REMARKS BY THE MINISTER OF HIGHER EDUCATION AND TRAINING

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Policy Plenary: University Financing

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Chair, Professor Lewin — and it is a peculiar kind of pleasure to be in conversation with you from a different seat tonight, as Minister rather than colleague.

Distinguished members of the Centre for Global Higher Education; fellow panellists — Dr Sze, joining us from Hong Kong; Professor Motala; Professor Oketch — good afternoon.

Let me begin by honouring the memory of Professor Claire Callender, whose life and contribution were celebrated in the opening plenary of this conference this morning. I did not have the privilege of knowing her personally. But her influence is unmistakable in the work of the researchers and advisers I rely on, and in the framing of our own debates in South Africa about student debt, aspiration, and the long shadow that loan-based financing casts over young lives. When we argue, in Pretoria, about whether to return to an income-contingent model — and we do argue about it — we are, whether we know it or not, arguing with her evidence. That is a rare kind of legacy for a scholar: to shape the questions that a government on another continent is still trying to answer.

I want to thank the CGHE, and Kellogg College, for the invitation. Kellogg was founded in 1990 to widen access to Oxford graduate study for people who carry lives and careers outside the academy — part-time

students, mid-career professionals, parents. That premise — that higher education should bend towards the shape of a life, rather than demand that a life bend towards it — is not a bad place from which to begin a discussion of university financing in 2026.

I. A paradox

I have come to you this afternoon to describe a paradox, because honesty is more useful than advocacy in a room like this.

The paradox is this. The South African state's commitment to higher education, measured in rands, is extraordinary. Our higher education and training budget has been among the fastest-growing lines in national government over the past budget cycle. The state pays the tuition fees of approximately 62 per cent of undergraduate students at our public universities. At most of our institutions, the state — not families — is now the majority payer of fees. That is a statement of public commitment that few middle-income countries can match.

And yet, over the same period, our universities have grown poorer in real terms. The university block grant — the discretionary subsidy that pays academic salaries, keeps laboratories running, and sustains research — has grown at approximately 3.9 per cent annually, well below inflation. Infrastructure budgets have been cut. The development grants for our two newest universities — the University of Mpumalanga and Sol Plaatje University — have been reduced by more than half, ten years into fifteen-year development plans. Student debt held on university balance sheets has climbed to around twenty-three billion rand. More than half of that is impaired. It is, in plain language, lost income.

So here is the paradox: *the South African state has never spent more on higher education, and the South African university has rarely felt more fragile.*

II. How we arrived at this paradox

To understand this, one has to understand what happened after the 2015 and 2016 student movement we know as #FeesMustFall.

In 2017, in response to that movement and to an entrenched crisis of affordability, South Africa announced fully-subsidised higher education for students from households earning below a defined threshold. It was, in the comparative free-tuition conversation that this conference has been interrogating since this morning — alongside Chile, alongside the Philippines — one of the more ambitious experiments of the last decade.

It has achieved real things, and I want to name them before I name what has gone wrong.

The demographic composition of our universities has continued to shift in the direction of redress. Our own longitudinal cohort studies show that students on full state financial aid — our NSFAS-funded students — are completing their degrees at rates roughly ten percentage points above the general cohort. That is counter-intuitive to some. But it is consistent with what we know from the international literature: financial precarity is a heavy drag on academic performance, and removing it is transformative. Young people from working-class and rural households who, a decade ago, would simply not have been at university, are now there, and are on the whole succeeding.

I say this plainly because the critique of our funding model is often levelled as though the policy had achieved nothing. It has achieved a

great deal. But the design of the 2017 settlement had a structural flaw, and that flaw has become clearer with each budget cycle.

When student aid is entirely grant-based; when it is uncapped in its growth relative to enrolment demand; and when it is funded from within a fixed higher education envelope — then the rest of that envelope is squeezed. Since 2019, shortfalls in the NSFAS budget have been addressed through reprioritisation within the higher education budget itself. In effect: the subsidy that pays our lecturers has been used to pay student fees. The infrastructure grant that builds lecture theatres has been used to pay student fees. The research development budget has been used to pay student fees.

Student financial aid policy has come to drive higher education funding policy, rather than to support it. Over a long enough horizon, the funding for poor students will outstrip the funding for the universities that teach them. That is not sustainable. That is, to borrow a phrase, how a system becomes a victim of its own generosity.

III. What we are doing about it

I am not interested in retreating from the principle of 2017. That no South African young person should be excluded from higher education because their family is poor — that is not, for our government, a bargaining chip. It is the constitutional conviction from which we begin. But we cannot preserve that principle by allowing the rest of the system to collapse around it. So let me describe, candidly, the work now underway.

