Student loans in the Philippines: lessons from the past

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List of abbreviations

ADB	Asian Development Bank
CHED	Commission on Higher Education
CHEDRO	Commission on Higher Education Regional Office
CY	Calendar year
DBP	Development Bank of the Philippines
DECS	Department of Education, Culture and Sports
DECSRO	Department of Education, Culture and Sports Regional Office
DLSU	De La Salle University
EAPC	Education Assistance Policy Council
ELF	Educational Loan Fund
ELGF	Education Loan Guarantee Fund
FAPE	Fund for Assistance to Private Education
GAA	General Appropriations Act
GASTPE	Government Assistance to Students and Teachers in Private Education
GFIs	Government Financing Institutions
GOP	Government of the Philippines
GSIS	Government Service Insurance System
HE	Higher education
HEI	Higher education institution
INNOTECH	Centre for educational innovations and technologies
KEDI	Korean Educational Development Institute
LBP	Land Bank of the Philippines
LOI	Letter of instruction
MECS/DECS	Ministry/Department of Education, Culture and Sports

NEDA	National Economic Development Authority
NELAC	National Education Loan Assistance Centre
NFE	Non-formal education
NGO	Non-governmental organization
PAF	Poverty Alleviation Fund
PCER	Presidential Commission on Educational Reform
PD	Presidential Decree
PESS	The 1998 Philippine Education Sector Study
PNB	The Philippines National Bank
PPTA	Programme Preparatory Technical Assistance
PROAP	Principal Regional Office of UNESCO for Asia and the Pacific
PSA	Planning and Sector Analysis Unit of PROAP
RA	Republic Act
SAC	State Assistance Council
SEAMEO	South East Asian Ministers of Education Organization
SLS	Student loans scheme(s)
SNPL	Study Now, Pay Later
SNPLP	Study Now, Pay Later Plan
SSS	Social Security Service
SUCs	State Universities and Colleges
TVET	Technical and Vocational Education and Training
TWGs	Technical Working Groups

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Preface to the series

This book is part of a series of in-depth studies on the functioning of government-sponsored student loans schemes in Asia. It was written in the framework of a regional comparative policy review on student loans schemes undertaken by the Bangkok-based UNESCO Asia and Pacific Regional Bureau for Education (UNESCO Bangkok) in association with the International Institute for Educational Planning (IIEP). This regional project covered five countries and territories including P.R. China, Hong Kong S.A.R. China, the Republic of Korea, the Philippines and Thailand. Additional studies are being commissioned by IIEP, and a regional comparative assessment prepared by UNESCO Bangkok is forthcoming.

Most countries in Asia are experiencing a dramatic increase in demand for higher levels of education at a time of both severe public budget constraints and profound overhaul of education systems aimed at significantly increasing their impact and relevance. In an attempt to ease the burden on public budgets, a number of countries have introduced student loans schemes, hoping to recover costs and increase the revenue base for the expansion of education, while at the same time providing opportunities for poorer segments of the population to access higher levels of education.

In an attempt to increase the knowledge base available to governments and provide practical insights which might be useful for national education policy, the UNESCO Asia and Pacific Regional Bureau for Education initiated in 2001 a regional comparative study to examine the performance of student loans schemes in a number of countries in Asia. The study is intended to be instrumental in improving the efficacy and financial efficiency of existing schemes and in providing a comparative information base for countries intending to introduce a student loans scheme.

A joint endeavor by UNESCO Bangkok and IIEP, this regional policy study was initiated and its implementation co-ordinated by the Planning and Sector Analysis Unit (PSA) at UNESCO Bangkok. It benefited from technical support by IIEP and was able to draw on a wide range of regional and international expertise available at research institutes, universities and ministries in the participating countries. Five research teams led by academics and senior-level practitioners were involved in producing the monographs. UNESCO Bangkok and the Korean Educational Development Institute (KEDI) hosted several research seminars bringing together research teams and practitioners from the countries participating in the project.

Partner institutions involved in the study included the Korean Educational Development Institute (KEDI); Huazhong University of Science and Technology (Graduate School of Education), Wuhan; Peking University (Graduate School of Education); the Chinese University of Hong Kong (Department of Educational Policy and Administration); the Commission for Higher Education (CHED) in the Philippines (Office of Student Services, Office of Policy Planning, Research and Information) and the Asian Development Bank collaborating in the framework of an ongoing Education Sector Development Program in the Philippines. Researchers and officials from several universities, education and finance ministries and national agencies such as student loans offices in the participating countries collaborated in the preparation of the case studies. UNESCO Bangkok and IIEP would like to thank all those individuals who provided their expertise and professional experience to this research and therefore helped to assemble a considerable cross-sectoral information base required for comparative loans policy analysis. The important contributions by individual researchers and authors are acknowledged in this book.

The policy study benefited from the technical expertise of Adrian Ziderman, Professor of Economics at Bar-Ilan University, Israel, acting as UNESCO international lead consultant. He provided methodological guidance to research teams along the lines of his earlier study on loans in Thailand, prepared under a joint UNESCO Bangkok – Asian Development Bank project, 'Education management and financing study', in 1999. Igor Kitaev, Programme Specialist (education financing), served as resource person from the IIEP in addition to authoring one of the studies. Dominique Altner, Chief, Planning and Sector Analysis Unit, UNESCO Bangkok, with support from Toshiyuki Matsumoto, Assistant Programme Specialist, PSA, initiated and ensured the professional co-ordination for this study.

Gudmund Hernes, Director
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Acknowledgements

This monograph was written by a research team which included Igor Kitaev, Programme Specialist, IIEP, Teresita Nadurata, Professor at De La Salle University, Virginia Resurrection, Director, Office of Student Services, Commission on Higher Education, the Philippines, and Freddie Bernal, Chief Education Specialist at the same office.

The authors acknowledge the research help and support to the study provided by various Philippine authorities, in particular the Commission on Higher Education.

Executive summary

The overall objective of the case study is to examine the operation of student loans schemes in higher education in the Philippines, in order to learn practical lessons for a comparative policy analysis from the varying experiences in Asia.

A general lack of in-depth appraisal of existing loans schemes is a serious obstacle to improving their application at the country and regional levels, as well as worldwide. This case study on the Philippines was designed to fill in the knowledge gap and to provide an input for a comparative analysis within the framework of the above-mentioned UNESCO-Bangkok regional project.

The Philippines is a middle-income country with a fast-growing population. A lack of corporate governance and transparency in the banking system is compounded by tax evasion and corruption; for example, the government accepts to pay for the debts accumulated by commercial banks and companies.

Widespread 'grey' and 'black' economies hide real incomes of the population, but the patterns of private consumption hint that they are higher than official statistics might show. Large remittances back home from overseas Filipino workers are a huge source of many families' income, as well as their spending for higher-education studies. Regional and urban/rural income disparities are already wide and are widening, while rural poverty remains untouched.

The existing micro-finance programmes for the poor are mostly run by government bodies and are neither well targeted, nor cost-efficient; they are, probably, facing similar problems to the SLS.

The increasing poverty has hampered access to education and its internal efficiency. Only six out of the ten entrants to public schools make it up to Grade 6, and four out of ten graduate to high schools.

Educational expenditure enjoys relatively large shares of GNP and government spending, but the spending by households is comparable or greater due to the huge private sector, especially for higher education.

Private higher education accounts for about 75 per cent of enrolment and 80 per cent of institutions, but has to rely mostly on tuition fees for funding. Publicly funded higher education is expanding in an uncontrolled manner at the expense of its quality and teaching and learning conditions; CHED cannot intervene in budget allocations for the 'state universities and colleges' (SUCs), which absorb the largest chunk of total government spending for higher education.

Huge disparities exist between and within the public and private higher-education institutions, as the differences in unit costs per student, tuition fees charged and government subsidies are appalling.

The publicly funded institutions also charge tuition fees but traditionally prefer to rely on government funding; there are many proposals for their rationalization and streamlining because, despite high unit costs, their performance and efficiency are inferior to the private universities that have lower unit costs. Scholarships and other types of student support cover at present only a small fraction of eligible students enrolled.

Overall, the central government accounted for over 90 per cent of aggregate government spending on education in 1987-1999. However, the cost of education for households is equally high, due to the large share of private institutions and their enrolment. They occupy about 7 per cent of primary enrolment, 25 per cent of secondary enrolment and about 80 per cent of tertiary enrolment. Furthermore, tuition, user fees and other types of family support are similar to those required for public institutions. Tuition and other fees cover a wide range, corresponding to the standard of institutions accommodating students from all income groups.

In contrast to the developments in the basic education sub-sector, the higher-education sub-sector proved to be resilient to the fiscal austerity measures of the early 1990s, when its budget share remained relatively constant at around 17 per cent. With the current fiscal crisis, the higher-education budget share is pegged at around 15 per cent, despite the continuous growth in the number of SUCs in the late 1990s.

The Philippines achieved universal primary education in the second half of the 1990s, and net secondary enrolment has reached 76 per cent at present, which means a growing pressure for expansion of the already overcrowded and financially unsettled higher-education sector. Again, wide regional disparities characterize all levels of instruction. For example, if 100 per cent of pupils complete primary education in Metro Manila, only 30 per cent do so in the poor rural provinces.

The higher-education system in the Philippines enrolled more than 2.4 million students in 2001, about 75 per cent of them (1.7 million students) in private institutions. In total there were 1,413 institutions, 266 of them were state and 1,147 were privately run (80 per cent of institutions).

The present system of state funding of higher education has often been criticized for its inefficiency and lack of accountability. There are great variations in terms of unit costs per student between the state institutions, between the regions and between the state and private institutions.

The difference between the state and private institutions has been particularly striking. In 1997, mean unit cost per student at state institutions was 19,000 pesos compared to 9,000 pesos for the private institutions. In 1999, total unit cost per student was in the range of between 5,000 and 90,000 pesos per year, while tuition fees ranged from 1,000 to 45,000 pesos (including both state and private institutions).

For reference: tuition fees in the best state university – the University of the Philippines – are US$250 per year at the moment; tuition fees at the top private universities such as De La Salle (not subsidized by the government) are up to US$2,000 a year. According to the 1993 data from the Fund for Assistance to Private Education (FAPE), on average tuition fees at state HEIs were US$55 per year and the total cost related to higher-education studies was US$390. At private HEIs, they were respectively US$270 and US$870.

A 2000-2001 survey on 147 colleges (universities were not reviewed) in Metro Manila showed that between 1993 and 2001 tuition fees were growing at an annual average rate of 15 per cent and reached US$250 mean per year. The highest fees observed in this survey for the 2000-2001 academic year were US$900 per college student per year, while the lowest were US$60. It would be fair to say that the median level of tuition fees surveyed was much lower than the mean, an indication that most schools were charging lower fees than the average.

The student loans schemes (SLS) have a long history in the Philippines. The 'oldest' (since 1976) system-wide scheme is called the 'Study Now, Pay Later Plan' (SNPLP).

The following distinguishing features of SNPLP must be mentioned. It is a top-down, government-run, mortgage-type scheme largely designed for public higher-education institutions; private institutions which dominated and continue to dominate the system were not consulted, nor were they very interested to participate.

Such important stakeholders as private banks and companies, NGOs, the Church, foreign donors, institutions and student communities were not involved in the design or running of the scheme. This was because of too broad eligibility criteria against limited funding and small-scale application (insignificant number of students and low actual amounts per student).

The 'government financing institutions' (GFIs) that were forced to provide the initial capital and run the scheme had no built-in incentives; they first reduced and then stopped their funding by 1989 and finally totally disengaged. However, they are reimbursed for the defaulters from the government budget.

With the disengagement of the GFIs, the scheme became a bureaucratic routine; CHED, which was put in charge, mobilized extra funds from GATSPE (Government Assistance to Teachers and Students in Private Education) and PAF (Poverty Alleviation Fund), but the Office of Student Services under CHED authorized to administer the scheme had neither staff, nor capacities; hence the repayment rate dropped from 40 per cent in the 1970s to the present 2 per cent.

In view of the disappointing outcomes of SNPLP, new government-run schemes have emerged recently, focused on specific regions or categories of institution; however, as no assessment of SNPLP has yet been made, they risk to repeat its deficiencies in one way or another.

The low repayment rate reflects the unenthusiastic attitudes of students and families towards SNPLP. A change in attitudes is required for future SLSs on the basis of clear criteria and arrangements, involvement of key stakeholders, possibly sensitivity testing and an awareness campaign.

There are three recent schemes to be mentioned: a regional one in the Bicol Region (or Region V), an institutional one – focused on so-called 'centres of excellence', and a specialized one – to support agricultural education through micro-projects.

The Bicol Region, or Region V is one of the most deprived in the country. The growing incidence of poverty due to disasters, devaluation of the peso and the high incidence of unemployment, among other causes, has heightened the problem of access to higher-education opportunities.

It was in response to the above concerns that the then Senator Raul S. Roco (at present Secretary of Education and Culture), a Bicolano, initiated the allocation of 20 million pesos (P20,000,000.00) for a Student Loan Programme for Region V under Republic Act 8745, the FY 1999 General Appropriations Act. The amount is constituted as a revolving fund to selected higher-education institutions (HEIs), to be made available for loan purposes to deserving students.

There are 18 selected schools in the 6 provinces of the Bicol Region administering the programme.

The Student Loan Programme for Centres of Excellence, which started in Academic Year 2000-2001, is one of the programmes of the government aimed to widen access to higher-education opportunities especially for the poor but deserving students. In order to assure quality and relevant education for the beneficiaries, only colleges and universities with Centres of Excellence (COEs) in priority courses, both in the public and private schools, were selected to implement this programme.

To be a CHED-recognized COE in a specific programme, the school should exhibit the highest degree-level standard in instruction, research and extension. A Centre of Excellence (COE) is a unit of a higher-education institution with a strong undergraduate programme, research and extension capability, and with preferably a good graduate programme. For the 1992-2002 grant period, an evaluation rating of 90 per cent or higher qualifies a programme for COE status. A COE shall receive a grant of P3 million a year for three academic years.

Like the 'old' scheme, this scheme relies exclusively on scarce and irregular government funding and is small-scale by definition. The difference is that it involves the HEI concerned directly in administering the scheme (i.e. repayment), under the supervision of the Office of Student Services of CHED. In fact, this became a weakness of the scheme implementation as certain institutions viewed it as an extra administrative burden, without any additional motivations or incentives. There were cases when certain institutions refused to participate in this scheme for this reason.

Next, the Government of the Philippines sought assistance from the Government of Australia to support its policies in the reorientation of agricultural education so as to better meet the educational needs of rural communities. The latter provided assistance to the former for the implementation of the Philippines-Australia Agricultural Technology Education Project (AGRITECH).

The project was implemented in 1993-2000. It included provision of technical assistance, funding of educational facilities and equipment, human resource, curriculum development, student and institutional support. It supported 12 Provincial Technical Institutes of Agriculture in 4 regions of the country. Due to its highly specialized nature – to finance agricultural income-generating micro-projects by students – this scheme was different from other SLSs. Most students had enough income to repay the loans. Short duration, involvement of community spirit through co-operatives, and efficient institution-based management were other key reasons for high repayment rates.

The Philippine experience with student loans differs sharply from that in other countries where they have a sizeable impact on higher-education finance. While student loans in the Philippines have a long history, they have never been operated on a large scale (reaching only a few thousand new student borrowers a year), have had only a marginal impact on higher-education finance, and their record of performance has been dismal. While there has been some current experimentation with new loan schemes in the Philippines, these are again operated on a small scale with minimal funding; there are no clear plans afoot to develop any nationally based student loan scheme of broad coverage in the foreseeable future.

The Philippine case is of interest not because of its successes but rather because of its failures. The example of the Philippines is about lessons to be learned. More about ‘what should not be done’, rather than about ‘what should be done to put the SLS in place’.

A careful examination of the long history of the central Study Now, Pay Later Plan offers many lessons, albeit of a negative kind. This was the focus of the Philippine case study. The so-called ‘new’ SLSs (for Region V, for Centres of Excellence, and for the AGRITECH project) should hopefully avoid the mistakes and drawbacks of the ‘old’ scheme, but they might not. As it is too early to make the evaluation of the ‘new’ SLS, it is clear that the Philippines is still in the process of searching for an optimal scheme design to be applied.

