyone that has been observing the sector for a while. And I think there are reasons for this, the first thing to understand is something ...[intervenes]

JUDGE: Reasons for what?

5 DR. S. TAYLOR: Sorry.

JUDGE: Reasons for what?

DR. S. TAYLOR: For why this apparently strange trend is emerging if we understand what went into the graphs production so what I mean is it just seems strange, if you just before you have understood really what  
10 exactly is on the horizontal axis, what exactly is on the vertical axis it seems strange to see an outcome for the black population to increasing during the 60's, 70's and 80's and then suddenly deteriorating since then and that just seems strange given everything we have already been seeing in this presentation. And so in trying to understand what is  
15 happening in this graph the first thing to point out is that the vertical axis says after completing Grade 12 and that is a very important caveat because this is not the proportion of the entire population.

What this is showing is the proportion of those who complete matric who then go on to complete University so if the numbers  
20 completing matric have increased and the numbers completing University have increased but the numbers completing matric have increased faster then a ratio like this might go down and I am sure we would not celebrate if it was the other way round, if both numbers were deteriorating but the numbers completing matric was deteriorating faster  
25 meaning the ratio went up we would not then celebrate this graph, alright

so that is the first very important thing to understand about the graph and the second important thing to understand about the graph is the horizontal axis where age is definitely treated as a proxy 4 year so here, it says year but we know from these reports and presentations that only  
5 one data point is used so in this case the graph is produced using census 2011 data.

So there is no historical record that has been looked at, peoples age has been interpreted as a proxy for time and for year. As I did earlier with primary and secondary completion but you will remember  
10 that I point out the problem with that with University degree completion because people become more and more likely to complete University degrees as they get older, more so than I initially realised so I went and looked at census data myself and what I found looking at the 2011 data for the black population is that as people get older they become more  
15 and more likely to self report having completed University degree, even up to age 50 which was in a way surprising to me, I am not sure exactly why that is, if it is to do with the interpretation of degrees or if it is to do with things like upgrading of teacher qualifications amongst older cohorts but this is what the data suggests just looking at 2011 data. If you look  
20 at 1996 data as at, also single data point you see that for the black population there also become more and more likely to complete degree as they become older but what is important is that for every age group you are more likely to have completed a University degree in 2011 than in 1996 and so for me this both shows that over time University  
25 outcomes have improved for black population and it shows the dangers

of treating age as a proxy for herein.

JUDGE: Sorry, do you suggest that we ignore the statistician general's graph because this is really a case to me of lies, damned lies and statistics.

5 DR. S. TAYLOR: It is a case of statistics, I don't want to accuse anyone of lying but I think that this previous graph has caused confusion, I think it is a very specific indicator and I think that if one interprets it carefully it perhaps says more about when people complete degrees than about historical access to Universities, so I think we need to interpret carefully  
10 if we are going to use it but not understand it as just at face value indicating that look since 1980 University outcomes have deteriorated for the black population, I do not believe that.

JUDGE: Well I am still not sure that I understand what it shows.

DR. S. TAYLOR: Ja I am also not entirely sure and I do not fully  
15 understand the method, I have read the explanations in the Stats SA reports of the method, it is referred to a time plotting technique but I do know that it is from census 2011 data so that it is from one data point and I do also know they do not ask when did you get your degree so there is no sort of retrospective historical questions in the data set so I  
20 am fairly certain that they are using age as a proxy for herein and I was surprised to see just how dangerous that is looking at this picture.

COMMISSIONER ALLY: You see Doc this creates a conundrum in the sense that Stats SA provides data which are relied on by the policy makers to use the funds of the country in a certain manner and like the  
25 Chairperson says statistics and by the way standard deviation, when I

did statistics in 1981, they called it standard deviation and not standard error so statistics, anybody can use statistics for whatever purpose they need but it is important to understand at the beginning what the attorney is saying now you are explaining why you differ with what is there and it comes across as a reasonable explanation and the conundrum is that as a department you have access to that information, your Minister has access to that information, the Minister in the presidency that is in charge of the statistician general has access to this information and yet there does not seem to be cohesion or a coming together of minds as to what is presented to government hence what I am saying is the outpouring of criticism as reflected in the media of what the statistician general was saying and I am not sure how you correct that, do you have an idea of how you correct that?

DR. S. TAYLOR: Well I think it can, this kind of thing can easily happen with unpacking statistics and one clearly we need to be having our discussions with Stats SA and we are, we did put out a media statement with some of the facts as we would have calculated them and ja make use of inter governmental forums to do that, Stats SA have presented to us but I think we need, we clearly are struggling to have that communication effectively and we will continue to do so.

COMMISSIONER ALLY: So you are saying within the cluster system of government do you have these discussions about the data and how we use our data in informing government how to implement or design policies around the data, is that what happens within the cluster?

DR. S. TAYLOR: To a degree, I do not know fully so I am not necessarily

the best person to comment on that but I know there are forums in place and to some extent these discussions do happen ja.

COMMISSIONER ALLY: Okay thank you.

DR. S. TAYLOR: Okay but there is not really a substitute for careful  
5 analysis and interpretation of numbers, I think that, and that is getting  
back to the question of what do policy makers do with things, I think in  
some ways policy makers want sort of the truth just one number but  
often the truth is a little bit more complicated there is different sources of  
information and one has to build an overall picture and there is not really  
10 a substitute for doing that carefully. So here is another part of the  
picture, to rather than rely on say one indicator so this is now  
administrative data from higher education, the data was analysed by  
researchers from Stellenbosch University headed up by Hendrik van  
Broekhuizen and this is from a report that they have produced and it  
15 shows over time the numbers of University graduates every year and it  
shows it by race group and what you can see is that in 1986 there were  
very few black University graduates and by 2012 we can see that the  
majority of University graduates annually are black.

The white population group has stayed about the same maybe  
20 increased just slightly in terms of the numbers annually graduating from  
University and there have been increases in black and coloured  
graduates as well. So in fact the number of black graduates per year  
has increased more than 16 fold since 1986 which is a large increase, it  
is certainly larger than population growth has been since 1986,  
25 considerably faster than population growth and whereas earlier the SG

was quoted as saying for every one white graduate in the 80's there was 1.2 black graduates, we can see that that was not the case and this is now a quote from the van Broekhuizen report it says that,

5           *"While the higher education system produces 7.9 white graduates for each single black graduate in 1986 by 2012 it produced 1.8 black graduates for every single white graduate".*

So it was never the case that there was sort of one to one ratio in the 80's it was highly unequal back then and there has been progress since then.

10    ADV. M. LEKOANE: Just to interrupt you Doc on that, this figures from the basic education perspective how do they influence or how do they impact on you, what they are and what they are not, is it the assessment of quality and quantity or how does it impact on the department because I would assume there are high education figures.

15    DR. S. TAYLOR: This is higher education data yes, this is hemis[?] data higher education management information system, ja so one has to then, I think what you are saying again is okay sure there has been an expansion of outputs but does that somehow reflect a lowering of standards which is a very difficult question and I will talk a little bit about  
20 the standards of basic education measured by cognitive skills and skill levels in a moment.

COMMISSIONER ALLY: Perhaps the answer to Commissioner Khumalo's question is this, this particular graph you have put there is again the position you were showing just suppose to what the statistician  
25 general is reported to have said, is that not correct?



DR. S. TAYLOR: Yes.

COMMISSIONER ALLY: And it is not there to teach you something but to portray what it is as far as the Department of Basic Education and van Broekhuizen has provided, is that correct?

5 DR. S. TAYLOR: Yes for today's presentation it is trying to provide clarity on what the numbers have been but it is a different question about what does this mean for basic education, does this reflect to some degree on changing standards, more difficult questions not the primary focus of this presentation but I will speak a little bit about changing standards in a  
10 moment and it is right here on looking at school quality trends , now this also is an area of I think a lot of opinion that gets thrown around in the media about the quality of education in the country, the best evidence in my opinion that we have comes from international surveys independently administered sample based surveys so they test nationally  
15 representative samples of children in for example the Tims Study does maths and science at the Grade 9 level and it is designed to provide trends over time so that if you participate in these studies in different years you can ideally compare them across time.

And so just to show you some of what the data from the Tims  
20 Study is showing and this information is from the HSRC's reports, the HSRC run Tims in South Africa they are the sort of service provider for administering all the field work and data analysis. So what we know is that ever since 1995 when we first started participating in Tims our performance was very low, pretty much at the bottom of the sample of  
25 countries that participated around the world which has been somewhere

between 35 and 50 countries depending on the year, these are mostly European and Asian countries not, there are a few African countries, some of them are highlighted in this table so there is important distinction between saying we come near the bottom in Tims versus  
5 being last in the world because of course this is a very positive selection of countries that participates in Tims.

JUDGE: Sorry what is the 9 in brackets after Botswana and South Africa mean?

DR. S. TAYLOR: Yes so South Africa and Botswana participate at the  
10 Grade 9 level whereas the majority of other countries participate at the Grade 8 level. We did participate at the Grade 8 level in earlier years and then switched to the Grade 9 level because performance was low and to make it more applicable we, and some other countries participated at the Grade 9 level.

15 ADV. K. PILLAY SC: Doctor I am sorry to interrupt you, just for us to make sense of the table that you are taking us through perhaps you can explain to us what Tims is and what is being measured in South Africa and against the other countries?

DR. S. TAYLOR: Yes, so it is maths and science tests that are at a  
20 particular well particular grades participate so most countries participate in Grade 8, there is also a Grade 4 assessment, there is also something calls Tims numeracy which some countries participate in at a Grade 5 level which we did for the first time this year but we have participated at the Grade 8 level or Grade 9 level for ever, since 1995 so we have a  
25 trend over time since 1995. In 2002 we participated in the Grade 8 and

9, both our grades participated which was fortuitous because it then did not break the trend we could compare prior to 2002 the Grade 8 trend and then from 2002 since then we could compare the Grade 9 trend.

And ja so it is a nationally representative samples of children so  
5 we will go to something like roughly 300 schools around the country and test children in those schools at this grade level and it is comparable to other countries, comparable over time.

ADV. K. PILLAY SC: So these are standardised tests.

DR. S. TAYLOR: Yes.

10 JUDGE: What does SE mean?

DR. S. TAYLOR: Standard Error, so that is what was the question earlier was what are the levels of uncertainty around each score given that this is a sample so for example if we look at the South African score in Grade 9 maths we get an estimated country score of 372, I will explain later  
15 what that means but we can be, the standard error is a measure of the uncertainty around that estimate and if you take two standard errors either side of the point estimate you get what you call a 95 percent confidence interval which means that, so if you take two standard deviations on either side that is from about 363 to about 381 and so what  
20 that means is that we are 95 percent sure that the truth about the population in South Africa is between 363 and 381 but the point estimate would be 372 so that just reflects the fact that this is sample not the population and because it is a sample there is a degree of uncertainty but we know what that degree of uncertainty is using statistical formula.

25 ADV. K. PILLAY SC: And Doctor when you choose your sample how do

you ensure that there is a fair representivity of different types of schools?

DR. S. TAYLOR: Yes so again it is done using the most advanced statistical methods of sampling, one starts with what you call a sampling frame which is a list of all the schools in the country, some are then  
5 excluded for particular reasons like sometimes it is very small schools or maybe it is special schools so there is sometimes a few exclusion criteria that you apply upfront but it is usually a very small fraction of the population so it is not going to systematically bias your results and then you do a random sampling process so that you know what probability  
10 each school in the country has of being selected because you have done it using a random probability sampling approach, you then also can inflate that samples findings to be generalisable for the population as a whole.

JUDGE: I do not know what this means but for example Australia has  
15 505 and South Africa has 372 does that mean Australia is moderately bad and South Africa is more bad or does it mean Australia is quite good and South Africa is not good at all or what does it mean?

DR. S. TAYLOR: Ja so there is that is fine there is a lot of questions and it is quite a technical assessment, the way the scores are presented are  
20 they are what you call scale average scores so there is no maximum score, scores are converted onto a scale where the mean internationally is set to be 500 and the standard deviation is said to be 100 and that is just a kind of a measure of spread.

JUDGE: So Singapore is?

25 DR. S. TAYLOR: The top performing country.

JUDGE: Almost 20 percent above the mean.

DR. S. TAYLOR: Ja but I would caution against sort of percentages at all they really more than a full standard deviation above the mean and ja what a standard deviation means is in educational terms we sometimes  
5 like to create rules of thumb and say things like you know somewhere like 50 points on these kinds of assessments represents like a grade level of learning or the amount of learning that typically happens within a year in which case you could almost say Singapore's Grade 8 children are on average almost 2 years ahead of the international average so I  
10 think what it means then to comparing Australia with South Africa it means that Australia is pretty much very average in the sample of schools that participate here, they are very much an average performer. Singapore and many of the Asian countries tend to be the top performers on these maths and science assessments and South Africa near the  
15 bottom with a score substantially below the mean ja.

ADV. K. PILLAY SC: And what is the implication of the fact that South Africa used Grade 9 learners whereas the majority of countries with the exception of Botswana used Grade 8 learners?

DR. S. TAYLOR: Ja I mean it does mean that, it sort of further evidence  
20 in a sense of how weakly our children are performing in that they are amongst the bottom even though they are a grade level ahead so it does mean that so there is no way around the reality that our performances is weak though I think what is also important we have known this since 1995 when we first participated in Tims from 1995 to 1999 there was  
25 essentially no movement and the scores were very low, from 1999 to

2003 there was again no movement but as I will show in a moment since then there has been considerable movement so maybe let me move on to the ...[intervenes]

ADV. M. LEKOANE: Sorry Doctor before you move on does this relate  
5 only to public schools or private also?

DR. S. TAYLOR: It includes both, so there is a small sample of independent schools that are included in Tims.

COMMISSIONER ALLY: Well there is another factor, in respect of the other countries what is the size of the class within those countries as  
10 opposed to the size of the class talking about in Grade 9 [C], how many within that class as opposed to any other countries.

DR. S. TAYLOR: Are you asking about whether class sizes in South Africa are large?

COMMISSIONER ALLY: Well in the Tims, in the Tims study you have all  
15 these countries and then you have indicated as Miss Pillay was asking you have got Grade 8 on the one hand and you have got Grade 9 but another factor that I am asking whether that is included is the class sizes in the respective countries, the difference there, for instance is it in South Africa in Grade 9 you have 40 kids in the class whereas in Singapore  
20 you have 15 kids in the class and therefore can you make the comparison if you have these large differences in taking into account the quality of education with the numbers that are there.

DR. S. TAYLOR: So there are a lot of contextual differences between countries and Tims what is great about Tims is it collects a lot of that  
25 information so we can actually observe class sizes, for example across

these countries and there will obviously be differences to some extent class size is a factor which disadvantages against learning, there is lots of international literature around what is the effect of class size and at what point does it become a real issue but I would say that in South  
5 Africa it is an issue but it is not necessarily even at the top, near the top of the list of the factors that are predictive of performance.

We also collect a lot of information in terms around home background factors, around other school resources, around indicators of teacher practice and teacher qualifications and so on so there is a whole  
10 range of factors that influence on achievement and which yes a sophisticated analysis we would want to try and account for those factors when comparing across countries. So the point from this table is that in maths and science we perform weekly compared to this sample of countries, if we look at trends over time, as I have mentioned the trend  
15 was effectively flat between 1995 and 2003. From 2003 to 2011 which was the next round of Tims we increased substantially though our average score went from 285 to 352 which is substantial improvement and then it increased further by another 20 points between 2011 and 2015.

20 On the right we just see the distributions of achievement and what you can see is that especially at the low end there is far fewer, we really cut out a lot of the low tail from 2003 and the same thing pretty much happened in science where we saw substantial increases from 2003 to 2011 and then again from 2011 to 2015. We still as you saw on  
25 the previous figure we still amongst the bottom in the world and we still

performing weekly and there is still inequality but again the trend is at least in the right direction in the last few years, measured here looking at quality of learning outcomes. Where the fastest improving country in Tims, this just shows for a selection of Tims countries, the changes  
5 between 2003 and 2015 and you can see at the bottom some countries going backwards over time and what you see South Africa at the top with easily the largest improvement, of course it is off a low base but at least we are improving about as much as any other country on these sorts of assessments have improved.

10 So ja, I do not know if it is a reason to celebrate but at least the movement is in the right direction. And that relates to the questions about okay sure so the numbers completing Grade 9 are increasing, the numbers completing matric are increasing but what about the quality, I think it is encouraging to note that in 2015, if we were to compare 2015  
15 and say 2003 not only are more people completing Grade 9 and reaching Grade 9 who are now being tested but the average scores are higher so in some ways you would expect that with more people reaching Grade 9 scores might decline because you are taking in more and more children from poorer backgrounds or rural backgrounds that  
20 has been the case but actually scores have still improved even despite the improvement in access in this period.

COMMISSIONER ALLY: Doctor and this is where the dangers that you spoke about come in, these 10's only relate to maths and science not the achievement or attainment of Grade 9 itself so when you say there is the  
25 improvement, what the improvement there is, is an improvement in



maths and science. Now have you tested that information as against the department you would and what the outcome of that testing is so you have had this improvement in maths and science but is the attainment of the grade itself as great as is reflected in these achievements in maths  
5 and science?

DR. S. TAYLOR: Okay I might be misunderstanding the question but I, so I know, we have seen more people completing Grade 9 alright and we are seeing that certainly on maths and science as indicators of the standard it is increasing so maybe is a question about other learning  
10 areas like literacy or ...[intervenes]

COMMISSIONER ALLY: Not at all.

DR. S. TAYLOR: Okay sorry.

