



THE REPUBLIC OF UGANDA

MINISTRY OF EDUCATION AND SPORTS

THE
UGANDA STUDENTS'
HIGHER EDUCATION
FINANCING POLICY

(JANUARY 2012)

TABLE OF CONTENTS

FOREWORD.....	4
ACRONYMS.....	5
EXECUTIVE SUMMARY.....	7
1 INTRODUCTION TO EDUCATION FINANCING IN UGANDA.....	10
2 HIGHER EDUCATION IN UGANDA.....	11
2.1 Introduction.....	11
2.2 Direct higher education financing by Government at Public Universities and Tertiary Institutions.....	13
3 CHALLENGES FACING THE HIGHER EDUCATION SECTOR IN UGANDA	14
4 JUSTIFICATION FOR THE SECTOR POLICY FRAMEWORK	15
5 THE UGANDA STUDENTS' HIGHER EDUCATION FINANCING POLICY.....	17
5.1 General statement.....	17
5.2 Policy vision	17
5.3 Policy mission	17
5.4 Objectives of the students' higher education financing policy.	17
5.5 Strategies for implementation of the objectives.	17
6 POLICY IMPLEMENTATION.....	19
6.1 CURRENT LEGAL FRAMEWORK.....	19
6.2 PROPOSED LEGAL FRAMEWORK CHANGES	19
6.2.1 The Uganda Students' Higher Education Financing Board Act.....	19
6.3 INSTITUTIONAL FRAMEWORK.....	21
6.4 THE STUDENTS HIGHER EDUCATION FINANCING BOARD	23
6.5 ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS	25
6.6 MAIN AREAS OF FOCUS.....	28
6.7 LOAN ALLOCATION SYSTEM.....	34
6.8 LOAN DISBURSEMENT SYSTEM (LDS).....	34
6.9 LOAN REPAYMENT SYSTEM.....	35
6.10 LOAN RECOVERY STRATEGIES.....	36
7 IMPLEMENTATION FRAMEWORK & TIMEFRAME	38
8 PILOT PROJECT	42
9 FINANCIAL IMPLICATION.....	43
9.1 STUDENTS' COSTS.....	43

9.2	THE AMOUNTS FOR THE BOARD AND SECRETARIAT	54
10	CHALLENGES IN MANAGING A STUDENTS' LOAN SCHEME	56
11	RISK MANAGEMENT	57
12	MONITORING AND EVALUATION	58
13	CONCLUSION	59

POLICY FRAMEWORK

FOREWORD

The NRM Government under the leadership of the President of Uganda seeks to ensure equal opportunities for all Ugandans to attain higher education through the introduction of a students' loan scheme for higher education. The Government currently sponsors 4000 students per intake out of about 60,000 qualifying students per year to the public universities based on outstanding class performance and it is common knowledge that this "Points" based system has done very little in enabling better access to higher education for all Ugandans. Due to the costs involved, many students fail to join the universities or tertiary institutions and even those who are admitted to the universities, fail to sit for the examinations due to failure to pay the required fees.

On the other hand, majority of the students that join the higher institutions come from good schools but children of the poor who cannot afford to go to good schools do not access higher education because of relatively poor academic performance in most of the rural based schools. This has led to a lot of hostility from the public since the most needy are not accessing this sponsorship.

With the introduction of Universal Primary and Secondary Education, the Government of Uganda has improved access to basic education which in turn has seen an upsurge in the number of school going children. This has also led to an increase in the number of applicants for higher education coupled with an increase in dropouts due to inability to raise funds. It is anticipated that with the introduction of the students' loan scheme, attaining the highest level of education for qualifying Ugandan students will therefore be achieved.

Introduction of a students' loan scheme therefore requires a policy to guide its implementation. There are various policies and attempts to finance education by Government but the absence of a specific framework and law to accommodate a universal financing scheme requires a specific policy to achieve Governments' intention. This document seeks to ensure an ideal framework is established to regulate the implementation of a students' higher education financing scheme.

As such, it is the purpose of this document to be a reference point in providing information regarding the implementation of the students' higher education financing scheme, delivery of service and the roles to be played by different stake holders. The guidelines offered herein will serve to regulate the running of the financial scheme to make higher education accessible to all Ugandans

The key objectives of this policy are to among others;

- i) Increase equitable access to higher education in Uganda through the introduction of a students' higher education financing scheme;

- ii) Support highly qualified students who may not afford higher education;
- iii) Ensure regional balance in higher education services in Uganda;
- iv) Develop and support courses which are critical to national development and ensure quality education in institutions of higher learning through quality assurance and supervision.

The policy recognizes that to achieve the above objectives, implementation will be through availing funds for the needy by creation of a students' higher education financing scheme that will be regulated by an enabling law which will provide for an institutional framework to supervise the management of the scheme, increase public awareness on availability of funds for higher education financing and monitor and evaluate the effectiveness of the scheme.

Once the policy is launched, the relevant legislation will be put in place to ensure that the objectives of the policy are met. This will ultimately promote increased access to higher education thereby spurring economic growth and promoting national development.

Hon. Alupo Jessica R. Epel (MP)

MINISTER OF EDUCATION AND SPORTS

ACRONYMS

CEO	Chief Executive Officer
BA	Bachelor of Arts
EPTC:	Educational Policy Review Commission
FY	Financial Year
HE	His Excellency
ICT	Information Communication and Technology
ID	Identity Card
IT	Information and Technology
JAB	Joint Admission Board
MoFPED	Ministry of Finance, Planning and Development
MoES	Ministry of Education and Sports
MUBS	Makerere University Business School
NSSF	National Social Security Fund
NCHE	National Council for Higher Education
NPA	National Planning Authority
NPM	New Public Management
OAG	Office of the Auditor General
PLE	Primary Leaving Examinations
PTA	Primary Teachers Association
SLT	Students Loan Taskforce
SWASA	Social Works And Social Administration
UGX	Uganda Shillings
URA	Uganda Revenue Authority
USHEFP	Uganda Students Higher Education Financing Policy
USHEFB	Uganda Students Higher Education Financing Board

EXECUTIVE SUMMARY

Background

The Government of the Republic of Uganda under the leadership of HE the President, is making arrangements to introduce the students' higher education financing scheme through the Ministry of Education & Sports and as such, the Ministry of Education & Sports is to oversee the implementation through making arrangements for drafting an enabling law for the financing scheme, ensuring that an appropriate institutional framework is in place to oversee the management of the scheme and to prepare a budget for running of the scheme in respect to the disbursement of loans to the student's.

Higher education in Uganda was originally free covering tuition and living allowance but the growth of student numbers has meant that the Government of Uganda can no longer afford to pay tuition and personal needs for all the students that qualify to join higher institutions of learning. It has overtime offered scholarships to highly qualifying students at higher institutions but with the growth in student numbers, many qualifying students have missed the chance to join universities and other tertiary institutions on Government support.

The funding of public universities and other higher learning institutions largely depends on Government subvention which in most cases is inadequate. Thus, the financing and affordability of higher education is currently a top agenda of the Government. With the increase in the number of students completing advanced secondary education, it has become a burden for the Government to provide free quality education. It is apparent that the cost cannot be borne by many parents as evidenced by many students who drop out of the universities because of lack of fees. The emergence of private universities and tertiary institutions has shown that many parents are willing to pay for the university education of their children.

Policy focus

The 1995 Constitution of the Republic of Uganda makes it mandatory for the Government to ensure that all Ugandans enjoy equal opportunities and access to education for all citizens to attain the highest standard of education that make a policy framework necessary and imperative. The key pillars of this policy framework comprise of the following;

- i) To increase the number of students at institutions of higher learning through establishing a financing scheme for students.
- ii) To achieve equitable access to higher education through a legal regulatory framework for the financial scheme.
- iii) To efficiently manage the students' higher education financing scheme through an institutional framework that will manage the funds.

Legal Framework

The policy framework takes into consideration Governments' mandate under the 1995 Constitution of the Republic of Uganda.

The policy also proposes legal framework changes through the introduction of a specific law to regulate the scheme

Institutional Framework

The policy framework makes provision for the establishment of a specialized Board to manage the students' higher education financing scheme. This Board will have a secretariat to manage the funds of the scheme that shall be supported by other existing institutions in its day to day activities for effective management of the funds. These institutions include Government (Ministry of Education & Sports, Ministry of Finance, Planning and Economic Development, Ministry of Local Government, Ministry of Internal Affairs, Ministry of Public Service and Public Service Commission, Ministry of Justice and Constitutional Affairs, Ministry of Gender, Labor & Social Development, Ministry of Foreign Affairs, Bank of Uganda), Financial Institutions, Universities and other Tertiary institutions, National Council for Higher Education, Secondary Schools

These stakeholders were identified based on their roles and relevance in implementation of this policy.

Financial Implications

The Ministry of Education & Sports shall take lead in coordinating resource mobilization in collaboration with the MoFPED for the successful financing and implementation of the policy. Other sources of financing shall include interested key stakeholders like donors and public-private partnerships. The Funds shall incorporate both financing of the student beneficiaries under the scheme and for running of the Board supported by a strong monitoring and evaluation system.

Implementation, Monitoring and Evaluation

The implementation, monitoring and evaluation of the policy shall be the responsibility of the Ministry of Education & Sports and the Uganda Students' Higher Education Financing Board. A mid-term evaluation of the process will be carried out every two years. After the initial two years, there will be evaluation of the process and outputs.

Conclusion

The Uganda Students Higher Education Financing Policy has been developed to address the problem of inequitable access to higher education given the large number of dropouts due to

inability to meet the costs of funding education by many of the Ugandan citizens. The Ministry of Education and Sports is in the process of implementing a students' higher education financing scheme and this will be primarily achieved through changes in the legal regime to cater for institutional framework changes, establishment of an institutional framework and obtaining sources of funding for the scheme.

1 INTRODUCTION TO EDUCATION FINANCING IN UGANDA

Two decades of war in the country greatly affected the education system especially at primary and secondary level. The situation further worsened with the neglect of the educational system by past regimes that eventually saw poor quality and poor enrollment levels. The parental contributions in terms of school maintenance costs could also not be met by poor parents who were unable to pay PTA fees and this resulted in increased student drop outs.

After the NRM Government came to power under the leadership of HE the President of the Republic of Uganda, an Educational Policy Review Commission (EPRC) was setup in July 1987 to carry out an appraisal of the entire educational system and make recommendations to improve the system. It was the findings and recommendations of the commission contained in the Government White Paper of 1992 that amongst the reforms, decentralization of the education system was implemented.