Introduction

1. Objectives and rationale

The overall objective of the case study is to examine the operation of student loan schemes in higher education in the Philippines, the aim being to learn practical lessons for a comparative policy analysis from the varying experiences in Asia.

There is a general lack of in-depth appraisal of existing loan schemes, which is a serious obstacle when attempting to improve their application at the country and regional levels, as well as worldwide. This case study on the Philippines was designed to fill the knowledge gap and to provide an input for a comparative analysis within the framework of the above-mentioned UNESCO-Bangkok regional project.

The project was designed and is co-ordinated and funded by UNESCO-Bangkok; the Planning and Sector Analysis Unit (PSA) (D. Altner) acted as a focal point. A. Ziderman, expert in SLS appraisal, acted as Lead Consultant. His detailed comments laid the foundation of the present version of the report.

The Philippine team was composed of T. Nadurata, De La Salle University; V. Resurrection and F. Bernal (both from the Office of Student Services under the Commission on Higher Education, CHED).

They collected an unprecedented amount of information on the SLS in the Philippines, and investigated in particular the features of recent SLSs and their differences (targeting, administration arrangements, repayment mechanisms) from the 'old' (since 1976) SLS called 'Study Now, Pay Later Plan' (SNPLP).

This study relied extensively on the conclusions, observations and recommendations of the 1998 Philippines Education Sector Study (PESS, 1998), in particular its Technical Background Paper No. 3 'Higher education in the Philippines' by Richard K. Johanson.

Useful advice was provided by W. Duncan (ADB Task Manager for the Philippines), as well as A. Hauptman and S. Cao, both consultants for the ADB project on higher-education finance in the Philippines.

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2. Sources of information

The sources of information were initial ‘crude’ data, documents and information collected through ‘fact-finding’ meetings and interviews with staff in charge of various aspects of student services, support and assistance.

The key meetings were organized at:

- the Education Committee of the National Commission for UNESCO;
- the National Economic Development Authority (NEDA), an equivalent of the Ministry of Planning;
- the Commission on Higher Education Development (CHED), an equivalent of the Ministry for Higher Education;
- the Office of Student Support Services under the CHED, which is directly in charge of government-run SLS in the Philippines;
- the Asian Development Bank (ADB); with:
- the ADB consultants and experts of the Technical Working Group for Student Financial Aid (within the ADB-funded Project Preparation Technical Assistance);
- the Fund for Assistance to Private Education (FAPE);

- the SEAMEO-INNOTECH (IIEP partner institution);
- De La Salle University (DLSU, which runs its own institution-based SLS);
- the Education Office of Region III;
- so-called GFIs formerly in charge of SNPLP funding and management.

A large number of various documents, data and information was collected for further processing and analysis. However, the degree of analysis was not equal; some data were too incomplete or too fresh to be used. This concerns in particular recent schemes that were too new to be analyzed in depth.

Therefore, after a number of editorial meetings organized by UNESCO-Bangkok at the suggestion of Adrian Ziderman, it was recommended that the focus of the paper should be on the 'old' scheme called the Study Now, Pay Later Plan (SNPLP). This conclusion was supported by the hands-on evidence of Adrian Ziderman, who visited the Philippines in early 2002 to review student support mechanisms at the invitation of the ADB.

Furthermore, it should be noted that in spite of the long history of the SLS in the Philippines, no real systematic assessment was ever done. This case study represents a pioneering attempt to fill this gap with some original findings and conclusions on the SLS in the Philippines.

Chapter 1

Background on the higher-education system

1.1 Historical record of higher-education development

The Philippines achieved universal primary education in the second half of the 1990s, and net secondary enrolment has reached 76 per cent at present, which means a growing pressure for expansion of already overcrowded and financially unsettled higher education. Wide regional disparities characterize all levels of instruction. For example, if 100 per cent of pupils complete primary education in Metro Manila, only 30 per cent do so in the poor rural provinces.

The higher-education system in the Philippines enrolled more than 2.4 million students in 2001, about 75 per cent of them (1.7 million students) in private institutions. In total there were 1,413 institutions, 266 of them state and 1,147 privately run (80 per cent of institutions).

The state higher education has started to expand rapidly since the 1970s, when there existed only one state university (the University of the Philippines) and it accounted for 8.5 per cent of total enrolment. This grew to 15 per cent by the mid-1970s and 25 per cent by the end of the 1990s, when more than 100 state institutions were set up. The enrolment growth is faster for public higher-education institutions (10 per cent per year) than for private (3 per cent), often at the expense of quality of instruction and learning conditions.

The spontaneous proliferation of public higher-education institutions in recent years has led to substantial pressure on government funding and has had negative consequences in exacerbating the heterogeneity of the system, resulting in deteriorating quality of instruction and competences of graduates, when secondary/high and vocational/technical schools were converted/upgraded to the status of state colleges.

In addition, there is a number of 'city colleges' recently established by local governments, over which CHED has no authority at all. Political rather than rational cost-efficiency criteria have been used in decisions on state intervention in higher education and, more so, on the allocation of the government budget across the education sector for individual institutions. Congress exercised independent powers in establishing new unplanned state universities and colleges in particular regions of the country. As a result, the country's largest University of the Philippines (UP) has to reject 80 per cent of its applicants because of overcrowding, while other state universities are underutilized. The UP unit cost per student is lower than unit costs in other large universities and colleges, which are not in demand for the above reasons.

Disparities between educational institutions are extremely wide, both between and within the public and private sectors. The specifics of the Philippines is that private HEIs that enrol the majority of students receive very little or no government support and have to rely on tuition fees as their major source of income. Previous SLSs usually concerned selected state and private universities and colleges, privileged for unclear reasons.

More recently, since the late 1980s, through funding from a special programme called 'Government Assistance to Teachers and Students in Private Education' (GATSPE), the role of private higher education has been better understood and recognized and the extension of student support from government sources has become possible. Nonetheless, the controversy remains as to what extent scarce government resources should be utilized to expand public higher education instead of supporting private universities and colleges. In any case, all types of student support by the government (both scholarships and loans) have a symbolic meaning due to their small amounts per student and limited coverage (less than 5 per cent of enrolment).

State institutions are financed largely by the central government, with some minimal support from local authorities. They also charge all students tuition fees averaging less than 10 per cent of unit cost per student (irrespective of their ability to pay, academic performance or course). The exception has been the University of the Philippines, the country's largest, which was allowed to introduce a 'socialized' tuition fee programme in 1992. The programme raised tuition fees to a higher proportion of unit cost, first from 10 to 20 per cent, and then to 50 per cent. However, the programme enables discounts scaled from 20 to 100 per cent subject to the socio-economic background of students on the basis of income-tax returns.

Thus all students enrolled in the state universities and colleges enjoy government subsidies at the rate of tuition fees/cost differential and indiscriminately (irrespective of family income, achievements or course). But the actual subsidy level differs depending on the unit cost per student, which varies greatly across institutions.

By law state universities and colleges are autonomous and independent in their academic and administrative matters. They prepare their own budget proposals and submit them individually to the Budget Co-ordinating Committee and lobby for their approval. The Committee consists of the heads of the national Economic Development Authority, the Department of Finance and Department of Budget and Management. The Commission on Higher Education (CHED) may make recommendations on these budget proposals as commissioners sit on boards of regents/trustees of institutions. In real terms, it has no budgetary control over the 'state university and colleges' (SUCs), and only a limited control over the 'CHED-supervised institutions'. But it is the SUCs that consume the lion's share (80 per cent) of total government expenditure for higher education. This apparent contradiction can only be explained by deep-rooted vested interests.

1.2 Educational expenditure for higher education

Except for the period between 1990 and 1994 (when the government implemented fiscal adjustment measures) and 1999 (the effects of the Asian financial crisis), government spending on education grew at a faster pace than GDP, aggregate government expenditure and the average price level. In any case this indicator is high by regional standards.

However, the cost of education for households is equally high due to the large share of private institutions and their enrolment. They account for about 7 per cent of primary enrolment, 25 per cent of secondary enrolment and about 80 per cent of tertiary enrolment. Furthermore, tuition, user fees and other types of family support are similar to those required in public institutions. Tuition and other fees are in a wide range, corresponding to the standard of institutions to accommodate students from all income groups.

In contrast to the developments in the basic education sub-sector, the higher education sub-sector proved to be resilient to the fiscal austerity measures of the early 1990s, when its budget share remained relatively constant at around 17 per cent. With the current fiscal crisis, the higher-education budget share is pegged at around 15 per cent, despite the continuous growth in the number of SUCs in the late 1990s.

The transformation in the composition of SUCs' expenditure followed the overall education-sector trend. Thus, the share of personnel expenditure in the combined budget of all SUCs rose from 64.1 per cent in 1987 to 80 per cent in 2000.

The 1998 PESS compared distribution of education spending in 1984, 1994 and 1997 by level of education and source of financing. For tertiary education, the percentage of spending between sources of financing was fairly balanced – 34-37 per cent for central government, and 63-66 per cent for private households – over this period of time.

In terms of percentage of spending per level of education for each financing source, again the situation for tertiary-education financing was relatively stagnant – with variations from 19 to 21 per cent of total central government funding, and 34-39.5 per cent of total private household spending on education.

Apart from the stagnant trends of central government spending on higher education, the striking feature of the Philippine context is that households, overall, spend more or less the same proportion of funds on tertiary education as they do on elementary and secondary (Maglen and Manasan, technical background paper No.2 for PESS, 1998). Clearly, these dichotomies are a sign of deep-rooted, fee-paying disparities implanted in the system. Under normal circumstances, the weight of household spending for tertiary education should definitely overwhelm that for elementary; however in the Philippines it was 39.5 per cent for tertiary against 34.5 per cent for elementary out of 100 per cent of total private household expenditure?!

Although statistically the overall funding of higher education should be sufficient, the heterogeneity of the system and biased patterns of actual allocation and utilization (or mismanagement) of funds cause the systemic inefficiency and low performance. For example, the country's largest and best state university – the University of the Philippines – was rated only No. 48 among 77 universities in South-East Asia (Asiaweek, 30 June 2000).

1.3 Cost-efficiency of public and private higher-education institutions

The present system of state funding of higher education has often been criticized for its inefficiency and lack of accountability. There are great variations in terms of unit costs per student between the state institutions, between the regions and between the state and private institutions.

The difference between the state and private institutions has been particularly striking. In 1997, mean unit cost per student at state institutions was 19,000 pesos compared to 9,000 pesos for private. In 1999, total unit cost per student was in the range between 5,000 and 90,000 pesos per year, while tuition fees ranged from 1,000 to 45,000 pesos (including both state and private institutions).

For reference: tuition fees in the best state university – University of the Philippines – are US$250 per year at the moment; tuition fees at the top private universities such as De La Salle (not subsidized by the government) are up to US$2,000 a year. According to the 1993 data from the Fund for Assistance to Private Education (FAPE), on average tuition fees at state HEIs were US$55 per year and the total cost related to higher-education studies was US$390. At private HEIs, they were respectively US$270 and US$870.

A 2000-2001 survey on 147 colleges (universities were not reviewed) in Metro Manila showed that between 1993 and 2001 tuition fees were growing at an annual average rate of 15 per cent and reached US$250 mean per year. The highest fees observed in this survey for the 2000-2001 academic year were US$900 per college student per year, while the lowest were US$60. It would be fair to say that the median level of tuition fees surveyed was much lower than the mean, an indication that most schools were charging lower than the average level of fees.

All that can be compared with the amount of student loans provided within SNPLP, fixed initially at 7,250 pesos per semester, later raised to 10,000 pesos per semester. Using the 2001 exchange rate it means between US$270 and US$380 per year. It is clear from this comparison that government-sponsored loans are of little practical help for students in better-off private universities and colleges.

In spite of the large absolute funding, the fact that the allocation of funds for the entire (state and private together) system of higher education is made in an irrational way can be seen in expenditure per student as percentage of GNP per capita. In 1997, it was less than 15 per cent of GNP per capita for an average higher-education student, approximately 9 per cent for a primary-education student. But within the system some institutions, especially state universities, seem to be better funded than others, or rather at the expense of the others. Government expenditure for one student at state universities is equivalent to financing six to ten students in basic education.

The unit cost per student in the state universities and colleges reveals a wide divergence – from a low 6,600 pesos for Basilan State College to a high of 99,000 pesos for the Philippine Merchant Marine Academy. For the country's largest University of the Philippines the unit cost is 62,000 pesos. Compared to the private institutions (except the elite ones), the unit cost per student at the state universities and colleges is much higher. The 1998 PESS showed that operating state institutions with the same unit cost as their private-sector counterpart would result in 5 billion pesos in savings.

The recurrent per capita (per student) allocations from the government budget to the state institutions ranged from 6,000 to 46,000 pesos. One of the reasons is low cohort survival rate (20 per cent on average and less) in certain institutions. Another, that many institutions were converted from former high and vocational schools with dilapidated infrastructure. The large majority of students choose low-cost courses with cheaper fees, which leads to overcrowding in the state institutions.

Private institutions are either sectarian and largely catholic schools, or non-sectarian and largely family-owned/controlled schools. Private institutions depend almost entirely on tuition fees and therefore on the education market; they do not receive any regular subsidies from the government. Without this support, they charge more expensive tuition fees then state institutions regardless of the quality of education. But the fact that they provide education with acceptable standards at affordable fees and lower unit costs per student than state institutions is worth further investigation. One possible explanation could be the differences in status of staff, i.e. private institutions use a lot of part-time teachers from state universities.

1.4 Unrealized reforms

Many sources, both national and external, point at inadequate financial management of Philippine higher education, especially striking when cost-efficiency of state institutions is compared with that of the private ones.

The Long-Term Higher Education Development Plan (Task Force on Higher Education, 1995) stated that the present higher-education system is characterized by "inefficiency, poor quality, and lack of access, equity, leadership and planning". The Plan recommended rationalization of support for publicly funded institutions, including measures for increased cost-recovery, to reduce the growing burden imposed by the higher-education sector on the national education budget.

The World Bank observes that while the absolute amount of educational funding by the government is growing, its management is not convincing: for example, staff expenditure is inflated but textbook provision and teacher training are underfunded. The World Bank suggests that "all new funding for state universities should be vetoed, an immediate review of policies regarding state universities and colleges should take place, and the poorly targeted scholarship programme for government assistance to students and teachers in private education should be reviewed".

A study called "Philippine education for the twenty-first century" (PESS, 1998) concludes: "A rationalization of the Philippines higher education is overdue. The present system is overly complex, of generally low quality, exposed to unplanned decisions by Congress, and difficult to manage and supervise. A refocusing of CHED away from institutional management, restructuring of the higher-education system, and a rationalization of common educational support services may help to address these shortcomings" (PESS, 1998).

The study stressed that the higher-education system as a whole and the state-run sector in particular are in need of streamlining and rationalization. Strategies worth considering included reducing the total number of higher-education institutions across the country and, in the public sector, creating a three-tier system comprising: (i) multidisciplinary state universities, focusing on teaching and research; (ii) four-year state colleges, focusing on teaching and extension services; and (iii) two-year state colleges, focusing on technical and vocational education. The justification (which echoes the World Bank observation above) was a need to stop a wave of secondary or technical schools which were being converted/ upgraded to the status of state colleges because of financial incentives.

It is from this perspective that we should view the entire spectrum of issues and problems related to higher-education finance and management, including student support and student loans. In spite of the plethora of critique and proposals for reforms, there was no momentum created or capacity enhanced to proceed from polices announced to actions required.

Chapter 2

Student support, including student loans

Following the PESS 1998 recommendation, the policy currently pursued by the government is to gradually increase the level of tuition and other fees at state universities and colleges, bringing them to the level of respective unit costs. This should be supported by a corresponding amount of redistributed student assistance when students from financially-capable families shall pay a larger share of the cost and tuition-fee structure. Two major reasons are given: to reduce the burden upon the government budget, and to introduce market discipline in state universities and colleges through own-income generation and self-financing.

