

Palestine National Authority
World Bank

**Higher Education Project:
STUDENT REVOLVING LOAN FUND**

FINAL REPORT

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Acronyms

HECS	[Australian] Higher Education Contribution Scheme
ILO	International Labour Organisation
MOF	Ministry of Finance
MONE	Ministry of National Economy
PIPA	Palestine Investment Promotion Agency
PNA	Palestine National Authority
SRLF	Student Revolving Loan Fund
TEI	Tertiary Education Institution

FINAL REPORT

1. Introduction and background

Palestine looks ahead to the day when it can take its place alongside other nations, as an equal among them in the global community and the global economy. The Palestine National Authority (PNA) has embarked on the nation building and planning tasks necessary for this to be achieved. Perhaps the most valuable resources the country possesses are the skills, knowledge and creativity of its people. Palestine must invest in developing these resources to build a secure and prosperous future.

Central to that future is a vigorous, high quality higher education system. Industries, commerce and the government sector alike will call for increasingly sophisticated knowledge and capacities. While not all young people need, or even want, a university degree, in the world of the future most will require training and further education beyond the generalist learning they obtain in secondary school. Older people, too, will discover the need to return to study and upgrade and update their skills to improve their employment prospects.

A policy commitment to equality of opportunity entails setting priorities that ensure that financial barriers do not prevent people from even the poorest and most disadvantaged backgrounds from succeeding in higher education. This means that any cost imposed on students and their families – particularly through tuition fees – must be affordable to all. If students have to pay tuition fees, ways must be found to make it possible for even poor families to afford them without undue financial hardship.

The next section of this chapter briefly presents the arguments and factors underlying the PNA's overall approach to higher education financing policy, and the place of student financing within that framework.

1.1 Financing higher education in Palestine: policy parameters and directions

To finance the necessary expansion and reorientation of existing tertiary education provision in Palestine, new approaches, and additional sources of finance, are required. This matter has already been addressed by the PNA, assisted by the World Bank, through the current Bank-funded Higher Education Project. Readers of this report which is specifically on *student* financing, however, need to understand the rationale that has informed the Government's thinking on this issue.

The first reality faced by the PNA is the need to expand and strengthen the higher education system. The second reality is the fact that, once Palestine

becomes established as a nation in its own right, some at least of the sources of donor funds, on which the country now depends heavily, will dry up. Dependence on donor funds for student financing – scholarships and student loans – is currently almost 100 per cent. It would not be responsible for the PNA to ignore the likelihood that this situation will have to change.

1.2 Loans or scholarships?

A sound, equitable system of student financial assistance is central to any higher education financing policy framework. But that system must also be financially sustainable in the long term. Foreign donor countries and agencies have indicated that they recognise this by shifting their own funding priorities: now, instead of simply providing scholarships alone, they are insisting that student loans form a central aspect of the education financing schemes that they support.

Scholarships are important for assisting the most disadvantaged and also for other policy reasons – including providing incentives for students to take up certain courses of study that have been identified as national priorities. But, especially when tuition fees are charged, if student financial assistance is to be provided exclusively in the form of scholarships, a very substantial funding base must be available. In the future, such a funding base will not always exist. In fact, such a base is already dwindling because donor agencies and countries are insisting that the funds they provide should be used to create a financially sustainable system of student financing – through a revolving student loan fund where the money is returned to be reused again and again, assisting consecutive generations of students.

This policy constraint, now imposed in part by donors who fund student financial assistance, will in times to come become a constraint that the PNA itself will have to impose. Otherwise, the cost of higher education to the Palestinian taxpayer will blow out.

Of course there are many powerful arguments supporting the view that higher education is a public good. It is reasonable to expect that taxation – public funds – will contribute substantially to the cost of higher education, because many of the benefits of education at all levels accrue to the community and economy at large. A nation benefits if its citizens can all read and write. But it also benefits from having a highly educated, highly skilled population: professionals such as engineers, doctors, teachers and scholars are all needed, as are technicians and tradespeople. National governments reflect these communal, economic, cultural and social benefits – the *externalities* in the overall benefits of higher education – in two ways: typically, governments finance directly a proportion of the cost of running universities and colleges; and often they also provide scholarships of various kinds to categories of students they particularly want to assist. Scholarships are not provided only to needy students, or even to especially able ones. Governments often give non-repayable scholarships to students in particular courses that, for economic or social reasons, have been designated as priority areas.

But most governments cannot afford to fully support all students financially, or to fund the full cost of expensive higher education institutions. Accordingly, students are required to contribute. This is justified by pointing out that, typically, graduates, by virtue of the qualifications they have earned, will be financially advantaged in the future.

At the moment, at least for some occupations and professions, the income differentials between graduates and non-graduates in Palestine are not as marked as they are in many other countries. As the Palestinian economy strengthens, however, the benefits of higher education will accrue more noticeably to individual graduates, who will be able to find better jobs and earn significantly higher incomes than those who have not undertaken post-school education.

That implies that it is reasonable to ask Palestinian graduates themselves to pay society back for a share of the benefits they have received through higher education. But they should not be required to do this until and unless they can afford to do so. A graduate who, while still young, becomes too ill or incapacitated to work (for example as a result of an accident) should not have to pay back to the community when they actually have not benefited financially from their degree or diploma qualification. But a graduate who uses his or her qualification to earn a high income – higher than the incomes of non-graduates - can reasonably be asked to contribute a proportion of that benefit back to the community that has paid for them to obtain that qualification.

This principle is already recognised and accepted in Palestine: it is accepted that the majority of students, or their families, will contribute to the cost of their higher education through tuition fees. While those from the poorest backgrounds might receive scholarships, most students will not. The problem with asking students to pay fees, however, is that for many families it is difficult, if not impossible, to find the money up front – on entry to university or college. So tuition fees create a barrier to higher education participation: a barrier that relates directly to family income and financial circumstances.

1.3 Student loans and social and economic priorities

There is another reason why reliance on student loans is desirable as policy. If students understand that they will be required to repay some or all of the financial assistance they have received, then they will choose their course of study carefully. They need to think about their capacity to repay in the future. So the commencing student will take into account whether they will find a job after they graduate, and how much the job will pay. Governments, too, will need to consider whether they are paying graduates in the government sector enough – the teachers, nurses, social workers and other civil servants whose contributions to their nation are so often taken for granted.

Of course, some people undertake higher education simply because they are interested in scholarly pursuits. That will always be the case. But a reasonably widespread system of student loans encourages students to plan for their future and to take account of economic circumstances and

employment prospects. The “safety net” proposed in this report, whereby those whose incomes are non-existent or very low will not repay, will potentially allow scholarship to flourish (provided that the Government makes loans available across the board). But the majority of students, planning to take out loans, will approach their choice of course with practical issues in mind.

1.4 Student loan schemes: lessons from international experience

If students are able to defer the payment of tuition fees, many more will have genuine opportunities to obtain higher education. Deferred payment systems of student financing are common throughout the world, in many kinds of countries including both the richest and also some of the poorest. Often, though not always, these schemes are called student loans. There are many models for such schemes, and some are fairer and more workable than others.

The **United States** was one of the first countries to rely extensively on student loans to finance higher education, and for that reason those elsewhere often look to the US for guidance in designing their own student loan systems. Unfortunately, though, the US model is not suited to many countries and, many people would argue, is not even well suited to America itself. Many US student loan schemes have high default (non-payment) rates – up to and over 50 per cent. These schemes require constant and substantial subsidy to survive. This represents a drain on public funds, and in addition some of the cost is borne by student borrowers themselves, through administration fees and high interest rates.

The reason for default in US-style student loan schemes is primarily that borrowers find themselves unable to afford repayments. Payment is required irrespective of the financial circumstances of former students – so that people who are unemployed, for example, are nevertheless required to make substantial repayments every month. Sometimes they cannot. Once a borrower misses a monthly payment, he or she is highly likely to default on future repayments and to fail to pay back the remainder of the loan altogether.

Some borrowers, because they do not want to pay and would rather spend their money on something else, actually simply decide not to repay at all. They cannot usually be compelled, although there are disincentives for non-payment, such as earning a bad credit rating that will make it much harder to borrow money in the future – for example, to buy a house. But because it is possible to avoid repayment, some former students actually do so.

Default and non-payment lifts the cost of loans – through interest rates and fees – for other borrowers. It is far preferable to look for a student loan system where default and non-payment are minimised by the design of the scheme itself.

Such a model was first developed almost twenty years ago in **Australia**. It has now been adapted in a growing number of both wealthy and developing countries all around the world. The scheme has two essential features:

- first, a repayment mechanism that makes it almost impossible to choose to avoid payment; and
- second, a formula for repayment that ensures that those who cannot afford to make payments – because their income is too low or non-existent – are not forced to pay until and unless their income rises to an agreed level.

Underpinning these features there are some necessary preconditions, the most crucial of which is the requirement that former students can be accurately identified and traced across government administration by means of a unique attribute: ideally a permanent identification number. Another important precondition is the existence of a strong framework of public administration that can be used in the collection of the repayments. It is also desirable that the system be efficient and that running costs are low.

Equally important, a system of student financing, to be successful, must be generally regarded as fair and reasonable. If students, their families, graduates, employers and the public at large accept that the system is fair and that what is required in payments is reasonable, then everyone has a stake in ensuring that it works well. A system imposed in an atmosphere of resentment and discord is less likely to succeed, because people will look for ways to undermine and criticise it.

The type of scheme pioneered in Australia and now implemented in many other countries is known as the *Higher Education Contribution Scheme* or HECS. A brief description of the main features of this scheme is included in Attachment A.

It is instructive to look briefly at the history and context surrounding the initial opposition to the Australian HECS scheme. The national student and university staff organizations initially opposed the introduction of HECS. The main reason for this was that the change represented the effective introduction of tuition fees where previously no such fees had been charged – higher education had been free for all. The student and staff unions regarded HECS as a “tuition fee in disguise”, a fee introduced “by stealth”.

However, the broader public, and many individual students and academics, saw the HECS scheme as inherently reasonable. They were persuaded by the argument that those graduates who clearly were benefiting financially from their higher education – by earning higher-than-average incomes – could be fairly asked to repay a proportion of the cost of the university education they had received. The designers of HECS underpinned this argument deliberately – by setting the “repayment threshold” (the income at which repayments cut in) at a level equal to Average Weekly Earnings. This measure, calculated annually by the Australian Bureau of Statistics, is the national average for all fulltime workers. If someone earned more than the national average income, the Government argued, they had *ipso facto* benefited from their university degree in a financial sense. They were better off than average. Despite the organised opposition of students and university staff, most people were persuaded that the Government was not asking too much of graduates. When it was also shown that the new income-related

deferred HECS charge did *not* in fact discourage female students or those from disadvantaged backgrounds from enrolling at university, opposition to the idea fell away. Student and staff organizations were not able to sustain their opposition for more than a couple of years.

(It might be noted that this consultant was among those Australians vocal in opposition to the introduction of the HECS scheme, but is also one of those who has radically altered their position on the matter. HECS, as originally introduced, was fair and reasonable and it did not prevent or discourage women, those from poor families or other economically or socially disadvantaged groups from attending university. Opposition to it was based on a set of premises that turned out to be false in fact. The prediction that students would be turned away by HECS was wrong.)

Namibia in Southern Africa is another country where a deferred payment system similar to Australia's HECS has been introduced. Namibia is a poor, sparsely populated country that emerged from colonial rule only in 1991. While some students in Namibia paid tuition fees, many received Government bursaries that effectively covered their costs. But a large number of these students - those who found employment in the private sector, but not the government sector - were required to repay the Government for their bursary assistance following graduation. The situation created many anomalies and was perceived by many students as fundamentally unfair: first, some students missed out on bursaries altogether; second, of those who received bursaries, some had to repay them and others did not, depending on whether they eventually found jobs in the government or the private sector.

The new Namibian student financing scheme is universally available but not compulsory: any student may avail themselves of a student loan, but all borrowers must repay. The repayment system makes it hard for graduates to avoid making payments, and repayment rates have improved astonishingly. The scheme has been accepted because students and their families regard it as fair and equitable in its application and rules.

Both the Australian and the Namibian example illustrate the fact that a perception of fairness is crucial to acceptance of a new system of student financing. A strong, efficient, effective repayment mechanism is also needed to ensure its financial success and long-term viability.

All three of these international examples have relevance to the Palestinian policy context. First, the United States model remains the dominant paradigm in student loan scheme design around the world. But that model has many disadvantages and is difficult to implement in many countries. It is also far less successful, even in America, than it is often claimed to be. The Australian "HECS" model can also be difficult to implement because it requires a series of administrative and policy preconditions. However, these can often be found or adapted, even in countries with modest economies or difficult histories. It is worth trying to find a satisfactory adaptation of this model because it can provide a fair, transparent, efficient and generally accepted means of applying a deferred payment system of student financing, and subsequently collecting repayments successfully.

1.5 What this report does

In this report, the Student Revolving Loan Fund is reviewed and assessed from the point of view of its long term financial sustainability, with emphasis on possible repayment mechanisms. A possible model for repayment is proposed. From this perspective, also, other relevant features of the existing scheme are examined. Changes to the existing scheme necessary to implement the suggested repayment mechanism are identified and explained.

The report deals with the issues associated with collection of loan repayments from the three categories of student loan recipients identified in the consultant's terms of reference:

- past recipients of SRLF assistance who have now finished studying;
- current student recipients of assistance; and
- those who will be assisted through SRLF in the future.

Some additional changes to the design of the Scheme as a whole are also proposed. Some of these alterations are put forward as consequential upon the implementation of the planned new repayments mechanism. Others are suggested as advisable, either in order to strengthen the Scheme, or to reduce existing controversy with the SRLF and thus to improve the general level of public acceptance of the Scheme. These moves, it is suggested, will create an environment more conducive to willing repayment of SRLF loans.

2. Collection of student loan repayments in Palestine: underlying principles

In the previous section of this report the case was made for student loans as a fair and equitable form of student financial assistance. It was argued that it was reasonable to ask graduates who had benefited financially from their higher education to contribute a proportion of the cost. As pointed out, this principle is already accepted in Palestine: tuition fees are already charged, implying that it is acceptable for students to pay for university or college study. If that idea was completely unacceptable in Palestine, then presumably higher education would be provided free of charge to all students.

If the Government adopts a policy to make student loans available to some or all students, then it is essential that a mechanism also be identified to collect loan repayments satisfactorily. A scheme which allocates “loans” to provide students with financial assistance, but which takes no action to retrieve the funds lent, is not a “student loan” scheme at all. To call such a scheme a “loan scheme” is misleading: it is a *de facto* scholarship program.

Scholarships are not bad in themselves, but they are not the same as loans. Governments and donors often provide scholarships to very needy or very able students. But this form of assistance must be formally and explicitly provided, as part of a clear overall policy approach. If, on the other hand, governments and funding agencies decide to provide assistance through loans, then repayment must be secured.

Currently in Palestine there are practical ambiguities in the definition and administration of the Student Revolving Loan Fund. Because of an oversight, the Government introduced the SRLF without finalising all aspects of the Scheme’s implementation. It has concentrated, understandably, on allocating loan assistance and disbursing funds to help students, but it has not identified or developed a mechanism to collect repayments from the beneficiaries of the Scheme, once they have finished their studies. The loan contracts and promissory notes signed by students and their guarantors do clearly refer to repayment: beneficiaries formally undertake to repay. Strictly speaking, this is all that is required. Students are legally bound to repay because the contracts they signed include undertakings to do this.

So far, however, nobody who has received a SRLF loan has actually repaid, and it seems that some people believe that repayment will never be required. Beyond rumour and innuendo, there is no basis for such a belief. No repayments have been collected largely because SRLF beneficiaries do not know how to go about making payments: they have received no information about this. They are not to blame and definitely ought not be penalised or criticised. Because the assistance has been offered to them in the form of a loan, however, there is a reasonable expectation on the part of the

Government that they will repay when asked to do so. In providing beneficiaries with loans in the first instance, the Government had a legitimate expectation that, unless they were financially unable to do so, they would repay those loans.

