Managing the Student Loan Schemes in Africa: Lessons for Younger Loan Schemes

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Abstract

The study examined the management of student loan schemes in three African countries. It was intended for the discernment of best practices and weaknesses of such schemes in order to draw lessons for younger loan schemes like the one and a half year old loan scheme of Uganda. The study was triggered by recurring challenges younger loan schemes experience despite available lessons to draw from older ones. Literature search and desk study were used to collect data. Study results revealed that besides the usual legal challenge that virtually every younger loan scheme appears to face, there are several problems loan schemes in Africa face including the difficulties to: create credible loan boards, identify the right loan beneficiaries, determine appropriate loan amounts, create reliable data-bases, and institute an effective and efficient loan disbursement and recovery systems. These made the authors conclude that the problems faced by younger loan schemes in Africa are embedded within the political, social and economic systems and unless these structural difficulties are addressed, younger loan schemes are poised for grueling challenges.

Keywords: higher, education, funding, management, student, loans, schemes, university

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1. Introduction

The challenge of funding higher education is today a global phenomenon. However, the situations are dire in African countries where universal primary (UPE) and universal secondary education (USE) programmes have been launched resulting into an upsurge in the number of students qualifying for higher education. These developments have not only caused financial constraints, but have also driven many national governments in Africa, which for decades had played a major role in funding higher education, to seek for alternative funding mechanisms in order to be able to meet the rising demand for higher education in their respective countries. In light of this challenge, the use of student loan schemes as an alternative means of funding higher has become popular in different African countries including Ghana, Kenya, Tanzania, Namibia, South Africa, Nigeria; and recently, Rwanda and Uganda. The reasons for opting for the student loan schemes are diverse. According to Mohadeb (2006), traditionally, a state-supported student loan scheme is not only desirable for helping government budget, but also the students and their families because, besides easing the pressure on public funds, it would enable students to study now and pay for their education later when they are in receipt of the higher salaries that generally accrue to university graduates. However, while the student loan schemes have been successful in many countries, particularly in the developed nations, there are also countries where the experience of the loan schemes has been rather disappointing. In this paper, having conducted a literature search and desk survey, the authors analysed the granting and management of student loan schemes in three Africans countries with the aim of drawing lessons for younger university student loan schemes like the one and a half year old loan scheme of Uganda.

Globally for long, higher education in most countries was majorly state funded. But when the demand for higher education grew without a corresponding increase in the budgets of many countries, several national governments sought for alternative funding mechanisms, including the student loan schemes. According to Woodall (1992), a few countries introduced small-scale loan schemes for their higher education students over 60 or 70 years ago. But, the establishment of real student loan schemes on a substantial scale began in the 1950s and 60s mostly in the developed and a few developing countries (Albrecht & Ziderman, 1995). However to-date, government-sponsored student loan schemes are already in place in over 70 countries of the world with one common feature: they are all highly subsidised by governments; and unlike commercial loans, a sizeable proportion of the total loans outlay by the loans body is often not received back in repayment (Shen & Ziderman, 2008). This gap between total loan disbursements and overall loans recovery in most countries where the student loan schemes are in operation is generally accounted for by two elements: first, there are built-in interest rate subsidies incorporated into the design of the loan schemes. And second, there are inefficiencies in running the schemes in terms of substantial repayment default and high administration costs (Yao, 2012). These and many more such scenarios were some of the issues the authors intended to bring to the fore for contemplation by different stakeholders of younger loan schemes on the African continent particularly that of Uganda.

In Africa, the 1980s marked a turning point with regards to education reforms, particularly in the financing of higher education. According to World Bank (1988), the reason for the rethinking of the role and cost of higher education in Africa was caused by a combination of external costs to the global economy – precisely increases in oil prices and consequent decrease in the prices of raw materials, and the political shift from the demand-side Keynesian macroeconomic to market-oriented liberal policies. These changes however, resulted into balance of payments imbalances for almost all African governments and the consequent structural adjustment plans to alleviate external debt

problems (Woodall, 1991). Owino (2003) however, contends that these adverse economic developments were manifested in the rising government deficits and growth in public expenditure, which tended to depress the level and growth of educational finance. This consequently induced several governments to seek for alternative ways of funding higher education, the student loan scheme being one of them.

