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Student Loans: Potential, Problems, and Lessons from International Experience

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Abstract

This article, prepared for a conference on Financing Higher Education: Diversifying Revenue and Expanding Accessibility held in Dar-es-Salaam in March 2001, draws on a wide range of experience throughout the developing world to inform policies attempting to create student loans programs in Africa. It outlines problems common to student loan programs (most of which, in Africa, have not been successful), ranging from inadequate capital to excessive subsidization to the inability to surmount political opposition to loans. There are several key policy decisions, answers to which will largely determine the possible recovery rate but which will also determine the accessibility of the program to students and may also affect the likely political receptivity to the idea of loans. The article concludes that loan programs can be designed to be more effective and efficient and thus to contribute revenue diversification in Africa.

Résumé

Cet article, préparé pour une conférence portant sur le « Financement de l'enseignement supérieur : diversification des revenus et élargissement de l'accès », qui a eu lieu à Dar-es-Salaam en mars 2001, s'inspire de différentes expériences tirées des pays en développement, dans le but de mieux orienter les politiques de mise en place de prêts étudiants en Afrique. Il souligne les problèmes communs à ces programmes de prêt (qui ont pour la plupart été un échec en Afrique), allant d'un capital inadéquat à des subventions excessives, en passant par l'incapacité à venir à bout de l'opposition politique à l'octroi de ces prêts. Il existe un grand nombre de décisions clés à prendre, dont l'issue déterminera largement l'éventuel taux de recouvrement, et déterminera également l'accès des étudiants à ces

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programmes, et pourrait même bien influer sur la possible réceptivité politique à l'égard du concept de prêts. Cet article conclut que les programmes de prêts peuvent être définis pour être plus efficaces, afin de contribuer à la diversification des revenus en Afrique.

Introduction: Cost-Sharing and Student Loans

As higher education systems everywhere face the twin pressures of financial austerity and rising demand, financial assistance to enable students to pay direct and indirect costs of higher education (tuition fees, books, and living expenses) has become an urgent issue in many countries; and the case for some form of student support to ensure equality of opportunity, equity, and social justice is rarely questioned. What is still a matter of fierce dispute however, is what form that financial support should take—in particular, whether it should be in the form of universal or means-tested grants or bursaries, competitive scholarships, sponsorship by employers, subsidized job opportunities, or student loans. There is also sharp disagreement about whether student loan schemes are feasible—whether they can ever work successfully, particularly in developing countries—and if so, how best to design and manage student loan programs effectively.

That is the main focus of this paper, which draws on a body of international experience of student loans, including a forum on student loans in Africa organized by the International Institute for Educational Planning (IIEP) (Woodhall, 1991). Researchers can now appraise the quite extensive experience of student loan schemes around the world: Around 50 countries currently operate government-sponsored student loan programs, and several more are considering or planning the introduction of student loans. Some schemes are regarded as highly successful, but others face huge difficulties. A few loan programs have already been abandoned. Added to this wealth of international experience are comparative studies such as Bruce Johnstone's comparison of student financial assistance in the United Kingdom, Germany, France, Sweden, and the United States of America (Johnstone, 1986) and the International Comparative Higher Education Finance and Accessibility Project at the State University of New York at Buffalo, which is collecting extensive information on higher education costs and student support in different countries. It can now be particularly valuable to examine the effects of alternative systems and to identify their strengths and weaknesses.

Johnstone's (1986) work on international comparisons of student support is based firmly on the concept of "cost-sharing" among four financial partners: students, parents, taxpayers, and institutions (including contributions from philanthropy or donors) and on the inevitability that "any cost shifted *from* one source must perforce be shifted *to* another" (Johnstone, 1986, p. 6). His work demonstrates that cost-sharing and the diversification of revenue sources are a near-universal response to financial austerity, juxtaposed with a general trend towards mass participation in tertiary education.