COMMISSIONER ALLY: You see there is a difference between indicating achievements relating to subjects and indicating achievements  
15 relating to the attainment of that particular grade, for instance you have got matrics who then obtain matric but of those matrics the maths and science achievement is about 5 percent for instance, now have you measured the attainment of the grade as you have measured the attainment of maths and science, you see you have got the trend here  
20 relating only to maths and science.

DR. S. TAYLOR: Okay.

COMMISSIONER ALLY: And not relating to the grade itself. Now you have indicated there is more people over time that have now obtained Grade 9 but here the trend is the upward trend and I am just trying to  
25 understand whether you have got that data relating to the grade itself as

opposed to the trend in maths and science, you understand?

DR. S. TAYLOR: Kind of, I think it is still relates then to all the other learning errors that go into passing Grade 9 as opposed to maths and science which are just sort of one or two learning areas. What we do have which I have not got in the presentation is there are one or two other similar international assessments at different grades and in different learning areas and the one which is worth mentioning is called SAECMEQ which stands for the Southern and East African Consortium for Monitoring Education Quality that is 14 Southern and East African countries that participate in a very similar methodology of study to Tims and there is information which has not, the formal release of SAECMEQ has not happened yet but we have our country data and we have done some analysis internally of that data and there is again an improving trend at the for 6 level for maths and for literacy so at least that gives us another indicator from, it is different grade and a learning area other than just maths to say that there is again an improving average quality of learning happening in particular grades over time.

We also have the matric data which we can analyse and unpack for various subjects but and I think matric data is useful data in giving us a sense of some of these trends but it is not designed in quite the same way to be standardised and comparable over time as with these studies.

JUDGE: This appears to be slightly misleading if one does not give it some thought because South Africa starts from a very low base and therefore its achievement is reflective of that low base whereas shall we say Australia obviously starts from a slightly, from a much higher base

and although it is reduced considerably it is still a hundred points above us.

DR. S. TAYLOR: Yes.

JUDGE: So if you look at that you would say boy Australia is doing  
5 really badly and we are doing really well but the truth is we are still more than a hundred points below Australia.

DR. S. TAYLOR: Yes if I just shown you this graph yes you could accuse me of that but I did show that the previous graph.

JUDGE: No I am not accusing you of anything.

10 DR. S. TAYLOR: No, no I know I am just saying you are right but I have pointed out I started off with a low base and showing just how poorly we do and that is why I say you know we have improved but definitely off a very low base and ja but I think in a way we knew where we were and so in some ways we could not have expected much more than this so it  
15 is similar ...[intervenes]

JUDGE: Is it not so for example that take, I am not sure but take Egypt and Jordan who have gone back substantially in science, scientific achievement apparently.

DR. S. TAYLOR: Yes.

20 JUDGE: Are they not still above us?

DR. S. TAYLOR: I think they are let us just check if it is in the previous graph if Egypt was, you say Jordan is marginally above us.

JUDGE: No Egypt is slightly below.

DR. S. TAYLOR: And Egypt is roughly the same, they are similar levels,

they also near the bottom.

JUDGE: So that reflects from an Egyptian point of view the enormous turmoil in Egypt over the last 10 years.

DR. S. TAYLOR: Without having studied specifically what happened in  
5 Egypt I would also guess that yes.

JUDGE: No but these, it is very difficult just to look at a graph and to ignore all the other input that must go into this in order to read what these figures actually mean.

DR. S. TAYLOR: Certainly, each country has a unique story.

10 JUDGE: We for example have had substantial, what is the word, solidity that is not the word I want, stability over the last 25 years and so you would hope that we would show an improvement and a great deal of thought and time has gone into improving the system whether the results that we produced from that low base are good or bad it is not for me to  
15 say, but all I am suggesting is that these, the statistics are very, they mean very little unless you understand everything that goes into them and you could put some working balance on it.

DR. S. TAYLOR: The statistics have a meaning and the hard work is in knowing that meaning and knowing in context, they do mean something  
20 and yes one can take things out of context and that is why I keep saying that there is a low base but there has been improvements.

JUDGE: Alright.

DR. S. TAYLOR: And I think ja again interpreting those improvements is not an easy thing, is that a big improvement, is it a small improvement

given that we had a low base, I would say probably we had more scope to improve because of the low base and say Australia, like it is probably harder and I am speculating now but it is probably harder to move from being a roughly average country in terms to suddenly get the kind of 80  
5 points improvement that we have had but at the same time the magnitude of our improvements have been larger than anywhere else, Brazil is another country that in the literature and around the world is thought of as a country that has improved fast in recent years, not on Tims but on Pesa which is something we do not participate in but it is a  
10 similar type of study comparing across countries and their improvement is also not quite as large as ours and yet they also regard it as one of the fastest improving countries so I think the performance is still low but we are improving, there is clear evidence of that and that is the message I want to send, the reasons for that improvement are no doubt  
15 complicated, it is a lot harder to figure those out, just methodologically and scientifically and as a department we would obviously have things to point to by interventions that have been done. One could analyse the data and see to what extent does this reflect changes in the home background over time that you know today's children have parents say  
20 who have more years of education than 15 years ago children had so no doubt there is lots of digging and complexity around us but I think there is clear evidence of a low base of performance and improvements over time.

ADV KHOKHO: Sorry Doctor if I may just ask, do you know why  
25 Botswana also tested Grade 9 for the same reasons as us?

DR. S. TAYLOR: I think, as far as I am aware it would be for the same reasons that they are also a low performing country and that methodologically it does not really make sense to test a group of children on a test that is sort of too difficult. Ideally when you want to test  
5 children for this kind of a study it is, you want to be able to get variation in children so a test where the majority of the test everyone gets wrong it is going to be a bad instrument, it is not going to measure very well so it makes sense then to maybe have a different grade who would almost fit the test better and that is probably also what happened in Botswana.

10           Okay so then just a few highlights, changing track a little bit but bearing in mind that this is largely a forum focussed on higher education there is an important study that has been done by van Broekhuizen and other economists from Stellenbosch where they have constructed a unique data set by taking the 2008 matric data set of ours at basic  
15 education and have merged it with higher education data sets from 2009 to 2014 and so what that means is you can observe a cohort of 2008 matriculants over a period of 6 years and actually see how many went into University, to what extent were they successful in University and this has generated some new insights that previous data did not have for us,  
20 I am just highlighting a few of them for the sake of time in green and then the rest is kind of my interpretation of what that might mean then for policy.

          A first interesting finding was that they found that approximately one third of matriculants who obtained a bachelor pass never went to a  
25 University, at least not within that six year period so what that potentially

means is that the numbers of NSC passes the number of bachelor pass have increased faster than Universities have been able to absorb them.

JUDGE: Now you do mean University and not University and other forms of higher post graduate education?

5 DR. S. TAYLOR: Yes.

JUDGE: Sorry post school education.

DR. S. TAYLOR: Yes so here I am talking about University from the DHET's Emis database from that, it may mean that there is scope then to increase University enrolments further while maintaining the standard of  
10 NSC, there may need to be academic support programs of course and that further increases in the number of bachelor passes from our side should be done by improving the general quality of schooling so we can produce, we can meet the needs for enrolments at Universities given the existing standards of what are being produced.

15 COMMISSIONER ALLY: Doctor let me understand this slide, if one third of your matriculants that obtained bachelor passes never go to University, your first question is then why did they not go to University and then you get a varied answer response to that particular question however you have gone to your next point and say there is scope to get  
20 more enrolments not having answered whether those people he the means and so forth or ant to go to University so I am just pointing out one needs to be careful of your interpretation of the first bullet point in green, the way you have interpreted it there because there might be varying factors why a third of them never went to University.

25 DR. S. TAYLOR: Absolutely, there may indeed be and obviously I cannot

go beyond what the research found and showed ...[intervenes]

JUDGE: Well what percentage of that one third do go to Tvet colleges?

DR. S. TAYLOR: Again I do not know what, and I was not the focus of the study so obviously I can work with what was in the data set and with  
5 what the study suggested, there is a bit that is relevant to the question coming up about what is predictive of going to University and what is predictable for success at University so I think I have to some extent addressed the question.

COMMISSIONER KHUMALO: Sorry Doctor before you move on, I beg  
10 your pardon, and what is the racial dynamics of that one third, do you know?

DR. S. TAYLOR: I am pretty sure, again I know I am speculating what I know of the system but I am pretty sure it would have been majority black people as majority black people for all the bachelor passes are but  
15 what is coming up is again, what are predictors of going to University and predictors of completing University and what are the racial dynamics there so I will address that in a sense.

COMMISSIONER KHUMALO: Sorry, sorry before you move on just on the third bullet point, the second point you say the scope should increase  
20 enrolments in Universities and with academic support programs, what do you envisage there, what do you mean by that?

DR. S. TAYLOR: So I guess what I mean is that perhaps from other research and to some extent from this paper as well there is still a fairly high degree of dropout or a non completion of University once people  
25 start so if we are saying there is scope to increase University enrolments



given that there is already quite a lot of non completion we may need to put in place academic support programs. The nature of those programs I will leave to others to specify and make recommendations on its content.

ADV. K. PILLAY SC: Doctor may I just ask a question before the student  
5 gets to University. You mentioned in your second bullet point that number of NSC passes and bachelor passes have increased faster than Universities have absorbed enrolments, you do not address the issue of enrolment criteria and admission criteria and whether or not the students or the learners who obtain NSC bachelor passes are able to meet the  
10 admission criteria of different Universities.

DR. S. TAYLOR: That is true and they are different across Universities so again unfortunately I am not in a position to really have done an analysis focussed on the different admission criteria and to what extent that influences the picture, so ja I think I need to stick more or less to  
15 what was in this paper just to highlight some of the findings which I think are important, the next finding was that a large proportion of matriculants delay entry into University again the reasons need to be understood as with the previous reasons for why are there this third that did not make it into University.

20 JUDGE: What is a large proportion?

DR. S. TAYLOR: It is a good question and it will be in the paper I am fairly sure but I do not think I have the numbers in the slide or off the top of my head.

JUDGE: I do not know whether 5 percent is regarded as a large  
25 proportion or whether we are talking about bigger?

DR. S. TAYLOR: Ja we will have to check the paper I am afraid.

JUDGE: Might this be a suitable time to take the tea adjournment.

DR. S. TAYLOR: Okay and I can come back with that number after tea.

JUDGE: If you can but we will take a quarter of an hour thank you.

5 **MEETING ADJOURNS**

**MEETING RESUMES**

ADV. K. PILLAY SC: Finishing the slides are numbered I think it is the large proportion of matriculants slide, ja that is the one.

JUDGE: Are you able to continue from where you left off?

DR. S. TAYLOR: Yip.

10 JUDGE: Thank you.

DR. S. TAYLOR: Okay so there was a question as we left about what is this large proportion of matriculants who delay entry into University and I have opened up the report by van Broekhuizen and he writes that of the 2008 matric cohort 13 percent of all matriculants access University immediately after matric and altogether 20 percent access University at some point within six years so it is 13 percent matriculants went to University the year immediately after matric but overall 20 percent went to University at some point so that remaining 7 percent is then the proportion who delay access to University so of all, put it differently, of all who do access University within 6 years, 65 percent of them did so immediately after matric and 35 percent of them were delayed.

JUDGE: So it might be a fund question, it might be a gap year, it might be immaturity as it were.

DR. S. TAYLOR: Yes so there are a number of reasons why that is the

case.

JUDGE: Post matric.

DR. S. TAYLOR: It could be so I have speculated and the van Broekhuizen report also it does not know those reasons because it just  
5 observes the data of who, it just sort of sees people when they enter  
University. I have speculated about financial constraints potentially  
prompting some youths to work a while to build up some savings. It  
could be to some extent matriculants not knowing yet whether they will  
qualify for University before they have written and so for example we do  
10 have some DB actions in place I know about using career guidance  
better improving school based assessments marks to try and give  
students a better signal of their potential for University earlier on before  
they have actually written the NSC exams.

JUDGE: But presumably every school like St Johns or St Stithians that  
15 has a post matric class would then number that post matric class in the  
delayed cohort.

DR. S. TAYLOR: Yes they would then be part of the delay cohort but the  
number of post matrics are very small in South Africa, I do not know the  
exact number but not many schools offer a post matric year it is only  
20 some of those elite schools typically that do it. What is perhaps more  
common is many students first improving their Grade 12 results, maybe  
working on certain subjects and then gaining access to University so  
there are a number of potential reasons why this delay may happen, we  
need to better understand what those reasons are and then address that  
25 because it probably does represent some kind of inefficiency, it would be

better for most people to enter as soon as possible.

Right so then this gets to the question of you know who does, who is the scoop who technically sort of qualifies but then does not access University, important findings from the appear where they had  
5 matric marks strongly predictive of University access and of University success in a way that is an obvious thing that one would expect but you still want to see it borne out in the data that the big predictor of whether you go to University and whether you complete University is your matric marks.

10 Also important finding was that University access and completion rates are not biased against black students or students from the poorer schools after taking account of matric marks, of course there are big inequalities by race in the distribution of matric marks you know on average white candidates do better and are more likely to therefore  
15 access University than black candidates on average but once you have taken account of their matric scores it does not appear to be an additional bias against black students when it comes to entering or completing University.

JUDGE: Sorry does that mean that if you have a black matric who has  
20 got a 75 percent matric score he will, he is as likely as a white matric with the same score?

DR. S. TAYLOR: Yes.

JUDGE: But there are far more blacks with lower scores.

DR. S. TAYLOR: Yes.

25 JUDGE: And therefore the success rate is likely to be lower.

DR. S. TAYLOR: Yes, so without taking account of matric scores certainly the access to University rates and completion rates are lower for black students but once you have taken account of their matric performance there does not seem to be a bias against them and so the  
5 implication then is that if we are going to improve inequalities or improve equity at the University level we need to improve equity at the school performance level, that is the biggest thing we can do to improve that. No doubt there is probably some, that is not to sort of write off any kind of prosecutor, poor University interventions like kind of academic support  
10 programs or financial support there is no doubt a need for that but in some ways the data suggests that the biggest need is to address equity before matric.

And it is important to note also from our other research that matric marks themselves are strongly predicted by earlier cognitive  
15 achievement scores so we spoke at length earlier about the Tims Studies, how I was involved in research that where we took the 2000 and, so it is a little old now but I am sure the principle still holds where we took the 2002 Grade 8 Tims students and we actually found them in matric data sets, those same individuals, a few years later and then you  
20 can see that how you did in maths and science in Grade 8 is strongly predictive of whether you reached matric and how well you did in matric which we have seen here is again predictable of access to University and completion of University so the most important way to achieve more equitable outcomes in South Africa society is to improve the quality of  
25 schooling especially in the primary school area, in my opinion.

JUDGE: Well I am trying to think what that means for us.

DR. S. TAYLOR: Sure ja, ja that is exactly ...[intervenes]

COMMISSIONER ALLY: Well let us put it this way, the reason why we called the Department of Basic Education firstly previously was that the  
5 Department of Higher Education or we interpreted it as if the Department of Higher Education was putting the blame for the dropouts at the door of Department of Basic Education so Martin, what is Martin's surname?

DR. S. TAYLOR: Gustafson.

COMMISSIONER ALLY: Yes Dr Gustafson came and gave us a  
10 presentation and used the same predictors and so forth and the studies done, Scottish studies and so forth, now because I wanted to know if you are doing well, you pass matric and you come to University and all of a sudden you are not passing, is it correct then to say it is actually Department of Basic Education is it not you yourself in that when the  
15 learner comes to University, you were not able to impart that which you are supposed to impart and that, and the question then posed was, are you people working together in improving the success rates and graduation rates and obviously these terms that have different meanings in different context.

20 JUDGE: You people I take it meaning basic and higher?

COMMISSIONER ALLY: Yes.

DR. S. TAYLOR: Ja.

COMMISSIONER ALLY: Yes, so we are still there because you talk about matric being a good predictor based on the information and data

that you have and yet you still have the caveat of your support programs and I am not understanding why that is there if your matric is a good predictor of success at University, if it is financial fine.

JUDGE: Do you meant the quality of the matric?

5 DR. S. TAYLOR: Yes.

JUDGE: Not the fact of the matric, knowing the fact of the matric.

DR. S. TAYLOR: No what I mean is students who scored very highly in matric and enter University are much more likely to complete University than students who had scored less well in matric, you know so people  
10 with marks in the 50's would be less likely happening people with marks in the 70's and 80's to complete University, in that sense matric marks are a good predictor of how you will do at University that is not to say that those who do enter University with marks in the 50's and so on are not in need of support programs, there may well still be ...[intervenues]

15 JUDGE: And *vice versa* sorry Judge, and *vice versa*, the fact that you he an 80 percent does not necessarily mean that you will pass at University depending on the course that you have chose obviously.

DR. S. TAYLOR: It does not necessarily mean you will pass but it means you are more likely to and on average those sorts of people are more  
20 likely to pass.

JUDGE: Now the problem is, is it not, that the black student who is getting a matric is getting it at a much lower level than the white student for example, I am just, I am not drawing that comparison for any particular purpose but the black student is coming from a poorer school  
25 very often and therefore the standard of his maths, the standard of his

science and all the other subjects is likely to be an E where the white student might be a C.

DR. S. TAYLOR: Yes.

JUDGE: And therefore his chances are reduced accordingly.

5 DR. S. TAYLOR: Yes.

JUDGE: Is that the fact of it?

