

Higher Education Finance and Cost-Sharing in the Philippines

I. Brief Description of the Philippines' Higher Education System

The Philippines is considered to be one of the most highly educated middle-income countries. It has high enrollment rates at all levels of education and it has achieved near universal access to primary education (World Bank website 2008). The first baccalaureate degree granting institution, the University of the Philippines, was created by an act of the Philippine Legislature in 1908 along European lines.

Since the creation of the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA) in 1994, the Department of Education, Culture and Sport (DECS) has concentrated on elementary and secondary education. The CHED, a department-level agency, independent from the DECS, governs the public and private higher education system (two-year colleges, four-year, and comprehensive/technical universities) and oversees degree-granting programs in all post-secondary educational institutions. The TESDA, an agency attached to the Department of Labor, oversees the post-secondary technical and vocational education.

In 2008, the Philippines had 2,060 higher education institutions including 110 state universities and colleges (SUC) main campuses, 334 satellite campuses, 77 local universities and colleges, 10 other government schools, 1 CHED supervised institution, 5 special higher education institutions and 35 recognized private higher education institutions. The state universities and colleges (SUCs) are funded by the national government. In April of 2008, the UP Charter of 2008, Republic Act No. 9500 was passed, which provides institutional and fiscal autonomy to the University of the Philippines and designates it the national university. CHED-supervised Institutions are directly supervised by the CHED, and their annual budget allocation is integrated in the government budget appropriation for the CHED. Local universities/colleges are operated, supported and maintained by local government units. Other government schools such as military and police academies offer degrees and advanced training programs are supervised and regulated by the Department of National Defense and Philippine National Police.

There is growing pressure for expansion of the already overcrowded higher education system in the country. Universal primary education was achieved in the second half of the 1990s, and the net secondary enrolment has reached 76 percent in 2001 and 81 percent in 2007/08 (Ministry of Education statistics). In 2004-05, there were 2,402,315 higher education students in the Philippines with 819,251 in public institutions and 1,583,064 in private institutions. The enrollment ratio of higher education students was 29 percent in 2008.

Each higher education institution adopts a certain admission policy beyond the general requirement that all candidates have to be graduates of secondary education. Some institutions require passing an entrance exam and a medical examination; others adopt open admission, but selective retention.

Like other Asian countries, the Philippines has relied on private institutions to increase higher education opportunities and, at the turn of the century, had a higher proportion of its students in private higher education than any other country. In 2005, private higher

education institutions enrolled more than 65 percent of all higher education students. Significant disparities exist between and within the public and private higher-education institutions, and there are major differences in unit costs per student, tuition fees charged and government subsidies. (Kitaev et al, 2003). With higher unit cost and lower performance than private institutions, public institutions have been criticized for their inefficiency and lack of accountability.

In addition to tuition and fees, private institutions are also funded from capital investments, contributions, and other income sources in accordance with government legislation. While they are fairly autonomous, they have to apply for permission from the CHED to open new courses and for authorization to graduate their students.

Public expenditure on education as a percent of GDP was 2.5 percent in 2005 in the Philippines among the lowest budget allocations for countries in the Association of Southeast Asian Nations (for example, public expenditures on education as a percentage of GDP was 4.2 percent in Thailand and 5.9 percent in Malaysia). In 2005, public expenditure on education as a percentage of total government expenditure was 15.2 percent and educational expenditure on tertiary education as a percentage of total education expenditure was 13.3 percent. In 2007, the education budget allocation grew to P150 billion from P129 billion in 2006.

Most Filipinos regard education as a primary avenue for upward social and economic mobility. Middle-class parents make many sacrifices to provide secondary and higher education for their children. Moreover, many of them seem to equate high quality education with high tuition fees. Tuition fees of private universities in Metro Manila are much higher than those of public universities. The annual tuition fees of these private universities are nearly half the average income of Filipino families.

Table 1
Tuition Fees of Selected Universities in the Philippines (Pesos)
2008/09

	Amount/year
University of the Philippines (Public)	P36,000
University of Santo Tomas (Private)	P45,000
De La Salle University (Private)	P110,447
Ateneo de Manila University (Private)	P90,613

In terms of limits on tuition fees in private institutions, in February 2007, the CHED scrapped CMO 14, which had placed a cap on tuition hikes in private institutions and prohibited private institutions from tuition fee increases higher than the prevailing national inflation rate, and re-implemented CMO 13, which merely requires private institutions to hold consultations before imposing tuition fee increases.

The University of the Philippines implemented the Social Tuition Fee Assistance Program (STFAP) in 1989 in order to democratize undergraduate student admission and benefit low-income and disadvantaged students. The STFAP was mandated by the President and Congress of Philippines through General Appropriations Acts of 1989, 1990, 1991, and 1992. The program was revised in December 2006. Under the STFAP, students from higher income families pay higher fees and students from the lowest income families are eligible for free tuition plus a living allowance. It also includes scholarships for living subsidies based on need and merit and student work study opportunities.

In 2006, the University of the Philippines increased undergraduate tuition fees for the first time in more than 15 years from P300 per unit to P1000 per unit (for those in the highest income bracket) for new students in the 2007-08 academic year. It also approved annual tuition increased based on the country's national inflation rate. However, in May 2008, in the face of rapidly increasing oil and food prices, the Philippines President placed a moratorium on tuition fee increases in the 110 state university and colleges. She also called on private institutions to freeze plans for tuition fee increases.

The Philippine government, universities, individuals, organizations and corporations provide scholarship programs to students from low-income families. According to 2006 CHED data, CHED provided financial assistance to 41,712 students (broken down as 15,190 students in the scholarship program, 25,733 in the grant in aid program and 789 in the student loan program). In 2005, new procedures for administering the CHED scholarships, loans and grants in aid programs were approved (excluding the *study now pay later student loan program*), which outlined the slot allocation process, the fund allocation process, the respective management roles of the CHED offices and participating higher education institutions.