Generally, student loans have a relatively short history in Africa, although a few isolated examples can be found of loans being given to help students finance study abroad as early as the 1950s. Woodall (1991) for instance reveals that in Lesotho, the Basotho Higher Education Fund (BHEF) was established in 1952 to give bursaries and loans to the citizens of Lesotho who went to study in British universities at the time. But the entire loan fund was a paltry amount intended to meet the financial demands for higher education of only a few Basotho who, at that time, wanted to pursue university education abroad. In Kenya, Otieno (2004) reveals that a student loan scheme was also operated as early as 1952 when the then colonial government awarded loans under the Higher Education Loans Funds (HELF) to Kenyans who went to pursue their university education outside East Africa. But the loans were also inadequate compared with the demand for funds needed for higher education at the time. According to Woodall (1991), in many countries, some individual students financed their university education abroad by borrowing from private banks or even from prosperous local businessmen. But, the loan funds were grossly inadequate and difficult to obtain for the very needy students. However, one of the first African countries to propose a national student loan scheme was Ghana, which introduced its scheme in 1971, but abolished it after one year following a change of government (Atuahene, 2007). Nigeria also set up its first student loan scheme in 1972 to provide loans for needy students. The scope of the scheme to cover many educational programs was only extended in 1976 (Woodall, 1991). Again, in 1974, the independent government of Kenya also launched its first student loan scheme as a strategy to promote cost-sharing in education (Otieno, 2004; Owino, 2003). Since then, several African countries including: Tanzania, Malawi, Namibia, South Africa (Woodall, 1991), and in the recent past, Rwanda and Uganda respectively have been able to establish their own student loan schemes.

In Uganda, the plan to establish a higher education student loan scheme dates back to the early 1990s. In the Government White Paper of 1992, it was recommended that a system of study loans be established to extend educational loans to students who were unable to raise the necessary finances for their university education (Uganda Government, 1992). Such loans, states the Government White Paper, would be interest free and payable when a student completes his/her studies and finds gainful employment. However, this plan did not materialise until mid-2013 when the Government of Uganda announced for the introduction of the student loan scheme for university students that was to be implemented with effect from the financial year 2013/2014 (Students' loan scheme starts next month, 2013). But no sooner had the scheme commenced, than it hit a snag when the national parliament blocked its operationalisation due to the absence of a law to govern it. Thereafter, frantic efforts were made by Government to enact a law that would govern the scheme. The "Act to establish a scheme to finance students to pursue higher education in Uganda; to establish the Higher Education Students' Financing Board; to establish a Fund to finance the scheme; to provide for the management and administration of the scheme and the fund and other related matters" was later passed by the national Parliament and assented to by the President of Uganda on 2nd February, 2014 (Uganda Government, 2014). This law, called the Higher Education Students Financing Act, 2014 (Act No. 2 of 2014), paved way for the scheme to commence; and on 24th April, 2014, the scheme was officially launched by His Excellency, Yoweri Kaguta Museveni, the President of the Republic of Uganda at a colourful ceremony held at Kyambogo University (Students loan scheme launched at Kyambogo University, 2014). But, the events that transpired before the launch raised concern amongst policy-makers as well

as scholars who were prompted to ask: if the absence of a law had halted the implementation of such a noble scheme, could that be the only challenge the new scheme may face? Other than a fragile legal environment, what other challenges are often faced in the implementation of student loan schemes in Africa, and what lessons can younger loan schemes like the one of Uganda draw from already existing loan schemes on the continent? It is the search for answers to these kind of questions that prompted the need to carry out this investigation.

1.1 Research Objectives

This study was aimed at achieving the following specific objectives. First, to trace the origins of student loan schemes in selected African countries. Second, to identify existing practices in granting and managing the loan schemes in the chosen countries; and finally, to discern best practices and weaknesses of such loan schemes in order to draw lessons for younger loan schemes like that of Uganda.

