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**I am because we will be: Funding South Africa's graduates before
they are born**

*How can South Africa build a fiscally sustainable student-financing model that enhances
to higher education?*

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Introduction

Every year, thousand of South African students watch their tertiary dreams collapse not for lack of adequate marks or access, but the lack of funding which includes a fiscally viable system willing to fund them. The National Student Financial Aid Scheme (NSFAS) has already encountered two failed systems: a loan model that could not collect its debt and a bursary model the fiscus cannot sustain (Careers Portal, 2023). Government debt is projected to stabilize at 78.9% of GDP in the year of 2025/26, with debt service costs consuming over 5th of the countries revenue therefore any new funding commitment should be judged against these constraints (National treasury, 2026).

This essay argues that South Africa can resolve the funding sustainability issue through a new developed model named the Ubuntu Contribution Model: a hybrid model with a combination of Australia's Income-contingent, tax-collected repayment with Norway's performance-linked debt conversion, pre-funded through a modest per-child payroll contribution levied on working parents from each child's birth. The model's objective is for individuals to treat tertiary education as an investment the economically active population co-funds in advance and the state recovers automatically once a graduate earns to build a sustainable Ubuntu cyclical system. Furthermore, the argument proceeds in three parts: the model's mechanics and costing, its fiscal sustainability against NSFAS's own history and its equity implications, including how the design ensures no student is excluded.

Mechanics, Costing and Implementation

Under Australia's HECS-HELP system, the government would directly cover tuition fees for institutions, removing the requirement for students to pay upfront. Graduates would only begin repaying their loans once they secure employment and earn above a specified income threshold. SARS would then automatically collect these repayments through the PAYE system. This method effectively resolves the graduate tracking challenges that

hindered the pre-2018 NSFAS loan scheme. Repayments should be based on income, meaning no payments are required while earnings are below the threshold. Next, taking a cue from Norway's Lånekassen model, part of the outstanding debt could be transformed into a non-repayable grant based on academic performance and completion rates. For example, if a student completes their degree on time, they may be given a 20% discount; however, if they graduate from a high-demand field (where there is a national skill shortage) and have an average of at least 75%, then they could potentially qualify for up to a 30% reduction. It is important to note that these are simply options for possible incentives and not actual rights that are guaranteed to all students in South Africa. As such, these potential incentives should be continuously evaluated and never prevent a student from receiving initial financial support. Additionally, students with disabilities/health concerns may also have the option to extend their program completion date. Lastly, the model would implement automatic contributions based on the number of children. When a child is registered at birth, the Department of Home Affairs would set up an account linked to the child's identity number. At the beginning of the 2027/28 fiscal year, an employed parent will contribute 0.5 % of their gross taxable income per child through PAYE. For example, a parent earning R20,000 per month would contribute R100 for one child or R200 for two children. The contribution is calculated as 0.5 % of income, not 0.5 % of the parent's PAYE bill. Contributions would be paused during unemployment and would resume once the parent is back in work. There should be a cap on contributions per household, and this should be reviewed for affordability. The government must ensure that children of unemployed, informally employed, or never formally employed parents have equal eligibility. Additionally, rules should clarify both parents' responsibilities to avoid any unintended double charges.

To effectively balance future reserves with current needs, each contribution would be divided as follows: 60% would be allocated to diversified, low-risk investments, while the remaining 40% would be transferred to a pooled account dedicated to students currently enrolled in studies. For example, if a contribution is R100, R60 per month would be invested, and R40 would be pooled. Should these contributions continue consistently for 18 years, the individual investment portion alone would accumulate R12,960, prior to considering any returns, fees, or inflation adjustments. This shows the potential size of

the contribution but doesn't guarantee it would cover a degree. The pooled funds, along with a transparent, gradually decreasing allocation from the Treasury, would support current students until the first birth cohorts reach maturity around 2045. Stats SA reported 863,858 births in 2024, but we can't forecast actual revenue without data on parents' formal employment, taxable earnings, and the number of dependent children. The government should order an actuarial assessment before setting the rate, which should include low, central, and high-revenue scenarios, as well as transition costs.

NSFAS will receive a budget of R48.7 billion for the 2025/26 year, with approximately 790 000 students expected to receive the grant. Out of the budget, R39.3 billion will be allocated to universities and the remainder will be allocated to TVET Colleges. Although these amounts represent the magnitude of the commitment, they cannot indicate what an individual student would pay on average for their studies, or whether contributions can take the place of Treasury funding. NSFAS needs to make available its audited financial statements, investment returns, administrative costs, number of beneficiaries and repayment levels. To protect NSFAS against political manipulation, an independent Board, the Auditor-General's oversight and reporting to Parliament are required.

When a student receives a full external bursary, up to 50 % of the balance in that child's individual investment account could be transferred to approved postgraduate study or professional training, rather than being paid out in cash. The rules must distinguish this balance from the 40 % already pooled for current beneficiaries.

Implementation will require amendments to the NSFAS Act, a SARS PAYE deduction code, secure data sharing with Home Affairs, and transitional Treasury funding for existing beneficiaries. The DHET should retain policy oversight while an independent statutory board administers the fund. Crucially, parental contributions must never determine a child's eligibility: contributions help finance the system, while government guarantees access.

Fiscal sustainability, tested against NSFAS's own history

The case for this is made plain by South Africa's own record. The 1991 NSFAS loan scheme was without an automatic means of collection; one had to trace graduates by

hand in order to recover funds and the balance sheet suffered as a result over many years (Jacobs, Moolman, & De Beer, 2019; Careers Portal, 2023). Then came the 2018 reform which did away with repayment by turning the funding for those on under R350,000 into a full bursary. That settled the matter of collection but at the cost of shifting the risk: NSFAS is now put entirely at the mercy of the Treasury's annual allocation and must vie with health, social grants and debt service (National Treasury, 2026). Even the 2024 missing-middle loan scheme for households making between R350,001 and R600,000 has brought back the requirement to repay yet it is not automatically collected through SARS (NSFAS, 2025).

