An Uneasy Settlement: Affordability, Sustainability and Entrepreneurialism in South African Higher Education

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GW Ouma

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Outline

(a) The post-#FeesMustFall higher education funding settlement

(b) Financing consumption/Affordability

(c) Financing production / sustainability

(d) Entrepreneurialism

(e) Towards a new settlement

The post-#FeesMustFall higher education funding settlement

- A shift from cost-sharing towards greater state responsibility for affordability: #FeesMustFall significantly expanded the redistributive role of the state, particularly through NSFAS.
- Tension between financing consumption and financing production: Student funding addresses the affordability and consumption of higher education, while institutional funding finances the production of teaching, research, infrastructure and public value.
- An affordability–institutional sustainability trade-off: “Fee regulation” and constrained fee increases reduced financial pressures on students, but also restricted universities' ability to generate revenue.
- A tension between expanded public financing and fiscal sustainability, made worse by COVID-19 and deteriorating public finances, exposed the fragility of this settlement.
- Increasing NSFAS funding: R4.1b in 2015 to R38.6b in 2023.
- The paradox of increasing student debt: R13.6b in 2019 – R23.5n in 2023 (Gross debt).

Funding consumption as a policy imperative

FINANCING CONSUMPTION

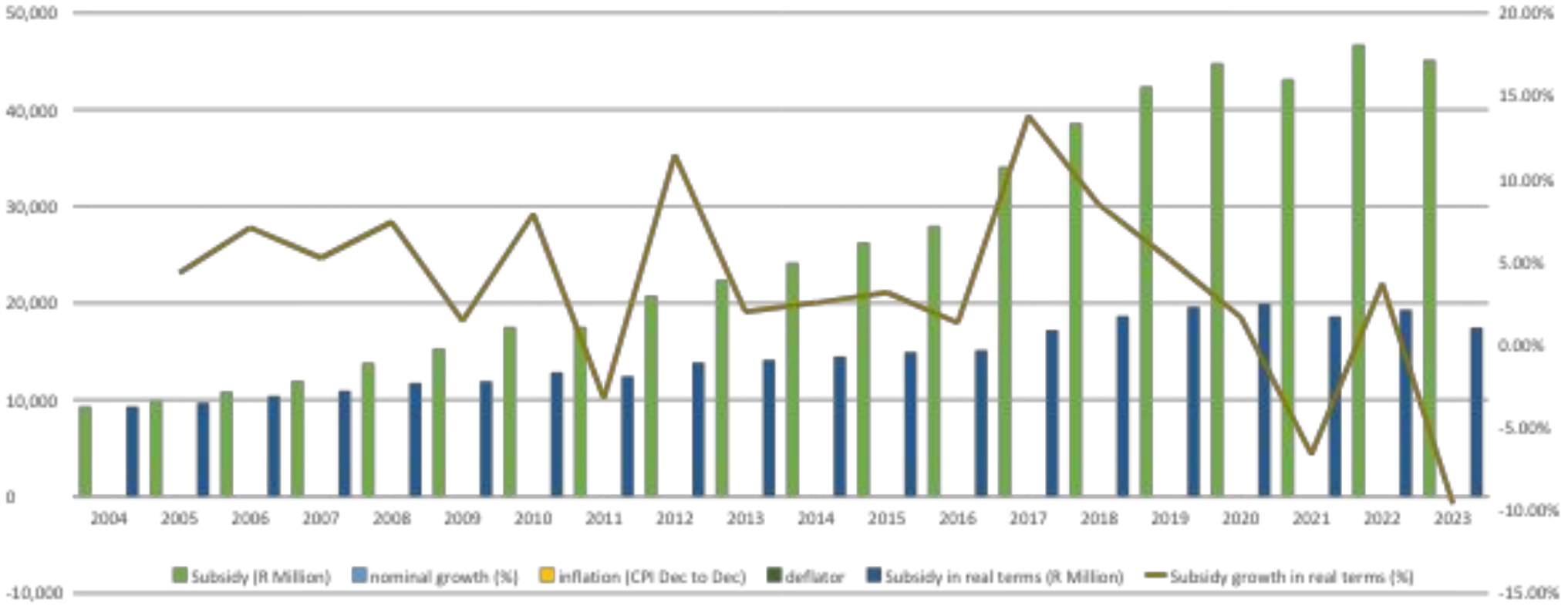
- Affordability and participation
- Tuition and study/living costs
- Redistribution towards poorer students
- Protection from household financial risk

