

OLD MUTUAL AND NEDBANK BUDGET SPEECH

CATEGORY : UNDERGRADUATE

(HOW CAN SOUTH AFRICA BUILD A FISCALLY
SUSTAINABLE STUDENT FINANCING MODEL
THAT ENHANCE ACCESS TO HIGHER
EDUCATION)

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HOW CAN SOUTH AFRICA BUILD A FISCALLY SUSTAINABLE STUDENT FINANCING MODEL THAT ENHANCES ACCESS TO HIGHER EDUCATION ?

Higher education access is a crucial tool for fostering economic growth, enhancing human capital, and lowering inequality.

However, household wealth, academic standing, and the availability of spots continue to have a significant impact on university access in South Africa. Therefore, creating a student-financing system that is socially inclusive, economically productive, and financially sustainable is more difficult than merely increasing the number of students enrolling in higher education. South Africa requires a system that acknowledges the government's limited financial resources while also recognizing the political and constitutional significance of increasing educational possibilities. The current National Student Financial Aid Scheme (NSFAS) has been instrumental in increasing access to higher education for low-income and working-class students. NSFAS received a substantial number of applications in 2026, with 609,403 first-time entering students eligible for financial assistance based on January 2026 funding choices. However, the program's magnitude results in significant budgetary and administrative challenges. NSFAS received around R54.3 billion in the 2026 Budget, although the larger higher-education system is under pressure due to student accommodation, institution capacity, and infrastructure. This essay proposes a South African UKUTHWASWA KWESIDANGA OPPORTUNITY DEVELOPMENT FUND (UKODF). The model would combine targeted grants with zero-interest income-contingent student loans.

With achieving goals which will provide comprehensive support for tuition and living costs, create second-chance pathways for students with weaker school results, and provide carefully controlled entrepreneurship financing. It would also encourage graduates to contribute to the South African economy rather than immediately taking publicly financed skills abroad. The proposal draws lessons from Australia , Brazil and England ,while recognizing that South Africa cannot simply copy foreign systems because its labour market, inequality, unemployment and fiscal circumstances are different.

1.2 LITERATURE REVIEW

NSFAS has become one of the most important mechanisms through which South Africa attempts to make higher education accessible to students who would otherwise be unable to afford it. According to the government's 2026 National Expenditure estimates, NSFAS provides bursaries and loans to students from families earning less than R350,000 per year, with support covering tuition, accommodation, transportation, and living expenses at public higher-education institutions. Transfers to NSFAS were projected to increase from 48.8 billion in 2025/26 to 54.6 billion in 2028/29. This displays a strong political commitment to ensuring higher education access. However, the programme rising costs raise a crucial economic question: how can South Africa continue to increase access without imposing an unsustainable load on the national budget? The issue is particularly pressing because the government must concurrently fund health care, basic education, social protection, infrastructure, policing, and debt servicing. Every additional rand spent on student funding has an opportunity cost. Fiscal sustainability involves more than just government spending. In August 2026, Parliament reported that approximately 40,000 students across 76 institutions were improperly funded to the tune of R5.1 billion. The Special Investigating Unit recovered over R1.7 billion for NSFAS. Another issue to consider is student accommodations. Parliament has called for a probe into private accommodation providers, citing worries that billions of rands may have been lost due to payments

for non-existent beds. These issues demonstrate why South Africa should not simply boost student-finance allocations. The country need better targeting, greater governance, improved verification, and a financing strategy in which some investment can eventually be returned to the system.

1.3 INTERNATIONAL EVIDENCE (AUSTRALIA ENGLAND AND BRAZIL)

1.3.1 Australia provides an important example of an income-contingent student-financing system. Through the Higher Education Loan Program (HELP), students can access higher education without paying the full cost upfront and repay their loans according to their income after graduation. This protects graduates who are unemployed or earning low incomes from unaffordable fixed repayments. South Africa can learn from this approach by introducing interest-free income contingent loans. Graduates would only begin repaying once their income reaches a specific threshold. This would make the system more affordable for young graduates while allowing government to recover part of its investment and use it to support future students. However, South Africa should not copy Australia completely. South Africa has significantly higher unemployment and greater income inequality. Therefore, the repayment threshold would need to be designed around South Africa's labour-market conditions.

