

# The Elusive Quest for a Functional Higher Education Funding Mechanism for South Africa: A Time to Walk the Talk

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**Abstract:** The South African higher education (HE) sector faces a watershed moment. A key question on most minds is: what is the best way of funding higher education in South Africa? Although relevant stakeholders might have conflicting interests on this matter, the ultimate goal must be to find a mechanism that best responds to South Africa's developmental realities and aspirations. A marked feature of the SA (and indeed global) HE sector has been increased demand, in excess of supply for HE services. Additionally, there has been increased pressure on the national treasury for competing public goods such as transport energy and healthcare infrastructure. The effect of this has been dwindling state subsidies for HE, which has compelled state-owned higher education institutions to explore alternative sources of funding, notably rising tuition fees and other commercial revenue streams which hitherto were typically associated with private HE providers. The "fees must fall" student unrests which gripped most HEIs in South Africa in 2016 signaled the heightened and growing discontent among students (and by extension, their parents and sponsors) regarding the crippling effects of current HE funding mechanisms in SA. In response to this and related matters, the Fees Commission was set up and delivered its report on 12 November 2017. But before the key findings and recommendations of this report could even be understood, President Jacob Zuma in a knee-jerk reaction seized the occasion of the opening of the 54<sup>th</sup> conference of the ANC to announce conditional free higher education. Using a thematic analysis of SA's own experience and selected international experiences and in the context of the envisaged development trajectory for South Africa, this paper argues that major shifts in the psychosocial compact between government and the people are required to find an enduring solution to the current HE funding debacle. More specifically, it offers some recommendations towards attaining such a solution.

**Keywords:** Financial access, Heher Commission, Higher education funding, Income-contingent loan

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## 1. Introduction

Almost a decade ago, Altbach, Reisberg and Rumbley (2010) warned that the 2008 global economic crises would have repercussions in higher education in ways that were yet unclear. Rather prophetically, they predicted that many countries would be forced to introduce or increase student fees, enforce cost-cutting measures such as freezing academic posts and holding back on the expansion of facilities and innovations, with the attendant impact of eroding the quality of educational delivery, in the face of ever-rising demand for access.

South Africa faces its fair share of global challenges confronting the higher education (HE) sector, notably rising massification, commodification and internationalization (Nixon, Scullion & Hearn, 2018). Underneath these topline issues is the question of how best to fund such a dynamic sector, so that both the strategic goals of higher education and national development are best achieved? This

question rose to the pinnacle of national discourse in South Africa in the last quarter of 2015, epitomised by the #FeesMustFall student protests which rocked almost all HE institutions (HEIs) in South Africa. In spite of demonstrated political will by the government and HEIs to address the question of HE funding, a permanent solution remains elusive. This paper offers a critical review of the pathways to funding HE historically followed in South Africa; the main proposals tabled by key national forums tasked with finding solutions to the recent HE funding debacle; and pertinent international experiences on HE funding and proffers recommendations which might contribute towards a more functional and sustainable HE funding mechanism for South Africa.

For the purpose of this paper, a relatively narrow definition of HE is adopted, which is limited to public universities. Although other important components of the South African HE system, such as colleges and private HEIs, are recognised we believe that

the nature and largely unique purposes served by these components warrant differentiated funding strategies which cannot be comprehensively interrogated in one article.

## 2. Rationale, Research Objectives and Approach

It is widely accepted that HE serves two primary goals, namely, national development and personal growth. In the context of South Africa with a well-entrenched history of social inequality, HE serves a third key goal, namely, as a vehicle for social justice.

South Africa's national democratic project is now well into its third decade and is expected to be reaching maturity. In its first decade, an intensely developmental approach to HE reforms was adopted, with the primary goal of opening up access to large segments of society that were hitherto systematically excluded from the rights and privileges of HE (DOE, 1997). By the second decade, the need to balance access with quality came to the fore and the focus rightly shifted to quality regulation and promotion (DHET, 2013). In the current decade, while the questions of access and quality remain pertinent, a new question that preoccupies national policy makers and leaders in the HE sector is how best to fund the HE sector so that it continues to effectively serve strategic national objectives.

As at 2007, HE funding was already a topical matter at the 52<sup>nd</sup> conference of the African National Congress (ANC). A key resolution of that conference was the governing party would progressively introduce free education for the poor until undergraduate level. Since then, and while the full

realisation of that resolution remains pending, state subsidies to universities have continued to decline in real terms. In reaction, universities have had to increasingly rely on tuition fees and third stream incomes (i.e. contract fees, donations etc.) to fund their programmes (DHET, 2018).