DR. S. TAYLOR: That is the fact of it and you talking about the average black student compared to the average white student, another way of thinking of it is the distribution of black students and the distribution of  
10 white students and to say that the distribution of white students is a more, a distribution with higher matric results, some very high, some very low but that distribution as a whole looks different to the distribution for black students but what this finding is saying is that when you look at individual students who are at the same level, so a black and a white  
15 student with the same quality of matric outcomes that there is no sort of additional bias against the black students when it comes to accessing and completing University and that is at least encouraging in that there could, there may well have been some bias, one might have expected to see that there is some other admission criteria or some kind of prejudice  
20 that is functioning in the system and that would have been very worrying if that were the case but at least it seems to be the case that it is matric marks which are the important factor and the matric marks are driving the inequality between races because as you say the average black student or the distribution of marks for black students is a weaker  
25 distribution than that for the white population.



JUDGE: So therein lies the problem, to either bridge the gap towards those students who have the lower starting point or to improve the results in basic education so that the lower starting points are raised.

DR. S. TAYLOR: Absolutely, this is the challenge that the department  
5 faces, this is the big challenge in society and why so many policies are pro poor and why we need to focus on improving the quality of outcomes especially earlier on to address that issue before it gets to even matric.

JUDGE: Well then do you not, in other words do you not have to direct your attention principally to the standard of black schooling because  
10 presumably the student who goes to St Johns, the black student who goes to St Johns will have the same chance as the white student to go to St Johns, generally speaking, there may be exceptions?

DR. S. TAYLOR: Yes, I mean the question of to what extent schools make the difference versus home background is an important research  
15 question, there is a lot of ways to try and address that so to some extent it is about black schooling but remember schools as institutions are one of the factors which predict outcomes there is also all sorts of home background community level issues so.

JUDGE: You could say that A school gets, with 90 percent black  
20 students, A school gets very good results and B school with 90 percent black students gets very bad results so it is a problem in that school.

DR. S. TAYLOR: So of course to compare sort of two hypothetical schools with the same proportion, the same racial composition one doing well, one doing not so well, firstly of course there may be other  
25 differences, you know there are still differences in socio economic

differences amongst the black population and between urban and rural areas and there are all sorts of differences going on which are all predictive of outcomes ...[intervenes]

COMMISSIONER ALLY: And different educators and levels of  
5 education.

DR. S. TAYLOR: Of course.

COMMISSIONER ALLY: Of those educators.

DR. S. TAYLOR: Of course and unfortunately the nature of our society is that many of the disadvantages factors tend to overlap along racial lines  
10 whether it is urban, rural, poverty, historically disadvantaged and so forth.

JUDGE: Well now this is all very interesting to me because I could see the enormous difficulties of attacking a problem which has so broad, a difficulty arising in so many different places geographically and because  
15 of so many social factors, is it not therefore easier to address the problem through the articulation of matric and University?

DR. S. TAYLOR: Well there certainly ...[intervenes]

JUDGE: Where you have a smaller, you have a smaller population of students who are concerned and you can target the problems so much  
20 more easily.

DR. S. TAYLOR: We do need to target interventions at that level but bear in mind that by that point if you are targeting interventions to those who access University you are missing out everyone who has not got access to University which is the majority so.

JUDGE: I understand that but our problem is higher education for the moment.

DR. S. TAYLOR: I understand.

JUDGE: Yes.

5 DR. S. TAYLOR: So to some extent ja you will figure out what the relevance of it is but if asked about what are the most important things we can do to improve equity in terms of University outcomes there is some things we can do at Universities but there are, the big things need to happen and in the school sector and especially in primary schooling,  
10 getting early grade literacy and numeracy right, those things set in a sense the foundations for the likelihood of achieving a good matric and therefore completing University so that is just the point that is being made that that is where the big challenge lies.

JUDGE: All I am suggesting is that that sounds like an enormous  
15 problem because it is so widespread demographically and geographically and socio politically and so on whereas the gap between matric and University is a much narrower and more defined gap and solutions could be found more immediately in that area surely.

DR. S. TAYLOR: Well ja and certainly in terms of the scope of this  
20 commission that is probably where the solutions need to be found but you are right that is the bigger challenge of educational outcomes in South Africa, it needs to be seen within the bigger picture even though perhaps one may need to limit especially this commercial, we all need to limit itself to certain, to that area and interventions at that level but at  
25 least understanding where the problems that manifest themselves in a

sense would come from how it is all generated.

JUDGE: Thank you.

DR. S. TAYLOR: Okay, so then another finding from the van Broekhuizen report is that it takes a long time for many students to successfully complete University qualifications so instead of taking  
5 maybe three or four years it often takes five or six years and then dropout rates at Universities though high the report argues it is not as high as sometimes or elsewhere reported, that is for technical data related issues, the reason being that in this data set because it attracts  
10 the same individual student, you can actually see them move across Universities where sometimes there has been dropout rates reported by Universities and then they just see people leaving their courses rather than perhaps completing at another institution.

So again there needs to be reasons understood here, it is in a  
15 sense an inefficiency in public spending because you in a way spend, you fund additional years or many years, it takes many years of per student funding to obtain one graduate you know, so for example if you have two people spending each five years at a University one of whom gets a degree after five years the other whom drops out, that is kind of  
20 10 years of pursuant funding to get one graduate so it is an inefficiency of a kind, the number that the paper comes up with in terms of the completion rate is 58 percent of students who enrol for a University degree completing it within 6 years, it might be slightly higher if you extended that period to 7 or 8 years, some Universities particular I think  
25 Unisa tend to have a longer, people enrol for even longer.

The report argues as well that that number of 58 percent is actually not exceptionally bad by international comparison although that is what the number is and it represents then still room for improvement no doubt but it might be interesting to compare those completion rates with say the Tvet college sector, a sector which I know less about but I did see the Treasury's input to the commission and they quoted a statistic to you about only 1 in 10 students who started NSC degree at a Tvet college completing it so in a sense if you compare that to the completion rates at Universities the completion rate an Universities seems to be quite a bit higher.

COMMISSIONER KHUMALO: Sorry Doctor just on the same question of how long it takes to obtain a degree, when we take it to primary school and secondary, well secondary school level, how long does it take for an average student to complete and have a matric?

DR. S. TAYLOR: I cannot give you the number straight up but I know that we do have probably a fairly high proportion of children would repeat at some point, some children would repeat twice so you know I guess you would say it might take 13 years on average or 14 years of spending to get a matric graduate and then if you consider that somewhere in the 50's, 50 something percent of people complete Grade 12 you could say in a sense then there is a hole, for every one graduate there is also another one person who spent a considerable amount of time in school even up to 12 years more or less if you drop out at let us say Grade 10 or 11 so in that way you could work out a stats and I guess it would be somewhere like 20 or 21 or 22 years of per student funding to get a

single graduate, that would be my kind of back, the envelope calculation of what I know about when people drop out and what proportion get matric and when they have got matric how many times they have repeated

5 COMMISSIONER ALLY: But there are studies in that regard are there not Doctor relating to student cohorts that start and finish and those that do not finish and so forth because I am sure there was a study a couple of years ago relating to that very factor which was helping the Department of Basic Education change certain strategies and come up  
10 with different strategies to improve on those numbers?

DR. S. TAYLOR: There have no doubt been a few studies which have looked at that in various ways, I know I was involved in one for the department which we sort of called an efficiency report and it did look at these issues around dropout rates, grade repetition rates and thinking  
15 about it in terms of per student funding per year and I think that just the focus on those issues I think has helped, I think we have put things in place to reduce repetition rates, I think repetition rates have been coming down in recent years and also we have also seen fewer or we have seen a reduction in the phenomenon of children staying in school  
20 until 18, 19, 20 and then dropping out without matric so there certainly have been policies to prevent the kind of queuing in Grades 10 and 11 repeating multiple times at that point and then still not sitting for matric, even our progressed learner policy is an attempt to deal with that inefficiency.

25 So I do think at that level, at the school level that that kind of an

efficiency, that number if we calculated that number of how many years it is per student funding to get one matric graduate I think it would be better relative to say 10 years ago but there is probably still room for improvement and efficiency.

5 ADV. M. LEKOANE: And have you seen a difference in repetition rates between lower quintal schools and high schools?

DR. S. TAYLOR: Yes so the improvement that we have seen in repetition rates would probably be driven by the low quintal schools because that is where repetition rates are highest so it would be in that  
10 part of the sector where the improvements have taken place ja.

ADV. M. LEKOANE: What do you attribute that to, the repetition rates and lower quintal schools?

DR. S. TAYLOR: I speak under correction but I think it has been a policy focus to a large degree, I mean I know there has been specific policies  
15 at the secondary school level which have received quite a bit of attention because of the effect they have had on matric results with progressed learner policy so policies like ensuring that learners repeat only once per phase so phases are, for example foundation phases Grade 1 to 3 and so there is a policy now which says you should repeat once per phase so  
20 that would be an example of a policy attempting to address multiple repetition.

JUDGE: And at the end of that time they push you through anyway.

DR. S. TAYLOR: Ja I think more or less, I am not the best person to comment on the progressed learner policy but my understanding and  
25 opinion at this point on is that it is at least an overall improvement in

efficiency and we have seen many of the progressed learners passing matric and as a result we have seen more numbers passing matric overall. Even if it might have a kind of a negative effect on the pass rate which I think one can get too worried about there are more proportion of  
5 the total cohort who get an opportunity to write and therefore also who pass matric.

ADV. M. LEKOANE: I guess what I am trying to get at is why would a student in a lower quintal school be most likely to repeat than one who is in a different school?

10 DR. S. TAYLOR: Probably because in that part of the sector there are actual, more greater learning challenges so in that sense you know if performance as we know from say the annual national assessments or international studies like Tims, if we see in the poorer schools just lower levels of learning in that sense you would expect higher rates of grade  
15 repetition and less readiness for the next grade so that probably is what drives it, with towards the end of secondary school, okay this is kind of anecdotal but I think one would expect that sort of wanting people to truly be ready for matric, might be a reason to repeat more often rather than progressing people too early to matric if the school is worried they  
20 are not going to do well but again I think that is something we have tried to work against with our policies and ensure that people do progress.

JUDGE: The last bullet point on the previous slide you mentioned that to achieve a more equitable outcome, there must be an improvement in the quality of schooling in the lower quintal schools now so that relate to  
25 resources.



ADV. M. LEKOANE: Be it administrative or monitoring?

DR. S. TAYLOR: Ja the question of is resources the problem it is always a tricky one because resources do to some extent obviously make a difference but their really are different ways of spinning that story, I mean  
5 on the one hand you could say we have got strongly pro poor resource polices certainly as far as personnel funding of schools go. It is difficult it is difficult to be kind of prosecutor poor when funding salaries because he cannot really pay certain teachers much more than others but then you could compare us to other countries say some people would  
10 compare us ort say Kenya and say their children outperform outs on standardised tests even though we spend considerably more students than they do so resources therefore is not the problem, on the other hand the higher quintal schools charge fees and in that way we are able to supplement, on the other hand the higher quintal schools charge fees  
15 and in that way are able to supplement their resources and not doubt that makes a difference although the exact effect of the resources is hard to determine because those schools also have more educated parents, more involved parents than more urban areas, more affluent areas so it is very difficult to kind of get at the causal impact of resources.

20 Perhaps more useful to try and think of specific resource suggestions like spending more on specific things like learning materials or trying to reduce class size for example and analysing each of those proposals on there merits to suggest whether that use of resources is likely to lead to improved educational outcomes and that is what a lot of  
25 the researchers are busy doing is to try and understand what is the cost

effectiveness of alternative options like that. Okay then, so I am pretty much at the end of mine, maybe to highlight the conclusions from global presentation is firstly we are seeing completion of Grade 12 and of University degrees especially amongst black Africans.

5           Despite these improvements, so part of the story that I think needs to be understood is that there needs to be improvement but that is not to say that large inequalities do not still remain, there still is a long way to go and we might need to think about what are realistic kind of rates of improvement that we can expect to see in South Africa in a large  
10 education system compared with elsewhere in the world. We do not have an executive directorship to improve the general quality of schooling that is, I think there is evidence that it is improving but we need that to keep improving. Something which I have not focused on is the departmental plans around the three stream model so better preparation through that  
15 for also for the Tvet sector as well to hopefully thereby reduce the drop out rates in the Tvet sector.

COMMISSIONER ALLY: What do you mean by three stream model?

DR. S. TAYLOR: Ja so again there would probably be better people to talk about in the department who are involved in that process but my  
20 understanding and maybe other members of the panel later can add on this is that traditionally there has been large focus on sort of academic stream within schooling but looking at strengthening and widening the provisions of technical, vocational and occupational streams so there has been efforts to build more technical high schools and to re-equip  
25 them and better equip them those sort of plans.

COMMISSIONER ALLY: So it is in that sense that you speak about the three streams?

DR. S. TAYLOR: Yes, yes.

ADV. M. LEKOANE: So are we going to hear evidence later about the  
5 three stream model?

DR. S. TAYLOR: No it was not actually the focus that we were briefed on so I know you mentioned it upfront but I do not think there is a lot of detail from my side on that model.

ADV. M. LEKOANE: Oh and anyone in the team?

10 DR. S. TAYLOR: Ja I think we would have to come back to do a proper presentation on the three stream model, there would probably be other people in the department who are sort of heading up that policy development process.

COMMISSIONER ALLY: The reason we ask is that you are aware of the  
15 inverted triangle that we have in South Africa that most people go to Universities rather than any of the other streams and if that is the case how do we change that and also how do we pour our funds towards any of the streams and can we say to a person that passes matric no you cannot go to University you must go to the Tvet, how do we change the  
20 stigma to say actually the Tvet is just as good as the University for the economy of the country and it is not as it is meant or made out to be so that was in that vain that the question is being asked.

DR. S. TAYLOR: Ja and it is a very good and important question, we may have a goal to expand the Tvet sector and that goal is explicitly  
25 stated in the green paper on post schooling, we have already expanded

quite a bit in recent years and the plan is to extend it considerably more by 20, 30 to a point where it will be substantially larger as a sector than the University sector and the question is how to get there, my worry is the current dropout rates in the Tvet sector and if those dropout rates are  
5 as high as they are, if that does not improve the stigma might remain that it is not a really good option.

So it might be, I mean on approach might be to try and improved funding and support at Tvet colleges, another approach might be to strengthen the three stream model for example so that the preparation is  
10 better or guidance is better to allocate people to the sectors but a lot of work needs to be done on how to get there in a sustainable way because the simple enrolment targets are just extremely ambitious but the question of how to do it and how to improve the quality of those institutions and the preparedness of learners for it is really the tough  
15 policy question.

JUDGE: Maybe you can answer that, one has to take the Tvet colleges one at a time or perhaps a few at a time instead of trying to administer healing to the sick as a whole so that you get some that are centres of excellence and then you can move on to deal with those that are not.

20 DR. S. TAYLOR: Maybe ja.

JUDGE: So as to encourage people to say look there are Tvet colleges which work and those can be an example for the rest of the sector.

DR. S. TAYLOR: Perhaps ja, I guess most policy support needs to be some kind of combination of monitoring and support to individual  
25 institutions as well as setting the broader policy environment and

parameters but ja. So I think that is pretty much then the end of my part of the presentation so at this stage should I hand over to my colleague Mr Coetzee.

JUDGE: Yes thank you. Mr Coetzee what are your names please, Gerrit  
5 Coetzee is it?

MR. G. COETZEE: That is correct Chair.

JUDGE: Do you swear that the evidence that you will give will be the truth the whole truth and nothing but the truth, if you do raise your right hand and say so help me God.

10 MR. G. COETZEE: So help me God.

**MR GERRIT COETZEE: [sworn in]**

JUDGE: Thank you.

ADV. K. PILLAY SC: Mr Coetzee before you being with your presentation perhaps you could start by just indicating for us what you  
15 do within the department and what your expertise is which qualifies you to address us on Funza Lushaka.

MR. G. COETZEE: Chairperson I am the director for initial teacher education.

JUDGE: Initial sorry?

20 MR. G. COETZEE: Initial teacher education and a key program that I am responsible for is the Funza Lushaka bursary program and this particular program is offered at all 23 higher education teacher education campuses in the country. We have current enrolment of 14 343 students.

JUDGE: Are those campuses Universities and Tvet's?

MR. G. COETZEE: They are only University campuses and Universities that offer teacher education and that comprises 23 teacher education campuses across the country.

5 JUDGE: So if you have somebody who wants to be a woodwork teacher or a metal work teacher does he go to the University notwithstanding?

MR. G. COETZEE: The University of Johannesburg for example offers technology stream within their budgets of education program but also there is a number of Universities of Technology that trains teachers for  
10 us as well.

JUDGE: I see thank you.

COMMISSIONER ALLY: Sorry Mr Coetzee just to take us back a bit, we come or I come from a time where you had teacher training colleges and perhaps you can explain the progression or what has happened and how  
15 it has come that you now have teachers being trained at University and whether they are being trained elsewhere but at Universities?

MR. G. COETZEE: Currently there is a number of teachers in the system that has come from that particular era where teachers were trained at teacher education colleges, I think government took a decision  
20 under the tenier of the former, the late Professor Kadar Ashmal that they are going to locate teacher education only at Universities and I think there was a report that was done that informed that decision and it left us or it brought about the scenario where we are today that teacher education happens at Universities.

25 JUDGE: Do you not get a degree and not a diploma?

MR. G. COETZEE: For initial teacher education you will qualify with a bachelors in education degree, you can also qualify with a degree in for example the bachelor of science or the bachelor of commerce followed by a post graduate certificate in education which will then enable you to  
5 teach in a South African school and those are the two main routes that you can follow into the teacher education, into schooling in South Africa and those are the two main qualifications that the Funza Lushaka bursary program then for example funds students to train as teachers.