The White Paper created a structure of management of the education system with five levels of education as follows;

- i) Pre-Primary Education
- ii) Primary Education bursary/scholarship
- iii) Secondary Education
- iv) Technical & Vocational Education
- v) University & Tertiary Education

The creation of this structure led to the need for a Macro-Structure of management that was later contained in the Government White Paper of 1997. This saw the creation of 8 departments headed by the Permanent Secretary being created.

The major achievements as a result of the changes in the education system were eminent. Since 1962, education in Uganda was not free except at the Public Universities. However, over the years there have been increased numbers of students under Universal Primary Education (UPE) and Universal Secondary Education (USE). These programs saw free education for all Ugandans and in turn an increase in the number of school going students.

The changing educational priorities have resulted in giving higher priority to primary and secondary education and therefore the need to increase cost recovery in higher education in order to free resources for lower levels of education. There has therefore been a shift in the burden of higher education costs from being borne predominately by taxpayers to being shared with parents or extended families and students. The current private demand for higher education is driven by a combination of rapidly increasing numbers of academic secondary schools graduates and the realization that higher education is a major key to social and economic mobility. One way to finance private costs of investing in higher education is through provision of loans to needy students' in recognized tertiary institutions.

2 HIGHER EDUCATION IN UGANDA

2.1 Introduction

During the 1990's and early 2000's, the Government of Uganda undertook public sector reforms based on the New Public management Paradigm(NPM), in whose wake, higher education was liberalized. The higher education reforms introduced by Government in the middle 1990's and early 2000's changed the landscape of higher education. Through the enactment of the *Universities and other Tertiary institutions Act 2001*, which is an umbrella law governing all public universities and tertiary institutions in the country, the Government dispensed with the earlier practice of using separate Acts and statutes to establish and govern public universities and tertiary institutions.

Higher Education is handled by the Department of Higher Education under the Ministry of Education and Sports with the National Council of Higher Education (NCHE) playing an oversight role both for the public and private universities. The objectives of this Ministry department include;

- i) To monitor and supervise the activities of all institutions of higher learning
- ii) To admit Advanced Level levers into tertiary institutions and universities.
- iii) To coordinate the activities of regional organizations such as the Inter-University Council of East Africa (IUCEA), African Institute for Capacity Development (AICAD) and matters of Ugandan Students on scholarship abroad.
- iv) To solicit for and administer scholarships through Central Scholarship Committee and Uganda Independence Scholarship Trust Fund.
- v) To make interventions on policy issues relating to higher education.
- vi) To monitor the implementation of Government policies at higher education institutions of learning.
- vii) Execute policies pertaining to scholarships
- viii) Coordinate activities of the African Institute for Capacity Development and Inter University Council of East Africa.

Institutions by Category

The database from the National Council for Higher Education indicates that the higher education in Uganda has 32 licensed public and private universities (5 public and 27 private universities), Tertiary institutions have grown from 148 in 2006 to 181 with 130 (72%) being private and 51 (28%) being public institutions

Table 1: Shows Institutions by category

SR	INSTITUTION BY CATEGORY	PRIVATE	PUBLIC	TOTAL	% OF ALL INSTITUTES
1	Universities	27	5	32	16%
2	University Affiliated Colleges	2	2	4	2%
3	Non-University Awarding Degree	1	1	2	1%
4	Technical College	1	6	7	4%
5	Teachers College	2	5	7	4%
6	Commerce/Business	55	5	60	33%
7	Management/Social Dev't	11	2	13	7%
8	Health	10	11	21	12%
9	Agriculture, Forestry, Fisheries	–	4	4	2%
10	Theology	14	0	14	8%
11	Art & Design	3	0	3	2%
12	Media	3	1	4	2%
13	Hotel & Tourism	1	2	3	2%
14	Study Centers	2	1	3	2%
15	Survey & Land Management	0	1	1	1%
16	Law Development	0	1	1	1%
17	Aviation	0	1	1	1%
18	Meteorology	0	1	1	1%
19	Petroleum	0	1	1	1%
20	Co-operatives	0	1	1	1%
21	Research Centers	1	0	1	1%
	TOTAL	130	51	181	100%

Source: NCHE

2.2 Direct higher education financing by Government at Public Universities and Tertiary Institutions

Higher education is primarily privately sponsored since the cost sharing was abolished with effect from 2001/2002 academic year. However Government continues to sponsor a small number of students' numbering only 4000 each academic year at the Public Universities through Government subventions which greatly reduce the cost of education for students who are privately sponsored. Financing of higher education currently stands as follows;

2.2.1 Government subventions

- i) Makerere University
2010/11- Ug. Shs. 56.448 Billion
2011/12- Projected to be Ug. Shs. 61.404 Billion.

- ii) Mbarara University of Science & Technology
2010/11- Ug Shs. 11.227Billion
2011/12- Projected to be Ug. Shs. 11.227 Billion.

- iii) Kyambogo University
2010/11- Ug Shs. 19.014 Billion
2011/12- Projected to be Ug Shs 19.014 Billion.

- iv) Gulu University
2010/11- Ug Shs 10.78 Billion
2011/12- Projected to be Ug Shs 11.552 Billion.

- v) Busitema University
2010/11- Ug. Shs 7.682 Billion
2011/12- Projected to be Ug Shs 7.7 Billion.

- vi) Makerere University Business School
2010/11- Ug. Shs 8.116 Billion
2011/12- Projected to be Ug Shs 8.116 Billion.

A total of US\$ 113.9 billion was disbursed to the public universities during the FY 2010/11

In terms of total Government expenditure, higher education has over the past decade consistently received somewhere between 9 and 13% of total expenditure on education.

The Government also pays capitation grants for Government sponsored students in other Tertiary Institutions. In 2010, the Government funded a total of 3.325 Billion to 62 institutions whereby 46 were Government institutions and 16 private institutions. Under the Government institutions there were 16 Community Polytechnics, 25 Technical Schools, 4 Farm Schools, 1 Vocational Training Center and 14 Private Community Institutions. The funds were to provide training to 8,304 students

2.2.2 Bursaries and Scholarships

In addition to the 4,000 government sponsored students, the government also offers scholarships based on district quota system. The District Quota System was introduced in 2005/2006, and now covers 112 districts in the country. Each district has been allocated (8) slots for students at the public universities. A total of 896 students are currently admitted to the Public universities through the district quotas (academic year 2011/12). Additionally, 1.5 points have been added to the grades of the girl child in order to enhance girl child education. The attempts by the NRM Government to increase higher education access in the region have been tremendous. The establishment of the National Council of Higher Education in accordance with the Universities and other Tertiary Institutions Act of 2001 introduced the standardization of quality frameworks at all universities.

3 CHALLENGES FACING THE HIGHER EDUCATION SECTOR IN UGANDA

While there has been some success in the educational sector, the following challenges still remain;

- i) **Poor funding:** There is poor Government funding of the Department of Higher Education which makes support to the public universities difficult thereby shifting the burden of education to the students. In terms of total Government expenditure, higher education has over the past decade consistently received somewhere between 9 and 13% of total expenditure on education
- ii) **Low enrolment:** The gross enrolment ratio at the University is 5% of the university age group in Uganda which is the lowest in the region and this is a direct result of lack of tuition fees to meet educational costs at institutions of higher learning.
- iii) **Inadequate infrastructure:** Available placements at the Universities is less than 60,000 yet 61,820 qualified for University education in FY 2011/12 which number is expected to continue increasing given the increase in Universal Secondary Education going students.
- iv) **Poor lending:** Lack of access to financial assistance from financial institutions by many of the students since these institutions are profit oriented targeting the rich with property and not the needy poor.
- v) **Lack of an enabling law:** There are no laws to cater for higher education financing in Uganda. Government subventions and support to Public institutions are by way of policies which have increased access to higher education but only to a small extent.
- vi) **High costs of education:** Despite Government support to Public institutions which have greatly subsidized the cost of education for private students in public institutions, the cost of higher education still remains very high. This has led to inability by some qualifying students to pay for the costs of higher education.

4 JUSTIFICATION FOR THE SECTOR POLICY FRAMEWORK

The current higher education sponsorship to universities and tertiary institutions leaves a lot to be desired by the Ugandan students who are unable to afford the cost of education at institutions of higher learning. Reforms in higher education financing are therefore relevant and this is further motivated by development of the sector in terms of enrolment especially with the increase in the number of institutions of higher learning. Cost sharing to increase equitable access to education is the most viable option available to Government in achieving the National Development Goals.

The following factors make a policy framework necessary and imperative;

- i) The 1995 Constitution of the Republic of Uganda makes it mandatory for the Government to ensure that all Ugandans enjoy equal opportunities and access to education for all citizens to attain the highest standard of education. This has a great financial implication but must be achieved.
- ii) The increase in the number of students at the secondary school level as a result of the Universal Secondary Education, one of the several achievements of the current Government, has seen an increased growth in higher education admissions.
- iii) The current Government introduced the Universal Primary Education and Universal Secondary Education which are a success and it is therefore imperative that for continuity, financing higher education be introduced as well.
- iv) There is a need for Government to support the needy who find difficulty in accessing higher education because of the lack of tuition fees to see them through school. The majority of Ugandans are living below the poverty line hence the need to introduce a student financing scheme to enhance access to higher institutions.
- v) The current Government sponsorship scheme of 4000 best performing students which was in principle initially meant to increase access to higher education for all is actually limited to students who are able to access the best schools and these schools are not regionally balanced.
- vi) There is a need to introduce a student's higher education financing scheme that will provide for an equitable criteria to finance students through introduction of the necessary legal framework changes and an institutional framework that will cater for the implementation of the scheme.
- vii) There is a need to set parameters for the operation and implementation of the Uganda students' higher education financing scheme.

5 THE UGANDA STUDENTS' HIGHER EDUCATION FINANCING POLICY

5.1 General statement

Government recognizes the need to increase access to higher education since many students fail to access higher education because of funding problems. This policy will ensure increased access to funding through the introduction of a students' financing scheme and in turn it is anticipated that this will spur economic development as critical courses geared towards the economic development of the nation will be targeted for funding.

It will also enable the students to share the financial burden for tuitions and other educational costs with the Government through payment from their future earned income. Where a beneficiary discharges his/her loan obligation in repayment of the loan, it will enable the creation of a revolving fund that will be self sustaining thereby shifting the burden of funding of the financial scheme, from Government, to the self sustaining revolving fund.

5.2 Policy vision

Equitable financing of higher education in Uganda.

5.3 Policy mission

Providing student financing to needy and eligible Ugandans for equitable access to higher education.