Given what he describes as the "imperative" of cost-sharing, it is equally imperative that governments should design and implement equitable and effective systems of student support to help those who would otherwise be denied access to higher education on grounds of poverty and financial need. Student support can take many different forms. Most governments either provide *grants* (which may be called scholarships or bursaries and which may be means-tested or targeted in other ways) or provide and guarantee *loans* that must be repaid after the student graduates, or a combination of grants for the neediest students and loans for others. Loans may also take several different forms, with varying degrees of subsidy and methods of repayment. For example, graduates may be obliged to repay the loan over a fixed period of time (mortgage-type) or to commit a fixed proportion of their income until the loan is repaid (income contingent). Some countries have considered imposing a "graduate tax," but no such program has yet been implemented, although the tax authorities may be involved in collecting income-contingent loan repayments as in Australia. In some programs, graduates are expected to repay their loans by working in a specific occupation (e.g., teaching) or a specific area (e.g., home province or rural areas) for a fixed period, or through the national service. This paper focuses on student loans, although it concludes that loans often work best when combined with grants or bursaries, rather than being the only form of financial support. It also considers what conditions are necessary for student loans to be feasible and effective, concluding that, in some countries, particularly in Africa, it may be better to start by introducing a scholarship program and then move gradually toward providing loans, or a mixture of grants plus loans, as these conditions are met.

This paper draws on my work on international experience of student loans, which began more than 30 years ago in 1969, when I carried out a study of student loan schemes in Scandinavia, the USA, and elsewhere. At this time, the British government had considered but rejected introducing student loans in the United Kingdom. The conclusion of that study was that "to regard a system of student loans as either a panacea ... or as an evil to be avoided at all costs is equally mistaken. Some of the more exaggerated statements of both the opponents and advocates of student loans in Britain fall into perspective when viewed in the light of the working experience of other countries" (Woodhall, 1970, p. 184). Since then I have had a strong interest in the actual working experience of student loan schemes, both in industrialized countries and in developing countries; and I have carried out comparative studies for the World Bank (Woodhall, 1983), the Commonwealth Secretariat (Woodhall, 1987), for government and policy makers in the United Kingdom and elsewhere (Woodhall, 1989; 2002), and for IIEP in a series of international forums on student loans between 1989 and 1993, including one on English-speaking Africa (Woodhall, 1991). I edited a special issue of *Higher Education* devoted to student loans in developing countries that included articles on Botswana (Mokgwathi, 1992), Ghana (Kotey, 1992), Nigeria (Chuta, 1992) and Uganda (Kajubi, 1992), as well as more general reviews of international experience (Albrecht & Ziderman, 1992; Woodhall, 1992). More recently, I surveyed experience in Africa for *African Higher Education: An International Reference Handbook* (Teferra & Altbach, 2003) and edited a special issue of the *Welsh Journal of Education* (2002) devoted to the international experience of student support programs, which includes articles by Bruce Johnstone on "Imperatives and Limitations of Revenue Diversification in Higher Education," by Roy Jackson on the National Student Financial Aid Scheme of South Africa (NSFAS), by Adrian Ziderman on the differing objectives of student loan programs around the world, and by Bruce Chapman and Chris Ryan (2002) on the Higher Education Contribution Scheme (HECS) in Australia. Finally, I have recently worked as a consultant in Mozambique, helping the Ministry of Higher Education, Science, and Technology (MESCT) and the World Bank to prepare a higher education project that includes a national scholarship program and an innovative program of loans for private higher education institutions.

My paper draws on this work and on other reviews of international experience, (esp. Ziderman & Albrecht, 1995; Barr, 2001), and tries to condense the lessons from international experience with a particular focus on sub-Saharan Africa. It is in three parts. The first examines the *potential* of student loans to contribute to the finance of higher education and gives a brief summary of the arguments in favor of loans as a means of student support. The second part frankly acknowledges the *problems* that have been encountered in administering student loan schemes and identifies 10 policy decisions that face governments considering or designing a loan program. The third summarizes the main *lessons* from international experience and considers some conditions that are necessary if loans are to work effectively.