In this chapter a system of collection is proposed – a mechanism and set of administrative arrangements designed to meet the needs and special circumstances of Palestine.

2.1 Principles for a sound student loan collection system: starting point

The starting point for successful implementation and continued operation of a system of student loan collection is the confidence of the community at large in its fairness – both as a collection mechanism per se, but also in the Scheme's entirety, as a loan scheme. The Scheme must be "owned" by the community. This perception of fairness and "ownership" must cover a range of aspects, in particular:

- transparency and accountability in terms of all aspects of the scheme's operation – from determining policy about allocation of loan assistance, to the final collection;
- where loan assistance is targeted or rationed, community consensus about the criteria and priorities adopted in providing loan assistance;
- understanding that there is flexibility and responsiveness in the collection of repayments, so that there is confidence that nobody will be forced to make payments that they genuinely cannot afford;
- understanding that, where a borrower dies before completing repayment of their loan, their family will not be forced to repay;
- confidence that, as far as is possible, everybody who has taken out a loan will actually be required to repay, and individual borrowers cannot avoid repayments unfairly; and
- a general view that those required to repay have actually benefited financially from their education.

A number of implications flow from this. These will of necessity shape the scheme itself. Put in the most general terms, crucial aspects of the loan scheme – especially the way loan assistance is allocated and the manner in which repayments are made - must be regarded as reasonable and equitable. The community, especially those most affected (students, graduates and the employers of graduates), must feel that they have a stake in the success of the scheme and that their views about it have been heard, respected and taken into account by the Government.

If we take this starting point, the next thing to do is to ensure that the identified preconditions apply to the scheme as designed. This report concentrates on loan repayment. However, successful loan repayment will not be achieved without controversy and disagreement unless the initial allocation of loan

funds to tertiary education institutions and, through them, to students, is seen to be fair. The PNA should consider seriously undertaking a review of the manner in which:

- loan funds are divided between institutions (universities and colleges); and
- loan assistance is provided to students (application of eligibility criteria and prioritisation of applications by institutions).

As part of such a review, the Government should also examine whether the current administration of loan applications and allocations should be altered – for example, to alter the administrative role of universities/colleges and/or to expand the role of the MOEHE.

Such a review might be referred, as a matter of urgent priority, to a reconstituted Board of the SRLF. In undertaking the review, the Board might seek submissions from interested parties and conduct open hearings and roundtable discussions. Its findings should be made public. Any changes to these aspects of the Scheme's operation should be implemented as soon as possible.

2.2 Principles for a sound student loan collection system: consequential issues

The key features of a sound and successful student loan collection system were outlined in the consultant's Interim Report. They are:

- *A sound collection mechanism that applies to all borrowers:* This means that (almost) everyone will repay, and it is understood by all students that they will not be able to avoid repayment;
- *A means of tracking people through time and place:* Ideally, a unique identifier such as an identity number or a social security number, that remains with the citizen for life, is needed so that graduate borrowers can be tracked as they change jobs and move house;
- *A system where default is (almost) impossible:* Loan default is, quite simply, stopping payment and not paying off the loan. Default happens when a borrower feels unable to afford to make one, two or more repayments, or does not make repayments for some other reason. When someone misses a payment for any reason, they are highly likely to default altogether on their loan. A system of repayment where payments are only made when the borrower can afford them, and where payments are adjusted according to income, is much less likely to lead to default. A system where repayment is automatic means that people cannot avoid repayment just because they do not want to make payments, or "forget" to do so;

- *A flexible repayment mechanism:* Where repayments reflect income, and where they are suspended altogether when the graduate has no income (for example, loses their job) or has a very low income, then payments are not a burden and they are always affordable;
- *A fund that maintains real value by including a mechanism for indexing debt to reflect inflation:* A real (bank-style) interest rate on student loans means that graduate debt can potentially escalate out of control because no one can predict exactly how long it will take a particular student to repay their loan. (This is because people's incomes fluctuate and repayments are set at a percentage of income.) But we can maintain the real value of the money in the Loan Fund simply by indexing the debt, following graduation, to reflect inflation. That means a few percentage points each year, and it does not inflate the amount to be repaid beyond the rate of normal cost increases;
- *Low administrative costs:* it is undesirable to have a scheme that is expensive to administer and eats up in administrative costs the funds available. Therefore we need a scheme for repayments that is as simple and automatic as possible, preferably one that can "hitch a ride" on the back of some already existing administrative structures and databases maintained by the Government;
- *Automatic repayment and record-keeping across government ministries and agencies:* A whole-of-government approach is needed – cooperation between and across government agencies and ministries is essential. This means that all relevant agencies need to "own" the scheme by having a say in how it is run, and having access to a forum where they can discuss and solve any administrative or other problems; and
- *As already noted, a scheme that's regarded as fair, transparent and equitable:* If a student loan scheme has the features just described in terms of repayment, and if the loans are also allocated fairly and transparently, the scheme is well regarded in the community and, international experience shows, graduates do not mind contributing to their national economy by repaying their loans.

As the Interim Report explains, all of these features can be achieved in Palestine, if there is sufficient commitment and cooperation on the part of the various ministries and the units within them. Preliminary, informal discussions undertaken during the consultant's visit to Palestine in June 2005 indicate that such agreement and cooperation is likely to be forthcoming, though much detail remains to be worked through. The following section outlines how that might be achieved.

3. Collection of student loan repayments in Palestine: existing capacities and structures

It is never possible, nor is it desirable, to try to recreate in any one country an exact replica of a policy model adopted in any other country. Instead, the conditions and policy context prevailing in each country must be carefully examined, evaluated and, most of all, respected. The solution in every country will be unique. Palestine is of course not simply unique for the usual reasons that differentiate all countries from each other. The current circumstances in which Palestine finds itself, and in which the PNA must govern, are particularly challenging: there are many uncertainties about the future and, due to Palestine's status as a nation yet to emerge as fully sovereign and independent, there is much instability evident in the present.

To make these observations is not to imply that important policy innovations ought not to be implemented while uncertainty prevails. In fact, the opposite point of view could be argued: that the onus is on Palestine to demonstrate that it is setting in place a viable state apparatus, based on sound budgetary principles that will stand the country in good stead into the future. A sustainable system of student financing is a basic precondition for a sound and vigorous economy, as well as a high quality, relevant higher education system.

In what follows in this chapter the principles of successful student loan collection, as set out in the previous chapter, are applied to the existing circumstances in Palestine.

3.1 Parameters

Palestine's general difficulties and challenges loom large in the perceptions of many observers and policy-makers, both within the country and outside it. But Palestine has some strong advantages over many other newly emerging countries when it comes to the design and implementation of a sound student loan collection mechanism.

First, Palestine has a relatively strong and sophisticated state apparatus. It has functioning ministries and government agencies, staffed and led by people who generally have international experience and a progressive outlook. There is commitment to positive change and development. In many countries, public agencies and structures lack these features. This means that in Palestine, unlike in some other countries, there is willingness to try new ideas and to seek ways to cooperate to ensure that innovation is successful.

Of course, not everyone is optimistic about all aspects of the future, but there seems to be a “critical mass” of commitment to moving forward. This feature makes it easier to discuss possible change and, potentially, easier to implement change.

Second, for the moment, Palestine has comparatively generous sources of financial support from outside the country. Of course, no foreign aid comes without strings attached. However, compared to other countries in urgent need of development, Palestine has options for assistance that are not so readily available to other governments. This situation provides a financial buffer that enables policy innovation to take place. In developing a successful student loan system, Palestine should take advantage of the opportunities this situation offers, while remaining always mindful that the foreign financial resources currently available to the country will not flow indefinitely.

Third, Palestine has been spared the overwhelmingly negative history of massive failures in student loan schemes that burden some countries, discouraging a positive atmosphere for future success in this area of policy. True, SRLF loan repayments have yet to be collected, but the Scheme is relatively recent and there do not exist generations of graduates who have been allowed to treat their loan contracts with contempt – a major problem in many other countries. Prompt action to begin collecting SRLF repayments will ensure that a fully-fledged student loan scheme, with an accepted and robust collection mechanism, can become a central feature of Palestinian higher education.

On the negative side, it is true that the introduction of SRLF was not universally supported by students. It is also the case that some universities and colleges, apparently, might not have fully and accurately explained to students their obligations to repay SRLF loans. Finally, the implementation of one side of SRLF – the allocation of loan assistance and disbursement to students – was not accompanied by a detailed policy and system for collection of repayments. This is a mistake acknowledged by the Government and one that it is very anxious to rectify as soon as possible.

Going beyond general advantages and disadvantages, it is necessary to examine in detail the existing capacity for current administrative, legal and other structures in Palestine to support a student loan collection mechanism. These are discussed in the following sections.

3.2 Existing administrative structures

The proposed plan involves using the existing taxation system, administered by the Ministry of Finance (MOF), to collect SRLF repayments, which would be remitted by employers along with income tax instalments. This system can be applied, using different legislative and administrative frameworks for the Government and private sectors, to all SRLF beneficiaries who are subsequently employed in Palestine. The systems and apparatus described below can be used to effect collection, as subsequently described in later sections.

1. Palestinian ID Number: The Palestinian Identity (ID) Number is allocated to all Palestinians at birth and remains with them throughout life. It is indicated by means of a card carried by all citizens. This number is regarded as a secure and accurate means of identifying a person and is widely used by government agencies, employers and so on. It is not evident that there is significant fraud or corruption surrounding the allocation or use of ID cards and numbers. ID numbers provided by citizens, when making an application for a SRLF loan, can be verified by existing inter-ministry processes.

This number is well suited to a role in uniquely identifying and tracing SRLF recipients. All Palestinians already have these numbers and cards, and so it would not be necessary to require student applicants for SRLF loans to apply also, to a different ministry, for a number – as is necessary in Australia, for example. In that country many students lack the necessary Tax File Number because they have not yet entered paid employment, and so they have to apply to the Tax Office for the relevant number before they can apply for student financial assistance from the education authority.

2. Tax system: The Palestinian taxation system is administered by a unit in the Ministry of Finance. This uses ID Numbers to uniquely identify individuals as taxpayers and as employees of the various employers in the government and private sectors. The majority of income tax payments are made on a monthly basis, through salary deductions administered at source by employers. Using ID Numbers again, it is possible to add a further regular salary deduction for those with current SRLF student loan debts. This would involve data matching of details of SRLF debtors (identified by ID Number and supplied by MOEHE) against employment and salary data. Software that enables this has been developed in several countries and can be adapted for use in Palestine.

3. Personnel Council: This agency is responsible for all aspects of the administration of government-sector employment. The Personnel Council is in possession of personal details and salary and payment information for all government sector workers. As such, the agency can provide in digital form to the taxation agency all information relevant to the collection of SRLF loan recipients, again identified using the ID Number. The PNA can secure the cooperation of the Personnel Council in collecting loan payments because this is a government agency.

4. Ministry of National Economy: This agency is of crucial importance in ensuring the collection of repayments from private sector employees with SRLF debts. This Ministry has responsibility for the registration and monitoring of commercial and business enterprises in the private sector. MOEHE will need to work closely with this Ministry to ensure that the proposed new conditions and requirements attached to company registration and licensing – requiring the monthly remittance of SRLF repayments via the tax office – are adhered to, and that the process operates smoothly. The

formulation and application of the suggested additional licensing conditions are discussed in the next section.

5. Ministry of Education and Higher Education: This Ministry in partnership with tertiary education institutions, currently administers all existing aspects of SRLF on behalf of the PNA including the storage of students' completed and signed loan contracts. It will remain of central importance under the new whole-of-government arrangements envisaged. It is MOEHE policies and initiatives that underlie SRLF and that will continue to guide its direction. The cooperative approach proposed for loan collection is essential to achieve this specific goal, but the general direction of SRLF as Government policy will be most closely aligned to the priorities of MOEHE. It is MOEHE that determines policy relating to education financing and funding, and other education policy priorities.

Of course there is a larger policy framework within which MOEHE operates. An overall policy context for tertiary education financing and funding is naturally provided by the Cabinet and the Government's priorities more generally.

Specifics of the operation and policy goals of SRLF will also be considered and developed by the Board proposed for the Fund, which will include both Government and other representation. However, the SRLF is primarily a policy tool of MOEHE and is designed to further the educational policy goals of this Ministry. MOEHE has a SRLF Unit that currently administers the Fund, in so far as this task is undertaken by the Ministry itself. This Unit will probably need to be enlarged and enhanced. There are also professional development and training implications inherent in the plans proposed in this report. These are discussed in a later chapter (Chapter 4).

6. Student Revolving Loan Fund Board: A Board has been formally established to oversee the operation of the SRLF. At the moment, however, this Board is inactive and has not met for some time. Most likely, the failure of the Board to meet indicates that the role of the Board is unclear, and possibly that its composition should be reviewed. Major changes to both the role and the composition of the Board are proposed, with an expanded role and powers; the establishment of an administratively independent secretariat; and a broader membership including representation from outside the Government as well as within it.

7. Tertiary education institutions (TEIs): Currently, tertiary education institutions have a key role in the administration of SRLF loans, especially in the application and selection process. As the organizations closest to students, there are good reasons for them to maintain this role. But it is probably advisable to review the role of TEIs in the light of the other changes and mechanisms proposed, especially the proposed role of the SRLF Board, and to some extent the expansion of the administrative functions of either the MOEHE, or the new SRLF Secretariat, or both.

The review presented here summarises the existing administrative resources, available to the Government, that can be utilised in the collection of SRLF loan repayments. An extensive set of changes to the SRLF Board is proposed, along with a new secretariat for the Board. Otherwise, clearly, the basic administrative framework necessary for the collection of SRLF repayments already exists. The experience of other countries in developing and adapting software to do the job of automating the system is available. In the next section, the current legislative framework is briefly reviewed.

3.3 Existing legislative framework

The existing legislative underpinning for the SRLF, while sufficient to effect the allocation and disbursement of loan assistance, will not support the kind of structures and processes suggested in this report.

The loan scheme was established by the PNA, under the auspices of MOEHE, in 2001, and commenced operation in 2002-03. Subsequently, the future shape of the Scheme has become the subject of attention of the World Bank's Higher Education Project.

The allocative and selection processes for SRLF loans, and the policies surrounding them, quite complex and are shared and divided between three levels:

- Donor agencies and countries;
- MOEHE; and
- Tertiary education institutions.

Funds are allocated to TEIs by MOEHE, according to a formula established by the Government, although the funds themselves flow, in accordance with the Government's allocation decisions, directly to institutions. Powers for selection of student recipients and decisions in this regard rest with TEIs, although donor countries and agencies have a say in selection and allocation policies. The selection process is regulated by formal selection and eligibility guidelines established by MOEHE, although institutions have some leeway in determining the amount of money available to each student recipient and, within the guidelines as set down, priorities in selection. Institutions are able to modify application forms and to determine the detail of the application process. For example, they sometimes add additional selection criteria.

The Government has established the following guidelines and instruments related to the Scheme:

- Guidelines and criteria for student selection and eligibility;
- Guidelines setting limits for the amount lent to each student;
- Official information and announcements explaining the Scheme and its rules and requirements; and

- An application form and standard information for applicants (though, as noted, the forms are occasionally modified by institutions).

The Government, through the MOEHE's SRLF Unit, also produces financial and statistical data on the Scheme.

Currently the Scheme features a requirement for a guarantor for each borrower. This person is usually the student's father or another male relative. The guarantor, with the student, co-signs the loan contract and promissory note. In the next chapter it will be proposed that, as a consequence of the changes proposed to the Scheme and the introduction of a new method of collecting repayments, guarantors are no longer necessary.