5.4 Objectives of the students' higher education financing policy.

The objective of this policy is to among others achieve the following;

- i) Increase equitable access to higher education in Uganda.
- ii) Support qualified students who may not afford higher education.
- iii) Ensure regional balance in higher education services in Uganda.
- iv) Develop and support courses which are critical to national development.
- v) Ensure quality education in institutions of higher learning through quality assurance and supervision
- vi) Ensure a sustainable revolving loans fund.

5.5 Strategies for implementation of the objectives.

In achieving the above objectives, the following strategies will be adopted for implementation;

- i) Through enactment of a sound legal framework to ensure Ugandan students benefit from the scheme and to set parameters for the regulation and supervision of the students financing scheme. This legal framework will ensure equitable access to higher education. It is critical that from the onset, the law governing the establishment of the financing Board is enacted and applied to the letter.
- ii) Creation of an institutional framework to manage the scheme by supporting highly qualified students who may not afford higher education and also to ensure regional balance in higher education services through sound policies. This institutional framework will also ensure mechanisms for a sustainable revolving fund are in place.
- iii) Establishment of funding mechanisms for the scheme.

6 POLICY IMPLEMENTATION

6.1 CURRENT LEGAL FRAMEWORK

6.1.1 The 1995 Constitution of the Republic of Uganda

The 1995 Constitution provides for protection and promotion of fundamental human rights and freedoms particularly under Chapter 4. Article 30 provides that all persons have a right to education”. It is against this background that the preamble to the Constitution provides for the National Objectives and Directive Principles of State Policy.

Under Objective XIV it is provided that the State shall endeavor to fulfill the fundamental rights of all Ugandans to social justice and economic development and shall, in particular, ensure that all Ugandans enjoy rights and opportunities and access to education. In ensuring access to education, Objective XVIII provides that the state shall take appropriate measures to afford every Ugandan citizen equal opportunity to attain the highest educational standard possible.

Given the current economic situation where only 4000 students are being sponsored by the Government of Uganda in public universities to the exclusion of private universities, a lot is left to be desired of the so many qualifying Ugandans who are unable to finance quality education in higher institutions of learning. In addressing the problem of access to higher education the Government of Uganda deems it fit to introduce a students’ loan scheme that will bridge the lacuna that exists. This will therefore require a legal framework given that the current legal regime in the country does not adequately cover Governments’ intentions to finance students who qualify for higher education.

6.2 PROPOSED LEGAL FRAMEWORK CHANGES

6.2.1 The Uganda Students’ Higher Education Financing Board Act.

For the purposes of ensuring the implementation of the policy, a Higher Education Financing Board Act will be enacted. The Act will provide for the establishment of the Board as body corporate

The proposed legal framework is aimed at establishing a well developed and elaborate mechanism for the students’ financing scheme. This will be achieved through the enactment of a Uganda Students’ Higher Education Financing Act which law it is anticipated will contain the following principles;

i) Eligibility for student financing

The scheme shall be open to all Ugandan citizens who need financial assistance in recognized institutions of higher learning within and outside Uganda. A parent or legal guardian may apply for financial assistance for the benefit of a student child. The beneficiary must have qualified for admission to an institute of higher learning recognized by the National Council for Higher Education

ii) Establishment of the Board

There shall be established a Board known as the Uganda Students' Higher Education Financing Board to manage the student's fund. The Board shall be a body corporate with perpetual succession and a common seal capable of suing and being sued in its name.

The key function of the Board shall be to provide educational and other financial assistance to eligible Ugandan students with or without security. The Board shall be mandated to formulate sound policies for managing the fund and advise the Minister accordingly.

iii) Establishment of the Fund

For purposes of the legislation, there shall be a fund which shall be administered by the Board to grant financial assistance to Ugandan students to pursue higher education at institutions recognized by the National Council for Higher Education. The fund shall consist of Money allocated by Government, grants, donations, gifts, contributions and endowments made to the fund, repayments on capital and interest on loans granted, fees and other charges, deposits received by the Board and income from any investment or any other legal sources of revenue. The expenditure of the Board shall be charged on the fund.

iv) Secretariat of the Board

The day to day management of the fund shall be executed through a Secretariat to the Board. This Secretariat shall be headed by a Chief Executive Officer who shall be Secretary and answerable to the Board. The contract of the Chief Executive shall be 5 years on renewable terms upon satisfactory performance.

v) Recovery Mechanisms

a) Obligations of beneficiaries, employers and guarantors

It shall be the duty of every loan beneficiary to repay his debt and any interest accrued to the Government through the Board and loan beneficiary who pursues his studies abroad

shall, upon his admission for studies abroad, enter into agreements with the Board on the mechanism of repaying the loan. Every employer on the other hand, shall notify the Board of the employment of a loan beneficiary and shall make deductions from beneficiaries' emoluments as instructed by the Board. Guarantors shall be mandated to verify beneficiaries' information, trace a loan beneficiary who is in default and where such guarantor fails to fulfill his/her obligations, such guarantor shall be liable to repay the guaranteed loan.

6.3 INSTITUTIONAL FRAMEWORK

6.3.1 Current institutional framework

Currently student financing of the Government sponsored students is handled by the Department of Higher Education through the Joint Admissions Board (JAB) process. Cost sharing was abolished with effect from 2001/2002 academic year. Admission to tertiary is by two windows: window one is Government sponsored while window two is privately sponsored students. The universities and Tertiary Institutions Act 2001 provides for funding higher education institutions. It spells out the source of funding for public higher education institutions especially universities that includes:

- a) Grants or contributions from the central Government as appropriated by parliament.
- b) Voluntary contributions from the District councils within which the public university is situated.
- c) Grants, contributions, loans and donations acceptable to the university council
- d) University fees
- e) Any other money that may become payable to the institution of higher learning in the discharge of its functions

The Government sponsors a total of 4000 students admitted each year to the Government public universities under a merit based scholarship. The Government through the ministry of education pays a fixed amount to the universities. Recipients are chosen based on academic merit. The payment modalities are handled by the department of higher education in the Ministry of education.

The Government funds are disbursed in two blocks: one for recurrent and the other for development. The amount of subvention is calculated based on the number of Government students and the unit cost which the ministry thinks is reasonable for that particular institution, the Government only funds students who secure admission into the public universities. Students who secure admission into the private higher education institutions are not state funded. A total of US\$ 113.2 billion was released to the public universities as shown in the table below;

Table 2: Funding to Public universities 2010/11

University	Public resources (Bn Ushs)	Non-Tax Revenue (Bn Ushs)	Total	No of students 2011	Revenue per student(Mn Ushs)
Makerere University	56.4	67.9	124.3	33,112	3.7
Mbarara University	11.2	5.4	16.6	3,021	5.4
Gulu University	10.8	5.4	16.2	3,720	4.3
Kyambogo University	19	39.7	58.7	16,500	3.5
Busitema university	7.7	0.35	8.05	470	17.1
MUBS	8.1	30.4	38.5	12,297	3.1
Other Tertiary Inst.	3.325	–	3.325	8,304	0.4
Source : MoES and Public universities Non -tax revenue is principally revenue from tuition but also includes sale of auxiliary services					

The current financing system is handled by the department of higher education after funds have been appropriated by Parliament, and released by the Ministry of Finance, planning and economic development

6.3.2 Proposed Institutional Framework Changes.

The Government on enactment of the law shall appoint the Financing Board known as the Uganda Student's Higher Education Financing Board that will be assisted with a Secretariat to manage the scheme. This will be a publically administered institution established to distribute and collect the loans, award scholarships, bursaries and grants. The Board created by the Government will ensure that there is an adequate system in place for recording information about the borrowers and the size of their debt and for collecting loan repayments with the assistance of the employers.

The proposed institutional framework is aimed at harmonizing the regulatory regime for the students financing scheme. The activities described above show the great need for the Students' Financing Board to work closely together with various authorities across the country and abroad.

6.4 THE STUDENTS HIGHER EDUCATION FINANCING BOARD

6.4.1 Introduction

The Government's intention to increase access to higher education should target more students from the poorer backgrounds. This calls for rigorous process of identifying the beneficiaries and therefore a need for a sound strong institutional framework to manage the scheme that will be a body corporate with powers to sue and be sued.

6.4.2 Composition, Powers and Functions of the Board

The Board will be composed of 9 members who shall be appointed by the Minister of Education and Sports and their contracts shall be for a term of 4 years renewable only once on satisfactory performance. This will be a Governance Board that will play an oversight role over the Secretariat.

The composition of the Board will consist of:

- i) The Chairman
- ii) Representatives from the Universities Vice Chancellor 's Forum (1)
- iii) NCHE (1)
- iv) Representative of MoES (1)
- v) Representative of MoFPED (1)
- vi) Federation of Employers' Association (1)
- vii) Representative from the Bankers Association (1)
- viii) Minister of Education & Sport representative (1) eminent person
- ix) The CEO of the Board

The Board shall have committees of members selected from the Board and these will include the Finance Committee; the Disbursement & Recovery Committee and the Legal Committee.

6.4.3 Functions of the Board

The functions of the Board will be to:

- i) To solicit for funds and other assistance to promote the functions of the Board.
- ii) To formulate sound policies for regulating the management of the fund.
- iii) To provide the strategic vision and plan of action of the Board.
- iv) To provide educational and other financial assistance to eligible Ugandan students with or without security.
- v) To set the criteria and conditions governing the granting of loans including the rate of interest and recovery of loans.
- vi) To recover loan funds disbursed by the Board to higher education students.

- vii) To advise the Minister on matters of policy related to students loans.
- viii) To receive funds, gifts, donations, grants, bequests made to the Board and to make legitimate disbursements thereafter.
- ix) To maintain collaborations and a network with the key stakeholders.
- x) To invest any surplus funds authorized by the law.
- xi) Approve the internal rules, regulations and systems of the secretariat.
- xii) Approve the annual draft budget proposal of the Board.
- xiii) Monitor the performance of the students' beneficiaries and recipients' institutions.
- xiv) To liaise with institutions of higher learning to uplift the status of higher education.
- xv) To establish relations and collaborate with other regional and international Agencies of the same responsibilities.
- xvi) To perform any other functions relating to the granting of students' loans in accordance with the provisions of the Act.

The government will continue offering scholarships to students enrolled in courses considered key and critical to national and economic development as defined by the Ministry of Education and Sports, National Council for Science and Technology, MoFPED and NPA. The scholarships will be administered by the Uganda Students Higher Education Financing Board and will be based on meritocracy. The scholarship will also address the special needs demands, key priority areas of addressing women emancipation and ethnic minorities. The grants, bursaries and or scholarships (non- repayable stipends) shall target programmes that may not attract sufficient numbers of students without a special grant aid.

