

Student loans schemes in Mauritius:
experience, analysis and scenarios



Student loans schemes in Mauritius: experience, analysis and scenarios

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Preface to the series

This book is part of a series of in-depth studies on the functioning of government-sponsored student support schemes.

With increasing student flows from the primary and secondary education levels, higher education worldwide is facing obvious financial constraints, and universities have to develop new solutions in order to be able to develop in step with the demand for places.

Globalization has created an unprecedented choice in studies for students from any country to study in any university anywhere in the world. Hence what is often fierce competition for home and foreign students between universities within countries, as well as between these and foreign universities.

The introduction and increase of tuition fees are on the policy agenda of many countries which previously had free higher education. Cost-sharing has become an inexorable trend across the globe, and the question is not so much whether to accept it or not, but how to apply it: How to decide on the budgeting and allocation of student aid? What are the patterns, models, formulae and alternatives? How can it be projected in terms of needs, demand and governmental budgetary limits? What are the lessons learned so far?

A joint endeavor by UNESCO Bangkok and IIEP has been exploring responses to these questions through a number of case studies conducted in different regions, starting with Asia. Since 2001, in close collaboration with the UNESCO Bangkok Office, several studies on the Asian region have been prepared and published, including P.R. China, Hong Kong S.A.R. China, the Republic of Korea, the Philippines and Thailand, to be followed by a regional comparative assessment. Others have been launched in other Asian countries, in Africa, and Europe, including transition economies such as Russia and Moldova. A search engine with annotated bibliographical references has also been set up by the IIEP on policies and strategies, and elements and variables of student

support in higher education. It can be accessed at <http://lst-iiiep.unesco.org/wwwisis/studsup.htm>.

Dominique Altner, Chief, Planning and Sector Analysis Unit, UNESCO Bangkok, with support from Toshiyuki Matsumoto, Assistant Programme Specialist, PSA were at the origin of this challenging project. Adrian Ziderman, Professor of Economics at Bar-Ilan University, Israel, acted as UNESCO international lead consultant. At the IIEP, Serge Peano, Team Leader, Educational finance, and Igor Kitaev, Programme Specialist, were in charge of implementing this project.

It is evident that even if each country case is context-specific and subject to historical traditions, the situation must be re-examined in the light of globalization processes. And, while grants should be well targeted to the needy and deserving, student loans should be well designed and administered to become a sustainable cost-recovery mechanism, rather than a 'hidden grant'. Increased accountability and banking transparency should help to achieve a higher repayment rate. The correct division of labour between governments, universities and the private sector appears to be essential.

This study by Praveen Mohadeb makes a comprehensive review of the situation of student loans schemes in Mauritius, and makes recommendations for setting up a national scheme. It suggests that such a scheme would be cost-effective and beneficial both for students and for the government.

Françoise Caillods,
Director a.i., IIEP

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List of abbreviations

CPE	Certificate of Primary Education
DBM	Development Bank of Mauritius
EFW	Employees Welfare Fund
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IVTB	Industrial and Vocational Training Board
MGI	Mahatma Gandhi Institute
MCA	Mauritius College of the Air
MCB	Mauritius Commercial Bank
MIE	Mauritius Institute of Education
MIH	Mauritius Institute of Health
MoESR	Ministry of Education and Scientific Research
MAA	Mutual Aid Association
SBM	State Bank of Mauritius
SSR	<i>Seewoosagur Ramgoolam Foundation</i>
TSMTF	Technical School Management Trust Fund
TEC	Tertiary Education Commission
UIO	The University of the Indian Ocean
UOM	The University of Mauritius
UTM	The University of Technology, Mauritius

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Executive summary

Higher education is of critical importance to the development and competitiveness of the Mauritian economy. In particular, it is essential for the attainment of the objective set by the government to make Mauritius a knowledge hub in the region. It is also very important for private returns. With continued expansion in enrolment, there is need to ensure that the sector is financially sustainable and remains competitive in a world of global accessibility and greater student choice. The state, which for decades has played a major role in the funding of higher education, will find it increasingly difficult to support this sector. The availability of finance is one of the barriers to the expansion of higher education. It is therefore essential to look for alternative sources of funding, and private participation is probably one of the solutions.