Once again, this framework is a good foundation. But it does not deal in more than a cursory way with loan collection. Additions and a strengthening of that framework will be required to implement a successful collection system. The following chapter provides detail of a series of processes and decisions and policy changes that would be necessary if the proposed new system were to be implemented.

3.4 Existing information and advice available to potential student borrowers

As noted, the Government has produced and published information for students and their families about the SRLF Scheme. This information is available both in printed form – from universities and colleges – and via the Internet. Advice and counselling for students are provided by student support units within TEIs. While the PNA has initiated some training for the university officers who provide this information and advice, staff at many TEIs would probably benefit from more support and a more extensive training program. There is anecdotal evidence, for example, that some TEIs have provided advice to some students that has not been completely accurate, and that may have led students to believe that they would not be actively pursued for loan repayments. It is desirable that student borrowers and their families are made fully aware not just of the benefits of SRLF, but also of their obligations under the Scheme.

The new arrangements proposed will require a stronger emphasis, in the provision of information, on repayment obligations and options, so that students understand the circumstances in which they will repay, and how much they will be required to repay each month, depending on their income. The obligations of employers, as they will impinge on employees in this regard, need also to be understood by SRLF borrowers who will repay loans in the future.

The type and amount of advice and information about SRLF currently available to students needs to be reviewed, as do the instruments and processes through which this advice is delivered. At the moment, student borrowers are apparently not fully aware of their legal and contractual obligations under SRLF. The Government and TEIs have a legal responsibility to ensure that these obligations are properly understood. They also have a

duty of care to students. Because these are weighty responsibilities, a high priority should be accorded to reviewing and upgrading capacity in this area.

4. Collection of student loan repayments in Palestine: practical proposals

The administrative and legislative frameworks that already exist in Palestine, as the previous chapter shows, provide a sound basis for the successful implementation of a system of student loan collection. This chapter will outline in detail how such a system might operate.

There are, however, other preconditions for success in the implementation of a student loan collection system. As noted earlier, it is highly desirable – if not essential – that there is general public consensus that the loan scheme as a whole is fair, equitable and transparently administered. Accordingly, any problems or sources of controversy associated with the Scheme, including student eligibility criteria, the allocation of loan funds to TEIs and other matters, should be carefully examined and reviewed. These issues are discussed in Chapter 5 and some changes to systems and rules recommended.

A second preliminary point needs to be made. The collection of loan repayments is an integral aspect of the SRLF as a whole. It is not possible to “add on” a collection mechanism without reviewing the overall structure and operation of the Scheme. Initially, the Scheme was designed with an emphasis on the allocation and sharing out of loan assistance, with the collection of repayments regarded almost as an afterthought. However, establishing and introducing an efficient collection system has implications for other aspects of the Scheme. In order for the new collection mechanism to operate efficiently and effectively, other changes will almost certainly need to be made to the detail of the Scheme’s design, and to the way it works at present.

An example of a change that will have to be introduced as a consequence of the introduction of a new collection mechanism is the contents of the loan contract signed by students. Currently the contract does not specify how repayment will take place: the student borrower does not agree specifically to any system of repayment; to the instalments to be paid; or to virtually any other aspect of repayment. On the other hand, the contract does specify the following:

- A minimum monthly repayment (expressed in Jordanian dinars);
- When repayments will commence (on commencement of employment or two years after cessation of study, whichever is earlier); and
- That, if the borrower does not repay, the borrower’s guarantor will be responsible to make the payments.

The contract also specifies that repayment can be made in full instead of in monthly instalments.

Because the new repayment system recommended in this report does in fact specify very closely all the details of repayment, and because the new system entails changes to the repayment conditions listed above, it follows that loan contracts will need to be amended. The new system has to be reflected in the contract. (Note that, while this is true, there is nothing in the wording of the current contract that precludes the collection of repayments under the new arrangements from existing borrowers. Fortunately, the current wording of the contract does not prevent the application of the new system, although neither does it specify the new mechanism in detail.) The precise changes to the contract that are required by the new arrangements are discussed in this chapter.

This example demonstrates that the SRLF Scheme must always be considered as a whole. Any alterations or adjustments made to one aspect of the Scheme will have implications for other aspects.

4.1 The basic approach: overview

Currently no loans issued under the SRLF Scheme have been collected. The Scheme's collection mechanism, in so far as it exists, clearly does not work and it needs to be replaced. It is recommended that the current specifications regarding loan collection be rescinded and replaced by a system with the following features:

- Automatic collection by salary deduction, on a monthly basis, by employers and utilising the administrative machinery of the income tax office of the Ministry of Finance;
- Repayments that are based on a percentage of taxable income and subject to a minimum income threshold;
- The Palestinian National ID Number as an identifier to track borrowers, both as they move through the education system and subsequently through the labour market;
- New, additional regulation, as and where required, to oblige employers in private and government sectors to collect and pass on repayments;
- Clearly specified roles and responsibilities for TEIs, MOEHE and other government agencies;
- A revamped, independent Board for the Fund, to oversee the general operation of SRLF and to make recommendations on policy matters;
- An amended loan contract that specifies the conditions as described here as they affect student borrowers; and
- As a consequence of the new collection mechanism, the removal of the requirements for each student borrower to have a formal guarantor for their loan.

Other changes and adjustments to the Scheme, necessary or advisable as a consequence of these new measures, are also recommended.

It should be noted that the proposed new collection method for repayments provides for a less demanding, more benign and flexible repayment regime than that mentioned in existing contracts. Therefore there will be no legitimate reason for existing or former borrowers to complain about the changes to the repayment arrangements. Any court of law would find that borrowers were better off under the new collection system, and would most likely reject any case brought on these grounds under contract law.

4.2 The central mechanism: automatic salary deduction

Loan repayments should be collected through automatic salary deduction, applied by employers and administered by the Ministry of Finance in cooperation with MOEHE and other government agencies. This approach is the basis for successful student loan collection in several countries and their models should be carefully examined for their suitability for adaptation to the Palestinian context. The detail of the method and administrative procedures to be used must naturally be discussed and decided by the agencies involved. The starting point for such discussions should be the following set of parameters:

1. **Repayment formula:** A formula must be determined, specifying a percentage of taxable income (either gross or net, as determined) to be collected each month. The level at which this percentage is to be struck will depend both on an assessment of the amount that can reasonably be afforded by borrowers, considering their other likely financial commitments, and also on the minimum income threshold to be set. For example, it might be decided to set an initial repayment rate of three per cent of income, commencing at a threshold of an average salary level for a graduate of two years' standing, with repayments increasing by a single percentage point at specified income steps rising to an income when a maximum of (say) six percent was charged. An automatic method for indexing repayment thresholds needs to be identified. This formula and related matters are probably primarily within the province of MOEHE but will need Cabinet approval. Other relevant agencies should also have input to these policy decisions.
2. **National ID Number:** The ID Number is to be used to identify and track borrowers from their initial application for SRLF assistance until their loan is completely repaid. A system of verification for these numbers, applied at the points of TEI enrolment, loan application, and employment is needed. It is imperative that the same number is used by the borrower whether upon enrolment to study, in taking out their loan(s), and subsequently when providing personal particulars to employers and, if done separately, to the taxation authority.
3. **Standardised, cooperative record-keeping:** Records of TEI enrolment, loan account details, employment and taxation information must be compatible so that digital data-matching can be undertaken to

identify borrowers subsequently as taxpayers and employees. Systems that have the power to do this exist in several other countries where similar student loan schemes already exist. This standardisation of records must involve TEIs and private sector employers as well as government agencies.

4. **Procedures for making data matches:** Details of the transfer of data about borrowers from TEIs to MOEHE and then to the MOF need to be agreed, and administrative processes set in place. In this way, the identity and personal particulars of each borrower will be passed on, along with the details of their loan account – the amount owed by each individual. ID Numbers of employees provided by employers to the taxation authority can then be matched with those of persons with live SRLF loan accounts, and employers can be notified about which employees should have repayments deducted, according to the formula. Employers will need to be notified annually of any increases in repayment thresholds or other changes to the formula.
5. **Procedures for remitting and recording payments to individual loan accounts:** The MOF will need to record the repayments remitted and, by automatic digital means, identify the moment when each loan is fully repaid – when an individual’s loan account has a zero balance. At that point, a letter or other form of notification for the employer should be automatically generated, so that deductions can cease. The final payment might exceed the final amount due – in which case the taxation authority will need to reimburse the borrower, or otherwise treat the overpayment as a tax credit. Regular reports on repayments and on overall outstanding loan amounts should be provided to MOEHE and to the proposed SRLF Board.
6. **Lump-sum payments:** Procedures need to be specified to allow borrowers to make lump-sum payments towards the discharge of the SRLF debt. Such payments might be encouraged by means of a discount, applying to lump sums above a certain (indexed) amount.
7. **Reports to borrowers:** Annual reports of their loan account balance, and total repayments made annually, should be provided to SRLF borrowers by the taxation authority along with their taxation information.
8. **Funding:** While this collection mechanism is designed to be efficient and cheap to run, there is no doubt that added costs will accrue to the agencies and organizations involved. Some of these costs can be covered from the income generated by the Scheme itself, through collection of repayments. The PNA will need, however, to ensure that the implementation of the collection mechanism will not be a financial burden on the agencies and institutions affected.
9. **Appeals and disputes:** A mechanism will need to be established for the hearing of appeals and the settling of disputes surrounding the operation of the Scheme – for example, where a student has been denied a loan or where a borrower alleges that a mistake has been made in calculating or recording his/her loan balance. This might

become a function delegated to the proposed SRLF Board. The roles of relevant Ministers in waiving debt in a particular instance, or in making any other determinations in extraordinary circumstances, need to be agreed and specified.

10. Location and administration of SRLF account: in some countries, student loan repayments are paid directly into consolidated revenue. Because the Palestinian fund will be financed, at least initially, by foreign donors, Palestine may wish to establish a separate and legally discrete bank account for the Fund. If so, a decision will need to be made about which agency will actually establish the account – MOEHE or the proposed SRLF Board.

11. Report on operation of the Scheme: The proposed SRLF Board should be responsible for overseeing an annual report on the operation of the SRLF Scheme. All agencies involved should contribute to this report, outlining their role and any issues or problems that have arisen in the course of the year.

Details of all of these measures and processes are best worked out cooperatively, probably through an inter-agency committee or working party established under the auspices of MOEHE. This body will need to involve representatives of TEIs and employers (government and private sectors). When matters that will have a direct impact on students or graduates are to be discussed, student representatives should be invited to join the group.

While some people might consider that the proposed new SRLF Board is the appropriate venue for these discussions – since the agencies and organizations involved will all be represented on the Board – it is anticipated that the process of setting up the Board could take some time. It is important to avoid unnecessary delays, and so it is better to commence work on the machinery of the new scheme as soon as possible. The details of the agreements reached and the processes established can be ratified by the Board once it is operational. Participants in the process will therefore need to be mindful of the Board's future role, and carry out their task accordingly.

4.3 Establishment of SRLF Fund and restructured SRLF Board

In the Interim Report it was recommended that the MOEHE undertake a review of the existing SRLF Board and its role. The Interim Report noted that the outcome of such a review could possibly be a decision to abolish the body. On the other hand, it could be concluded that the Board required fundamental restructuring and revision in terms of its role. The following discussion assumes that the latter option is taken. If the Board is in fact abolished, the functions referred to below will have to be assigned to a much-enlarged SRLF Unit within MOEHE. It is recommended, however, that MOEHE proceed with the restructuring of the SRLF Board. In this section the proposed functions of the Board are set out: it will become obvious that these functions require the independence and transparency offered by an autonomous Board.

It is recommended that the Fund be established as an autonomous entity, with appropriate legal status, at arm's length from all Ministries and units within the Government. The SRLF Board would oversee the operation of the Fund. The advantages of such an approach are many and include:

- The opportunity to consolidate funds provided by donors and Government to ensure maximum financial efficiency;
- Facilitation of a whole of government approach, and of a cooperative environment where all relevant Ministries have a sense of policy ownership and administrative responsibility for SRLF;
- A clearly identifiable body that would actively oversee policy development relating to the Fund and to the Government's policy objectives more generally;
- Transparency in the investment and utilisation of funds provided by donors, so that donors and the public alike will have a clear idea of what happens to the money provided;
- Clear reporting requirements, including financial reporting requirements, for the Fund, enhancing accountability to donors and the public;
- The opportunity to develop agreement amongst donors about eligibility criteria and other aspects of policy regarding the Fund; and
- Creation of a structure that would encourage donations from the corporate sector, international agencies, governments and individuals as an investment in the future of Palestine.

While the process referred to in the previous section is underway, MOEHE should instigate a separate set of negotiations, involving all relevant parties, to establish the restructured SRLF Board. In so doing it should take advice from other ministries where similar bodies have been established. For example, the Ministry of Social Affairs has recently established the legally-constituted Social Safety Net Fund, involving foreign donor agencies as well as Government representation and representatives from relevant NGOs in Palestine. Another example is the Ministry of Labour's Palestinian Fund for Employment and Labour Protection.

This process will involve a decision by the PNA at the highest level. In preparation for presentation of a formal proposal to Cabinet, MOEHE should act as the lead agency in undertaking discussions with the other government agencies, TEIs, other stakeholder groups and donors.

Discussions should involve:

1. **Composition of the Board:** The Board should include representatives of all ministries centrally involved in the operation of the Scheme; other ministries considered relevant; representation from tertiary education institutions (possibly in rotation, or as appointed by the TEIs themselves); representatives of stakeholders, especially students; employer representatives from government and private sectors; and donors. The Board should be chaired by MOEHE (Minister or his/her representative), with a Deputy Chair elected by the Board itself. (This

last point might be found to be contentious, in which case MOEHE should carefully consider an appropriate compromise.) Procedures for appointment of Board members must be specified. The interim report provides a possible listing of agencies and organizations that might be represented on the Board: this is included here as Attachment B.

2. **Functions and role:** The exact functions and role of the Board should be clearly established and agreed. MOEHE should consider carefully the extent to which the Ministry is willing to hand over a policy role to the Board, and also the extent of the Board's administrative role. It should be remembered that the other agencies and bodies involved in the Scheme will need to "own" it: this means that their practical responsibilities must be recognised by giving them a meaningful policy role. The new collection system will bring added responsibilities and administrative burdens to government agencies and TEIs and this must be acknowledged. The legislative instrument that establishes the Board should set out as precisely as possible the Board's responsibilities, so that conflict and confusion about roles can be avoided. MOEHE might like to consider the extent to which the Board should provide policy advice (1) directly to the Cabinet or (2) to MOEHE itself.
3. **Modus operandi:** The rules for the operation of the Board need to be negotiated, including frequency of meetings, procedural rules, procedures for dealing with conflict of interest, misconduct and similar matters and for the establishment of sub-committees and working parties.
4. **Transparency and accountability:** Two issues arise here. First, the Board itself must operate in a transparent manner. It must make records of its meetings publicly available and should provide an annual report to the PNA. This report might be combined with the annual report on the operation of the Scheme, referred to in the previous section. Secondly, the Board has a role in ensuring that all of the agencies and institutions involved in the operation of the Scheme also report publicly and carry out their duties in a transparent manner.
5. **Board secretariat:** The size, functions and location within the Government of the Board secretariat has to be decided. Once again, this may involve delicate balancing of conflicting interests. The possible point of tension is, of course, the division of responsibilities between the Board itself and MOEHE, especially the current SRLF Unit.
6. **Legal status:** The Board's legal status has to be determined. The important issue here is to ensure that the Board enjoys the necessary level of autonomy from any particular ministry or other body.

4.4 Management of the Fund

Many aspects of the management of the Fund will be determined in the course of the processes and discussions already specified. However, MOEHE will need to consider separately its own role, and to review the structures it currently has in place to administer SRLF. There is considerable expertise, talent and experience within the unit and this must be retained. However, depending on how the administrative functions necessary for the operation of SRLF and the newly activated Board are carved up, it may be necessary to relocate some or all of these staff. As the lead agency with primary responsibility for the Scheme, the Ministry will always need to retain a level of expertise within its ranks so that it can monitor the operation of the Scheme and provide policy advice to the Minister.

