

ANNUAL BUDGET SPEECH COMPETITION

UNDERGRADUATE CATEGORY

HOW CAN SOUTH AFRICA BUILD A FISCALLY SUSTAINABLE
STUDENT-FINANCING MODEL THAT ENHANCES ACCESS TO HIGHER
EDUCATION?

Refer to international experience in your analysis.

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INTRODUCTION

Higher education is widely seen around the world as a route to skills, innovation and better jobs (UNESCO IESALC, 2026). Global enrolment more than doubled in two decades, reaching 269 million students in 2024 (UNESCO IESALC, 2026). Growth on that scale raises an old question: who should pay? Governments, students, families and other funders can each carry part of the bill (Chapman and Dearden, 2022). Many governments once paid almost everything, but larger numbers and tighter budgets have pushed many systems towards sharing the cost (Murphy, Scott-Clayton and Wyness, 2017). This is not only about economics; it is about justice, because it determines who gets left behind. South Africa cannot sustain full state funding. A blended model of grants for the poorest, income-contingent loans for the missing middle and targeted bursaries, backed by strong data and fiscal controls, offers the fairest and most affordable path.

1. BACKGROUND: STUDENT FINANCING FROM GLOBAL TO LOCAL

Developed economies such as the United Kingdom and the United States share higher education costs between government and students (Murphy, Scott-Clayton and Wyness, 2017; U.S. Department of Education, 2026). Until 1998 full-time students in England studied free of charge; then fees were introduced and rose to £9,000 in 2012, backed by income-contingent loans (ICLs) that graduates repay only once they earn enough (Murphy, Scott-Clayton and Wyness, 2017). The idea was fairness: higher education should not be paid for entirely from general taxes, because graduates on average earn more than non-graduates, so graduates should contribute. The United States combines grants, loans and work-study (U.S. Department of Education, 2026). Chapman and Dearden (2022) argue that this kind of sharing relies on reliable tax and identification systems. Developing economies therefore appear to be in a different position. South Africa, through NSFAS, still tries to pay most of a poor student's costs out of government expenditure, and it has run deficits doing so (Parliamentary Monitoring Group, 2025). The difference is clear: developed economies moved from fully funded models to sharing, while South Africa is still trying to cover everything from a budget that cannot stretch that far.

The pressure looks heavier in sub-Saharan Africa. UNESCO IESALC (2026) reports that enrolment rates range from about 80% in Western Europe and Northern America to only 9% in the region. The World Bank (2010) found that enrolment had grown faster than financing capacity, and the UNESCO Institute for Statistics (2011) described the resulting dilemma of scarce resources set against growing demand. Teferra (2016) warns that free higher education creates unrealistic expectations and unsustainable solutions. In Kenya, plans to make students pay more have sparked fresh threats of protest (Semafor, 2024). Young people see education as the way out of poverty, yet it is becoming too expensive, and strikes are where that frustration shows. South

Africa's fee protests of 2015 to 2017 were followed by a fully subsidised model in 2018 (Mnisi, 2023). Taken together, this suggests that where the state carries most of the cost, protest follows whenever the budget falls short.

NSFAS funding went from under R9 billion for 415 000 students in 2014 to R47 billion for 1.1 million students in 2023 (Mnisi, 2023). That is a real gain in access. Parliament heard in 2025 that NSFAS university enrolments were growing about 10 per cent a year while allocations rose by only 6% and 3%, leaving deficits of R2.3 billion in 2023, R5.0 billion in 2024 and R10.0 billion in 2025 (Parliamentary Monitoring Group, 2025). National Treasury (2026a) projects debt at 78.9% of GDP in 2025/26, well above 70%. This suggests the state cannot keep filling the gap while also paying for health, basic education and infrastructure.

The model is broken. When NSFAS changed from loans to free bursaries in 2017, it left R47 billion uncollected (Parliamentary Monitoring Group, 2025). Half of students failed to graduate (Parliamentary Monitoring Group, 2025), and corruption remains a serious concern, although investigators have helped recover close to R1.8 billion (Majadibodu, 2025). NSFAS's own acting chief executive called the current model unsustainable (Parliamentary Monitoring Group, 2025). Poor recovery, corruption, weak administration and dropouts all drain money that is already short, which points to the need for a redesigned system.

Banks are not an easy alternative. Chapman (2014) provided evidence that commercial banks are reluctant to lend to school-leavers who have neither collateral nor earnings. This means a young person with no income or assets will struggle to get a loan for education. This is a big problem in South Africa, where youth unemployment (ages 15–34) reached 47.4% in the second quarter of 2026 and 36.4% of 15- to 24-year-olds were not in employment, education or training (Statistics South Africa, 2026). This suggests many young people cannot show earnings at all.