2. Literature

2.1 Theoretical Review

Since the period of scientific management in the early 1880s, several theories including the scientific management theory itself of Fredric Taylor, the administrative theory of Henri Fayol and the subsequent human relations theories that followed, many other theories have been advanced by different scholars to try and guide the management of different organizations and society in general. None of these theories though has proven to be flawless. This explains why the perspective from which an issue is investigated, needs to be chosen with care. This particular study was modeled on the theory of public management adapted from An, Zhai and Gao (2011) who argued that to put in place a sound management system of any public activity, it needs to looked at from the public management perspective. According to the theory of public management, government is the main body of public management. Therefore, for any public activity to be effectively managed and executed; for example, operating the student loan scheme, government should play its main function through legislations that stipulate the rights and obligations that different stakeholders have in that activity. Such legislations will not only protect the use and safe operations of the public activity, but will also provide a legal guarantee for managing the risks associated with that activity. In this study, the researchers looked at the student loan schemes as a public activity that requires government to play a central role through enacting laws that do not only stipulate the rights and obligations of the different stakeholders such as students, banks, parents and other funding institutions but also protect the use and safe operations of the loan scheme itself. In addition, the legislations will also provide a legal guarantee for managing the risks associated with running student loan schemes.

2.2 Gaps in Related Literature

Several scholars have already investigated the operations of student loan schemes in different countries and contexts. For example, Atuehene (2007) looked at the operation of student loan schemes in Ghana. He identified a wide range of issues pertaining to the running of the scheme. However, he did not tease out the lessons other African countries could pick from the Ghanaian experience. This study intended to address that knowledge gap. Owino (2003) and Otieno (2004) investigated the management of the student loan scheme in Kenya. They tried to expose the strengths and shortcomings of the existing scheme, but they only stopped short of outlining the lessons other African countries could draw from the Kenyan experience. Meanwhile, Pillay (2010), Jackson (in Jonestone, 2003) and De Bande and Vandenberghe (2007) all studied the issue of managing the

student loan scheme in South Africa. They also unearthed a wide-range of shortcomings and strengths of the loan scheme. In this study, an attempt has been made to tease out the lessons other loan managers could draw from those identified strengths and weaknesses. All in all, this study was intended for the discernment of best practices and weaknesses of such schemes in order to draw lessons for younger loan schemes.

3. Methodology

The research methods used in this study included a literature search and desk study. A review and analysis of existing practices in granting and managing student loan schemes in three countries from sub-Saharan Africa were undertaken in order to identify best practices as well as weaknesses in some of the schemes in order to draw lessons for younger loan schemes like that of Uganda. The countries chosen were selected on the basis that their schemes have achieved some reasonable degree of sustainability and were therefore able to offer lessons for younger loan schemes. Besides, the selected schemes were judged to be operating on some sound legal and administrative basis, a feature from which younger loan schemes like that of Uganda would learn. Further considerations were based on the similarities of the higher education systems as well as the geographical distribution of the countries whose student loan schemes were reviewed; that is, one country case study each from the western, eastern and southern parts of Africa were used. It was hoped therefore that the methods used would provide a systematic and scientific approach to the development of younger loan schemes like that of Uganda if the findings and recommendations of the study would be considered.

4. Results

The findings of the study have been presented in this section, country by country and in accordance to the study objectives.

4.1. Ghana

4.1.1 Origin of loan scheme.The student loan scheme was first introduced in Ghana in 1971. However, according to Atuahene (2007), the nascent scheme was suspended in less than a year due to political instability before it was reintroduced in 1975 with some modifications. This first scheme, Atuahene reveals, was initially managed by Ghana Commercial Bank (GCB). However due to low funding and other challenges faced, the scheme eventually phased out. Another student loan scheme was officially established in January 1989 under the Provisional National Defense Council (PNDC) Law 276 (Atuahene, 2007). This second scheme was managed and financed with funds provided by the Social Security and National Insurance Trust (SSNIT). Its aim was to supplement the student‘s private resources, especially parental support for food, lodging, transportation costs, and other expenses that were difficult for many families because of the very high poverty rate in the country (Yao, 2012). But unlike the first scheme, under the Social Security and National Insurance Trust (SSNIT), all Ghanaian students who were enrolled and pursuing approved courses in an approved public tertiary institution were eligible to receive a loan regardless of their real financial needs (SSNIT corporate document, 2010). The SSNIT's loans were available to full time students, but part-time students could also receive a loan with the approval of the Minister of Education. Under the scheme, the loans were repayable at a fixed, and substantially subsidised interest rate: originally 3 percent but increasing to 6 percent in the mid-90s (Okae, 2012). However, due to problems of loan recovery and other challenges, in 2005, a legislation was introduced to replace SSNIT with the Student Loan Trust Fund (SLTF) which was to be managed through the Ghana Education Trust Fund (Atuahene, 2007). The SLTF was introduced in December, 2005 under the Trustees Incorporation Act 106 of 1962. The legislation has since been replaced by the SLTF Act 820 of 2011. In fact, the