Wherever the day-to-day management of the Fund is located, it will need a Fund Manager. If the majority of administrative functions are transferred to the Board secretariat, this role might be combined with that of Executive Officer of the Board. On the other hand, it might be preferable to separate these functions. If Fund administration remains with MOEHE, then these two roles are obviously separate ones.

The MOF will also need to establish a small unit to take responsibility for collecting repayments via the tax system and remitting them to the appropriate account, wherever it is established. In Australia this unit is known as the “Higher Education Collections” unit. Its role is to oversee collections, liaise with employers as necessary, and to liaise with the education department (ministry).

4.5 Role of tertiary education institutions

At the moment tertiary education institutions have a considerable degree of discretion in the allocation of loan assistance to students. This includes the ability to:

- Select loan recipients according to MOEHE’s criteria, but applying in some instances additional criteria of their own;
- Amend the SRLF application form, or to use their own forms;
- Determine, within MOEHE guidelines, how much to lend to each student;
- As a result, to determine indirectly how many students are to be assisted; and
- Maintain “waiting lists” of applicants and allocate loan funds that become available because a beneficiary drops out or ceases to study for some reason.

It is proposed in Chapter 5 that the discretion of TEIs in the allocation of loan assistance to students be reduced. This proposal may, of course, be opposed by the institutions themselves. If such a move is nevertheless implemented,

eligibility for loans would be determined by MOEHE (or the Board), according to strict application of the eligibility criteria, following screening by TEIs. A standardised application form would be used. TEIs would no longer receive each semester a definitive allocation of funds that they could deploy (within the guidelines) at their own discretion. They could not maintain “waiting lists”, as any additional funds would be held and allocated centrally, by MOEHE.

The rationale for according universities and colleges a major role in student selection for SRLF assistance is that these institutions are well placed to assess the eligibility of their students and are best able to understand their needs. There is undoubtedly truth in these assertions. But at least some TEIs have not managed these processes as well as they might, resulting in dissension and controversy about the allocation of loans. Also, there have been inconsistencies and differences between the practices and policies of individual TEIs. These policy differences have led to students in similar circumstances, but studying at different institutions, receiving different levels of assistance. The same student might have qualified for a loan at one university but not at another. Students are justifiably resentful about these apparent inconsistencies.

TEIs, and their staff, need to understand that their role in the administration of SRLF is valued and appreciated. Their principal strengths lie in their close personal knowledge of their students and the students’ circumstances, and their understanding of the needs of their particular student population. They are also well placed to provide advice and information to student applicants. These roles should be preserved. But the selection of students should be formally vested in MOEHE (or the Board), with TEIs exercising a screening role. TEIs can perform a very valuable function in alerting MOEHE to any special circumstances applying to particular students or groups of students, and they should make the Ministry aware of any special needs applying to their student body as a whole.

The Ministry will need to work closely with TEIs in the screening and selection process. Formal structures will need to be established so that consultation can occur smoothly and effectively.

TEIs should also retain their role in overseeing the signing of SRLF loan contracts, on behalf of MOEHE. This would formally be a delegated MOEHE function, with universities and colleges and their staff acting as agents of the Government.

To perform these functions as well as possible, relevant TEI staff will need professional development and training. MOEHE should develop a training package that can be delivered at each institution, or at selected institutions designated for the purpose, bringing together employees from several TEIs in a region or area.

The training will need to encompass:

- Background general information about SRLF, especially the changes to be introduced and the new collection system;
- Briefing on the revised role of TEIs and their staff and the reasons for the changes in that role;

- Clear and precise briefing on the duties and responsibilities of TEIs and their staff in screening for the selection process and in the administration of functions connected to loan contracts; and
- Legal and ethical responsibilities of TEI staff engaged in the processes devolved to them by the Government.

TEI staff need to understand that the advice they provide to student applicants must be accurate, and that it is their responsibility to ensure that students fully understand the Scheme and their obligation to repay their loans. Students also need to understand the rules surrounding repayment, when they will be required to repay, how they will be notified about repayments and about the status of their loan accounts and so on. Written materials and website information, produced by MOEHE in cooperation with the MOF, will assist in this process but it will be the responsibility of TEI staff to assist in providing access to this material and to answer any questions students may have.

Negotiations with tertiary education institutions about their revised role will need to be handled sensitively because there may be a perception that their discretion in the allocation of loan assistance has been diminished. Their new role is one which capitalises on their specific expertise and strengths, and the Scheme would not be able to operate without their expert knowledge and skills. It is imperative that MOEHE involve TEIs in the changes to SRLF from an early stage, so that they understand that their roles in the process are crucial to the success of the Scheme as a whole.

A corollary of the approach to the role of TEIs suggested here is that donors will lose their direct contact with both universities and colleges on the one hand, and student recipients on the other. Instead, funds provided by donors will be consolidated in a single Fund account and disbursed by the Government agency that administers the financial aspects of the Scheme – whether that is MOEHE or the Fund Board itself. The new role envisaged for donor agencies is discussed in the following section.

4.6 The role of donor agencies

Another urgent priority for the Government will be to enter into detailed negotiations with current and potential donor agencies. It is crucial that donors are willing to accept the changes proposed. In particular, these foreign and international agencies need to be assured that the transparency they seek in the use of their money will be preserved - even enhanced – under the proposed new arrangements.

Of course, donors may initially try to insist that their own individual policies and priorities in helping students must be preserved. But, given the precedents in other policy areas (such as unemployment assistance and social welfare), this should not be regarded as an insurmountable problem. Donors have shown that, provided that they have appropriate input to policy and provided also that transparency and probity are assured, they are prepared to work cooperatively with the PNA to develop large-scale, efficient and internally consistent policy approaches.

Donors should be made aware that the proposed new arrangements will reduce the administrative burden on their organizations. By participating as members of the SRLF Board, they will have new opportunities to influence PNA higher education policy and economic and cultural development. In shifting their focus away from individual students and towards the bigger picture of the role of individual graduates as contributors to their nation's wellbeing, the influence of donor agencies is actually enhanced.

It may not be appropriate to accommodate all donors as members of the Board. If so, a separate body or informal grouping should be established so that regular consultation with all donor agencies can occur. This might be titled the SRLF Donors' Consultative Group.

Agreement should be sought from donors that they will make annual injections of funds into the SRLF fund account, starting with more substantial amounts that reduce as the Fund begins to become self-sustaining. The PNA will need to decide whether, in the medium term, it has the capacity to subsidise the Fund from its own resources, or whether longer-term subsidies from donors will be sought. Either way, donors need to know how much money they will be asked to provide each year. Commitments should be sought for a period well into the future – possibly over a five-year span.

Another matter to be canvassed with donors is the possibility of expanding the Scheme to benefit a greater number of students. Donors, and the Government, might well want to exercise caution about this – waiting until it becomes clear that the Fund is sufficiently self-sustaining. If the Scheme operates successfully when applied exclusively to students from financially needy backgrounds, how much more successful would it be if it was available to a broader range of students, including those from more economically privileged backgrounds? After all, because they will have influential family connections, students from these better-off families are more likely to obtain well-paid employment after graduation and therefore to repay their loans more quickly. The more widely available the Scheme becomes, the less stringent the eligibility criteria need to be. This cuts administration costs and also reduces controversy and disagreement about who gets a loan, and who does not get one.

If, some time in the future, the Scheme is to be expanded, it will require a further substantial injection of funding.

4.7 Loan contracts

The repayment collection system proposed would require some consequential alterations to the current loan contracts signed by student borrowers and, at present, also signed by their guarantors. First of all, it is proposed that a single, standard contract be introduced. This would be a consequence of the centralisation of certain stages of the loan application and allocation process: TEIs would not have the same level of freedom to alter the standard loan contract.

The most important of the changes to the standard contract would be in the part where repayment is referred to. At the moment, this aspect of the loan contract is sketchy. It makes some specifications regarding repayment levels and when repayment would be required to commence. But it does not actually specify how repayments would be collected. In the new, revised loan contract, there should be specification of the collection method – through salary deductions made by employers and forwarded to the tax office of MOF – so that, in signing the contract, the student borrower would in effect give permission and agreement for these deductions to take place in the future, if or when the borrower's income reached the threshold set by the Government. The contract would therefore need to specify:

- The collection method, through salary deduction made by employers;
- The threshold where deductions would commence;
- The percentage of salary to be deducted, or the rising percentages at rising income levels;
- An agreement by the borrower that he or she also permits the Government to revise the repayment rates and income threshold(s) according to policy decisions;
- Specification of any indexation formula for outstanding debt (for example, that the debt would be indexed annually, in line with the official inflation figure, to maintain its real value);
- Any administration charge that the Government decides to levy;
- Any special provisions for discounts on lump-sum payments made by the borrower to reduce or discharge his/her debt; and
- Acknowledgement that, when the loan is fully repaid, the borrower will be notified by letter or other specified means.

The new collection system provides a sound method of collection of repayments that contains its own safeguards against default. Because the borrower can be tracked as he or she enters, leaves and changes employment, it is no longer necessary for borrowers to provide a guarantor. This makes administration easier, but it also means that the focus falls even more clearly on TEIs to explain the loan contract and repayment requirements to students – because they will not necessarily be accompanied by a parent or relative who can help them.

The Government might wish to consider whether to include in loan contracts any provisions that address the situation where, in the future, a former student with outstanding debt leaves Palestine. When someone with outstanding debt leaves the country, it will not be possible to collect repayments through the tax system – unless Palestine negotiates bilateral treaties with countries where Palestinian graduates are likely to go to work. (There are precedents for this: New Zealand and Australia have such a treaty.) If such measures are introduced, references to them will need to be included in loan contracts and agreed in advance by borrowers.

The next subsection examines ways to collect student loan repayments in such circumstances.

4.8 SRLF debtors who go abroad to work

The previous subsection refers to the idea of a treaty between Palestine and destination countries of Palestinian graduates, so that loan repayments can be collected. There may also be other measures that would deal with this potential problem. First of all, data needs to be obtained about the extent of the problem – how many Palestinian graduates and other former students actually go abroad to work? How many SRLF borrowers are likely to go abroad? If the number is small, then perhaps no action is necessary. After all, when the graduate returns to Palestine, he or she will be picked up through the automatic ID Number identification system and made to repay. In their absence, the debt, if indexed, will have maintained its real value and will have grown in monetary terms. But if a large number of graduates in fact go abroad the problem might be potentially a large one, that threatens the sustainability of the Scheme in financial terms.

New Zealand provides a possible example here: a large proportion of New Zealand graduates actually go abroad to work after they finish their studies. The Government has decided to impose differential regimes on graduates who leave the country and those who remain and repay their loans through the tax system. This will involve the application of a real interest rate (roughly equivalent to market rates) to the debt of departing graduates. The loans of those who remain in New Zealand will be subsidised so that a real interest rate does not apply. Graduates who go abroad thus have a strong incentive to repay their debt before they leave the country, or alternatively to make arrangements with the Government to continue to repay while they are away. They can do this through automatic salary deductions made by their bank in the new country. These people are then liable for the bank charges that would be levied. A government could also apply an administration charge for this service. The attraction of this measure is not only that the government continues to receive repayments, but that there is a clear incentive for graduates to remain in the country and to contribute to its economy, rather than going abroad where some other country will benefit from their skills and knowledge. If graduates are encouraged to remain in the country where they were educated, the national economy and government of that country obtains a return on the public investment it has made in the education of its citizens.

Another way to collect loan repayments from graduates who leave the country would be to tax remittances. This idea has been examined in a range of countries where remittances from people working abroad are a significant feature of the economy and source of national income. As yet, however, no country has implemented such a system to collect student loan repayments.

4.9 Implementation checklist

The interim report provided a preliminary checklist of policy decisions necessary before the proposed collection mechanism is implemented. An

augmented version of this list is included here as Attachment C. Also in this Attachment is a listing of the new legislative and regulatory instruments, and amendments to existing laws and regulations, that would probably be necessary.

5. Allocation of loan assistance

The allocation of loan assistance funding to tertiary education institutions, on the one hand, and allocation of loans to individual students, on the other, appear at the moment to be contentious issues. Representatives of some institutions have raised at least two matters: first, apparent inequities in the formula according to which funds are allocated to each institution; and secondly the variations in the rules about the purposes for which loans are available, in particular the (apparently mistaken) allegation that university students can apply for loans to cover living costs as well as tuition, but those at government-run colleges cannot.

Student eligibility for loan assistance is also a controversial issue. Here, students are apparently concerned about the vague criteria that go to academic and more general matters of conduct.

If these sources of contention are not resolved, overall public and stakeholder support for the Scheme as a whole will not be achieved. The outcome will not only be continued debate and argument about issues of fairness and equity, but attempts to undermine the collection of loan repayments. Many graduates and other former students must be persuaded that it is reasonable to oblige them to repay, especially given the fact that some at least have apparently been led to believe that repayments will not be sought. Even in circumstances where these graduates will not be able to avoid repayment (because payments will be compulsorily deducted from their salaries), it is better that the graduates accept that the requirement is fair.

There is also a group of graduates whose loan contracts and associated records have been lost or destroyed. These people availed themselves of the Scheme during the first year of its operation (2001-02), when only paper records were kept. The destruction of these records was not the action or the decision of MOEHE or any other Palestinian agency and the PNA is not responsible for the actions of those who carried out the destruction and/or removal of the records. However, it is highly desirable that repayments be obtained from as many as possible of those former students whose records no longer exist. Tertiary education institutions may have records of the loans taken out by these people but, since this record-keeping is formally the responsibility of MOEHE, and not of the TEIs, universities and colleges may not have retained copies of them.

Therefore these borrowers will only be identified if they come forward voluntarily. To do this, they must have a positive attitude about SRLF as a genuine loan scheme, and they must truly believe that they have a responsibility to repay. General public attitudes about SRLF and about the fairness of repayment requirements are highly relevant to the views that these particular borrowers are likely to hold.

If a large proportion of these particular borrowers never repaid their loans, the overall integrity of SRLF would be undermined in the public mind. Other

borrowers, obliged to repay their loans because their records actually exist, would resent any “freeloaders” who manage to avoid making repayments. This would create a negative atmosphere surrounding the Scheme as a whole and would have undesirable policy consequences.

This chapter deals with the two issues identified here as possible impediments to public acceptance of, and support for, SRLF. While these matters represent aspects of the Scheme that may seem distinct from collection, which is the main subject of this report, they are, as explained here, nevertheless relevant to it.

5.1 Allocation of loan funds to tertiary education institutions

It is understood that there are different opinions about the adequacy and transparency of the formula used to allocate SRLF funding to universities and colleges. Some of the views identified are:

1. That Al-Quds Open University is not allocated sufficient funds;
2. That the formula is inherently inequitable because it allocates to institutions on the basis of student enrolments and tuition fee levels – thus favouring larger institutions where fees are higher; and
3. That students at some institutions are able to borrow for living costs as well as tuition, while those at others are not.

According to MOEHE, the third assertion – about loans covering living costs – is incorrect. It is mentioned here so that the Ministry can take appropriate steps to provide accurate information about this to all TEIs so that none imagines itself to be disadvantaged in this regard.

The situation of Al-Quds Open University is related to the allocative formula and the criteria included in it. The lower fees at Al-Quds are a factor that reduces the funding available for SRLF at the institution. The Government’s plan to reduce the share of enrolments at Al-Quds will, under the current formula, reduce the funding available still further. Some people argue that Al-Quds University students are more needy than those at some other institutions where a higher amount of SRLF funding per student is available.

The introduction of a factor that reflects, or is a proxy for, student financial need would assist this University and answer the arguments put forward for more student assistance funding for it through SRLF. However, determining how to calculate or assess a “relative need” factor could easily be in itself contentious. Another solution might be preferable.