JUDGE: I am sorry just enlighten me, is this for primary school as well  
10 as high school?

MR. G. COETZEE: This is for primary as well as high school.

JUDGE: so does every primary school teacher have a degree?

MR. G. COETZEE: Currently no, current cohort of teachers that are currently within our schools the answer would be no, teachers that have  
15 been qualifying from Universities or within the primary school since 2000 they would qualify with a four years bachelor of education degree. The four year bachelor of education degree can be taken as a bachelor of education in foundation phase teaching Grade R to Grade 3 or a bachelor of education in intermediate phase teaching which will be  
20 Grade 4 to Grade 6 or a bachelor of education in senior phase, further education training which will then be Grade 7 to 12 and those are the areas in which a teacher can then specialise as in terms of those phases. They can further specialise also in terms of specific subject areas.

25 And it is important to understand the reason why Funza Lushaka

has been put in place around the concept of size and shape and this is a concept that we borrow from the Department of Higher Education and I think the NDP touches on that as well when it says there are still shortages of teachers for certain subjects and age groups which then  
5 refers to shape and this diagram explains what I am trying to say is that ...[intervenes]

COMMISSIONER KHUMALO: Okay just before you proceed with this, the Funza Lushaka does it get, do you pay to have some selection of who gets into the bursary, NSFAS or how do you distribute these funds,  
10 how do you allocate it?

MR. G. COETZEE: Funding for the Funza Lushaka bursary program is transferred from the national, from National Treasury as an earmarked fund to the Department of Basic Education. On 1 April of every year or then let me preface by saying that the National Student Financial Aid  
15 Scheme has been appointed to administer, to financially administer the Funza Lushaka bursary program therefore on 1 April of every year funding for the bursary program will then be transferred to the National Student Financial Aid Scheme who is responsible for financially  
20 administering the bursary money to the selected and the deserving students. The selection of deserving students are done by the Department of Basic Education in partnership with provincial education departments and as well as with higher education institutions participating in that process.

COMMISSIONER KHUMALO: The funding is it for post, undergrad and  
25 post grad up until PHD?



MR. G. COETZEE: The Funza Lushaka bursary program is used specifically for initial teacher education so it funds only the PGCE or the bachelors of education degrees, those are the initial teacher education qualifications, it does not fund post graduate.

5 COMMISSIONER KHUMALO: Is bachelors education a junior degree, is it not a post grad?

MR. G. COETZEE: A bachelor in education is the first degree, it is ...[intervenes]

COMMISSIONER KHUMALO: Bhet, is it Bhet?

10 MR. G. COETZEE: Bhet that is right ja.

COMMISSIONER ALLY: He is referring to the time when you had a BA and then ...[inaudible] which was a post grad in the old times.

COMMISSIONER KHUMALO: Oh so it is no longer, oh okay no that is where my confusion was because you are saying you can do BSC and  
15 then a Bhet afterwards as a qualifying or a diploma, does that funding does not work with Funza Lushaka when you are doing a non education junior grad?

MR. G. COETZEE: No.

COMMISSIONER KHUMALO: Junior degree?

20 MR. G. COETZEE: No we do not fund the non education under degree so if you for example enrol as a first time student in a bachelor of arts Funza Lushaka will not fund you.

COMMISSIONER KHUMALO: But if you proceed to Bhet you can get funding.

MR. G. COETZEE: No when you proceed to the post graduate certificate in education Funza will fund you.

COMMISSIONER KHUMALO: Okay.

MR. G. COETZEE: By coincidence I also did a bachelor of education  
5 personally and then I did a Bhet which is kind of a post graduate degree  
but it has changed since the time when I was there as well. Now in 2005  
there was a report by Hofmeyer and Hall and Others who spoke about  
the size of teacher education and they raised alarm bells within South  
Africa around the supply of teachers and it informed a decision by  
10 government then to introduce a bursary program to attract quality  
teachers into the education sector and since 2005 we have done  
considerably well and some of the slides that I will show next will show  
that we have turned the corner in terms of producing enough teachers.

JUDGE: Sorry what is the difference between a quality teacher and a  
15 teacher who has a degree?

MR. G. COETZEE: I think the quality teacher encompasses as on one  
level the qualification that that teacher has. I think a quality teacher may  
have the qualification but they must also be prepared to deal with the  
reality of a classroom so in other words the practice component comes  
20 in.

JUDGE: Right where does that come in?

MR. G. COETZEE: It also gets done in the degree that prepares a  
teacher for teaching.

JUDGE: Yes, alright.

MR. G. COETZEE: So we used, so initially Funza Lushaka was used to address the issue of size, the supply of teachers, increasingly we have started to use Funza Lushaka to address the shape issue, although Universities are producing enough teachers and there is three reports  
5 that point towards that, they do not necessarily produce enough teachers for specific phases of education or specific subject areas and I think my colleague Dr Taylor referred for example to the primary school and the issue of quality so for example we need to attract qualified teachers to the foundation phase and especially to attract qualified teachers to teach  
10 reading, writing and mathematics to Grade R, to Grade 3 in an African language and if, I will show later on what we are able to do at the moment with Funza Lushaka but it is not nearly enough.

And in the same way we need to respond in the Grade 10 to Grade 12 phase, further education and training to a shortage of  
15 mathematics and physical science teachers as well as teachers within the technology fields of study and I will point towards that. The third aspect of this particular diagram refers to substance and it refers to what Chairperson you have asked, what is quality teacher and a qualified teacher, it refers to the substance of the teacher that gets produced at  
20 the University and that enters the basic education sector as a teacher.

ADV. M. LEKOANE: Sorry Mr Chair, geographically is it targeted to certain areas?

MR. G. COETZEE: Yes I have left that out, so in terms of shape the one you will also look at geographical areas, so for example attracting  
25 teachers to teach mathematics and physical science to rural remote

areas or to high density informal settlement areas within the country and Funza Lushaka, and I am running ahead of myself, Funza Lushaka encompasses an obligatory agreement, we fund the student for the duration of completing their degree and then once they have completed  
5 and during that, at the beginning of that period they sign a contract which then binds the student to say that the way in which you will repay the money that government has contributed to your studies is by working it back in a public school within South Africa.

JUDGE: What percentage of your Funza Lushaka students are black,  
10 white, Indian and coloured?

MR. G. COETZEE: There is a slide I will jump to that one, so this diagram refers to bursaries awarded to whites, Indians, blacks, coloureds in 2016 for example and it shows that by far the most of our bursaries are going to the black community of our country and it is  
15 growing year to year through the bursary program.

JUDGE: Okay thank you.

MR. G. COETZEE: Just going back I would like to just show this slide which just shows then the growth in teacher education output in 2015, it is on track with the targets that the Department of Higher Education  
20 together with the Department of Basic Education has set for itself, further interrogation is needed in terms of right, we are on track for supply but do we meet the shape requirements.

ADV. M. LEKOANE: Sorry Mr Coetzee what is HC, what does it stand for?

25 MR. G. COETZEE: It stands for head count enrolments. Okay then I am

just going to jump into this slide and just say that I have already touched, it was established in 2007 to increase the supply of qualified teachers, very important it is a merit bursary so it distinguish itself then from financial aid and the reason why it is a merit bursary because you would  
5 like to attract your top achievers into the teaching profession to contribute to improving the quality of basic education. The intention of the program was to address specific identified teacher shortages and therefore awards are made according to set criteria and requirements, now if we remove those said criteria, if we remove the requirements we  
10 will be just attracting teachers and we may then sit with a country in a few years from now that have job seekers in specific subject areas but there is a saturating, we have got enough teachers in those subject areas so we are very specific in the teachers that we recruit according to that criteria and it is in order to meet the shortages within the sector.

15           And then the last bullet speaks to what I have said in terms of the obligation period, high achieving students are awarded bursaries to enrol in priority subjects and phases but in return students expect, are expected to teach in these areas and in schools and identify geographical areas and for the numbers of years that they have received  
20 the bursary from the department.

JUDGE: So for example then somebody who wishes to teach English is less likely to get a bursary than somebody who wishes to teach mathematics.

MR. G. COETZEE: English is one of our priorities at the moment so  
25 languages is a priority for Funza Lushaka.

JUDGE: Well let us say geography then, would he or she be less likely to get a bursary?

MR. G. COETZEE: That is correct yes.

JUDGE: I see.

5 MR. G. COETZEE: They can apply, when we sit with the Universities and we sit with our provinces we ask how many geography teachers do you need in your particular province and your particular district and then we know this amount of bursaries can go for geography so it is very important for us to ensure that we have the right teachers and we are  
10 funding the teachers where to meet that shortages within specific areas.

COMMISSIONER ALLY: Mr Coetzee it is all good and well that you have these targeted funding programs but is it targeted, well let me phrase it differently, do you have the mandate also to indicate to a particular student that receives your bursary that you will go, for instance you have  
15 a decline in achievements in Willowvale in the Eastern Cape in certain subjects so you would say to a bursary holder down in NMMU, Nelson Mandela Municipality University or Metso University that when you complete you must go to that particular school, do you have such programs in conjunction with the provinces obviously?

20 MR. G. COETZEE: Commissioner refers to the district and community based recruitment program that we have in the department and that particular program is about saying to a student we recruit you from a specific community, from a specific district, from a specific school with the idea that when you complete your teaching qualification that you go  
25 back to that particular area and that is what we would like to achieve

through the district and community based program and it is actually very exciting because if you link it to an induction program then this graduate can go back to the school from which they have come from and perhaps meet up with the teacher that taught him initially in the school and the transfer of skills that can happen to that young qualified teacher and the knowledge of the community it is just added factors that will further improve teaching and the quality of teaching in our schools.

COMMISSIONER ALLY: And what is the experience with regards to fulfilling those contracts that you have with those students because a student says now I am actually now an urban person because I have been studying in the city and I do not want to go back to the rural area, what is your experience in relation to deployment of these particular teachers?

MR. G. COETZEE: With regard to the district and community based recruitment program 2017 marks the first year of graduates so with this particular program we are now measuring to see where are we and how are those teaching taking up post in those particular areas. We have a clause in the contract that is signed by all Funza Lushaka bursary program holders that says you need to indicate in which province you are going to teach and that the province have the right to place you in particular schools. Most in our experience is most students do take up that post, there are students that do resist and it is then up to the employer and that particular student to negotiate. If a student refuses and do not take up that post the student, the bursary will be converted into a loan and the student will have to repay the bursary in the form of a

loan.

COMMISSIONER ALLY: Thank you.

MR. G. COETZEE: And I think that the national development plan also clearly speaks about Funza Lushaka and it mention it by name which I  
5 think it is significant and that we must make sure that we provide students with bursaries to get the necessary qualifications and so it is important, I think this particular slide just shows how we have moved  
...[intervenes]

ADV. K. PILLAY SC: Sorry Mr Coetzee before you move to the next  
10 slide, may I just ask you to address why the need for a specific strategy to address students to the education sector and to train to become teachers, why not leave it to the market forces, let students study whatever they want to study and then see if you have enough teachers at the end of the day?

15 MR. G. COETZEE: I think the answer to that question is reflected on this particular slide, in 2008 we produced 5939 graduates which is not enough for the sector and clearly the need for an incentive and not an incentive to fund all teachers coming into the sector but an incentive to say we will fund, at the moment we fund maximum 25 percent of  
20 students choosing teaching as their profession of choice and taking up that degree, so and the Funza Lushaka and I think the reports that was produced by higher education and by the CDE in 2015 shows that Funza Lushaka seems to have given a spark, seems to have given a spark for young people to consider teaching as a profession which they did not  
25 have in the past and I think that is what we would like, that is why we



have put in place a special program to attract teachers to the profession.

ADV. K. PILLAY SC: And have you considered the implications if Funza Lushaka is removed as a specific strategy, what would happen?

MR. G. COETZEE: Yes it is, I think three years ago for the first time I  
5 personally started to apply my mind to that when I started to see what is  
happening in higher education sector and when I started to also  
experience through Funza Lushaka because we suffer as well with the  
high cost of higher education, we cannot award the number of bursaries  
and if Funza Lushaka is taken away from the Department of Basic  
10 Education it will have a significant impact not just for the department but  
I think the education sector, individual Universities in terms of what they  
are able to offer and the impact on our country will be significant, it is,  
you know if one look for example like the growth that has happened in  
certain teacher education campuses and you speak to the academics,  
15 you speak to the deans of education can you speak to the Department of  
Higher Education because and they will indicate to you if you remove it,  
it will have significant knock on effect even to the future of some of the  
schools of education at teacher training institutions.

So I would, I think one will have to deliberate on that on a  
20 strategic level, one will have to do your projections over a 30 to 50 year  
trajectory and one will have to have answers to say how you going to  
address specific shortages, you know even with Funza Lushaka we still  
have a shortage of mathematics and physical science teachers in our  
country and Funza Lushaka I will show on a slide just now has  
25 contributed and we award many bursaries for mathematics and physical

sciences for example, if you add to that and we had the question on the three stream models you will, add to that the technical stream and the need to supply teachers for the technical stream and the three stream model the sector needs a program that can ignite interest amongst  
5 young people to take up because in the technical stream you are not only competing, the same with the, you competing with affluent sectors, the engineering sector for example in the country and we need to put something forward that makes it attractive for young people.

ADV. K. PILLAY SC: Now Mr Coetzee are you involved in the  
10 preparation of the departments bids to Treasury specifically for Funza Lushaka?

MR. G. COETZEE: We do not make bids to Treasury, I think there was a bid right at the beginning, since then there was an annual earmarked fund that ha been allocated so I have not been involved in any bid  
15 process, that came before my time.

JUDGE: And the annual allocation has it remained constant or has there been fluctuations?

MR. G. COETZEE: The only fluctuation was between 2010 and 2011, I think in 2010 and I think this particular slide will show that. Between  
20 2010 and 2011, in 2011 there was a decrease in the number of bursaries awarded to 8716 and that was as a direct cause, there was a lower allocation from National Treasury in that particular year, I think we only received 25.4 million in compared to the more than 200 million that followed In the years thereafter and one could clearly, that was the only  
25 year that that stood out, the contribution has grown constantly over that

at the rate of inflation as put forward.

COMMISSIONER ALLY: Sorry Mr Coetzee perhaps not 201, 2012/2013 is the 200 000 jump.

MR. G. COETZEE: That is correct yes Commissioner.

5 ADV. K. PILLAY SC: Now you testified that notwithstanding the introduction of Funza Lushaka as a strategy that there is still shortage of specifically maths and science teachers, has there been an indication to Treasury that Funza Lushaka may be inadequate and would need to be increased, the allocation for Funza Lushaka?

10 MR. G. COETZEE: There has not been a formal bid to National Treasury for an increase in the Funza Lushaka allocation.

ADV. K. PILLAY SC: And why not?

MR. G. COETZEE: The reason for that is that we are able to utilise the allocation that we have at the moment to its fullest and within the sector  
15 we also need to work to ensure that we are able to absorb all the teachers that qualify with Funza Lushaka bursary programs and it is an area that have received a lot of attention in the last three to four years and it is an area that we have improved consistently and we will need to continue to improve on that. And I also think that it is not just about the  
20 allocation of the Funza Lushaka, the bursary money, it is also about the administration of the bursary money and improvements in terms of the administration and therefore our communication with National Treasury in the last two or three years was more focussed on ways to improve the administration first and ja.

25 Okay and so this just seems to, this slide just indicates the

growth in applications that as Funza Lushaka became known amongst South Africans there was a growth in applications, in the current year as I am seated here we have received more than 90 000 applications we only have a maximum 14 000 bursaries that we can award for the 2017  
5 academic year so the interest in the bursary program and the interest in teaching has significantly increased.

COMMISSIONER ALLY: You see now Mr Coetzee this is in relation to the question put by Miss Pillay there are more out there that need than you are able to give so the question she is posing, why have you not  
10 asked for more from Treasury, your point has been that the communication has only been around administration and improving administration because from what you have just said now there are people outside of this number that are needing because or are you saying of that 90 000 you award 14 000, of that 76 000 as it were you  
15 have now, are there now people that qualify as do the 14 000 or do that all not qualify?

MR. G. COETZEE: There are people that qualify and I think more money will address the size issue more than the shape issue and in the sector we need to address the shape issue. I foresee and it is highly possible  
20 that in, as the three steams model, the three streams curriculum model finds traction and the need for more technical trained teachers increases that the department may consider with the department of National Treasury and the Department of Higher Education to increase the amount available or to have, ja.

25 ADV. K. PILLAY SC: May I just ask you Mr Coetzee in the introductory

slide to Funza Lushaka you mention that the bursary aims to fund 25 percent of students enrolled in public Universities who study to become teachers now why is the department chosen to only focus on funding 25 percent and not more of the students who study to become teachers?

5 MR. G. COETZEE: It was conceptualised before my time but I guess the department, I think government, the South African government as a nation we cannot afford to fund I think where it stands at the moment over 100 000 first time enrolments for teacher education it is just not affordable and there are other funding options that can be considered,  
10 NSFAS being one of those funding options that can be considered. Funza Lushaka therefore has this advantage that it can focus on those best performers and attract them to the sector to address the specific shape issues of the sector.

ADV. M. LEKOANE: And are the, sorry Mr Coetzee are there any  
15 conditions attached to the allocation say once you have given the money to NSFAS for example are the students receiving full costs of study or can NSFAS allocate as they wish to the students?

MR. G. COETZEE: No there are conditions attached and the bursary pays for tuition, accommodation, books, laboratory fees, food, so it is  
20 basically all encompassing bursary that funds the student and the agreement with NSFAS is that that is the way in which the bursary must pay out to students.