objective of the Trust Fund "…is to provide financial resources and the sound management of the Fund for the benefit of students of accredited tertiary institutions pursuing accredited tertiary programs and to promote and facilitate the national ideals" enshrined in articles 25 and 38 of the 1992 Constitution (Students Loan Trust Fund Act 2011, Act 820).

4.1.2 Managing the current loan scheme. To be eligible for the loan, an individual must be a Ghanaian admitted to pursue a tertiary education program in any of the accredited public or private tertiary institutions in the country and should demonstrate financial readiness and maintain satisfactory academic progress (SSNIT, 2010). Other features of the SLTF include: (i) being means-tested and differentiated according to program of the study; for example, according to Okae (2012), loan amounts ranged from 500 to 600 Ghanaian cedes (approximately US$ 167 – 200) per year in the universities and 400 to 460 cedes (approximately US$ 133 – 153) per year in the polytechnics with the science students being given bigger loan amounts compared to their counter-parts from the humanities; (2) students are able to have access to the loan without the three guarantors required under the SSNIT loan scheme. Instead, the student bears full credit risk for the loan with his/her parents acting as primary guarantors provided they contributed to the SSNIT Pension Fund; (3) The loan carries an interest rate equal to the prevailing 182 day Government of Ghana Treasury bill during the student's period of study in school and one year grace period and an interest rate equal to the prevailing 182 day Government of Ghana Treasury bill plus 2% during the repayment period. Interest rate is compounded annually during the in-school years and the grace period and semi-annually during the 15 year repayment period for applicants on a 4-year program; and (4), Loans may be repaid through monthly deductions from the beneficiary's salary by his/her employer, through direct periodic payments to the SLTF by the beneficiary if he/she is self-employed or by outright payment of the total loan amount by the beneficiary or employer (SSNIT, 2010).

4.1.3 Strengths and weaknesses of SLTF

4.1.3.1 The strengths of SLTF. The strengths of the student loans scheme in Ghana include**:** (1) use of on-line application with improved quality of database; (2) broadened sources of funding compared to SSNIT whose sole source of funding was the SSNIT Pension Fund; (3) simultaneous application for both university entry and the loan has accelerated disbursement of the loan at the beginning of the semester; (4) feedback systems put on the SLTF Website to improve customer service; (5) zonal and campus set up by the SLTF provides first level support and advise to borrowers and applicants; (6) use of needs-based approach helps students to get reasonable and substantial amount for individuals to complete their programmes; (7) the introduction of the Student Loan Protection Scheme (SLPS) by the SLTF is an initiative to absorb the financial burden of guarantors and families in the event of default in loan repayment caused by death or permanent disability of borrowers; (8) SLTF has established the Loan Repayment Recovery Unit, created special bank accounts into which loans can be repaid and provides continuous reminder to applicants and borrowers on early repayment of their loans; and lastly, (9) the SLTF allows students on its board to participate in the activities of the board to create a better understanding of the beneficiaries of the funds.

4.1.3.2 The weaknesses of SLTF. The weaknesses of the student loans scheme in Ghana however include: (1) insufficient loan amounts; the SLTF only covers about a third of the fees for each academic year (Okae, 2012); (2) operating a students' loan scheme for needy people on market principles is a serious challenge to the graduates. In his findings, Okae (2012) notes that parents and students perceived the interest rate to be on the higher side and operating the student loan programme on market principles may plunge students into bankruptcy after they have graduated; (3) The loan is

currently not needs based since a flat loan amount is given based on programme of study, yet needs differ depending on the financial background of the students and their families. For instance, in trying to find out whether the SLTF loans were means-tested, it was revealed to Okae (2012) that some students although do not need the loan because of their relatively good financial background, they were influenced by their friends to collect the loan, simply to "enjoy" themselves; (4) The loan repayment is not income-contingent. It is assumed that there is a direct relationship between the period of study and the income that is earned, which is not wholly true. Due to high unemployment in Ghana, a graduate may not secure a job during the grace period and make payments from his/her salary; (5) in the findings of Okae (2012), although loan was generally available to needy students under the SLTF, many students still fail to get guarantors because their parents had not contributed to SSNIT Pension Fund for 5 years, some guarantors fear non-payment beneficiaries while others are not aware of other forms of guarantors acceptable to SLTF; and finally, (6) some parents and students were not satisfied with the late disbursement of the loans despite the fact that loan applications are done concurrently with admission to a higher education institution (HEI). The loans are disbursed late in the semester when students have already endured hardship.

