

Providing Access with Accountability Through a Model for South Africa's Future

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1. Introduction

Should a state that cannot afford free education for everyone still promise it to anyone?

Throughout many years, access to higher education has remained SA's most contested policy question. Since the #FeesMustFall protests in 2015 and 2016, attention was brought onto how the government would resolve the exclusion of poor and marginalised communities from higher education. As a result, in 2017 the state expanded their financial support to students through the Fee-Free Education Policy administered by the National Student Financial Aid Scheme (NSFAS) (NSFAS, 2025).

However, the expansion has hit many challenges due to a constrained fiscus: slow economic growth, rising debt-service costs and competing demands from health, social grants and basic education.

This essay argues that South Africa should diverge to a blended financing model.

Grants for the poorest students, tax-collected income-contingent loans for middle-income households and stronger governance and performance incentives across the system.

Modelling the "HELP" approach Australia has made to its tax-based education collection system, while also learning from the lessons of Chile's tuition-free higher education initiative and England's regressive interest structure on the income-contingent student loan system.

The essay first outlines the South African context and establishes a criterion for evaluating finance models. It then analyses different international experiences and proposes a model for South Africa, whilst considering the risk to its success.

2. South African Context

The demand on South Africa's student funding programme has exceeded the resources available to sustain it. NSFAS has grown from paying out R21.4 million in 1991 to about R54 billion today. In recent years its expenditure has grown from R38 billion to R49.3 billion, while growth in its budget allocation slowed from 6% to 3%. This shows the funding gap between rising student enrolment and the limited budget available to subsidize it. The shortfall amounted to R2.3 billion in 2023 , R5 billion in 2024 and R10 billion in 2025(NSFAS, 2025). The Minister now warns it could reach R33 billion by 2029(South African Government, 2026). Free education has become a promise that the budget can no longer support.

Poor management has unfortunately deepened an already severe funding shortfall. By August 2026, NSFAS had paid only 61.5% of what it owed to universities, leaving R10.49 billion unpaid(South African Government, 2026). The leadership instability has also affected the scheme's ability to manage its rising demand. The Special Investigation Unit has recovered more than R1.7 billion that was wrongfully paid to institutions, colleges and former students who were not entitled to it(South African Government, 2026). The shortfall is therefore not just a question of demand but also a reflection of management failures and the misuse of resources.

The system also creates a gap for those who fall between the income categories; "missing middle." NSFAS supports households earning up to R350 000 a year, but families earning between R350 000 and R600 000 are classified as middle income households and fall outside the funding threshold(NSFAS, 2026). The government has acknowledged the "missing middle" as an ongoing significant challenge. While the challenge is being recognised it remains unresolved.

3. Evaluation criteria

The first evaluation is fiscal sustainability. The key question is whether the state can finance the model over time. The answer depends on three key factors: recovery, cost growth and budget resilience. How much of the money spent is expected to be recovered. The ability to keep up with increased costs due to rising enrolment and whether the budget is prepared for unexpected shortfalls.

The second evaluation is access and equity. Does the model effectively reach those that need the most support? This means prioritising the poorest students, supporting the missing middle and controlling the outflow of benefits to self-sustaining households.

The third evaluation is efficiency and completion. Does the model enable students to complete their degree? Funding is lost when students drop out or take longer than expected to complete their studies, so an efficient model rewards academic progress and directs support towards qualifications that lead to better employment prospects.

The fourth evaluation is administrative feasibility. Can the model be implemented reliably. The funding model cannot succeed if the administrative system lacks the capacity to assess applications, make timely payments, track beneficiaries and recover repayments.

4. International Experience

Australia was the first country to introduce a national income-contingent loan scheme. Starting off as “HECS” (Higher Education Contribution Scheme) in 1989 and now incorporated into the (Higher Education Loan Program) “HELP”. Graduates repay their loans through the tax system but only once their income surpasses a specific threshold(*Australian Parliamentary Budget Office, 2016*).

On fiscal sustainability, only 19% of new debt was irrecoverable in 2015-2016(*Australian National Audit Office, 2016*). Mostly because debtors die or move overseas.

On access and equity, repayments only begin once income exceeds the threshold. This enables the protection of low-income earners.

On efficiency, HELP collects repayments efficiently through the tax system. On its own the model does not drive student completion; therefore, South Africa would need to combine a tax-based collection system with performance incentives.

On feasibility, collection through the tax system is the model’s strength. However, it cannot reach debtors living abroad.

In 2025, Australian government imposed a 20% debt cut and a higher repayment threshold(*Australian Government Department of Education, 2025*). This shows how easily the loan terms can soften the burden on students but increase the pressure on the state. South Africa should therefore collect through the tax system, budget for expected unpaid debt and resist to political pressure influencing reduction in loan terms to prevent an excessive burden on the state.

England collects student loan repayments through the tax system. Graduates on Plan 2 (loan type for students that started between 2012 and 2023) repay 9% of their income once it is above a specified repayment threshold(*Ogden, 2026*). Any outstanding balance after 30 years is written off.

On fiscal sustainability; England finances have improved sharply. In 2014, the government expected 45% of lending would be unpaid. However, the IFS (Institute for Fiscal Studies) now expects loans due to the 2022-2023 cohort to generate a small, long-run profit for the state in which it came from changing the loan terms to freeze the Plan 2 repayment threshold for 3 years(*Institute for Fiscal Studies, 2026*). Despite the

improvement, 34% of plan 2 debt was forecast in 2025 to go unpaid(*Department for Education, 2026*).

