

A Fiscally Sustainable Model for Student Funding in South Africa

South Africa wants free higher education for all, but we cannot afford it. NSFAS now costs over R50bn a year, yet at my TVET college in Mbombela students still wait months for allowances and sleep in overcrowded rooms. With debt at 74% of GDP in the 2026 Budget, giving full bursaries to everyone under R350k is not sustainable.

The current system has no recovery. A student gets funding, fails first year, and the money is gone. At TVET level this is worse because many students drop out after N4 because there is no workplace placement. The college is paid but there is no graduate. This is fiscal waste.

Australia faced this in 1989 and created HECS. You study now, you pay later through the tax system. You only pay when you earn above a threshold. If you are jobless, you pay zero. SARS can do the same in SA. Australia collects 85% this way because tax office collects, not banks.

The UK tried a similar loan but charged high interest and writes off after 30 years, so 54% will never repay. That is too costly for us. Brazil used banks to give loans and defaults hit 53% because banks could not collect. Lesson for SA: collection must be via SARS, not banks or NSFAS agents.

My proposal is three tiers. First, under R150k - quintile 1-3 and SASSA families, many of us at TVET - keep full grant for tuition and accredited res. This protects the poorest. Second, R150k to R600k - the missing middle where NSFAS breaks - give 30% bursary and 70% income-contingent loan. Pay 8% of income only when you earn over R120k, collected by SARS PAYE. No real interest. Write off after 20 years. For TVET students, link repayment holiday if you do artisan work in rural areas. Third, above R600k - no state funding.

This hybrid cuts long-term costs by about 40% according to Treasury, so we can use the saving to fund proper TVET workshops, tools and student housing instead of paying middlemen. Also make colleges share 10% of loan losses if their dropout is high. That will force my college and others to provide proper tutoring and workplace placement, which we lack now.

Free for all is not affordable, loans for all is not just. A grant for the poorest and SARS-collected income loan for the missing middle, with special support for TVET artisan training, is the only way to protect access and respect the 2026 Budget. It is the Australian model, adapted to South Africa and to TVET reality.

References: National Treasury Budget Review 2026, DHET Annual Report