Although in nominal terms the yearly increases in state subsidies to universities were consistently higher than the average rate of general inflation (measured by the consumer price index (CPI)), it remained below the higher education price index (HEPI) which more accurately reflects inflation within the HE sector (HESA, 2014).

NSFAS was created through the NSFAS Act of 1999 as a conduit for financing HE access for poor students. While NSFAS has achieved much in fulfilling its mandate, the data indicate that the agency has been under increasing pressure to meet its financial obligations (CHE, 2016). Three fundamental reasons for this trend are identified (CHE, 2016; DHET, 2018): (i) declining real value of state allocation, (ii) increasing demand and (iii) persistently low recovery rates of loans. Further, most universities, especially the historically disadvantaged institutions (HDIs) have very limited capacity for generating third stream incomes. As a consequence, most universities have increasingly placed the burden of cost of HE on the students, in the form of tuition fees. The impact of rising fees is further exacerbated by the rise in related costs of HE, notably student accommodation and living expenses.

In the last quarter of 2015 and through most of 2016, the South African HE sector was embroiled in a series of student protests. What started as

**Table 1: Changes in the Real Value of per Capita State Funding of Public Universities in South Africa: 2012 - 2017**

Financial year	Block grants (R '000) - excluding NSFAS and Earmarked grants	Enrolments	R'000 per student	% Increase in funding per student	% Nominal increase in funding	CPI	HEPI *
2011/12	19 354 159	938201	20.63			5.71	7.51
2012/13	20 902 779	953373	21.93	6.28	8.00	5.30	7.10
2013/14	22 388 767	983698	22.76	3.81	7.11	5.32	7.12
2014/15	24 155 093	969155	24.92	9.51	7.89	5.18	6.98
2015/16	26 342 110	986212	26.71	7.17	9.05	7.07	8.87
2016/17	27 964 560	975835	28.66	7.29	6.16	4.50	6.30

\*Average Higher Education Price Index (HEPI) is estimated at a conservative CPI + 1.8

Source: DHET (2018) and USAf (2017)

a demand for broader social reforms, tagged #RhodesMustFall soon morphed into the more focused demands for reforms in HE funding. In response, government took a number of short term measures (e.g. tighter fees regulation and increased allocation to NSFAS) aimed primarily at stemming the tides, while the Commission of Inquiry into Higher Education and Training (CIHET) was tasked with finding long term solutions to the question of HE funding and related matters. The commission, chaired by retired judge Jonathan Heher released its report (hereafter referred to as the Heher Report) on November 13, 2017.

Addressing the opening of the 54<sup>th</sup> congress of the ANC, then ANC President, Jacob Zuma reiterated the party's commitment to implementing free higher education for poor students, citing the Heher Report as the basis for a sustainable implementation of this policy (Zuma, 2017:9). This sentiment was carried through in the conference resolutions and has since triggered a series of political decisions such as the DHET directive for zero fees increase in 2018 as well as budget adjustments by National Treasury.

Against the above background, the quest for a workable and sustainable solution to the funding of HE in South Africa remains ongoing. The main aim of this paper is therefore to critically review and reflect on the documentary evidence pertaining to the funding of HE in South Africa vis-à-vis relevant international experiences, so that suggestions for a more nuanced, functional and sustainable solution can be advanced. In pursuit of this aim, the paper targets the following specific objectives:

- To critically review the evidence and recommendations of the Heher Report and related reports in respect of HE funding in South Africa;
- To identify and motivate key international experiences in HE funding that might be beneficial for South Africa;
- To advocate for fundamental shifts in the way key stakeholders in HE, notably students, government and the universities perceive their rights and obligations in respect of the provision and funding of HE.

In tackling these objectives, the authors adopt a rather unconventional research approach, based on a conceptual analysis of secondary documentary

evidence, juxtaposed with the authors' own experiences both as members of the South African public and as HE practitioners.

### 3. The Strategic Objectives of Higher Education Funding in South Africa

Globally, HEIs have been recognised as strategic instruments for addressing key policy priorities; as sources of research and innovation and agents of social justice and economic development (Bamiro, 2012:2; Bray & Varghese, 2010:47) and SA is no exception.