Private participation in the funding of higher education, particularly through cost sharing with students, is becoming popular as an alternative means of funding higher education. The main issue with cost sharing for this purpose, however, is the need to overcome problems related to equity and equality of access, particularly in the face of increasing costs borne by students and families, usually in the form of tuition and other fees. Increasingly, student loans are being used to overcome these problems. A state-supported loans scheme would not only help the government budget but also the students and their families. Besides easing the pressure on public funds, it would enable students to study now and pay later.

The objective of this study is to examine the operation of the existing student loans schemes in Mauritius, with a view to developing scenarios for a national student loans scheme for the country. The success factors in countries where student loans schemes have worked well and mistakes in other countries where they have failed are considered. The fact that state-supported student loans schemes function relatively well in some countries implies that the concept is essentially workable, provided it is properly adapted to the specific economic, social, political and cultural situation. There is no reason why a national student loans scheme will not work smoothly in Mauritius if it is properly designed and administered.

Demand for higher education in Mauritius is on the increase. Indications exist that this trend will continue in future. The gross enrolment rate at the higher level was 15.7 per cent in December 2001. This is considered to be low and there has been a proposal to increase the figure to some 30 per cent by the year 2010.

The capacity of publicly-funded higher education institutions to enrol students in Mauritius is limited. Of the 20,488 students participating in higher education in Mauritius in 2001, 9,119 (about 45 per cent) were following courses with private higher education institutions either locally or overseas. These students pay the full cost of their higher education. The costs borne by them or their parents are higher than what they would have paid locally. Obviously, they depend on the country and programme of study. The University of Mauritius does not charge tuition fees for undergraduate studies. However, it does charge some other fees to undergraduate students as well as some tuition fees to postgraduate students. Other publicly-funded higher education institutions also charge some non-tuition fees to their students. The University of Technology, Mauritius (UTM) charges fees at the rate of 25 per cent of cost. Students following higher education in Mauritius therefore do pay some fees and many households contribute in some form to the financing of education in Mauritius. The prevalence of private tuition on a massive scale and the number of Mauritians proceeding overseas for their higher studies at their own cost, in addition to the existence of a privately-funded higher education sector in the country, reveal both that Mauritians value education and that some may be prepared to spend a substantial amount of their income on education in terms of private tuition. Mauritian society therefore is willing to pay for education.

Further expansion of the higher education sector in Mauritius will require more funding from government, students and parents. The pressure on public funding is already high and the government will not be able to financially sustain the increase in enrolment. It will therefore be left to parents and students to participate in the financing of higher education. Already, some parents are availing themselves of some existing student loans schemes to finance the higher studies of their children locally and overseas.

Several student loans schemes are operated by individual institutions, albeit on a very small scale. Some of these schemes are

provided on a benevolent basis, while others are run by institutions that capitalize on student loans for profit. The different organizations providing loans schemes are as follows:

1. Ministry of Education and Scientific Research (MoESR);
2. Employees Welfare Fund (EWF);
3. Mauritius Commercial Bank (MCB);
4. State Bank of Mauritius (SBM);
5. Mauritius Post and Cooperative Bank Ltd;
6. *Seewoosagur Ramgoolam Foundation* (SSR) Foundation, MoESR;
7. Trust Fund for Social Integration of Vulnerable Groups; and the
8. Mutual Aid Association.

A comparative study of the various existing loans schemes revealed that their objectives differ. Most of the institutions are assisting students with a view to earning a profit, as the rate of interest charged and securities requested are almost the same as for any other type of commercial loan. The rate of interest varies from institution to institution. Some grant loans only to their members.