First: a sustainable student funding model. My department is taking a four-tier student funding framework through Cabinet, with the objective of implementation from 2027. The details are still being

finalised, and I will not pre-empt Cabinet here. But the direction of travel is this: a continued full grant for the poorest; an income-contingent loan tier for what we have come to call the 'missing middle' — those too wealthy for NSFAS and too poor for private financing; a bursary mechanism oriented towards scarce and critical skills; and a reformed tier of private contribution. The intellectual inheritance of Professor Callender, and of the scholars gathered across this network, on what makes an income-contingent loan either a bridge or a trap, will be central to the design. We are acutely aware that a badly-designed loan scheme can do more damage than the problem it was intended to solve.

Second: a fee regulatory framework. Fee regulation has, in truth, been in place in South Africa since 2016 — not by statute but by an annual compact between the Minister and the vice-chancellors, in which we negotiate a sector-wide cap on fee increases. This has held tuition inflation, which is to the good. But it has also frozen in place enormous historical inequalities between institutions. The fee at a historically white, research-intensive university and the fee at a historically Black university in a rural province are not the same, and the gap has become a proxy for many other inequities. We need a formal regulatory framework that, over time, narrows these differentials and creates transparency for students, for families, and for the state that pays most of the bill.

Third: the reform of NSFAS. I will be frank with this audience. The administrative machinery that currently delivers South Africa's student aid is not fit for the scale or complexity of what it is being asked to do. Payments are late. The policy decision to extend NSFAS into accommodation funding produced, in some instances, a private-landlord market that is now the subject of separate investigation for fraud at an

unacceptable scale. We are not tweaking that system. We are rebuilding the student financial aid administrative architecture for the long term.

Fourth: differentiation and articulation. We want a higher education system, not only a university system. That means properly incorporating our agricultural colleges. It means creating a regulated pathway for strong private institutions to become colleges, and in due course universities, under a new policy on institutional types. It means building far better articulation between our TVET colleges, our community education and training centres, and our universities. A gross enrolment ratio of approximately twenty-five per cent is too low for a country with our demographic pressure and our skills deficit. We will not get to forty per cent by building more universities of the 1960s kind. We need a differentiated system with real and dignified pathways between its parts.

Fifth, and perhaps most uncomfortable for a Minister to raise in a scholarly forum: public trust. Across much of the democratic world, universities are losing the confidence of publics that once regarded them as self-evidently valuable. In South Africa the reasons overlap with what colleagues from the United Kingdom, the United States and elsewhere have described during this conference — graduate unemployment, cost, a perceived distance from the realities of working-class life — but they are sharpened by our particular history. If we do not rebuild that trust, the political coalition that sustains public funding will erode, regardless of how elegantly we design the funding instruments themselves. Building trust is not a communications problem. It is a governance problem, an outcomes problem, and a transformation problem.

IV. What South Africa offers this conversation

Let me close by saying what I think South Africa offers to the conversation this conference has convened.

We are sometimes viewed, particularly since 2017, as a cautionary tale — the free-tuition country whose fiscal arithmetic did not quite add up. I understand why. But I would ask you to see us also as something else: a middle-income country that has refused to treat the affordability of higher education as a matter of consumer choice, and has decided, as a matter of constitutional conviction, that poverty cannot be a fee a student pays to remain poor.

What we are struggling with — the tension between broad-based access and institutional sustainability; between the financing of students and the financing of knowledge production; between redress and quality; between free tuition as a political promise and free tuition as an implementable system — these are not, in the end, South African problems. Chile is wrestling with them. The Philippines is wrestling with them. Brazil is wrestling with them. Much of the African continent, about to undergo a demographic expansion that will roughly double higher education demand within a generation, is wrestling with them in advance.

If there is a contribution we can make to the work of the Centre for Global Higher Education beyond providing another case study, it is this: the questions of affordability, access and sustainability cannot be answered one country at a time. They require the comparative, evidence-led, policy-engaged research that this Centre exists to produce. We need you — and I mean this bluntly — to keep asking hard questions about what works and what does not. Including hard questions about us.

I came here this afternoon to describe a paradox, and I will leave it with you to interrogate. But I will say this in closing. I would rather govern a

higher education system that is trying, imperfectly and sometimes clumsily, to make education a public good, than govern one that has given up on the attempt. That is the system I came into office to serve. And that is the system my department is working — with our universities, our students, our researchers, and our international partners, not least those in this room — to rebuild.

I thank you.

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