The Ubuntu Contribution Model is designed to fill that void. In contrast to the pre-2018 loans, repayment is tied up with the tax system in the manner of Australia and its almost flawless collection history. And where the post-2018 bursary leaves the fund reliant on the yearly dole from the Treasury, from 2027 the model will be continually topped up by graduate and per-child contributions, forming a self-sustaining pool instead of a grant to be fought over in each budget cycle.

It can be said that repayments in themselves will not make up the deficit when so much of the labour force is beyond the PAYE net. Kenya's Higher Education Loans Board is a case in point, with 32.5% of its portfolio in default by mid-2025, well over twice the non-performing rate in the country's commercial banks (Kenyanwallstreet, 2026). A fair point; unemployment is not something any financing model can fix on its own. However, the per-child element sees the fund drawing on the formally employed from the day of birth, long before enrolment, providing a steadiness unaffected by what happens to a particular graduate. Kenya puts all its eggs in the post-graduation basket for collection, whereas this approach hedges its revenue across two distinct times.

Skills leakage through further emigration can be blocked by modifying SARS' existing tax emigration clearance certificate conditions for full settlement or a binding offshore repayment agreement. Reciprocal tax arrangements exist with principal destinations of South African skilled emigrants such as the UK, Australia and Canada. In order to block the emigrant at a domestic gate that every formal emigrant has to pass through, as

opposed to trying to enforce outstanding SARS tax liabilities from abroad, conditions for the existing tax emigration clearance certificate can be modified.

So, what stops it from degenerating into another version of NSFAS within a decade? Ghana tried a loan approach in the form of a 1971 loan scheme (Ghana Education Trust Fund, 2023) for example, which collapsed within a year not because of the design of the mechanism but because it got exposed. The Ubuntu Contribution Model as a model dependent on trust, therefore needs to be answered as to how it can be protected from turning into NSFAS 2.0 within a decade. The model can be protected by establishing a statutory entity of the nature and kind of the Reserve Bank with a fixed-term board which cannot be removed by a Minister. It will be subject to ANNUAL AUDIT BY THE AUDITOR-GENERAL and the funds will be ring fenced down to child level in sub-accounts protected in exactly the same way and for the same reasons as the Government Employees Pension Fund assets are protected. Although the model will remain subject to the normal oversight of Parliament, the day-to-day management will be outside of the Minister's control and will be subject to Public Disclosure in the form of an Annual Report to Parliament which will contain full information regarding the operations of the model in the previous year.

Equity, and Learning from International Precedent

It is only worthwhile for a financing model if it manages to significantly increase access to education for students from lower-income backgrounds. That Norway's model has a performance-linked conversion is worth emulating in order to attack the huge dropout rate of students funded by NSFAS and the associated waste of public funds (NSFAS, 2025). The advantage of discounting debt against completion of a qualification by a student is that all the risk is transferred from such students to those who complete in order to become producers of future taxpayers.

In designing the Ubuntu Contribution Model to address the issue of South Africa's missing middle i.e. households that are too affluent to qualify for pre-2018 bursary funding but are unable to fund their children's tertiary education, the per-child mechanism addresses the issues listed above. All children are covered regardless of the income of either or both of

their parents at the time a child reaches tertiary age and a contribution has been accrued from birth on. This design likewise removes the equity blind spot that a parent-funded model would otherwise produce for child-headed households and families that were never part of the formal economy: since government pays tuition upfront for every student irrespective of parental contribution history, and every graduate repays only once employed, there is a single funding cycle instead of a two-tier system that quietly separates "contributor" families from "bursary" families. This also sidesteps the complexity failure that afflicted the Netherlands' hybrid system (Government of the Netherlands, 2023); a single rule, applied uniformly, is easier to administer and impossible to slip through.

The most compelling counter-argument concerns equity: does a merit bonus disproportionately reward students who already benefit from superior schooling and stable home environments, thereby exacerbating existing inequalities? This objection holds considerable weight. The solution lies in the program's design: even the lowest completion bonus applies exclusively to debt that remains after enrollment and tuition have been secured for all students, irrespective of merit. This ensures that disadvantaged students are never denied entry; they are simply offered a smaller discount upon completion. The higher bonus tier is reserved for students who not only complete a qualification in a nationally scarce-skill area but also achieve a final average above 75%. This structure rewards outcomes essential to the economy rather than merely a student's background. Equity is maintained by guaranteeing automatic baseline access, with merit serving solely as an additional bonus layer.

Conclusion

South Africa does not have to choose between an affordable state and an accessible tertiary system; it needs financing that enables the two to reinforce each other, phased in responsibly rather than promised overnight. The Ubuntu Contribution Model borrows Australia's proven collection mechanism and Norway's completion incentive, while correcting South Africa's own historical failure—the absence, in every NSFAS iteration, of a self-replenishing, intergenerational funding base. Launched from 2027 within a fiscal

environment where debt is only now stabilizing below 79% of GDP (National Treasury, 2026), it recovers money automatically, builds a per-child savings layer—part invested, part pooled—that covers every student from year one regardless of parental contribution history, and shields itself from political capture through independent governance.

To fund a student today is not charity; it is a claim on the taxpayer that the student will become tomorrow. A country that teaches its children this has found not merely a funding model, but a fiscal philosophy worth defending in any budget speech.

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