Figure 1 shows how Treasury expects NSFAS spending to move over the next three years (National Treasury, 2026b).

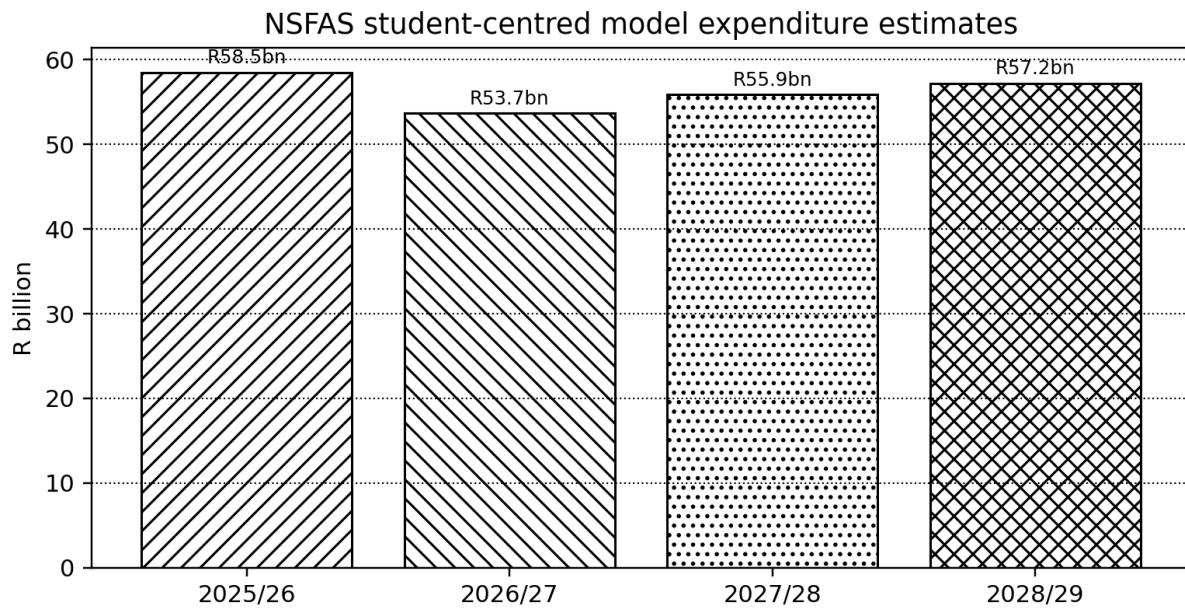


Figure 1: NSFAS student-centred model expenditure estimates, 2025/26–2028/29

Source: National Treasury (2026b), Estimates of National Expenditure, Vote 17: Higher Education.

Each bar in Figure 1 is one financial year, and its height is planned spending in rand billions (National Treasury, 2026b). Spending drops from R58.5 billion in 2025/26 to R53.7 billion in 2026/27, about 8.2%, then climbs to R55.9 billion and R57.2 billion (National Treasury, 2026b). The dip is short and the last year ends close to the start, so government still expects to spend more than R50 billion every year. Estimates alone cannot prove sustainability, because student numbers, completion and loan recovery will decide the real cost.

2. ACCESS AND THE “MISSING MIDDLE”

Not all students need the same help. Grants are essential for the poorest, as debts worsen poverty when repayment is unlikely. The missing middle is made up of families earning just above the R350 000 cut-off who are still unable to pay. Consider a hypothetical student, Sipho, whose family earns R456 000 but carries a home loan and supports two other children; they cannot cover fees and accommodation. As a school-leaver without collateral, he is also excluded from private credit, because he is too poor for banks and too rich for NSFAS. The 2024 Comprehensive Model (R3.8 billion for R350 000–R600 000 households) and SETA bursaries for scarce skills aim to fill this gap (DHET, 2024; DHET, 2026). Success depends on clear rules and on-time payments.

3. LESSONS FROM AUSTRALIA, ENGLAND AND THAILAND

Australia's Higher Education Loan Program lets eligible students defer their contribution and repay according to income (Australian Government, 2026b). The risk is shared, but collection relies on good data. SARS can collect from salaries through PAYE (SARS, 2026) but not from informal workers. High unemployment, at 33.6% (Statistics South Africa, 2026), means slow repayment. Australia also lost over A\$400 million from graduates abroad (Chapman and Higgins, 2013) and cut balances by 20% in 2025 (Australian Government, 2026a), showing that relief costs the fiscus.