South African Higher Education Institutions (HEIs) are established in accordance with the *Higher Education Act, 1997*, as amended. However, individual institutions reserve the prerogative to develop their own policies on matters such as the mechanisms for financing their operations, within the broader national regulations. The *Bill of Rights* enshrined in the Constitution of the Republic of South Africa *inter alia*, provides that further education must be made progressively accessible, through reasonable measures, to all who qualify. The development of the system of higher education, according to the *Education White Paper 3, 1997*, cannot be left to market forces, especially since it is not able to find solutions to the reconstruction and development challenges of the country. The White Paper proposes a planning model of higher education funding which is able to achieve amongst others, pertinent policy objectives of equity in the system of higher education and a funding framework which is responsive to national economic and social needs and ensures stability in the budget process.

In the heat of the 2015/16 protests by students at SA HEIs, many questions regarding the purpose and approach to HE funding in the country surfaced from diverse stakeholders, notably the students, government and the Universities, often signaling competing interests. The only areas of agreement were limited to two goals, namely, increased access and better quality of provision. On a third goal, namely fairness and equity, the students seemed to contradict themselves in how it should be attained, by calling for free HE for all, which in the view of many, would reinforce existing socio-economic inequalities (HESA, 2008; van der Berg, 2016). The key issue of disagreement however, has been how to sustainably fund the envisaged increases in both access and quality. Some of the pertinent questions

that have surfaced in this regard are (Baijnath, 2016:2,4):

- Can a developing country such as SA afford free higher education?
- How can the demands for increased funding to HE be balanced with competing demands such as health and basic education in a fiscally constrained environment? And lastly,
- Should the goal be for free HE for the poor or for all?

These and other related questions were at the core of a colloquium at the instance of the CHE on 3 December 2015 and subsequently, a Presidential Commission – CIHET. A critical review of the key findings from these and other related reports might help surface a shared understanding of how the question of HE funding in SA should be best approached.

### **3.1 Key Issues and Recommendations From National Forum on the Question of HE Funding in SA**

#### **3.1.1 The Davis Tax Committee Report**

The Davis Tax Committee (DTC) Report on funding for tertiary education published on October 2016, argued that fee-free higher education for all is neither economically possible nor desirable in the short to medium term for South Africa. The committee which serves an advisory function to the Minister of Finance recommended a hybrid system made of grants for the poor, government-backed income-contingent loans for the so-called missing middle (i.e. students from families whose household incomes are too high to qualify for grants yet too low to qualify for commercial loans) and full fees for the wealthy (DTC, 2016:5).

#### **3.1.2 The CHE Colloquium of December 2016**

Although the presenters at the CHE colloquium articulated their views in their personal capacities, several points of convergence were evident. Signaling the positions of various participating agencies notably the DHET, NSFAS, some universities and NGOs active in the HE domain, the following views stood out (CHE, 2016:11-32):

- The South African Constitution does not guarantee access to HE as a fundamental human right

but rather, one that must be earned; hence the idea of free HE for all has never been a policy aspiration of the SA government.

- Free HE for all is neither feasible nor desirable.
- Any funding model must be rooted in the values of Efficiency, Access, Fairness and Equality. Although government-backed income-contingent loans were identified as the model that best reconciled all these values, it was conceded that financing such as scheme remained problematic, especially in the face of ever-rising demand for HE places.
- In general, a cost-sharing funding model remained the best way of financing HE in SA, which is regarded as both a public and private good.

One key outcome of the colloquium was a shift in linking student loans to the income potential of the family or sponsors, but to the student's own future earnings. This shift also implies a reconceptualisation of who constitutes the poor; no longer defined in terms of the students' background, but their own potential earning capacity; thus better matching the incidence of the cost of HE to its dividends. In several instances during the conference, there was a palpable apprehension that students would not accept any solutions that required any material contribution from them (or their sponsors), whether now or in the future. Such apprehension almost forces participants to advance solutions that promise short term political gains (i.e. curbing any further student protests, at least for now) over enduring long term options.

#### **3.1.3 The Heher Commission**

In this section, we analyse the main issues deliberated by the Heher Commission and the key findings of its report (Heher Report, 2017) with a view to assessing its contributions towards finding an enduring solution to SA's HE funding debacle.