1.3.2 Brazil's student-funding system offers qualifying low-income students zero-interest financing, making it another suitable comparison. Eligible students can obtain funding through FIES that has no real interest and can be repaid based on their post-study financial situation. Because it shows that interest-free student finance may be utilized to increase access without turning every student's money into a permanent government subsidy, this supports the suggested South African model. Therefore, South Africa might offer interest-free loans to students who are unable to pay for higher education but do not qualify for full grants. While the "missing middle" would obtain interest-free loans, the poorest students would still receive assistance.

1.3.1 Another example of income-contingent student loans is found in England. After earning more than a certain amount, graduates reimburse a part of their salary. But England also offers a crucial caution. Because some graduates do not make enough money to pay back their debt in full, not all student loans are entirely repaid. As a result, South Africa shouldn't presume that the government will receive back every rand given through an interest-free loan. Therefore, a loan-loss reserve and frequent financial evaluations to ascertain the likelihood of recovering a portion of the loan portfolio should be part of the suggested model.

1.4 THE PROPOSED UKUTHWASWA KWESIDANGA OPPORTUNITY DEVELOPMENT FUND (UKODF).

The suggested plan will replace the idea that all students with financial difficulties should unavoidably receive the same type of assistance. Instead, support would be based on financial necessity, academic progress, and future repayment capacity. This student-financing strategy will be divided into three categories. Grants for the poorest students, zero-interest loans for the middle class, and some government support make up the first category.

1.4.1 Grants to poorest students

The majority of the funds given to students from extremely low-income families would be non-repayable, acknowledging that putting the poorest pupils in debt could perpetuate inequity.

1.4.2 *Zero-Interest Loans*

The zero-interest student loan would be the most significant aspect of the proposed UKODF. After graduation, repayment would only start once the graduate's income surpasses a predetermined threshold. Students would not be required to make repayments while they were enrolled in classes, nor would they be required to pay interest on the money borrowed. The fundamental idea would be that the Repayment would be zero if a graduate made less than the cutoff. A tiny percentage of the graduate's salary would be withheld if they made more. This shields graduates from having to make repayments when they are unemployed or making extremely little money.

1.4.3 *Partial Government assistance*

Students from households with somewhat higher incomes may contribute more to their education and receive less aid.

This arrangement would lessen the financial burden of recognizing every student as a permanent grant recipient while yet enabling the government to uphold its commitment to access. Rather than just paying tuition, the suggested funding approach should cover all of the costs associated with attending college. Tuition, registration, textbooks, lodging, transportation, and necessary living expenses should all be covered. This is crucial because, even in cases when tuition is covered, students may still be denied admission if they are unable to pay for housing, food, or transportation. But fiscal restraints are essential. For instance, there should be regional restrictions on accommodation allowances, and the government should pay accredited providers directly. This would cut down on fraud potential and wasteful spending.

1.5 GOALS SUPPORTING THE CATEGORIES OF THE MODEL.

1.5.1 SECOND CHANCE TO HIGHER EDUCATION

The recommended second-chance strategy expands on current programs like the SciMathUS program at Stellenbosch University, which provides a chance for certain students who do not initially qualify for further education to enhance important topics and bolster their academic abilities. As a result, the notion of offering a different route to college is not wholly novel. The suggested model, however, would broaden this strategy by tying academic preparation to both financial and academic assistance with the goal of assisting students not just in gaining admission but also in continuing their further education and graduating with success. Thus, rather than merely offering another chance for university admission, the strategy concentrates on transforming second-chance access into long-term human-capital development.