ADV. K. PILLAY SC: And you have ensured that in fact all students who are in Funza Lushaka are receiving full cost of study so there is no top  
25 slicing that happens in the context of Funza Lushaka?

MR. G. COETZEE: No the bursary money gets paid out to students according to the course of study that the student is enrolling for. Now if a student, we fund the full four years of a bachelor of his education, of a Bhet and we, a student needs to show that they progress academically and especially in the subject areas that we have awarded them the bursary for otherwise the bursary will be taken back until the student can show that they have met the minimum requirements again and then we will give the bursary back but we only give five years maximum for the completion of a four Bhet degree and the fifth year is not automatic, the fifth year gets decided on by a selection committee and we look at the academic progress in the first three years, we consider what are the circumstances of the particular students that may have contributed to the fifth year and it will definitely not pay for a full, repeating a full degree in that fifth year with a heavy load of modules, it will be very specific to those two, I think we speak about the two thirds, the student must show that they progress in two thirds of the modules and then we will look at what is remaining.

ADV. K. PILLAY SC: And who selects the recipients of Funza Lushaka, is it the department or is it NSFAS?

MR. G. COETZEE: It is the selection committee consisting of the Department of Basic Education, the department, our provincial education departments and members of that particular University, the selection considers every application and awards the bursary on merit and in line with our priority requirements that we have.

ADV. K. PILLAY SC: And do the NSFAS qualifying criteria apply to

Funza Lushaka applicants as well?

MR. G. COETZEE: No because Funza Lushaka, the main difference between the two is that Funza Lushaka is a merit bursary so the, NSFAS do a means test that look at the financial situation of every student and  
5 therefore it is regarded as financial aid, Funza Lushaka your main criteria is your academic performance for entry.

ADV. M. LEKOANE: And does a student who does not complete their degree require to pay back the monies that were advanced to them?

MR. G. COETZEE: Student who do not complete her degree will be  
10 required to pay back the money once they, and there it is linked to NSFAS, once they are showing that they are generating an income and then the money will be repaid yes. So we have a growth in applications, this slide, this is what I would like to highlight is to see how the growth in first year applications against the number of bursaries that we can award  
15 in the, for Funza Lushaka and this is the tension point for us at particular University especially within the context of the fees must fall movement within the country and it is, it has required of us to speak directly to student groups at University to explain this.

I think there is an expectation from students that Funza Lushaka  
20 is the same as NSFAS and it is not, we are a merit bursary. This just shows again like the earlier one in terms of the number of awards that have been made, one of the areas that I can just perhaps highlight, we have a number of students that are pipeline students, existing students that we need to fund which makes available fewer bursaries for new  
25 applications. Now the risk that one can run that if there is an increase

and continuing in University fees and the value that is beyond inflation and the value of Funza Lushaka grow at the level of inflation every year the risk is that we will reach a point where we will only fund current students and that we are unable to fund any new applications so that is a  
5 risk that we have identified with Funza Lushaka and it relates to the earlier question as well.

ADV. M. LEKOANE: Sorry Mr Coetzee do you find that most of your applicants meet the merit requirement?

MR. G. COETZEE: Well if you use the 66 000 applications then we have  
10 a large pool to search for the merit requirements and it enables us to meet that requirement therefore so the more applications you receive the more you can go through until you find the ones that meets those minimum requirements, the merit requirements. So in terms of gender as well most of our bursaries go to female beneficiaries although there  
15 has been a growth in male beneficiaries over the last year. I have spoken to this slide around race, this just starts, when I spoke about shape earlier on, it starts showing us that at the moment still in Funza Lushaka and with our higher education institutions we give more bursaries to the FET phase and the PGCE phase, ag the FET phase that  
20 consists of the Bhet FET and the PGCE in the FET and so most of our bursary holders currently is still in those bands and we need to work harder in our recruitment and in our awarding to ensure that we look at the foundation phase and intermediate phase as an area of priority for our country.

25 And this just again emphasises that and the work that needs to



be done because this relates to first time bursary holders. Now this is the slide that speaks to the specific subject areas and although we meet our requirements in terms of mathematics, life sciences, accounting, economics and physical sciences, most of the bursaries are going into those areas. The areas of concern for us is the areas that refers to technology, mechanical technology, electrical technology, civil technology and if one look at that that is the area in which we need to work hard to ensure that we meet the requirements of our country.

This particular slide also speaks about the African languages and although this refers to the FET and I think there is a slide that will show now about the foundation phase, the issue of African languages as well needs urgent attention and it is not just about the awarding of the bursary it is also about what is being offered at Universities within these programs for students to consider to take up in their qualifications. Okay so district based recruitment I have touched on it earlier, we set aside 2000 Funza Lushaka bursaries for this particular teacher recruitment campaign, the bursaries are awarded to quintal 1 to 3 schools or to fee exempted learners in quintal 4 and 5 schools and the idea is with the quintal 1 to 3 schools that you recruit from a specific district, specific community with the idea that the student return to that particular community to go and teach there.

And I have also referred to this earlier, the red pillar shows the graduates for this year and we are in the process now to look at where they are placed and if they have met our requirements in that area and this is just within the particular provinces, the performance around the

district based program. In conclusion Chairperson the criteria used for the Funza Lushaka bursary program is necessary for the basic education sector to achieve the shape imperatives including the implementation of a three stream curriculum model but also to respond to the needs within

5 Braille, South African sign language, the special needs education sector, foundation phase and intermediate phase and that as a sector we need to work with our partners including the Department of Higher Education, NSFAS, our provinces and very importantly our University to improve on the administration, monitoring and placement mechanisms at all levels of

10 the program and that is our presentation around Funza Lushaka.

ADV. K. PILLAY SC: Mr Coetzee have you been in discussions or has the department been in discussions with the ministerial task team on funding of the missing middle, the poor and the missing middle?

MR. G. COETZEE: I can answer the question personally from my

15 perspective, no I have not been involved in that, I am not sure and I am not aware of representation from somebody else in the department.

ADV. K. PILLAY SC: And has the department studied the report, the so called Nxasana report on funding of the poor and missing middle?

MR. G. COETZEE: I looked at, I did not look at the full report, I looked at

20 the press statement, it was like a two pager that has been brought out I looked at that yes but I did not study the full report, I did not have access to it yet.

ADV. K. PILLAY SC: I think apart from the three streams model which we certainly would like to know more about and how that implicates

25 readiness fro Tvet's and for Universities, we would certainly invite the

department and to let us have their views on the Nxasana report.

ADV. M. LEKOANE: Sorry Mr Coetzee just one question, have you found that after the students have paid back the money in years which is equivalent to the years of study, do they remain in those schools where  
5 they are placed or do they move to other schools?

MR. G. COETZEE: There is not a specific study that we have done to look at that, my personal view on this is that teachers their lives change and there may be other pull factors that attract him away from the schools where they were initially so my expectation would be therefore  
10 that if a student has worked at a specific school for a number of years they may leave that school whether it is for promotion, whether it is because of family reasons, I think there is a number of reasons that may contribute to that, that even applies to some of Funza Lushaka bursary holders that are currently placed at certain schools, they get married and  
15 there is a spouse living in a different area and then as a sector we need to assist to see what is the best option in order to deal with those areas.

ADV. M. LEKOANE: Is there an option of not taking employment, maybe paying back the value of the studies for your bursary?

MR. G. COETZEE: There is an option, we have done a study in 2000  
20 from Jet Education Services has done a study for the Department of Basic Education and the Department of Planning, Monitoring, Evaluation to look at, to evaluate implementation of the Funza Lushaka bursary program and from that study there is findings from that seems to indicate or indicates that most students stay and choose to stay and work back  
25 the bursary rather than to leave and opt for the payback.

COMMISSIONER KHUMALO: So are you able to recover from the dropouts?

MR. G. COETZEE: The recovery process is done through the National Student Financial Aid Scheme and the same challenges that NSFAS has been experiencing around recovery also applies to the Funza Lushaka bursary program however they are in the minority based on the report that was done.

COMMISSIONER KHUMALO: We have no further questions Chair.

JUDGE: Thank you. Thank you gentlemen one and all and we appreciate the amount of work that has gone into this presentation thank you.

**MEETING ADJOURNS**

**MEETING RESUMES**

ADV. K. PILLAY SC: Thank you Chair the next lot of witnesses are representatives of the Banking Association. Now we have got a number, it is quite a big delegation from the association. The chief spokesperson is Mr Khulekane Mathe and I will ask Mr Mathe to indicate to you Chair how they wish to proceed further, whether all of the potential witnesses are sworn in or not at the outset.

JUDGE: Welcome.

MR K. MATHE: Thank you Chairperson, we would prefer if all of us are sworn in.

ADV K. PILLAY SC: So Chair in that case I would ask each of the members of the team to put themselves on record and then they will be sworn in individually.

JUDGE: Thank you well let us have Mr Mathe first. Do you have any objection to taking the oath Mr Mathe?

MR K. MATHE: I do not Chair.

JUDGE: Do you swear that the evidence you are about to give will be  
5 the truth, the whole truth and nothing but the truth, if you do say so help me God.

MR K. MATHE: So help me God.

**MR KHULEKANE MATHE [d.s.s.]**

JUDGE: Thank you. Yes who is number 2?

10 MS. R. SEMNURAN: Raksha Semnuran from the Banking Association.

JUDGE: Sorry, would you make that a little clearer?

MS R SEMNURAN: Raksha Semnuran.

JUDGE: Do you have any objection to taking the oath?

MS R. SEMNURAN: o I do not.

15 JUDGE: Do you swear that the evidence that you will give will be the truth, the whole truth and nothing but the truth?

MS R. SEMNURAN: I do.

**MS RAKSHA SEMNURAN [d.s.s.]**

JUDGE: Thank you.

20 ADV K. PILLAY SC: Chair just to assist you with taking down of the names, I think if you look at slide 1 of the presentation the names are all reflected there, which should assist a bit.

JUDGE: Yes that is correct thank you, or it would appear to be. Who is number 3?

MR T. MOKOENA: I am Thabo Tlaba Mokoena.

JUDGE: Yes Sir, Mr Tlaba Mokoena, do you have any objection to taking the oath?

MR T. MOKOENA: No, I do not.

5 JUDGE: Do you swear that the evidence that you will give will be the truth, the whole truth and nothing but the truth?

MR T. MOKOENA: I do.

**MR THABO TLABA MOKOENA [d.s.s.]**

JUDGE: Thank you. Do we have Mr Riaan Emmelman?

10 MR R. EMMELMAN: Ja that is me.

JUDGE: Yes Mr Emmelman, do you have any objection to taking the oath?

MR R. EMMELMAN: No, I do not.

JUDGE: Do you swear that the evidence that you will give will be the  
15 truth, the whole truth and nothing but the truth?

MR R. EMMELMAN: Yes.

**MR RIAAN EMMELMAN [d.s.s.]**

JUDGE: Thank you. Then do we have Mr Holman?

MR M. HOLMAN: Yes.

20 JUDGE: Mr Mike Holman?

MR M. HOLMAN: That is right.

JUDGE: Do you have any objection to taking the oath?

MR M. HOLMAN: No.

JUDGE: Do you swear that the evidence that you will give will be the truth, the whole truth and nothing but the truth, Sir?

MR M. HOLMAN: I do.

**MR MIKE HOLMAN [d.s.s.]**

5 JUDGE: Thank you. And then we do not have Mr Jordaan, I imagine, have we got Mr Hollo?

MR HOLLO: Yes we do.

JUDGE: Yes Sir, do you object to taking the oath?

MR HOLLO: No.

10 JUDGE: -Do you swear the evidence that you give will be the truth, the whole truth and nothing but the truth?

MR HOLLO: I do Sir.

**MR THABO HOLLO [d.s.s.]**

JUDGE: Thank you. Yes Miss Pillay you are going to start with Mr  
15 Mathe I suppose.

ADV K. PILLAY SC: Thank you Chair. Mr Mathe in the ordinary course I would ask you to describe the Banking Association and your role and responsibility within the broader financial sector, I do however see that that is dealt with in the course of your presentation so I think the, if you  
20 would then begin with your presentation and we will ask questions as and when they arise.

MR K. MATHE: Thank you Advocate Pillay.

JUDGE: May I start by asking do you come here of your own accord or do you come because you have been asked by the evidence leaders to

come?

MR K. MATHE: We come here because we have been invited to come.

JUDGE: Thank you.

MR K. MATHE: Thank you Chairperson, Commissioners, ladies and  
5 gentlemen. As I have already indicated my name is Khulekane Mathe  
from the Banking Association and my colleagues have been introduced  
as well. The Banking Association is an industry body that represents all  
banks in South Africa, I will deal with that later in terms of which sections  
of the banking sector. I do wish to say from the outset that we have put  
10 together a presentation that seeks to respond to as many of the  
questions that were put to us as possible. What we have also done is  
invited members of the different banks to be here in the event that there  
are questions that are specific to each bank, unfortunately other banks  
could not join us but they have given us an undertaking that if there are  
15 specific questions that we are not able to deal with which relates to their  
institutions they will supply the answers in writing to the commission.

JUDGE: Thank you.

MR K. MATHE: The next slide just covers the outline of the presentation  
which is before you so I will move immediately to then talk briefly about  
20 the Banking Association which was founded or established in 1992 after  
the merger of various organisations that existed at the time to form one  
Banking Association. At the time it was called the banking counsel, the  
name changed around 2005 to The Banking Association South Africa.  
As an industry body we seek to contribute to the enablement of a  
25 conducive environment for banking in South Africa, as a representative



body our governing structures are made up of representatives of the banks in South Africa and so our board is made up of the CEO's of the five major banks as well as representatives of the international banks that are operating in South Africa as well as some of the smaller banks.

5 So that is how the governance of the Banking Association works.

For many of the issues that we deal with we obtain a mandate from our members so as to be able to represent them. From time to time we convene the various banks to discuss an issue in order to obtain that mandate and so the data that I will present to you is based on inputs that  
10 have come from the banks. Just by way of giving you an orientation, that is the different categories of banks in South Africa.

JUDGE: Are these, what one would call Commercial Banks?

MR K. MATHE: Not strictly Judge as you will see that the first top is Cooperative Banks so we have got two of those in South Africa which we  
15 established following the creation of a special piece of legislation that allows for Cooperative Banks, then we have Mutual Banks and then you have got local branches of international banks.

COMMISSIONER ALLY: Sorry Mr Mathe, as a means of an example of these two banks a name, what would this bank or any of these banks be  
20 to orientate us as it were?

JUDGE: The Cooperative Banks?

MR K. MATHE: I will ask my colleagues to find the names as I continue. Perhaps the more, and the reason we sort off are not able to from the top of our head give you that is because in that whole category it is really  
25 only the Mutual Banks and the local branches of international banks and

what would we refer to as registered banks who are members of BASA, the other two categories are not members but we can find the names just for completeness. And so in essence that means that the membership of BASA is made up of 32 banks if you add those categories, it is made up  
5 of sorry 33 banks that we represent in South Africa.

JUDGE: Now is Goldman Sacks for example a bank, does that fall within the representatives of foreign banks?

MR K. MATHE: So not, if you, so Goldman Sacks would not be in our, obviously in our website we have a whole list of those that are members  
10 of the BASA so City Bank would be an example of an international bank that has a local branch in South Africa, Bank of Baroda would be another and so on.

JUDGE: I see, thank you.

MR K. MATHE: Thank you.

15 COMMISSIONER KHUMALO: Is there any bank that does not qualify to be in the association?

MR K. MATHE: So of all the registered banks you know that is registered and licensed by the South African Reserve Bank all of those are members including international banks that are actually carrying out  
20 the business of banks in South Africa. The representative officers of international banks are not really banks in the sense of carrying out the business of banks and that is why they are not our members.

JUDGE: Yes thank you.

MR K. MATHE: Okay so I have been given the name of the co-op, two

co-ops, one is Ditsobotla Primary Savings and Credit Core bank so that would be one of them and the other one is Ovis K Cooperative.

COMMISSIONER KHUMALO: And the VBS?

MR K. MATHE: So that is a Mutual Bank it falls in the category of Mutual  
5 Banks.

COMMISSIONER KHUMALO: Are they your members?

MR K. MATHE: And they are our members yes. Okay just again by way of orientation that South Africa's banking system is highly regarded internationally as being one of the best most sound banking systems in  
10 the world, has been ranked consistently in the top 10 for a number of years by the World Economic Forum, very well capitalised. The evidence of that is that, at least from the financial systems point of view, our banking system escaped relatively unscathed from the global financial crises of 2007/2008 but of course the economy wide impact  
15 was felt right through whereas in other countries you had banks closing down left, right and centre. So our system is relatively stable and sound and that has been recognised. Of course the structure of our banking sector is such that it is dominated by the five major banks which control more than 90 percent of all assets of banks.

20 JUDGE: Our banking systems had a couple of failures too has it not?

MR K. MATHE: I beg your pardon Chair?

JUDGE: Our banking systems had a couple of failures too?

MR K. MATHE: Not in recent years but yes, it has not been completely immune but not of the scale that was experienced globally as a

consequence of the global financial system but we have had our own failures in the last years.

JUDGE: Regal I think was one was it not?

MR K. MATHE: I beg your pardon?

5 JUDGE: Regal was one?

MR K. MATHE: It would be one but as you know more recently we have, African Bank has had to be rescued and so on so yes, we have had difficulties, many of those derived from domestic set of circumstances as opposed to, as again if I make a comparison with some of the other  
10 banks globally which suffered as part of the contagion from the overall global financial system. Here it was, at least for most of the banks that experienced problems in the last 20 years or so, it was due to domestic factors of one form or another.