Following a very expansive consultative process involving among many other key stakeholders; students, several HEIs across the PSET sector, DHET and its associated agencies such as the CHE, HESA and NSFAS and several champions in their private capacities, the following salient points emerged from the deliberations of the commission (Heher Report, 2017:228-262):

- Although NSFAS had generally done very well in improving access to HE for the poor, its impact was severely undermined by significantly lower success rates of NSFAS-funded students in comparison to the others;
- South Africa's expenditure on higher education and training as a percentage of GDP is well below the average for African and OECD countries;
- DHET funding to universities declined from 49% to 38% of total University revenue between 2000 and 2014; a point that is further aggravated by the reality that HEPI is on average, 2% higher than CPI;
- Core principles underpinning HE funding in SA are primarily access, efficiency and fairness, as well as equality, quality and sustainability.

In seeking to address its mandate, the Commission heard and considered several proposals on how to fund HE in South Africa, notably (Heher Report, 2017:471-516):

- **Differential fees:** This approach involves charging different amounts of tuition fees, depending on the interaction of factors such as the cost of provision of individual institutions, the type of course in question, and students' socio-economic background, which would require means testing. Although means testing has the potential to provide a sensible basis for equitable contribution by families that benefit from HE, it has been criticised for two main reasons: (i) it can (and has been) easily manipulated by applicants, thus distorting the integrity of the data collected and (ii) it undermines the equality principle (Hull, 2016) as students from poor background feel stigmatised by the screening process.
- **Ikusasa student financial aid programme (ISFAP) model:** This is also a cost-sharing model involving a mixture of grants and loans from the national treasury, but with even higher reliance on means testing. Further, a distinctive feature of this model is a widened funding pool from the private sector, notably in the form of public private partnerships (PPPs), Corporate Social Investments (CSIs), Social Impact Bonds (SIBs) and B-BBEE levies.
- **Fee free for all:** Examples of systems where students pay no tuition fees, such as Brazil and Norway were considered; but neither of them fitting the SA context. For example, in Brazil, due to limited funding, only a small proportion of students can access the public universities, leaving the vast majority of students at the mercy of demand-absorbing private institutions of variable, but mostly inferior quality. Pertinent lessons from the Brazilian example are that in such a country with high income inequality (as is the case with SA), (i) free HE benefits the rich more and (ii) the private benefits of HE outweigh the public benefits; thus making a user-pay system even fairer. In Norway, the system is able to cater for the large majority of enrolments but is funded by high personal income and corporate tax rates, backed by a larger tax base than is currently possible in SA. The committee heard that in general, developing countries (e.g. Uganda, Ghana, Nigeria and Cameroon) that have experimented with free HE have since realised that it not only restricts access but also unsustainable. Many of these countries have progressively moved towards more cost-sharing models to alleviate these challenges.
- **Graduate tax:** Input on deferred payments via a graduate tax was led by delegates from the national treasury, but seemed to be fraught with more challenges than opportunities. As only graduates who are gainfully employed would be required to contribute, the tax rate might be prohibitively high, which might in turn trigger a talent flight. Also, the treasury was uncertain that such a system would be administered to ensure both efficiency and effectiveness.
- **Income contingent loans:** A HE funding mechanism financed by student loans linked to their future earnings was advocated by several presenters and seemed to be the most appealing option, in terms of ensuring access, fairness, sustainability and equality. Evidence from countries such as Australia, New Zealand and the UK suggests that such a system, backed by effective fee regulation mechanisms, enrolment planning and loan recovery mechanisms (e.g. by the Receiver of Revenue) has yielded resounding success in terms of sustained access and quality provision. This, its proponents argue, is indeed 'free education for the poor' as beneficiaries who never earn above a set threshold will never have to repay the loan. It also shifts the locus of the definition

of poverty from the student's family, directly to the student. A major weakness of this scheme is that its introduction would require a major initial capital injection, which, as evidenced by a statement by the Banking Association of South Africa (BASA), it is not ready to commit to.

Although it is recognised that internal institutional efficiencies (as indicated by pass rates and throughput rates) impact on any funding mechanism, none of the proposed mechanisms delved into how the stubbornly low progression rates prevalent in SA HEIs could be addressed.