The second issue – the inequity inherent in the current formula – needs to be addressed. Again, the problem could be solved if a “relative student need index” could be developed. Even if that were possible, the index would need to be regularly reassessed and recalculated because there is no guarantee that the socioeconomic profile of any individual TEI’s student body would not alter over time.

It might be imagined that the higher the tuition fees of a particular university, the more economically privileged its student body would be. Applying that criterion would lead to less SRLF funding for high-fee institutions and more funding for those that charge lower fees. Such an outcome would disadvantage the students from poor families who actually enrolled in high-fee institutions. Unless reliable, easily accessible data are already routinely collected by MOEHE on students' family income, it would seem advisable to move away altogether from the allocation of SRLF funding to institutions per se.

An alternative would be to retain a (diminished) role for TEIs in the application process but to allocate SRLF assistance to students without reference to an institutional quota. In other words, provided they met the other eligibility criteria as set down, the most needy students would receive loans, regardless of which university or college they were enrolled at. An objective and absolute measure of economic need would have to be established, and approved by the SRLF Board – for example, the student's family income might have to fall in the lowest two quintiles as established and updated by the Palestinian Central Bureau of Statistics. Other measures might also be considered, to be used either in addition to, or in place of, the one suggested here.

TEIs would be asked to submit the applications they have received and screened in ascending order of need and eligibility – so that MOEHE could simply amalgamate all the listings from all TEIs and apply a cutoff to the master list. This can be done electronically – provided that applications are submitted electronically as well. Then MOEHE needs only to review the listing of successful applicants to ensure that no anomalous cases have crept through. Therefore the additional workload for MOEHE would not be very significant: most of the “hard work” of assessing individual applications would have been done already by TEIs.

This would mean, though, that the number of loans and the amount of SRLF funding per institution would vary semester by semester, although the total figure for money lent out across the country would remain the same.

Such a change would reduce the discretion of TEIs in the administration of student selection and the allocation of financial assistance. It implies, for example, that the amount lent to each student – as expressed as a percentage of tuition fees – would be standardised across institutions. This is probably a good outcome. (As a further indirect point of leverage on tuition fees charged, MOEHE could also use the loan scheme to encourage universities that set their own tuition fee levels to standardise the fees they charge. This could be done by MOEHE setting a “standard” loan level for each type of course and then specifying that the loan must cover a specified percentage of tuition.)

Where TEIs would retain discretion (subject to the change discussed below), would be in the assessment of applications in terms of academic and related criteria. This is appropriate. They would also retain responsibility for providing counselling and advice to applicants and, where relevant, their families. They would continue to oversee the application process and the signing of loan

contracts. However, each institution would no longer have its “own” quota of loan funding to allocate, within the criteria, at its own discretion.

The concept of institutional “waiting lists” would disappear and universities and colleges would no longer be able to add “new” students to qualify for assistance, to replace SRLF beneficiaries who dropped out or rendered themselves ineligible by some other means. Instead, where a student ceased to receive assistance for any reason, this would represent a saving to the Fund as a whole and would enable additional assistance to be offered from the general pool in the following semester.

It should be noted that, in Attachment D, proposals are made that need to be considered as an alternative to the allocative method for loan assistance described and suggested here. This alternative involves the Government using SRLF loans as a policy tool to influence the priorities and internal decision-making processes of TEIs. If this idea is taken up, then priority in allocation of loan assistance to students under SRLF can still be given to those from needy families – but, additional to that priority, the Government might want to allocate loans to students in particular programs of study, for example. Or the Government might want to allocate SRLF loan funding to TEIs that meet other criteria, established and specified by the Government. Attachment D explains this idea more fully.

5.2 Academic progress and related criteria

Eligibility criteria for SRLF loans include a criterion (Criterion 3) that says that a student “should not figure in a list of warned students or those who are under academic surveillance [or scrutiny].” This is possibly the one single most controversial aspect of the Scheme, owing to the fact that the meaning of this criterion, as expressed, is unclear and it is said by students to be open to a range of interpretations. For example, what is a “warned student”? Is there a standard, formal process for warning students? If so, on what grounds can they be warned? By whom? Under whose authority? If there is not such a standard, formal process for issuing a student with a warning, then what kinds of “warnings” are to be taken into account, and why?

Unless these and other questions can be satisfactorily answered, the criterion does seem to be potentially too broad, and to allow for subjective judgments to influence selection. The current wording also seems to permit different considerations to be admitted case by case. Thus it is potentially unfair and discriminatory in application.

It is of course important that students in receipt of SRLF assistance should be honest, law-abiding citizens. It is not suggested here that students who have been found guilty of cheating in exams or of criminal offences, or similar things, should be eligible for assistance, but it is suggested that clearer, more objective criteria need to be established. For example, a student could be ineligible for SRLF assistance if he or she:

- Has been convicted of a criminal offence;

- Has, by due process, been made subject to a formal warning or found guilty of an offence under his/her TEI's academic code and/or code of conduct;
- Has, by due process, been found to have broken any other institutional rule or regulation (excluding certain trivial regulations such as littering or parking infringements); or
- Has failed to achieve a specified minimum score, grade average or unit pass rate.

There is little room for argument in these cases. At the same time, students who were concerned that they might be discriminated against for their political views or for other extraneous and irrelevant reasons would feel more secure.

Students might also believe that academic progress or performance criteria should not be applied to SRLF applicants. They could argue that some particularly disadvantaged students faced added difficulties in their studies and might perform less well than their classmates. That can undeniably happen. Unfortunately the way this contentious eligibility criterion is currently worded leaves that judgment in the realm of subjectivity.

This problem can be overcome, however, for the purposes of eligibility criteria, not by ignoring academic performance altogether, but by (1) setting academic hurdles as minimum requirements (for example, pass grades in at least 80 per cent of units); and (2) providing for an appeals mechanism. Under such a mechanism, a student who felt he/she had been especially disadvantaged by some event or circumstance could make an appeal and have their situation reviewed.

5.3 Other contentious matters

There may be other matters connected with allocation of loan assistance that cause dissension or tension. If so, the Government should act as quickly as possible to deal with the problems. Its first priority should be a transparent and fair loan scheme: once there is consensus that the Scheme is transparent and fair, many of the objections that these issues have given rise to will no doubt be resolved.

The issues discussed in this chapter will appear to go beyond the terms of reference set for the consultant. It is hoped, however, that it will be accepted that the search for a sound collection mechanism for SRLF loan repayments entails that the Scheme is sound, transparent and well-accepted by students in all aspects of its operation and all its rules. That is because repayment of loans ought not to be based on coercion, but at least partly on goodwill – the goodwill of graduates who appreciate that they have benefited from their higher education and who are comfortable with the idea that they should pay back the funds that were lent to them so that they could study in the first place.

6. Collection from current and former students

The consultant's Terms of Reference refer to three separate categories of SRLF loan beneficiaries from whom collection of repayments would be sought:

- Former students who benefited from the Scheme in its early years and who have now left tertiary study;
- Current students who are now in receipt of loan assistance under the Scheme; and
- Those who will take out loans in the future.

It might be imagined that the collection system described in this report could apply only to future borrowers – those who will sign newly-worded contracts that refer specifically to the planned new repayment mechanism, through salary deductions.

But there appears to be nothing in the current loan contracts' wording that would preclude the collection of repayments through the new mechanism. Current contracts say nothing about how collection will be effected and thus do not bind either the borrower or the Government to any particular system of collection. Loan contracts as currently worded, however, do make it clear that the funds have been provided to the student in the form of a loan, and the use of the term "loan" clearly implies that repayment will subsequently be required. There would appear to be no reason why the PNA could not apply the new system of collection to current and former students – since they have already promised to repay their loans. They have also agreed, in signing the contracts, to commence repayment when either:

- They commence employment; or
- Two years have elapsed following cessation of study.

The new system as proposed would not require repayment from anyone who failed to meet these criteria, since the mechanism would not apply salary deductions to any person who did not have a job. In fact, the new repayment system is less demanding than that implied in the loan agreements as signed, because it would not require repayment from anyone who did not have an income at or above a specified minimum level. The agreements signed by current and former students binds them to commence repayment after two years, even if they are not employed – a condition that could reasonably be regarded as harsh and inflexible.

Current students can all be located. Most of the former students with SRLF debts can also be located, using their ID Numbers cross-checked against

employment records. The one group of people who remain problematic is that cohort of borrowers whose loan records were lost in 2002. Tertiary education institutions, which administered the loans, may well have copies of the lost records, in which case the borrowers can be identified. In the case of government workers, there may be means of identifying members of this group of borrowers through employment records. Where copies of records do not exist, and especially for those borrowers who have found employment in the private sector, the Government will have no alternative but to rely on the goodwill and honesty of the former students, and possibly the cooperation of their employers.

Presumably, this problem of lost or destroyed government records is not confined to former students with SRLF loan obligations. Over the years there have been repeated instances when offices of the Palestinian administration have come under attack and been subjected to destruction of records. These have included records and files that have had material relevance to individual Palestinian citizens and to businesses operating in Palestine – such as land titles. The point is that this problem is not unique in the history of Palestinian administration, nor is it insurmountable.

For example, it is understood that, some years ago, the Land Titles Office of Palestine was subject to attack and land title records destroyed. Apparently it was possible to piece together records from other sources – such as the administrations of neighbouring countries – to regain much of this information.

It is important to address this issue of missing student loan contracts, however, so that the public generally perceive that the Government is determined to treat all borrowers under the SRLF in an equitable manner, no matter when they took out their loans and whether their loan records are available. If former students in this category are allowed to avoid repayment, resentment will be created amongst those in other categories who will be caught up in the new repayment system as proposed.

This matter was raised with both the relevant government agencies and the Palestine Federation of the Chamber of Commerce. All were apparently willing to cooperate in the task of identifying, tracking and collecting repayments from former SRLF student loan recipients.

6.1 Government sector workers

In the case of those who are now employed in the government sector, it would be possible in many instances to identify them and to apply salary deductions. This process would involve all ministries and agencies, but essentially those responsible would be the Personnel Council and the Ministry of Finance – in cooperation of course with the Ministry of Higher Education. The procedures involved would essentially be the same as those proposed for the remaining categories of loan recipients – current and future students.

In the absence of written loan contracts that prove the existence of the obligation to repay, the Government will need to seek the agreement of these employees. A publicity and education campaign is crucial here. Such a

campaign can also encourage any other employees, who for some reason are not able to be identified, to come forward voluntarily. These people might be motivated to identify themselves on the basis that their workmates are being required to repay, and therefore they should, in all fairness, offer to do the same.

6.2 Commercial and other private sector workers

In order to achieve repayment from SRLF recipients who have left study and commenced employment in the private or commercial sector, and whose loan records are not available to MOEHE, it will be necessary to obtain the active support and cooperation of private-sector employers. A meeting with the Chamber of Commerce indicated that this support would be forthcoming, although it was also indicated that financial incentives might be required.

This indication was made, in any case, in the context of a proposed system of voluntary repayment by loan recipients and voluntary participation by employers in the collection process. If the Ministry of National Economy changes its rules relating to company and business licensing, then private sector employers can be obliged, as a licensing condition, to assist the Government in this manner

Once again, a publicity and education campaign will be central to this process. Even if the Government does not decide to force private sector employers, through regulation, to help with recouping SRLF loan payments of former students, it might consider applying various forms of pressure on private sector employers to take active steps themselves to identify former SRLF recipients for whom no loan records are held by the Government. Many employers will know, for example, what are the tertiary qualifications of their employees and when they graduated. Employers could be required, or requested, to ask their employees to sign a standard declaration about their SRLF status – declaring any unpaid debt. While this measure will not catch dishonest SRLF beneficiaries, who do not declare their status, employers can be made to comply with the process by a new clause in their licensing conditions, specifically referring to this group of graduates/employees. The Government can also make it an offence, with a penalty applying, for former SRLF recipients to fail to declare their SRLF status as required.

6.3 Remaining problems

The most important additional problem to be faced is one of perception. Former students who have not so far been required to repay – and who have deduced from that fact that they will actually never be asked to – might well argue that it is “unfair” now to require them to do something that they have not so far been obliged to do: repay their loans. This argument, in a logical and an ethical sense, is actually weak. Nevertheless, it may have resonance in the public mind. Some stakeholder groups might possibly decide to encourage negative perceptions and adverse statements on the issue. They

might also discourage these former students from cooperating with the repayment requirements. After all, it is this category of borrowers who have nothing to gain personally from agreeing to repay. While many, if not most, of them can in principle be forced to repay through salary deductions, it is possible that this category of SRLF borrowers could be used to spearhead general negativity and criticism about the repayment proposals for all categories of borrowers.

In a sense, it is immaterial that this category of former students can in principle quite properly be required to repay. This argument might be resented. Resentment at the Government's enforcement policy could be destructive in terms of the loan scheme, as a general policy. Therefore this aspect of the Government's strategy needs to be handled very carefully indeed.

The first step is to secure general support among students, their representative organizations and tertiary institutions for the repayment mechanism and schedule proposed for current and future students.

Once that support is forthcoming, it can be argued that former students – who after all knew when they signed up that the assistance provided was in the form of a loan – ought not to be exempted from repayment requirements. That would be unfair, because it would depend solely on the chance matter of when the loans had been taken out. Furthermore, if the loan repayment schedule and details are generally seen to be fair and benign, then it would be difficult for those affected to bring arguments that forcing them to repay would cause them financial hardship.

However, it is important to minimise any negative atmosphere that might surround the SRLF Scheme as a whole as a result of retrospective enforcement of the repayment requirements. A carefully designed publicity campaign, if possible endorsed by student bodies and tertiary education institutions as well as respected public figures, would assist significantly in this process. If possible, individuals who have benefited from SRLF loans, and who are willing to be photographed and interviewed endorsing the Government's policy, could be used – in newspaper advertisements, posters and similar media. Such examples should emphasise that the individual's success – for example, in finding a good job following graduation – related directly to the education he/she received, which in turn had been made possible by SRLF assistance. The purpose of this publicity campaign would not be to encourage former students to agree to repay their loans (because it is hoped that they will be required to make repayments through salary deductions, and thus to have no choice in the matter), but rather to ensure that public attitudes and sentiment are strongly supportive of the obligation to repay.

Personal success stories and personal views could well work better than other publicity strategies. This is because it is the actual practical financial impact of the repayment schedule on individuals and their families that constitutes the best argument for its fairness. Once it is understood that repayments will be fair and affordable, and that no real interest rate will be applied so that some commercial entity will profit from borrowers, then the only issue of contention that remains is whether people who have taken out a loan have an obligation

to repay it. It can easily be argued that they do have such an obligation – both legally and morally.

But it must be emphasised that the collection of repayments need not depend, directly or indirectly, on the success of the publicity campaign. The purpose of the campaign would be to reinforce public and stakeholder approval for the Government's policies on collection as these policies were applied to former students who had taken out SRLF loans.

7. Implementation plan

In devising an implementation plan, two separate processes have been identified. The first is the implementation of the new SRLF collection mechanism, and associated changes as discussed, for current and future students. The second is the collection of repayments from former students who have outstanding loans. In the cases of the majority of borrowers in the second category, the methods to be used to effect collection will in fact be the same as those used in the instances of current and future students. Nevertheless, different issues and practical problems arise, and so the two categories of SRLF borrowers are treated separately.

Implementation Plan I deals with the Scheme proper – applying to current and future borrowers. **Implementation Plan II** deals with former students holding current SRLF debts. Some, but not all, aspects of Implementation Plan II will actually be accomplished during the execution of Plan I. It is therefore advisable to begin with Plan I, and then to complete the necessary additional steps required for Plan II. However, as has been emphasised throughout this report, it is essential for the success of the Scheme's future that Plan II, addressed to former student borrowers, is seen to be implemented at the same time as, if not before, repayments are sought from later borrowers. Fortunately, current and future borrowers will not, practically speaking, be making repayments for a while yet. It is the machinery necessary to ensure that repayment will happen that has to be set in place – not the repayments themselves. In a practical sense, the former students, from the first years of operation of SRLF, who will start to repay first. That is a good thing.