JUDGE: Thank you.

15 MR K. MATHE: Okay perhaps to then move ahead and say that, so in addition to being highly regarded globally and being sound and well capitalised the banking system in our banks have made major strides also in ensuring greater financial inclusion in South Africa by which we mean ensuring access to banking services to as many people as  
20 possible in South Africa. So in South Africa we undertake, and this is not us it is a different organisation independent of the banks, undertakes a survey every year to look at the structure of the banking system, the extent of access to different financial services by South Africans and the recent 2016 Finscop survey showed that about 77 percent of adult South  
25 Africans, that is from 15 years and above, have bank accounts.

When you look at access to financial services more broadly it would be inclusive of other forms of financial services the number moves quite high. I should just say that we are, this is one of the highest levels of financial inclusion by this measure, certainly on the African continent  
5 and many other emerging or developing economies so on that scale we are doing quite well. What banks have also done is establish quite a comprehensive infrastructure that provides these kinds of services throughout the country that enables people for instance to you know to facilitate payments and so on and as the Banking Association each year  
10 we commission a company that does what is called a GIS mapping so to verify the existence of this infrastructure that we are talking about.

Here we are talking about bank branches, ATM's, point of sale devises, and so on so these numbers that we are reporting are numbers that have been verified as of the end of last year which shows that by  
15 2016, I mean by December 2016, about 80 percent of households in the LSM's 1 to 5 were covered by the banking system infrastructure. LSM 6 to 10 are largely covered so the focus was to look at the extent to which the poorer sections of our population are covered and this is an increase from around 74 percent in 2011 so again this just indicates how banks  
20 are committed to ensuring the inclusion of everybody.

Part of what accounts for the position that our banks and the respectability that they enjoy globally is because of the existence of a fairly robust regulatory system that regulates our banks in South Africa. We show in the slides for instance some of the laws that are applicable,  
25 of course because of the nature of our business that is, we supply or

provide services across all sectors of the economy we are affected in one way or another by all manner of laws but ones that are more direct to our business are listed in the slides just to give a sense of how banks operate, how they are structured as well as the regulatory environment  
5 that they are subjected to.

These things are important because the soundness of the financial system does give confidence to other people of the soundness of the system so that depositors who part with their hard earned money put it in a bank do in fact have confidence that it is not going to  
10 disappear. Similarly for people in other jurisdictions who want to invest in South Africa do so via the banking system, they need that level of confidence that they are participating in a sound banking system and more lately issues of whether the system is in fact complying with some of the international laws relating to anti money laundering and combating  
15 the financing of terrorism have become important considerations and if you compromise that you risk being cut out of the international banking system and so again you would have seen banks really saying we want to remain as part of this international banking system and are prepared to abide by some of these regulations that do impose some pain on us  
20 as a banking industry but we accept that the pain is the price you pay to be part of this game. I have covered some of these just in terms of the business of banks in South Africa so I will not go over that information.

Now just leading up to perhaps some specific numbers, we thought it necessary to talk about the broader involvement of banks in  
25 education and you will find that banks are involved in the entire system,

the entire value chain from early childhood development to higher education and training and research and development. I do want to highlight of course the fact that you would have, and I know received representations on the National Student Financial Aid Scheme and the work that is being done to try and clean up that system and make sure that it is functioning as well as the current work led by Mr Sizwe Nxasana trying to design a new model.

All of that work we support, we have as you would have seen in today's business day seconded at our cost members and executives to support that work because we realise that our own business does rely on the constant supply of high quality skills and that making sure that our higher education system functions, it is in the best interest of the banks but also it is in the best interest of the entire economy as well.

JUDGE: Now let me cut to the quick if I may. You were given an opportunity together with everybody else in South Africa to make representations to us when we asked for representations in May and June, we received no representations from the Banking Association or from any bank neither have we until this moment received any assistance whatsoever from the Banking Association or any bank in relation to the issues that are before us, what is the reason for that?

MR K. MATHE: Well we are here because we are responding to the request that was put to us.

JUDGE: I know if you have not been given a request you presumably would not have come.

MR K. MATHE: Not for the lack of interest or not wanting to come, I

suppose it is to do with how that request was communicated and when there was a clear guidance given to us in terms of what the commission is probing and what questions are put to us we were more than willing to participate.

5 JUDGE: Well I find it a little bit difficult to accept because you involved yourself deeply in the ministerial investigation and completely ignored the investigation that was going on here.

MR K. MATHE: Chairperson we did not ignore, we at first thought that our support to that process and the fact that reports were presented here  
10 of that work would be sufficient but when additional questions were put to the banking industry we then responded but not because we ignored the commission.

JUDGE: Did you assume that the ministerial task team is doing the same work as this commission?

15 MR K. MATHE: Not necessarily but they presented to the commission Chairperson.

JUDGE: Pardon?

MR K. MATHE: They are not doing the same work but they are dealing with the same subject matter and a presentation was submitted to the  
20 commission.

JUDGE: At the end of November when the report was finalised and approved, the first we heard of it.

MR K. MATHE: I did not, I am not sure I understand what Chairperson, you are talking about.



JUDGE: I am talking about the Nxasana report to the ministerial task team.

MR K. MATHE: Right.

JUDGE: The first we heard about that report was when it was presented  
5 to us at the end of November until then there had not been one single  
word about it and not one word about cooperation from the Banking  
Association with the working of this commission, I want to know why.

MR K. MATHE: Chairperson, I do not represent that task team here, I  
am sure they have their reasons for the time they took to begin to  
10 engage with the commission, all that I am trying to demonstrate here is  
that as the banking sector when a problem arose we most certainly put  
our resources to try and resolve the problem, i.e. in the form of people to  
work on helping the ministry solve this problem and secondly we put  
financial resources to support that work and that work is obviously  
15 separate from BASA but the various banks did second staff to go and  
work and support.

JUDGE: We have never seen anything about that at all, we have never  
seen the input that was made by the banks, we have never been told  
about the input that was made by the banks so what are we supposed to  
20 believe about the banks interest in the work of this commission?

MR K. MATHE: If you, if Chairperson you let me proceed with the  
presentation perhaps that will indicate the extent of the work that we are  
doing in education and that might be able to help.

JUDGE: Yes by all means.

25 ADV K. PILLAY SC: Mr Mathe before you continue with the presentation

may I ask you about the first bullet point which appears on the slide?

MR K. MATHE: Yes.

ADV K. PILLAY SC: Where you mentioned the ECD initiatives, the funding or involvement in schools, Universities and other such initiatives  
5 through bank CSI programs, perhaps you could just give us an idea of what the CSI initiatives are specifically, just give us a sense of what kind of specific initiatives are being undertaken?

MR K. MATHE: Thank you Advocate Pillay. This slide is meant to give a broader context which says that we are not just looking at the problem in  
10 higher education narrowly any education expert will tell you that the problem is much bigger and to fix our education system you have got to look as a system as a whole, this line is meant to demonstrate that it is not a CSI presentation this is simply showing that as all organisations are required to do so they have CSI programs but later on you will see  
15 that we talk specifically about the support that we are providing to the higher education sector.

ADV K. PILLAY SC: But nothing more specific on education generally, the CSI initiative?

MR K. MATHE: So further down you will see a list of organisations that  
20 we support and they include for instance some University programs as well as programs in any other sectors. Now just to give you a sense of the total as in 2015/16, the total CSI spent by corporate South Africa was around R8.6 billion of that about 20 percent came from the financial sector now the financial sector is broader than the banks but that would  
25 amount to about R1.7 billion where the financial sector contributed to

CSI. Now of course the contribution of the banking sector in particular to higher education goes, it is much broader than CSI programs.

ADV K. PILLAY SC: Can you give us a sense of just specifically not the financial sector but banks specifically, what was their contribution  
5 towards CSI last year?

MR K. MATHE: I do not have the figures with me, certainly that is information that we can pull together and give to the commission before it concludes its work.

ADV K. PILLAY SC: Perhaps you could give us a breakdown of what  
10 form that CSI, those CSI initiatives took and how much of it was directed towards education broadly.

MR K. MATHE: Ja we will provide that. Okay so proceeding from this is to just indicate that banks also support Universities in terms of funding, for instance research and providing research grants to Universities as  
15 well as adhoc research of one form or another so the involvement is much, much broader than either offering bursaries or student loans but covers the entire gamut of the work of Universities.

COMMISSIONER ALLY: But having a look at your presentation I got the sense that your contribution is more to students within your area of  
20 expertise that is commerce and so forth, is that, am I reflecting that fairly or is it not?

MR K. MATHE: Look it is an aspect, insofar as it relates to bursaries, the slant would be or bias would be towards the areas that are critical to the financial services sector but insofar as for instance providing loans and  
25 other products as you will see later that is dependent on another set of

criteria. Okay if I proceed then to the next slide it really does provide the list of programs that we support and this is not the entirety of the programs that banks support but just to give you a sense of the support of the banks and it runs into two slides. Now moving to the specific,  
5 some of the specific questions that were put to us ...[intervenes]

JUDGE: I am sorry might I just ask, the support that is given by the banks is it given by individual banks or is it given both by individual banks and the Banking Association or is it given by the association?

MR K. MATHE: It is given by individual banks.

10 JUDGE: Thanks.

MR K. MATHE: Yes okay. Just a note on the data that we will be presenting because the request came to us towards the end of last year, the figures for 2016 were not complete in all instances so we took a three year window of 2013 to 2015 with the slight delay in some  
15 instances we have been able to incorporate data for 2016 but not in all instances. Perhaps to also indicate that there is unevenness in the data in the sense that there is some institutions included for instance in the loan products not only the student loans but the personal loan as long as the purpose indicated was education so it is mixed in that sense and I  
20 thought that we should just highlight that and unfortunately due to time constraints we were not able to do a thorough desegregation to be able to give you that figure.

Okay so there are three broad categories of funding that banks provide to education and I suppose this would go for any other  
25 corporate, this would include bursaries, research grants as I have

described as well as loans of one form or another and over the past three years that we are looking at over R400 million was provided by banks in the form of bursaries, about or over R170 million in the form of research grants and funding for research shares and about R5 billion in  
5 loans of one form or another in this particular, with education as a purpose.

If you strip the sort of personal loans which tend to be determined on a different set of criteria because they are unsecured loans and try to come to a figure closer to pure student loans the number  
10 comes down to about R3 billion but as I said it was not always possible to separate that completely so between R3 and R5 billion is provided as loans with the purpose of funding education. We then go on to ...[intervenes]

JUDGE: I am sorry just to interrupt you here.

15 MR K. MATHE: Yes.

JUDGE: These student loans are they loans mainly from any particular sector, for example from students who cannot get NSFAS aid or some other base are you able to say the student loans are represented by a particular group of people?

20 MR K. MATHE: Without being accurate I can say that often what you find is that students who cannot access a NSFAS or as we know that NSFAS does not cover the entirety of the cost of education some loans may be intended to top-up but in many instances it is students who have no access to any other form of funding.

25 JUDGE: How many households are represented by this R5.3 billion?

MR K. MATHE: So later on we give some indication of the loans that we issue, it is difficult to say households because we could be giving loans to two students from the same household but we give you a sense of the numbers that are affected by these loans that we grant.

5 JUDGE: Thank you.

ADV K. PILLAY SC: Mr Mathe may I ask you, while we are on the topic of student loans, on slide 5 of the presentation you mention that four of the largest banks have student loan products and in the previous bullet you refer to five of the largest banks which control more than 90 percent  
10 of assets, now which of the large banks do not offer student loan products?

MR K. MATHE: So what I can say is that of course we have four major banks that offer a whole suit of services that you can think of banking and some banks that are very niche and focussing on a specific segment  
15 of the market. Now when I referred to the five largest banks it is purely calculated based on the total assets that they control but they differ by the kinds of services that they produce but the four largest banks offer pretty much the entire garment of services across the board.

JUDGE: Yes, the commissioner Miss Pillay, the evidence leader asked  
20 you which one does not?

MR K. MATHE: I do not understand Chairperson, the question.

JUDGE: Which one does not offer student loans?

MR K. MATHE: So for instance the five largest banks would be ABSA, Standard Bank, Nedbank, FNB and Investec. Now Investec is not  
25 offering the similar services to the four other banks and so they are

different in that sense, they are a kind off boutique bank if you like in essence.

JUDGE: Thank you.

MR K. MATHE: Ja. Okay this is starting with just giving you a sense of  
5 the bursary portfolio of banks, the numbers are on your slide perhaps  
just to indicate that this has grown over time from about R78/79 million in  
2013 to R123 million in 2016 and the expectation is that that is going to  
grow by some 120 percent to about R272 million in 2017 and this is  
largely accounted for by the contributions that banks would be making  
10 for instance, to the Ikusasa Student Financial Aid program so their  
contribution to that will push up the overall contribution to bursaries.

JUDGE: Yes.

ADV K. PILLAY SC: Mr Mathe, may we ask you, I am sorry Chairperson.

JUDGE: No, go on.

15 ADV K. PILLAY SC: May I ask you questions around the banks  
involvement in ISFAP.

MR K. MATHE: Yes.

ADV K. PILLAY SC: Now you mentioned here that there is an expected  
contribution which it is expected to double the contributions from banks?

20 MR K. MATHE: Yes.

ADV K. PILLAY SC: On what is that expectation based?

MR K. MATHE: Okay so what we did obviously as part of the data  
collection process in preparation for this presentation we asked for  
audited numbers for the years that were audited and asked banks to

then give us projections for, we had hoped to get three year projections and they said they were not able to give us a three year projection but the closest they could give us was 2017 and so just to give you a sense of what it was based on, when the program was designed in fact Mr  
5 Nxasana engaged with, in the first instance the Banking Association and addressed the members of our banks and explaining to them the kind of support that would be required from banks on that basis of that presentation they started making projections of how much they could contribute to that.

10 ADV K. PILLAY SC: Now what you referred to in this slide is specifically bursary funding and does not necessarily extend to loans, am I correct?

MR K. MATHE: No, it does not extend to loans.

JUDGE: Might I just ask, does the bursary funding include those funds for which service is a *quit pro quo*. So you would fund so and so to do  
15 accounting degree or a commerce degree and you expect them to come and work for the bank afterwards, does it cover that situation?

MR K. MATHE: I would not be able to quantify the extent to which that is the case but yes there would be instances where there are conditions to the bursaries to some form of working in either that specific institution or  
20 the industry.

JUDGE: Yes.

MR K. MATHE: But I would not be able to give you a number of what is the percentage of that.

ADV K. PILLAY SC: Now can I understand Mr Mathe, what do banks  
25 understand, what do banks see as the incentive to be part of the ISFAP



model, so in other words we are seeing a marked increase in the amount of bursaries to come through the ISFAP model and what will banks get in return?

MR K. MATHE: So as with all pilot projects, pilots are designed to test  
5 an idea to make sure that you learn the right sort of lessons from those ideas that are being tested so banks understand that the sort of preliminary designed features that were presented to them were attractive they seem to be addressing a problem that we have certainly they seem to be helping government with its financial aid scheme that  
10 was not achieving what it is intended to do, so if this helps us to design a better product banks would then, would be happy with that.

But let me also say that, as you would know from the design of ISFAP, and I am not pretending to be an expert in this, but ISFAP is trying to move beyond just the category that is covered by NSFAS so  
15 that you cover the so called missing middle gap. Now because this is a blended form of funding where at some point loans start to kick in and of course banks are in the business of extending credit and loans so if you have a system that works, is able to obviously provide credit with a greater assurance of repayment this is the business of banks.

ADV K. PILLAY SC: I understand the issue of the business of banks and I am sure we will get to loans extended by the banks in due course, I am just on the topic of bursaries now and I am trying to understand what it is that triggers such a significant increase in the amounts that banks are prepared to contribute in the form of bursaries.

MR K. MATHE: So what I can say, as you will see in this fine print, I  
25

suppose we are known for fine print, that there is expected increase so this is not a final number it may be slightly less it may be much more than that but it is really about banks listening to the work, I mean looking at the work that is being done and the requirements to actually get a pilot  
5 off the ground, a pilot of a size that enables us to learn the right kinds of lessons, it is that that entice the bank but as you understand if you were to spend X amount in one section that significantly increases your ability to lend for instance that would be attractive to banks, so we are seeing this as a way of piloting a model that over the long term could solve a  
10 much greater problem for South Africa.

ADV K. PILLAY SC: Can I just take it one step further and you will accept that ISFAP is very much in its introductory stages we are dealing with a pilot?

MR K. MATHE: Yes.

15 ADV K. PILLAY SC: And that the final model has not been accepted or endorsed by government yet, in fact the report is yet to be finalised, I think they just received public comments on the report at this stage. Now if you remove the specific formats or the specific format of the ISFAP model from the equation and you are dealing here with a huge  
20 societal need, will the banks still come forward with the kind of money you see reflected in slide 14, in other words is this increase dependent on the specifics of the ISFAP structure or is this an indication of a broader good will and eagerness to participate in solving the problem?

MR K. MATHE: So my sense is that there will be an increase, maybe not  
25 of the same scale, so here it was a response to a specific request that

was put to the industry to say there is a problem, there is a crises and we need to find ways of dealing with it part of that is that we need to put some resources into testing out an alternative model going forward.

I have no doubt, although I cannot put a number to it that you  
5 know banks looked at the situation that played out in various higher education institutions, it is an undesirable situation, as part of this society banks started thinking about how do we contribute towards solving this problem so even without ISFAP there would have been some sort of increase as banks tried to find and contribute to solving the problem,  
10 ISFAP then just becomes that model that everybody can channel their resource to and make work but there most definitely would have been an increased contribution.

