

How can SA build a fiscally sustainable student-financing model that enhances access to higher education? Refer to international experience in your analysis.

Who deserves education ? The Question Nobody Wants to Answer

The rising demand for university education on the African continent is unfolding against a backdrop of a fragile foundation, unclear funding models, and limited investment in infrastructure and human resources (Rexwhite and Onyenania 2007; Ilie and Rose 2016). How students in Higher education (HE) are funded is inextricably linked to what and for whom, education is believed to be for (Fuller et al 2011), South Africa (SA) offers a unique set of circumstances in debate over just and equitable ways of funding HE (Masutha et al: 2023). Adam Smith (1776) and Alfred Marshall (1890), although wary of an interventionist state, wrote treatises on public education. In this regard, they argued that education was an investment in human beings and Smith (1776) held that education was ‘an area calling for State intervention’ (Tu 1966).

A Divided Past, an Unfinished Present

After the Carnegie Commission on the “Poor White Problem” (1929-32), the state backed white poverty relief with subsidised schooling, vocational training and protected government jobs. Black South African’s were excluded from this support. The Bantu Education Act of 1953 gave Black children a separate, inferior curriculum meant to prepare them for manual labour, and funded their schools at a fraction of the level of white schools. Education was therefore used as a tool of racial and economic control, not empowerment. (...)

The National Student Financial Aid Scheme (NSFAS) was introduced in 1996 as a loan scheme to widen access for poor students, but the NSFAS Act is from 1999 despite its contribution to transforming access, many students remain unfunded or underfunded, and many graduate or drop out with significant debt, factors that often trigger annual sector-wide protest and instability (Masutha et al: 2023) like the #FeesMustFall protests of 2015 forced government to respond and in December 2017 President Jacob Zuma announced fee-free HE for poor and working-class students, implemented from 2018 as bursaries instead of loans.

Fee-Free, but Not Free of Problems

SA currently uses a hybrid funding model combining bursaries and loans:

- NSFAS provides bursaries for households earning up to R350,000 a year, covering most poor and working-class students The budget review 2026 states R54.3 billion for 744,203 (National Treasury:2026)
- A loan scheme serves the ‘missing middle’: students from households earning between R350,000 and R600,000, who earn too much for a bursary but cannot afford fees unaided.

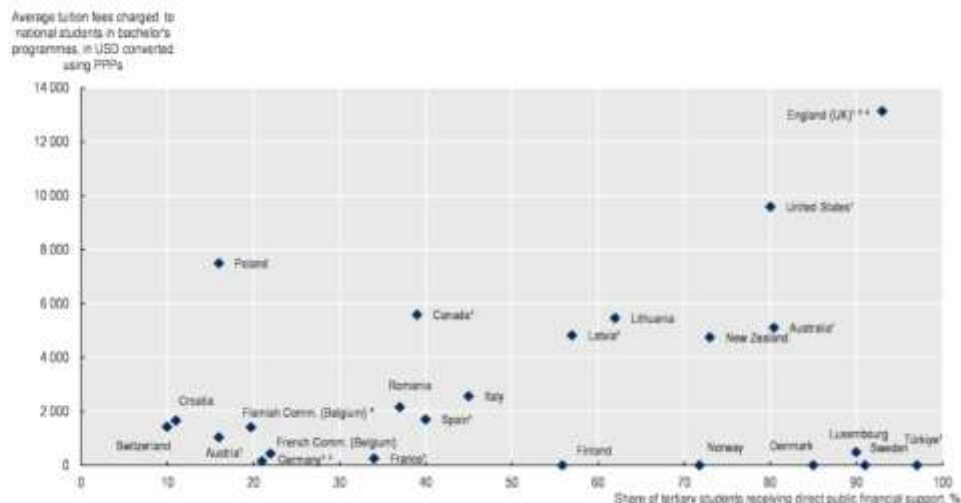
In evaluating the setbacks of the post-2017 model we note that it :

- Abandoning student loans in favour of fully subsidized free HE in the form of grants removes the student's repayment obligation
- It redefined the boundaries of what constitutes a poor and working-class household from a combined annual household income of R122 000 to R350 000
- The cost has been carried partly through the regressive Value Added Tax (VAT)(Haines 2018).Vat rose from 14% to 15% in April 2018 , basic foods are zero rated (Budget review 2018) which softens the regressivity without removing it Indirect taxes such VAT take a larger share of the income of poorer households(Philips & Heweings:2021).
- The system is also under strain: NSFAS faces a growing budget shortfall, as the number of students needing funding has grown
- Perhaps most damaging setback has been the mismanagement of the NSFAS much of which has played out publicly. These deficiencies were long identified in the Balintulo Report of the scheme's first decade (2000–2010): declining HE expenditure in real and per capita terms, debt crisis driven by the illegal blacklisting of indebted students, inefficient means-testing, a debt trap and high non-completion(Balintulo: 2010).