Accordingly, for the period from 2001 to 2006, a set of bold measures was proposed, yet to be put in place. In addition to the fixed support subsidy over the five-year period, an amount equivalent to 10 per cent of recurrent expenditure should be allocated to the student assistance budget line.

This should be used entirely to enable students via scholarships, voucher, loan or other schemes to absorb significantly higher tuition fees (at least for those entering in the first year) to be concurrently established. Further on, the student assistance budget line should be progressively increased, enabling the gradual introduction of an even higher tuition structure, together with expanded scholarships. Gradually the scholarship/voucher/assistance schemes will be based more and more on need or parents' income, so that equity of access is ensured for those capable of pursuing higher degrees.

Under the heading of *Financial management for higher education* (PESS, 1998), R. Johanson wrote: "The government should (1) reduce subsidies for undergraduate higher education; (2) use funds saved for vastly increased scholarships for low-income students; (3) grant HEIs full financial autonomy and allocate resources; and (4) transfer funds on a lump-sum basis determined by per-student financial norms and performance criteria.

One of the critical problems in designing and implementing student loan schemes in the Philippines is how to balance them with subsidies and scholarships? Both scholarships and loans at the moment cover only a small fraction of enrolment (less than 5 per cent) which means that their impact is insignificant. Given the large income, regional and other disparities in the Filipino society, proper targeting of student support appears essential but hard to attain. Together with official scholarships, unpaid loans actually become 'hidden' scholarships as the repayment rate is ridiculously low for the government-run schemes.

In the Philippines, to partly obviate the costs of higher education, scholarships were made available to eligible students. In 1997, some 3,000 scholarships were awarded to students selected from 40,000 candidates. Irrespective of the length and level of the programme taken, the scholarship benefits should be the same tuition and miscellaneous fees, a monthly stipend of about 2,500 pesos, a book allowance per semester and a few other benefits. The cost of scholarship per student ranges from 21,500 to 44,000 pesos per year and it is linked to the level of tuition fees. However, a desire to accommodate the large number of beneficiaries renders reduced per capita allocations as a result.

Some particular scholarship schemes are focused on specific courses and cultural and ethnic groups. Then, the Expanded Programme for Government Assistance to Students and Teachers in Private Education (Expanded GASTPE) provides grants and scholarships, but on an irregular basis and mostly for staff development. The total number of scholars under various programmes was 41,983 in 1999, yet a small fraction of eligible students enrolled.

Private institutions also practise scholarships in terms of 25 to 100 tuition fees waiver, socialized tuition structures and deferred payment/ loan schemes. Grantees of government scholarships who prefer to attend private institutions are granted assistance via a partial scholarship, the amount of which is the difference between the government assistance received and the tuition fees charged.

The student loan schemes (SLSs) have a long history in the Philippines. The detailed analysis below will concern first and foremost the 'oldest' (since 1976) system-wide scheme called 'Study Now, Pay Later Plan' (SNPLP). While many institutions, both state and private, had some form of short-term loan schemes in support of tuition-fee payments, a system-wide programme was developed only in 1976. The analysis of the SNPLP presented below benefited from the inputs being generated by the Technical Working Group on Scholarships and Student Loans set up within Programme-Preparatory Technical Assistance (PPTA) projects. Those are expected to lead to an Education Sector Development Programme – a detailed package of policy and project measures in support of the Presidential Commission on Educational Reform (PCER) Agenda, for financing by the Philippine Government and ADB.

Very recently (in 1999-2000) there appeared, however, new government-funded SLS initiatives, one for a specific region (Region V 'Bicol'), another for so-called 'centres of excellence' (COEs), third, for an Agricultural Polytechnic institution. Their design was modified to a more institution-based rather than centralized SLS management. But they experienced serious financial constraints, receiving actually much less than planned, or no funds were disbursed to them at all. Certain HEIs such as DLSU even returned their assigned slots because of low volumes of expected funding and high administrative costs. DLSU believed that it could share its slots with other institutions that needed loans for their students. The Agricultural Polytechnic received Australian support, and was linked with student micro income-generating projects etc.

While the historical record of the 'old' SNPLP was dismal (analyzed in detail below), the new schemes appeared rather chaotically, without proper assessment of the flaws of the 'old' scheme and without feasibility testing, institutional capacities or resources for implementation.

Apart from the usual bureaucratic obstacles and a lack of funding they may repeat the doomed fate of the SNPLP because of their inability to grow to the scale. To achieve that, the key concern is how to ensure sufficient and expanding funding together with operational management. Unfortunately, in the Philippines the private sector (banks and companies) that potentially could have been the main pool for lending the resources and management for an upgraded SLS has been dramatically disillusioned with the story of the SNPLP and denies its involvement in new schemes. *Appendix 1* presents a synoptic table with features of each of the schemes. A more comparative analysis on all these schemes is made below.

In terms of credit market failures, Johanson (PESS, 1998) states:

"The government should (1) scrap the existing loan programmes, (2) start a vastly expanded new programme for student loans with income-contingent repayment, and (3) have the programme managed through commercial banks with government guarantees rather than administering the programme itself".

The reasoning given by Johanson is as follows:

"Low-income students and their parents at present are not able to buy high-quality education for two reasons: lack of information about the market of private education (which institutions offer the best price/quality combination); and lack of access to credit markets from which to pay for the education. Expanding access to credit would go a long way to raising the quality of individual choices about education, would tend to support the better-quality institutions, and would tend to drive out low-quality institutions that currently exploit the poor.

The government should provide greatly expanded financial support for student loans. The justification for public investment in support of student loans is threefold: it would (1) contribute to overall quality improvement by enhancing increases in tuition fees which would in turn tend to reduce dependence by public HEIs on government budgets; and (2) by raising tuition in public institutions it would help to level the playing field between private and public institutions, thereby ensuring a vibrant private sector well into the twenty-first century.

The current 'Study Now, Pay Later' programme has serious flaws (low coverage and low repayment rates). It should be abolished and replaced by a system of government guaranteed student loans with private banks. Experience in other countries shows that this is a more viable option than direct government lending, in large part because commercial banks are serious about collections. Serious consideration should also be given to 'income-contingent' loans, such as currently done in Australia and starting in the UK. Repayment under these loans varies according to the income of the graduate" (PESS, 1998).

After the PESS 1998, a number of recent reviews of student support in higher education and formulation of policy proposals took place under the auspices of the ADB (A. Ziderman; A.M. Hauptman and S. Cao and others).

On the issue of student loans, Hauptman and Cao (2001) pointed out that any new student loan system must recognize the particular strengths and weaknesses of higher education in the Philippines. An approach that may have worked to varying degree in other countries may not work as well in the Philippines. For example, a number of developed countries (Sweden, USA, New Zealand) had some positive experiences with income-contingent repayment schemes, in which borrowers repay on the basis of their income after graduation.

But Hauptman and Cao correctly state that these schemes depend critically on the existence of an effective tax-collection system with a high level of compliance. As such a tax system does not exist in the Philippines, a comprehensive income-contingent repayment plan would most likely fail. The poor repayment record of SNPLP based on long-term repayment periods showed that.

Various options and strategies are being considered both by the government and the ADB. Alternatively, one may ask whether any SLS is applicable to the country context characterized by huge income disparities, corruption, tax evasion, inertia of bureaucracy, mistrust of population to any legal binding procedures etc. The huge number of informal 'grey' and 'black'-market pawnshops and other operators in large cities indicates a real market for indigenous 'loan sharks' who are more efficient than government bureaucracies.

Chapter 3

SNPL scheme – Phase 1

3.1 First steps

Initial layout of SNPLP

The first legislation on student loans was approved as early as 1969, when the Student Loan Fund Authority was set up under the Department of Education and Culture. However, because of limited legislation, powers and funding it did not live up to expectations and was abolished in 1976.

To provide more impetus, on 13 May, 1976, by Presidential Decree No. 932, a 'Study Now Pay Later Plan'(SNPLP) was launched. The objective declared was to give equal learning opportunity to everybody and to make quality higher education accessible to all Filipino citizens. Through SNPLP, any poor but deserving Filipino high-school graduate desiring to pursue higher education could receive educational assistance from the Educational Loans Funds, provided he/she met the other necessary qualifications.

Major targeting criteria initially were:

- Filipino citizens;
- currently enrolled in a CHED priority course;
- not more than 30 years old at the time of application for loan;
- parents'/guardian's/spouse's annual gross income not exceeding 150,000 pesos.

The loan amount was set at 7,250 pesos per semester (there are two semesters) to cover tuition and other fees. The funds were allocated from the following Government Financing Institutions (GFIs): the Government Service Insurance System (GSIS); the Social Security System (SSS); the Philippines National Bank (PNB); the Development Bank of the Philippines (DBP); and the Land Bank of the Philippines (LBP). Each agency had to give a yearly contribution of 5 million pesos as initial investment (a total 25 million pesos a year).

A special Educational Assistance Policy Council was created to oversee the implementation, but the scheme was operated by an inter-agency secretariat later converted into the National Educational Loan Assistance Centre (NELAC).

The GFIs were directly put in charge of lending and repayment mechanisms. The Decree provided that the payment of all loans granted to a student-borrower should be made immediately upon employment under a payroll check-off system. The accrued interest rate was fixed at not more than 6 per cent per annum. At the same time an Educational Loan Guarantee Fund (ELGF) was set up with an initial capital of 1 million pesos.

These provisions and arrangements were modified, changed and adjusted subsequently many times, unfortunately in a 'patchwork' operational manner – 'the show must go on' - and without any strategic vision about the future of student loans in the country.

Procedures to apply for student loans

To apply for a loan, students submit their completed application form, together with the required documents, to the CHED Regional Office (CHEDRO). The CHEDRO, through a Committee, screens and processes the applications, ranks the applicants accordingly, selects the grantees and assigns award numbers, informs the students about their approved loans, orients them about the programme and enters into a loan agreement with each of the grantees. The approved loan is directly released to the grantee if he/she is studying in a school without a contract with CHED to administer CHED's financial assistance programmes, or the approved loan is directed to the school which, in turn, disburses it to the grantee if it is under the Institutionalization Scheme. CHEDRO sends a copy of the master-list of loan borrowers to the CHED Central Office.

The Screening Committee follows a system of priorities in the granting of loans, based on the degree of need for assistance and the potential for successful completion of the selected priority course of the applicant. Thus, the brightest of the very poor have higher priority for a loan grant over those who may be equally poor but less bright, or equally bright but relatively not so poor.

Evidently, there have been cases of 'ghost' grantees, whereby fictitious names and tampered-with records were used to obtain loans from banks. Investigations were made, but nobody has yet been brought to court. One of the persistent complaints about the programme is favouritism and subjectivity in the selection of grantees.

In order to establish the veracity of the information provided by the student-applicant, the following documents are required:

1. Latest Income Tax Return (ITR) from the Bureau of Internal Revenue or Certificate of Exemption to file ITR;
2. High School Report Card (Form 138) for incoming freshmen;
3. Official report of ratings or certificate of grades for the last semester attended, issued by the School Registrar or Dean, with an average not lower than 2.5 for those with college units; and
4. Certification of guarantee of loan by a GSIS or SSS member-guarantor.

Certain school administrators and students argued that the student loan should benefit those students from the middle- and upper-income group, rather than those from poor families. Deserving students from poor families should be provided with a scholarship grant rather than loan because of the condition for repayment. As documented in the study of Alday (1992), the loan amount under SNPLP cannot sustain many grantees to finish higher education. From AY 1976-1977 to AY 1991-1992, out of the 39,669 SNPLP grantees, 27,478 finished their course, 6,859 were still studying at the time of the survey, and 5,332 or 13.44 per cent dropped out.

Conditions of assistance

The granting of loans every semester to the qualified applicant or grantee is guaranteed until the completion of the course, subject to the following conditions:

1. The applicant enrols or studies in priority courses in private colleges and universities with Level II accreditation status, or those recognized by CHED as a Centre of Excellence or Centre of Development or, in the case of maritime courses, comply with the Standard of Training Certification and Watchkeeping (STCW).

2. The applicant enrols in the semester immediately following the approval of his application. In case of deferment to take up the loan, the grantee requests permission from the CHED Regional Office. The deferment cannot exceed one year, otherwise the approval for the loan will be forfeited.
3. The applicant undertakes the full schedule prescribed by his course of study every semester, except for a valid reason and with permission from the CHEDRO.
4. The grantee does not drop a subject that would result in underloading without the approval of the CHEDRO. Subjects dropped with approval are re-enrolled in during the summer or the following school term at the expense of the grantee.
5. The grantee does not change the course without prior approval of the CHEDRO. Permission is secured through a formal letter of request, upon the recommendation of the guidance counsellor. Change of course is allowed only once and must be done not later than the beginning of the first semester of the second year. The grantee submits a certification by the registrar that all subjects from the previous course are credited in favour of the new course.
6. The grantee does not transfer to another college or university without prior approval of the CHEDRO. Transfer of school may be allowed once.
7. The grantee maintains a general weighted average grade of at least 2.75, or its equivalent, in at least 30 academic units or in full load prescribed by the course he enrolled in during the academic year last attended.
8. The granting of a loan to the grantee is terminated in the event he becomes a grantee of other government or private scholarships or grants. However, grantees awarded any scholarship in the form of free tuition fees or book allowances etc., may still continue to benefit from the loan, subject to the deduction of the corresponding or equivalent amount received as scholarship from the loan granted under the SNPLP.
9. The applicant signs a loan contract with CHEDRO.

Some observers propose to abolish the minimum grade requirements every semester as a condition for the continuance of the loan. According to them, it is enough that the student passes all his subjects; anyway, it is a loan that should be repaid.

Priority courses

Only students enrolled in priority courses can apply for a loan. The priority courses of DECS and now CHED have changed several times since the start of the SNPLP. From AY 1976-1977 to AY 1992-1993, priority courses in post-secondary education included vocational-technical courses. There were national and regional priority courses.

Effective from AY 2000-2001, as per CHED Order No. 03 Series of 2000, the SNPLP-GASTPE loan can be obtained only by qualified students who are enrolled in priority courses in private colleges and universities with Level II accreditation status, or those recognized by CHED as Centres of Excellence or Centres of Development or, in the case of maritime courses, are Standard of Training Certification and Watchkeeping (STCW) compliant. The priority courses identified by the State Assistance Council are as follows:

1. Maritime education (marine engineering and marine transportation);
2. Information technology (information technology, computer science and information system management);
3. Agriculture and related fields (agro-forestry, veterinary medicine, fisheries);
4. Teacher education (major in mathematics, science, reading and English);
5. Engineering (mechanical, electronics and communication, metallurgical, mining and computer);
6. Courses for social integration (sociology, social work, community development, psychology, entrepreneurship, library science).

The policy of selecting good schools and prioritizing courses is in accordance with the aim of the government to produce highly qualified manpower in the professions most needed by society. This is also one of the means to avoid aggravating the social problems of unemployment and underemployment due to the oversupply of poor-quality graduates in oversubscribed courses.

However, due to the meagre amount of loans provided to qualified students and the geographical locations of schools, the policy of selecting good schools and priority courses seems counter-productive. It restricts access of financially handicapped students to higher-education opportunities. Many regions, particularly the poorer ones, have few schools offering priority courses and selected to participate in the implementation of the SNPLP, most of which are located in the cities or capital towns not accessible to many students from rural areas and island provinces. These schools are usually for the well-to-do students and charge the highest fees. At best, the loan available to students is not enough to pay the full cost of school fees. In many instances, loan borrowers drop out from college due to financial difficulties. Some grantees find this policy overly restrictive and a violation of their right to choose what is best for them in terms of profession.

3.2 SNPLP implementation: unrealistic expectations

Statistical Appendix 1 prepared by CHED provides a good base for analysis of the SNPLP implementation, in particular it illustrates the SNPLP implementation in terms of funding and its sources.

The loans were provided mostly to undergraduate students in state higher-education institutions. In practical terms, priority was given to senior students to avoid the risk of drop-out and consequently default. In the late 1970s and in the 1980s only some 3,000 students were granted loans every year, unlike the government projections which expected the coverage to grow by more than 10,000 slots a year in the 1990s, i.e. still a small proportion of enrolment; but even that did not happen. As an example of unrealistic expectations, a letter of instruction was sent by the government in 1984 proposing to expand the number of slots up to 5,000 per annum; that never happened because of financial constraints. In reality, the number of new slots dropped to less than 2,000 per year in the 1990s, and this with constantly growing enrolment (currently 2.4 million students).

