

PNG's tertiary loan programs: present and past

by Moses Sakai

7 February 2020



Prime Minister James Marape address at the Pacific Adventist University's 35th graduation ceremony (Credit: PMNEC)

The government of Papua New Guinea (PNG) through National Executive Council (NEC) decision NG179/2019 on 17 December 2019 **formally established** the Higher Education Loan Program, also known as HELP. The tertiary students loan scheme came with initial funding of K200 million (US\$49.3 million).

The decision, in fact, was one of the priorities of the Marape–Steven government as **detailed** in the Marape Manifesto launched on the eve of PNG's 44th Independence Day on 16 September 2019. In his manifesto, the eighth Prime Minister of Papua New Guinea, the Hon James Marape, clearly **stated** that his government would provide a lifetime interest-free loan to tertiary students commencing in 2020. The Prime Minister also made it clear that his government intentionally introduced the policy not just to invest in human capital development but to remove **financial burden** from the parents. In his address to students and parents at the Pacific Adventist University's 35th graduation ceremony on 1 December 2019, the Prime Minister **said**: "No more will you pay tertiary education school fees. As long as you have NID (National Identification Card) and a residency as a Papua New Guinean, you will get money for your school fees."

The policy itself is not new in PNG. A similar scheme was introduced two decades ago but did not work well. This blog post looks at the lessons we can learn from that earlier experience.

In 1999, Sir Mekere Morauta's government abolished the National Scholarship Scheme (NATSCHOL) and introduced the Tertiary Education Students Assistance Scheme (TESAS) as a loan program administered by the then Office of Higher Education (OHE) (now the Department of Higher Education, Research, Science and Technology or DHERST). The loan program was introduced to help rural and urban families who cannot afford to pay for their children's tertiary education and to improve the extent and the quality of higher education in the country. It was **announced** by then Minister for Education Muki Taranupi on 18 February 1999 when addressing the Divine Word University's 17th graduation ceremony in Madang.

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The TESAS loan program came into effect in 2000. Students who performed well academically but couldn't afford their studies were told to obtain loans between 100 kina and 2,000 kina as per the terms of the loan program. From 2000 to 2007, a **total of K6.6 million** (US\$2.5 million) was given out by OHE as loans to more than 7,000 students. However, the loan program was suspended from 2007 to 2009 due to lack of repayments by students who had already graduated and were working in public and private organisations. In an attempt to recoup the outstanding loans from the beneficiaries, the OHE **started contacting** them to find out where they were working. The OHE listed the names of 3,947 recipients in newspaper advertisements while appealing to the public for information about their whereabouts.

However, from the 7,000 plus students who obtained the loans and 3,947 beneficiaries listed in the newspaper, only one beneficiary, **a woman, repaid** her loan in 2004. In 2009, after five years of implementation, the director-general of OHE, Dr William Tagis, **said** that the problem was a lack of coordination with and action from the Internal Revenue Commission.

There may be two reasons why the TESAS loan program failed. First, students protested the abolition of the National Scholarship Scheme, and perhaps, as in other countries, the government wanted to silence the students by not enforcing repayment. A **review** of the introduction of student loan systems around the world by Maureen Woodhall points to the problems often caused by their politically controversial nature.

Second, in PNG, income tax payment is an employer responsibility. Individuals do not fill in annual tax returns. There is little or no incentive for employers to check up on the loan-repayment status of their employees.

Marape's new loan program risks suffering the same fate. TESAS is **now a grant**. An earlier **press statement** released by DHERST stated that TESAS awards will cease and HELP will be the only available source of funding beginning in the 2020 second semester. The Secretary of DHERST, Professor Fr Jan Czuba, **said** this was a direct instruction from Prime Minister Marape and DHERST Minister, the Hon Nick Kuman.

However, a subsequent press release from DHERST has **said** that the two facilities will coexist. According to this statement, HELP is a non-compulsory facility set up to assist those unfortunate students who couldn't afford their studies. Those students who perform well academically will continue to receive government payments under TESAS.

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The confusion to date does not augur well for PNG's second attempt to introduce a tertiary student loan scheme. Already students are referring to HELP as a “financial disaster”. For this second attempt to work better than the first, clarity, preparation and coordination among government implementing agencies will be key.

Author/s:

Moses Sakai

Moses Sakai is Resident Vasey Fellow at the Pacific Forum, a foreign policy think tank based in Hawai'i. He was previously a Research Fellow at PNG National Research Institute and a visiting scholar on US foreign policy at the University of Delaware.

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