Even with loans offered under terms close to those practised in business and with a high rate of interest, some students and parents do contract loans to finance their higher education or that of their children. A properly-designed national student loans scheme would help significantly in providing the necessary framework to facilitate private participation in the financing of higher education in Mauritius. In addition to relieving pressures on the budget of the government, this could be designed so as to provide equity and equality of access in the system, thereby also increasing participation.

A review and analysis of existing practices in the granting and management of student loans in selected countries and regions was undertaken in order to identify their strengths and weaknesses. This was done with a view to proposing an appropriate loans scheme for Mauritius, based on best practice, that attempts to avoid weaknesses identified in some of the loans schemes of other countries.

On the basis of unit cost at the University of Mauritius and other expenses such as books, transport and living expenses, it is expected that at present a loan of 75,000 Rupees (Rs.) per annum would be reasonable

and adequate for students. In view of the large amount of funds that would be engaged and the risk involved, a loans scheme funded by the government is not being proposed. Rather, it is suggested that the fund required for the student loans be provided by financial institutions and that government top up the rate of interest payable by students. The amount of interest payable by government would be the difference between the commercial rate of interest and the reduced rate paid by students.

With a 3 per cent topping up of the rate of interest, which will also be a subsidy, at a rate of 3,000 students per annum for three years, the government would spend Rs. 101.3 million as compared to Rs. 513 million had there been no student loans scheme.

Chapter 1

Introduction

1.1 Student loans

Higher education is increasingly being viewed by the government as critical to the development and competitiveness of the economy, and particularly the ‘knowledge-based economy’. With continued expansion in enrolment resulting from broadening of access to higher education coupled with national policies for promoting lifelong learning, there is need to ensure that the sector is financially sustainable and remains competitive in a world of global accessibility and increased student choice.

Over the last few decades, enrolment in higher education has grown so rapidly that the state, which has been playing a major role in the funding of the sector in many countries, is finding it more difficult to do so. The availability of finance has become a barrier to higher education expansion. Due to these financial constraints, the state’s role in funding higher education is being discussed and it has become essential to look for alternative sources of funding for higher education.

Private participation, particularly through cost sharing with students, is becoming popular as an alternative means of funding higher education. This is all the more true where higher education is being looked on as a commodity that can be traded using different modes, different platforms and across borders.

Nonetheless, private participation through cost sharing in the funding of higher education raises the issue of how to overcome problems related to equality of access, particularly given the increasing costs borne by students and families, usually in the form of tuition and fees. Student loans are increasingly being used to overcome these problems.

1.2 Objective of the study

The objective of this study is to examine the operation of existing student loans schemes in Mauritius, with a view to making proposals for a national scheme for the country. At present, there is no national or state-supported student loans scheme proper, however different student loans schemes operated mainly by commercial banks and some benevolent institutions, each with different objectives, do exist.

Demand for higher education in Mauritius is increasing, and there are indications that this trend will continue in future. The gross enrolment rate (GER) at the higher level was 15.7 per cent in December 2001. This is considered to be low and there has been a proposal to increase it to some 30 per cent by the year 2010. In view of the fact that the government is the major funder of higher education in the country, this will increase pressure on both government funds and family incomes, as fees and associated costs may rise above their financial capabilities. Although education is said to be free in Mauritius up to the higher level, public higher education institutions do charge some non-tuition fees. Moreover, the recently created University of Technology, Mauritius has started charging fees, including tuition fees at the rate of about 25 per cent of cost. Furthermore, students attending private higher education institutions pay the full cost of their education. With growing demand for higher education, increasing unit cost in the higher education sector, rising emphasis on quality education and escalating pressures from other sectors of the economy on government funds, there are indications that the government will not be able to continue to financially sustain free higher education on the same scale.