FINANCING PRODUCTION

- Academic and professional labour
- Infrastructure and digital systems
- Research and postgraduate capacity
- Libraries, laboratories, student support and administration

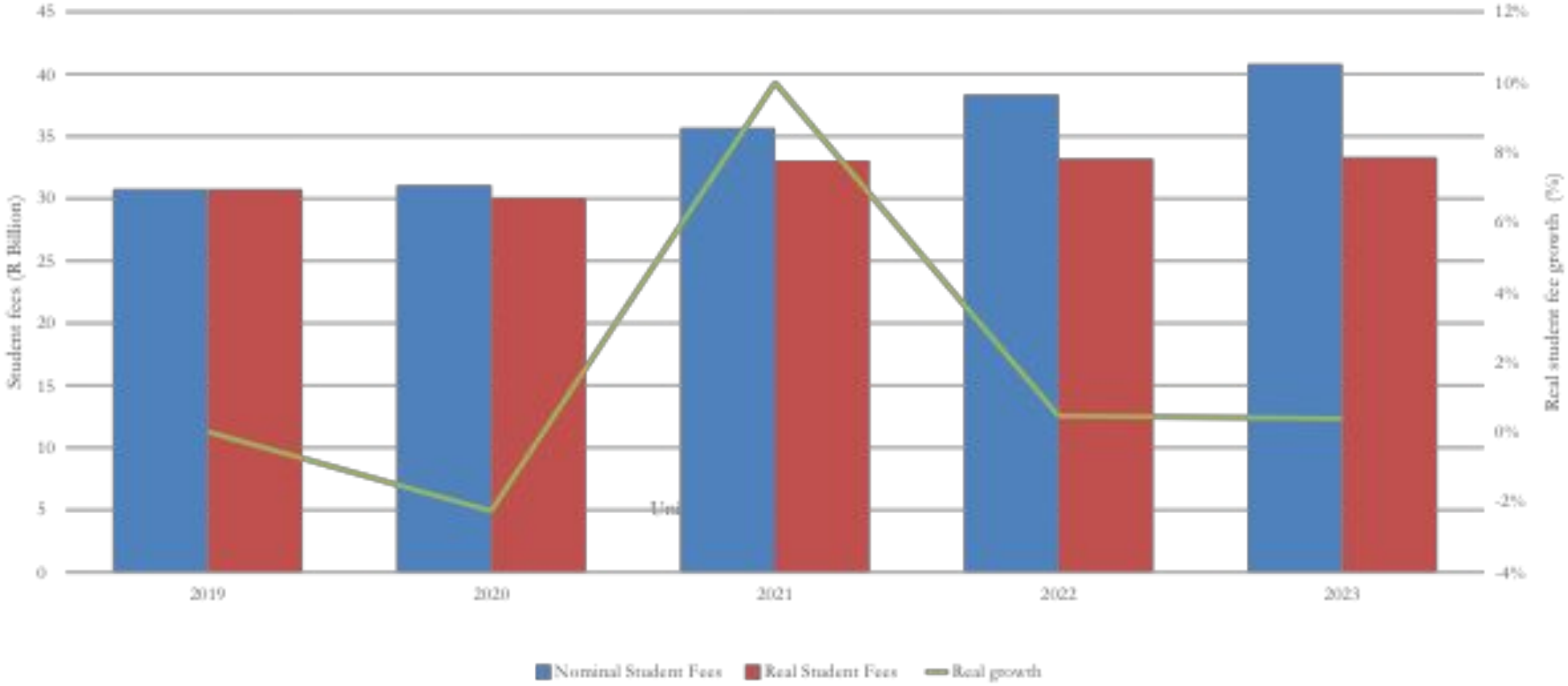
Tension: Universities seek sufficient and predictable funding to maintain their academic and infrastructural capacity; student seek seek affordable access and protection from debt; state seeks to expand access while operating within fiscal constraints.

