UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

REPORT OF THE UNIVERSITY PANEL ON FUNDING MODEL (S) FOR HIGHER EDUCATION *IN SOUTH AFRICA*

30 June 2016

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Executive Summary

The Wits University community appointed an eight-person Panel on Higher Education Funding to receive submissions and examine possible model(s) for funding higher education in South Africa.

This Panel recorded the views expressed by students and academics at four open plenary sessions; and also obtained written submissions. The Panel also reviewed the literature pertaining to the funding of higher education and obtained information on key financial indicators from National Treasury.

While it is possible to reform the current system either through the increased infusion of more state funding into the higher education sector, this report is based on the assumption that to surpass the current crisis a new "hybrid model" is required. This envisages a multi-faceted approach in which Government (as the main custodian of higher education), the Private Sector and university revenues (fees, donor funds and endowments) all contribute in various ways to the general well-being and sustainability of the higher education sector. Such a model would also include public-private partnerships that source funding from the government as well as from the private sector. Such funding could be a complement to the current system or it could be enhanced through the use of financial instruments and Special Purpose Entities (SPEs).

Introduction

In October 2015, a protest by Wits students against the proposed 10.5% increase in fees for 2016 rapidly spread across the country, morphing into the FeesMustFall (FMF) movement that won important concessions from Government (addressing issues of insufficient NSFAS funding in 2014-2015 and agreement on a 0% fee increase for 2016) as well as establishing a Presidential Commission to examine funding of higher education. In April 2016, Wits University established an eight-person panel to facilitate the collection and synthesis of inputs on higher education funding models from all members of the University community. The Panel on Higher Education Funding, chaired by Professor Hlonipha Mokoena, recorded the views expressed by students and academics at four open plenary sessions; and also obtained written submissions from interested parties. The objective of these plenary sessions was to solicit the viewpoints of multiple stakeholders within the University. The tone and conduct of these sessions was consultative and the Panel interrogated the assumptions of the submissions by asking questions of clarity rather than aiming for consensus on the "best" proposals. The Panel also reviewed the literature pertaining to the funding of higher education and obtained information on key financial indicators from National Treasury. During June 2016, the Panel also obtained inputs on its initial report from various stakeholders, including the Community-Based Empowerment Forum and members of the Students Representative Council.

The Panel has engaged in wide-ranging consultation with the Wits community and has determined that across the institution, the demand for Fee-Free Higher Education in South Africa is considered a legitimate request that deserves interrogation. Indeed, numerous jurisdictions are scrapping university tuition fees as a means of providing access to higher education, namely, Sweden, Norway, Germany, and the Province of Ontario (for those from families earning below a particular threshold). For the most part, this scrapping of tuition fees is being financed by increased taxation collected by provincial or municipal governments.[1] On the obverse side, some institutions that had a no fees policy have introduced tuition fees. The Cooper Union for the Advancement of Science and Art in New York – which was established in 1859 as a no-fee institution – announced in 2013 that it would begin charging tuition fees. Despite protests, sit-ins and legal challenges, the university's Board of Trustees pushed through the decision to charge fees.[2] The fact that countries and institutions can alternate between these two choices of "no fees" and tuition fees underscores how contentious the issue is and neither choice seems to be permanent. Part of the reason that tuition fees are contested is that different constituencies place a different value on higher education. That is, there is often vigorous debate about where the balance – between the private benefits of a university degree (higher salaries and class mobility) versus the social benefits of an educated population

[1] In the case of Germany, compare for example two articles published by *The Guardian* newspaper. In 2014, Deborah Hermanns asked the question "Germany is scrapping tuition fees – why can't England?" (https://www.theguardian.com/commentisfree/2014/oct/07/germany-scrapping-tuition-fees-england). Two years later, the same newspaper published an article by Philip Oltermann "Germany axed tuition fees – but is it working out?" (https://www.theguardian.com/world/2016/jun/04/tuition-fees-germany-higher-education).

[2] "College Ends Free Tuition, and an Era", *New York Times* (http://nyti.ms/18qMluN).

(higher tax revenues, an engaged and informed citizenry etc.) – lies. Thus, as a starting point, this report will highlight some of the benefits of higher education that are particularly relevant to South Africa.