There is therefore need to diversify the funding of education to supplement government funding and avoid higher education institutions facing conditions of financial austerity. Cost sharing with students is therefore imminent. With the advent of cost sharing in education, system equity and student support schemes will become very important and can be ensured to some extent through an appropriate national student loans scheme. A state-supported loans scheme would not only help the government, but also students and their families. In addition to easing the pressure on public funds, it would enable students to study now and pay later.

Various forms of state-supported loans schemes for higher education students have been developed in more than 60 countries worldwide. The rationale behind these is well established:

1. They are able to relieve pressures on the national budget by facilitating greater cost sharing. Resources freed up may be used for expenditure in other areas of social priority (Psacharopoulos, Tan and Jimenez, 1987).
2. Targeted at disadvantaged groups, they can lead to greater access by the poor to higher education, thus contributing to improved social equity.
3. They are of particular interest to policy-makers, as they are able to contribute to solving a range of pressing problems facing governments in the areas of human resource capacity building and availability.
4. They ease the payment burden of education falling on students and their families, by enabling them to delay payment until they are in receipt of some income that the additional education would have made possible.
5. They help in achieving greater cost recovery by shifting some of the costs of higher education away from government (or taxpayers) to the main beneficiaries of higher education – the students.
6. Targeted at priority fields, they can lead to the loosening of manpower bottlenecks that inhibit national and social development.
7. They help in improving quality, efficiency and effectiveness in higher education, as when students pay for their studies they are more likely to seek value for money.

Student loans schemes have proved to be useful in some countries. In others, however, the outcomes have been disappointing, both in terms of meeting set objectives and in terms of financial sustainability. Where schemes have been less successful, the lack of success has stemmed from weakness in the process (administrative deficiencies, excessive default or poor targeting) or from excessively generous loans conditions and high subsidies.

The fact that state-supported student loans schemes function relatively well in some countries (Republic of Korea, for example) implies that the concept is essentially workable, provided it is properly

adapted to the specific economic, social, political and cultural situation of the country.

1.3 Methodology

The research methods used in this study include a literature search and desk study for collection of secondary data, and a survey and interviews for collection of primary data. The survey covered all existing student loan-granting institutions in Mauritius. Specific information was collected and working meetings held.

A review and analysis of existing practices in the granting and management of student loans in selected countries and regions was undertaken in order to identify best practices as well as weaknesses in some of the schemes. This was done with a view to proposing an appropriate loans scheme for Mauritius, based on best practices, that attempts to avoid weaknesses identified in some of the loans schemes of other countries.

1.4 Expected outcomes

It is expected that the methods used will provide a systematic and scientific approach to the development of an appropriate student loans scheme for Mauritius. This could be adopted by the government to support students and hence increase access to higher education in the country.

Chapter 2

Profile of Mauritius

2.1 The country

Mauritius is a very small island nation. It is one of the three islands, collectively called the Mascarene Islands, situated in the south-west part of the Indian Ocean (the other two being Reunion and Rodrigues islands). It lies on longitude 57° east of the Greenwich Meridian and its latitude ranges from 19°58" to 20°32" in the southern hemisphere, just north of the Tropic of Capricorn. It is a volcanic island of 2,040 square kilometres (sq. km) situated at a distance of 2,000 km from the east coast of Africa and 900 km from Madagascar. Although the total land area is small, its exclusive zone is quite vast, covering some 1,700,000 sq. km. of seas.

The French occupied the island from 1715 to 1810, when it was conquered by the British. The island remained a British colony until independence in 1968 and became a Republic in March 1992. The Republic of Mauritius comprises three main islands: Mauritius, Rodrigues and Agalega, as well as several smaller islands around those three main islands.

As of end December 2003, the population of the Republic of Mauritius stood at 1.2 million, growing at a little less than 1 per cent per annum. The population of the country aged 5-24 years was 0.4 million.