Production squeeze

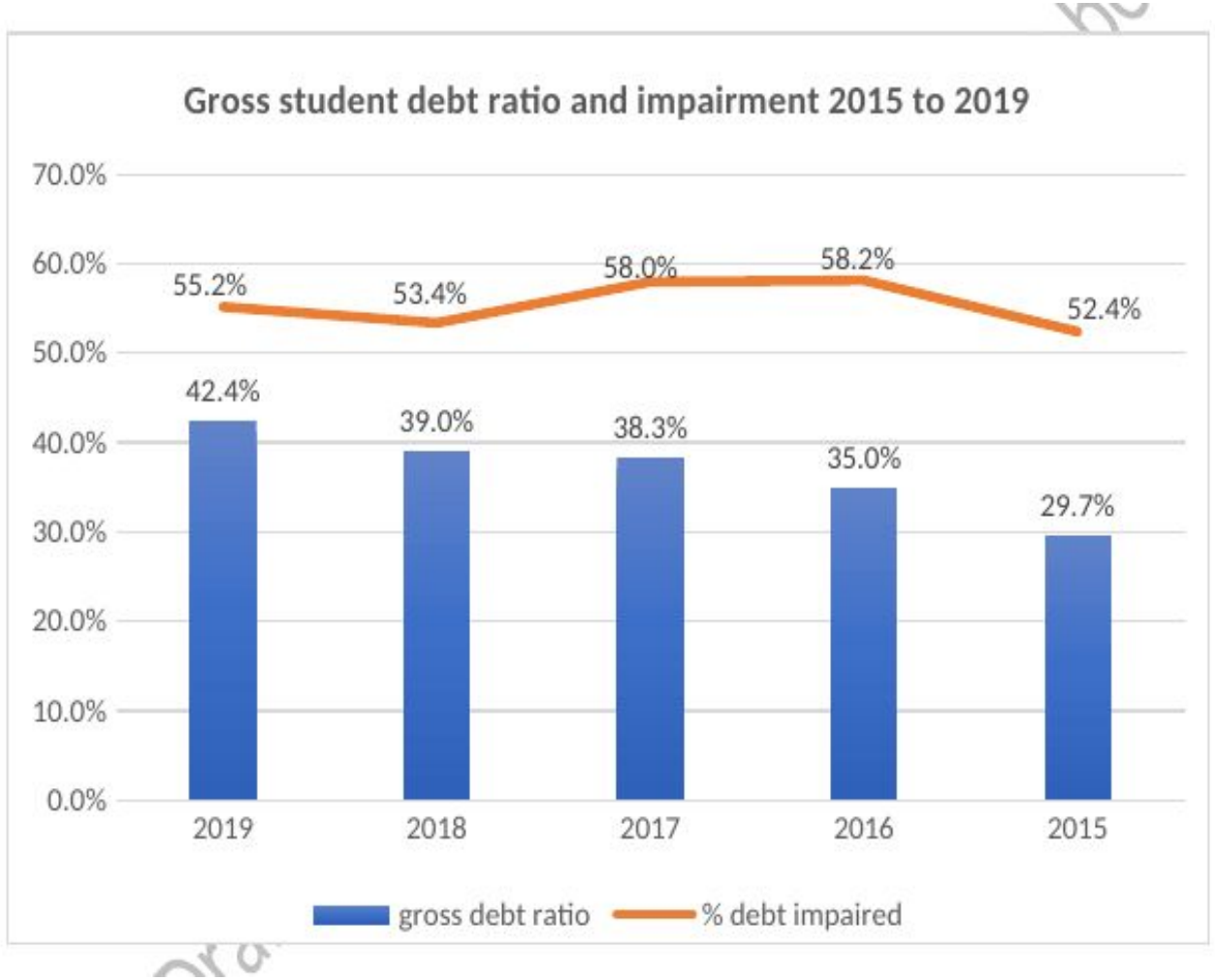


Source: Parker, 2024)