4.2. Kenya

4.2.1 Origin of Loan Scheme. In Kenya, higher education loans date back to 1952 when the then colonial government awarded loans under the then Higher Education Loans Fund (HELF) to Kenyans pursuing university education in universities outside East Africa. By 1974, the independence government introduced the university student loans scheme (USLS) managed by the Ministry of Education for students in the universities of Nairobi, Makerere and Dar-es-salaam. However, the USLS suffered problems of loan recovery due to lack of a legal basis. Consequently in July 1995, the Government of Kenya through an Act of Parliament established the Higher Education Loans Board (HELB) to administer the student loans scheme (Government of the Republic of Kenya, 1995).

4.2.2 Managing the Current Loan Scheme. The HELB was set up as a semi-autonomous agency of 11 members with the chief executive officer as the head of administration by the Higher Education Loans Board Act, Number 3 of 1995 (Owino, 2003). The HELB Act allows the fund to access information from other government departments such as the tax authority when seeking to recover loans (Otieno, 2004). The main function of HELB is to support Kenyan students undertaking government or self-sponsorship programmes at Kenyan universities and other universities in East African countries recognised by the Kenya Education Commission (Otieno, 2004). The Government is the main source of funding and main contributor to the fund. HELB receives about 50% of its funds from the Ministry of Finance (HELB, 2002 as stated in Owino, 2003).

The HELB enhances equity in higher education by awarding loans and bursaries to needy Kenyan students. The Board applies a "means-testifying" instrument in order to identify deserving students (Government of the Republic of Kenya, 1995). For the Board to achieve these objectives, it needs the cooperation of all the stakeholders; namely: the government in providing adequate funds, students in providing truthful information when applying for loans so that only needy students get the loans, parents in ensuring that their children provide truthful information, HEIs in providing the necessary information to facilitate efficient processing of students loans; and donors, charitable organisations and financial institutions for giving the financial support necessary for meeting the objectives of the Board.

Currently, those who graduated between 1974/75 and 1994/95 academic years repay their loans at an interest rate of 2%. Those who took loans from 1995/96 academic year to-date are repaying their loans with an interest rate of 4%. However, HELB can vary the interest rate anytime without referring to the loanee (Section 6(c) of the HELB Act) (Government of the Republic of Kenya, 1995). No interest is accrued during the period of loan suspension although it begins to accrue again when repayment resumes. All loanees are required to start repayment after a period of one year on completion of studies or within such a period as the Board may decide to recall the loan whichever is earlier. Loan repayment could be suspended if the borrower becomes unemployed, has salary that falls short of the relevant threshold or becomes disabled and unable to work.

4.2.3 Strengths and weaknesses of HELB

4.2.3.1. Strengths of the university student loan scheme. The major strengths of the university student loans scheme in Kenya include: (1) increased interest rates, enabling graduates to pay a positive real interest rather than a rate lower than inflation; (2) improved selection criteria through the development of effective tests of family income to identify the most needy students; (3) improving mechanisms for storing and processing data, including installation of computerised systems with specially developed software; (4) improved loan collection mechanisms. For example, according to Otieno (2004), when the scheme was set up in 1995, the Board inherited a large portfolio of unpaid debts with the rate of recovery being very low (3.3%). The rate increased to over 18% by 2005 due to aggressive public education, the enactment of a legal instrument binding borrowers and employers to ensure repayment and streamlined record keeping; (5) increased number of students funded at both public and private universities, through the Board's aggressive campaigns in recovering outstanding loans; (6) the loans Board has made some progress towards limiting over-reliance on government by about 50%; and (7) it has reduced administrative costs and procedures by setting up an interactive website for both beneficiaries and the general public. The Board works in cooperation and collaboration with the credit bureau, Kenya Revenue Authority, the National Health Insurance Fund, National Social Security Fund and Government Computer Centre to track defaulters and enhance compliance of the loanees.