The process of SNPLP implementation was characterized by numerous revisions and adjustments in the modes of operation of the scheme (discussed in detail below), which were signs of the difficulties and constraints it experienced. While the loan amount remained the same as in the beginning, the criteria were revised many times, in particular the most sensitive criterion of family income of eligible students. For example, first set at the maximum annual gross parents' income of 150,000 pesos to qualify, it was modified in 1986 to prioritize students with family income 'not more than 36,000 pesos'.

First, the initial investment was too small in terms of the number of slots and amounts per student, and it did not go to the scale in spite of many recommendations. Secondly, the GFIs put in charge of the scheme were not motivated, they disengaged when they felt the burden of potential losses and made no efforts to repair the design and running of the scheme (as they are reimbursed through the guarantee fund). Thirdly, the low repayment rate did not allow to replenish the initial capital, and the scheme became a loss-making operation, hanging on the government bureaucracy and diverting funds from social programmes.

Disillusion with SNPLP, which had become obvious by now, led to the search for new types of SLS in the Philippines – not system-wide, but region-based, institution-based, project-based with a stronger role assigned to stakeholders other than government bureaucracy.

Loan amount

The maximum loan amount to cover tuition, school fees and allowances has increased several times since the start of the programme in 1976. From P3,700.00 per school year for degree courses and P2,500.00 for non-degree courses in AY 1976-1977, the loan amount was raised to P5,000.00 and P3,500.00 per year for degree and non-degree courses respectively in AY 1983-1984. With the SNPLP under the GASTPE, the loan amount became P10,000.00 for degree courses and P5,000.00 for non-degree. From 1996-1997 to the present, a package of P14,500.00 per school year is the maximum loan amount to qualified student borrowers. In 1996, under the Social Reform Agenda of the government and with funding from the Poverty Alleviation Fund, the SNPLP programme granted a maximum loan amount of P20,000.00 per school year. However, this fund was only a one-shot allocation spread over four years to support the grantees until they finished their course.

Although there was an apparent increase in the loan amount over the years, in terms of real value or purchasing power, the amount actually decreased during the period because of inflation. Taking the stable US dollar as an index to gauge the value of the peso, in 1976 the maximum loan amount per school year was US$528.57 (1:7.50) for degree courses and US$357.14 for non-degree courses. The loan amount dropped considerably in AY 1983-1984 at US$274.73 and US$192.31 (1:18.20) for degree and non-degree courses respectively. Under the SNPLP-

GASTPE, in 1993 the loan had risen a little to US$388.25 (1:25.75) for degree courses and US$271.84 for non-degree courses. In 1996 the loan amount increased to US$563 under the SNPLP-GASTPE, and US$776.70 (1:25.75) under the SNPLP-PAF. With the massive devaluation of the peso in the year 2001, the loan amount became US$275.40 (1:50). To provide the grantees with approximately the same amount of loan as in 1996, the loan amount for the year 2002 should be at least P28,000.00.

The spiralling cost of living and the unabated increase in the cost of education every year made the loan amount unresponsive to the needs of the students. In fact, the student loan borrowers from 1979 to 1992 identified the insufficiency of financial loan assistance as one of their biggest problems (Alday, 1992).

GFIs: in and out

The economic justification for the sluggish operation of the scheme was that the GFIs did not have incentives to run the scheme and to make it profitable, or at least balanced; or have other indirect compensations and favours from the government. The scheme was literally imposed on them. The fixed interest rate set at a 'soft' 6 per cent was below the actual inflation rate (about 10 per cent annually) and the rates used for commercial loans (between 15 and 25 per cent annually). Hence, from the very start the student loans for the GFIs were like a 'hidden' long-term subsidy.

On the other hand, for the recipient students over time the amount of loan was not sufficient to meet all the living expenses, apart from tuition. As with student grants, the ceilings upon the budget available for loans, divided by the number of slots, did not allow to increase the amount of loan per student. From 1976 until present – after 25 years – it is the same: 7,250 pesos per semester. Even if tuition fees at state universities and colleges were reasonable and growing slowly, inflation was effectively 'eating into' the real value of the loans. Expressed in US dollar terms, the value of 7,250 pesos plummeted from US$1,000 in the late 1970s to US$270 before the 1997 crisis and to US$130 in 2001.

Furthermore, the GFIs did not make efforts to actually disburse the funds earmarked for student loans. Less than 40 per cent of total funding was disbursed by five GFIs in 1976-1988. Out of the five, the largest disbursement was made by SSS: 52 per cent of allocation; the lowest, by the Development Bank of the Philippines: 28 per cent. In other words, from the very beginning the institutions put in charge of SNPLP funding and operation were resisting it! When asked to raise the annual allocation from 5 to 8 million pesos in 1978, they actually ignored it.

Even the number of slots used by students was between 66 and 82 per cent, or 72 per cent on average for five GFIs. In total less than 30,000 students used SNPLP in 1976-1988, or less than 3,000 students a year. The repayment rate was 40 per cent on average for 1976-1988, with the lowest at PNB and LBP (22-25 per cent) and the highest at SSS (65 per cent). Some resources of the ELGF started to be used to compensate the GFIs for the defaulters.

Chapter 4

Evolution of the SNPL scheme (Phase II up to the current scheme mode)

4.1 Uncontrolled developments

The late 1980s saw major changes in the political regime of the Philippines, as well as serious adjustments in the SNPLP operation. The GFIs started the process of disengagement from the scheme, and its operation and funding was put under the Department of Education, Culture and Sports (DECS) which dealt with higher education at that time (before the creation of the separate CHED in 1994). In the process of disengagement of the GFIs in 1988-1992, the annual budget for SNPLP – now allocated by DECS – dramatically dropped (twofold!), together with the number of slots – down to 1,000 slots a year – and repayment rate (down to 3 per cent).

Characteristically, it was the DECS' money channelled through the GFIs in 1988-1992 that enabled them to complete the student loans bookkeeping. It is noteworthy that the GFIs administered their loans directly to students, unlike DECS and, since 1994, CHED, which administered student loans via regional offices of CHED.

Due to the overall disorder, the repayment rate declined to between 1.6 per cent at PNB to 5.7 per cent at SSS during this period. In 1992-1995, the SNPLP funding declined to 7 million pesos (compared to 25 million pesos at the start of the operation) and less than 1,000 new slots a year. To continue with the financially non-viable scheme, the government had to divert to it some funding from new 'umbrella' social programmes: 'Government Assistance to Students and Teachers in Private Education' (GATSPE) and Poverty Alleviation Fund (PAF). That helped to restore the funding to run the scheme in 1996-2001, but its coverage remained at the level of about 1,500-2,000 new slots a year. Due to the lack of scheme monitoring and the ever-declining repayment rate (at present probably much less than 2 per cent of matured loans), these injections seem palliative solutions. At the same time, the loan interest rate was raised to 12 per cent per annum.

However, a positive breakthrough was the emergence of GATSPE in 1989, which recognized the need for government support to private education, including the predominant private higher education, through, *inter alia,* student loans. The involvement of GATSPE funding in SNPLP resolved the controversy as to what extent students enrolled in private education should also be eligible for student loans. Nonetheless, given the small amounts of loans, it had more a symbolic meaning against the hefty tuition fees at private universities.

4.2 Organizational problems

The financial constraints were coupled with organizational problems. First, in 1984 the National Educational Loan Assistance Centre (NELAC) was merged with the National Scholarship Centre into the National Scholarship and Student Loan Centre, an indication that for many, those were almost synonyms. Hardly an appropriate managerial solution for two operations having a different nature, to be implemented by the same staff?! Moreover, the merger was an excuse for staff reduction, the total staff of two centres which comprised 125 in 1984 was finally streamlined to 25 staff positions at the present Office of Student Services, CHED.

In 1987, this centre was integrated into the Bureau of Higher Education, DECS. DECS took the responsibility of administering SNPLP by lending out and collecting loans through its regional offices in 1987-1994. With the creation of CHED in 1994, its Office of Student Services was put in charge of running the scheme through regional offices of CHED.

The changes in management, the merging of offices, the downsizing of staff and the dwindling of funds weakened the credibility of the SNPLP programme. The reassignment of the key staff, the lack of training of those left to implement the programme also caused much despondency and demoralization. Findings of a study on the performance of the SNPLP from 1979 to 1992 (Alday, 1992) revealed that the most common problems relative to the administration of the programme were:

1. Lack of personnel in the DECS Regional Offices to handle the programme;
2. Late release of funds from the DECS Central Office;

3. No additional compensation to personnel in charge of the programme; and
4. No proper delegation of work and records on the programme.

When the programme was transferred to CHED, only two members of personnel at the Central Office were tasked to monitor the programme while at the CHED Regional Offices, the supervisors assigned to implement the programme were heavily burdened with other important office responsibilities.

The recording system of loan borrowers was another setback for the programme. In some GFIs and at DECS and CHED, records were incomplete and not in a computer database. In some cases, the hard copy of the records on file was slowly deteriorating over the years.

Despite overwhelming demands from the students for financial assistance during the period, prompting the government to direct the participating GFIs to increase their allocation to the Educational Loan Fund, a big amount remained unutilized. Subsequent interviews with the previous students-recipients and personnel of the GFIs revealed that the location of the banks, the terms and conditions which were not client-friendly, and the lack of information about the programme, were the reasons for the seeming contradictions. It was noted that most of the GFIs were in the key cities and capital towns not accessible to students in rural areas, particularly those from island provinces.

On the other hand, those who had access to the GFIs were intimidated by the loan requirements such as income tax return of parents, certification of good moral character, priority courses, grades and a credible guarantor. It is very difficult for a poor student less than 18 years of age and far from home to find a guarantor willing to pay his loan in case of default. On the other hand, some observers believed that the GFIs deliberately did not exert an effort to make the SNPLP attractive to prospective loan borrowers, because they did not want their funds to be utilized. Instead of obtaining simple interest of 6 per cent per year from the SNPLP loans, amortized within a period not exceeding 10 years, granted that borrowers would repay, the funds could be invested in high-yielding investments which could give more earnings to the GFIs.

Some of the aforementioned criticisms were validated by the findings of Alday (1992), which revealed that the student-debtors encountered the following problems: (i) limited slots; (ii) lack of funds; (iii) bureaucratic procedures in the release of funds; (iv) delayed release of educational loans; and (v) lending bank too far from residence or school.

4.3 Costs of running SNPLP

What was the cost of running SNPLP? When the scheme was being designed in the late 1960s the direct staff expenditure was estimated at 100,000 pesos per year; when the scheme was actually launched in 1976, the expenditure estimates were raised to 200,000 pesos per year. In 1998, within the Expanded GATSPE Act, the sum was increased to 600,000 pesos per year. But this does not mean that the planned expenditure was allocated in full and on time. This expenditure was for direct staff costs to administer the SNPLP at the central level. It did not include the staff-time expenditure of five GFIs initially involved in funding and implementing the scheme, or paperwork at the educational institutions where selected students studied.

At present SNPLP is run by the Office of Student Services, CHED, which has a regular staff of 15 to deal with the whole range of student support, including grants and scholarships. At the regional level, the offices of CHED also employ 15-20 persons who are in charge of student loans, among other duties. But even the officially stated amount of 600,000 pesos per year, when compared with the funding annually earmarked for SNPLP in the late 1990s (160 million pesos), makes 3.75 per cent. Taking into account the low repayment rate of less than 2 per cent, it is clear that SNPLP has turned into a loss-making operation.

4.4 Allocation of loans

The Commission on Higher Education has a policy to equitably distribute the SNPLP slots among regions, and as much as possible up to the level of congressional districts, considering the following factors: (i) the poverty index in the area, and (ii) the number of incoming college freshmen. The number of slots for the year is determined mainly by the budget allocation in the GAA for the fiscal year and the number of graduates or vacated slots among the ongoing grantees for the school year.

The formula for regional slot allocation:

Step 1. % of incoming freshmen	→	$\dfrac{\text{Regional number of incoming freshmen x 100}}{\text{Total number of incoming freshmen}}$
Step 2. Regional average % of incoming freshmen and incidence of poverty	→	$\dfrac{\text{PIF + 1P}}{2}$
Step 3. Number of slots for the region	→	Regional average % of incoming freshmen and incidence of poverty x Total number of new slots
Sample computation	→	Region I $\dfrac{25}{355.05}$ x 1,000 = 60

Source:
DECS: data on 4th-year high-school students.
NEDA: incidence of poverty.

However, newer projections were made in terms of demand for the number of students to be given financial assistance every year. The procedure of slot allocation was based on available resources which were limited by definition. In fact, the allocated funds and the number of SNPLP slots per year were never meant to grow proportionate to the increase in enrolment of the target beneficiaries.

The fact that the actual number of slots depended upon the available funds allocated by the government for the year meant, over the years, that the number of recipients was proportionally declining in the midst of growing enrolment. And as the purchasing power of the loan amount depreciated considerably, the impact of the SNPLP was becoming irrelevant or hardly felt.

4.5 Problems with repayment

The Technical Working Group made an analysis of the reasons for low repayment of SNPLP. It interviewed the staff involved at central and regional levels of CHED, DECS and those at the GFIs. Unfortunately, it did not reach parents and students, especially the defaulters. Anyway, this unique and unprecedented survey produced the following results:

There was no single dominant factor reported causing the low repayment rate. The mixture of reasons was formulated as follows:

- lack of information on whereabouts of defaulters;
- unemployment or low income of defaulters;
- loan guarantors are not compelled to pay the 'bad' loans of defaulters;
- lack of capacities to track and prosecute defaulters by both implementing and funding agencies;
- absence of data bank on SNPLP;
- absence of a specialized unit in charge of loan collection;
- fast turnover of personnel in charge of SNPLP without proper delegation of responsibilities.

It is worth recalling that the repayment rate dropped from 41 per cent in the 1970s-1980s, when the scheme was funded and operated by five GFIs, to 3 per cent, in the process of its disengagement in 1988-1992, and to 1.9 per cent after its disengagement until now, or probably lower. About 2.3 million pesos, or 10 per cent of the amount allocated in 1992-1995, was due for repayment in 2000.

The repayment schemes of the SNPLP differ slightly under the funding of the GFIs, the DECS and the CHED. Interest rate per annum from GFIs, computed from the date of release of loan proceeds to the student-debtor, is 6 per cent compound interest, while from DECS and CHED it is 6 per cent simple interest. Commencement of payment by the grantees who utilized the GFI funds is immediately upon their employment after finishing their course, while for those of DECS and CHED, start of payment is two years from the time the grantee became employed after finishing the course. A penalty of 1 per cent per annum from any unpaid monthly instalment on the principal amount is charged to borrowers of DECS and CHED funds allocated to the SNPLP.

The amortization period for borrowers who took degree courses is within 10 years, while for those who finished non-degree courses, it is within five years. Repayment may be deferred if the student debtor pursues a second priority course at his own expense, or a graduate of a non-degree course pursues a priority degree course.

Student debtors of the DECS fund administered by the GFIs (AY 1988-1989 to AY 1991-1992) pay directly to the GFI's head or branch offices. Repayments received by the GFIs from the paying grantees for CHED are deposited in the National Treasury. Student debtors who obtained their loan from the DECSROs starting AY 1992-1993 pay their monthly amortization directly to the CHEDRO cashier's office, which in turn forwards the same to the CHED Central Office.

As of October 2000, the GFIs collected a total repayment of P155,410, 494.00 or 61 per cent of the P256,520,746.00 disbursed from their own SNPLP funds for the period AY 1976-1977 to AY 1987-1988. Among the GFIs, SSS recorded the highest repayment with 87 per cent, followed by the GSIS with 62 per cent; DBP, 61 per cent; PNB, 43 per cent and LBP, 38 per cent. However, of the total repayment to the GFIs, P38,418,301.00 or 24.7 per cent came from the ELGF and P116,992,193.00 or 75.3 per cent was paid by the student borrowers.