Beyond loans and borders

Figure X: International models of tertiary education financing

Figure C5.6. Annual average tuition fees charged by public institutions to national students enrolled in bachelor's programmes and share of national students benefiting from direct public financial support (2022/23)



Source OECD(2025), *Education at a glance 2025:OECD Indicators*,Figure C5.6,P.338

Systems differ in their trade-offs. High-fee systems with strong financial aid can maintain access for many yet often result in high levels of student debt and long repayment periods. Countries with low or no tuition and generous public support promote broad access and low

student debt but often finance these benefits through higher taxes. Moderate-fee systems with targeted aid rely on progressive taxation to limit overall costs, but risk under-supporting middle-income students. Systems with high fees and limited aid may incentivise institutional efficiency but can create financial barriers for disadvantaged groups. No model is without its challenges effective design of policies depends on national priorities, fiscal capacity and equity goals (OECD 2025).

The Minister says an ICL is being considered to build a sustainable model. An ICL is repaid only once the graduate's income passes a set threshold, which is the approach the Heher Commission recommended (Heher:2017) Increasing VAT to finance education policies has detrimental effects on the impoverished segments of society (Phillips and Hewings 2021). Cloete and Van Schalkwyk (2021) and others argue for a return to an ICL student loan model. The economics is that SA's repayment base is thin: high unemployment, a small personal income-tax base, and an existing student-debt problem.

while means-testing, can be an effective way to target resources to those in need, it also presents inherent challenges and drawbacks. We need our country to dive into a more technology dense systems which uses algorithms to track and adjust such accordingly and not lean onto human capability.

SA is heavily dependent on taxation while some comparable economies derive considerably more public income from non-tax sources. The question isn't simply "can SA build a fiscally sustainable student-financing model but also Can SA raise revenue to finance higher education?

From Minerals to Models. learning from abroad

SA is sitting on an enormous resource base, yet non-tax revenue is a very small component of government revenue. The OECD's latest comparable data puts SA's total non-tax revenue at only about 1% of GDP in 2023. That is extraordinarily low compared with the African average of 5.9% of GDP. The stakes are large: SA exported R816 billion of minerals last year and paid R124 billion. A boom is under way now. One economist expects R30–40 billion a year in extra mining company taxes in 2026/27 and 2027/28, plus R10–15 billion a year in extra royalties, and stresses not spending the windfall. An analyst argues that royalties stayed in single-digit billions even when profits exceeded R200 billion.

and its mineral wealth is largely exported unprocessed. Now .Countries such as Libya and Botswana started from similar positions: low incomes and a large population with little formal education. In both, a key part of the financing model was using mineral wealth to invest in people, Botswana's diamond revenue supports a government sponsorship scheme that covers most tertiary students, and Libya's oil revenue paid for free education at every level and literacy reached about 89.5%.. Both models show that resource wealth can widen access.

The following issues arise in SA and their potential solutions

- **the state does not own the mines** ,Private companies hold the mining rights, and the state collects through taxes and royalties. Ramaphosa made the point in 2024: unlike nations that use their natural resources for a sovereign fund, SA already extracts taxes and royalties from private mining houses(EWN: 2024) but Botswana negotiated a 50-50 partnership with De Beers through Debswana and saved part of its diamond income in the Pula Fund, created in 1994, so that public spending, including education, did not depend on one boom. SA's context is different but comparable: SA does **not** need to copy 50% across all minerals; the state owns the **right** to minerals, not the mines (Mining Weekly:2026) a solution can be a Botswana-style selective stake in strategic minerals (chrome, manganese etc) rather than blanket ownership.
- **Royalties go into the general pot, and there is no fund** SA has no mineral sovereign fund. There is no fund capitalised by mineral rents, no formula-based windfall escalator and no rules-based revenue share for host communities. A R30 billion fund was announced in 2020. In 2024 Treasury replied that structural current account and budget deficits mean the conditions for a fund are not in place. (Daily Maverick:2026) treasury chose this deliberately. Its 2008 policy statement said that the full earmarking or ring-fencing of mineral royalty revenues is not supported (National Treasury 2008) but If we look at Texas , Texas locks resource income into an endowment, while SA spends it as it arrives. For SA, mining tax above a set baseline would be ringfenced. Until the deficit closes, the saved money would pay down debt instead of sitting in a fund. This overrules Treasury's objection that saving while borrowing makes no sense. however, if we can model it in a similar to Norway, where spending is capped by a fiscal rule based on its expected long term real return.