Among other scholarship program, the CHED administers the State Scholarship Program (SSP) for needy meritorious students, the National Integration Study Grant Program (NISGP) for needy members of cultural minority groups, and the Private Education Student Financial Assistance (PESFA) Program for needy students entering private universities.

The CHED also offers student loans through the "Study Now Pay Later Plan (SNPLP)". Started in 1976, SNPLP is the oldest system-wide means-tested student loan scheme. The loans, which cover tuition and means tested allowances, were originally funded and operated by five Government Financing Institutions (GFIs). By 1992, the GFIs disengaged from the program and the loans were administered and allocated first by the DECS, and then by CHED using funds from the Government Assistance to Teachers and Students in Private Education fund and the Poverty Alleviation Fund and students in private institutions became eligible for loans. CHED allocates the SNPLP slots equitably among regions and the total number of slots are determined by the budget allocation; however the total number of students availing of the loan has been quite limited.

The repayment rate of SNPLP dropped from 41 per cent in the 1970s-1980s, to 3 per cent, in the process of GFIS' disengagement in 1988-1992, to only 1.9 percent in 2003 (Kiaev et. Al 2003). Reasons for the low repayment rate included lack of information on whereabouts of defaulters; unemployment or low income of defaulters; absence of

legislation compelling loan guarantors to pay off the “bad” loans of defaulters; lack of capacities to track and prosecute defaulters by both implementing and funding agencies; absence of data bank on SNPLP; absence of a specialized unit in charge of loan collection; and fast turnover of personnel in charge of SNPLP without proper delegation of responsibilities (Kitaev et al 2003).

In 2007 new legislation was passed to reform the student loan system. The Study-Now-Pay-Later Fund was created along with a body to administer it, the Educational Loan Fund Authority under the CHED. The legislation also revised the terms of the loan and set the maximum annual loan amount to be equivalent to the prevailing cost per academic unit at the University of the Philippines multiplied by fifty academic units at an interest rate ranging between 5 and 10 percent as determined by the Educational Loan Fund Board (governing body of the Authority). Repayment begins five years after graduation and must be paid in five equal annual amortizations starting from the date the first loan payment becomes due.

The government has created additional student loan programs as well. In 2006, the government created the PGMA Higher Education loan program for needy 3rd and 4th year students in private higher education institutions via partnerships between the CHED and the individual private institutions. As part of the program the participating higher education institution agrees to establish a Student Financial Assistance Unit to administer the program. The loans, which carry an interest rate of 6 percent (compounded from loan disbursement), are only for tuition fees and the maximum amounts are determined by the individual higher education institutions.

In 1999, a regional scheme in the Bicol Region (or Region V), one of the most deprived regions in the Philippines, was introduced to increase access to higher education by providing loans to deserving students. Qualified students may borrow a maximum amount of P7,250.00 per semester or P14,500.00 per year to cover tuition, other school fees and allowances. Interest on the loan is six per cent (6%) per year and commences upon release of the loan. Repayment begins two years after graduation and is amortized within a period of ten years. The participating higher education institutions where the student is enrolled in shall take charge of collecting the repayment of loans which shall also be used to continue and expand the program.

In 2000, the CHED created the Student Loan Program (SLP) for Centers of Excellence in priority courses aimed at poor but deserving students enrolled in the selected universities that have been designated Centers of Excellence in priority courses. Loans of P10,000 cover tuition and other school fees. Similar to the Bicol Region loan, the SLP scheme differs from the SNPLP in that it involves the institutions concerned directly in administering the scheme, under the supervision of the Office of Student Service of CHED. Because of extra administrative burden and without any motivations or incentives, certain institutions refused to participate in this scheme.

II. Estimated Expenses of Higher Education in the Philippines

Table 2

Higher Education Expenses Borne by Parents and Students 2008/09

[National currency Philippine Peso converted to \$US
by 2005 PPP World Bank estimate \$1=P21.75]

		Public	Low Private	High Private
	Special "One-Time" or "Up Front" Fees	0	P2,950 (\$270)	P2,950 (\$270)
<i>Instructional Expenses</i>	Tuition	P36,000 (\$1,655)	P45,000 (\$2,068)	P110,500 (\$5,080)
	Other Fees	P2,650 (\$122)	P7,960 (\$365)	P7,960 (\$365)
	Books & Other Educational Expenses	P2,000 (\$92)	P3,000 (\$138)	P4,000 (\$184)
	Subtotal Expenses of Instruction	P40,650 (\$1,868)	P58,910 (\$2,710)	P125,410 (\$5,765)
<i>Student Living Expenses</i>	Lodging	P5,000 (\$223)	0	P50,000 (\$2,300)
	Food	P8,000 (\$367)	P26,000 (\$1,195)	P50,000 (\$2,300)
	Transportation	P7,500 (\$345)	P7,500 (\$345)	P2,500 (\$115)
	Other Personal Expenses	P8,800 (\$405)	P8,800 (\$405)	P13,200 (\$606)
	Subtotal Expenses of Student Living	P29,300 (\$1,350)	P42,300 (\$1,945)	P115,700 (\$5,320)
	Total Cost to Parent & Student	P69,950 (\$3,216)	P101,210 (\$4,650)	P241,110 (\$11,085)

Public: State Universities/Colleges (SUCs), *living in student housing*

Private Low: non-elitist universities/colleges, *living at home with parents*

Private High: elitist universities/colleges and institutes of technology, *living as an "independent adult"*

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