On the other hand, of the P148,704,394.00 disbursed by the GFIs from the allocation provided by DECS for the implementation of the SNPLP from AY 1988-1989 to AY 1991-1992, a measly P5,910,122.00 or 4 per cent was recovered. The GFIs seemed to lack determination in getting repayment for the DECS funds disbursed.

On the authors' part, they would suggest a 'problem tree' which 'grows' beyond the immediate causes of low repayment. Critical for them in order to improve the current situation, would be to review the SLS regulations in such a way that more stakeholders would be involved from the private sector (NGOs, parents, foreign donors) in the actual running of the scheme. An awareness campaign is necessary so that student-defaulters could link the low repayment rate with the lack of funds for expanding and improving the higher-education system.

Chapter 5

SNPL scheme: problems, lessons, conclusions

5.1 Major revisions and adjustments of SNPLP

First, let us summarize what we actually know about the SNPLP (let readers be reminded that no systematic assessment of the scheme has been done so far).

This part of the paper is intended to show the inadequate, chaotic and contradictory manner in which the revisions and adjustments of SNPLP took place, showing sometimes vested, sometimes conflicting, interests of stakeholders involved. In chronological order:

1969 Creation of the Student Loan Fund Authority under DECS, as a first attempt to launch the scheme. An amount of 200,000 pesos was planned as start-up capital; other funds of up to 50 million pesos were planned to be raised through bonds issued by the Authority. Due to insufficient fund-raising the operation did not start.

1976 SNPLP was launched when five GFIs were forced to provide 5 million pesos each to start the operation. The Educational Assistance Policy Council was created to oversee the scheme instead of the abolished Student Loan Fund Authority. Actually the scheme was operated by an inter-agency secretariat later converted into the National Educational Loan Assistance Centre (NELAC). The interest rate was set at 6 per cent, the repayment was envisaged immediately upon employment. In 1976-1988, the total number of slots was 28,649; the repayment rate was 41 per cent on average, paid directly to the GFIs.

1978 Due to resistance by the GFIs to disburse necessary funding for the scheme, they were each requested to raise their contributions from 5 million to 8 million pesos annually. But this measure was also resisted and ignored.

1987 After the change of the political regime in the Philippines, the government bureaucracy was reorganized. NELAC was integrated into the Bureau of Higher Education, DECS.

1988 Five GFIs started the process of disengagement from funding and running SNPLP. However, during 1988-1992 they continued to run the scheme, now funded by the reduced DECS budget. The number of new slots dropped to 2,000 a year, the repayment rate dropped to 3 per cent.

1989 GATSPE was created. The role of private higher education was recognized and government support for it was promised. The actual support, however, was irregular and symbolic.

1992 Five GFIs totally disengaged. The scheme should thereafter be run by regional DECS offices. The funding was in crisis, the number of new slots dropped to 1,000 a year, together with a repayment rate of less than 2 per cent.

1994 With the creation of CHED, its Office of Student Services took over the scheme funding and operation from DECS. The scheme is run by the regional offices of CHED. Injections of funds from GATSPE and PAF helped to secure the scheme operation.

1999 Emergence of new schemes for Region V and for COEs also funded and administered by CHED. Funds for the COEs scheme were not released, certain COEs refused to participate.

2000 Creation of a CHED Task Force and Technical Working Groups to implement the ADB-PPTA projects for education-sector development. TWGs on scholarships and student loans were later merged.

5.2 Reasons for poor implementation

To summarize: Why were the outcomes of the SNPLP so disappointing, and why did it not go to scale? Briefly, because it appeared to be a top-down bureaucratic operation run solely by government agencies without any involvement by the private sector, NGOs or external donors, with limited funding and staffing, on a small-scale basis and without addressing the requirements of students and their families.

The lessons drawn from its inadequate operation and inefficient performance could be useful for the future of student loans in Philippine higher education and elsewhere. We can suggest the following reasons:

(i) *Organizational*

From its outset, the SNPLP scheme was designed as a top-down bureaucratic operation without appropriate feasibility studies and needs assessment. It covered at random universities and colleges, often state universities and colleges which enrolled a minority of students (about 5 per cent in 1976). By definition, those students came largely from low-income families and experienced difficulties in employment and repayment. Ideally, they should have received scholarships instead of loans (and in fact they treated loans as 'hidden' scholarships). By contrast, private universities, which enrolled more than 80 per cent of students, were less impressed by the scheme although the employment and repayment potential of their student body was greater. The eligibility criteria were too broad, and the number of eligible students was more than the amount and number of loans (slots) available.

(ii) *Legislative*

The SNPLP legislation was often revised and amended while the responsible bodies were being reorganized or abolished, which added to the chaotic implementation process. Many critical issues such as amounts of allocations and repayment modalities were decided arbitrarily, to be then revised from time to time. The distribution of responsibilities had not been made clear from the outset, which caused ever more confusion in regulations and arrangements. The loopholes in the SNPLP legislation led to its frivolous interpretation, subject to political biases and vested interests rather than the goals and objectives initially stated.

(iii) *Managerial*

The SNPLP scheme was run by a central government agency which experienced problems of understaffing and inefficiency. Student loans was only one of its many tasks and duties. There was no effective mechanism for tracking the defaulters. The state HEIs where the eligible students studied were not involved in the scheme operation (in fact they were running their own short-term schemes in parallel, which added to the confusion). The fact that the private sector (banks and companies) was not involved at all, and the 'government financing institutions' (GFIs), which were forced to participate initially, disengaged later, showed a lack of incentives to recover the loans and the already pessimistic prospects.

Inevitably, after their disengagement the repayment rate dramatically dropped (from 40 per cent to 2 per cent). Furthermore, the obligation of the government to repay the debts of the defaulters to GFIs made the situation absurd. Given the costs of running the scheme, its small scale and low repayment rate, it became a loss-making operation for the government.

(iv) *Financial*

The initial investment in the SNPLP which came exclusively from the state was not sufficient to meet the overall SLS objectives declared. No other funding – private, external, mixed – was secured or raised. The amount of loans was less than the real cost of studies (tuition fees and living expenses). As the scheme did not grow to scale and the repayment rate was low, it did not generate the resources for cross-subsidization and required more and more additional funds to inject, hence entering a vicious loss-making circle.

(v) *Attitudinal*

As there were too many students eligible for loans compared to the small number of slots actually available, the people's attitudes towards the scheme were controversial from the very beginning. Families were not really involved in the process of repayment guarantees and actual repayment. The notion developed that those who failed to obtain scholarships/fellowships could obtain a student loan as a 'hidden' substitute of the former. The absence of clear and user-friendly information added to the mixed attitudes towards the SNPLP.

As the declared policy is to gradually raise tuition fees towards average unit cost per student, the major challenges will be to learn lessons from the poor performance of the SNPLP in terms of its design, funding, administration, targeting and equity, and realistic expected outcomes for cross-subsidization of higher education. The existing system of top-down loan budget allocations to educational institutions is inappropriate for this purpose. As a rule, targeting criteria are too general, and ceilings are too high; loans distribution is based more on screening for eligibility than on proactive targeting. Further in-depth research is required on the links of student loans schemes with their social objectives and the manpower needs of the Philippines.

There is no lack of policy recommendations for development of the SLS in the Philippines. But they tend to repeat the 'wishful thinking' basics of the SNPLP for the future SLS, without looking into the reasons for the actual failure of the 'old' scheme.

While there was no assessment of the SNPLP implementation and performance, in 1995 the Task Force on Higher Education made the following recommendations:

- "An effective loan programme for those who qualify for college education but do not qualify for scholarships shall be developed. Owing to the very limited national budget for higher education, a loan programme for the large majority of students is necessary. This will break the financial constraint that obstructs efficient choices in higher education.
- Pre-need education insurance plans shall be developed through the GSIS, SSS, and private insurance companies. Parents shall be encouraged to save for the education of their children.
- Repayment mechanisms are to be coursed through the GSIS and SSS. Future employees who borrow for their education will make automatic repayment of loans when they become members of either.
- The loan programme shall be open to all students and in programmes not covered by the scholarship scheme" (Philippine higher education in the twenty-first century, 1995).

To comment on those, first, there is no mention of the SNPLP, even as a reference, for some reason. However, the two agencies proposed to run the new SLS are the ones that disengaged from the 'old' SNPLP earlier – GSIS, and SSS in charge of social security. Besides their previous record, they would ideally cover only formal employment; higher-education graduates entering the vast informal sector would be out of surveillance. One more obvious drawback – no involvement of the private sector, especially banks, and other stakeholders was envisaged in the above recommendations. On a positive note, the advantage of these recommendations was the recognition of the fact that future SLSs should be large-scale – 'for the large majority of students' – in order to be cost-efficient through economies of scale. In any case, these recommendations were not put in place.

The thinking on the SLS was further developed in the study "Philippine education for the twenty-first century" (PESS, 1998), which proposed to introduce a comprehensive programme of student financial assistance:

- "To offset adverse consequences for lower-income groups, any increase in fees should be accompanied by the introduction of a programme of targeted financial assistance. This would entail the following steps:
  - establish (on a pilot basis initially) an equitable and efficient loan programme, along the lines of the 'Study Now, Pay Later' programme but scaled up to cover many more students, and financed by a dedicated fund using contributions from employers and financial institutions, a financial institution in the private sector, and/or a student loan NGO;
  - encourage the development of a variety of other programmes offering student scholarships and loans, along the lines of the small, targeted private programmes currently in operation, to introduce some competition into the market;
  - ensure that any new scholarship or loan programme allows all qualified candidates to proceed to post-secondary education, including graduates from TVET institutions."

That was an obvious step forward as these recommendations addressed not only the dimensions of the scheme (as in 1995) but also the participatory approach through partnerships with the private sector and student NGOs. Another important clause was the need to use a special fund for scheme financing to avoid the volatile nature of government-only allocations. At the same time, the neutral reference to the SNPLP (along whose lines future SLSs should be established?) was not encouraging. Neither were targeting and institutional issues addressed explicitly. Finally, the parallel encouragement of other small programmes for the sake of competition seemed confusing as the SNPLP experience showed that for the SLS to survive and expand in the Philippine context, it would need direct, sustainable and unsolicited support. The unregulated competition might divert funds from the initially weak system-wide SLS.

The Technical Working Group was set up for review and appraisal of various HE reform issues for another ADB loan, including the SLS. It concentrated mostly on scholarship programmes (project consultants were Arthur Hauptman from Arlington, USA and Sergio Cao from the University of the Philippines). Their key policy recommendation was to design a family loan programme based on deferred payment terms at private higher-education institutions (described above). The meeting with them was very useful for better understanding the ADB position on reforming student financial aid in the Philippines.

5.3 Conclusions for SNPLP

- The government-run SLS (called 'Study Now, Pay Later Plan' – SNPLP) was launched in 1976 but no formal assessment or evaluation has since been made.
- Although HE enrolment has grown rapidly from 0.2 million students in the 1950s to 2.4 million students at present, the SNPLP coverage remained at a low, in fact decreasing, level (less than 2,000 new slots per year only, i.e. a small fraction of the HE enrolment); the amount of the loan per student was equally low and not adjusted to inflation.
- The SNPLP design was, probably, inappropriate, which caused inefficient implementation and poor performance; the repayment rate has dropped from 40 per cent in the 1970s to 2 per cent at present. Taking into account the administrative costs, it in fact turned into a loss-making and controversial (in financial terms and in terms of attitudes towards it) activity. The problems that occurred because of the initial design of this SLS at its outset were not remedied later: a government-run programme aimed to support students first of all at state colleges and universities; however, the Filipino HEIs are 80 per cent private even now, and before that the share of private HEIs was more than 95 per cent. A participatory approach involving other stakeholders (the private sector, NGOs, Church, foreign donors, student communities) has not been applied, nor examined until now.
- The SNPLP had no incentives for the agencies initially in charge of running it (state-controlled banks – so-called 'government financing institutions', or GFIs), which first stopped funding it in 1988, then totally disengaged from its implementation in 1992. Based on the initial report on government financing institution performance, the relationship between disbursement over allocation is around 39 per cent. The SLS was not a priority for the GFIs. The Commission on Higher Education Development (CHED is an equivalent of Ministry for Higher Education) had to intervene with its own – smaller –

funding and administrative service (Office of Student Services). The situation with that SLS is absurd, as the GFIs are reimbursed from the government trust fund for the defaulted students which they were supposed to track? Other evidence suggests that the repayment rate has dropped to a low level at present (2 per cent). Cross-subsidization, i.e. financing of scholarships and loans for needy students from fees and loan repayments, has not yet been explored because of many other administrative and funding stumbling blocks.

- Eligibility criteria for SLS beneficiaries were too broad from the very beginning: 'poor but deserving students', not more than 30 years old, annual family income not more than 150,000 pesos (US$20,000 at 1976 exchange rate), currently enrolled in a CHED priority course, good academic performance. Clearly, the practical application of these criteria was problematic and arbitrary, given the overwhelming number of students who may be eligible. This mismatch between the loose, initially stated criteria and their unpractical implementation caused a dissenting, ironic or even negative public attitude towards the SLS in the Philippines.
- Since 1976, previous HE reforms and donor-supported projects had regularly recommended a large-scale SLS, as the policy is to gradually increase the tuition fees in state universities and colleges for cross-subsidization. So far little progress has been made.

Usually, both state and private universities and colleges have their own institution-based SLSs (actually deferred-payment plans) which are completely separate and autonomous in management and funding. For example, DLSU runs its own SLS which is limited in coverage and short term (duration of one trimester). Only 170 students are covered at present. The total budget for this scheme is US$26,000 per year, but there have been 43 default cases out of 755 lots allocated since 1995.

Asked about problems with the previous and existing SLSs, many of those interviewed mentioned the low repayment rate. However, this does not seem to be an end in itself, it is a result of more deep-rooted problems such as imperfections in the original design of the SLS, no built-in incentives for private-sector involvement in SLS funding, management and tracking of repayment, a general weakness of the banking system and tax collection, low motivations on the part of students, who treat SLSs as 'hidden' scholarships. The 'old' SLS (started in 1976) became a loss-making routine for the government bureaucracy, but the ‘new’ government-run SLSs are not radically different (small-scale, no private funding/ management involved, no efficient tracking/repayment mechanism etc.).

The ‘old’ SLS performed a social function (student support) for a very small number of students, but failed to achieve its financial objective – cross-subsidization of HE development. As this SLS did not expand to the expected scale, targeting of students became a secondary problem, i.e. there were too many students who qualified for it and met the SLS criteria but in reality did not have access to it. A more promising approach is applied in the Agricultural Polytechnic SLS, which seems to be inspired by the Grameen Bank (Bangladesh) experience, i.e. micro income-generating projects.

Chapter 6

New initiatives for the SLS

After many years of uneasy existence of the SNPLP observed above, suddenly several experiments with new SLSs took place in the Philippines. These recent loan schemes are too new and fresh to be analyzed in depth.

By definition this chapter is more descriptive and technical than other parts of the case study. Two SLSs are presented and described below – for Region V and for the Centres of Excellence (COE). Another new SLS – AGRITECH – is so specialized and atypical that it is put in *Appendix 4*. However, the matrix of comparisons between all four Philippine SLSs is presented in *Appendix 1*. If their future is not clear, the fact that they emerged about the same time and in parallel with the never-ending SNPLP is worth investigation. The research questions to be answered in this chapter will be: (i) what are the key differences between these new schemes and the SNPLP, and (ii) what are the expectations for their performance with a view to developing a more appropriate and up-to-date SLS for the Philippines?

6.1 Student Loan Programme for Region V (Bicol) (SLP-RV)

Background

The Bicol region, or Region V, is one of the most depressed regions in the country. The growing incidence of poverty due to disasters, devaluation of the peso and the high incidence of unemployment, among others, made worse the problem of access to higher-education opportunities.

It was in response to the above concerns that then Senator Raul S. Roco (at present Secretary of Education and Culture), a Bicolano, initiated the allocation of 20 million pesos (P20,000,000.00) for a student loans programme for Region V under Republic Act 8745, the FY 1999 General Appropriations Act. The amount is constituted as a revolving fund to selected higher-education institutions (HEIs), to be made available as loans to deserving students.

