



**The DA's Alternative
Funding Model:
Higher Education
2024**

This financial shortfall for student funding has dire consequences, as it is the students who bear the brunt of this situation. To ensure the long-term sustainability of the funding system, the funding model needs to fundamentally change. The DA is committed to tackling this challenge head-on by initiating a comprehensive reform of the current funding model. This revamped model will inject additional resources into the system, thereby enabling NSFAS to deliver their mandate.

1. The DA will Reform NSFAS and Create a Sustainable Funding Environment

To achieve this, the DA proposes the implementation of a tiered system for loans and grants, with a primary focus on providing substantial financial support to students hailing from low-income households. The idea is to minimise the dilution of financial aid for these students.

Under the [DA's alternative funding model costing proposal](#), students will have access to a variety of government loans, each coming with favourable repayment conditions. This differentiated loan scheme suggests the introduction of income bands linked to the portions of awards, and the regular updating of these bands. This approach has the potential to facilitate repayment to the state at a later stage, thus replenishing resources that can then be redirected towards supporting incoming students. This way, we will ensure that loans cover the full cost of study of some eligible students rather than a portion of the costs for a larger group.

- a) Providing proportional assistance to those in the “Missing Middle” who can afford to pay a portion of their expenses.** By using updated criteria, we will essentially fund NSFAS at a higher level to provide proper support for the poor and “Missing Middle”. We will ensure all applicants from households with an annual income of up to R600 000 have a fair chance to apply for financial aid.
- b) The Funding Model of loans will also be combined to include scholarships as an option.** Scholarships will be awarded to outstanding students and are non-repayable.
- c) Converting loans into bursaries will be considered based on the academic performance** of the student. This will ensure that hard work is rewarded, and this approach will be viewed as an incentive measure with the aim of ensuring a better throughput rate of institutions.
- d) Higher Education will not be free for those who can afford to pay their tuition.** Students from high-income households will not receive government financial support for fees or other expenses, as they will either be able to pay for their studies themselves or are eligible for bank loans. A hypothetical example of such a banded system is given below:

Table 1: Banded Funding Model

| Annual household income | Loan |
|--------------------------------|-------------------------------|
| R0 – R180 000 | Full cost of study |
| R180 001 – R350 000 | 66% of the full cost of study |
| R350 001 – R600 000 | 33% of the full cost of study |

Additional types of differentiation could be introduced over time.

- e) **The DA plans to collaborate with the private sector to enhance access to student funding via bank loans and sponsored scholarships.** This partnership aims to provide students with more financial options, potentially with fixed or reduced interest rates on loans.
- f) **The DA will ensure flexible repayment conditions to ensure affordability.** Under this scheme, loan repayment will only be obligatory once the recipient secures a well-paying job, ensuring affordability. Additionally, the repayment terms will be tailored, considering personal factors, such as the number of dependents supported by the recipient.
- g) **The DA intends to establish an effective debt collection system** by collaborating with the South African Revenue Services, the Credit Bureau, and potential employers. This aims to combat the issue of student loan non-payment and guarantee that resources are reintegrated into the system. It will automatically include loan repayments in students' tax expenditures by SARS, for students earning above the pre-set amount. In consultation with SARS, the pre-set amount will be decided on by NSFAS based on principle affordability.

The DA's alternative and sustainable funding model proposed will ensure that there are more funds available. In this context, budgets for accommodation allowances could be broadened.

- 2. **Decentralise the administrative functions of NSFAS to institutions.** This would prevent administrative backlogs and prevent funding delays.
- 3. **The DA's strategy involves collaborating with private student accommodation providers through the establishment of public-private partnerships.** Recognising that student accommodation is a vital public asset, the DA acknowledges the crucial role played by private providers and developers in meeting the demand for student housing, especially in areas

where government efforts fall short. The current NSFAS approach often perceives private service providers as enemies, however the DA aims to enhance this relationship. Under our plan, private student accommodation providers will be granted the autonomy to develop, own, and manage their facilities.

4. **The DA will consider subsidisation of student accommodations to lower the costs incurred by students for staying in these facilities.**
5. **The DA will conduct an updated national survey on the state of Higher Education** in South Africa, which will include an investigation into the projected demand for student accommodation. This can then guide the policy approach to ensuring quality and affordable student accommodation.
6. **The DA recommends that cases are reported to the Competition Commission for a market inquiry into the sector¹** to address the allegations of price collusions with student accommodation providers. The Competition Commission is responsible for “the investigation and evaluation of restrictive business practices and abuse of dominant positions to achieve efficiency in the South African economy.”¹The Commission is best placed to conduct investigations into these allegations. Regulations to the industry can thus be applied based on the outcome of the investigation.

The commitment of the DA to confront this challenge head-on by initiating a comprehensive reform of the existing funding model is a significant step in the right direction. This proposed model, once realised, promises to infuse much-needed additional resources into NSFAS. This not only eases the financial strain on students but also makes higher education more accessible to a broader spectrum of aspirant learners.

¹ In order to determine whether any element of a market prevents, distorts, or restricts competition within that market, regulators use market inquiries as a tool to carefully assess the general state of competition within a market for specific goods or services.

End Notes

¹ Competition Commission. (2023). The Competition Commission of South Africa. [Online]. Available at: <https://www.compcom.co.za/>. [Accessed: 23 August 2023].