The benefits of a vibrant and thriving higher education system are clear. Universities and graduates are direct contributors to South African knowledge and innovation and contribute to economic growth. For example, in 2009, South African universities contributed over R87bn to the economy and accounted for approximately 2.1% of GDP.[3] Universities are also major employers – both directly and indirectly resulting in over 150,000 jobs.[4] Graduates are not only more likely to obtain employment, but often enter into well-paying jobs, increasing the number of taxpayers; contribute to a more informed democratic participation; tend to be healthier individuals, and are less likely to engage in criminal activity, and display higher levels of civic engagement. A vibrant higher education sector is, thus, essential to the creation of a thriving civil society. The project of nation building is also implicated since, without a thriving civil society, such an ideal cannot be realised. When considering the context of South Africa's legacy of apartheid and the institutionalized system of inequality that has been entrenched, higher education plays an important role in transformation.

Furthermore, from a social justice perspective, university education in South Africa is also a public good. We all benefit from higher education, whether personally or societally. In this sense, we need a system for funding higher education that treats the private and public benefits not as opposing ideas but as complementary in the social justice project of the country. This is a project for which everyone in South Africa bears responsibility.

The reality of higher education in South Africa is that it is funded below OECD (Organisation for Economic Co-operation and Development) and even other African country levels, as a proportion of GDP. Currently, the South African government spends just 4.7% of revenue, or 0.75% of GDP, on the post-school education and training sector. This includes Universities, Technical Vocational Education and Training (TVET) and other training institutions. The OECD on average spends 1.59% of GDP on higher education, with the UK spending 1.23% and Germany spending 1.31%.[5]

Our report is based on the assumption that funding higher education is not just a burden that the public purse must bear, but that Government, universities, the Private Sector and Society at large must all contribute to the mammoth task of creating solutions to the higher education funding crisis. Our report reflects this social justice dimension of our deliberations and conversations with the Wits university community.

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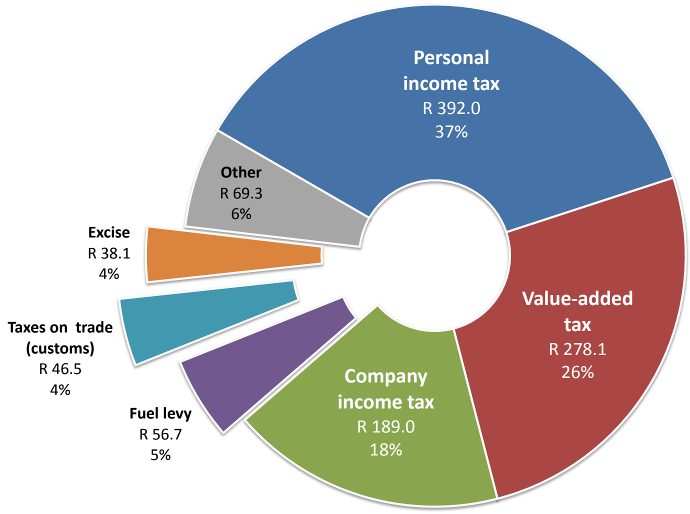
[3] Pouris A, Inglesi-Lotz R. The contribution of higher education institutions to the South African economy. S Afr J Sci. 2014;110(3/4), Art. #a0059, 5 pages. http://dx.doi.org/10.1590/ sajs.2014/a0059
[4] Ibid.
[5] OECD 2014 Education at a Glance. Accessed on May 25, 2016 from https://www.oecd.org/edu/Education-at-a-Glance-2014.pdf

Whilst it is not in our ambit to pronounce on the capacity of Government to fund higher education in its entirety, it is important to note that Government plays an important role in redressing some of the historical disadvantages imposed upon the majority of the population. Through the power of taxation, Government can ensure that those disadvantaged through the legacy of apartheid, and who also qualify to attend university, can do so. That said, government resources are limited and higher education is but one aspect for Government consideration in South Africa. Figure 1 shows where Government gets much of its tax revenue. By far, Personal Income Tax (PIT) and Value-Added Tax (VAT) are the largest contributors to government coffers – 63% of all government revenue.