There are 18 selected institutions in the six provinces of the Bicol region administering the programme, selected from 125 institutions in the Bicol region. Two or three institutions, a combination of public and private HEIs, were selected in every province on the basis of the following criteria:

1. Must be willing to provide discounted tuition fees to borrowers;
2. Must have accredited programmes;
3. Must be offering priority courses; and
4. Must have a good track record in passing government licensure examinations.

Objectives

The programme targets the poor but deserving students of any curriculum year and out-of-school youths who have earned units in college and are residents of the Bicol Region (Region V).

Fund allocations

State colleges and universities were allotted the sum of P500,000.00 for the programme; private institutions were allocated from P1,000,000.00 to P3,500,000.00, depending on the size of enrolment. The participating institutions should ensure that the funds could sustain the number of grantees until they finished their course. Fund allocations for participating institutions in the SLP in Region V. were based on the size of enrolment.

■ Administrative structure

The CHED Central Office formulates the implementing guidelines of the programme, selects the participating HEIs, allocates funds for the implementation of the programme to participating HEIs, orients the HEIs on the implementing guidelines of the programme, and monitors the implementation of the programme. The Student Financial Unit of the school administers the programme following the implementing guidelines formulated by CHED.

The functions and responsibilities of the Commission and each of the selected institutions relative to the implementation of the programme are defined in the contract signed by the representatives of the two agencies.

■ Loan releases

The participating HEIs, through their Student Financial Assistance Unit, perform the banking function of lending loans to qualified and deserving applicants. Qualified students may be allowed to borrow a maximum amount of P7,250.00 per semester or P14,500.00 per academic year to cover tuition and other school fees. Simple interest of 6 per cent per annum on the loan, to commence upon release of the amount, is charged to the borrower. Specifically, the Unit screens applicants, enters into a contract with the qualified borrowers, provides the borrowers with 2 per cent discount on tuition fees, orients them on the regulations of the programme. Specifically, the student borrowers should meet the following requirements:

1. Must comply with the admission requirements of the accepting participating higher-education institution;
2. Must not be more than 30 years old at the time of application;
3. Parents/guardians/spouse have annual gross income not exceeding P150,000.00;
4. Must have a weighted average of 2.5 or higher academic grade in the last semester in college, if attended;
5. Must not have an outstanding loan in the school;
6. Must not be presently enjoying any scholarship or study grant;
7. Must have attended the orientation programme called for the purpose.

The selected institutions are required to submit to CHED, within two weeks after the closing of enrolment, the list of student borrowers, together with the amount borrowed. The participating HEIs are also empowered to decide the termination point in the granting of loans to the borrowers, appeal for reconsideration to grant a student loan, act on requests for transfer to another school, shifting of course deferment, financial assistance for summer classes and other matters of similar nature.

The status of loans granted after two and a half years shows that only 42 per cent of loans allocated to the HEIs had been released to beneficiaries. The estimated loans granted should have been 62.5 per cent as shown in the analysis table. This shows that loans granted were short by 20.5 per cent. Funds were kept idle by the institutions, which depended only on interest given by the bank, apart from the delayed assistance that should have been loaned to needy but deserving students.

A total of 1,136 beneficiaries are classified as ongoing grantees (73 per cent), new grantees (6 per cent), graduated (8 per cent), dropped out (5 per cent), terminated grantees (4 per cent), suspended (1 per cent), deferred (2 per cent), waived (1 per cent), transferred (2 per cent).

Interviews during visits gave reasons for terminated grantees such as disciplinary action; for drop-out: sickness, family problems, drug problems, need to work; and reasons for suspension such as disciplinary action.

- Repayment

The participating HEIs are responsible for collecting loan repayments and interests from borrowers. Repayment begins two years after graduation, amortized within a period of ten years. There is no provision in the guidelines in case of default on loan repayment. All repayments from the borrowers, including interest, all income derived from the programme, if any, and all unexpended balances are being used to generate additional or new slots. These institutions are required to submit to CHED a report on the status of the funds every six months of the calendar year and are expected to keep a separate accounting record of the fund, subject to periodic inspectorial visit by CHED personnel from the Accounting Office and/or the Commission on Audit's (COA) resident auditor.

The participation rate in the Region V programme shows to what extent the target has been achieved in terms of access and reach of prospective beneficiaries. Only 7.6 per cent of the total enrolment in priority courses has been served by the programme. The participating institutions are administering the programme without any service fee or compensation from the government.

One of the reasons why students leave the programme is the insufficiency of the loan amount. The loan amount is just enough to cover the tuition fee, except for book allowance and stipend. There are five institutions where the loan amount is not enough to cover tuition fees. These are Aquinas University, Bicol College of Arts and Trade etc., Catanduanes State College, Masbate College and Sorsogon State College.

The 'should be' releases compared with actual releases show that the 18 institutions did not have uniform implementation of funds allocated to them. The allocations were good for four years' allotment for beneficiaries to finish school. The ideal arrangement was to reach beneficiaries for complete education for a four-year course. Ten institutions under-released funds, while eight institutions over-released funds. The institutions with material under-releases were Ateneo de Naga, Camarines Sur State, Camarines Sur State Agri College, La Consolacion College and University of St. Anthony. There would have been more beneficiaries if these funds were released as scheduled. The unreleased funds would have been used more productively if proper cash management had been availed of rather than simple interest earned from the bank.

These under-releases imply that a proper schedule of releases was lacking, or that no aggressive marketing took place of these student loans for the needy but deserving students.

The 'should be' balances and 'actual' principal balances indicate that eight institutions were more aggressive in the releases of loans to more needy but deserving students, or the other ten institutions were more selective of the beneficiaries.

This situation might be caused by many reasons such as inadequate planning of releases, less aggressive dissemination of the availability of these student loans, or lack or delay of information to reach the qualified or prospective beneficiaries. Follow-up interview of the five institutions with material principal balances will be conducted to determine the real reasons.

Principal balances of original allocations are increased by repayments and interest. Interest earned during the previous periods represents 85 per cent of total interest, while interest earned for the current period is 15 per cent.

Repayments came from beneficiaries who were granted loans in their third or fourth curriculum years and beneficiaries where the policy on repayments was revised. Instead of waiting until two years after graduation, they were asked to repay earlier. Average repayments-to-loan ratio was 25 per cent. The repayments showed viability of the project inasmuch as they created additional slots for new beneficiaries.

Out of the P20 million, loan releases amounted to P8,398,196.30 (42 per cent) and P13,557,294.65 (58 per cent). The principal balance was increased by repayment of P537,607.72 and interest of P1,417,883.23. Repayments and interest can be re-channelled to additional loan slots for future beneficiaries.

Conclusions for the SLS in Region V

This loan scheme was designed for a specific region (Region V) for political reasons and was funded from a special earmarked fund. Repayments should go back to the fund and will be used to create additional slots in the future. This loan scheme is considered an improvement over the 'old' 'Study Now, Pay Later' programme because it is institution-based. The HEIs are held responsible for the funds, loan grants, collections and existing cash balances.

However, this scheme, due to its meagre funds and very small number of expected beneficiaries, is also small-scale and can hardly create an impact in improving access to higher-education opportunities in the selected institutions. These institutions enrol tens of thousands of students, a great number of which belong to the poor sector of society and need financial assistance from the government to continue their college education. The total number of grantees out of the total enrolment in the region shows a low participation rate in the programme.

6.2 Student Loan Programme for Centres of Excellence (SLP-COE)

Background

The Student Loan Programme for Centres of Excellence, which started in academic year 2000-2001, is one of the programmes of the government aimed at widening access to higher-education opportunities especially for poor but deserving students. In order to assure quality and relevant education for the beneficiaries, only colleges and universities with Centres of Excellence (COE) in priority courses, both in public and private institutions, were selected to implement the programme.

To be a CHED-recognized COE in a specific programme, the school should exhibit the highest degree-level standard in instruction, research and extension. A centre of excellence (COE) is a unit of a higher-education institution with a strong undergraduate programme, research and extension capability, and preferably a good graduate programme. For the 1992-2002 grant period, an evaluation rating of 90 per cent or higher qualifies a programme for COE status. A COE shall receive a grant of P3 million a year for three academic years.

Identification criteria used to select COEs

	%
Programme quality	**70**
Faculty	15
Instruction	20
Laboratories	15
Library	5
Facilities	10
Administration	5
External linkages	**20**
Industry-Academe Linkage programme	10
Networking with other institutions, and CHED	5
Outreach programmes	5
Commitment to quality assessment and improvement	**10**
Have undergone accreditation programme	5
Preparation or serious intention to have school assessed	5

The grant can be used to support the following priority project categories:

1. Instruction;
2. Research;
3. Extension linkages.

In the year 2000, the Sub-State Assistance Council (Sub-SAC), the policy-making body for scholarship programmes, identified the priority courses in higher education which could produce the manpower most needed by the country. These courses include maritime education, information technology, agriculture and related fields, teacher education, engineering and other programmes for social integration.

Objectives

The programme targets the poor but deserving students studying in priority courses at selected institutions. It aims to minimize drop-out among students from poor families by providing them with loans to sustain their education. The university-based student loan programme is expected to raise the level of efficiency in the granting of loans, increase the percentage of collection of loan repayments, and encourage maximum participation and accountability of public and private institutions in the administration of government funds for public service.

Eligibility criteria

Operationally, the student borrowers should meet the following requirements:

1. Must be currently enrolled in the priority courses considered Centres of Excellence or must be willing to enrol/transfer to a COE if not enrolled in one;
2. Must not be more than 30 years old at the time of application;
3. Parents/guardians/spouse have annual gross income not exceeding P150,000.00;
4. Must be a full-time student;
5. Must have pass grades in all subjects;
6. Must not have an outstanding loan in the school;
7. Must not be presently enjoying any scholarship or study grant;
8. Must present a credible guarantor willing to ensure repayments of the loan, as scheduled.

Qualified students may be allowed to borrow a maximum amount of 10,000 pesos per semester of 20,000 pesos per school year to cover tuition and other school fees. Simple interest of 6 per cent per annum on the loan, to commence upon release of the amount, is charged to the borrower. Repayment begins on the 13th month after graduation, amortized within a period of five years. In case of default on loan repayment, the guarantor, who is either a Government Social Insurance System (GSIS) or a Social Security System (SSS) member, shall help the student borrower find ways and means to facilitate repayment.

Funds allocation

Thirty-five million pesos (P35,000,000.00) were allocated for the Student Loan Programme for Centres of Excellence under Republic Act No. 8760 (Activity III.a.3, p. 882), the FY 2000 General Appropriations Act. The amount is constituted as a revolving fund to the selected higher-education institutions, to be made available as loan to deserving students. The initial 35 million pesos loan fund is expected to benefit at least 437 students in the 30 selected institutions nationwide. Each of the participating institutions has an allocation of about 1.2 million pesos to sustain at least 14 grantees until they finish their course. This is assuming that all the grantees are 1st-year college students. However, since there is no prohibition for students from any curricular level to apply, the number of beneficiaries could be much higher.

Every school year, it is expected that the government will appropriate funds for the programme, in addition to the previous appropriations. Correspondingly, an additional number of students will benefit.

The programme has not got off the ground for implementation. The Department of Budget and Management (DBM), the government agency which controls the release of appropriated government funds, did not release the allotment, as well as the notice of cash allocation (NCA) for the programme, due to the following reasons:

1. There was no ‘executive approval’ for the proposed fund source; and
2. The release and obligation of CY 2000 MOOE had already elapsed as of 31 December 2000 pursuant to Circular Letter No. 2000-13 dated 18 August 2000 re: Availability of appropriations for maintenance and other operating expenses (MOOE) and capital outlays.

Some of the selected institutions, however, implemented the programme using their own funds, expecting that the DBM would release the appropriated funds sooner or later.

To avert possible problems, CHED issued a Memorandum addressed to the selected institutions on 5 March 2001 to defer the implementation of the programme until funds were made available by the DBM. For the institutions which jump-started to implement the programme, CHED provided the funding requirements by using its unexpended scholarship funds.

Meantime, a CHED Memorandum will soon be issued to inform all concerned that the Student Loan Programme for Centres of Excellence can now be implemented in the selected higher-education institutions this AY 2001-2002, since the DBM has already included in its comprehensive allotment released to CHED the funding for the programme, but the amount has been reduced from 35 million pesos to P24.5 million pesos. The Memorandum of Agreement (MOA) signed between the Presidents of the selected HEIs and the Regional Directors in CY 2000 will be amended to reflect the actual amount that will be transferred by CHED to the HEIs. All the other provisions contained in the MOA will remain the same.

Administrative structure

The CHED Central Office formulates the implementing guidelines of the programme, equitably distributes the student loan fund among the institutions recognized as COEs in priority courses, transfers funds to depository banks of the institutions, and monitors the implementation of the programme. The institutions, in turn, through their Scholarship Unit, administer the programme following the implementing guidelines formulated by CHED.

The functions and responsibilities of the Commission and each of the selected institutions relative to the implementation of the programme are defined in the contract signed by the representatives of the two agencies.

Loan releases

In the selected institutions, the office responsible for the administration of the programme screens and processes the loan applications, enters into a contract with the qualified borrowers, orients them on the regulations of the programme, and, finally, grants the loan. The selected institutions are required to submit to CHED within two weeks after the closing of enrolment the list of student borrowers, together with the amount borrowed.

Repayment

The selected institutions are responsible for the collection of repayments from student borrowers. They are required to submit to CHED a report on the status of the funds every six months of the calendar year. They are expected to keep separate accounting records of the fund subject to periodic inspectorial visit by CHED personnel from the Accounting Office and/or the Commission on Audit's resident auditor.

Administrative cost

The participating institutions are allowed to charge a service fee of 3 per cent from the first loan granted to the borrower. Any unutilized amount, savings, income generated from the fund or unexpended balances will be used to create additional or new slots.

Conclusions for the COE scheme

Like the 'old' scheme, this scheme exclusively relies on scarce and irregular government funding and is small-scale by definition. The difference is that it involves the HEI concerned directly in administering the scheme (i.e. repayment) under the supervision of the Office of Student Services of CHED. In fact, this became a drawback of the scheme implementation as certain institutions viewed it as an extra administrative burden, without any additional motivations or incentives. There were cases when some institutions refused to participate in this scheme for this reason. However, some institutions implemented the programme using their own funds.

Chapter 7

Conclusions and recommendations

The Philippine experience with student loan schemes differs sharply from other countries, such as the Republic of Korea, China, China (Hong Kong) and Thailand, participating in this project.

The other schemes are of fairly recent origin; they are national in scope and coverage (each reaching many students annually proportionally to enrolment), and have a sizeable impact on the higher-education financing system. While student loans in the Philippines are of considerably greater vintage, they have never operated on a large scale (reaching only a few thousand new borrowers a year), have had only a marginal impact on higher-education financing and their record of performance has been dismal. While there has been some current experimentation with new student loans schemes in the Philippines, these are again operated on a small scale with minimal funding; there are no plans afoot to develop any nationally based student loans scheme of broad coverage in the foreseeable future.

The example of the Philippines is about lessons to be learned. More about 'what should *not* be done', rather than about 'what should be done' to put the SLS in place. This case is of interest not because of its successes but rather because of its failures. A careful examination of the unfortunate history of the central SNPLP offers many lessons, albeit of a negative kind. That became the focus of this case study, and hopefully its storyline.

While this study offers much information and insight into student loans in the Philippines, it should be treated with care as a useful though imperfect 'report'. It is worth emphasizing once again that no in-depth and systematic review, appraisal or assessment of the SNPLP has been made since it came into operation in 1975.

Despite its long history – since 1976 – the SLS in the Philippines mostly remained a top-down bureaucratic exercise. The recommendations to scrap the loss-making 'old' scheme (SNPLP), such as the proposal explicitly made by Johanson (PESS, 1998), unfortunately were not taken into account. The SNPLP saw two major phases – first, when the GFIs were forced to ensure its funding and administration and, second, when the GFIs disembarked, leaving the burden to the government offices, i.e. the CHED-run scheme. Very important lessons are to be learned from both phases, which could be treated *de facto* as different schemes. An overview of successes and failures is presented thereafter as a lead-in to a discussion of alternative schemes (both existing or under discussion).