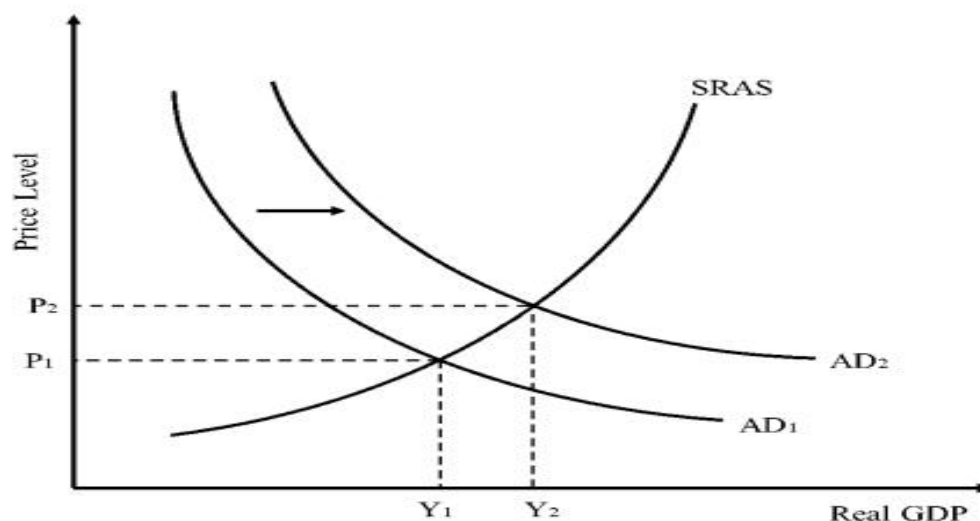
1.5.2 BALANCING POLITICAL COMMITMENT AND FISCAL REALIBILITY

Another goal should be to ensure that South Africa benefits from the human capital it funds. If taxpayers pay for a student's education and the graduate promptly departs the country, South Africa may lose some of the economic benefits of its investment. However, entirely preventing graduates from working overseas would be difficult to implement and could discourage talented students from enrolling in the program. A national

contribution requirement would be a better solution. Students who get major public financing are likely to work, start enterprises, or perform professional services in South Africa for three to five years after graduation. Graduates who depart permanently before finishing the requirements may face less favorable repayment terms. This will strike a balance between individuals' freedom to migrate and the government's need to see a return on its investment. The proposed model's biggest problem is striking a compromise between governmental commitment to free and accessible education and South Africa's limited fiscal capabilities. Politically, the government has a responsibility to alleviate inequality and provide access to higher education. Education enhances human capital and can boost employment and production. However, the government is also required to fund health-care, social subsidies, basic education, infrastructure, and debt servicing. As a result, South Africa cannot practically offer unrestricted free higher education to all. The proposed three-part scheme represents a compromise that is suitable for South Africa. This will make public funds to be directed toward kids who require it the most. The loan component can also function as a revolving fund. The government provides funding now; graduates return when they become economically successful, and the revenues recovered are used to subsidize future students. However, the government must acknowledge that some loans will never be repaid due to unemployment or poor salaries. This is why annual expenditure limits and loan loss provisions are critical.

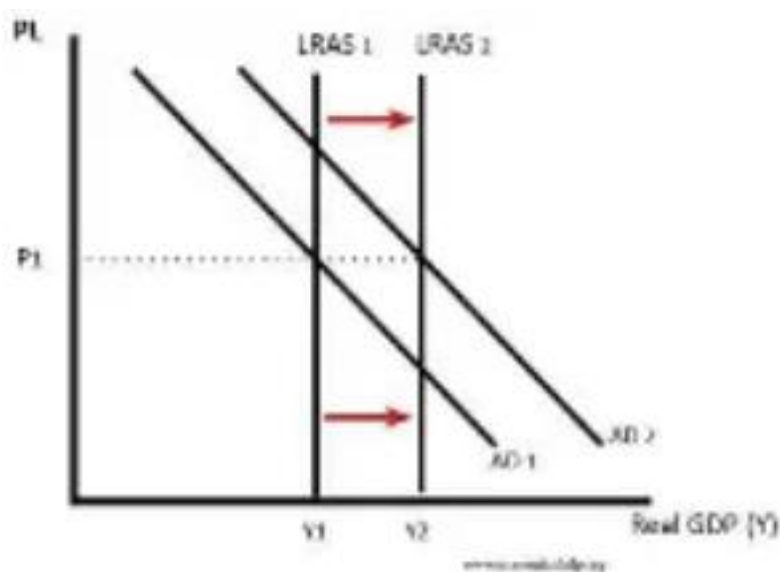
1.6 GRAPHS SECTION

1.6.1 GOVERNMENT INCREASING STUDENT FINANCING EXPENDITURE.



-Increased Government expenditure on student financing represents an expansionary fiscal policy that can increase aggregate demand in the short run. The expenditure supports student's consumption of accommodation, transport, food, books and other goods and service, thereby generating additional economic activity. As seen from the graph this will increase real GDP from $Y_1 \rightarrow Y_2$ and $P_1 \rightarrow P_2$. Government increasing will cause Budget Deficit to increase (if Government does not have sufficient revenue) This leads directly into my argument for interest-free income contingent loans.

1.6.2 LONG RUN AGGREGATE SUPPLY.



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