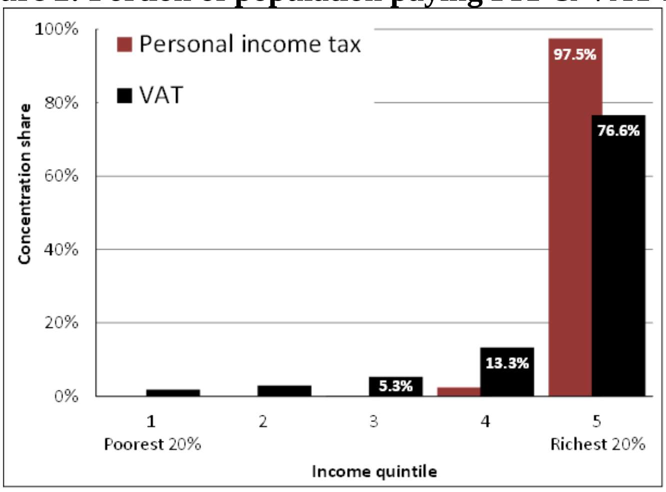
Figure 1: Government Tax Revenue – sources 2016/17



Source: National Treasury: 2016

Both PIT and VAT largely come from individual residents in South Africa through a tax on their income and their consumptive activities. It is worth noting here that only 22% of the South Africa population actually pays PIT and VAT. Figure 2 shows that the vast majority of PIT and VAT contributions come from the richest 20% (approximately 11m people).

Figure 2: Portion of population paying PIT & VAT 2016/17



Source: National Treasury, 2016

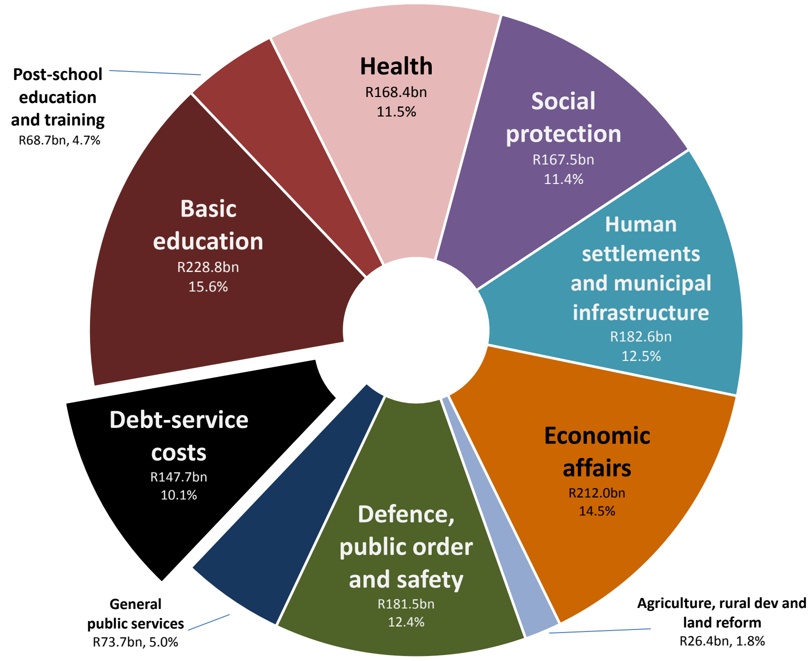
Whilst this pattern is an obvious consequence of South Africa's legacy of inequality, two things are clear:

1. Government needs to increase the PIT and VAT contribution base through socio-economic upliftment;
2. Government remains constrained in what it can do when thinking of adding additional PIT and VAT burdens on individuals. Simply put, Government cannot simply increase PIT and VAT rates every time it seeks to address funding shortfalls, as even the richest 20% in South Africa maintain finite resources. As the presence of the "missing middle" – that is, lower middle class students who fail to qualify for financial aid even when they do not have the financial resources to attend university – attests, increased taxation can make higher education even more unaffordable for those whose families are on the lower rungs of the middle class.

Finally, Government maintains that other priorities have to be balanced against the needs of universities. It is important to recognise that 22% of the population funds a large portion of government expenditure.[6] This poses a different set of challenges regarding how to divide the limited financial resources available to the government, as Figure 3 highlights. Financial support for higher education thus needs to be considered against other social justice projects such as the planned National Health Insurance System, and Reconstruction and Development Housing Programme that have significant social implications and are also political priorities for the government.

[6] Government expenditure comprises tax revenue and borrowing.