Beyond the Status Quo

Some may argue that mineral royalties' revenues will tend to be cyclical, especially given the commodity price cycle, and such revenues may decline over the long-term as a result of the gradual depletion of our mineral resources.

https://www.treasury.gov.za/comm_media/speeches/2008/2008082102.pdf While many commodity-dependent economies struggle with fiscal profligacy during boom periods and painful austerity during busts, Botswana's institutional architecture has enabled remarkable macroeconomic stability despite diamond price fluctuations. Similarly, where other nations

have squandered resource windfalls on unproductive expenditure SA has enormous mineral wealth. But if the government simply: extracts, collects royalties/taxes and spends it once the mineral is gone, the wealth is gone the real opportunity cost is **Can SA afford not to convert its natural-resource wealth into human capital?** if government uses part of the economic value generated by minerals to converting finite natural capital into renewable human capital.

Analysts have described SA's mining industry as in decline, and they argue the country lacks large oil and gas revenues. (Mining: 2026), An earlier amendment bill aimed to give the state a 20% minority stake in new oil and gas ventures and to require part of extracted resources to be processed locally. It was withdrawn after industry objected that it would discourage investment BUT One Pretoria study noted that despite the additional royalties, mining companies still invest in SA because the main drive for investment is managing risks and investing in projects that yield positive net present values. Typical risks to be managed are taxation laws, political uncertainty and social issues. These risks should be kept under control as the likelihood of mining companies walking away from investments is high when these risks spiral out of control. <https://repository.up.ac.za/items/33f22ed6-5249-409d-896d-2aa3deb67809/full> so treat it as a debate and not a settled fact.

Botswana's non-tax revenue is partly influenced by SACU transfers, which South Africa does not receive in the same manner. Therefore, the lesson for South Africa is not Botswana's entire economic model, but its strategy for capturing and converting value from natural resources.

These country's exemplary performance stems from a carefully designed natural resource revenue management system that systematically aligns fiscal policy with long-term development objectives. At its core, this framework rests on several mutually reinforcing institutional pillars:

- macroeconomic stabilisation to mitigate the volatility inherent in commodity markets
- strategic prioritisation of development expenditure to transform finite mineral wealth into sustainable growth drivers (OECD, 2019).
- clearly defined fiscal rules
- independent fiscal advisory councils
- properly structured commodity-based SWFs (Dixon et al, 2022).

The way forward a model worth fighting for

As soon as HE is treated as a commodity, it is more accessible to some members of the public than others SA has historical evidence that deliberate public investment in human capital can form part of an economic-upliftment strategy. The democratic state can retain the economic principle while completely rejecting the racial exclusion of the historical system. Against this SA's background, reintroducing income-contingent loans, which place the cost of access on students from already disadvantaged households, risks entrenching the inequality that the post-apartheid funding model set out to correct Why should a fiscally constrained, highly unequal post-apartheid society be expected to finance the entire expansion of HE through taxation alone, when the country possesses substantial non-renewable natural-resource wealth that can potentially be converted into human capital?

I suggest policy recommendations grounded in Botswana's adaptable model rather than importing idealised frameworks from advanced economies. non-tax revenue could contribute to higher education, but only through a legislated fund with fixed rules, and only at a modest scale. Texas shows the design works. Botswana shows what happens when rules are loose. SA's low non-tax return is mostly a policy outcome, not a resource shortage. The causes are private ownership, a capped and profit-sensitive royalty, no state dividends, and no ring-fenced fund., and why any change would have to start with ownership and fund design. Through: state participation where appropriate, beneficiation, better resource management, strategic partnerships, potentially saving exceptional resource revenues SA needs to diversify its fiscal revenue base by improving the return generated from assets and resources already under public custodianship or ownership, while maintaining taxation as the primary stable source of revenue. Because the OECD shows that non-tax revenue is more volatile than tax revenue, partly because non-tax sources fluctuate (OECD) non-tax revenue can fund higher education, but only when it is ring-fenced and invested rather than spent as it comes in. **non-tax revenue should complement taxation, not replace it.**