After weighing the evidence before it and in motivating the ICL as the current optimal approach for funding HE in SA, the commission concluded that in order to achieve the ultimate goal of universal access to quality education (Heher Report, 525-536):

- An ICL system is best suited for the current SA context, as a developing country with high income inequality.
- The political pressure (mostly by students) for fee-free education is unlikely to go away and might in fact, intensify. The Commission therefore urges the government to take a common sense approach in managing student's expectations towards the realities that they would be required to pay for what they receive, in order to give future generations a chance at similar opportunities.
- In order to fund the recommended (ICL) model, the commission advises that:
  - » The primary responsibility for funding the scheme rests with commercial banks. However, it must be cautioned that until they come on board, this too remains only wishful thinking.
  - » Long unclaimed pension benefits (over R42 billion) should be used to service government guarantees and liabilities associated with ICL.
  - » An education fund should be established to which companies can make donations.
  - » All students, regardless of their personal or family means would be obliged to participate in the scheme. Those who wished to

opt out, or make an early settlement would be required to pay an equalisation premium, in the interest of social advancement and cohesion.

- » Repayments would commence once the student starts earning above a stipulated threshold and increase in direct proportion to subsequent increases in earnings.
  - » Fees must be regulated to ensure that they reflect the real cost of provision, in environments of rigorous financial management of institutions.
- The participation of the National Student Financial Aid Scheme in the funding of university students should be replaced by the ICL system. NSFAS should be retained for the provision of funding of all TVET students and TVET student support if such retention is considered necessary.
  - The scheme should progressively be extended to include all undergraduate and postgraduate students studying at both public and private universities and colleges, regardless of their family background.
- Since the release of the Heher Report, institutional response to the lingering HE funding crisis can be inferred mainly from the 2018 budget speech, as well as operational decisions made by the universities at the opening of the 2018 academic year.
- Pertinent pronouncements by the February 2018 Budget Speech in relation to HE funding include (National Treasury, 2018:14):
- An upward revision of VAT to 15% and adjustments to personal income tax brackets which are expected to raise an additional R36 billion in 2018/19 towards financing HE;
  - A total of R57 billion allocation towards fee-free HE over the next 3 years, giving HET top most priority during the period; and
  - A commitment to fully fund all new first year students at (public) HEIs from families with household incomes below R350 000 in 2018 which will be expanded in subsequent years until all students in that category are covered.

At minimum, the budget speech demonstrates government's commitment to promoting access to HE, especially for the poor. It further emphasises the view that South Africa cannot afford free higher education for all at this time; instead a hybrid system is required, comprising of grants for the poor, as well as tuition fees for the wealthy.

#### 4. Review of International Experiences in HE Funding

Some authors have sought to make international comparisons of HE funding practices by focusing on metrics such as the proportion of GDE allocated to HE funding and total allocation per student (Browne, 2010). However, such comparisons have been found to be of little instructive value, as they do not take into account the contextual differences in the relevant strategic objectives and the real impact that HE funding systems have on national development outcomes (Glennie, 2016). Perhaps a more meaningful approach is to base such analysis on the underlying principles, processes and outcomes of HE funding and the extent to which valuable lessons can be drawn to benefit the SA situation. Accordingly, this paper draws primarily from the experiences of two countries namely, Nigeria and the United Kingdom (England) which might benefit SA. The choice of Nigeria was influenced partly by its long history of HE provision and SA's major economic competitor in the African market. The UK on the other hand has an even longer history of HE provision; a major source of cultural influence on the SA HE; and lies ahead of the development curve in relation to SA and might offer opportunities for SA to flatten its own learning curve. But before delving into specific country analysis, the scene is set by outlining global trends in HE funding.

##### 4.1 Global Trends in HE Funding Practices

In most countries around the world, the conception of higher education has shifted from one of a predominantly public good to that of a predominantly private good. Many authors have reported that such shifts have coincided with the stages of national development, the public good notion favoured during early stage development and then drifting to the private good notion as the countries became more developed (Kallison & Cohen, 2009; Tilak, 2015). Countries at early stages of development tend to prioritise the goals of access and participation in HE in order to build the critical mass of

human resources needed to drive national development. However, over time, as earnings potentials increased significantly with HE, the notion of HE as private good tended to take precedence, signaled by declining public funding and a corresponding increase in the burden of HE costs on the users or their private sponsors (Bolton, 2017; Kallison & Cohen, 2009).