4.2.3.2 Weaknesses of the student loans scheme. The student loan scheme in Kenya has however a low rate of recovery because the HELB has relied heavily on recoveries from graduates mostly employed in government public enterprises, the Teachers' Service Commission and a few private companies mostly because these known entities are easy to reach. The high unemployment and morbidity due to the HIV/AIDS pandemic (Othieno, 2004) also contributes to the low recovery of the loans from the beneficiaries. In addition, the loan fund is still insufficient to meet the financial needs of all the needy students that would have wished to borrow money for financing with their higher education.

4.3. South Africa

4.3.1 Origin of Loan Scheme. The South African student loans scheme is called the National Students Financial Aid Scheme (NSFAS). It was first established as a small scheme in 1991 (Pillay, 2010).The NSFAS was set up by an Act of Parliament, the National Student Financial Aid Scheme Act (Act No. 56 of 1999) which gave the scheme the mandate to: (1) allocate funds for the loans and bursaries to eligible students; (2) develop criteria and conditions for the grading of loans bursaries to eligible students in consultation with the Minister; (3) raise funds; (4) recover loans; (5) maintain and analyse a data base and undertake research for the better utilisation of the financial resources; (6) to

advise the Minister on matters relating to students financial aid; and (7) to perform other functions assigned to it by the Act or by the Ministry (Pillay, 2010).

4.3.2 Managing the Current Loan Scheme. The fund is managed and governed by a 13 member National Board as the accounting authority answerable to the Ministry of Higher Education and Training (Pillay, 2010). The NSFAS is headed by a chief executive officer (Jackson as cited in Woodhall, 2007). It is administered as an autonomous entity in terms of the NSFAS Act (Republic South Africa, 1998). The office of the Auditor General audits the fund each financial year. It is a requirement that the Board reviews the audited report within three months after the end of each financial year (RSA, 1999).

The NSFAS provides a combination of loans and bursaries to assist black disadvantaged students in apartheid South Africa. The loan interest varies according to the rate of inflation plus an additional 2% to cover administrative and long-term unemployment and default costs. The interest rates are compounded from loan originations and accrue even during times of unemployment or when salary is below the repayment threshold. The grace period is until the borrower is employed and repayments by borrowers are made on an income-contingent basis (World Bank, 2010). The loan repayments are recovered through the employers and tax administration system. Parliament allows the scheme to access information from other government departments such as the tax authority (RSA, 1999). According to Jackson (2002) as cited in Johnstone (2003), the NSFAS has the authority to compel employers to withhold student loan repayments owed by employees whose payments are in serious arrears, regardless of whether the repayment has been calculated on an income contingent or some other basis.

4.3.3 Strengths and weaknesses of NSFAS

4.3.3.1. The strengths of NSFAS. The strengths of the student loans scheme in South Africa include: (1) provision of poor and historically disadvantaged students with access to HE. Currently, NSFAS funding is by virtue of the allocation to HEIs limited to students whose family income is less than R.122,000 per annum; (2) contribution to the skills of the poor necessary to drive economic growth and development; (3) all stakeholders applaud the considerable growth in the allocation of funds by government; (4) universities regard the ability of NSFAS to provide up to 20% of the institutional reimbursements as an upfront payment to assist institutions with their cash flow as a strength; and (5) the provision of loans at a lower rate of interest than commercial educational loans, coupled with the income contingent nature of the loans, offer students a potentially affordable loan on favourable repayment terms (De Bande & Vandenberghe, 2007).

4.3.3.2. Weaknesses of the student loans scheme. The weaknesses of the South African student loans scheme however include: (1) funding falls far short of demand. Current estimates are that NSFAS has less than half of the funds it needs to meet the demand for financial aid from qualifying applicants because the annual budget share of HE has been declining; (2) High dropout rate of beneficiaries - the low completion and graduation rate is linked to a systematic flaw in NSFAS funding; (3) poor allocation formula based on race as a proxy for socio-economic need. The result is that historically advantaged institutions with affluent black students who do not need financial aid get the same NSFAS as historically disadvantaged institutions with poor black students who all qualify for financial aid; (4) top slicing where university administrations respond to the dilemma of receiving insufficient funding from NSFAS by disregarding means-test results and diluting loan amounts to individual students who qualify for NSFAS financial support; and (5) the current structure of the

means-test and the way it is applied by institutions is inappropriate and inequitable. Table 1 below provides the summary of the key features of the student loan schemes in the country studied.