On access and equity, repayments rise and falls due to changes in income. This avoids the risk of high interest chargers compared to fixed, mortgage-style loans. However, interest is charged above inflation. This means that graduates may see their balance grow even while they repay. Resulting in middle income earners paying back the most.

On efficiency, the collecting and repayment system keeps administration simple, because they are deducted automatically alongside income tax.

Overall, income-contingent loan costs are hard to forecast. High interest charges and changes to loan terms can undermine borrowers' trust in the system. England's experience suggests that South Africa should set stable and transparent terms in law. Link repayments to income and keep the interest rate low. The lesson we can derive is that the state should not go on an assumption that the scheme will pay for itself.

Chile introduced tuition-free higher education in 2016, after pressure that was received in 2011 from student protests, which exposed the heavy debt burden on families(*Brookings Institution, 2018*). Currently the policy covers the lowest 60% of households, by income, as officials claim that the state lacks the financial capacity to extend funding universally.

On fiscal sustainability, economists estimated that providing free tertiary education would cost the state approximately 1% of GDP(*Brookings Institution, 2018*). Public universities argue that government funding is insufficient to make up for the lost tuition revenue.

On access and equity, 27% of individuals from low-income households were enrolled in tertiary education, compared to 91% of individuals from high-income households enrolled(*Brookings Institution, 2018*).

On feasibility, the bank loan scheme (CAE) faced many criticisms for creating a heavy financial burden on graduates through long-term loan repayments.

This overall proved how universal free tuition can create a financial strain on the state. South Africa should; therefore, focus on a funding model that protects access for the poor while also improving the long-term financial sustainability of higher education.

Throughout these countries, three lessons stand out. First, repayments linked to income and collected through the tax system. Second, budget must be expanded for income-contingent loans. Third, a sustainable framework policy is important.

5. Proposed SA Model

The proposed model categorises students into 3 brackets based on their household income.

Category 1; students from households below the NSFAS threshold would receive full grant coverage in tuition, living costs and academic progress. The reason for this coverage is because there is no alternative pathway into university for students coming from that background.

Category 2; students from the “missing middle” would receive an income-contingent loan. Repaid only when their future income surpasses a specific threshold.

Category 3; students from high-income households would pay fees directly, with opportunities to apply for loans on cost-recovery terms.

This proposal concentrates public funds where it is needed the most and limits the state’s open-ended expenditure.

Category 2 loans would be repaid through the tax system. This would allow SARS to efficiently collect the repayments automatically through the existing PAYE and provisional tax systems. This follows the recommendation from the Heher Commission (2017); “Repayments should be collected through the tax system once graduates reach a specific income threshold”(Heher Commission, 2017).

The model will only work, if NSFAS is trusted to run it. An audit report in 2024/2025 reflected a disclaimer of opinion, as 822 deceased people and over 14 000 students above the income threshold have been funded(South African Government, 2026). Therefore, a governance reform is necessary for this model to work efficiently. The reform consists of four key elements. First, an appointment of a professional board and management for fixed terms. Second, direct payment to students and authorised providers. Third, automatic eligibility verification against SARS, Home Affairs and social grant systems. Fourth, public reporting of audit performance to enhance accountability.

Funding should promote progress without penalising disadvantaged students. NSFAS already encourages students to meet the academic progression requirements and caps funding at the minimum study period plus one extra year(NSFAS, 2026). However, low completion rates still hold a major problem. To address this, and improve completion rates, part of university funding should be linked to how many students graduate, adjusted for student intake. This would give universities a stronger incentive to support students’ academic success.

The model would be based on 3 sources. The state would fund grants for the poorest students through the education budget. Repayments would go back into a revolving fund, reducing the long-term funding burden on public finances. Part of the funding could come from the skills development levies. At the end of 2023/2024 the SETAs (Sector Education and Training Authorities) held net surpluses of R6.7 billion(NSFAS,

2025). This suggests that some of these funds could be redirected to help finance higher education.

The proposed funding model would be implemented in phases to ensure a smooth transition and reduce disruption to current students. First, current beneficiaries would keep their funding, while governance reforms are implemented and data systems are put in place. Second, the missing middle loan would be expanded with repayments collected through SARS, to allow repayment systems to be tested before the funding model is introduced. Third, the model categories would be expanded to new groups of students once the repayment and recovery systems have proven to work. This phased approach would ensure that no students face changed terms mid-degree, providing certainty and keeping the trust in the system.

6. Conclusion

In conclusion, South Africa cannot continue promising free education for everyone, while its budget and administration fails to meet its demands. The model makes the promise of creating opportunity for a wider access to higher education without putting a financial burden on any family. Education is key to run South Africa's future success. Every student has the capacity to contribute positively to their community. Responsibility falls on government to ensure that no student is prevented from reaching that potential due to circumstances beyond their control. Our great leader, Nelson Mandela said, "Education is the most powerful weapon which you can use to change the world" (*Mandela, 2003*). To grow your country, educate its people, and you will see the result in the eyes of the world.

7. Recommendations

It is highly recommended for new funding model to be put in place. Full grants for the poorest students, income-contingent loans limited to the missing middle and collected through SARS tax system, and a restructuring of NSFAS governance. Four key principles were introduced from Australia, England and Chile; repayments linked to an income threshold, expand budget for expected non-repayments, keep terms consistent, and reliable data to target support where it is needed the most. Through research on international experiences using different financing models, combined with examining South Africa's current framework. I truly believe that South Africa has the capability to build a sustainable funding model.

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