Students will receive financial support through a combination of loans, grants, scholarships or bursaries. The Board shall also offer scholarships to post graduate students pursuing their masters of doctoral studies and this award shall be based academic merit.

6.4.4 Functions of the Secretariat

The Secretariat will be responsible for the following:

- i) Accurate analysis of the needy students in accordance with the guidelines and criteria set out and spelled to the general public
- ii) Capacity building and development of the staff in key and agreed areas of the work
- iii) Designing an appropriate workable and suitable work plan
- iv) Mobilizing current and potential players at global level in the area of financing higher education
- v) Communicating with stake holders on policies and strategies
- vi) Putting in place information technology infrastructure
- vii) Relating to local and international banks, URA, NSSF and the credit bureaus
- viii) Communicating effectively with schools and tertiary institutions and universities especially

- ix) Ensuring that the loan beneficiaries fully understand their role and responsibilities both at present and future
- x) Liaising with key policy advisors and decision makers at the level of Government-executive, legislature and judiciary.
- xi) Working closely with the Media to get the public appreciation of the loan scheme

6.4.5 Composition of the Secretariat

The day to day management of the fund shall be executed through a Secretariat of the Board. The Secretariat shall be headed by a Chief Executive Officer who shall be the secretary to the Board and answerable to it.

The following shall be the interim officers for the Secretariat.

- i) **Head of the Secretariat:** The daily management of the Secretariat will be entrusted to the Head of the Secretariat who will be the Chief Executive Officer (CEO). There will be Directors over time who shall assist the CEO in the performance of the functions of the organizations. In the interim the organization shall start with the following staff in addition to the CEO.
- ii) **Manager, Operations (Loan disbursement):** To manage the loan disbursements and recovery systems. To be assisted with 2 loans disbursement officers
- iii) **Manager Finance and Administration:** To manage the financial aspects of the work through a small team of Accountant, and assistant accountants (2)
- iv) **Manager, Legal Affairs:** To take care of the legal matters. To be assisted by a legal officer.
- v) **Manager, ICT Systems:** To manage IT software and hardware platform suitable for the work especially for loan tracking and recovery. To work with a team of Systems Officers, data Analysts and entrants. 2 for the beginning
- vi) **Public Relations Officer:** To generate a proactive public relations policy and strategy sufficient enough to attract public support.
- vii) **Internal Auditor**
- viii) **Administrations Officer:** To manage the human resource.
- ix) Any other staff as deemed necessary to effectively run the office.

Other staff will include the Administrative Assistants; office Assistants (2); Registry Assistants and drivers (2). A total of 21 staff shall be adequate to commence operations of the organization which will grow with time.

6.5 ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS

The key stakeholders and their roles will in this case include:

6.5.1 Ministry of Education & Sports

This is the line Ministry mandated by law to oversee education in Uganda. As the line Ministry, it is the instructing authority with the obligation to ensure that Government achieves its goals. The Ministry will play an oversight role; Provide regular policy guidance to the Board; and give advice on matters related to policies of awarding student loans to Ugandan citizens in higher institutions of learning. The Ministry will be responsible for monitoring the implementation of the Policy at higher education institutions of learning.

6.5.2 Ministry of Finance, Planning and Economic Development.

This Ministry will be responsible for all budgetary approvals of the Board with regard to operational costs of the Board, the loan amounts and any other cost for expenditure in the effective running of the scheme. Where additional funds will be obtained from donors, this Ministry will have to be the signatory to any contracts with the donors on behalf of the Government of Uganda.

6.5.3 Ministry of Local Government

It is anticipated that beneficiaries under the students' financing scheme will come from all regions of Uganda. As such, this Ministry through local Government's particularly local councils will assist in data verification of all beneficiaries. Not all information is documented and therefore local councils will play a big role in assisting the Board to verify data of all applicants. This will be important particularly when ranking the neediest students to qualify for financial assistance.

6.5.4 Ministry of Internal Affairs

Applicants must have no criminal records when applying for financial assistance and even when granted the loan, during the continuance of their studies, an applicant who commits an offence will be disqualified as a beneficiary. The Uganda Police will be engaged to ensure that all applicants and beneficiaries provide regular Certificates of Good Conduct.

Furthermore, this Ministry will be very instrumental in verifying the common identifiers whether by way of passport or national identification. They will additionally put in place mechanisms to assist the Board in tracking beneficiaries who are leaving the country. All passport renewals by beneficiaries shall be subject to clearance from the Board.

6.5.5 Ministry of Public Service and Public Service Commission.

This Ministry and the Commission are responsible for Government employment and employees. They will periodically furnish their databases of beneficiaries employed in civil service to the Loans

Board. Additionally, a beneficiary who is pensionable will have an obligation to offset their student loans before they receive their pensions. This will be enforced by the Ministry of Public Service.

6.5.6 Ministry of Justice and Constitutional Affairs

Beneficiaries under the student financial assistance scheme may not necessarily be formally employed but may actually setup their own companies or businesses to earn a living. Through the Uganda Registrations Bureau Services of this Ministry, there will be an obligation on the bureau to capture information of which businesses or companies belong to beneficiaries and to furnish this information periodically to the Board to help in the loans recovery.

6.5.7 Ministry of Gender, Labor & Social Development

This Ministry will ensure that obligations of employers under the Uganda Students' Higher Education Financing Act are enforced. They will ensure that all guidelines for employer to meet are sufficiently circulated to all employers so as to ensure that beneficiaries in gainful employment are effectively tracked.

6.5.8 Ministry of Foreign Affairs

This Ministry will work with all foreign missions to ensure that beneficiaries under the financial scheme who seek employment abroad are properly tracked. They will periodically furnish information of all student financial assistance beneficiaries abroad indicating their statuses abroad and visa expirations. Any application for visa renewals shall be sent for clearance from the Board.

6.5.9 Bank of Uganda and other banks

Bank of Uganda as stakeholder will be particularly critical in matters regarding interest rates. To ensure the value of the loans to beneficiaries is maintained, the interest rates charges shall be after consultations with Bank of Uganda. Other banks will also play a key role particularly when fees are being paid to university accounts and other student expenses are being paid to students' personal accounts as it shall be a requirement that all beneficiaries must have active bank accounts. They will also play a key role in financing beneficiaries

6.5.10 Universities and other Tertiary institutions

These will advise the Secretariat on the institutional changes like in the fees structure and inform the Secretariat if the student has been discontinued. Identification of critical courses will also be

paramount and these institutions will play a big role. Additionally, they will partner with the secretariat on providing loan application forms and in loan recoveries

6.5.11 National Council for Higher Education

The Commission will ensure quality education at institutions where beneficiaries shall take on their studies. They will further play their role of licensing institutions of higher learning and to approve courses at these institutions.

6.5.12 Secondary Schools and Other Institutions of learning

- i) Provide recommendation based on fees payment history by the students
- ii) Assist in providing information on verification of students academic documents
- iii) Furnish to the Board the fees structure payable, student bio-data at the schools, as these will provide input into the means testing tool.

6.6 MAIN AREAS OF FOCUS

6.6.1 Sources of capital and interest rates.

The source of capital will significantly influence the loan scheme design particularly in the determination of rates of interest.

- i) In most cases, the capital for the establishment of student financing schemes is provided by Governments subvention. More often than not, Governments do not expect a direct return on investment hence not requiring the schemes to charge real interest rates. However in order to avoid reliance on Government in replenishing capital, the schemes should be designed in such a manner that it has a legally secured and reliable source of capital. Governments may therefore put in place education levies for expanding the sources of funds, as a percentage of national revenue (VAT, General Tax), to ensure sustainability. To maintain the value of loans issued over a longer repayment period, the loan scheme should charge zero real interest to take care of inflation and the cost of managing the scheme.
- ii) Donors and bilateral agencies
- iii) Fees and monies paid for services offered by the Board
- iv) Interest from its investment
- v) Donations, gifts and contributions
- vi) Banks lending at concessionary rates
- vii) In addition, funds shall be sought from NGOs & other financial agencies.

6.6.2 Information, Communication and Public Education

For effective reach to all would be loan applicants, the loan scheme shall provide for effective publicity, information and public education programmes. This shall include but not limited to an effective media strategy, education in schools and colleges and increasing, access to internet information. Publicity campaigns will ensure widespread understanding and acceptance of the principles of the students' loans and the importance of the obligation to pay.

Experiences elsewhere in the region have shown that some students may drop out of the universities because of lack of information on the availability of bursaries, scholarships and loans. It is, thus, important that the loan scheme design should include education, communication and outreach to all stakeholders (eligible tertiary education students and those who have benefited but need to repay the loan). This role will be managed by the financing Board's Department of Public Relations.

6.6.3 Means Testing

One of the success factors for the entire loan fund is likely to be the selection process. This should be transparent and stick to the principles that will set it out. The loans should be accessible to the poor and the needy

- a) Means Testing Methodology will take into consideration the following. All students applying for sponsorship will be required to submit a Recommendation Report from the Local Councils which Report shall make reference to their social and economic status in society.
- b) Students attach additional documents (e.g. copies of Death Certificates or Cause of Death Certificates of parents, letters from sponsors of their high school education) to support their socio-economic status.
- c) Students from elite schools shall only be considered for sponsorship after demonstrating neediness.
- d) Loan scheme design shall ensure that loans are targeted and that they promote access and equity. Loans shall be accessible to the poor and the needy. It is critical that effective means testing instrument be developed and applied to all loan applicants.
- e) The biggest challenge facing loan schemes is the development and implementation of an effective means testing instruments. A computerized means testing instrument which checks both household income and proxy indicators in assessment of loan applicants shall be used.

Proxy indicators will include;

- i) Educational background of the applicant. Students with a history pattern of fees problems during their studies validated or authenticated by the former schools attended.
- ii) Level of education of parents and guardians
- iii) Economic activities undertaken by the applicants parents or guardians
- iv) Assets of the applicant or applicant parents or guardians and where there are.
- v) Lifestyle of the applicant parents or guardians.
- vi) Living in areas of low economic activities.
- vii) Social status of the applicant (Disability; Orphanage i.e. loss through death or lack of parents for other reasons leading to a situation of helplessness).

The above proxies will be assigned percentages.

The loan scheme shall have inbuilt mechanisms which will check on the accuracy of the information provided by the applicants. In addition, the instrument shall provide for sufficient securities and cosignatories to support the loan repayment process.

Data collection instrument (loan application form) shall be designed so as to adequately address issues of accuracy and adequacy of information.