Table 1

Main Features of the Student Loan Schemes in Selected African Countries

Country	Main Features	Strengths	Weaknesses
Ghana	- First started without a law in 1971, re-introduced in 1975, later 1989; - First managed by GCB, later by SSNIT and now by SLTF and an Act; - Charges subsidised rates interest on loans; - Demands for no guarantors; and - Loans collected through employers.	- Increased number of beneficiaries; - Good database system; -Uses on-line application system; and - Involves students in decision-making.	- Insufficient funds; -Late loan disbursement; - Low loan recovery; and - Weak system of identifying beneficiaries.
Kenya	- Dates back to 1952; re-introduced in 1974 and later in 2005; - First managed by colonial Government, later by HELB; - Charges interest on loans; - Managed through an Act of parliament; and - Loans are collected through employers,	-Improved selection criteria; -Improved rates of interest; -Improved loan collection mechanisms; - More students funded; and -Reduced administration costs.	-High interest rates; -Low rate of loan recovery; and -Insufficient funds.
South Africa	- First started on a small-scale without a law in 1991; - NSFAS was established by Act No. 56 of 1999; - Offers loans and bursaries to eligible citizens; - Charges subsidised rates of interest on loans; and - Collected through employers and tax administration system.	- Increased access to HE for the poor and disadvantaged persons; - Increased number of beneficiaries; - Lower rates of interest on loans; and - Supportive to HEIs in terms of funds.	- Insufficient funds; - High dropout rates of the beneficiaries; - Poor allocation formula; and - Inappropriate means-testing methods used.

5. Discussion and Lessons

Basing on the literature survey, it was observable that the student loan schemes in Africa face certain common challenges against which the younger loan schemes like that of Uganda needs to be bolstered. The first challenge is the shortage of funds to meet the demand for the loans by the growing numbers of students qualifying to join higher education institutions. In all the four country case studies, shortage of funds remained a critical challenge because most of the schemes relied majorly on government subventions for their funding. Yet, funds from government generally tend to remain low due to budgetary constraints. While a few loan schemes; for example, the HELB of Kenya has begun to mobilise funds from non-governmental sources including from outside the country, such opportunities have not significantly been exploited. The Uganda's loan Board is prone to face this challenge since the scheme is still purely funded by government subventions (Ministry of Education and Sports [MoES], 2012). According to MoES (2013), the scheme has started with a paltry budget of UGX 5 billion (about US $2 million). This funding, according to the Uganda's Higher Education Students Financing Board [HESFB] (2013), would offer loans to only 3,000 students representing 5% of the students expected to be admitted in accredited universities and other tertiary institutions at an approximate loan amount of UGX 4 million (about US $1,600) per loan beneficiary. In order to raise the number of students to benefit from the loan scheme, the loan Board needs to seek for alternative methods of mobilising funds so as to reduce reliance on government coffers.

The second challenge faced by most loan schemes is putting in place a robust system for identifying those who deserve the loans. Such a system should be able to assess the applicant's genuine need for financial support in order to determine who is eligible (or not) for the loan. This would help to avoid making mistakes like with Ghana's SLTF where students who did not need the loans got them to "enjoy" themselves (Okae, 2012). With South Africa's NSFAS, Balintulo (2009) reports that poor allocation formula based on race as a proxy for socio-economic needs resulted in black students with affluent background getting the funds. Such a scenario needs to be avoided in Uganda. According to HESFB of Uganda (2013), the Board is for Ugandan students seeking to pursue higher education in an accredited institution of higher learning recognised by the National Council for Higher Education (NCHE) and also pursuing an accredited programme. The applicant will have been admitted to an accredited higher education institution. The applicant will be required to make a written application to the Board by filling in a required form and submit it within a specified timeframe. According to HESFB (2013), it has set in a place a computerised means-testing system to enable it identifies students who deserve to be awarded loans. However, the robustness of the means-testing will be based on reliable data and therefore, investment in collection of reliable data cannot be over emphasised. Again here, the experiences of Namibia's NSFAF with no electronic database for the records of applicants and beneficiaries needs to be avoided. According to Otieno (2004), Kenya's HELB has improved mechanisms for storing and processing data through computerised system leading to smooth operations.