Slow growth in tuition fees income



Student debt: migration of unresolved affordability to



2019: R13.16bn GROSS STUDENT DEBT

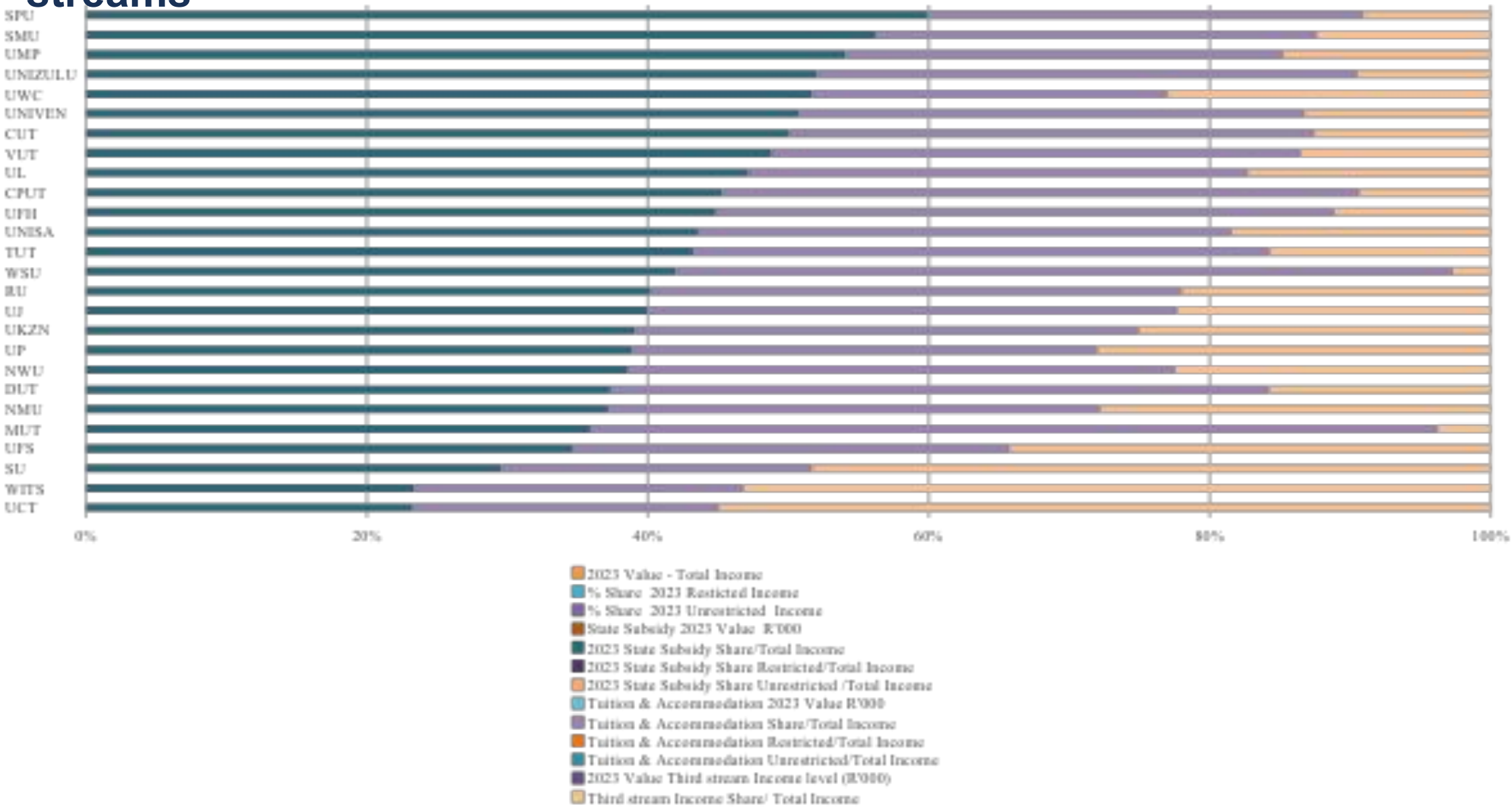
Equivalent to 42.4% of annual tuition and accommodation fee income.