ADV K. PILLAY SC: The issue is quite an important one Mr Mathe, for our purposes because in this set of the commission we are looking at  
15 alternative sources of funding and of course the work of this commission is not tied to the ISFAP model at all because that is a product of a separate process, so what we need to investigate is whether or not the banks and the amounts that they are prepared to contribute in the form of bursaries is a viable source of alternative funding that could be looked  
20 at in the context of funding fee free higher education and training.

MR K. MATHE: Perhaps to indicate that I do not have a definite answer to the question but what I can say is, as I have indicated before, that banks as individual institutions were not disaffected by what happened in various institutions and so individually they started looking at how they  
25 could respond to the challenge. Now as to the numbers that bank X

would be willing to contribute as opposed to bank Y that I would not be able to answer so there was an awareness and is an awareness on the part of banks that the challenge there is greater and requires a greater contribution from our sector, ISFAP then becomes a vehicle through  
5 which we can channel the resources and see the outcomes of that as opposed to individual banks say increasing by 50 percent their contribution and waiting a couple of years before getting the results of whether or not it works so this sort of has the ability to work system wide and generate the results pretty quickly.

10 JUDGE: Now in this context you, your banks have committed an extra R1.5 million roughly to the pilot program, is that right?

MR K. MATHE: I do not know the specific amounts to, that were contributed to the ...[intervenes]

JUDGE: Well you are raising your contribution to R2.7 million or  
15 something?

MR K. MATHE: That is right.

JUDGE: Alright now that I would assume is for the coming year or for this year perhaps?

MR K. MATHE: That is correct.

20 JUDGE: Yes, you have not as I understand it committed yourself to the following year or have you?

MR K. MATHE: So what I indicated earlier Chairperson is that we had asked banks to give us a sense of say the next three years and at the time, so that was last year, they were not able to give us those numbers

but depending on the lessons that come through from this, those will determine the level of contribution going forward but what I can say is that, look what happened last year and the year before in higher education banks looked at it and say, how can we contribute and banks  
5 understood that they need to play a bigger role in finding a solution and this just happened to be the vehicle through which.

JUDGE: No, I hear what you say and I accept that but what I am really interested in is this, supposing the pilot is successful what do you contemplate will be your contribution in cash or kind in the years to  
10 come?

MR K. MATHE: I am not able to answer that Chairperson in specific terms.

JUDGE: Alright fair enough.

ADV K. PILLAY SC: And can I ask the opposite of that question and if  
15 the pilot is not successful, so in other words if participation in a future model through extending loans if that does not eventuate what would be the banks willingness to contribute through the form of bursaries?

MR K. MATHE: So as you would see from the graph that the graph has been growing so there would have been growth in the bursaries that the  
20 banks offer even without ISFAP there would have been an increase. What we do not know is how much that increase would be so any attempt to give a number there would be pure speculation.

JUDGE: Well now from a practical point of view we have not had insight into this as I mentioned to you but the banks involvement is it essentially  
25 a commercial involvement, in other words because the ISFAP model is

aligned to what the banks do, which is lending money, is your members involvement a commercial involvement with the view to turning a profit, let us be frank?

MR K. MATHE: The business of extending loan is a separate business,  
5 separate from the bursaries that banks give and that as you will see later on is really determined by different kinds of considerations, different to those that apply to you know how you choose to give a bursary and to who, when it comes to loan it boils down to the individuals ability to repay.

10 JUDGE: Well ...[intervenes]

MR K. MATHE: And that if I may Chairperson is affected by the economy wide developments. If we do not have a growing economy that ensure that people are in jobs and therefore are able to service their loans that is a much greater factor on how much you can lend.

15 JUDGE: No that I understand but let me put it this way, did the banks in participating in the development of the ISFAP scheme see it as a commercial opportunity?

MR K. MATHE: What was presented to the banks was and not just by Mr Nxasana but also you know the leaders of our banks are part of the  
20 society, was the playing out of a crisis of massive proportions, a social crisis.

JUDGE: I hear what you say but you have not answered my question.

MR K. MATHE: As far as I understand the reason it is treated as or as part of the bursary scheme by and large is because it is separate from  
25 the commercial aspects of the business of the banks.

JUDGE: And so do you then see your ongoing participation, should that occur, as a commercial participation or as a free will contribution to the society?

MR K. MATHE: It is most certainly at least the work that we have  
5 committed to doing as part of ISFAP is most certainly the banks contribution to solving a social problem and for as long as that problem perceives the banks will make their contribution, I cannot put numbers to that but the commitment is to solving a social problem.

COMMISSIONER ALLY: Well let us just interrogate the bursary because  
10 you indicate you have always been providing bursaries, you cannot put a number to it now going forward but there would have been a contribution in the way of bursaries?

MR K. MATHE: Correct.

COMMISSIONER ALLY: Now in your understanding and analyses of  
15 your banks these bursaries, who do they serve and the nature of the bursary, is it in the form of, I give you money, I give you a bursary to go do a law degree with commerce as one of those subjects and that you come back and work for me for those four or five years so the nature of those bursaries - and this is tied to what the Chairperson is asking you in  
20 relation to, is it a commercial venture or a philanthropic venture, or the commercial venture you say is the loan part and the bursary part you do not see as commercial, it could be in that this person is providing you with the service, after you having given money so in that context, if you can deal with that question?

25 MR K. MATHE: So let me start by saying that in the previous slides, let

me just make sure or maybe after ja, so in this slide we show just some of the criteria that are applied in offering bursaries so one of the three most prominent reasons that are taken into account is of course critical skills for the said sector, rather than specific institutions because you  
5 know we are part of a much bigger financial sector that is one of the major considerations.

But understanding our own history as a country, so the issue of need, in other words, you know, previously disadvantaged communities, you look at that to be able to transform, you know, the situation insofar  
10 as who gets access to universities, and thirdly, obviously, academic performance. So these have to be people who have the academic ability but for reasons of our history are not able to access universities and they possess the sort of skills in areas such as science and mathematics, because those are critical. Not only to our sector as the financial sector,  
15 but to other sectors of the economy so those are the three considerations that are taken into account.

COMMISSIONER ALLY: How does that play out practically, because, and this is what I was putting to you, my experience of the banks providing bursaries has always been that that particular bank would want  
20 you to come back to them now in, I am asking again, and you have given these criteria, perhaps I should ask you specifically then, there is a shortage of teachers who do technical subjects, forget maths and science for now but there is a shortage and there is not enough money for all of them. Has the bank considered this and thought of providing  
25 funds like bursaries, not loans, funds in the form of bursaries for those



particular teachers that are needed in, not your sector, in growing the economy?

MR K. MATHE: What we can provide to the commission is a sense of just dealing with the bursary, the proportion of where these bursaries go  
5 in terms of areas of training. That we can provide. I should just say that some of these, and the provision of these bursaries is done directly by banks, some of it is done by organisations like non-profit organisations and banks have a relationship with.

So they do not do it directly, and I am raising this purely to make  
10 a point that when I spoke earlier about the corporate social investment of corporate South Africa, the R8.6 billion that I made reference to, 48 percent of that goes to education. Alright now these are different corporations in South Africa that have got very little to do with education directly, but seeing that education is important to the wellbeing of society  
15 and the economy as a whole and prioritising that so banks are not just looking narrowly and selfishly at training for themselves but providing resources for training South Africans more broadly but we will give a breakdown.

JUDGE: Thank you.

20 ADV K. PILLAY SC: Mr Mathe, can we come back to the ISFAP model because I think that was, we were still busy with discussing the bank's involvement in ISFAP and what it does that incentivises that involvement. Now we mentioned the commercial imperative to be involved in ISFAP, and we know that that is on two legs. It is firstly the requirement that all  
25 students have to open transaction accounts, and secondly, obviously it

will be bank's participation in the loan scheme. Beyond that, is there any other incentive for banks to be involved in ISFAP?

MR K. MATHE: So I will not pretend to be an expert on ISFAP but as I have said previously that the - so the part about loans and banks being  
5 able to extend loans to a far greater pool of people, it is one issue, but the current involvement of banks is, as I said, part of, I mean being part of South Africa's search for a solution to the problem of how do we finance higher education in this country.

ADV K. PILLAY SC: And being part of the solution then does not depend  
10 on involvement in the ISFAP model?

MR K. MATHE: No, it does not. Which is why we are not only looking at the loan component of ISFAP, we have been prepared to say let us test this out, we will put money into the pilot to test out the features that work, enable the necessary adjustments to the model, because at the end of  
15 the day this economy will not succeed if we are not able to solve the crises of financing higher education, and it is as simple as that. And nobody wants that, we certainly do not want that.

ADV K. PILLAY SC: And the individual institutions that will contribute on the basis that you explained in the slide, are they all going to be part of  
20 the ISFAP model so in other words are you expecting a contribution from institutions who will not be part of the ISFAP model?

MR K. MATHE: So I do not know the finer details of the design of the model, I would not be able to answer that truthfully.

COMMISSIONER ALLY: I am not sure whether you want to deal with  
25 this now or we can deal with it later, in Mr Nxasana's presentation to you

for assistance there would have been a presentation regarding NSFAS and the problems with NSFAS. Did you get a presentation with regards to the turn-around strategy, which included you, the banking section, sector, seconding their members - well yes, seconding employees to NSFAS to try and improve one their recovery of debt and so forth? So, and I am not sure you want to deal with it now or later, because you see, ISFAP came around and all of a sudden they said well actually NSFAS, let us get rid of NSFAS but you were part of a program of improving NSFAS also and I see the contradiction, and perhaps it is easily explainable. So whether you want to deal with it now or later, perhaps just keep that in the back of your mind.

MR K. MATHE: So what I can say Advocate is that, it is not my understanding that ISFAP replaces NSFAS. That is not our understanding. Most certainly our understanding is that, and our commitment was in the first instance to help fix NSFAS as far as it can be fixed. But the greater problem that was playing out in society was that, you had a huge number of students who were not served by NSFAS, who were also not accessing alternative forms of funding i.e., you know savings by their parents or loans, and so ISFAP was primarily looking at how do we bridge that gap. Accepting that NSFAS can be fixed and made more effective in doing what it was designed to do. So you know the threshold for funding for NSFAS but certainly our understanding, based on what was presented to us, was not ISFAP replacing NSFAS.

ADV K. PILLAY SC: Just on that Mr Mathe, and I am going to ask you to

remove ISFAP from the scenario for a moment. So banks are aware that there are students out there who do not qualify for NSFAS, but are not able to access alternative forms of funding, either funding from their parents or student loans. Now leaving ISFAP out of the picture  
5 completely, what steps have been taken by banks in order to address that societal problem?

MR K. MATHE: Well in the first instance I think that many people were aware that all is not well for the funding for higher education. I do not think many knew the extent of how big the problem was, and the  
10 intricacies of that problem. We were all aware, I happened to have a background in education, so maybe I am privileged. But we are all aware that the problems with how learners from poorer backgrounds do or do not fair in higher education, most of it to do with the fact that not only are they coming relatively not well prepared for higher education,  
15 but they were also struggling, even if they accessed NSFAS, they were struggling with finding money to top up the difference, because NSFAS was not covering it.

So I think there was some level of awareness, not the detail. When the details became available of the extent of that, I mean, so, you  
20 know, individual banks can tell you we deal with loans all the time, turn down loans on the basis that they do not meet certain criteria. So the same, you would imagine, applied to NSFAS where some people would be able, would access that funding, and others not, we were not aware of the extent of the problem and what real havoc it was causing in  
25 society. Now that we are we have committed to find ways of helping fix

the problem.

JUDGE: Yes. If we were to recommend to the president means of providing fee-free education to students, that would hit hard on the banks in the sense that R5 million worth of student loans a year, or R5 billion  
5 worth of student loans a year would fall away.

MR K. MATHE: Just to be clear Chairperson, in the context of the totality of what, the lending that banks do, R5 billion over a five-year period is a drop in the ocean. So we are not in this because we think there is lucrative money to be made out of this. I am not suggesting that we are  
10 offering that funding for free, but in the context of the totality it is a drop in the ocean. So it certainly is not, what we would be looking for is a recommendation that takes into account sustainability going forward, of that policy recommendation.

Now our sense is that certainly this society has to make sure that  
15 students from poor backgrounds, poor families, are assisted and in most instance hundred percent. It just does not make sense to introduce a policy that says a child of somebody who for the 12 years preceding higher education was paying R150 000.00, R200 000.00 at a private school, all of a sudden they get to university and that becomes pocket  
20 money for the child, because that is what it would amount to.

That policy would obviously not be just, let alone sustainable in the long run. So we would hope that the commission takes into account those kinds of dynamics because this is part of a broader social problem, and the structure of our education system, where you have a, already a  
25 thriving private education system in which people pay more than they

pay in universities, it certainly would not be just to then say, the moment you come to higher education that falls away, it becomes your pocket money.

In fact, you will be perpetuating inequalities, because that child  
5 who suddenly have R200 000.00 as their pocket money, well they can use that for all sorts of other things and the others simply scrape by, by the resources that are provided to them for free. So that is certainly the position that we think that those who can pay for higher education should pay for it and those who cannot must be assisted by a mixture of various  
10 sources available.

COMMISSIONER KHUMALO: A Beneficiary of the pilot ISFAP, would they still qualify from the normal loan in a bank?

MR K. MATHE: So let me again just to be sure that I do not represent ISFAP, I do not know the detailed design of ISFAP, what is allowed and is  
15 not allowed. But what I can say is that at least what we know is that ISFAP proposes a blended model where there is obviously a loan component and a bursary or grant component and those grow or shrink, depending on the income of that household. To that extend, I would imagine, and I am not saying this with any authority, that the provision of  
20 the loan component in that scheme would be through the normal kinds of institutions that are in the business of providing loans of one form or another.

COMMISSIONER KHUMALO: But - so it means if the contribution is from the association, an individual bank cannot have a single or a  
25 personal relationship with the - does it take away that component, or the

banks will still continue and have the - you are saying four banks have got a student loan criteria, does your contribution to ISFAP take away that duty? Is it part of your lending process in totality? Or this is just a different thing?

5 MR K. MATHE: Ms Khumalo, just again to clarify that, when I say “we”, I mean the banks because BASA represents the banks. So the contribution, when I say “our contribution” I am talking about the contribution of the banks to this entire endeavour. So there is nothing stopping individual banks to continue doing what they have been doing  
10 all along and over and above that making a contribution of ISFAP of one form or another, and if the current design of ISFAP becomes the policy that gets rolled out throughout the system you can imagine that you would need to marshal all of your resources to support that and so banks will be free to participate based on their own assessment of ability to  
15 support that.

COMMISSIONER KHUMALO: Okay and then is your contribution part of SCI to a certain extent?

MR K. MATHE: There are different ports of contribution. So you know, you have CSI budgets that gets set and other institutions have set aside  
20 specific bursary schemes that are set up for that purpose. So it is a difference from one institution to another. In some instances working with higher education institutions in the selection process and all of that, in some instances this is done in-house by our members. So it is a mixture.

25 ADV K. PILLAY SC: Mr Mathe, I think we should turn to the question of

student loans, because I am sure there is a lot more questions in respect of those loans. So perhaps we could start with slide 17 of your presentation.

MR K. MATHE: I was hoping that you would let me proceed at some point, so thank you Advocate for doing that. Okay. So we proceed to the student loans. I have already said that, just in terms of the definitions, initially we had hoped to carve out the student loans, because those tend to be clearly for higher education purposes. They are prices slightly differently from other forms of unsecured loans. So we were hoping to be able to give you that, but there are instances where, because in applying for personal loans which is treated as unsecured loans, education is indicated as a purpose of that loan. So the number is mixed, and in that sense perhaps it is not as useful as you had wanted.

But what it does do for us, or at least what we would hope it conveys is the fact that here you have a sector and a system that is by enlarged restricted in its ability to lend, by factors outside of itself, i.e. ability to service or repay the loan, which is itself affected by greater economic dynamics. So that is just a way of introducing this. So the numbers are inclusive of, in some instances, personal loans as well as strictly student loans.

JUDGE: Can you clarify something for me?

MR K. MATHE: Yes?

JUDGE: You mentioned the thriving private sector in the provision of higher education. Do you, have you any idea at all as to what percentage of the total number of student loans that the banks advance,



are advanced for payment to private sector higher education, as distinct from public universities?

MR K. MATHE: So when I made that comment I was referring to private schooling rather than private higher education. So the point I was making is that, you already have people who are going through a private schooling system that charges them many times more than a university and I said, it would not make sense to then say the moment they come to university they do not pay. Now ...[intervenes]

JUDGE: Well let me put it differently. There are, as you must surely know, colleges such as Boston college who provide post-school education to students and the evidence has been that in excess of 100 000 students in this country attend such colleges. Do the banks - I take it the banks lend money to the parents of students, or to the students for the purpose of paying those colleges?

MR K. MATHE: It is true, Chairperson, that of course there is a private higher education system operating alongside the public higher education system. We do not have immediately a way of telling the percentage of, you know the people who were granted loans who were going to private. I will say though that, I have said earlier that our student loan product in particular is priced relatively cheaper, relative to other forms of loans. Part of the requirement for that is somebody has to present a, some indication of them having been enrolled or accepted at a recognised university, and because of that we are then able to give loans that are relatively, that are priced relative cheaper.

JUDGE: Would a recognised university include something like Boston

college?

MR K. MATHE: It is indeed possible. I see that a colleague of mine wants to also help answer this question?