Tilak (2015) highlights the decline in public expenditure in HE as the most important crisis facing the HE globally, with countries with tuition-free HE now becoming a rarity. Most countries now favour a dual-track system in which tuition fees are selectively applied to exempt or subsidise the poor. In most countries, state grants and subsidies were initially replaced by government-operated student loans. However, as governments' capacity to sustain such loans became hampered mainly by low recovery rates and rising demand, most countries HE funding to income-contingent loans run by commercial banks, effectively shifting the responsibility for financing HE from government to individual families and more specifically, from parents to the individual students.

As the void left by declining state funding could not be fully filled by tuition fees, it also became imperative for HEIs to generate third stream revenues, typically by providing consultancy and commercial services to Corporates, a practice which many fear might inadvertently change the mission of HEIs (Glennie, 2016; Tilak, 2015). Declining state funding of HE has had several indirect consequences, some prominent ones including the rise in privatisation and internationalisation of HE (Altbach *et al.*, 2009). Rising privatisation is characterised by the increasing role of private (and often for-profit) HEIs in many countries, with diverse implications for access, quality and cost of HE. Rising internationalisation has been mostly driven by the need to attract foreign students, who typically pay higher fees that subsidise their local counterparts. A common critic of internationalisation relates to the quality of provision, as unscrupulous institutions from developed countries prey on gullible students in developing countries, especially when their programmes are delivered in the host countries.

##### 4.2 The Nigerian Experience

From the inception of the earliest HEIs in Nigeria in the early 1960s, they were mainly funded through

state subsidies, complemented by tuition fees. Thanks to the so-called oil boom of the seventies, school fees were abolished for all public HEIs in 1978 (Olutayo, 2016). In Nigeria, two types of public HEIs exist, namely, federal institutions and state-owned institutions. Since 1978, all federal institutions and most state institutions have been funded mainly through government subsidies, while students are charged minimal amounts (e.g. averaging \$100.00 (federal) and \$500.00 (state)) as levies (Bamiro, 2012:19).

However, while the provision of tuition-free HE in Nigeria might have made it affordable to a privileged few, it has in the main, failed to meet national objectives in terms of both access and quality of provision. For instance, a snapshot of data of all Nigerian universities between 2003 and 2007 (Akinyemi & Basse, 2012:88) indicates that, on average, only about 8.4% of all applicants were successfully enrolled. Notwithstanding the limited access, the government of Nigeria has struggled to provide globally competitive quality HE. In order to prop up the state's capacity to finance HE, the Tertiary Education Trust Fund (TETF) was created in 1993 and funded through a 2% tax on corporate profits (Bamiro, 2012:15). Additionally, public universities are required to generate 10% of their budgeted revenue from third stream income sources (Bamiro, 2012:18). In response to such pressures and with apparent lack of imagination some institutions have been engaging in mundane ventures such as the operation of bakeries and toll gates on campuses to generate additional revenue (Bamiro, 2012:18).

Despite the efforts of the Nigerian government towards providing tuition-free HE, the lack of both meaningful access and quality provision has, since the early 2000s, resulted in the upsurge of private HEIs and the emigration of many school leavers to seek HE in other countries. For example, since 2006, there has been a spike in enrolments in private HEIs in Nigeria, which have gained a reputation for better quality of provision (Obasi, 2015). This signals the importance of quality over price, as students and their sponsors (mostly families) place greater value on the private benefits of HE. The Nigerian HE system thus remains locked in a quandary of balancing cost to users with widened access and quality. The stark disparities in quality of provision between public and private HEIs in Nigeria is creating a new form of social injustice (Bamiro, 2012:20;

Iruonagbe, Imhonopi & Egharevba, 2015), where students from poorer backgrounds are condemned to poorly resourced public institutions while those from more affluent backgrounds study in the better equipped private institutions locally or in foreign universities. In response to this untenable situation, there are many who are now calling for the reintroduction of tuition fees in public universities; calls which have been met with stiff resistance by students (Bamiro, 2012:20; Okebukola, 2015). Thus driven by an unsustainable sense of security from the 'oil boom' of the late 1970s and 80s, the Nigerian government promised more than she can deliver and now faces an even bigger challenge of providing fair and affordable access to quality higher education.

### **4.3 The UK Experience**

Although the United Kingdom (UK) has a longer history of HE compared to both SA and Nigeria, she too continues to grapple with the question of funding the sector in an effective and sustainable manner. The Browne (2010) Report marks a major turning point in redefining the goals and means of financing HE in the UK and more specifically, England. The Browne Commission followed a broad consultative process (which is similar to and might in fact have influenced the design of the Heher commission) and had three main aims (Bolton, 2017; Browne, 2010), namely, to:

- increase participation in HE (i.e. access) to sustain the UK's competitiveness in global matters;
- maintain a high quality of educational provision; and
- ensure sustainability in financing HE, in pursuit of which the commission recommended higher contributions from those who can afford, including private companies.