2.2 Main indicators

Table 2.1 shows some of the main indicators of the Mauritian economy:

Table 2.1 Main indicators for Mauritius, 2002

Estimated population as of June (in millions) of which population aged 5 to 24 years (1,000s)	1.22 418
Density per km	596
Crude birth rate per 1,000	16.5
Crude death rate per 1,000	6.9
Infant mortality rate	14.6
GDP at market prices Rs. in millions	143,510
Consumer price index – yearly average (Base: July 02 - 02 = 100)	103
Inflation rate %	6.4
Total exports (f.o.b.) Rs. M	54,762
Total imports (c.i.f.) Rs. M	64,888
Tourists: arrivals	681,648
Earnings Rs. (in millions)	18,328
Gross enrolment rate (primary education) %	103
Gross enrolment rate (secondary education) %	69

2.3 Challenges

Since independence, Mauritius has experienced a major structural transformation, from an agricultural mono-crop economy with high levels of unemployment and a low per capita income, to a middle-income country with almost full employment.

In spite of this, Mauritius remains vulnerable to external influences due to the openness of its economy. Indeed, it is being confronted with new challenges arising from post-General Agreement on Tariffs and Trade (GATT), the creation of new economic blocks, and competition from former socialist and other newly-developing and reformed economies.

With globalization, the domestic and international environment facing Mauritius over the coming years will be far more competitive and

demanding, requiring emphasis on quality, added value, flexibility and innovativeness.

Major constraints have also cropped up internally. Increasing shortages of skilled labour coupled with growing pressures for higher wages and salaries, thus eroding the competitiveness of the country's exports on the international market, and the resurgence of unemployment, threaten to slacken the growth momentum of the economy.

Government policy is therefore to encourage the manufacturing sector to further modernize its operations and diversify its activities in order to ensure that Mauritian products become more competitive quality-wise and price-wise. This will enable the country both to maintain and, if possible, increase its share in international markets and to further develop the services sector. It is also the declared policy of the government to develop the ICT sector and transform the economy into one based on knowledge, making the country a knowledge hub in the Indian Ocean region. This strategy requires a more rational and optimal use of available resources, that is to say: a steady and continuing growth in total factor productivity, including labour productivity; a new industrial culture; improved work ethics; and rapid response capacity. The education system, and in particular higher education, needs to be re-oriented to respond more effectively to these challenges and modernize the economy.

With the changes occurring in the economic environment, the higher education sector will play a key role in securing Mauritius' future economic development. It will improve its competitive edge, economic growth, employment opportunities, productivity and social cohesion. As the country moves into the twenty-first century, the higher education sector will have to continually adapt to meet ongoing transformation in student needs.

To meet the above challenges, the level of participation in higher education is very low (15.7 per cent) for a country like Mauritius, which intends to be the 'tiger' of the Indian Ocean. In fact, other countries such as Taiwan and Republic of Korea have a participation of 31 per cent and 48 per cent respectively in higher education. The number of students per 100,000 inhabitants enrolled in higher education is also low as compared to other countries (564 for Mauritius as compared to 2,522 for Singapore,

4,955 for the Republic of Korea, 3,126 for the UK and 5,401 for Australia (UNDP, 2000). If Mauritius wants to position itself as a knowledge-based society, it will have to increase its participation rate in higher education. In view of rising labour costs and competitive pressures from emerging economies such as India, China, Malaysia and Indonesia, Mauritius will need to improve its skill mix, not only to increase output per unit of labour, but also to produce high value-added goods and services. To this end, Mauritius will need more skilled technicians and professionals. Hence, more and better quality higher education is necessary for the country's continued development.

2.4 History of education

The history of education in Mauritius can be traced back to 1767, with the opening under French colonial rule of the first school in Port Louis. However, during the period in which Mauritius was a French colony, that is to say 1715-1810, education was the exclusive right of a few children. Although some missionaries and private individuals attempted to provide educational opportunities for the less privileged groups, these efforts were very restricted and on many occasions had to be abandoned on financial grounds.