The Potential of Student Loans

Student loans have been advocated by economists and higher education policy analysts for nearly 50 years, but the idea has always raised fierce controversy. The theoretical justification for loans is that higher education is a profitable private investment, offering graduates high returns in the form of better job opportunities and higher lifetime earnings. Loans give potential students from poor families, who would otherwise be denied access to higher education on grounds of poverty, the chance to invest in their own future by providing them with financial aid when it is needed and allowing them to repay it when they can afford to do so. The rationale can be summed up in the slogan of the first student loan program in Latin America: ICETEX in Colombia: “We lend to the student and the professional pays us back.”

Arguments in favor of repayable loans are based on both efficiency and equity. Efficiency arguments for loans rather than grants are that loans will (a) reduce demands on the government budget and on taxpayers, (b) provide additional resources to finance the expansion of higher education to widen access, and (c) increase students’ motivation by making them aware of the costs of higher education and requiring them to evaluate both costs and benefits in the light of the obligation to repay their loans. The equity arguments also focus on costs and benefits, concluding that, since most university graduates can look forward to substantially higher lifetime incomes as a result of their education, those who benefit from higher than average earnings should not be subsidized by taxpayers with average or below average earnings.

Such arguments formed the basis of the World Bank’s three conclusions:

1. “Too great a share of public resources goes to higher levels of education, relative to lower” (World Bank, 1986, p. 10).
2. “Since higher education systems are financed by the entire population but available only to a small minority, they have a regressive fiscal impact” (World Bank, 1994, p. 23).
3. “Cost-sharing cannot be implemented equitably without a functioning student loan program to make funds available to all students who need to borrow for their education, and without scholarship programs that guarantee necessary financial support to academically qualified poor students. . . . Given that in every developing country students attending higher education represent an elite group, with income-earning potential significantly higher than that of their peers, it is appropriate that the major form of student financial assistance offered be government-guaranteed student loans rather than grants. . . . Improving the efficiency and broadening the coverage of existing student loan programs are major challenges for developing country governments.” (World Bank, 1994, pp. 46–47, 50).

Against these arguments, critics of loans (who usually advocate grants instead of loans) argue that higher education is a profitable social investment and therefore should be financed from public, not private funds. They attack loans as inefficient, citing as reasons: (a) the complexity and high costs of administration, particularly the costs of collecting loan repayments, (b) the risk of non-repayment if graduates are unable to repay due to unemployment, low earnings, or illness; or if they simply default by refusing to repay, emigrating, or disappearing, and (c) the danger of distorting students' choices of subject or career by encouraging them to opt for high earnings rather than courses or jobs that may be socially valuable but which offer low earnings prospects. The equity arguments focus on the fear that the obligation to incur debt and to repay loans will discourage students from low-income families, particularly women (who may regard the obligation to repay loans as a "negative dowry") or mature students (who will have a shorter working life than other graduates, in which to repay their loans, because of their age).

The problem with much of this debate is that it treats grants and loans as alternatives, rather than as potentially complementary forms of student support. Advocates of grants also ignore the severe financial austerity facing developing countries, particularly in Africa, and the fact that a system based entirely or mainly on grants may be affordable when only a tiny minority of the population enter higher education but would impose impossible burdens on the public budget as countries expand access and move toward mass higher education.

Instead of prolonging the debate on loans versus grants, I prefer to highlight the potential for student loans to contribute to (a) cost-sharing and revenue diversification by increasing the feasibility or acceptability of introduction or increases in tuition or other fees, (b) improving equity by providing financial support for students who might otherwise be denied access and ensuring that those who derive substantial benefits from higher education contribute to its cost, and (c) increasing sustainability by ensuring that loan repayments from past cohorts of students help to finance financial support for the next generation. I believe that the potential is real and significant, but that it also has limitations. Student loans will not, and can never, by themselves, solve the financial problems facing higher education, but I believe that loans can contribute to creating a sustainable and equitable system of financing higher education, provided that certain crucial problems are addressed and the schemes are well designed and efficient. This is the subject of the next section.