MR M. HOLMAN: I can speak only on behalf of ABSA, but certainly we  
5 would advance study loans to anybody registered at the Seta. That would include universities, Tvet's and private colleges, agricultural colleges.

JUDGE: Thank you.

ADV K. PILLAY SC: Mr Holman, I am sorry, could you just please place  
10 yourself on record, so that the transcript is clear.

MR M. HOLMAN: Sorry, what?

ADV K. PILLAY SC: If you could place yourself on record for purposes of the transcript.

MR M. HOLMAN: It is Mike Holman speaking.

15 JUDGE: Yes, thank you very much.

MR K. MATHE: So if I proceed. The slide that you have up was an attempt where, as far as possible, to show the numbers of those who accessed student loans as a product that is distinct from, say, the personal loan. The rough figures are that, if you include personal loans  
20 that are, that have education as a purpose that number doubles each year. but there was an attempt as far as it was possible to show that roughly, you know, close to 40 000 or thereabout, people are granted loans each year. I should also say that, so we treat each year as a distinct loan. So if you are going into your first year, you come and you

apply for a loan, your application gets assessed, if you pass you are granted a loan. Your circumstances may change in the following year where you are able to finance your education differently, including, for instance, getting a bursary. So you do not come back for a loan for year  
5 2, 3 and whenever you finish but for some they would come and apply for the second year, the third year, until they finish. So looking at those numbers you have to take into account that some of these may be people who are sort-of taking loans for three or four successive years, whereas in some instances they simply refer to a single loan, for  
10 instance so that is important. Okay, going right along, the criteria that are ... [intervenes]

ADV K. PILLAY SC: Just before you move along, Mr Mathe, on the first bullet point you mentioned that time constraints do not permit a demographic breakdown. When will you be able to provide us with a  
15 demographic breakdown?

MR K. MATHE: Do you want the demographic breakdown?

ADV K. PILLAY SC: We would request that, yes.

MR K. MATHE: We, so just to be able to contextualise why we say that, when we receive the request last year we had about two weeks in which  
20 to prepare. So in those two weeks we tried to get the data that we could get and then the commission seized its work for the year until now. So because of the time that we were working with it, it was not possible to give the breakdown at that time. I do not know off-hand how long it would take to be able to provide that.

25           Insofar as it relates to bursaries, as I said, the data is pretty

much there, because these are captured separately so that we would be able to provide in a matter of a week. This we would have to go back and assess the feasibility and how long it would take. So I am not able to commit here.

5 ADV K. PILLAY SC: We would appreciate it if you could get back to us on that, on how long it will take to provide us with a breakdown, a demographic breakdown, thank you.

COMMISSIONER KHUMALO: Sorry Mr Mathe, before you proceed. I understood you to say that one of the differences between a student loan  
10 and a personal loan, you say the interest rates, there might be a difference with the student loan. Now at the time of application are there any special consideration when a student comes before you and say, I would like to apply for a student loan, but I earn, say above the NSFAS threshold, say R123 000.00 instead of R122 000.00. Do you apply any  
15 special considerations in assessing that, given that as a student's loan and not a personal loan.

MR K. MATHE: Sorry just to clarify, thank you Advocate. Just to clarify that. Although we call these products "student loans" they are actually given to parents, guardians, and so on, because often they are the ones  
20 who are working and are able to provide the necessary documentation that we assess, that we use in assessing the ability to pay.

So whether it is a personal loan or a student loan, it is granted to the parent or anybody. So because they are priced differently, in many instances and the situation is not uniform, anybody who is able to qualify  
25 would take up the student loan, because it is a better product. There are

instances where parents, in part because they are not able to show, provide the piece of paper that says "registered at a particular institution and so on. But maybe they want money to top-up for other things in the entire cost of providing education to that student, would then opt to apply  
5 for a personal loan. So it is for that reason that you have a personal loan that is used for education when you have a much better product that you are accessing.

COMMISSIONER KHUMALO: So at the point of application the product is the same, the qualification criteria is the same, financially, whether it is  
10 a student loan or a personal loan, you would have to meet that financial threshold to say you earn this much you can qualify, you earn this much I cannot extend the loan to you?

MR K. MATHE: So if you look at that generic criteria that we, and we say generic because they apply differently, to different banks, but at least  
15 all of them would for instance look at the credit score of the person applying, as we have said, and that is assessed using models that are specific to different banks in how they assess a risk and ability to pay.

The other thing is of course employment of the person who is applying for the loan. As to how much they earn, as you see, we give a  
20 range there that the minimum from some institutions is as low as R3 000.00 per month, and for some the minimum is R6 000.00. So you can calculate for yourself that that falls far below even the NSFAS threshold. So those would be the generic criteria, but applied differently, you know, by different institutions. Okay, so we will proceed. So in slide  
25 - I cannot see properly from here.

JUDGE: 20.

MR K. MATHE: Slide 20 where we talk about the terms of loans. So again those criteria, as I have said, are applied differently by banks and there is a range of terms that are offered. Generally they tend to be  
5 granted. So for any one year of study you have up to, say 18 months to pay for that one year. It does not mean that it is during your year of study, but it just says that if you applied for a loan for one year, you would have up to 18 months in which you pay that.

But it differs from institution to institution. In some cases it can  
10 be as long as 60 months after the completion of study, and that would be structured based on your situation and how the bank assesses that. The same is true of the interests and how it is calculated. It is based on individuals. But for student loans many of our members have priced this at prime, but some would be prime plus 2, prime plus 4 and so on.

15 When students complete their studies they have, again it varies, for many institutions up to six months of completing their studies to help them find a job, in which period they are not expected to repay the capital amount, but beyond that there would be an expectation of some repayment of the capital amount to start after that. In instances, for  
20 instance, where you complete your university program but the requirement in your profession is that you serve articles or you do community service of one form or another the repayment would be delayed during your internship community service that applies to your professional qualification.

25 Okay. I think I have covered most of that and we have spoken

about the interest and the risk profile. Perhaps one thing to say there is that of course different institutions look at what products you have already with that institution and that would help you get better rates, although there is no guarantee of that.

5           So of course, as with anybody taking any form of loan, whether it is a business loan or a student loan, there will be default. Alright, and you know, contrary to what many might think, it is in our interest to rehabilitate anybody that takes a loan with us so that they can continue to service that loan. It is really in extreme cases of default for many  
10 months, often in excess of six months that you start to apply forms of collection, you know, taking legal action against them. But in many instances banks would call the defaulting client, speak to them, see how they can help them so that they can get back on their feet and be able to service their loans.

15           As we have said in terms of employment, if the student is unemployed, I have already indicated that for - the loans are granted to parents who, or guardians who apply on behalf of the children or those people that they look after, a grace period is given, but beyond a certain point they are expected to start servicing the loan. Again, the sort-of  
20 meet point seems to be about six months, but it differs from one institution to another, again depending on the circumstances presented to the banks concerned.

I should just, for the record, indicate that during the period when the capital amount is not repayable the expectation is that the interest,  
25 so you service the interest in that period, which is a much lower amount

when it excludes the capital amount. Then Chairperson, just by way of concluding from our side ... [intervenes]

ADV K. PILLAY SC: Before you get to the concluding submissions, Mr Mathe.

5 MR K. MATHE: Okay?

ADV K. PILLAY SC: May I ask, is there a record of the number of students who get turned down, who apply for student loans?

MR K. MATHE: We, certain as the Association do not have that readily available. I am pretty sure that that could be sourced from the banks.

10 Again, I cannot say now how long it would take to provide that information. But it is not information that we have readily available.

ADV K. PILLAY SC: And then just to understand the extent of defaulting on student loans. Is there a record of how many students default on their loans and the steps that are taken to recover?

15 MR K. MATHE: So again, the different stages of defaulting, in the same way that many people will fall on hard times, miss one or two repayments, get back on their feet, with our assistance sometimes and sometimes without and then they continue paying. So those ones that are rehabilitated they are rehabilitated, but the ones where you have to  
20 take legal action against them, I am pretty sure that it would be possible to get information on that number..

Okay. So just by way of conclusion, if there are no further questions, and I take it that because I was asked questions during my submission this becomes the end of my grilling session. Just to reiterate  
25 the fact that in our calculations annually banks provide about R500



million to fund education of one form or another, ranging from, kind of the different spheres as well as the funding that goes to higher education, and we indicated that it is about 25 percent of that that goes towards, specifically higher education.

5 Over a billion rand goes to providing student loans per annum and that, over the period that we looked at, was about R5 billion. A large portion of that is student loan, a small percentage of that would include personal loans that are for education purposes, and that banks have made a commitment to increase their bursary, as their contribution to the  
10 ISFAP pilot project.

But it is important again just to reiterate that insofar as it relates to the loan product and ability of banks to extend loans, this is determined by their ability to service loans and critical to this is their employment status. So it does challenge us, as a country, certainly  
15 something the commission would have to take into account in formulating the recommendations that the sustainability of many of the recommendations around funding of a social process of one form or another has to be linked to the performance of the economy.

Because when the economy does well, well different businesses  
20 have increased revenues, they pay more taxes. So that would help, if it is a 100 percent government funded scheme, but even if you have a blended scheme where there is some form of private loan provision, if the economy is not doing well, people are unemployed or losing jobs, then they are not even able to access that. So it is absolutely critical  
25 that as a country we really focus our minds on getting our economy back

on track.

Leaders of our sector, in particular banks, are playing a leading role in the initiative, the so-called CEO initiative, which is really looking at various projects to respond to the crises that we face as a country, one  
5 of which is, banks have already raised R1.7 billion in an SME equity fund which is part of the CEO initiative. There is an initiative that will be launched, we understand some time media which is called “youth employment service”, which aims to provide internships of, to one million young people over the next three years, fully funded by the private  
10 sector. Because we understand that it is important to get people into employment.

So that is part of the contribution that we are making, and of course various job creation initiative through raising levels of investment in various sectors are being thought through as part of efforts to respond  
15 to the broader economic situation, because that, we believe, is fundamental to the sustainability of whatever funding model is put in place. Thank you very much.

JUDGE: Yes, well I still have another question, if I may put it to you. I am sure you would not take long over it. Can you just explain to me the  
20 banks participation in the ISFAP development, were the banks brought into it at a stage when the model had already been developed or did the banks assist in the development of the model?

MR K. MATHE: So, first of all, what happened was that Mr Nxasana was appointed as Chairperson of NSFAS, with all the problems that existed,  
25 although a retired banker now, but he comes from our sector. So when

he found these problems he came to the sector that he knows very well and asked for help. In the first instance just to get NSFAS to do what it was set up to do. So he came to us as a sector that he knows, asked for help and we made resources available, people to assist him. That grew, 5 the teams grew and started to ... [intervenes]

JUDGE: Is that part of the working group in a way?

MR K. MATHE: It is part of the working group, but also as part of the people overseeing and assisting with different functions within - I mean the systems were almost non-existent, you know, you asked questions 10 about what was going on. The recovery rates and all of that information did not exist. So he came back to our sector to ask for specific support with people who managed certain functions to be seconded. So that is where it started.

As part of that exercise those people were also drawn in by 15 himself into this process of designing a different model. But as you would have seen in today's paper, for instance, apparently the team has grown to 60 people who now come from other professions, including the legal profession, all coming in free to try and help this design. So that is the chronology, if you like, of how we got involved in the situation.

20 JUDGE: Nobody tells us anything about it, so what you just said to me is news to me. But do not worry about that. What I want to know from you is, were any other alternative models considered? Other than this public private partnership model?

MR K. MATHE: Chairperson, I cannot answer that, because personally I 25 am not part of that team. We received reports, certainly Mr Nxasana

present to our board periodically, but I certainly do not have knowledge of the inner workings of those teams.

JUDGE: Alright. Now one of the experiences over the, in various parts of the world is that it has been found that the financing of education can  
5 be managed by the establishment of an education bank. Do you know anything about that experience?

MR K. MATHE: I personally do not have that experience. I am not able to give any comment.

JUDGE: And as far as you know, was any attention given to that in the  
10 planning of how the education sector should be assisted? Or do you not know?

MR K. MATHE: I do not know.

JUDGE: Thank you.

MR K. MATHE: I cannot answer that.

15 JUDGE: Thank you.

MR K. MATHE: Thank you.

ADV K. PILLAY SC: Just a final question from my side, Mr Mathe, when your members participate in the ISFAP model, will the conditions, the loan conditions which are attached at the moment to student loans,  
20 would they still be attached to the financing, extended under ISFAP? So in other words, it would be more or less the same terms?

MR K. MATHE: Advocate Pillay, I thought you and I had an understanding that I have finished my grilling session, so you will be charged for this extra work that you are asking of me. Look, I do not

know the detailed design of the ISFAP model. An educated guess from me is that the pilot is taking on new students. So the students who come in as part of the pilot would be new and treated separately.

If there was a loan which they had taken, which I doubt, because  
5 to my understanding they will be taking new students, but suppose there was a loan in the previous year that that student had taken, that loan would be treated under the conditions under which it was taken. But my understanding is that these are new students.

ADV K. PILLAY SC: No, I accept that, but when they are involved in  
10 ISFAP itself, and a loan is granted through ISFAP, obviously one of your members will then be involved in actually extending the loan.

MR K. MATHE: Yes.

ADV K. PILLAY SC: Would the conditions be the same as if that person had come directly to the bank to get that loan?

15 MR K. MATHE: In all likelihood it would be the same, unless part of the design is such that there is, there is, anything that is put on the table to obviate the need for the conditions that currently exist. I cannot from the top of my head tell you what that would be, but my sense is that those would be the same. But of course I stand corrected on that.

20 ADV K. PILLAY SC: Thank you Chair.

COMMISSIONER ALLY: Just - ja, and it does not pertain to you, because I see you are shying away, to your members, we have had presentation from, you know Dr Leoka, around a proposal of a social impact bond. So in explanation of the module to the banking sector by  
25 Mr Nxasana, and one of the possible vehicles would be the social impact

bond, what was your response, if any, as a banking sector individually to such an instrument, and whether such an instrument could work in South Africa or not?

MR K. MATHE: I will ask if any of my colleagues have knowledge of this  
5 to answer. What I can say while they gather their thoughts and figure out what to say is that the module, these social impact bonds are relatively new, not only in South Africa but globally as well. In South Africa even more so. I am aware of some work that is done by UCT in really looking at that model and how it would apply here.

10 So there are too many unknowns about it. It certainly has a certain attractiveness to it, but there are too many unknowns about it, and I am pretty sure that as the model matures and generates results that can be looked at, more certainly I think different sectors will pick up the model. Because at the heart of the model it is about how you breach  
15 the gap of the financing between, the one person who pays for the social outcome and the actual implementation period. So it is a bridging mechanism, rather than a mechanism that takes away the need to pay for the service. So the service is still being paid for, just later while a different financing mechanism kicks in.

20 JUDGE: Any other contributions on that matter?

MR T. HOLLO: Just through you Chair, not that we are aware of. However, having said that ... [intervenes]

JUDGE: Just put your name on record?

MR T. HOLLO: My name is Thabo Hollo, I am here representing  
25 Nedbank. But banks continue, just to continue with my answer, continue

to innovate in the product space. When you talk about the social impact bond, it might be a broader question of what other derivatives are there out there in the market that are linked to other social skills, for instance, and I speak on behalf of Nedbank in particular, you would have a product  
5 such as the green bond, which talks specifically to the environmental issues.

So in as much as there is, and I would agree with my colleague, there is too many unknowns, but then it is not an entirely new revelations, because there are existing products that speaks to  
10 something similar, but albeit on a different scale. So not that we are aware of this one in particular, but it would not be entirely a new concept in terms of banking.

COMMISSIONER KHUMALO: So that, the uncertainty around that, does it impact on the state of readiness for the pilot?

15 MR T. HOLLO: Sorry, just to be clear, when we say “unknowns” we are referring to the social impact bonds. The ISFAP is not implemented as a social impact bond. That is the part that we say is relatively new, and needs to be tested before any sort of large scale roll-out.

COMMISSIONER KHUMALO: With the other products, the state of  
20 readiness is on track?

MR K. MATHE: As far as I know the target for piloting ISFAP was 2017, and that everything was done to make sure that come 2017 academic year the pilot can be rolled out. We have not yet received a report as to how implementation has started with the whole registration process that  
25 is about to be concluded in universities. So we have not got a report

about how it has been progressing. But the commitment of both resources and personnel was to make sure that a target of rolling out the pilot in 2017 does indeed materialise.

JUDGE: Has the extra money that you have committed been paid, or is  
5 it to be paid on the happening of a particular event?

MR K. MATHE: So this would be different institutions, would, I suppose respond to that question. Hypothetically the money is there and is meant to support the initiative when it takes off. So it is linked to whether has ISFAP taken off, if it has then the money commitments would be drawn  
10 down over time to satisfy the different elements of the initiative.

JUDGE: Thank you. I think you and your team have discharged your indebtedness. I would like to thank all of you to come along and listening patiently to our somewhat abstruse questions from time to time. Thank you. I am not rising yet. Ms Pillay, what is the program  
15 tomorrow?

ADV K. PILLAY SC: Thank you Chairperson. We have the morning session, the first half of the day is for the UIF commissioner who will be making a presentation tomorrow, and then in the second half of the day we will be hearing about the German experience [inaudible] Mr Mabuda  
20 from the witness, Chairperson.

JUDGE: Thank you very much. We will adjourn until tomorrow morning 10:00.

**MEETING ADJOURNS**



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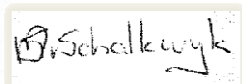
### SET 6 - DAY 3

## COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND TRAINING

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