6.6.4 Courses to fund

The Government of Uganda has a number of policy goals for higher education. These among others includes: to increase the number of graduates especially in the areas of science and technology; to expand access to universities to a broader selection of the Ugandan population, allowing those of the lower socio- economic status to benefit as much as possible from higher education. This is aimed at equipping the graduates with the relevant skills necessary for the national development.

The current course ratio at the institutions of higher learning stands at 4:1 non-science to science students respectively. In order to ensure equitable access to higher education to a broader selection of Ugandans, the loans shall be extended in the ratio of 3:2 (60%:40%) non science to science courses respectively. The popular respondents view was that financing should be based on need but not type of the course. However, the policy direction of the sector is to cater for courses that will equip students with the skills necessary for national development. Therefore, the students' loan ratio of non science to sciences at 3:2 will address the above policy intervention of aiming at courses critical to national development. This will also mean that more science students are catered for than non-science given that the current enrollment ratio of science to non-science.

6.6.5 Loans Amounts

A good measure of the effectiveness or efficiency of a loan scheme is the extent of retention of students in institutions of higher learning. Due to limited capitalization of loan schemes, some students may not be awarded adequate loans. Consequently some students may drop out hence promoting inequality and denying access to higher education to deserving students.

The design of loan scheme shall take cognizance of the need to ensure that applicants are given sufficient amounts of loans to facilitate completion of academic programmes. The amounts should also consider the applicants ability to repay upon graduation. There shall therefore be a capping on the maximum loan that can be lent to a student to ensure sustainability.

In the interim, the Government should consider financing: Tuition fees; Functional fees and in the medium term it can consider Accommodation charges; Meals; Books and stationery based on the availability of funds.

6.6.6 Securities ,Co-Signatories and guarantors

For effective loan recovery, the law governing the establishment of the loan scheme must provide for securities and co-signatories. Experience in Kenya and Tanzania has shown that students are willing to provide guarantors or cosignatories. This enhances accountability and responsibility, and strengthens the fact that the loan is recoverable.

There is always need to define who becomes a co-signatory. However, care shall be taken not to deny loans to students who cannot get a guarantor or a co-signatory to countersign the loan application form. (Co-signatories may include local Governments, religious institutions, cooperative movements, formal administrative and civic society organizations)

Obligations of Co-signatories and guarantors' shall require guarantors to guarantee any loan granted to a beneficiary and incase of any default by the beneficiary, the guarantor shall be liable to trace a loan beneficiary, the failure of which such a guarantor shall be liable to pay to the Board the amount owed by the beneficiary.

6.6.7 Collaboration with Financial Institutions

The institutions managing the loan schemes shall collaborate with financial institutions including commercial banks in both loan disbursement and collecting loans from past beneficiaries. Such collaboration may include requesting the banks to have special students' accounts and dedicated counters where individuals who want to repay their loans can do so conveniently. Opportunities for payment using credit cards and electronic funds transfer shall be provided.

6.6.8 Pre-Loan Award & Exit Interviews

For Historical reasons, people in Uganda have generally considered Government loans to be grants, which are not repayable. It is important that beneficiaries of the loan scheme are sensitized or counseled on the financial implication of taking a loan. A person shall only take a loan to add into any other moneys as may be accessible to them. Faced with huge loans, beneficiaries may be tempted to default therefore making cost recovery difficult. It is necessary that pre-loan award and pre-graduation or exit counseling or interviews are carried out for all loan applicants.

6.6.9 Self Protection Mechanism

Like any other financial organization such as Banks, student loan schemes carry a significant risk. In the design of the loan scheme, care shall be taken to ensure that self protection mechanism or insurance cover is taken to mitigate against loan losses arising from death or permanent and total incapacitation of beneficiaries. This will entail charging a certain percentage as insurance cover.

6.6.10 Built In Subsidies

A loan program can fail because of a built in subsidy that allows too little possible cost recovery even with no defaults and with acceptable administrative expenses. This problem is solvable by reducing the built-in subsidization. On loan interest rate, the rate should be at least zero real interest plus administration. Zero rate interest is where the interest rate equals rate of inflation

The extent of subsidization in a given loan scheme should take into consideration the fact that, the borrowers will be able to meet their obligation of repaying the loans, the interest on loans shall be competitive enough, to maintain the value of the loans issued and secondly, at least meet large portion of the scheme administrative costs as well as cost of servicing the loans. The lower the interest rates, the larger the subsidy on loans and the higher the interest rates the higher the debt burden and the likelihood of default. To be successful a loan scheme will not simply raise interest rates, but will redesign the repayment format so that graduates will be in a position to repay.

6.6.11 Common Identifier

The lack of a common identifier in the design of loans schemes leads to inability to trace all beneficiaries for repayment of matured loans. Such an identifier is not only critical for repayment but for managing the whole process of lending, documentation and record keeping. There is a need for Government to embrace common identification mechanism. It will be proper for the Government to speed up the issuance of the national IDs which will act as a common identifier. The ID number will at the same time be used as identification numbers for the beneficiaries.

6.6.12 Documentation, Record Keeping & Security of Records.

Documentation, Record Keeping and Security of records should be given utmost importance. The success of the loan scheme is dependent on how the documents are prepared, managed and kept. As much as possible, all records shall be kept both manually and electronically. A good ICT system will facilitate document management. The Loan scheme shall therefore acquire robust ICT and document management systems. This will not only facilitate means testing but also support loan recovery through an effective skip tracing mechanism.

6.6.13 ICT System and infrastructure

A good ICT infrastructure enhances the capacity of staff to allocate and recover loans from beneficiaries. On loan allocation it eliminates partiality in loan awards.

6.6.14 Human Capital

The staff responsible for management of students' loan schemes shall have the requisite qualifications and skills to enable them administer the loan scheme effectively and efficiently. They should be properly trained in ICT, customer care, debt collection, record keeping and accounting. Performance based reward systems shall also be put in place. There shall be a system of facilitating exchange of skills, information and expertise between countries and other organizations related to Higher Education.

6.6.15 Collaboration with Stakeholders

Student loan schemes should have an inbuilt mechanism which allows access to information from other stakeholders. Collaboration with higher learning institutions in terms of sharing information on students' academic progress shall be critical to ensure that, the scheme does not continue to issue loans to students who have dropped out of universities.

The loan schemes should be facilitated by law to access information from the Revenue Departments and Social Security Funds. Other stake holders with national data bases should be made to provide information on employment of loan beneficiaries for purposes of loan recovery. Stakeholders in Students loan programmes are critical in the design of the scheme. It is important that all stakeholders are consulted in the design to ensure cooperation or else the programme may face some challenges.

6.6.16 Credit Referencing Systems

It is important for student loan scheme to collaborate with credit reference bureaus in information sharing. The sharing should be for both positive and negative listing. Blacklisting of defaulters shall serve as a deterrent to beneficiaries who are able to repay the loan but neglect to do so.

6.6.17 Internal Control and Governance Structures

Like any other corporate body, the students loan scheme shall develop robust internal control mechanisms and governance structure, including well define roles of management and the Board of directors. It is important that managers of the scheme take steps to ensure that cost of operations is managed prudently as part of the sustainability effort.

6.6.18 Use of Social Networks

The social networks have become critical in monitoring and tracking of individuals. Most of the intended target beneficiaries are in the age groups that access the social network sites frequently. With the challenges of not having common identifier, it is therefore important that managers of student loan scheme develop ways of using the social networks to support their monitoring and tracking processes. A well designed social network system may narrow the search for beneficiaries who cannot be traced through the formal means.

6.7 LOAN ALLOCATION SYSTEM

The applicant will be required to fill in an application form. The form will capture key aspects of one's background (Bio-data); educational background, family information and other details likely to be adequate basis for preliminary consideration for award of a loan. The application form will require other persons to fill in the data such as the parents; LCs; a religious leader of one's faith, former secondary head teacher. The applicant will also provide information to argue their case for loan on a half - or one page space.

A computerized loan allocation system will be put in place to help with the assessment of the neediness of the students. A selection formula will be applied to all the loan applicants.

6.8 LOAN DISBURSEMENT SYSTEM (LDS)

The Successful applicants will be informed of the Board's decision on amount allocated. Award of the loans will be published in the print media and provided in the internet. The funds in respect to the tuition and functional fees will be forwarded to the universities bankers and a list of the beneficiaries sent to the University for Acknowledgement. Accommodation funds if paid will be remitted to the universities for onward payment to the Hostels/places of the student's residence.

6.9 LOAN REPAYMENT SYSTEM

The loan beneficiaries will be given a grace period of one year after completion of the studies to commence repayment. Every loan beneficiary is to repay his/her debt after completion of the course or termination of his or her studies except for loans taken on by parents or guardians.

The repayment mechanism will be a system put in place by the Government to facilitate all those who benefited from the Government loans for higher education to pay back. Paying back will be simplified in order to give opportunity to all those that benefits from it to pay back with minimal difficulty.

The following will be some of the user friendly steps and useful information in paying back:

- i) Loan beneficiaries will be required to collect a loan certificate indicating that she/he received a student loan and specifying the actual amount. This certificate will be requested for by any prospective employment application dossier. Upon satisfactorily securing employment, the employer will notify the secretariat of a new employee who obtained a student loan. The secretariat will then advise the employer on how much to be deducted from the employee's monthly salary as loan repayment until repayment is completed. Employers are legally obliged to provide information about changes in the job status and salaries of the debtors. The law will stipulate the penalties to employers and debtors who fail to observe any of its provisions.
- ii) Payments will be based on a fixed percentage of monthly income and this in a way will put a limit on the debt burden to a graduate. The loan repayment increases with the increase in salary implying the more you earn the higher the loan recovery and this helps the loaned to pay off the loan in a shorter period of time.
- iii) Individual voluntary repayment by the former beneficiary is another option. This may be done once or gradually until the total loan is fully paid. This is especially applicable to self employed debtors whose earnings cannot easily be accessed by any other authority. Loan beneficiaries who engage in self-employment will also make necessary arrangements to inform the Board and remit the amounts to Board's Bank Account.
- iv) The Board will closely work with the URA, NSSF, and Credit Reference Bureau to work out methods for tracking loan recipients and their financial standing.
- v) The method of payment will include a debit order, employee deductions, cheques or direct deposits into the students financial scheme account.
- vi) The beneficiaries will stay in contact with the loan Board, making sure that information such as employment status, personal details such as address and telephone numbers are up to date.