55.2% OF GROSS DEBT WAS IMPAIRED

The university becomes a residual financier: education is delivered now while payment remains uncertain.

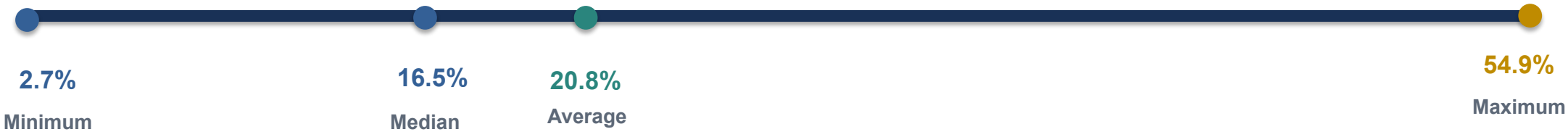
Student debt rose to R23.5 billion by 2023 .

Dependence on multiple revenue streams



Entrepreneurialism as an institutional ecosystem

- Investment and asset management
- Innovation, research and IP commercialisation
- Commercial and professional services
- Health and clinical services
- Education and training
- Third stream income ranges from a marginal contribution at some institutions to more than half of total income at others:



Source: supplied report, Table 4.2 and Table 4.4, pp. 30 and 35.

Contributions of third stream income (TSI) sources

TSI component	2023 average share	2023 median share	
Investment income	56.1 %	53.8 %	Dominant; highly exposed to market conditions
Contracts & research	17.3 %	15.6 %	Linked more directly to knowledge production
Sales & other income	18.8 %	15.5 %	Commercial/service activity; uneven scale
Donations & gifts	7.7%	4.9%	Strongly concentrated among a smaller group

Source: supplied report, Table 4.9, p. 31.

Contribution of TSI…

20.8%

average TSI / total income, 2023

16.5%

median TSI / total income, 2023

13.8%

five-year average TSI share, 2019–2023

- TSI has become important, but remains supplementary at system level.
- The average is pulled upwards by a small number of research-intensive universities.
- Capacity to generate TSI is therefore highly differentiated.
- Growth is uneven and does not remove dependence on subsidy and tuition.
- Diversification does not automatically create autonomy: dependence can move from the state towards markets, donors, industry and investment returns.

Entrepreneurial pathways

- Broad-based diversification
- Strategic concentration
- Constrained diversification
- Fragile diversification

Entrepreneurial differentiation

- Why do universities exhibit different patterns of entrepreneurial behaviour?
  - Variation in diversification strategies and revenue structures.
  - Different balances between state funding, third-stream income (TSI), and partnerships.
  - Institutional missions, historical legacies, scientific and geographical capital and capacity constraints shape outcomes.
  - For many universities, entrepreneurialism remains constrained/potentially fragile.

Towards a new settlement

1 **PROTECT INSTITUTIONAL CAPACITY**

Make recurrent institutional funding predictable enough to sustain staff, infrastructure, research and student support.

2 **FINANCE ACCESS AND PRODUCTION TOGETHER**

Do not treat student support as a substitute for the institutional funding required to deliver quality higher education.

3 **DIVERSIF Y**

- Third-stream income can help, but uneven capacity and market volatility mean it cannot carry the whole system.
- Entrepreneurialism should complement public financing of productive capacity, not compensate indefinitely for its erosion