7.1 Implementation Plan I – the Scheme proper

7.1.1. Establishment of Inter-Agency Working Party

MOEHE should invite the other relevant government agencies and ministries to participate in a Working Party which will oversee the entire implementation process. This body should have Cabinet imprimatur, so that all invited agencies are obliged to take part. Those involved should include, at the very least:

- MOEHE, including representation from the existing SRLF Unit;
- MOF, in particular the income tax agency;
- Personnel Council;

- Ministry of National Economy.

Other government agencies will also be involved to some extent in the collection of loan repayments. MOEHE will need to consider how crucial and central that involvement is, and to balance those considerations against the need to keep the Working Party to a sensible size that maximises cooperation. Recommendations to Cabinet will need to be made accordingly.

The Working Party is envisaged as a government body. It may be desirable, however, to include representatives from several other groups as observers or non-government participants. The status of any such representatives will need to reflect Palestinian political considerations and the Government's procedural conventions. Defining these non-government representatives in a separate category would make it possible to restrict actual decisions to Government participants, if that is thought desirable. The advantage would be that the Working Party need not become bogged down in trying to secure the agreement of all non-government groups on all matters – including those that are essentially within the Government's own decision-making purview.

The groups to be invited might include:

- Student organizations;
- Universities;
- Government colleges;
- Private employers;
- Donors.

It may be advisable to convene a Government Working Party in the first instance and then, after initial discussions and the formulation of an agreed broad outline for the Scheme, to invite other organisations to join in. At this stage the non-government bodies might be asked to comment on a draft scheme outline, which could then be modified as necessary.

This process may involve national or regional workshops or other forms of open consultation, as decided. As a general rule, the more open and inclusive the process at this stage, the better.

One specific task for the Working Party – or possibly a sub-committee of the Working Party – would be the review of the existing SRLF Board, as discussed in Chapter 4. MOEHE may consider it more appropriate to carry out this review on its own account and to make a formal recommendation to the Working Party about the Board's restructure.

This initial process, after securing Cabinet approval, should be accomplished as soon as possible – ideally within a couple of months from commencement.

7.1.2. Study tour

This is possibly the point where a study tour might be most useful – although the timing of such a tour will depend on other priorities of the participating agencies. The purpose of the tour would be to examine systems similar to that

envisaged for Palestine, and already operating in other countries. It might also include a visit to a country where a new scheme is in advanced stages of design, and adaptations on existing international examples have been made. (It has separately been proposed that the countries visited should be, at least, Australia – where the first scheme of this kind has been operating for almost 20 years – and Thailand, where the Australian model is currently being adapted for the Thai context. Time and budget permitting, New Zealand might also be visited.)

The study tour should include at least one representative of the MOF taxation office, because this agency would be closely involved in the collection of repayments.

7.1.3. Preparation of Cabinet submission

Now the draft outline, informed by the study tour, should be fleshed out by the Working Party. The resulting product of this process would then form a submission for Cabinet approval for the collection mechanism and the associated changes to the Scheme as a whole.

This document needs to identify and make recommendations on the legislative changes and new regulatory and administrative arrangements necessary to implement the Scheme. It also should specify costs that will need to be met by the PNA, including costs for publicity and information campaigns.

Of particular importance is the set of recommendations necessary for the establishment of the new Trust Fund and the restructured Board. The Working Party may need to engage expert legal and financial advice for this purpose. As noted in Chapter 4, advice should be sought from other PNA agencies that have recently established similar structures. At this point, the preliminary support of all organizations to be represented on the Board should be obtained. MOEHE should take the lead in securing this support.

[Note: All remaining steps of implementation assume Cabinet approval for the collection mechanism and associated changes to SRLF as described in this report.]

7.1.4. Negotiations on SRLF Trust and SRLF Board, and establishment of Board as agreed

Formal negotiations with donor organizations, and any other relevant bodies, would now commence. Again, MOEHE should act as the lead agency, but should be guided by the Working Party and involve members of that body as appropriate. The outcome of negotiations should be reported to, and approved by, the Working Party.

The purpose of the negotiations is to secure agreement on the establishment of a consolidated Fund with a single set of operational regulations. This will

necessitate compromises on all sides. However, since there are precedents in other policy areas (such as unemployment and social affairs), this hurdle should not be regarded as insurmountable. PNA negotiators should go to the table equipped with a detailed outline of the accountability and transparency guarantees that the proposed new Board and Trust Fund structure will offer to donors. High-quality written information materials should be prepared for this purpose.

The other key non-government sector whose cooperation is crucial is private sector employers – possibly as represented by the Federation of Palestinian Chambers of Commerce and Industry. In offering private employers representation on the Board, the opportunities for them to influence Government and university policies, and the curriculum and priorities of TEIs, should be emphasised. This is why the Fund and the student loan scheme need a role in shaping TEI directions in education and vocational training. While such a function might not initially be fully realised, or even specified, the possibilities created by SRLF, as a tool for influencing enrolments and improving the quality and relevance of educational offerings, should be made clear. Here, other aspects of the World Bank-PNA Higher Education Project, especially those related to quality assurance, should be explained. Attachment D discusses this matter in greater detail.

Negotiations can proceed over whatever timeframe is necessary, and other (subsequent) steps in the implementation plan can be initiated at the same time.

Once negotiations are complete, there should be no delay in formally establishing the Board as agreed and transferring the relevant powers and functions to it. Its inaugural meeting should be accompanied by appropriate Government publicity and a formal function involving stakeholders and donors.

7.1.5. Necessary administrative restructure and establishment of new administrative units

At the stage of the formulation of the Cabinet submission, the design for the administration of the revised scheme and collection system, will have been specified. Now is the time to effect the changes in the various ministries, in particular:

- MOEHE (SRLF Unit);
- MOF (establishing a SRLF Collections Unit);
- Personnel Council (establishing the necessary administrative mechanism to identify SRLF borrowers among government-sector employees, and to collect repayments from them); and
- Ministry of National Economy (ensuring that regulatory changes are in place, requiring private sector employers to cooperate in identifying SRLF borrowers working for private firms and collecting SRLF repayments).

Finally, the SRLF Board Secretariat, structured, located and staffed as agreed by the Working Party and the Cabinet, must be established. Depending on the extent of the role decided for this unit, this may involve transfers of staff from the MOEHE's SRLF Unit.

7.1.6. Design and implementation of national awareness and publicity campaign

Ongoing publicity and promotion will be required for the SRLF Scheme, and this should ultimately become the responsibility of the SRLF Board. Initially, though, it is necessary to design, and then implement, a publicity campaign aimed at former, current and future students, their families, employers and the community more generally. This campaign would have the following objectives and themes:

- To explain the necessity to collect SRLF loan funds from former, current and future borrowers – in the context of citizenship responsibilities, national pride, the future health and quality of the higher education system, and the benefits to (1) individual graduates, and (2) the community and economy generally, of higher education;
- To set out clearly how repayments will be made and collected, what the responsibilities of graduates and their employers will be, and the safeguards built into the repayment system that guarantee that no one will face financial hardship as a result of having to repay their loans;
- To make the point that SRLF funds were always provided as loans, not scholarships, why this was so, and what the resulting obligations of borrowers are; and
- To explain the changes to the SRLF Scheme designed to make it more equitable and accessible.

Telephone hotline and internet information site

As part of this process, the Government should establish a telephone information hotline service and a dedicated internet site, so that students and intending students can obtain information about the SRLF scheme – eligibility, repayments and so on.

These services should be established as permanent features of the Scheme, but they need to be set up early in the process of introducing the Scheme, so that public misconceptions and misapprehensions can be allayed and there is good understanding and acceptance of the program in its new guise.

7.1.7. Development of cross-government information system

Once the new administrative structures are in place, another early task will be to design and set up a new IT system that will enable students and former

students to be tracked, using their ID Numbers as discussed in Chapter 4, and repayments collected and processed. There are examples of such systems in other countries and software prototypes already exist. The study tour will shed light on this issue and one of the desirable outcomes of the tour is an identified design outline. A consultant will probably be necessary to assist in this design and application process across the various PNA agencies and also TEIs.

7.1.8. Development of SRLF operation manuals and related materials

Operation and/or information manuals will be required for the following agencies, organizations and individuals involved in the Scheme:

- MOEHE
- MOF
- Ministry of National Economy
- SRLF Board and Board Secretariat
- TEIs (aimed at TEI management and also at student welfare/student support units within TEIs)
- Employers
- Students.

For employers, TEIs and students, initial information sessions should be organised so that they can clarify their roles and responsibilities and ask any preliminary questions. In the case of TEIs, some of these questions can be referred to the training programs to follow (see below).

7.1.9. Training for staff of participating ministries and of TEIs

Training programs will need to be developed and delivered for these categories of staff. All involved will now have new and changed roles, with some agencies significantly increasing their level of responsibility. Standardised rules and procedures will be in place for TEIs, and it is important that TEI managements and staff understand this.

While the operation manuals will provide the material and procedures to be mastered in the training, it may be advisable to engage expert professionals to actually design the training packages and materials, and to present the training.

7.1.10. Commencement of operation of new repayment mechanism and revised Scheme

The Scheme can commence operation at the start of any semester, but it should commence as soon as possible, once the administrative and regulatory arrangements are in place.

7.1.11. Transitional arrangements (current students)

Until the Scheme in its new form, with the repayment mechanism, can be implemented, MOEHE should continue to sign up students to SRLF, but with a revised standard loan contract, developed as soon as possible, that specifies the repayment mechanism that will be used. Therefore the detail of the relevant regulations for repayment – percentage of salary, income threshold etc – need to be determined as soon as possible.

If it becomes necessary to sign up students for loans before these details are finalised, they should be asked to sign standard interim contracts that set an upper limit for repayments and a threshold level lower than which repayments will not be required. When the details of repayment are finally determined, current SRLF borrowers should be asked to sign new contracts to replace their interim contracts.

For current students who have previously signed up for SRLF assistance (in past semesters), they should also be asked to re-sign interim contracts regarding repayment and, subsequently, definitive replacement contracts. Eligibility for continued or future SRLF assistance could be made dependent on agreeing to sign the interim contracts as described.

7.2 Implementation Plan II – transitional arrangements (former students)

This plan utilises the same collection mechanism as is planned for the Scheme proper. It will also depend on the publicity and education campaign described in the previous subsection. Until the publicity campaign has been carried out and the collection mechanism has been finalised, it will not be possible to collect from graduates and other former students – unless the Government decides to request former borrowers, as part of the publicity campaign, to come forward voluntarily. In such circumstances, interim arrangements – such as regular bank account deductions or even lump sum payments – can be agreed to on a case-by-case basis. It may be desirable to offer a discount on their debt to those in this category who voluntarily enter into repayment arrangements.

The arrangements initially described below will work in cases where the ex-students' loan contracts and associated records are available. They utilise the ID Number mechanism in the same way as is planned for current and future students. Where these loan contracts and records are not available directly to

MOEHE, because they were destroyed or removed by unauthorised persons during the Intifada in 2002, MOEHE will need to seek out copies of the lost documents from TEIs. A process for this is described later in this subsection.

7.2.1. Government sector employees

For those SRLF debtors now working in the government sector, the proposed new mechanism and procedures for the Scheme can simply be used to identify them and commence collection of repayments. The crucial challenge will be to ensure that the graduates accept the new regime in a positive way. It will probably be worthwhile expending resources - staff and financial resources, as necessary – to make sure that this occurs. Workplace meetings might be a good way to do this: the affected employees in a particular workplace or group of workplaces could be invited to a briefing session, during working hours if possible, so that they could have the new collection system explained to them and be provided with information brochures to take away with them. There should be plenty of opportunity and time to ask questions or raise issues.

This should take place before the commencement of salary deductions begins.

7.2.2. Private sector employees

From the point of view of collection, this category of SRLF debtors might seem to be a larger challenge. In fact, however, collection from this group can be effected in a manner parallel to that for government sector employees, on the one hand, and similar to that for future borrowers, on the other. The new regulations that are proposed to apply to the private sector can require employers to apply the deduction system to those already working.

Just as some government workers, who have not so far been required to repay, might feel resentful, so will those in the private sector. Therefore a similar approach should be adopted with these particular debtors – they should be given the opportunity to attend meetings where the rationale for the new system, and how it will work, are presented. Likewise, they should be encouraged to ask questions and to raise any misgivings they may have. In this process the Government should be careful not to mislead people by implying that repayment is voluntary – it would not be.

Collecting repayments from private sector workers is only different in that the attitude of their employers might be important in successfully implementing the new system. Although these employers can be obliged to participate in the collection system, they may be reluctant to do so, and this may be a particular issue with their existing workforce – as opposed to future employees. Employers might think of the new requirements as inflicting an effective pay cut to some of their workers, or as somehow acting unfairly towards them.

They might fear that affected employees will take industrial action or otherwise cause trouble in the workplace.

Employers might also regard the new requirements as an unreasonable impost on them –they might say it will be an administrative burden.

The Government needs to reassure employers. Employers should be made to understand that the Government is there to support them and provide assistance – they will not be left to “do the Government’s dirty work” and become the targets for any resentment about the new repayment requirements. Employers should also be provided with the opportunity to attend briefing sessions and receive advice and information. It might be advisable that, as well as the proposed employers’ manual, there is a special section of the website providing information for private sector employers.

Employers will need to be reassured that the “burden” imposed by loan collection requirements will be minimal. If necessary, the PNA could offer a small concession in company tax as recompense.

In this process, employers’ organizations should be asked to assist the Government. They will already be involved in the process as a whole, because they will have been consulted during the initial stages of implementation and Scheme design, and they will also be represented on the new Trust Board. Private sector employers are crucial to the success of the new collection system and so it is important that considerable attention be devoted to securing their cooperation. Simply imposing a new regulation is only one aspect of this process – it is not enough.

7.2.3. SRLF debtors whose records have been lost

This group presents the greatest challenge. As noted earlier in this report, however, the situation unfortunately has parallels in other areas of Palestinian public administration.

Once again, it is important to emphasise that, however the public at large and the debtors in particular might regard the obligation to repay their SRLF loans, in fact the legal obligation to do so does exist and every former student borrower was made aware that the funds provided to them under SRLF were in the form of a loan, not a grant.

In the case of some of these SRLF debtors – perhaps a majority – their former university or college will have retained copies of loan contracts or other written records that can be used to determine the ID Numbers of the graduates and the details of the amounts they have borrowed. TEIs will probably be willing to cooperate by trying to retrieve these records. The Government may have to offer some kind of incentives to TEIs to search for these records as quickly and as thoroughly as possible.

It is to be hoped, also, that at least some people will come forward voluntarily, identify themselves as SRLF debtors, and offer to repay. They might also be offered incentives – such as a discount on their debts. People who do actually come forward voluntarily should be made aware that the Government

appreciates their honesty. An advertising campaign could feature newspaper advertisements, carrying photographs of examples of such people, thanking them publicly. A full list might also be published.

The Government could provide all SRLF debtors who are former – as opposed to current or future – students with certificates of appreciation when they have finished making their repayments.

7.2.4. Getting the publicity right

A careful examination of the loan contracts signed by students and the written information provided to them in the past makes it clear that SRLF has always been presented as a loan scheme. The documentation is quite unambiguous, even though it does not specify exactly how repayments will be collected. The expectation that collection will occur - and the matching obligation placed on borrowers - are explicit. This point should be made – but made carefully. Publicity and information about the new repayment system should not imply that, by introducing it, the Government is imposing an additional or somehow unanticipated requirement on SRLF beneficiaries.