Problems with Student Loan Programs

Political controversy has frequently surrounded the introduction of student loans. A classic case was in Ghana, when student opposition to the introduction of loans in 1971 contributed to the fall of the government and, in the following year, to the abandonment of the scheme. This experience has been cited to suggest that student loans are unworkable in Africa, but in fact Ghana now has an interesting loan scheme, and there were many reasons for the failure. Of that first experiment in Ghana, for example, Williams (1974) concluded that failure to mobilize public opinion on the advantages of student loans, and a feeling among students that they were being made "scapegoats of the country's failure to control higher education costs" help to explain strong opposition to the measure. He believed that loans "seemed to have become accepted by the public at large and even student opposition was less vocal once the scheme was in operation" (Williams, 1974, p. 343). Another country that has faced severe problems with student loans in the past is Kenya. Adrian Ziderman and Douglas Albrecht (1995) calculated the loan-recovery ratio of more than 20 student loan schemes in the 1980s and concluded that, after allowing for the costs of interest subsidies, losses due to default, and administrative costs, the loan program in Kenya "actually cost more than would outright grants" (p. 74). But once again, this negative conclusion refers to a system that has since been reformed, and more time will be needed to determine whether the current loan scheme in Kenya is more successful than its predecessor.

There are five main problems encountered by loan programs around the world, not just in Africa. The first, particularly severe in many developing countries, is to secure and maintain adequate capitalization. Achieving this goal requires not only substantial initial capital but also regular injections of funding thereafter. Student loans are a very long-term investment: It will take years before repayments can generate a substantial stream of income for financing higher education. Moreover, the idea that is sometimes put forward of a fully "revolving fund" is a myth. Because most loan schemes involve substantial interest subsidies (which, as argued below, represent a substantial "hidden grant"), and there will be some inevitable loss due to illness, unemployment, default, and death of borrowers, loan repayments from existing graduates will never be sufficient to finance the next generation of students in full, even in a steady state, quite apart from the additional requirements of expansion. Loan repayments from past students can *reduce* the need for public funding for financial support but cannot eliminate it.

Another possible way to reduce the need for public funding would be to rely on the private sector (banks or other financial institutions) to provide loans to students; but even in industrialized countries, banks are unwilling to do so without some form of guarantee. Financially needy students cannot provide any collateral; so without a guarantee, they will be unable to borrow from banks. That is why most student loan programs involve government guarantees; the government undertakes to repay the loan if the borrower cannot do so due to unemployment, illness, or death. The difficulty is that this arrangement may encourage default and discourage banks from actively pursuing defaulters, since both believe that the government will pay. In this case, a student loan scheme will not significantly reduce the demands on the public purse, since banks will take the attitude "it is not our money" and graduates will not take seriously the obligation to repay their loans.

In many loan schemes, governments not only provide guarantees but also subsidize the interest rate charged on student loans. A few schemes provide interest-free loans, while others charge only the current rate of inflation, making the loans interest free in real terms. These subsidies can be very costly. In the United Kingdom, where the interest rate on student loans is linked to inflation, Barr (2001) estimates that for every £100 lent by the Student Loan Company, the government gets back only £50. Between £15 and £20 are lost due to nonrepayment because of low income, illness, or default, but £30 to £35 because of the interest subsidy. This subsidy represents a substantial "hidden grant"; but because it is hidden (borrowers often do not understand interest rates), it is also inefficient, since it is not targeted. Everyone benefits from the subsidy, even graduates with very high incomes, yet fear of debt may still discourage some potential students from low-income families from applying for education. For this reason, many economists (for example, Barr, 2001) recommend charging an interest rate equal to the government's cost of borrowing (which will still be less than what commercial banks would charge), while providing explicit grants, not hidden grants, for the neediest students.