6.10 LOAN RECOVERY STRATEGIES

The core mandate of the Financing scheme will be to issue and recover all mature loans and as such the Board will from time to time issue guidelines that will enable it to recover the loans. This will be achieved by:

- i) Providing a fast, effective and efficient loan recovery service buoyed by a robust ICT system.
- ii) Being proactive in identifying barriers to prompt loan repayment and allowing intervention at the earliest possible stage.
- iii) Promoting and updating good and generally acceptable debt practice management.
- iv) Taking action against those beneficiaries and employers who do not comply.
- v) Providing staff with the knowledge and tools to be able to provide an excellent loan recovery service.
- vi) Retention and sourcing of the right human capital.

The following specific strategies are proposed to ensure the attainment of high performance in loan repayment.

6.10.1 Through Linking with Strategic Partners.

The success to loan repayment shall depend on the extent of support afforded by its key strategic partners in both the Government and the private sector. Establishment of a strong working relationship with revenue authorities, social security's funds and other large databases is a matter of prime importance. Further the existing relationships through electronic networking of systems, placing financing agencies recovery officers as attachés within these institutions on secondment and by developing collaborative loan recovery strategies shall be encouraged in the future.

6.10.2 Self Billing by Employers

The Financing Board should develop self-billing modules by either individuals or employers. This shall be based on guidelines issued by the Board to employers on the rates of recovery with regard to employee remunerations (salaries, wages and commissions). For instance, 10% of the basic pay for a salary ranges of UGX 1,000,000 and below. This will increase compliance by employers and individuals. To ensure compliance the Financing Board shall ensure that employers are sufficiently informed of what they should do.

6.10.3 Strategies for beneficiaries Abroad

The number of graduates securing jobs abroad has been on the increase. This fact has been prompted by lack of employment opportunities locally as well as the demand of well-trained graduates elsewhere. The realization of the mass exodus of graduates to other countries poses a potential negative impact to the loan recovery.

There is greater impetus on liaising with the ministries of foreign affairs to get data on loan beneficiaries abroad. Renewals of passports and issuance of VISA should be based on clearance with the financing Board and foreign missions to be involved in ensuring success of this strategy.

7 IMPLEMENTATION FRAMEWORK & TIMEFRAME

IMPLEMENTATION ROAD MAP AND WORKPLAN for the period May 2011-June 2012

Activity	2011		FY 2011/2012											
	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Collection of data from key stakeholders across the country.														
Budget for the financing/Loan Board and the Secretariat.														
Visit and Benchmark with countries that are implementing the loan scheme														
Design an appropriate policy to be implemented														
Submission of the Cabinet Memorandum on Principles of the Bill														
Cabinet approval of the Principles														
Drafting of the loan bill /discussions														
Enactment of the law by Parliament and gazeting of the Act														
Progress reports														
Consultancy to develop the Loan Management Systems														
Appointing the Loans Board and induction														

Activity	2011		FY 2011/2012											
	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Transiting the Loans Task force to a Students' Financing Board														
Sensitize and disseminate information on the Loans act														
Giving out loans to the students														

7.1 IMPLEMENTATION FRAMEWORK & TIMEFRAME

IMPLEMENTATION ROAD MAP AND WORKPLAN for the FY 2012/13

Activities	FY 2012/13											
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Appointment of staff - Four more staff to assist the current staff members												
Collection of data from key stakeholders across the country on the loan bill and implementation frameworks												
Preparation of the budget for the financing/Loan Board and the Secretariat for FY 2013/14												
Visit and Benchmark with countries that are implementing the loan scheme												
Finalisation of the loan bill /discussions and drafting												
Enactment of the law by Parliament and gazetting of the Act												
Progress reports												
Consultancy to develop the Loan Management Systems												
Appointing the Loans Board and induction												
Transiting the Task force to a Secretariat												

Activities	FY 2012/13											
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Sensitize and disseminate information on the Loans Act and operations of the scheme												

8 PILOT PROJECT

Following the creation of the loan Board, the implementation phase should start as a pilot project. This will have the following merits:

- i) Start small and evolve with time. We should start with a small number of students that is not so high to overwhelm or to render the project unfeasible.
- ii) Put in place information technology infrastructure and have a fully computerized loan management scheme and financial management scheme
- iii) Realistic funding levels.
- iv) Make use of the media to prepare the mindset of people to access and embrace the idea of helping the needy to access higher education.
- v) Carry out sensitization programs to enlist the public support and for people to accept loans as a normal way of accessing higher education
- vi) Conduct more research as we go along
- vii) Get more involvement and participation from the key stakeholders and the public in general
- viii) Train staff in managing and administering the fund
- ix) Put into place the mechanism for monitoring and evaluation of the process and outputs.
- x) Continue dialoguing with countries that have actualized the Students loans scheme.
- xi) Build a culture of student loans as a beneficial obligation.

9 FINANCIAL IMPLICATION

The Board will seek for funding from the government and private financial institutions that may be willing to finance higher education in Uganda. The Board shall prepare the annual estimates of revenue and expenditure for the subsequent financial year for the board's approval. The annual estimates shall contain provisions for all estimates for revenue and expenditure for the subsequent year and in particular for:

- i) The amounts for disbursement of financial assistance to students loan beneficiaries.
- ii) The payment of salaries, allowances and other charges in respect of staff and employees of the loan Board.
- iii) The payment of allowances, fees and expenses in respect of members of the Board and any other person as it may deem necessary and appropriate;
- iv) The payment of costs of materials, equipment and other charges in respect of services, training and consultancy;
- v) The improvement and maintenance of any building or other immovable properties of the Board;
- vi) The proper maintenance and replacement of the furniture and equipment of the Board;
- vii) The creation of such reserve fund to meet future contingent liabilities as the Board may think fit.

No expenditure of the Board shall be incurred except in accordance with the provisions of the annual estimates or in accordance with the provisions of any supplementary estimates approved by the Board.

The members of the Board shall be entitled to such remuneration, fees or allowances as the Minister may, upon the recommendation of the Board, prescribe from time to time.

9.1 STUDENTS' COSTS

Students' loans will be provided to students studying in Public and fully accredited private universities as well as public other tertiary institutions. Universities and other tertiary institutions by nature do not have a uniform cost structure owing to the fact that there are differences in institutional mission, program and faculty mix (e.g. professorial versus non-professorial-(layzell and Caruthers, 2001). The National Council for Higher Education (NCHE) has issued accepted norms for production relationships for universities in Uganda. The norms referred to as capacity indicators, are based on different dimensions and these include: staff student ratios, classroom space per student, library space per student, laboratory space per student, computer student ratio, and student book ratio. This provides the basis for determining the unit costs of higher education.

The following terms are used:

Actual unit cost- the annual current cost per student in a faculty based on the current actual expenditure of the faculty.

Acceptable unit cost- the annual current cost per student based on the current actual expenditure at acceptable standards of quality as laid out by NCHE for space, computers, library books and academic staff.

Good unit cost- The annual current cost per student per faculty based on current actual expenditure at good standards of quality as laid out by the NCHE for space, computers, library books and academic staff.

9.1.1 Unit Costs

The office of the Auditor General conducted a unit cost study in the year 2010 and came up with the unit costs for public universities for tuition and functional fees. The weighted average unit cost for public universities will also cater for functional and tuition fees for fully accredited private universities.

Table 3 shows the Public Universities Weighted_Average Unit Cost (WAUC) in Uganda

Tertiary Institution	Actual(UShs)	Range
Makerere university	3,232,577	2,359,043-9073,073
Kyambogo University	3,132,968	2,725,894-4,053,297
Gulu University	3,944,297	3,009,641-7,132,033
Mbarara University	5,132,687	3,169,330-8,142,740
Busitema university	18,986,484	18.986,484
WAUC	3,519,918	

Source: Unit cost study of education at Public Universities in Uganda by OAG May 2010

Below is the summary of the range of the weighted annual average unit cost of the public universities based on the actual unit cost.

- i) The weighted annual average unit cost for Makerere University range from Ug. Shs 2,359,043/= to 9,073,073/= for General disciplines and Medicine respectively.
- ii) The weighted annual average unit cost for Mbarara University range from Ug. Shs 3,169,330/= to 8,142,740/= for Arts and Medicine respectively.

- iii) The weighted average unit cost for Kyambogo University range from Ug. Shs 2,725,894/= to 4,053,297/= for Arts and sciences respectively.
- iv) The weighted annual average unit cost for Gulu university range from Ug. Shs 3,009,641/= to 7,132,033 for business and development and sciences respectively.
- v) Busitema University has the highest unit cost of Ug. Shs 18,986,461. At the current enrollment, the unit costs are being heavily supported through government subvention.
- vi) Private universities are in the range of US\$ 1,300,000 to US\$ 3,672,000
- vii) Other tertiary institutions are in the range of US\$ 2,861,936 for the Health and medical colleges

The weighted average unit cost per student for all the public Universities is estimated to be Ug. Shs 3,519,918/= for tuition and functional fees. The weighted average unit cost inclusive of accommodation will be US\$ 4,519,918/= where accommodation is estimated at Ug. Shs 500,000/= per semester. It is proposed that the loans are allocated in the percentage of 60% for non science and 40% sciences for universities. Currently the ratio of non science to science students in the universities is 4:1(80%:20%)

This unit cost is also sufficient to cater for private universities and other tertiary institutions. Currently the government pays US\$ 2,400 per day per government sponsored student in Health and medical schools for a total of 22 weeks per semester. The acceptable unit cost is put at US\$ 9,292 per students all totaling to US\$ 1,430,968 for 22 weeks. This results into a total of US\$ 2,861,936 per annum inclusive of accommodation.