In fact, by introducing the new repayment system, the Government is assisting SRLF borrowers, by providing them with an easy, problem-free, flexible means of making their repayments. Publicity and information should presuppose that SRLF borrowers have been concerned about how they were going to repay their loans, and especially that they may have worried that the repayment regime might be harsh and inflexible. The new repayment system will take away these worries and set the minds of SRLF borrowers at rest.

It is acknowledged that there may be a problem in that some SRLF borrowers will assert that their university or college misled them about the requirement to repay. They may say that they were assured by advisers at their TEI that repayment would never be an issue. This problem can only be tackled honestly, as it arises. The blame for any misunderstandings will have to be directed where it belongs. There is no escaping the fact, however, that the loan contracts and promissory notes signed by student borrowers were clear in setting out the borrowers' obligations.

8. Conclusion

The Palestinian nation and its people face challenges more difficult and more daunting than most countries. While security and sovereignty are seen by many as the crucial first steps in building a nation and rebuilding lives, there are other aspects of public policy that are equally important. One of these areas is education. A high-quality, equitable and accessible education system that meets the social, cultural and economic needs of Palestine is a crucial priority. Basic education is the obvious foundation for a strong education system that provides opportunities for all. Tertiary or higher education builds on that basis.

The most precious resources of any nation are its people and their skills, energy and talents. If Palestine is to rebuild its society and economy as rapidly as possible, it needs the vital talents of its people, and it needs to nurture and develop those talents through education and training. That objective requires a tertiary education system that is truly accessible to all who want to enter it, and who can benefit from what it has to offer. The cost of education to students – tuition fees – must not constitute a barrier to their entry to university or college.

Some people would say that higher education should be provided free of charge. In a country where there are many competing demands on limited national resources, that seems unrealistic. Besides, there are good arguments for the view that students and graduates receive many personal benefits from the study that they undertake, and so it is reasonable to ask them to contribute to the cost of their education. Conversely, society, the economy and the nation also benefit from a highly skilled, better-educated population and the subsidies and direct funding provided by governments recognise this common good.

In Palestine students must pay tuition fees for tertiary or higher education. For many families, this is more than a struggle – it is an insurmountable barrier. By introducing, and then expanding, a student loan program, Palestine can provide vital assistance to students from disadvantaged backgrounds. The SRLF loan scheme, introduced by the PNA in 2001, goes a long way to meeting this goal. The new collection mechanism proposed for the Scheme, and the accompanying changes and adjustments to other aspects of it proposed in this report, potentially strengthen the Scheme, render it more accessible and equitable, and – importantly – go a long way towards making the scheme financially sustainable.

Student loan schemes designed to help students from poor families will always require some level of public, or other, subsidy. This is true even in the wealthiest countries. The revised SRLF described here will need injections of funds in the long term, but the level of subsidy required will be manageable and affordable for the Government. What singles this loan scheme out from many other, less successful and less equitable programs, elsewhere in the

world, is its fairness and flexibility. Its crucial characteristic in this regard is the fact that nobody will be forced to make repayments until and unless they can afford to do so. If a SRLF debtor becomes ill or unemployed, he or she will stop making repayments until their situation improves. Nobody will go into unmanageable debt because of their student loan. At the same time, payments are automatic, efficiently collected and based on income. In these features the Scheme is similar to a small but fast-growing number of student loan programs in other countries. Palestine is fortunate in that it possesses the preconditions for such a scheme to work successfully.

With political will, the revised SRLF loan scheme and the new collection mechanism can be implemented in Palestine. If this is achieved, Palestine will have laid an important foundation for the hard task of nation-building: raising the levels of education and skills of its people. In so doing, it will give its young citizens hope for a better future.

ATTACHMENTS

Attachment A	Australia's Higher Education Contribution Scheme: a brief description
Attachment B	SRLF Board: possible composition
Attachment C	Implementation Checklist
Attachment D	SRLF: Possible policy linkages with other aspects of Palestine Higher Education Project
Attachment E	SRLF: Possible linkages with employment and economic development programs
Attachment F	Comments on SRLF revised investment costs draft budget
Attachment G	Comments on draft Terms of Reference for associated consultancies
	Terms of Reference of Consultant

Attachment H

Attachment A

AUSTRALIA'S HIGHER EDUCATION CONTRIBUTION SCHEME: A BRIEF DESCRIPTION

In 1989 Australia instituted a broadly based income-related charging system for public higher education, based on student loans, known as the Higher Education Contribution Scheme (HECS). HECS seeks to recover a part of tuition costs, and is not concerned with student income support¹. HECS involves students incurring a debt which is repaid according to future incomes, there being a first threshold of repayment of around average Australian earnings. The Tax Office is the collection agency.

The HECS scheme has been altered since 1996, and charges radically increased, by successive conservative governments. HECS as originally introduced, however, involved a standard charge for all undergraduate courses, equivalent to around 20 per cent of average course costs. Other features of the original HECS were:

- *Payments are progressive and, after the debt is incurred, there is a real rate of interest of zero.*
- *The interest rate regime is more complicated than this however, because if a student chooses to pay up-front, they receive a 25 per cent discount. This means that HECS implicitly has a rough form of a real rate of interest, in that those choosing to pay later initially incur a higher level of debt. This "discount" could be seen to be Australia's way of encouraging what are called in other countries "parental contributions"².*
- *A discount on debt is also available for lump-sum payments above a certain level, made following graduation.*

Empirical research illustrates that: male science graduates earning average graduate incomes for full-time work will repay HECS in about 8 or 9 years; equivalent females will repay HECS after about 12 years. Of course, there will be a large variation in repayment profiles given that annual contributions depend on individual graduates' incomes. Micro-simulation analysis of repayment profiles of HECS supports this point.

There has by now been considerable research on the effects of the introduction of HECS on a critical issue for policy: the consequences of the scheme for the access of relatively disadvantaged prospective students. The conclusions from the Australian research with respect to socio-economic mix and access are as follows.

¹ In Australia student income support takes the form of means-tested grants.

² A point emphasised by Bruce Johnstone in private communication.

- (i) *The introduction of HECS was associated with aggregate increases in higher education participation; and*
- (ii) *HECS did not result in decreases in the participation of prospective students from relatively poor families, although the absolute increases were slightly higher for relatively advantaged students.*

Both findings raise some important discussion points. With respect to the first, it doesn't follow that HECS per se resulted in an increase in the demand for higher education. Indeed, if this were the case it would constitute a curiosity for economic theory, since the result would suggest that increasing the price of a service increases also the quantity demanded.

The apparent finding, that neither the introduction of, nor changes to, HECS had no apparent effects on the access to the system of poorer students, should not be interpreted to mean that such student loan schemes have a unique capacity to protect the disadvantaged from any adverse effects of the introduction of, or increases in, tuition fees. Indeed, an important finding from many disparate case studies is that the socio-economic mix of higher education students seems fairly insensitive to funding regimes. That is, marked changes in the levels, incidence and nature of grant and loan support systems (and tax and other fiscal incentives) do not seem to affect significantly the proportion of enrolments of students from different family wealth backgrounds.

The other important finding from HECS is that the collection of the debt is apparently quite efficient in administrative terms. That is, Tax Office estimates put the collection costs at around \$40 million annually, or less than 4 per cent of yearly receipts. Administratively the system seems to have worked well.

However, since the current conservative government partially deregulated HECS-related tuition charges in 2003, resulting in a significant increase in charges, the government's estimate of doubtful debt under the scheme has increased from around 18 per cent to over 28 per cent. That means that the government believes, on actuarial grounds, that over a quarter of HECS debt will now not be collected. The object lesson here is that allowing students to borrow too large a sum places real financial limits on the scheme. In turn, this means that tuition fee levels must be held in check.

Attachment B

SRLF BOARD: POSSIBLE COMPOSITION

A restructured SRLF Board might include representatives from:

- *Ministry of Higher Education*: The Minister; heading the Ministry with primary carriage of the scheme in a policy sense, would continue to chair the Board, and may have more than one representative;
- *Ministry of Finance*: As primarily responsible for collection of repayments, this Ministry would be represented and may hold the Deputy Chair position;
- *Ministry of National Economy*: One member, reflecting its role in ensuring business and company cooperation in collection;
- *Ministry of Labour*: One member, to reflect national interests in the graduate labour market;
- *Personnel Council*: One member, in view of its responsibilities regarding government sector employees;
- *Palestine Employment and Social Protection Fund*: one member;
- *Palestine Federation of Chambers of Commerce, Industry and Agriculture*: two members;
- *Tertiary Education Institutions*: As responsible for allocation of loans to students;
- *Donors*: As providers of funding (more than one position); and
- *Stakeholder groups not already represented, including student organizations.*

The Government may also wish to invite financial institutions or persons with outstanding financial expertise to join the Board, to provide it with financial advice.

The unit responsible for administration of the Fund (see below) should be represented on the Board in an *ex officio* capacity.

Attachment C

IMPLEMENTATION CHECKLIST

Policy decisions

The proposed revisions to SRLF as presented in this report would require the Government to make a number of policy decisions. These include, but are not limited to:

- The repayment schedule and levels of repayment to be applied;
- The income threshold at which repayments would commence, and means of indexation of that threshold;
- Whether to apply the repayment schedule and threshold, as determined, to gross income or net income, or to something in between (ie allowing for certain deductions but not others);
- Any hardship provisions beyond those reflected by income that would require or allow (with ministerial discretion) a SRLF debt-holder's debt to be cancelled (such as death of the borrower);
- On the other hand, whether there might exist some specific and limited circumstances where a former student's debt might *not* be cancelled upon death, and would be applied to his/her next of kin;
- Whether to introduce financial incentives (such as discounts) for faster or lump sum repayment, should a graduate choose to take such an option;
- Whether to apply an administration fee as a fixed charge on each loan, in order to recoup administration costs;
- The nature and extent of any penalties to be associated with (for example) supplying false information or otherwise trying by fraudulent means to avoid either making or collecting repayments;
- How to resolve current difficulties and controversies associated with SRLF, especially the formula for allocation of SRLF funds to TEIs and the eligibility criteria for student borrowers;
- The legal standing and structure of the Fund and the Board that would administer it, including the location of the Board vis a vis the MOEHE, the powers and membership of the Board and the Regulations and Standing Orders to be applied to the Board;
- How to augment the Fund, when necessary, to maintain its real value;
- Whether to consider extending availability of SRLF loans in the future, if the scheme is working well and proving financially sustainable;
- Whether and how to use the SRLF scheme as a means of encouraging universities and colleges to direct enrolments into courses of national

priority, or to use it as a policy tool or incentive for some other policy purpose;

- How to link SRLF, in a policy sense, with employers and industry, and with employment programs;
- Whether to apply the new repayment system to the SRLF debts already incurred by borrowers still studying (which would quite easily be possible);
- Whether to apply the new repayment system, where possible, to graduates and others with SRLF debts who have finished or stopped studying.

Legal instruments

The legal instruments – decrees, regulations etc – required would probably include, but may not be limited to:

- Amendment of licensing requirements for businesses and companies to oblige them to collect and remit repayments for employees with SRLF debts;
- Amendment of powers of MOF and specifically the tax authority to allow it to receive repayments, record them and receive and transmit personal information about citizens necessary to achieve the mechanism as described;
- Authorisation for MOEHE to pass details of SRLF borrowers to the tax authority;
- Authorisation for verification of ID Numbers with Ministry of the Interior;
- Decree or legislation formally establishing a Trust Fund and a new Board to oversee it.

Attachment D

SRLF: POSSIBLE POLICY LINKAGES WITH OTHER ASPECTS OF PALESTINE HIGHER EDUCATION PROJECT

Introduction: aims

In this brief paper a thumbnail sketch will be drawn of a possible student financial assistance model that will fit with, and provide underpinning for, a normative funding model for tertiary education financing. The model is suggested mindful of the practical, political and policy constraints facing the Palestinian National Authority (PNA) and the Ministry of Higher Education. It draws upon successful models in other countries while remaining set in the context of the PNA's policy objectives and priorities.

Background: general and conceptual

Student financing is one component of an overall framework that consists of the principles and policies providing the financial resources to sustain a national system of tertiary education. The kind of large-scale student financing model adopted is central to the entire rationale and scope of the financing framework of the system as a whole.

The Higher Education Project, currently underway in Palestine, clearly places student financing – and, as a component of this, student financial assistance – at the centre of a larger plan. This plan attempts to address the broad and fundamental problems and challenges facing Palestinian higher (tertiary) education. The overall plan recognises that a basic need for Palestinian higher education is additional finance. In the future, this finance will need to come largely from students themselves, through higher levels of tuition fees. But higher fees mean that students from poor families will miss out. And sometimes parents, even if they could afford it, might not want to pay for their children, especially their daughters, to go to university or college. Any decision to introduce tuition fees, or to rely more heavily on them as part of the overall financing strategy, must be accompanied by equitable and easily accessible measures to overcome the financial barriers and disincentives created or heightened by the tertiary education system's need to rely more heavily on tuition fees.

It is not just the student loan system that must be sustainable. It is an overarching policy goal to create a national tertiary education system that is in itself sustainable. This does not mean a system that is completely self-funding, but one where public investment through Government resources is appropriate to both the Government's policy priorities and its budgetary constraints. External donations and grants are also taken into account and, where at all possible, attempts are made by the Government to ensure a

predictable, steady flow of donor funds, with changes in donor policies known well in advance. Conditions attached to this funding should be transparent, and negotiated by the Government with donors and lending agencies to ensure that they are consonant with Government policies.

Measures to assist students financially can in fact become a central aspect of a more general financing, planning and quality improvement strategy. Potentially, they are much more than a bandaid or a helping hand for needy students. Distributed and used strategically, with conditions and limits attached to the financial assistance provided, student financing mechanisms can become a powerful tool that shape institutional policies, funding decisions and forward planning. Thus the Government can use student financial assistance mechanisms to encourage institutions to help it meet its overall economic, social and cultural objectives and priorities.

Background: Palestine

Palestine has a tertiary education system divided between Government provision (mostly at non-university level) and “public” non-profit provision. There are also four fully private, profit-making institutions that will not be further dealt with here.

The prevalence of non-Government non-profit institutions within the system means that the Government cannot easily – at least in a practical political sense – direct these autonomous institutions how to behave or what internal policies to adopt. These TEIs are independent of the Government and are not obliged to do what the Government wants: they have their own decision-making processes (councils and academic boards) and they decide their own priorities.

But the Government has many legitimate reasons to seek to influence the policies and institutional priorities of non-Government TEIs. What kinds of graduates come out of universities, and the quality and relevance of the education they have received, are crucial to the future of Palestinian society and to the national economy. Furthermore, the Government provides subsidies and other forms of direct and indirect funding to these TEIs, and it has the right to ensure that that money is spent in ways that are in line with the Government’s own needs and priorities.

There is thus a clear policy imperative to design a funding and financing framework based on measures and formulae that will strongly influence institutional policies and decisions, in line with standards and priorities set by the Government itself. This means that universities and colleges established beyond direct Government control can nevertheless be encouraged to serve the national interest and the national economy. Government institutions can be treated in a similar way, allowing them a degree of autonomy within a specified regulatory framework, creating a competitive playing field between Government and other institutions.

Three years ago Palestine took the step of introducing a widely available, large-scale student loan scheme – the Student Revolving Loan Fund (SRLF). This was done in recognition of the centrality of student financing policy to

tertiary education financing as a whole, and also to assist students from needy families.

At the moment, student loan funds are made available to institutions proportional to their enrolments and to the tuition fees that they charge. As has been noted by the Ministry, this is essentially an inequitable approach because it favours high-enrolment and high-fee institutions, which tend to attract students from wealthier families rather than poor ones. So a central priority of the program – assisting the needier students – is partially undermined. A different way of allocating loan funds to institutions might be found to overcome this problem of lack of equity. The alternative approach could also serve other policy goals. Such an approach is suggested below.

