

ENTRY #732

How South Africa Can Build a Student Funding Model That Lasts

South Africa wants everyone to have access to university, but the current model is not working. NSFAS costs more than R50 billion a year in the 2026 Budget, yet students still protest for accommodation and many drop out in first year. With debt at 74% of GDP, we cannot continue with full bursaries for all students under R350k. We need a model that is fair but also affordable.

The main problem is that NSFAS is now 100% grant with no money coming back. A student can get funded, fail, and the state loses everything. There is no incentive for universities to make sure students pass, and no contribution from graduates who later get good jobs.

We can learn from other countries.

Australia solved this in 1989 with HECS-HELP. Students study now and pay later, but only when they earn above a set salary. The tax office collects it automatically. If you are unemployed, you pay nothing. Their collection rate is about 85% because SARS does the work, not banks.

The UK also uses income-based loans, but their mistake was charging high interest and writing off loans after 30 years. More than half of students will never pay it back. That is too expensive for South Africa.

Brazil is the warning. They gave student loans through banks with a government guarantee. Banks did not collect properly and defaults went over 50%. If we give loans without SARS collection, we will have the same problem.

For South Africa, I propose a three-tier system:

1. ***Poorest (under R150k):*** Full grant. These are quintile 1-3 learners and SASSA families. They cannot afford loans. This protects the Constitution.
2. ***Missing middle (R150k - R600k):*** This is where NSFAS is collapsing. Give 30% as a bursary and 70% as an income-contingent loan. No real interest. You only start paying 8% of your income when you earn more than R120k a year. SARS deducts it via PAYE like tax. If you remain unemployed or informal for 20 years, it is written off. This is fair.
3. ***Above R600k:*** No state funding. They can use bank loans.

This model saves money. Treasury estimates a hybrid system cuts long-term costs by almost

40%. That saving can be used to build accredited student housing and fund TVET colleges, which are cheaper and create jobs faster.

Finally, we must force universities to share risk. If a university has high dropouts, it should carry 10% of the loan loss. That will make them invest in tutoring and accommodation. And we must pay accommodation directly to residences, not through middlemen — that was the source of the 2024 NSFAS corruption.

In conclusion, free higher education for all is not fiscally sustainable, and bank loans for all is not just. The best path is a hybrid — grants for the poorest, income-based loans collected by SARS for the missing middle, and risk-sharing for universities. This is how South Africa can expand access while still respecting the 2026 Budget constraints. It is the Australian lesson, adapted to our reality.