Another major problem in administering student loan schemes is to secure repayment and minimize default. In fact the term "default" is rather misleading, since nonrepayment may be due to low income, unemployment, illness or even death (in which cases loan obligations are often cancelled), rather than refusal to pay. If the scheme allows borrowers to defer repayment, it would be more accurate to say "delayed payments" rather than nonrepayment. In any scheme, however, there will be some losses due to nonrepayment, whether this is due to genuine default on the part of borrowers, postponement or deferral of payments, or weaknesses in the collection process. The problem therefore is how to minimize these losses by designing the loan program to ensure maximum chances of recovery and by ensuring that the collection process (whether the responsibility of a government agency, banks, or employers) is as efficient as possible.

One potentially serious problem has already been identified: how to make student loans politically acceptable. In Ghana in 1971, as discussed above, the introduction of student loans was blamed for helping topple a government. In the United Kingdom in 2001, the question of student grants and loans was a major issue in the election campaign, which forced the government to announce a review of student aid policy as soon as it was reelected. This review took place from 2001 to 2002, and the fact that it took over a year is an indication that student support is regarded as politically sensitive as well as complex. In fact, the politically explosive issue, both in the United Kingdom from 1997 to the present and in Ghana in 1971, was not the introduction of student loans but the abolition of grants. Of course, students would prefer grants, which do not have to be repaid, to loans, which do. Given the choice, who would not choose grants rather than loans? The fact is that in most developing countries students do not have that choice. Only a tiny minority gets any form of financial assistance at all. In these circumstances, student loans, particularly on the same terms as British students—income-contingent repayment and a zero real interest rate—would be hugely popular. The question of political acceptability therefore depends critically on what financial support was previously available. If students have previously been eligible for grants, as in Ghana in 1971 and in the United Kingdom until 1998, then loans appear less attractive. If most students previously had no access to any form of financial support, then loans, particularly if backed by a government guarantee and interest subsidies, will be politically attractive. Whether the political acceptability of student loans is a problem depends crucially on the availability and generosity of previous forms of support, as well as on the terms of the loans.

In the light of these problems—potential or real—what are the policy decisions that must be faced in designing a student loan program? These can be summarized in terms of 10 policy decisions:

1. What form/combination of student support should be provided (scholarships/bursaries, means-tested grants, or loans)?
2. How will a grant or loan program be funded? (Such funding requires annual allocations in the case of grants and initial capital plus annual allocations for interest subsidies, etc., in the case of loans.)
3. Who will administer loans (government, independent agency, universities, or banks)?
4. Who will be eligible for scholarships/loans (all students or will they be selected on the basis of merit, financial, or manpower need)?
5. What are the requirements for collateral or loan guarantees (parental or other personal guarantee or government guarantee)?

6. What should be the role of universities (certifying eligibility, selecting needy students, and/or advising students on financial support)?
7. What is an acceptable (maximum) level of debt for students?
8. What should be the interest rate (zero, linked with inflation—i.e., zero *real* interest rates, subsidized, or market rate)?
9. What should be the repayment terms (mortgage-type or income-contingent repayment, length of repayment, and what possibilities for deferment or cancellation)?
10. Who should collect repayments (by a student loan agency, banks, employers, or a national tax or insurance system)?

A review of international experience shows that different countries have made quite different policy decisions on all these issues. No single system has solved all potential problems. The final section draws some lessons from international experience.

Lessons from International Experience

There has been a marked shift since the late 1980s toward greater reliance on loans as a form of financial support, both for tuition fees and living expenses. The year 1989 saw the introduction of the first student loans in the United Kingdom (called "top-up" loans, since they were intended to supplement, rather than replace grants), and the Higher Education Contribution Scheme (HECS) in Australia. During the 1990s, new loan schemes were introduced in several developing countries, including China, Thailand, and Vietnam; and loans are gradually being introduced or considered in Eastern Europe and the former Soviet Union. When the IIEP Forum on student loans in English-speaking Africa took place in 1991, student loan schemes were still comparatively rare in Africa, cost recovery and student fees were matters of bitter political controversy, but declining government budgets and a shift of government and donor priorities in favor of primary education meant that the financial crisis facing African universities was more severe than in other regions. (One participant spoke of a bitter "wind of stringency" blowing across the continent.) Equity implications of prevailing patterns of higher education finance were being increasingly questioned in Africa, for example, in Uganda where living allowances for university students absorbed over 80% of the university budget in 1988. Coupled with sharply rising demands for higher education, this situation meant that the need for new forms of higher education finance was increasingly recognized and that fees and student loans were high on the political agenda in the region.