Untapped policy potential of the SRLF

More can be potentially be achieved from SRLF than assisting needy students, though that goal is a very important one in itself. For instance, the Government could allocate SRLF loan funding to institutions on a conditional basis, or it could allocate SRLF funding with priority programs of study specified.

Moving in this direction would change the Government's current relationship with non-Government, non-profit institutions. It would take a more interventionist approach than has been adopted so far, and to do this may or may not be regarded as desirable by the Government. Given the role of donor agencies in funding non-Government universities, the approach suggested here would also require the agreement (or at least an absence of disagreement) on the part of these agencies.

The availability of loan assistance for identified categories of students and for programs of study with specified characteristics can nevertheless be a powerful agent in indirectly shaping institutional policies. The basic idea is that the Government could tell institutions how many SRLF loans would be available to it in each program; and how much money, as a maximum, would be available to each eligible student per semester.

- At the moment, the Government specifies a maximum (75 per cent) and a minimum (25 per cent) of tuition fees that the loan is to cover. It could influence *both* tuition fee levels *and* unit costs in each program by, instead, striking a standard rate for each program, across all institutions. For example, it might say that it would lend a maximum of JD X per semester for a Biological Sciences program and JD Y for a Law program. This would provide leverage on TEIs to keep their unit costs, and their tuition fees, at levels the Government considered reasonable. Institutions would be encouraged by this method to adopt sound internal budgetary policies, in line with the Government's normative financing principles that are applied through direct funding mechanisms. (Of course, for this to work, a "critical mass" of SRLF loans – sufficient to influence institutional behaviour – would need to be available to each institution.

- Further, loans could be made available in specified numbers for the various programs offered by each institution. This would create the concept of a “student loan-liable place”, and would again encourage institutions to make places available in line with Government priorities. So, if a TEI was not offering enough places in Science to meet needs identified by the Government, it could be provided with additional SRLF-related student places in Science. If, in the Government’s view, a TEI was offering too many places in a particular program – perhaps Teacher Education – it could have its SRLF-loans for that program reduced.
- Finally, the Government might wish to require institutions to provide “loan-related places” in specified proportions, or at specified minimum levels, across all their various programs. This would enable the Government to ensure that students from needy backgrounds had access to a broad range of courses or, if it so chose, to courses in particular disciplines. (For example, the Government might decide that no SRLF loans would be available for study in a particular type of program. Conversely, it might decide that at least 20 per cent of all enrolments in some programs, or all programs, must be SRLF loan recipients.)

Given the Government’s policy of providing the loans from the second semester of enrolment only, the second and third of the suggestions above would need to be implemented flexibly, because there might not be an exact match between eligible applicants on the one hand, and loan-related places on the other. This problem can be dealt with by the exercise of common sense, and also by the application of a “tolerance band” of perhaps five or ten per cent within each course.

This policy approach would probably reduce existing institutional autonomy, not only over which students received the loan assistance, but over the related factors of the number of each institution’s students in receipt of loans and the level of financial assistance provided to each.

Conclusion

In this paper, only some of the potential for the use of the SRLF scheme as a policy tool is discussed. The Government may wish to consider other options – for example, restricting SRLF loan availability to TEIs that meet its quality assurance requirements, or other requirements.

The general potential of the SRLF as a tool for influencing institutional policy and for enhancing the impact of the Government’s normative financing principles should be closely considered. The Government might wish to allow TEIs full autonomy over the allocation of loans – within the eligibility criteria already established – but it may on the other hand wish to examine its options to indirectly to influence institutional policies, priorities and budgetary decisions by placing conditions and limits on the availability of loans. Since the scheme is envisaged as covering a substantial proportion of the student body, this potential is considerable.

Attachment E

SRLF: POSSIBLE LINKAGES WITH EMPLOYMENT AND ECONOMIC DEVELOPMENT PROGRAMS

SRLF has the potential to be linked successfully with other Government programs in employment and economic development. This short paper discusses how this might be achieved.

Background

The PNA (through the Ministry of Labour) has moved to establish an amalgamated fund known as the Employment and Social Protection Fund. This Fund was an initiative of the International Labour Organisation (ILO) and the Arab Labour Conference. The Fund aims to create a capital market that will encourage employment creation in Palestine. It is managed by a tripartite Board involving the PNA, private sector employers and labour unions. As well as employment creation, the Fund will provide vocational and business management training.

Palestine has an unusually high rate of graduate unemployment, especially for graduate women in Gaza, whose unemployment rate is over 37 per cent. Generally speaking, though having undertaken more than 13 years of education reduces a Palestinian's chances of being unemployed, 16 per cent of such persons in the West Bank and as many as 25 per cent in Gaza find themselves without a job.

Statistically, in most countries, unemployed graduates tend to come from less economically and socially privileged families. This is because those from wealthier backgrounds tend to have better connections (through their parents, for example) with the world of work, which they can use to help them find a job. This means that recipients of SRLF student loan assistance will probably be more likely to find themselves unemployed than other graduates. Unless these people find a job, they will not repay their SRLF loans.

Proposal: employment creation for SRLF graduates

It would be a simple matter for the new Employment and Social Protection Fund to coordinate with the SRLF Fund and MOEHE to assist SRLF borrowers to find work after they graduate. This would have many advantages: first, relatively highly educated and skilled persons (graduates) would become involved in the Employment Fund's programs, which is a good outcome in terms of that Fund's likely success. Second, jobs could be found or created for SRLF-borrower graduates who might otherwise have difficulty finding work.

The Employment Fund and the Ministry of Labour would need to work with MOEHE to ensure that SRLF borrowers were channelled into programs of

study that were likely to lead to employment. MOEHE might consider giving priority to students who went into such programs of study. Following graduation, these graduates could use the services available through the Employment Fund to obtain business skills or other relevant vocational skills, and also to borrow funds through microcredit, where appropriate, to establish their own businesses. They might also be able to employ in those businesses other clients of the Employment Fund's programs.

A representative of the Employment and Social Protection Fund should be appointed to the SRLF Fund's Board. Membership of the Employment Fund's Board of Directors should be sought by MOEHE and/or the SRLF Fund itself. This would provide a structure for formal consultation and liaison.

Other proposals

There are other agencies, both government and non-government, working in Palestine to strengthen the economy, establish new industries and provide employment opportunities. These include agencies such as the Palestine Investment Promotion Agency (PIPA).

It would be an opportunity lost if MOEHE and the SRLF Board did not set out to work cooperatively with these agencies and organisations, both to assist graduates in finding employment, but also to inform themselves of the directions planned for the Palestinian economy, and of future labour market projections and needs. Then SRLF itself can be used to encourage students into programs of study that are most likely to lead to rewarding careers and good jobs.

In turn, universities and other TEIs will become more attuned to the needs of the employment market. They will be encouraged to establish formal links with employers and employer organisations, and also labour unions (in professional areas), to ensure that the programs of study they provide are up to date and relevant to the needs of employers and of industry. This process must include government sector employers and management as well as those in the private sector.

ATTACHMENT F

COMMENTS ON SRLF REVISED INVESTMENT COSTS DRAFT BUDGET

“Table 7.40 Expand Student Loan Scheme” lists and specifies a series of elements and activities relating to the design and implementation of the revised SRLF loan scheme.

(Note that no specific comment is made on most of the projected costs as I am unaware of the going rate for these services and activities in Palestine.)

It is suggested that, as a result of the recommendations on the detail of the scheme’s design, the following amendments should be made:

- C “Conduct Action Oriented Studies”: as noted, this activity can probably be subsumed in the general process of developing and implementing the new repayment system, except for the identification of past borrowers whose loan contracts have been lost or destroyed.
- G “Prepare Agreement with Commercial Banks”: This will not be necessary under the proposed new arrangements.
- H “Design SRLF Operational Manual”: This task will become much bigger and more comprehensive, involving several manuals to be drafted. However, many of the tasks currently listed under the draft TOR for this will actually be carried out by other means, and within the Government itself.
- I “Develop and SRLF Information System”: This will need to be done across Ministries, using the Palestinian ID Number as the basis. So costing will need to be revised.
- J “SRLF Hardware for TEIs”: New hardware and software will be needed not only by TEIs, but by the Ministries involved in collection of repayments.
- P “Research Studies”: It is not clear that such studies are necessary.
- Q “Student Loan Servicing”: This will no longer be necessary.

ATTACHMENT G

COMMENTS ON DRAFT TERMS OF REFERENCE FOR ASSOCIATED CONSULTANCIES

1. Term of reference for development of action oriented study on students with outstanding loans

Because an efficient means of identifying a significant majority of past SRLF borrowers has been found, the terms of reference (TOR) for this consultancy need to be substantially revised. In fact, it may not be necessary to hire a consultant to carry out the necessary work.

What follows is a description of the steps needed to identify and locate SRLF borrowers who have now finished their studies. MOEHE should decide, in the light of this, to what extent the task can be carried out using existing Ministry staff and resources.

Objectives

Using Palestinian ID Numbers as the means of identification, past borrowers under SRLF are to be located, either through their employment status (where they are working, using Personnel Council and Ministry of Finance [income tax] records), or their home address (using Ministry of the Interior records). Where ID Numbers are not available to MOEHE because loan contracts have been lost or destroyed in 2002, tertiary education institutions (TEIs) are to be requested to provide copies of relevant documents, including ID Numbers are provided by these former students to the TEI on enrolment.

A listing of these former students, including ID Number, amount owed, home address and employer's details, is to be provided, along with a listing of any past borrowers whose details cannot be provided, for whatever reason.

(Comment

It is not necessary to find out the current economic conditions of these borrowers, nor their plans for making repayments, since a system of repayment has been identified that will be automatic and will render their repayments dependent on income level. It has, I think, been established that the reasons that nobody has commenced repayment are (1) that many people believed, incorrectly, that repayment would not be sought; and (2) that borrowers did not know how to make repayments, because no system had been put in place.)

Main tasks

The information to be collected includes:

- Name and Palestinian ID number
- Details of loan(s) taken out under SRLF, including dates and relevant TEI
- Amount owed under SRLF
- Details of employer including name and address
- For backup, home address of borrower.

This information can be collected with the cooperation of the tax office in MOF, the Personnel Council and, where necessary, TEIs.

The strategy for collecting repayment should include:

- Contact with the borrower by means of a polite letter, reminding them of their debt and informing them that the debt is now to be collected through monthly salary deductions by their employer (explaining all the safeguards in the new system, designed to ensure that repayments are affordable). The letter should provide the borrowers with the option of applying to have their debt waived due to extenuating circumstances – which should be very limited.
- Liaison with the employer to ensure that monthly deductions will be made and forwarded to the MOF.
- Liaison with TEIs with respect to those borrowers whose loan records are no longer held by MOEHE, and which must be collected, where possible, with the assistance of TEIs using their own files.
- A plan for a public appeal for any persons whose loan contracts and details are not found to come forward voluntarily. This campaign should fit with the general publicity campaign explaining the new collection system to the public.

Expected output

The output is, essentially, the system that will be developed for the new repayment scheme as a whole. Collection from past borrowers cannot take place using this method until and unless the new system is running.

(Comment

Since this is the major responsibility of MOEHE and the PNA more generally, it does not make sense for the mechanical aspects of collection from these borrowers to be developed separately from the development of the new system itself.)

Time frame

The time frame on this aspect of the implementation of the new collection system will apply to the task of identifying and collecting from past SRLF borrowers.

2. Term of reference for short term consultancy for design and implementation of awareness campaign for SRLF

This campaign will be necessary under the circumstances of the revised SRLF and new repayment collection system. The public, and especially students, graduates and their families, need to understand why and how collection of SRLF loans will take place.

Objectives

The objectives as stated in the current draft TOR should remain. In addition, the objectives should include reference to the collection system, with an explanation of how it works. Its fairness should be emphasised, and also the fact that nobody will be forced to repay amounts that they cannot afford.

A further objective should be to appeal to any graduates whose loan contracts and details have been lost or destroyed to come forward voluntarily. Incentives for people to do this should be publicised. (Such incentives might include a certificate of appreciation from the Government and, possibly, an undertaking from the Government to publicise the names of people who come forward through the media.)

Main tasks

The tasks as listed in the current draft TOR should remain.

Expected output

This should remain as currently in the draft TOR.

3. Term of reference for short term consultancy for design of SRLF operation manual

This TOR will need extensive revision and rethinking. The reasons for this include:

- That some of the tasks listed will need to be discussed first with donors, with other Ministries and/or with the new Board of SRLF. For example, agreement over the detail of standard selection criteria must be approved by donors.
- That more than one manual is needed, because of the different persons and organizations to be involved in administration of the loan scheme.
- That the revisions to the scheme proposed eliminate the need for guarantors altogether.
- That procedures for repayment have been proposed and will be designed and developed in detail in cooperation between MOEHE, MOF, the Ministry of National Economy, Personnel Council and Ministry of the Interior.

Nevertheless, manuals will be needed for:

- MOEHE's SRLF Unit
- TEIs
- MOF
- Board of SRLF and Board Secretariat.

Students and prospective students will also need detailed information about the SRLF scheme, its rules, availability, eligibility and repayment system.

Some of this information – information for students and their families - can be produced either by the consultants hired to produce publicity about the revised SRLF. The remaining manuals cannot be developed until detailed negotiations have taken place with donors and stakeholders and until agreed procedures have been determined between Ministries. Some of this detail probably cannot be developed until international practice has been examined through the proposed Study Tour.

Objectives

The design and production of the manuals and information specified above is still necessary. It is probably advisable to engage consultants who are expert at the production of manuals of these kinds, so that the best products can be obtained.

It may also be advisable for the same consultants to produce a training plan for each agency and organization to be involved in the revised SRLF operation.

Main tasks

The tasks will be to produce a series of operation manuals for each agency and organization to be involved in SRLF operation. These will meet the requirements set out in the scheme's revised design, and also the outcomes of discussions between the Government and stakeholders, including donors.

It will need to be decided whether this can proceed, or which aspects of this work can proceed, until the new SRLF Board has been appointed, met and discussed various aspects of policy relating to the scheme's nature and operation.

Expected outputs

The outputs will be the manuals and information material as listed above.

ATTACHMENT H

Terms of Reference

Short term Consultancy for Producing a Comprehensive Plan of Student Aid Program

Introduction:

The Ministry of Education and Higher Education (MOEHE) with technical assistance from the World Bank prepared a Tertiary Education Project TEP. The Project aims at (i) improving the policy making environment for tertiary education management, governance and quality assurance; (ii) increase internal and external efficiency of tertiary education institutions as a first step towards achieving sustainability; and (iii) create incentives and provide the basis for improvements in quality, relevance, and equity of tertiary education institutions in order to meet the socio-economic needs of the Palestinian population.

Objectives of the Consultancy:

As part of the project activities, consultants' services are required to provide an assessment on the proposed Student Aid Program Scheme and the different suggested actions for the improvement of management and operation of the existing Student Revolving Loan Fund (SRLF). The overall objective of the consultancy is to examine, analyze, and assess the proposed vision for student aid program as a tool towards sector sustainability.

Main Tasks of the Consultancy:

The main tasks of the consultancy will be to arrive, with the SRLF management and Student Aid Departments at tertiary institutions, at a comprehensive vision and actions on how student aid programs can best contribute to the overall financing sustainability of the Palestinian tertiary education system. The study should include all tertiary education institutions (universities and community colleges) in West Bank and Gaza, and will include the following activities:

- Review and assess the Project Appraisal Document; more specifically the SRLF component.

- Review, integrate and consolidate the proposed interventions within the project.
- Propose detailed TOR for the different actions, proposed under this component.

The consultant will carry out the work through analytical review process, conducting meeting with all stakeholders, and the carrying out of workshops.

Expected Output:

The consultancy service shall result in producing a comprehensive and detailed operational plan with clear and integrated deliverables that can be implemented within the project life cycle and be the basis for future setup of student aid program.

Time Frame: For the assignment, the consultant will be expected to finalize the work in 4 weeks.