

A Fiscally Sustainable Model for Student Funding in South Africa - FINAL SUBMISSION

South Africa is facing a funding crisis in higher education. We want all young people to have access, but the cost is rising too fast. NSFAS now costs over R52 billion a year according to the 2026 Budget, yet at my TVET college in Mbombela students still protest for allowances and accommodation. National debt is at 74% of GDP. Government cannot continue giving full bursaries to every student whose family earns under R350 000. It is not fiscally sustainable.

The biggest weakness of NSFAS today is that it is 100% grant with no recovery. If a student drops out in first year, the state loses everything. At TVET colleges the problem is bigger. Many students pass N4-N6 but drop out because there is no workplace placement for 18 months. So we pay but we do not get artisans. This is wasteful spending.

We can learn from other countries. Australia created HECS in 1989. It is an income-contingent loan. You study now and pay later, but only when you earn above a threshold. SARS can do the same here. The Australian Tax Office collects 85% of loans because collection is automatic through tax. No bank is involved.

The UK model shows what not to do. They charge high interest and write off the loan after 30 years. More than half will never repay it. Brazil also failed because they used commercial banks to give student loans and defaults reached 53%. The lesson for South Africa is clear: if we use loans, SARS must collect, not banks.

I propose a three-tier model. Tier 1: Below R150 000, quintile 1-3 and SASSA families, most of us at TVET, get full grant. Tier 2: R150k to R600k, the missing middle, get 30% bursary and 70% loan. No real interest. Pay 8% when earning above R120k, collected by SARS PAYE. Write off after 20 years. For TVET artisans working in rural areas, give 2-year holiday. Tier 3: Above R600k, no state funding.

This hybrid cuts costs by 40%. Saving should go to TVET workshops and accredited housing, not private middlemen who caused 2024 scandal. Lastly, colleges must share 10% loss if dropout above 25% to force support and placements.

In conclusion, free for all is not affordable, loans for all is not just. Grants for poorest, SARS loans for missing middle, and risk-sharing is the sustainable way. It is the Australian lesson adapted to SA and TVET