At that time, Ghana, Kenya, Lesotho, Malawi, Nigeria, and Zimbabwe all had loan schemes; and Botswana, Tanzania, and Uganda were actively considering introducing loans. Some schemes (e.g., in Kenya) had run into deep difficulties, with high levels of default; but examples of innovative approaches to managing student loans were also heard—for example, linking loan repayments with the national insurance scheme in Ghana. Thus, despite problems there was still guarded optimism about student loans. Since the IIEP forum, several countries, e.g., Kenya, have introduced reforms that include: (a) increasing interest rates, so that graduates pay a positive real interest rate, rather than a rate lower than inflation; (b) improving selection criteria, through the development of effective tests of family income to identify the most needy students; (c) improving mechanisms for storing and processing data, including installation of computerized systems, with specially developed software; and (d) improving loan collection mechanisms. South Africa introduced the Tertiary Education Student Financial Assistance scheme (TESFA) in 1991, which has now developed into the National Student Financial Aid Scheme (NSFAS) (Jackson, 2002).

The overall conclusion of the forum was that student loans are feasible in Africa but that they needed to be very carefully designed to overcome the problems identified. Here are four additional lessons from the IIEP forum and other international experience:

1. Objectives must be clear. Is the main emphasis equity or cost recovery?
2. Subsidies for student support must be well targeted and efficiently administered to ensure the effective use of public funds and to achieve equity.
3. Explicit subsidies (e.g., grants) are more effective than “hidden” subsidies (e.g., interest subsidies).
4. To ensure access for disadvantaged students, loans should be combined with means-tested (needs-based) grants or scholarships, rather than being the sole form of student support (e.g., the combined loan-bursary provided under NSFAS in South Africa).

On the design and administration of student loans, experience suggests at least six requirements for a successful loan scheme:

1. Efficient institutional management, including adequate systems for the selection of borrowers, the disbursement of loans, record-keeping, data storage, and data processing.

2. Sound financial management, including setting appropriate interest rates to cover inflation, thus maintaining the capital value of the loan fund and covering administrative costs.
3. Effective criteria and mechanisms for determining eligibility for loans, for targeting subsidies, and for deferring or forgiving loan repayments.
4. Adequate legal frameworks to ensure that loan recovery is legally enforceable (e.g., the National Student Financial Aid Scheme Act of 1999 in South Africa)
5. Effective loan collection machinery, using either commercial banks, the income tax system (as in Australia, the U.K., and several other developed countries), national insurance mechanisms (as in Ghana), or employers (as in Kenya and South Africa) to ensure high rates of repayment and to minimize default.
6. Information and publicity to ensure that recipients understand and accept the underlying principles and consequent obligations for the borrowing and repayment of loans.

Some loan programs meet all or most of these requirements, while others still have a long way to go. Not every country is ready to introduce student loans. Passionate advocates of income-contingent loans include Nicholas Barr in the United Kingdom and Bruce Chapman in Australia, who seem to suggest that this type of scheme would be suitable in any country. For example, Chapman, drawing on the successful experience of HECS in Australia, has proposed the use of income-contingent loans in Ethiopia (Chapman, 1999); but Johnstone and Tekleselassie (2001) argue very convincingly that the lack of workable income-tax collection mechanisms in Ethiopia means that an Australian HECS-type income-contingent loan scheme is just not feasible at present.