Figure 3: Government Expenditure 2016/17

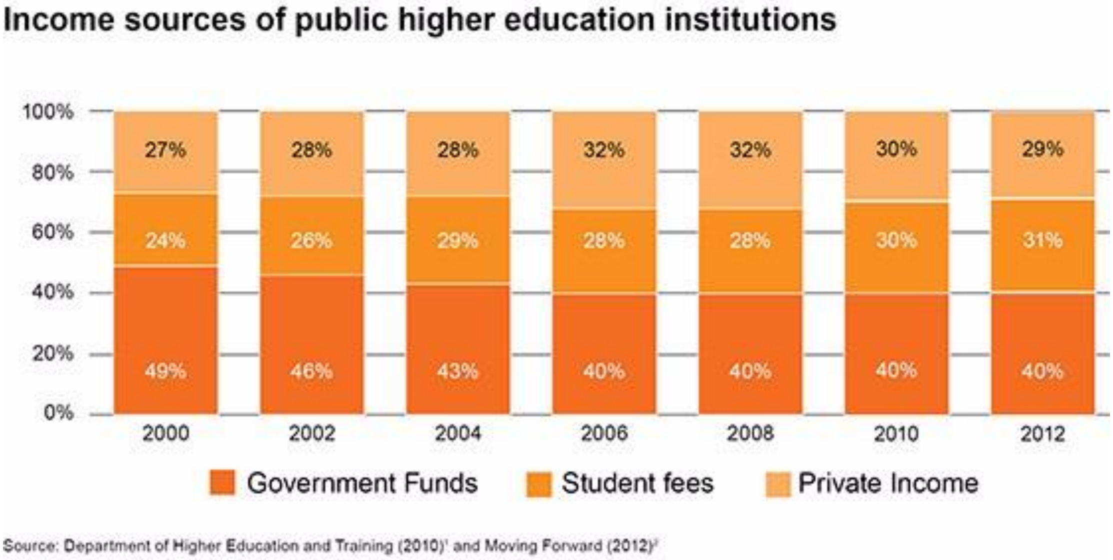


Source: National Treasury, 2016

Among the submissions made to the Panel, several recommended either curbing misuse of government funding (eliminating corruption, inefficiency, misappropriation etc.) or the re-organisation of current budget allocations (more money dedicated to scarce skills such as teaching, medicine, nursing or the elimination of budgetary items such as spending on MPs' perquisites or the military/security). We felt that our Panel was not qualified to comment on these budgetary issues since we simply do not have the relevant facts in hand to make judgments about appropriations. That said, we do believe that addressing inefficiencies and graft/corruption in the public sector can help release currently unavailable revenue but we recognise that addressing these issues will take time and effort. The imperative to increase access to higher education cannot, however, be suspended until institutional efficiencies (both those of the state and individual universities) are improved.

In its deliberations, the Panel repeatedly returned to the question of who maintains an obligation with respect to higher education funding. We have considered the role of private individuals and of Government. It is a self-evident truth that, in the current context, many cannot afford access to higher education. Private individuals from the largest PIT and VAT groups are insufficient in number for their resources to subsidise all those who cannot afford the full cost of higher education. Government, therefore, needs to play an important role in funding higher education and should seek to rectify the steady decline in real subsidy amounts that has been a constant in the sector since 2000 (Figure 4). However, the Panel does appreciate the need to balance higher education against competing resource priorities and imperatives. The Panel is unanimous in its belief that government needs to play an important role in higher education funding due to the clear social justice obligations and needs to signal that it views higher education as a priority in South Africa's social and economic upliftment by, at minimum, reversing the subsidy declines and meeting comparable state funding levels as it relates to percentage of GDP.

Figure 4[7]



That said, we cannot solely rely on Government to address this fundamental question of access. Given the Panel's belief that higher education is a question of social justice and that all elements of society should contribute, we need to question how *new* money can be introduced into the system. Many of the submissions we received connected higher education with the problem of employment. Both the private and public sectors benefit from having a cohort of educated graduates to pick from. As such, many submissions made the point that this benefit should induce both sectors not only to spend more on higher education but also to spend more on guaranteeing that graduates find employment after the completion of their degrees.