Table-4 shows Weighted Actual Average Unit Cost by Disciplines at the universities

Disciplines	Makerere University	Kyambogo University	MUST	Busitema University	Gulu university	Wtd average acceptable UC
	Actual	Actual	actual	actual	actual	actual
General disciplines	2,359,043	2,725,894			7,132,033	2,576,904
Arts/ Social sciences	2,783,330		3,633,121			2,882,225
medicine, veterinary, pharmacy, and dental surgery	9,073,073		8,142,740		6,506,680	8,578,099
Agriculture, forestry and technology	3,840,911	4,053,297	4,918,398	18,986,481	6,158,002	4,601,963
Law, education , economicis , statistics	2,386,275	2,870,032			3,009,641	2,552,816
Wtd average	3,232,577	3,132,968	5,132,687	18,986,481	3,944,297	3,519,918

Source: Unit cost study of education at Public Universities in Uganda by OAG May 2010

As shown in table 4 above, the Medicine, veterinary Medicine, Pharmacy and dental surgery have the highest overall weighted Average unit cost at US\$ 8,578,099. Makerere has the highest weighted average unit cost at US\$ 9,073,073 followed by MUST at US\$ 8,142,740 and Gulu University at US\$ 6,506,680

The table 5 shows the fees structure for some of the private universities in the country for the year 2010/11

Name of university	Range of fees	Course	Tuition fees per semester	Functional fees semester	Total fees annual
Uganda Christian university	Highest fees	BIT, environmental science	1,183,000	455,000	3,276,000
	Lowest fees	BA,SWASA,divinity	860,000	455,000	2,630,000
Bugema university	Highest fees	Uniform -with computer	932,000	422,000	2,708,000
	Lowest fees	uniform -without computer	822,000	422,000	2,488,000
Ndejje university	Highest fees	Journalism and mass communication	900,000	470,000	2,740,000
	Lowest fees	Sports coaching	650,000	470,000	2,240,000
Fairland university	Highest fees	Laws	800,000	250,000	2,100,000
	Lowest fees	divinity and religious studies	400,000	250,000	1,300,000
IUIU	Highest fees	Laws	880,000	320,000	2,400,000
	Lowest fees	BA Islamic studies, BA Educ; BSC Educ	511,000	320,000	1,662,000
Uganda Martyrs university	Highest fees	Uniform	1,716,000	120,000	3,672,000

The range is between UShs 1,662,000 to UShs 3,672,000, therefore the unit cost of UShs 3,519,918 can suffice even for the private universities and other tertiary institution.

9.1.2 Projected loan amount for the year 2012/13

In academic year 2011/12 there are approximately 45,000 students in both the public Universities and fully accredited private universities who are self sponsored and an additional 13,000 in other tertiary institutions. Given the resource constraints, three scenarios have been provided where the government may consider starting with either 3000 students representing 5%; 5000 Students' representing 9% or 10, 000 students' (17%) of the admitted students in Universities and other tertiary institutions

Table 6: The projected number of students' and loan amounts for 3000; 5,000; and 10,000 students at an average actual unit cost of UShs 3,519,918 (tuition and functional fees)

	Eligible students'	Expected number of beneficiaries out of 3000	Tuition fees + Functional Loan amount at 3,519,918	Expected number out of 5000	Tuition fees + Functional Loan amount at UShs 3,519,918	expected number out of 10000	Tuition fees + Functional Loan amount at 3,519,918
Public universities	30,000	1330	4,681,490,940	2660	9,362,981,880	5300	18,655,565,400
Private universities	15,000	670	2,358,345,060	1340	4,716,690,120	2700	9,503,778,600
Other tertiary inst	13,000	1000	3,519,918,000	1000	3,519,918,000	2000	7,039,836,000
Totals	58,000	3000	10,559,754,000	5000	17,599,590,000	10000	35,199,180,000

Source: Tertiary institutions; NCHC and Auditor General's report on unit cost

Table 7: Projected number of students' and loan amounts for 3000; 5,000; and 10,000 students at an average actual unit cost of UShs 4,519,918 (including Accommodation).

Tertiary institution	Eligible students'	Expected number of beneficiaries out of 3000	Tuition, functional fees and accommodation at 4,519,918	5000 beneficiaries	Tuition, functional fees and accommodation at 4,519,918	10,000 beneficiaries	Tuition, functional fees and accommodation at 4,519,918
Public universities	30,000	1330	6,011,490,940	2660	12,022,981,880	5300	23,955,565,400
Private universities	15,000	670	3,028,345,060	1340	6,056,690,120	2700	12,203,778,600
Other tertiary inst	13,000	1000	4,519,918,000	1000	4,519,918,000	2000	9,039,836,000
Totals	58,000	3000	13,559,754,000	5000	22,599,590,000	10000	45,199,180,000

The ratio of students per university will be done on pro-rata basis.

i) Financing 3,000 Students.

Financing 3000 students' represents 5% of the admitted students' in universities and other tertiary institutions. This will require a total sum of Ug. Shs 10,559,754,000/= (Tuition and functional fees) or Ug. Shs 13,559,754,000/= including accommodation for the FY 2012/13.

ii) Financing 5000 students

This represents 9% of the admitted students' in universities and other tertiary institutions and a total sum of Ug. Shs 17,599,590,000/= (Tuition and functional fees) or Ug. Shs 22,599,590,000/= including accommodation for the FY 2012/13 will be required to finance the students

iii) Financing 10,000 students'

The other option is to sponsor 10,000 needy students representing 17% of the admitted students' in the universities and other tertiary universities in the year 2012/13. This will require a total sum of Ug. Shs 35,199,180,000/= (Tuition and functional fees) and Ug. Shs 45,199,180,000/= including accommodation fees for the FY 2012/13.

9.1.3 Projected Students' Loan Demand for Five Cohorts (2012-2016)

Table 8 shows the eligible students for the universities admission for both the public and private and other tertiary institutions together with the projected number of students to be admitted for the years from 2011 to 2016

Year	Eligible students for University Admission	Projection for admitted students in universities	Projection for other tertiary institutions	Totals
2005	35,196			
2006	45,558			
2007	54,044			
2008	57,485			
2009	60,634			
2010	61,820			
2011	68,359	45,000	13,000	58,000
2012	72,987	48,150	13,910	62,060
2013	78,729	51,521	14,884	66,405
2014	83,954	55,127	15,926	91,053
2015	89,092	58,986	17,040	76,026
2016	93,997	63,115	18,233	81,348

Source: Makerere University fact book 2010/11

Scenario One: Loan Cohorts for five years while initially sponsoring 3000 Students'.

The weighted average actual unit cost that will be used at the start of year 2012/13 will be US\$ 3,519,918 that will increase with 5 percentage points each year to cater for inflation

Starting with 3,000 students at public universities and fully accredited private universities including other tertiary institutions, the loan beneficiaries will double each year up to the fourth year and remain the same for the fifth year.

Table 9 shows the amounts that will be required for the five cohorts from years 2012 to 2017 based on initial funding of 3,000 students.(Tuition fees and functional fees)

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Admitted (Projections at 7% growth)	62,060	66,405	71,053	76,026	81,348
New Loan Beneficiaries	3,000	6,000	12,000	24,000	24,000
Cumulative Loan Beneficiaries	3,000	9,000	21,000	42,600	61,500
Unit Cost (5% inflation)	3,519,918	3,695,914	3,880,710	4,074,745	4,278,482
Required funding	10,559,754,000	33,263,225,100	81,494,901,495	173,584,140,184	263,126,663,202

- i) It will require the government to inject in a total of UShs 10.5 billion in the year 2012/13 for a total of 3,000 students. The number will continue doubling for the next three years
- ii) The first year students' will double to 6,000 students' in the year 2013/14. This will bring the total number of students to 9,000 and will require a total sum of UShs 33.2 billion to finance the beneficiaries.
- iii) The number of beneficiaries will increase to 21,000 students both in Public and private universities in the third year. This will require a total sum of UShs 81.4 billion.
- iv) In the fifth year, the total number of students will be 61,050 and the funds requirement will be UShs 263 billion

Scenario two: Loan Cohorts for five years while initially sponsoring 5000 Students'

The weighted average actual unit cost that will be used at the start of year 2012/13 will be UShs 3,519,918 that will increase with 5 percentage points each year to cater for inflation

To start student financing with 5,000 students will represent 9% of students in tertiary institutions.

Table 10 shows the projected loan funds requirement for 5 years based on initial funding of 5000 students (Tuition and Function fees)

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Admitted (Projections at 7% growth)	62,060	66,405	71,053	76,026	81,348
New Loan Beneficiaries	5,000	10,000	20,000	22,808	24,404
Cumulative Loan Beneficiaries	5,000	15,000	35,000	53,808	69,712
Unit Cost (5% inflation)	3,519,918	3,695,914	3,880,710	4,074,745	4,278,482
Required funding	17,599,590,000	55,438,708,500	135,824,835,825	219,253,068,033	298,262,415,780

- i) It will require the government to inject in a total of UShs 17.5 billion in the year 2012/13 for a total 5000 students. This represents 9% of the admitted students' in universities and other tertiary institutions.
- ii) During the second year 2013/14, the number will double to 10,000 and 20,000 in the third year representing 15% of the admitted students in the universities and other tertiary institutions. The loans fund will increase to a total of UShs 55.4 billion in the following academic year 2013/14 for a total of 15,000 students' (1st and 2nd year students) and UShs 135.8 billion in the third year.
- iii) The number of beneficiaries will increase to 30% in the fourth year bringing the total number of beneficiaries to 53,808 students. This will require a total sum of UShs 219.8 billion
- iv) The loan amount will increase to UShs 298.2 billion in the 5th year 2016/17. It is assumed that at that time the government will be disbursing loans to 30% of the admitted students. In total 69,712 students' will benefit.
- v) The loan fund will become a revolving facility in the year 2016/17. The first batch of students' numbering 3000 that would have completed their courses in 2014/15 will be expected to commence repayments of the loans.

Scenario Three: Considering 10,000 Students. (Tuition and functional fees)

Starting with Loan funding of 10,000 students at Public University (30%) of those not on Government sponsorship at Public Universities and doubling the number to 60% on the third year and the subsequent years

If funds allow and government disburses loans to 10,000 students in the year 2012/13, the total loans funds will be as shown in the table --- for the five years

Table 11 shows the Loan fund requirement starting with 10,000 students' for five years

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Admitted (Projections at 7% growth)	62,060	66,405	71,053	76,026	81,348
New Loan Beneficiaries	10,000	10,000	20,000	22,808	24,404
Cumulative Loan Beneficiaries	10,000	20,000	40,000	54,808	70,212
Unit Cost (5% inflation)	3,519,918	3,695,914	3,880,710	4,074,745	4,278,482
Required funding	35,199,180,000	73,918,278,000	155,228,383,800	223,327,813,108	300,401,656,944

9.1.4 Projected cash flows from the Loan recoveries for the five years starting in the year 2016

It is anticipated that the first loan recovery will be in the year 2016/17

Assumptions

- i) 60% of the students for non science and 40% sciences. Assume 60% of the students take three year courses and of those who take more than three year course 50% take four years while 50% take five year courses. This means that the recoveries in the first year 2016/17 will be from the 60 non science students who would have completed the three year course. This explains why the numbers of students paying back in the first year is less than those who were awarded loans.
- ii) Grace period of one year. First recovery to be registered in 2016/17 for non science students'
- iii) Average salary of 1,000,000 starting 2016/17
- iv) Deductions not more than one -third of the employee's salary- Initial recovery of 330,000

- v) Salary increase of 5% percentage points annually.
- vi) A person who has done an Arts course in three years and took a loan of approx US\$ 11million, earning an average salary of 1,000,000 per month will repay back the loan in a period of 3- 5years.
- vii) A person who took a five year science course and earning an average of US\$ 1 million will require 7 to 10 years to pay back.