Indeed, Chapman (2002) himself seems to agree, for he acknowledges:

> An income contingent loan approach requires that a government is able to do at least two things efficiently. First, individual students' incomes need to be recorded accurately over time. This requires a mechanism involving a unique income identification system. This need not necessarily be the same as that used in Australia (income taxation), but some mechanism is still necessary. Second, there has to be an efficient collection mechanism. That is, if there are simple ways for former students to avoid repayment obligations, income contingent approaches will not work. (p. 79)

If income-contingent loans will not work, what should be done? Chapman recommends: “The advantages of income contingency for policy are such as to suggest that major energies need to be directed to overcoming these critical administrative challenges” (2002, p. 79). Johnstone and Tekleselassie (2001), in contrast, recommend a more conventional loan scheme, with a fixed repayment schedule but with a provision for deferment in the case of unemployment or clearly demonstrated financial hardship. In both cases, the recommendation would be that Ethiopia should try to develop the type of collection mechanisms that would make loan recovery efficient. But in the meantime, other solutions must be found.

In conclusion, I turn to another country in Africa where the government has decided that it is not yet ready to introduce student loans but which will first provide scholarships to help needy students finance tuition fees and living expenses. In Mozambique, a new higher education project, to be financed with the help of the World Bank, will include a national scholarship fund to be administered on a provincial basis. Student loans were considered as an option; but the necessary conditions, including an efficient banking or tax collection system which could be used to collect loan repayments, are not yet in place. Instead, a scholarship fund will be established on a pilot basis in three provinces, taking account of an existing program in Nampula province, called NISOME (which means Let’s Study). The NISOME program, financed by the Dutch government, incorporates a type of loan element but with repayment in the form of work rather than cash: Scholarship recipients undertake to work in Nampula for a specific number of years after graduation. It is too early to judge whether this approach will be effective. It may be just as difficult to enforce this requirement as to collect loan repayments. But it represents an interesting variant on the idea of students receiving financial support which must later be repaid.

Another interesting innovation in Mozambique is that the higher education project will include a component to provide financial support for higher education institutions to carry out capacity building, quality improvement, and innovations (a quality and innovation fund). In the case of public institutions, this support will be in the form of a grant; but private institutions will be required to repay the amount received over ten years at a favorable but positive rate of interest. These repayments will be channeled into the national scholarship fund. Thus, loan repayments from private institutions will be converted into scholarships that students can use to finance higher education in either public or private institutions.

Conclusion

The great variety of student loan schemes and other forms of financial support that exist around the world demonstrate that there is no single model that is appropriate for all countries. Certainly no government is yet satisfied that it has solved all the problems summarized in this paper and designed the "ideal" system. There are still skeptics who argue that student loan schemes "do not work" particularly in Africa. I believe there is evidence to the contrary, and that loans can contribute to revenue diversification and make cost-sharing more feasible. But there is still much to be done, to improve the efficiency and effectiveness

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Presentation on theme: "Design and Implementation of Student Loan Schemes: Lessons from International Experience Forum on Financing of Post-Compulsory Education in China Beijing,"â€” Presentation transcript: 1 Design and Implementation of Student Loan Schemes: Lessons from International Experience Forum on Financing of Post-Compulsory Education in China Beijing, 6 June 2007. 2 Lending for human capital. 3 Outline of the Presentation n Why Student Loans? n Design Issues: Types of Student Loans n Implementation Issues: Taking Stock of International Experience. 4 Why Student Loans? n Fina Student Loans: Potential, Problems, and Lessons from International Experience. Article. Jan 2004. Maureen Woodhall. This article, prepared for a conference on Financing Higher Education: Diversify- ing Revenue and Expanding Accessibility held in Dar-es-Salaam in March 2001, draws on a wide range of experience throughout the developing world to inform policies attempting to create student loans programs in Africa.Â Experience suggests that student loans are feasible but that the benefits of introducing loans may be more modest than advocates sometimes suggest. View. Show abstract.