Considering the role of the private sector is therefore the obvious next step. If we accept that higher education offers both public and private benefits then it is clear that all sectors of society should support the funding of higher education. As it currently stands, outside of general taxes and philanthropy, the private sector supports universities through earmarking funds for specific projects and through supporting mostly students who are potential employees. What is absent, is a systematic mechanism that channels private sector funds to all universities. This is despite the fact that the private sector as a whole is a beneficiary of graduates produced from South African universities. Although Wits does not represent all South African universities, it may be useful to take note of the actual breakdown of private sector funding. Statistics provided by the Development and Fundraising Office (DFO) at Wits, show that whereas in 2010, the university received R185 673 386 in total funding, by 2015 that figure had increased to R222 569 962. The overall increase in funding is however offset by the fact that funding by the "Corporate" sector has

[7] Price Waterhouse Cooper accessed May 25, 2016 http://www.pwc.co.za/en/higher-education/Funding-public-higher-education-institutions-SA.html

actually decreased from R50 995 666 in 2010 to R36 949 144 in 2015 (see Figure 5 below).

Figure 5[8]

	FOUNDATION BANK ACCOUNT INCOME					
SECTOR	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Foundation/Trust	109 556 970	134 072 829	94 626 151	91 094 559	96 890 482	81 913 269
Corporate	50 995 666	36 398 554	45 006 320	59 484 990	41 343 071	36 949 144
Government	11 616 180	13 820 146	15 931 998	15 581 545	13 757 929	33 778 010
Corporate Foundation	1 896 429	11 950 111	5 686 667	8 640 238	6 990 702	30 655 923
Individual	1 516 462	4 310 395	6 592 526	3 051 099	5 567 924	23 394 147
Other	1 576 110	3 066 995	2 976 396	1 267 403	3 452 188	15 540 455
Bequest	8 515 569	827 212	4 938 971	1 917 730	686 212	339 014
Extraordinary					100 000 000	
Totals	**185 673 386**	**204 446 242**	**175 759 029**	**181 037 563**	**268 688 508**	**222 569 962**

This seeming decrease in corporate funding is due in part to Wits' introduction of what it terms "Wits B-BBEE Investment Solutions for Corporates". This programme is a consequence of the Revised B-BBEE Codes of Good Practice, under which corporate partners can, by investing across the wide spectrum of Wits offerings, claim scorecard points under the three priority element codes: 100 (Ownership), 300 (Skills Development), 400 (Enterprise and Supplier Development) and code 500 (Socio-Economic Development).[9]

In light of the increasing importance of corporate investments, the Panel received a number of submissions and proposals that tried to find innovative ways through private mechanisms and /or public-private partnerships that utilised bonds, asset management funds, and other financial instruments to create market-based mechanisms that would be controlled jointly by universities and the state through boards of directors. The next section will highlight these proposals more succinctly.

The Panel considers that it is important for the private sector to explore support for higher education in a more systematic and consistent way as a means of fulfilling the aspiration of improving access to universities. The continued practice of soliciting donations runs the danger of over-emphasising particular areas of study, especially the STEM disciplines (Science, Technology, Engineering, and Mathematics) to the detriment of the Humanities and Social Sciences. The statistics and figures provided by Wits' DFO show that when considered by faculty, the Faculty of Humanities currently receives the largest amount of donations. The largest donor to this Faculty is the Andrew W. Mellon Foundation, which donated R18m in 2015, a figure that is nearly double the R9.4m that it donated in 2014. The second largest donor is the Ford Foundation with R4.2 m. When considered from this perspective, it becomes crucial that one of the underlying principles of engaging the

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[8] "Report to the Wits Foundation Board of Governors", Development and Fundraising Office (DFO), 22 March 2016.

[9] The content of these different codes is explained in a document titled, "Wits B-BBEE Investment Solutions for Corporates", published by the Development and Fundraising Office (DFO).

private sector should be that funding higher education should not come at the cost of the university's intangible heritage, namely, its disciplinary diversity.

A Hybrid Funding Model: Meeting the expanding needs of Higher Education through a multi-faceted approach

As set out in this report's introduction, the ultimate objective of a revised funding model should be the meaningful widening of access to tertiary education, especially for those students and families who cannot afford fees. The position taken in this report is that such an expansion will require a multi-faceted approach in which Government, the private sector and university revenues (fees, donor funds and endowments) all contribute in various ways to the general well-being and sustainability of the higher education sector. In a recent article published in *University World News*, Nico Cloete made the observation that, 'all fee regimes are a Trilemma of Trade-offs: public (government) investment – enrolment – private costs. And the trade-offs are influenced by a combination of what different political groupings think the role of higher education is in that society and which constituencies' interests are dominant.'[10] In concurring with Cloete's conclusion, this report aims to emphasise the fact that how these three imperatives are balanced against each other constitutes the policy questions that will determine how the current crisis in funding is resolved.