Student loan schemes in Africa with repayment obligations have in many countries registered dismal recollection rates. In Kenya, a number of graduates who benefited from the loans from HELB and even before have not honoured their obligations to-date. For example, according to Otieno (2004), when the current loans scheme was set in 1995, the Board inherited a large portfolio of unpaid debts with the rate of recovery being as low as 3.3%. Therefore, the Uganda's Loans Board needs an effective records system to track debtors so as to boost collections which are central to the operation of the loans scheme as a revolving fund. As much as loans have to be recovered, it is also essential that effort is made to raise awareness of all beneficiaries that loan repayment is the mechanism for keeping the fund running. In Kenya, Otieno (2004) reveals that the rate of loan recovery increased to over 18% in 2005 due to aggressive public education and the enactment of a legal instrument binding

borrowers and employers to ensure repayment. According to Jackson (2002) as cited in Johnstone (2003), the NSFAS has the authority to compel employers to withhold student loan repayment owed by an employee whose payments are in serious arrears. This means right from the onset, it is vital that the operations of the student loans scheme be anchored in an enabling legal environment by the Taskforce. The success of student loans programme is dependent on the legal foundation in which it is buttressed. For example, South Africa has the NSFAS Act No. 56 of 1999; Kenya has HELB Act No. 3, of 1995. In Ghana, there is SLTF Act No. 820 of 2011. Meanwhile, Namibia's NSFAF has Act No. 26 of 2000. Enabling legislation is inextricably linked to loan recovery in that, however, meticulous the tracking of debtors is, without legal ground, beneficiaries cannot be compelled to pay back. Likewise even when recovery is predicated on exacting deductions by the employer in collaboration with other statutory mechanisms as is the case in South Arica, Namibia and Kenya, it has to be legally provided for.

Uganda's history with interventions aimed at easing access to HE through minimising barriers is not so lustrous. While there have been some initiatives designed to promote access to university education, the implementation of some of these schemes has been fraught with challenges, prominent among them being modality of operation. The Board needs to put in place ways of how the public and students in particular will access HE funds. Already there are cases of students getting defrauded. The New Vision newspaper of Monday, July 8, 2013 reported about conmen targeting the student loans scheme who are already selling fake application forms to students. The Board needs to fast-track on issues to do with when the application forms will be available, the time of disbursement of loans, the interest rate, the period to begin repayment and the threshold. For example in Namibia, the loan application forms become available in August of each year at Namibia senior secondary certificate Ordinary or higher level schools, education regional offices of the Ministry of Education and at the NSFAF offices and other institutions of HE. In Ghana, Okae (2012) notes that operating a student loans scheme for needy people on market principles is a serious challenge to the graduates. While in Kenya, according to section 15 of the HELB Act (1995), all loanees are required to start repayment after a period of one year on completion of their studies. These are all possible lessons the managers of the recently launched university student loans scheme in Uganda should gain from if the country is to have a successful loans scheme.

6. Conclusion

There is no doubt about the usefulness of student loan schemes in African countries as illustrated by the cases of Kenya, South Africa, Ghana and Namibia. The general agreement is that the loans have served a useful purpose by helping to extend access and increase the retention of needy students in higher education, diversified sources of funding for higher education and has been contributing to the development of human resources in priority sectors in different countries. There is certainly no government as yet satisfied that it has solved all the problems associated with student loans. The student loan schemes face common problems such as inadequate targeting, administrative weaknesses and failure of collection. However, with a clear legislative framework, policies and administrative system in place, and with some degree of autonomy to reduce too much political interference and legal power in the operation of the loan schemes, the schemes can be more efficient and effective. It should be noted that the student loan scheme is likely to remain a growing phenomenon in Africa as long as the demand for higher education continues to rise. But, the young student loan scheme in Uganda could be more successful if it is guided by the experiences of good practices from other African countries which this paper attempted to discuss.

8. References

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