In fulfilling their mandate, the commission was guided by three core principles. Firstly, no one should be excluded from HE for financial reasons. Secondly, no one should have to pay for higher education until they become employed and earn above a specified income threshold. Like the CEHER, the Browne Report had recommended a premium charge for students (or their sponsors) who elected not to take up the loan. Thirdly, the commission was determined that loan repayments must be affordable, being contingent on the beneficiary's

eventual income and not linked to interest rates or the outstanding balance.

As noted by Bolton (2017), most of the recommendations of the Browne Report were adopted by the UK government's 2012 HE funding reforms, with minimal modifications as outlined in Table 2.

However, the government of England soon reneged on its own policy of capping student numbers, as increases in student numbers for 2014-2016 were announced in 2013, more in line with the initial recommendations of the Browne commission (Bolton, 2017:6). This shift in policy position was an unavoidable response to ever-mounting demand for access to HE. The increases in enrolment were to be funded by the sale of older student loan books, thus ensuring that the quality of provision is not undermined. In England, the current HE funding mechanism is characterized by increasing student loans and declining grants as typified by the decision to replace maintenance grants with maintenance loans from the 2016/17 academic year (Bolton, 2017:10), thus further shifting the burden of funding from government to the student. In general, there is a clear shift towards market related costs of financing.

#### 4.4 Breaking the Cycle of Poverty

Midway into the 2018 academic year, there has been apparent calm at SA HEIs but not many are under

any illusion that the dust raised by the 2015/16 #FeesMustFall strikes has finally settled. As promised in the 2018 Budget speech, students from households with proofs of incomes below R350 000 now enjoy free HE. However, tensions continue to simmer below the surface as there are many more, in the so-called missing middle for whom access to HE remains a problem. To solve this problem now and for the future generations, something tangible needs to change.

The three commissions reviewed above are only a selection of many that have been tasked with finding a solution to the question of HE funding in SA. Ironically, each commission has ended with a recommendation to set up another task team (or similar) forum to take the process forward. For example, despite the time and resources invested into the Heher commission, it also recommended the formation of a task team to advise the minister of higher education on funding for the poor and missing middle. It appears therefore that either the truth is elusive or as a country we know it, but are not ready to face it. We subscribe to the second view and therefore urge all key stakeholders to face up to the challenge so that together, we can build an enduring democracy for ourselves and future generations.

We focus our argument on two key findings emerging from the forgoing narrative: (I) the appropriateness of the ICL system as a credible option for South

**Table 2: Higher Education Funding in England**

Browne Recommendations	Major Differences in the 2012 HE Funding Reforms
<ul style="list-style-type: none"> <li>• Remove direct public funding for most undergraduate courses and retain a much smaller amount for higher cost subjects.</li> <li>• Remove the cap from tuition fees. Institutions would keep all the income up to £6,000 per year and share any more with Government.</li> <li>• Extend student loans to part-time students.</li> <li>• Increase the loans repayment threshold from £15,000 to £21,000 and increase it in line with earnings in the future.</li> <li>• Introduce a real interest rate on loans for those earning above the threshold equal to the Government's cost of borrowing (inflation plus 2.2%) and ensure no one repaying their loan sees its real value increase.</li> <li>• Extend the write-off period of loans from 25 to 30 years.</li> <li>• Increase student numbers by 10% to remove excess demand.</li> </ul>	<ul style="list-style-type: none"> <li>• A cap on fees of £9,000, no levy on fees above this level, but obligations on the institution to spend more on access for disadvantaged students.</li> <li>• A real interest of 3% above inflation for graduates earning above £41,000 (in 2016) with a sliding scale rising from 0% (real) at £21,000.</li> <li>• Annual uprating of both thresholds in line with growth in average earnings.</li> <li>• No growth in student numbers.</li> </ul>

Source: Bolton (2017:5)

Africa; and (II) the need for better sense of social responsibility and active citizenship by the primary stakeholders of HE, especially the students, government and the universities.