The models and proposals presented in this section of the report were canvassed through a series of public meetings across the various Wits campuses. Submissions could either be oral or written and could be presented to the Panel at a public meeting or sent in via electronic mail. In general, most of the proposals we received were based on the assumption that we need to fund higher education from a diversity of sources, in a manner that does not hollow out other university needs, such as funding to support university research, faculty development and the hiring of young scholars. The differences in the proposals tended to revolve around two distinct issues: there were those proposals that focused almost exclusively on the extension or revision of the current funding system of government subsidies, plus NSFAS (National Student Financial Aid Scheme), plus university revenue in the form of fees. On the opposite end were those proposals that presented novel or innovative ways of creating new forms of funding that could supplement the current funding system. Thus, even though there were differences in the assumptions and objectives of the proposals, most presented what we would like to term a "hybrid model" of higher education funding.

Reforming the Current System: How Much to Fund and Who to Fund?

From the first of our public meetings, it became clear that fees were only a small portion of the larger dilemma of how to fund individual students from the beginning of their degree to the day of completion. Given the economic realities of South Africa, it became clear that any reformation of the current system would have to begin with an acknowledgement that only by covering the full costs of a degree can we claim to

[10] Cloete, N. University student fees – A trilemma of trade-offs. University World News, 13 May 2016 Issue No:413. URL: http://www.universityworldnews.com/article.php?story=20160510095751190

be supporting or investing in a student's future. However, it also became apparent that none of our respondents supported a free-for-all system in which even those who could afford to pay were fully funded. This led to various proposals for means testing and/or a sliding scale based on family income. There was a range of suggestions of how such a means test can be formulated: it could be based on the fees that families paid for high school education, that is, if parents can afford a +R50 000 private school then the fees they pay for a university education should be in the same ball park. There were also suggestions that SARS (the South African Revenue Service) should be co-opted into providing information about the incomes of parents rather than simply relying on self-declared estimations of affordability. Alternatively, instead of placing the burden of funding on family incomes, there were suggestions that students should be contracted into a reciprocal or pay-back funding model in which they either paid back all or a portion of their funding once they completed their degree or during their studies in the form of "cash" or a "sweat equity". What the latter would mean is that students would be compelled to work during university holidays in order to partially fund their education.

The main advantage of these suggested reforms is that they are intended to dissuade "free-riding" in which even the wealthiest South Africans would basically get a free education even while they could afford to pay. Additionally, the suggestion that students could contribute to the costs of their degree by working during their holidays could give them valuable work experience, which would enhance their curriculum vitae. The main disadvantage of these proposals is that by still expecting students to pay in cash or labour for their education, the reforms could still burden poor students by bonding them to long-term debt.

Public / Government Investment

By far the most mentioned aspect of the current funding system were the NSFAS loans which currently range from the minimum amount per student of R2 000 and the maximum amount for 2016 of R71 800. The Panel noted the evolving nature of NSFAS and the possibility that support may rise from the current figures.

As with the other components of the current system there were several proposals that augmented the NSFAS system. Thus, there was a proposal for a hybrid model in which NSFAS fully funds (R110 000 – R120 000) a wide pool of qualifying students in the first year of study, followed by a private-sector / companies support scheme from 2nd Year onwards. This proposal acknowledged that removing funding impediments in the 1st Year provided students with the greatest chance of succeeding in bridging the gap between high school and tertiary education, and that 1st Year success was a far greater indicator of graduation potential than matric results; consequently, companies would receive a better "return on investment" through supporting students from 2nd Year onwards. The emphasis on completion is because the proposal also includes a 100% "pay back" for those students who graduate. Ensuring completion is therefore tied to the likelihood of payback.

The main advantage of these proposals for the reformation of NSFAS is that they gel with the Scheme's own renewed commitment to the tightening of the repayment regime. Moreover, since it is already funded by the government, increased funding of individual students via NSFAS could raise government spending on higher education to levels that are compatible with international norms. The main disadvantage of a renewed NSFAS system is that the stress on the state's revenues is potentially exponential. More importantly, the costs of administering the system, especially the repayment regimen, could end up increasing the costs of the scheme. Anecdotally, students use the term "black tax" to refer to the social, familial and personal costs of being graduates. This means that, in addition to being expected to support younger siblings, or their families, university graduates could increasingly feel even more "black taxed" since they could also be expected to contribute a portion of their income to NSFAS.