The table 12 shows the anticipated recoveries with the initial sponsorship of 3000; 5000 or 10,000 students.

	3,000 STUDENTS'		5,000 STUDENTS'		10,000 STUDENTS'	
	No of students	Amounts Recovered at 100%	No of students	Amounts Recovered at 100%	No of students	Amounts Recovered at 100%
2016/17	1,800	594,000,000	3,000	990,000,000	6,000	1,980,000,000
2017/18	4,200	1,455,300,000	6,255	2,167,288,200	11,274	3,906,302,400
2018/19	13,376	4,866,668,730	14,376	5,230,493,730	24,846	9,039,450,420
2019/20	17,387	6,642,112,192	17,987	6,871,321,792	30,850	11,785,040,794
2019/20	18,740	7,516,932,580	21,174	8,493,251,358	36,906	14,803,784,449

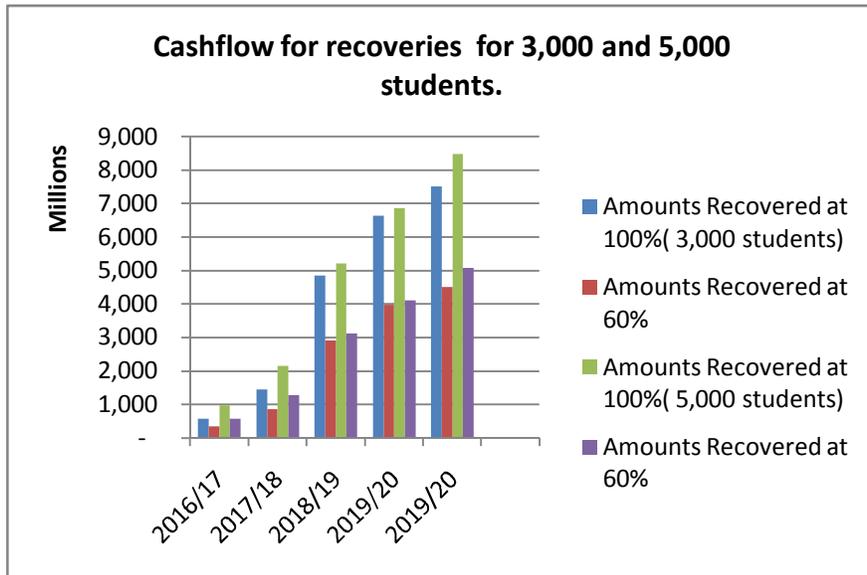
The above table assumes that recoveries will be at 100% of those required to pay after the one year grace period. The table shows the number of students' who will be paying back from the year 2016 to 2019/20.

Experience has shown that it is difficult to achieve 100% recovery rate and therefore the table 13 provides a recovery rate of 60%

Table 13

	3,000 STUDENTS'		5,000 STUDENTS'		10,000 STUDENTS'	
	No of students	Amounts Recovered at 60%	No of students	Amounts Recovered at 60%	No of students	Amounts Recovered at 60%
2016/17	1,080	356,400,000	1,800	594,000,000	3,600	1,188,000,000
2017/18	2,520	873,180,000	3,753	1,300,414,500	6,764	2,343,864,600
2018/19	8,026	2,919,913,920	8,626	3,138,208,920	14,908	5,423,757,570
2019/20	10,432	3,985,267,315	10,792	4,122,793,075	18,510	7,071,116,160
2019/20	11,244	4,510,159,548	12,704	5,095,950,815	22,144	8,882,174,401

The figure 2 shows the loan recovery for the initial 3,000 and 5,000 students.



9.2 THE AMOUNTS FOR THE BOARD AND SECRETARIAT

It is anticipated that the Loans Board will be operational during the FY 2012/13. The initial set up will require start up funds totaling to UShs 5.186 billion to finance the activities of the loan Board/secretariat. The details below show the amounts required at each spending item

The details are attached in the draft estimates of revenue and expenditures.

Table 14 showing the summary draft revenue and expenditures for the Board for the FY 2012/13

		TOTALS	Q1	Q2	Q3	Q4
211102	Contracted staff salary	1,176,120,000	294,030,000	294,030,000	294,030,000	294,030,000
	Gratuity	352,836,000	-	-	-	352,836,000
211103	Allowances	539,800,000	134,950,000	134,950,000	134,950,000	134,950,000
221001	Advertising	100,800,000	25,200,000	25,200,000	25,200,000	25,200,000
221002	Workshops and seminars	552,000,000	128,400,000	128,400,000	147,600,000	147,600,000
221003	Staff training	144,000,000	36,000,000	36,000,000	36,000,000	36,000,000
221007	Books, periodicals and newspaper	21,280,000	9,320,000	9,320,000	1,320,000	1,320,000
221008	Computer supplies And IT services	403,980,000	363,420,000	23,520,000	8,520,000	8,520,000
221011	Printing , stationery and binding	117,000,000	30,000,000	29,000,000	29,000,000	29,000,000
221017	Subscriptions	37,000,000	33,000,000		4,000,000	
222001	Telecommunication	24,000,000	6,000,000	6,000,000	6,000,000	6,000,000
222002	Postage and courier	32,000,000	8,000,000	8,000,000	8,000,000	8,000,000
223003	Rent	240,000,000	60,000,000	60,000,000	60,000,000	60,000,000
224002	General supply of goods and services	54,000,000	54,000,000	-	-	-
225001	Consultancy services-short term	317,350,000	277,350,000			40,000,000
227001	Travel inland	185,444,000	46,361,000	46,361,000	46,361,000	46,361,000
227002	Travel abroad	274,000,000	14,000,000	83,000,000	98,000,000	79,000,000
227004	Fuel, lubricants and oils	72,540,000	18,135,000	18,135,000	18,135,000	18,135,000
228002	Maintenance vehicles -	60,000,000	15,000,000	15,000,000	15,000,000	15,000,000
228003	Maintenance machines and equipment -	24,000,000	6,000,000	6,000,000	6,000,000	6,000,000
312201	Transport equipment	400,000,000	400,000,000			
312203	Furniture and fixtures	57,850,000	57,850,000			
	TOTAL	5,186,000,000	2,017,016,000	922,916,000	938,116,000	1,307,952,000

10 CHALLENGES IN MANAGING A STUDENTS' LOAN SCHEME

- i) Loans at too low rates of interest and end up losing value in the long run.
- ii) Loans that are too small given to too many. Experience has shown in other jurisdictions that there is a political unwillingness to ration loans.
- iii) Loan programs begin with insufficient staff, professionalism, and time to prepare electronic handling systems
- iv) Loans that are given to students without acknowledging the need to repay & the consequences of default
- v) Loans that are simply annual Government expenditures, rather than assets
- vi) A loan scheme is costly at best annually and increasingly will never become revolving

11 RISK MANAGEMENT

11.1 Medical Insurance

Unlike other East African countries, Uganda does not have a national medical scheme. The success of this scheme will depend greatly on the health of the students on the scheme as they pursue their academic studies at institutions of higher learning. Value must be attached to each and every student on the scheme as they remain an asset to the country. Therefore, there will be a need for all students on the student financing scheme to have medical insurance during the continuance of their studies to mitigate the risk of loss of a beneficiary.

11.2 Insurance of Loans

All beneficiaries must be insured against death and disability. The insurers will ensure that there is reinsurance of all policies taken out for the benefit of Government. This insurance scheme will ensure that any beneficiary who is unable to repay his or her loan due to death or disability, the insurance company will reimburse the Government upon a declaration by the Board of the debt as a Bad debt.

11.3 Guarantors or Sureties

The duties of a guarantor shall be enforced and any guarantor or surety who guarantees a loan shall be liable on the debt of a beneficiary who is in default and has been declared by the Board as unable to pay. The Bankruptcy of a beneficiary or guarantor shall be strictly proved and any guarantor who shall be adjudged bankrupt shall forthwith be discharged from his obligations thereby requiring the beneficiary to replace such guarantor or surety.

11.4 Self Protection Scheme

In addition to the requirement for an insurance scheme, a self protection scheme will operate to absorb the burden of guarantors. This scheme will cover death and disability. Funds of this scheme may be invested to sustain the revolving fund.

11.5 Imposition of Fines

Fines shall strictly be imposed on beneficiaries who default to deter them from defaulting.

12 MONITORING AND EVALUATION

12.1 Introduction.

Monitoring will be carried out with a view of evaluating the Students' Loan Scheme with regard to effectiveness, relevance, and efficiency. The Uganda Students' Higher Education Financing Policy has been developed against the background of the National Objectives of State Policy and Directives that requires Government to take necessary measures to ensure equitable access to education and ensuring that Ugandan citizens attain the highest level of education. This will primarily be achieved through cost sharing by implementation of a financing scheme. The Ministry of Education & Sports is in the process of overseeing the introduction of a sound legal framework and establishment of an institutional framework to manage the scheme with a view of increasing access to higher education and ensuring equitable distribution of resources.

12.2 Purpose of Monitoring and Evaluation

The implementation, monitoring and evaluation of the policy shall be the responsibility of the Ministry of Education & Sports and the Uganda Students' Higher Education Financing Board. This will be achieved through continuous impact assessment of the scheme towards making higher education more accessible to the needy. The objectives of the policy will also be monitored to ascertain the extent to which they are being achieved.

There will also be monitoring of the proposed policy legal and institutional framework changes to establish;

- i) Whether the legal framework is consistent with all other laws;
- ii) Whether the legal framework provides for the purposes of this policy;
- iii) Whether the legal framework operationalizes the proposed institutional changes;
- iv) Whether the institutional framework changes adequately addresses the objectives of the policy;
- v) Whether the scheme is sustainable and loan amounts being effectively utilized;
- vi) Whether mechanisms put in place for loan allocation, disbursement and recovery are effective to keep the fund revolving;

A mid term evaluation of the process will be carried out every two years. After the initial two years, there will be evaluation of the process and outputs.

13 CONCLUSION

The Uganda Students Higher Education Financing Policy has been developed to address the problem of inequitable access to higher education given the large number of dropouts due to inability to meet the costs of funding education by many of the Ugandan citizens. The Ministry of Education and Sports is in the process of implementing a students' higher education financing scheme and this will be primarily achieved through changes in the legal regime to cater for institutional framework changes. This policy will be used as a guiding tool for all stakeholders with a view of effective management of the scheme and eventual attainment of the objectives of the policy.