The so-called 'new' SLS schemes (for Region V, for Centres of Excellence, and for the AGRITECH project) should hopefully avoid the mistakes and drawbacks of the 'old' scheme, but they might not. It is too early to make an evaluation of the 'new' SLS; however, some observations are possible. It is difficult to know what can be learned from the Region V SLS and especially the COEs' SLS given that they are so fresh. Although much detailed information has been collected, there is little opportunity to discuss the historical dynamics.

Their design (except perhaps in the AGRITECH scheme) was not essentially different from the 'old' scheme. The obvious weaknesses are reliance on scarce government funding only, low and even insufficient amounts per student, and understaffed and unmotivated administrative structures in charge.

The pertinent research questions about them are: the efficacy of university-based schemes, the willingness of universities to operate them etc.

The synoptic table in *Appendix 1* gives sufficient information base to comment on the design, scale and funding of the new schemes as compared with the 'old' SNPLP.

It seems that designers of the 'new' schemes had in mind the obvious deficiencies and problems encountered by the SNPLP, and tried to avoid them from their own perspective. To be fair, their range for manoeuvre was still limited. While trying to repair certain obvious drawbacks of the SNPLP, they usually opted for a particular priority. In the case of Region V it was clearly the regional dimension of the scheme. In the case of the SLP-CEO it was an attempt to motivate the institution-based management of the scheme with some support from the central level. In the case of the AGRITECH, it was a very narrow exercise based on the Grameen Bank approach, which could hardly be generalized for the entire sector.

To summarize the differences between the new schemes and the SNPLP:

- the Region V scheme emphasized the regional dimension probably to develop a 'role model';
- the COE scheme tried to address the needs of the elite universities for their expansion and the development of institutional capacity and autonomy to manage student loans;
- the AGRITECH scheme copied a micro credit design under Australian supervision.

Even those new schemes could not opt out of the doomed framework of the 'old' SNPLP:

- reliance on scarce government funding;
- ultimate operation through the government bureaucracy oversight;
- inability to expand to scale either through tapping extrabudgetary resources and/or the private sector;
- poor institutional and managerial capacities to make the scheme fully operational.

Sooner or later the new schemes usually end by coming under the CHED jurisdiction and funding. Unlike in Japan or the Republic of Korea, where government funds are sufficient to keep the schemes running, this is definitely not the case in the Philippines. The most obvious sign is the fact that the amount of loan is already lower than the actual needs of students.

The striking features of the Philippine case are a lack of motivation to change the routine of the loss-making SNPLP, and a lack of inspiration to abandon it or modify it to an appropriate large-scale scheme. Technically, to design a new nationwide scheme to cover the needs of expanding student support is possible. The main constraints, as shown by this study, are caused not by technicalities but by vested interests (or lack of motivation) of key stakeholders.

To formulate the essential requirements for a potential nationwide SLS in the Philippines, it should follow the conclusions of Johanson (PESS, 1998) and be based on such prerequisites as:

- a large-scale operation with expanding coverage to ensure cross-subsidization;
- the key involvement of private-sector funding and management with state guarantees;
- banking accountability and transparency;
- EMIS ensuring sufficient data and reporting on files.

The Philippine case has shown that excessive intervention of the state in funding and management of the scheme is not only detrimental but harmful. The fact that the originality of all schemes observed may expire sooner or later, and they come under the jurisdiction and funding of CHED, is in conformity with the story of the SNPLP.

To design an ideal new national SLS for the Philippines, it will have to take into account:

- natural competition with very efficient informal 'loan sharks';
- usual staffing and funding problems of the government bureaucracy;
- the lack of motivation of the Philippine private sector to get involved.

If one draws an 'objective tree' or 'problem tree' to achieve an appropriate SLS in the Philippines, it seems that the key final issue would not be funding, but an appropriate organization of roles between the state, the private sector and universities.

It is clear that the Philippines is still in the process of searching for the optimal scheme design to be applied. According to the views of Filipino colleagues, the country is still far from finding it.

All in all, higher-education development and finance in the Philippines have entered a vicious circle. They cannot expand on par with the real demand because of financial constraints; the HEIs cannot raise more funds because tuition fees are already expensive for respective quintiles of population (cf. the private universities have to charge fees twice as high as GNP per capita, while the state universities, with subsidized low fees, are overcrowded). The policy to gradually increase tuition fees to the level of unit cost at the state universities, and to develop competition between the state and private HEIs for government funding, faces a number of stumbling blocks, in particular a lack of credit market for higher education (cf. student loans).

Recommendations for further research

- Financial analysis of repayment, 'hidden' grant, and loan recovery of the SNPLP;
- challenge of targeting for equity and access;
- income-contingent repayment (a simulation approach);
- a survey of students and families on the reasons for the failure of previous SLSs (since 1976) in the Philippines;
- an evaluation of performance and analysis of scenarios and policy options for the recent SLSs (for region V, for the COE and the Agricultural Polytechnic) with special emphasis on their differences from the previous SLSs;
- an analysis of existing institution-based SLSs;
- a detailed analysis of correlation between unit costs, tuition fees and purchasing power of population by income group (i.e. financial feasibility);
- sensitivity testing for potential private-sector involvement in future SLSs (prerequisites, terms, conditions, benefits, modus operandi); could the Philippines provide good and, perhaps even more, bad examples for private SLSs from which others can learn?
- sensitivity testing for changing the existing attitudes of student/family/ public opinion towards future SLSs.

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Appendix 1

Appendix Table 1.1 Comparison of SLSs in the Philippines

Loan programme/features	Study Now, Pay Later	SLP R-V	SLP-COE	AGRITECH-SMLF
Legal basis	Legislation	Legislation	Legislation	MOA
Year established	1976	1999	2001	1996
Main objective	Social/manpower	Social/manpower	Social/manpower	Manpower
Target	Poor	Poor	Poor	DAT/BAT students
Scope	National	Regional	National	Sectoral
Selected HEIs	Public and private	Public and private	Public and private	Public
Educational level	Higher education	Higher education	Higher education	Higher education
Coverage	Limited	Very limited	Limited	Very limited
Administration	CHED Regional Offices	Institution	Institutions with COE	Agricultural institutions
Loan distribution	CHED Regional Office	Institution	Institution	Institution
Loan payment	CHED Regional Office	Institution	Institution	Institution
Loan collection	CHED Regional Office	Institution	Institution	Institution
Interest rate	6% simple interest	6% simple interest	6% simple interest	14%
Grace period/amortization	2 + 10 years	1 + 10 years	1 + 5 years	0 + less than 1 year
Funding source	Government	Government	Government	Grant + government
Coverage	Tuition + allowance	Tuition + allowance	Tuition + allowance	Project cost
Loanable amount	Maximum P7,250.00/semester	Maximum P7,250.00/semester	Maximum P10,000.00/semester	Maximum P10,000.00/semester
Guarantor	Individual	Individual	Individual	Teacher in-charge
Service fee	No service fee	No service fee	3% from initial loan	2% of repayment

Appendix Table 1.1 Comparison of SLSs in the Philippines (continued)

Problems/limitations	Funding: 1. Low coverage/limited slots 2. Low loanable amount Management: 1. Lack of training/inefficient 2. Understaffed/fast turnover 3. No financial incentives 4. Defective structure Low repayment: 1. Poor tracking mechanism 2. Unemployment of loanees 3. Poor database system 4. Lack of resolve to collect 5. Presence of loan guarantee fund	Funding: 1. Low coverage/limited slots 2. Low loanable amount Management: 1. Understaffed 2. No financial incentive Repayment: 1. No provision for loan guarantor, grace period, writing off bad loans	Funding: 1. Low coverage/limited slots 2. Low loanable amount 3. Political interventions	Funding: 1. Low coverage/limited slots 2. Non-sustainability without top-up funds

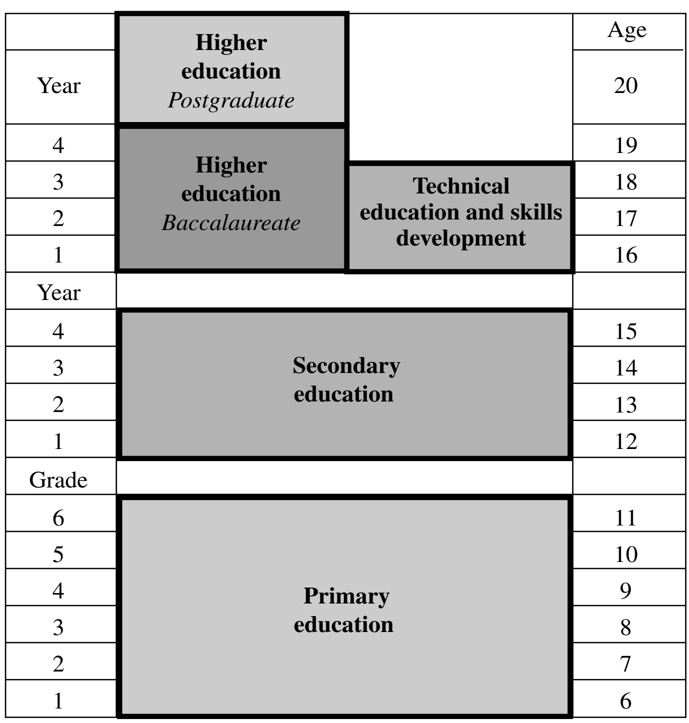
Appendix 2

Higher education within the education system in the Philippines

2.1 Structure of the education system

Philippine education may be considered as one of the shortest in the region – at least 13-14 years to graduate from the formal education system. The duration of primary education is six years, while secondary education is only four years. After 10 years of basic education (primary and secondary), a student has the choice to pursue higher education, which requires at least four years to obtain a degree, or be trained in technical education and skills development, or what is commonly known as technical and vocational education and training (TVET) that varies from the shortest training period of three months to a maximum of three years. See *Appendix Chart 2.1*.

Appendix Chart 2.1 The Philippine educational ladder



The year 1994 was a landmark year for educational reforms in the Philippines. Through the reviews and findings of the Congressional Commission on Education (EDCOM), the once-gigantic body of the Department of Education, Culture and Sports (DECS) was split into three education bodies that would manage the sub-sectors of basic education, technical education and skills development, and higher education. That same year, Congress passed the laws that created the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA). In 2001, DECS was renamed as the Department of Education, which in effect officially transferred cultural and sports concerns to the National Commission on Culture and Arts (NCCA) and the Philippine Sports Commission (PSC). This then left the Department of Education with the fundamental mandate of managing basic education.

2.2 Education-sector analysis

As shown earlier in *Appendix Chart 2.1*, six years of formal education are required to finish primary education; four years in secondary education; three months up to three years in technical education; and at least four years to obtain a baccalaureate degree in higher education.

Access to primary education is nearly universal, as indicated by the participation rates during the past five years. However, there is much to be done to encourage students to stay in secondary institutions. General analyses say that children, especially the male, are kept out of school due to poverty-related reasons such as the need to help their parents at work.

The proportion of public-school enrolment in primary education compared to its private counterpart during the past three years is 93 per cent to 7 per cent. This is due to the policy of the government to provide free basic education. However, this proportion is not maintained in secondary-education enrolment, where public enrolment is at 75 per cent, while private is at 25 per cent. We can observe from this trend that it is consistent with the experts' analyses that the students coming from the poorer segment of society are forced to leave school for economic reasons, while those who remained and continued secondary education are generally the ones who could afford the cost of education.

Appendix Table 2.1 gives an overview of key education indicators during the past five academic years.

Appendix Table 2.1 Key education indicators, 1996-2001

Primary	**1996-1997**	**1997-1998**	**1998-1999**	**1999-2000**	**2000-2001**
Enrolment	11,847,794	12,225,038	12,474,886	12,680,936	12,759,900
Public	10,959,632	11,295,982	11,546,471	11,770,285	11,832,611
Private	888,162	929,056	928,415	910,651	927,289
Participation rate	94.33%	95.09%	95.73%	96.95%	96.40%
Gross enrolment ratio (based on aged 6-11 population)	114.52%	115.23%	116.97%	117.15%	113.57%
Transition rate	95.27%	95.98%	95.49%	95.98%	95.89%
Secondary					
Enrolment	4,988,301	5,022,830	5,066,190	5,167,553	5,378,735
Public	3,544,446	3,616,612	3,736,377	3,920,414	4,157,889
Private	1,443,855	1,406,218	1,329,813	1,247,139	1,220,846
Participation rate	63.38%	64.04%	65.22%	65.44%	72.25%
Gross enrolment ratio	80.75%	75.79%	79.02%	79.15%	76.23%
Transition rate	102.18%	102.05%	98.78%	97.73%	98.29%

Source: Department of Education.

As a result of the 1994 education reforms called the *trifocalization of management of education*, the newly created agencies, Technical Education and Skills Development Authority (TESDA) and the Commission on Higher Education (CHED), had to undergo a period of transition and adjustment. One of the difficulties was to establish a good management information system (MIS).

In the levels of technical education and higher education (see *Appendix Table 2.2*), educational planners have realized that the emphasis should no longer be on access (i.e. enrolment) but rather on the outputs (i.e. employment rate) of the system.

Since access to technical education and higher education is based on the merit system (i.e. a student must pass the entrance examination) and the cost of education is not warranted by the state, the proportion of public and private enrolment is the reverse of the proportion in basic education.

Likewise, one will note that there are more students going for higher education than for technical education. There are several reasons to explain this: first, culturally, Filipinos consider higher education as superior to technical education and, second, historically the National College Entrance Examination (NCEE), which was abolished in 1994, promoted the idea to parents and students that technical education was reserved for those who would fail in the NCEE.

Appendix Table 2.2 Higher-education indicators

	1998-1999 Actual	1999-2000 Actual
Enrolment	2,361,865	2,535,614
Graduates	359,233	370,528
Average passing in national board examinations	43.33	44.38

Source: CHED. 2001. *Statistical yearbook.*

Diagnosis of inequalities

The most recent Philippine Education Sector Study (1998) has correctly pointed out two issues of inequality: (i) equity in access; (ii) quality of education. Despite the high participation rates, government must focus its efforts on the poorest elements of the society, for whom non-enrolment and early drop-out are highest. Related to this, the quality of education being provided should not differ from one region to another. Both of these issues of inequalities in education are pointing to the more basic issue of poverty.

2.3 Financing education

Total (public plus private) spending on education rose consistently from 4.9 per cent of GNP in 1986 to 5.6 per cent in 1994 and 6.9 per cent in 1997.

Public expenditure

Government expenditures on education come from two sources – central government and local government units (LGUs). The central government contribution accounts for around 90-95 per cent.

As the state ensures the provision of free basic education, it is expected that the largest share of budget will be allocated to primary and secondary levels (see *Appendix Tables 2.3a and 2.3b*).

Appendix Table 2.3a National government expenditure on education by level of education, 1996-1999(a) in millions of pesos

	1996	1997	1998	1999
Primary	41,881	54,174	59,367	63,003
Secondary	14,415	17,635	20,871	22,801
Higher education	12,668	13,774	16,178	16,771
Technical education	2,244	3,484	2,179	2,165
Other(b)	537	618	551	452
DECS central administration	645	2,720	3,788	3,678
Total	72,390	92,404	102,934	108,869

(a) All are actual obligations except for 1999, which refers to expenditure programme.
(b) Pre-school and non-formal programmes of DECS.
Source: The 1998 Philippines Education Sector Study.

Appendix Table 2.3b National government expenditure on education by level of education, 1996-1999(a) in percentages

	1996	1997	1998	1999
Primary	41,881	54,174	59,367	63,003
Primary	57.9	58.6	57.7	57.9
Secondary	19.9	19.1	20.3	20.9
Higher education	17.5	14.9	15.7	15.4
Technical education	3.1	3.8	2.1	2.0
Other(b)	0.7	0.7	0.5	0.4
DECS central administration	0.9	2.9	3.7	3.4
Total	100.0	100.0	100.0	100.0

(a) All are actual obligations except for 1999, which refers to expenditure programme.
(b) Pre-school and non-formal programmes of DECS.
Source: The 1998 Philippines Education Sector Study.