England links repayment to earnings and collects through payroll, so repayment starts only above a threshold (Department for Education, 2026; Student Loans Company, 2026). Digital applications and income checks can improve accountability. Chapman and Dearden (2022) estimate that the government subsidy on English student loans is around 45 per cent. Loans therefore do not remove public cost, and South Africa should publish expected subsidies, write-offs and recovery rates.

Thailand introduced a conventional loan fund in 1996, adopted income-contingent loans in 2006 and returned to conventional lending in 2007 (Chapman and Lounkaew, 2010). High debts and low graduate incomes made its subsidies expensive (Chapman and Lounkaew, 2010). Developing countries need reliable identification and income-tax systems (Chapman and Dearden, 2022). South Africa should strengthen its data and collection before national expansion.

4. A SUSTAINABLE SOUTH AFRICAN MODEL

South Africa needs a Student Financing Framework guided by equity, affordability, risk sharing and accountability. Grants should go to the poorest students based on checked income information and with a clear way to appeal. Students in the missing middle should get income-based loans. They would start paying back only once they earn above a set amount, and they would pay more as they earn more. If private lenders take part, government guarantees need clear limits, so the state does not carry an open-ended liability. Repayment could run through SARS, including PAYE and annual tax returns, with legal safeguards and data protection (SARS, 2026). SETAs and employers could fund bursaries in scarce-skill areas (DHET, 2026), while universities verify enrolment and report outcomes. This blend is stronger than full state funding because it protects the poorest while spreading the rest of the cost over graduates' working lives, and stronger than loans alone because it avoids loading debt on students who cannot repay.

Student success matters because public money produces more value when students finish. Early-warning systems should flag academic or financial difficulty so that tutoring, counselling or emergency support arrives before a student drops out. Assisted application desks at schools, TVET colleges and district offices would stop a digital-only system from excluding rural students.

Table 1 shows how each instrument matches a different need, with the aim of diversifying funding while limiting excessive debt.

TABLE 1: PROPOSED SOUTH AFRICAN STUDENT-FINANCING FRAMEWORK

Component	Main beneficiaries	Financing mechanism	Fiscal purpose
Needs-based grant	Lowest-income students	Government grant	Protect access and prevent excessive debt
Income-contingent loan	Missing-middle students	Government/regulated co-financing	Share costs over graduates' working lives
Skills bursary	Priority/scarce-skill fields	SETAs/employers	Align skills investment with labour demand
Institutional subsidy	Public universities/TVET colleges	Government subsidy	Ease fee pressure and protect quality
Emergency/retention support	Students facing temporary shocks	Small targeted grants	Prevent dropout from short-term crises

Source: Proposed framework developed from the literature and policy evidence reviewed in this essay.

Reading across each row of Table 1 shows who is helped, who pays and why. Grants protect the poorest and are paid by government, while loans for the missing middle spread cost over a working life.

5. IMPLEMENTATION AND FISCAL CONTROLS

Implementation should be phased. In 2027–2028, NSFAS should improve its records and build a reliable student-finance database, with safeguards for links to SARS and Home Affairs. From 2029 to 2031, a few universities could trial income-based loans to test how collection works, before a national roll-out from 2032. Government should track whether students are repaying, finding jobs and finishing their degrees, and how much the model costs the state. Three key risks need to be addressed: public trust in the wake of the fee protests, administrative capacity and fiscal sustainability. Pilots and yearly reports to Parliament can catch problems early, and setting loan limits plus regular cost estimates stops surprise debt for government. Controls should include lawful income checks, direct tuition payments, audit trails, fair rules for graduates abroad and independent audits of outcomes as well as financial statements (Chapman and Dearden, 2022). Tracking access for missing-middle and rural students, completion and repayment rates, administrative costs and write-offs per rand lent would show whether the model is fair and affordable.

6. RECOMMENDATIONS

Retain grants for the poorest students; expand income-contingent loans for eligible missing-middle students; build a secure, accessible financing platform; and involve SETAs and employers in targeted bursaries. Repayment should depend on income and start only above a threshold. Government should publish expected subsidies and write-offs each year and review the model every three years.

CONCLUSION

Access to higher education should not be determined by household income, nor should it depend on a promise the fiscus cannot keep. Global lessons are clear: sharing costs through income-based loans works better than full state funding, which breaks down under pressure, and even good loan systems need strong data. South Africa's path is therefore a balanced one: grants, income-contingent loans, targeted bursaries and honest administration. Students like Sipho should not have to sacrifice their family's security for a degree. The country should fund opportunity today while protecting it for tomorrow.

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