It was not until the 1930s and 1940s, under British rule, that the beginning of a historic movement for mass education in Mauritius emerged. Primary schools were set up for children of free coloured and slaves, with the assistance of missionaries and religious bodies such as the Roman Catholic Church. However, the provision of education for the masses progressed slowly, strongly influenced by conservative forces aimed at perpetuating an unjust colonial system based on the maintenance of a cheap, ignorant and poor labour force (Bunwaree, 1994).

With the constitutional reforms of 1948, elections were held on an extended franchise based on a simple literacy test in languages spoken in Mauritius. Government then embarked on a programme of 'Education for All', conceived as a *sine qua non* to bring about greater social, cultural, economic and political equity. The result was a more than 200 per cent increase in primary school enrolment, from 42,340 in 1946 to 85,500 in 1957.

Progress at the secondary level was relatively slower. Although enrolment had increased fivefold during the period 1946-1957, in

absolute terms the numbers were small, rising from 2,973 to 12,600. Approximately 65 per cent of the 12,600 secondary school children attended fee-paying private secondary schools in 1957.

Development in higher education was even slower. A Teacher Training School (*École normale*) was established in 1862. However, this school was abolished in 1876 and no provision for teacher training existed until 1902, when a Training College for Men was established, followed by a Women's College a year later. In 1914, a School of Agriculture was established in the Department of Agriculture. It was renamed College of Agriculture in 1924 and absorbed by the University of Mauritius in 1965. Higher education witnessed major strides after independence, with the establishment of three schools at the University of Mauritius in 1968; the Mahatma Gandhi Institute (1970); the Mauritius College of the Air (1971); and the Mauritius Institute of Education (1973). A University of Technology was established in 2000. In addition to the five higher education institutions, there are three polytechnics and several private institutions operating in Mauritius.

A significant development in the annals of education in Mauritius was the introduction of free education at the secondary level in 1976, thus extending free education from the primary level (which has never charged for tuition) to the secondary level. In 1988, fees were abolished at the University of Mauritius, thereby further extending free education to the higher education sector.

2.5 Education system

The government has played a major role in promoting education as part of its socio-economic development strategy. The provision of education in Mauritius falls under the responsibility of the Ministry of Education and Scientific Research (MoESR). The government provides the bulk of primary and secondary education as well as a major proportion of higher education, and at present education is free from the pre-primary to the higher education levels. The Education Act of 1957 allows private operators to provide education services from pre-primary to vocational and higher levels.

The current education system comprises pre-primary schooling up to the age of five years, followed by six years of primary schooling, five years of secondary schooling leading to the School Certificate

(‘O’ level) and two further years for the Higher School Certificate (‘A’ level). The six years of primary education culminate in the Certificate of Primary Education (CPE) examination, which is used for selecting students for entrance to secondary schools.

Pre-primary education: Pre-primary education is provided mainly by private fee-paying schools. The government is gradually increasing its presence in this sector by providing pre-primary education in primary schools. There are about 1,100 pre-primary schools in the Republic of Mauritius, catering for some 80-90 per cent of children aged 3-5 years old. Some 12.2 per cent of these schools are administered by Parent Teacher Associations on primary school premises, while the other 87.8 per cent are privately-run institutions. Government provides a subsidy of Rs. 200 per month per student to pre-primary schools registered with the Ministry of Education. Its financial inputs towards free pre-primary education for the financial year 2002/2003 were Rs. 68 million, representing 1.6 per cent of the total expenditure on education in that year.

Primary education: The primary cycle lasts six years, from Standard 1 to Standard 6. There were 277 primary schools in 2002, comprising 214 government schools and 63 aided schools, of which 15 were administered by the Roman Catholic Education Authority and two by the Hindu Education Authority. In addition, there were nine private fee-paying schools. Government schools enrolled 76 per cent of pupils, while aided schools absorbed the remaining 24 per cent. Compulsory primary education was introduced in 1992.