Efforts are now being directed to rationalize the higher-education system. Policy-makers are looking into the possibility of trimming down to one state-funded university per region, while others have to be 'corporatized' to ease the government funding on low-quality institutions. Currently, the Commission on Higher Education (CHED) is designating centres of excellence to set the standards for other higher-education institutions.

Appendix 3

The Philippine context: what specifics and implications for higher-education finance and the SLS?

As the Philippines has one of the highest population growths in Asia (2.34 per cent per year), its total population increased from 48 million in 1980 to 76.3 million by the year 2000, and is expected to reach 100 million by 2015 which means great pressure upon the education system. At the same time, its GNP per capita was US$1,050 in 1998, or ranked 132nd in the world.

More recent surveys suggest that the population growth has actually risen to 2.36 per cent annually, or adding 1.7 million per year. This high rise in population has yielded unwanted results for natural resources and social exclusion, in particular poverty. Official statistics point at poverty that affects 40 per cent of the population at present, up from 37 per cent in 1997. This means that 30.6 million Filipinos at present have incomes that cannot sustain their basic needs, or 34.2 per cent of Filipino families are below the poverty line. This proportion increased from 31.8 per cent in 1997.

The poor spend a larger portion of their income on food. For example, the bottom 25 per cent of the population spends 21 per cent of its income on rice and another 8 per cent on corn and other cereals. The top 25 per cent of the population spends only 5 per cent of its income on rice and 3 per cent on corn and other cereals.

The increasing poverty has hampered access to education and its internal efficiency. Only six out of the ten new entrants to public institutions make it up to Grade 6, and four out of ten graduate to high institutions.

Banking practices

The banking system is plagued by a lack of corporate governance and transparency which were among the reasons for the failure of the past SLSs, discussed below. Banks and companies are permitted to continue trading after they have become insolvent, which represents a major breach of financial discipline. In the case of government-owned institutions, there is a moral hazard as creditors are certain that the government will ultimately ensure that their claims are satisfied. This absurd situation has led to the major and 'oldest' student loans scheme (SNPLP) turning into a loss-making operation at present.

The resistance to change the prevailing banking practices caused the government to abandon in 2001 a World Bank loan worth US$400 million for banking-sector reform in the country. The government was not able to comply with the conditionalities of the loan, such as privatization and rehabilitation of the Philippine National Bank, amendments in the charters of large insurance corporations and banks, and introduction of an anti-money-laundering scheme. A formal excuse was that those measures required to pass a separate legislation. Instead, insisting on less stringent terms, the government wishes to renegotiate the remaining tranches into a new loan for public-sector reform.

Also recently, in 2001 the World Bank and the Asian Development Bank had to argue against the government's intention to create its own asset management company to help the banks dispose of their 'bad' (non-performing) loans. The government planned that this company would absorb 245 billion pesos (or US$4.6 billion at the current rate) in non-performing loans reported by 45 commercial banks.

Poverty in the Philippines

The income, regional and urban/rural disparities are wide. By regional standards, the Philippines has been less (or least?) successful in reducing poverty. The proportion of households living below the poverty line may be gradually declining in the cities, but it is getting worse in rural and remote areas. The Gini index (income inequality) has grown from 0.45 in the mid-1990s to the present 0.5, while the highest quintile of the population earns 37 per cent of income. The wealthiest 5 per cent of Filipinos control nearly nine-tenths of the land (*Far Eastern Economic Review,* 29 March 2001). The income of the richest 10 per cent of the population has grown faster than the income of the rest of the population. Poverty in rural areas appears to have been largely untouched. Six rural regions of the country accounted for about 60 per cent of rural poverty. Thus, the income and urban-rural disparities are ever widening.

In the Philippines, there are over 100 credit-based programmes (microfinance livelihood programmes) in theory designed for the poor. In real terms they face the same problems as student loan schemes – inadequate targeting, counterproductive cost-efficiency, low repayment. Most are run by government bodies, providing credit at an extremely low interest rate so that recipients consider them one-time grants, resulting in a high default rate. A 1996 World Bank study on credit-based livelihood programmes in the Philippines (World Bank Discussion Paper 317, 1996) discovered that most benefited the near-poor and the non-poor more than the ultra-poor. Moreover, the programmes were implemented in regions that were better endowed with infrastructure and whose residents had higher average incomes. Leakage was substantial. Even a small amount of income transferred to the poor was achieved at a high cost.

Only a few were known to actually reach the poor and the ultra poor: a self-employment assistance programme and the Grameen Bank replication programme run by the Department of Agriculture. Even these have familiar problems: in the former, loan size is too small, and loans are often viewed as grants; in the latter, costs are very high. On the other hand, a few NGOs run some successful micro-credit programmes but their outreach is quite small at present.

The government-run credit market at large is not truly developed to cater for small borrowers. Much of small credit is still supplied by informal sources – moneylenders, pawnshops and the like. The level and distribution of family income therefore determine access to types and levels of education, including higher education (Tan *et al.*, 2000).

Appendix 4

AGRITECH Student Micro-project Loan Fund (AGRITECH-SMLF)

This scheme is very new, innovative and atypical compared to the other Philippine SLSs. Its implementation was considered positive perhaps due to its very specialized nature and narrow target group with immediate and direct interests and motivations. The scale was small, and there are doubts whether its design can be generalized. Its future is not clear either, as its administration is delegated now to the government bureaucracy.

Background

The Government of the Philippines sought assistance from the Government of Australia to support policies in the reorientation of agricultural education so as to better meet the educational needs of rural communities. Through the Memorandum of Understanding, the latter provided assistance to the former for the implementation of the Philippines-Australia Agricultural Technology Education Project (AGRITECH).

The project was implemented over five and a half years from September 1993 to June 2000. It included provision of technical assistance, funding of educational facilities and equipment, human resource, curriculum development, student and institutional support.

It supported 12 Provincial Technical Institutes of Agriculture (PTIAs) located at Regions II, IV, XI and XII:

Region II	Region IV	Region XI	Region XII
CSU (Cagayan State University) QSC (Quirino State College) NVSIT (Nueva Vizcaya Institute of Technology College)	QNAS (Quezon National Agricultural School) LSPC (Laguna State Polytechnic College) OMPC (Occidental Mindoro Polytechnic MSC (Marinduque State College) RSC (Romblon State College)	SUNAS (Surallah National Agricultural School) SKPSC (Sultan Kudarat Polytechnic State College)	SNCAT (Surigao Del Norte College of Agriculture and Technology) ASSCAT (Agusan Del Sur College of Agricultural Technology)

Objectives

One major component of the AGRITECH project is the establishment of a Student Micro-project Loan Fund (SMLF) aimed to provide opportunity for *Diploma in Agricultural Technology (DAT)/Bachelor in Agricultural Technology (BAT)* students to gain access to credit to enable them to finance and implement their micro-projects which are *required in the curriculum*. The SMLF has four learning elements: (i) preparation of micro-project proposals; (ii) actual establishment and operation of the micro-project; (iii) credit transaction consciousness; and (iv) completion of terminal report to evaluate success of the micro-project.

Loan fund

The Australian Government, through the Australian Agency for International Development (AusAID), is the major source of the SMLF. The Government of the Philippines provides top-up funds. The purpose of the top-up funds is to maintain the real value of the fund, accounting for any excessive inflationary increase from year to year. It is anticipated that top-up funds will be required to meet the loan defaults due to fortuitous event.

Student loan scheme financial sustainability

The funds allocated for the SMLF are treated as 'trust revolving funds', and placed in an interest-bearing/investment account. The overall financial position of the SMLF is given below.

Overall financial position of the Student Micro-project Loan Fund as of December 2000

1.	GOA contribution	P13,919,750.92
	GOP contribution	2,965,684.44
	Total contribution	P16,885,435.36
2.	Funds at the PTIA	4,241,600.51
3.	Funds in the conduits	976,459.14
	Funds at NATCCO	272,228.92
Total fund resources		**P22,375,723.93**

Funding contribution

Source	**Principal**	**Interest earned**	**Total**
GOP	2,191,000.00	774,684.44	2,965,684.44
GOA	18,456,661.08	953,378.41	19,410,039.49
Total	20,647,661.08	1,728,062.85	22,375,723.93

Interest on trust funds: 501,000.00

Student loans as a vehicle for improving equity and access

The SMLF fund is intended for all students enrolled in the Diploma in Agricultural Technology (DAT)/Bachelor in Agricultural Technology (BAT) programme. All DAT/BAT students are required to undertake micro-projects supported by a loan as a compulsory requirement in the curriculum.

Administrative structure

The management and administration of the Student Micro-project Loan Fund (SMLF) during the three-year operation (AY 1996-AY 1999) were the responsibility of the appointed Central Fund Administrator, the National Confederation of Co-operatives (NATCCO), which co-ordinated with the local co-operatives (credit conduits of the PTIAs) for the administration of the loan to the student-borrowers.

Loan releases

The systems and procedures involved in the administration of SMLF covers loan evaluation and approval, loan documentation and releases, and monitoring and collection. The identified local conduits (credit co-operatives) are responsible for the lending administration of the SMLF (see *Appendix Table 4.1*).

The terms and conditions of the loan

1. *Interest rate*. The student-borrower pays interest of 14 per cent per annum based on the diminishing outstanding principal balance.
2. *Loan amount.* The loan amount shall be determined by the PTIA through the Practicum Committee based on the project's needs but not to exceed P10,000.00 per student/micro-project.
3. *Loan maturity and mode of payment.* Loans for crop/livestock/poultry-production projects shall be payable, including interest, at the end of the project cycle, but not to exceed 300 days. Loans for trading/processing projects shall be payable, including interest, in

instalments based on projected cash flow, but loan maturity shall not exceed 300 days. No project with a cycle that exceeds 300 days shall be approved and considered for financing.

4. *Loan security*. As a rule, the student loan shall not require any collateral.
5. *Penalties*. The school shall be free to set penalty rate/amount on delinquent borrowers. Penalty charges set in only after the lapse of grace period.
6. *Loan restructuring*. Loan restructuring means adjusting or extending the term and/or mode of payment of the loan. Loans may be restructured by the school, provided the student shall not be allowed to graduate until his/her loan obligation has been fully paid and such restructuring shall not extend loan maturity for more than two years.
7. *Loan co-obligor*. No loan shall be granted without a co-obligor of the loan.
8. *Writing off bad loans*. Loans condemned and loans remaining unpaid for more than three years and for which recovery is deemed improbable, may be written off. The policy on bad loans written off must be reviewed and implemented.

Repayment

The participating Provincial Technical Institutes of Agriculture (PTIAs), through the Instructor In-Charge, were responsible for the collection of loans and accruing interest from the student-borrowers.

Appendix Table 4.1 Student Micro-project Loan Fund (SMLF) overall performance in 1996-1999

Particulars	**AY 1996-1997**	**AY 1997-1998**	**AY1998-1999**	**Total**
Number of student loanees				
Males	227	232	311	770
Females	199	206	278	683
Total	***426***	***438***	***589***	***1,453***
Loan amount taken up by students	5,056,198	4,353,342	4,134,394	13,543,934
Total repayment	4,688,726	3,892,514	3,395,724	11,976,964
Repayment rates	**92.73%**	**89.41%**	**82.13%**	**88.43%**
Average loans	11,869	9,939	7,019	9,609
Average income/loss	1,614	938	726	1,015

Administrative costs

In performing the fund administration function, the AGRITECH paid a corresponding service fee equivalent to 2 per cent of the total fund transferred to the central fund administrator.

The local conduit (credit co-operative) is entitled to a 6 per cent service fee. The remaining 8 per cent from the interest earned flows back to the capital fund.

Conclusions for AGRITECH SLS

Due to its highly specialized nature – to finance agricultural income-generating micro-projects by students – this scheme was different from other SLSs. The AGRITECH project has successfully attained its objective in the implementation of the SMLF as most students had enough income to repay the loans. Short duration, involvement of community spirit through co-operatives, and efficient institution-based management were other key reasons for high repayment rates.

Prior to the closing of the project, the programme was transferred to the Commission on Higher Education (CHED). CHED now has direct responsibility over the fund.

Statistical Appendix 1

Statistical Appendix 1 Status of SNPLP

Name of programme	Legal basis	Year of implementation	Implementing agency	Funding source	Funding: Allocation	Funding: Disbursement	Funding: Unavailed	Funding: Accrued interest
Study Now, Pay Later Plan	PD 932 Educational Act of 1976	SY 1976-77 to SY 1987-88	GSIS	GSIS	P 135,000,000.00	P 55,771,617.17	P 79,228,382.83	P 6,692,594.00
			SSS	SSS	P 135,000,000.00	P 70,558,164.22	P 64,441,835.78	P 9,611,897.00
			PNB	PNB	P 130,000,000.00	P 40,086,772.03	P 89,913,227.97	P 4,810,412.00
			LBP	LBP	P 130,000,000.00	P 54,631,008.00	P 75,368,992.00	P 6,557,720.00
			DBP	DBP	P 130,000,000.00	P 35,473,185,00	P 94,526,815.00	P 4,256,782.00
				Total	P 660,000,000.00	P 256,520,746.42	P 403,479,253.58	P 31,929,405.00
Study Now, Pay Later Plan	RA 6728 (Sec 11) GASTPE-SNPLP	SY 1988-89 to SY 1991-92			**Amount released by DECS to GFIs**			
			GSIS	DECS	P 38,993,000.00	P 30,729,701.00	P 8,263,299.00	P 8,331,049.00
			SSS	GAA	P 39,550,000.00	P 30,953,187.00	P 8,596,813.00	P 8,391,638.00
			PNB	FUND	P 35,912,000.00	P 29,739,579.00	P 6,172,921.00	P 8,062,620.00
			LBP		P 32,512,500.00	P 31,355,429,00	P 1,157,071.00	P 8,500,824.00
			DBP		P 30,532,000.00	P 25,926,498.00	P 4,605,502.00	P 7,028,865.00
				Total	P 177,500,000.00	P 148,704,394.00	P 28,795,606.00	P 40,314,996.00
Study Now, Pay Later Plan	RA 6728 (Sec 11) GASTPE-SNPLP	SY 1992-93 to SY 1994-95	DECS Regional Offices	GAA DECS Funds	P 20,516,309.00	P 20,516,309.00		P 2,461,956.00
Study Now, Pay Later Plan	RA 6728 (Sec 11) GASTPE-SNPLP	SY 1995-96 to SY 2000-2001	CHED Regional Offices	GAA CHED Funds	P 146,851,780.00	P 146,851,780.00		P 17,790,106.00
Study Now, Pay, Later Plan	RA 8174 GAA 96 SNPLP-PAF	SY 1996-97	CHED Regional Offices	GAA 1996 (PAF) Funds	P 160,000,000.00	P 160,000,000.00		NONE

Status of SNPLP (continued)

Name of programme	Year of implementation	Slots: Allocation	Slots: Used	Percentage: Grantees (%)	Percentage: Repayment ELGF (%)	Percentage: Total (%)	Percentage: Slot Used (%)
Study Now, Pay Later Plan	SY 1976-77 to SY 1987-88	10,000	7,111	40.73	14.38	55.11	71.11
		10,000	7,304	64.59	12.10	76.68	73.04
		6,585	4,434	22.23	15.96	38.19	67.33
		6,585	4,374	25.05	9.04	34.09	66.42
		6,585	5,426	36.41	17.70	54.12	82.40
		39,755	28,649	40.56	13.32	53.88	72.06
Study Now, Pay Later Plan	SY 1988-89 to SY 1991-92				Total unavailed fund and repayment of grantees		
		2,321	2,321	2.70	P 9,317,298.00		To be remitted to
		2,381	2,381	5.70	P 12,013,636.00		the CHED
		2,039	2,039	1.59	P 6,775,007.00		Central Office
		2,227	2,227	3.05	P 2,372,324.00		then to the
		2,005	2,005	2.42	P 8,762,869.00		National Treasury
		10,973	10,973	3.13		P 39,241,134.00	
Study Now, Pay Later Plan	SY 1992-93 to SY 1994-95	2,849	2,849	1.90			100.00%
Study Now, Pay Later Plan	SY 1995-96 to SY 2000-2001	12,018	12,018				100.00%
Study Now, Pay Later Plan	SY 1996-97	1,940	1,940				100.00%

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