The Tax System

Some proposals evaluated the idea of expanding higher education funding through increased taxation, or a graduate tax. It was suggested that a dedicated graduate tax is not a sustainable idea as there is no guarantee that the tax will be used for higher education purposes, it is not necessarily a fair way of increasing funding, and it might provide an incentive for people to migrate or hide their educational status. However, it was suggested that more "courageous public finance policies" could increase the tax purse by increasing taxes for the very rich (personal and corporate).[11]

Several submissions did suggest, however, that SARS (South African Revenue Service) could be more fruitfully employed in various aspects of the higher education funding system. For example, SARS could implement a system of taxing students who need to repay their student loans once they are earnings exceed a certain amount. As an example, in the United Kingdom, students pay back 9% on all that they earn above R300 000 a year. Such a system – linked to SARS – would have the additional advantage of ensuring compliance in the repayment of loans by those who can afford such repayments.

Private Sector and Private-Public Partnerships

The private sector already funds students in higher education, mostly in the form of bursaries and scholarships, but also indirectly through investment in infrastructure and academic posts. This form of funding tends to benefit those students pursuing professional degrees – Health Sciences, Actuarial Science, Engineering, Chartered Accounting, etc. These private sector companies receive some benefit via tax deductions on certain types of donations. There were some suggestions that these so-called "Section 18A" benefits could be improved and changed to provide more incentives for companies to fund institutions of higher education. Additionally, bursaries from the private sector could be used to shore up NSFAS or as an alternative to NSFAS. Another possible role for the private sector is as the future employer of university graduates. In this capacity, Business could be encouraged to assist students with debt repayment, especially in order to enable these graduates to pursue postgraduate studies. The private sector can also (and currently does) fund advanced degrees through funding research projects. Such funding could also be increased to the benefit of both universities and postgraduate students.

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[11] P Pillay "Financing of Universities – Promoting Equity or Reinforcing Inequality" (2016). Submission to Wits Higher Education Panel.

Fees and Loan Funding

Some proposals looked at the question of a sliding scale of fees based on income. For example, one academic suggested that legislation be introduced to implement a differentiated fee structure in universities based on socio-economic status. Combined with this, NSFAS could be converted into a grant scheme to cater for poor students, whilst others pay fees. It was also suggested that Wits should support the possibility of putting into place a system of income-contingent repayments for students. Students should only pay back (via their taxes) when they are earning income over a certain threshold. This would reduce risk for students and ease potential for hardships for students who get into debt. It would mean that students who don't immediately find employment would not be burdened with debt.

The banking system is the most obvious beginning for a discussion of private or study loans. At the present moment, a young person requires a loan guarantor in order for them to apply for a student loan. It was suggested that one of the ways in which this system could be reformed is for the state or a future employer to assume the role of loan guarantor. However, as has been noted, one of the main weaknesses of any loan system is that it places a potentially heavy burden of indebtedness on most students. Thus, some of our respondents even suggested that public or private loans could be used to assist students to avoid or manage indebtedness. In the latter case, a student or their family would pay a fixed repayment rate over the duration of the student's degree while a private or public lender / donor would service the interest on the principal. This would mean that, rather than face a continual increase in interest rates, the students could have their loan repayments "fixed", at least for the duration of their studies.

The main advantage of this suggested new role for the private sector, especially banks, is that students whose families do not have the means to act as loan guarantors would be able to access student or private loans. However, the disadvantage is that at least one of the models presented to the Panel was based on a tuition-only projection. This means that the other costs of a university degree were not factored into the debt that the student would have to repay. It should also be remembered, as pointed out by Pillay, citing Stiglitz: '"Student debt is not benign and economically insignificant. It affects capital formation – the increase in per capita output, or net additions of capital stock such as equipment, buildings and roads – all of which go to create goods and services and have a direct negative effect on our productivity as a country. People will not start new businesses, invest in capital equipment, manufacture goods and innovate.'[12]

Financial Instruments (Shares, Bonds etc.)