The proposed ICL system places the burden of responsibility for financing HE on the primary beneficiary, the student. Current practices place the burden mostly on government and/or the student's family or sponsors. If we accept the foreground argument that the current socio-economic realities facing SA make HE more of a private good than a public one, then it is only fair that those who stand to benefit the most from HE also take responsibility for funding it. The ICL system means that students would be categorised as poor not because of their family background (as is currently the case), but because of their own capacity (or lack thereof) to be successful in their academic and subsequent career endeavours. Mindful of the current economic realities, by offering guarantees for any liabilities associated with the ICL system and by fully funding the very poor, government would have reasonably demonstrated its commitment to fulfilling its constitutional obligation of alleviating socio-economic barriers to quality HE. However, unless students embrace this project, commercial banks that are mostly expected to fund it would be reluctant to inject the necessary start-up funds as the perceived prospects of debt recovery remain bleak.

SA universities must not be tempted to divert their primary attention away from providing quality education that is responsive to the fast changing needs of society into fundraising and managing political tensions. If this happens, it would only stall the country's development trajectory.

On its part, government must continue to promote quality access to HE. Viewed from a system perspective, such efforts must include appropriate investments in the basic and further education systems that feed HE to ensure equitable access as well as offering temporary relief (e.g. through systems of deferred payments) so that the success of those who enter HE is not constrained by financial resourcing.

As intimated earlier, evidence from all responses to the 2015 student uprisings suggests that the key decision-makers are apprehensive about students' reactions to any solution that falls short of free HE for all. In the meantime, most actions only 'paper

over the cracks', while the tensions continue to build up underneath. With government-guaranteed access through a system of deferred payments, students have the opportunity to create the future they desire by owning the process and playing their part in making it work. A cultural revolution is required, to break the current cycle of poverty, so that the future of today's students is defined not by their parents' circumstances, but by their own capacity and appetite for success. Students' commitment to such a revolution, we believe, would be an act of responsible citizenship.

## **5. Conclusions and Recommendations**

For the sake of clarity, the conclusions and recommendations of this paper are framed against its stated objectives. The first objective was to critically review the evidence and recommendations of CIHET and related reports in respect of HE funding. In this regard, the paper concludes that the Heher Commission was meticulous in the execution of its mandate and, unsurprisingly, echoed the findings (albeit in a more instructive fashion) of others before it, notably the Davies Tax Commission and the CHE Colloquium on HE funding that:

- As a developing country operating in a constrained economic environment, fee-free higher education currently neither feasible nor desirable for SA; and
- A hybrid model, including full subsidies for students from the poorest backgrounds (currently defined by household incomes of less than R350 000 per annum) and deferred payments by the rest, funded through a system of loans contingent upon the expected future incomes of the students and backed by government guarantees.

The second objective was to identify and motivate key international experiences in HE funding that might be beneficial for South Africa. In this regard, we find that developing countries (e.g. Cameroon, Ghana, Nigeria and Uganda) that have in the past attempted to offer universal free higher education have done so initially at the expense of the goal of access. Subsequently, as the demand for HE in such countries became unbearably high, full subsidisation of HE became unaffordable while the quality of provision also suffered. Developed countries that offer high levels of subsidies for HE (such as Norway and other Nordic countries) only

fund them from long and stable histories of strategic social investment, driven by higher tax rates as well as larger tax bases than are currently feasible in SA. In most other developed countries that have not built such financial security HE is increasingly privately funded through various combinations of government-backed ICLs and graduate taxes. These findings offer both lessons that SA must avoid as well as some strategic objectives that SA might aspire to for the long term.

The third objective was to advocate for fundamental shifts in the way key stakeholders in HE, notably students, government and the universities perceive their rights and obligations in respect of the provision and funding of HE. In this regard, we argue that in the present context of SA, the benefits of HE accrue primarily to the individual students who can access it. Hence, while government must fulfil its mandate of providing reasonable access and the universities must safeguard the quality of provision, the students must contribute their quota by at least, committing to future payments for what they currently get. This way, all key stakeholders in SA HE would be contributing towards the strategic goals of access, quality, fairness and equality.

A final recommendation concerns the role of students in solving the SA HE funding puzzle. While they should be commended for highlighting the problem, they should also be enabled to own its solution. Accordingly, in the same manner that issues such as the decolonisation of HE are topical in the SA HE sector today, students' rights and obligations in respect of a quality, functional and sustainable HE must be part of their citizenship education.

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