These proposals were based on the assumption that even if the current system was reformed (including both the private and public contributions to higher education), there would still be thousands of students unable to access higher education. Thus, the suggestions were about radically changing the relationship between the public and private sector by creating a Special Purpose Entity (SPE) and/or a privately managed

[12] Pillay (2016).

nationally-based asset management fund.[13] In the first instance, the SPE would involve the selling of bonds (and thus a role for government) plus the universities would also purchase shares in the entity. If, for example, 15 universities each contributed R5 million in funding then the SPE would receive R75 million per year and thus able to issue R750 million in bonds to companies, donor agencies and others. This scheme would not be a substitute for the current system but is envisioned as a complement to it. Moreover, the loans given to students would cover the full cost of a university degree (tuition, books, living expenses). The main advantage of this proposal is that students would only repay the loan once their salary is R150 000 per annum or more. These repayments would also be stretched over a period of 25 years It is also envisaged that students could repay their loans by working for Government, especially local government where there is a need for skills.

The second type of public-private partnership proposed was named "TRAX" (Tax Rebate Access)[14] and, like the SPE proposal, this is envisioned as a public-private partnership to unlock approximately R25 billion per annum in private-sector funding. The JSE (Johannesburg Stock Exchange)-listed companies would be eligible for tax rebates in return for investment in the higher education sector. For a net amount of R14.5 billion, the government would have to fund R10.5 billion in rebates per annum. Different models – gross or net of rebate – could be employed to reduce students' fees. The proposal would rely on a privately managed asset management/sovereign wealth fund, registered as a subsidiary of the JSE. The contribution to the fund could be based on annual financial statements of JSE-listed companies, with some flexibility in the decision on the percentage each company would contribute. Tax deductions would be based on contributions, according to a sliding scale – the more a company contributed, the higher its rebate reduction would be.

The main advantage of these proposed private-public partnerships is that both universities and the state would have a say in how these financial instruments, SPEs and asset management funds would be managed. The boards of directors of these entities would be independent and jointly appointed. More importantly, private sector companies would, in exchange for their contributions, receive generous tax rebates as well as ensuring a stable, functioning, high-calibre, university system from which they could draw future graduates.

The main disadvantage of these instruments is that while they may remove fees from the equation they may introduce many unintended consequences since a "no-fee" education may lead to low pass rates and/or high dropout rates. The potential abuse of this fee-free education is a real possibility but it could be mitigated by performance-based increases / decreases in fees. That is, poorly performing students would end up being charged a nominal fee for their education. The other danger of these instruments is that if only some of the universities buy into the various schemes,

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[13] See, for example, D Bradlow and E Webster "Concept Note of Financing University Tuition: Creating a Self-Sustaining University Tution Financing Mechanism using Bonds and Public Service" (2016). Submission to the Wits Higher Education Funding Panel.

[14] The panel would like to insert a special note that this proposal was made by a student who is also writing their Honours dissertation on the topic. The proprietary rights and copyright of the idea rest with the student and the inclusion of the name of this scheme in this report does not constitute appropriation or alienation of these rights.

then it could reinforce already existing inequalities between the formerly “white” and formerly “black”, rural versus urban, endowed versus non-endowed universities.

Additional Funding Issues / Ideas

In our deliberations many issues that were not strictly about the funding of higher education were raised. Many of these issues are "oversights" of the system as it exists and they affect the quality and experiences of students.

1. There needs to be a greater understanding of qualification requirements for 3+1 degrees. Top NSFAS and government scholarship students who get into Honours in Science, Commerce and Humanities disciplines or wish to do the LLB after completing a first degree are falling foul of the "1st degree only" NSFAS clause and the view that Honours is postgraduate, despite Honours being the minimum professional qualification in many disciplines. (In contrast, 4-year Engineering and 6-year Medical students are completing single degrees and are thus eligible for support.) There also needs to be greater support of postgraduate degrees (not only Honours level), as National Research Foundation (NRF) bursaries are inadequate.
2. Foreign students, who are mainly postgraduates, need to be discussed separately since many of their issues go beyond the ambit of the current commission and Wits task team.
3. The localisation / regionalisation of funding may also be considered as an alternative to the current system. It might be worth considering whether NSFAS could allocate funding based on local university capacity, and have a differentiated system like in Germany or the USA (local students get full support at their local provincial university, but a lesser amount of support if they move outside their province; this support might vary depending on academic results).
4. As part of its restructuring, NSFAS is suggesting a centralized national applications processing office and alignment of funding opportunities with "areas of societal need" but these need careful consideration as they open up dangers to freedom of choice and the need for graduates across the full spectrum of programmes.
5. Request that import licenses on foreign books are reduced (possibly even suggest a special tax incentive for all writers of key books that support learning) so as to reduce the costs of access to reading and learning.