Enrolment at the primary level has been universal since the 1960s for both boys and girls, and stood at 132,432 in 2002 – a gross enrolment rate of 103 per cent of the relevant age group 5-12 years. Government recurrent expenditure on primary education was about 31.9 per cent of the total budget for education for the financial year 2002. The average unit cost per student at the primary school level was Rs. 10,500.

Secondary education: The secondary education cycle lasts for seven years. The School Certificate examination takes place at the end of Form 5 (after five years), while the Higher School Certificate examination is at the end of the cycle (two years after the School Certificate). Secondary education is provided mainly in grammar-type schools, in state schools, in schools run by religious bodies, and in other

fee-paying and non-fee-paying private secondary schools. This last group of schools are fully subsidized by the government. In 2002, there were 40 state secondary schools and 99 private secondary schools (of which 18 were run by religious bodies). In addition, there were four fee-paying private schools. Secondary school enrolment in 2002 stood at 105,653. State schools enrolled 22 per cent of the overall student population, while the private schools enrolled the remaining 78 per cent. However, the gross secondary enrolment rate (69 per cent) is significantly lower compared to newly-industrialized countries and regions such as Singapore (80 per cent) and Hong Kong (73 per cent).

Government recurrent expenditure on secondary education was about 40.3 per cent of the total budget for education in 2002. The average unit cost per student at the secondary level was Rs. 16,600, however this varies between Rs. 10,000 and Rs. 24,000 depending on the school. Government schools tend to have higher costs, mainly due to better infrastructure, more qualified teachers and the larger range of subjects offered.

Technical education: Technical and vocational education and training is provided in Mauritius by the Industrial and Vocational Training Board (IVTB) and the polytechnics. Technical and vocational education accounted for 1.9 per cent of government recurrent expenditure on education in 2002. However, this figure does not reflect the total expenditure on technical and vocational education. The IVTB collects 1 per cent of the wage bill of the private sector as a levy, which is used to finance its budget. In addition to the 1 per cent levy, the private sector also spends on training their staff locally and overseas.

Higher education: Higher education in Mauritius is provided by a range of public and private sector institutions. Within the public sector, it is provided essentially by the University of Mauritius (UoM). Other publicly-funded higher educational institutions are: the Mauritius Institute of Education (MIE); the Mauritius College of the Air (MCA); the Mahatma Gandhi Institute (MGI); the University of Technology, Mauritius (UTM); the Mauritius Institute of Health (MIH); and the three polytechnics. The Tertiary Education Commission (TEC), established in 1988, is a key institution responsible for planning and co-ordinating higher education in Mauritius. The IVTB also runs some post-secondary courses.

2.6 Flow of students in the education system

The education system in Mauritius can be divided into three distinct parts, namely primary, secondary and higher. On the basis of the educational statistics available at the MoESR, it is observed that of the 24,424 students enrolled in the first year of the primary cycle in 1986, only 1,955 (8 per cent) went on to higher education in 1999.

Table 2.2 shows the flow of the 1986 primary cohort in the Mauritian system:

Table 2.2 Flow of students in the Mauritian education system

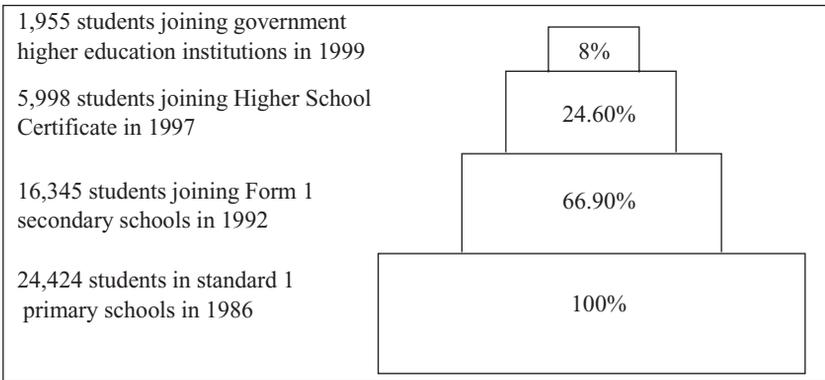
Year	Level	Enrolment	Percentage
1986	Joined Standard 1 primary school ⁽¹⁾	24,424	100%
1992	Joined Form 1 secondary school ⁽¹⁾	16,345	66.9%
1997	Joined Form 6, Higher School Certificate ⁽¹⁾	5,998	24.6%
1999	Enrolled in public higher educational institutions ⁽²⁾	1,955	8.0%

Sources:

- (1) Educational statistics, MoESR.
- (2) Participation in Tertiary Education, Tertiary Education Commission, 1999 – adjusted to include only new admissions from secondary schools.

This is shown in *Chart 2.1* below:

Chart 2.1 Flow of students in the Mauritian education system



Source: MoESR.

2.7 Expenditure on education

Total recurrent expenditure on education increased from Rs. 1,440 million in 1992 to Rs. 4,274 million in 2001, i.e. there was an increase of 197 per cent during the period 1992-2001.

The share of the recurrent education budget compared to the total government expenditure increased from 13.4 per cent in 1992 to about 15.3 per cent in 2001. As a percentage of the gross domestic product (GDP), however, government expenditure remained constant at 3.4 per cent.

2.8 Details of recurrent government expenditure on education

Details of recurrent government expenditure on education for the years 1992 and 2001 are shown in *Table 4.1* below.

In the 1992 national budget of Mauritius, the Ministry of Education had an allocation of Rs. 1,440 million for recurrent expenditure. This represented about 13.4 per cent of the government's total recurrent expenditure. In 2001, recurrent expenditure on education rose to Rs. 4,274 million, representing about 15.3 per cent of total government recurrent expenditure.

Table 2.3 Recurrent government expenditure on education

	1992	2001
	Rs. (m)	Rs. (m)
Total govt. expenditure (rec)	10,710	27,996
Expenditure on education (rec)	1,440	4,274
% of exp. on education on total	13.45	15.3
Expenditure by sector	Rs. (m)	Rs. (m)
Pre-primary	9	60
Primary	545	1,283
Secondary	602	1,610
Higher	137	656

Table 2.3 (continued)

Technical & vocational	21	78
Others	126	351
Total	1,440	4,274
% of rec. exp. by sector	%	%
Pre-primary	0.6	1.5
Primary	37.8	31.8
Secondary	41.8	39.9
Higher	9.5	16.2
Technical & vocational	1.5	1.9
Others	8.8	8.7
Total	100.0	100.0
Enrolment		
Primary	1,23971	133,725
Secondary	81,706	102,566

Source: MoESR.

It must be pointed out that the figures do not account for all government expenditure on education. Some ministries other than the Ministry of Education also allocate funds for education purposes (such as the Ministry of Health, the Ministry of Environment and the Ministry of Training and Skills Development). In addition to this, some expenditure is also incurred for education by the private sector, non-governmental organizations and parents (mainly for maintenance cost and private tuition fees).

Chapter 3

The higher education system in Mauritius

3.1 Overview

In Mauritius, higher education essentially means post-secondary education and is offered by both private and public institutions.

The publicly-funded institutions comprise five higher education institutions (UoM, MIE, MGI, MCA and UTM) that operate under the purview of the Tertiary Education Commission (TEC), and three polytechnics managed by the Technical School Management Trust Fund (TSMTF), the Industrial and Vocational Training Board (IVTB) and the Mauritius Institute of Health (MIH).

In addition to the publicly-funded institutions listed above, a number of private institutions run higher education level courses. Almost all of them run courses in collaboration with overseas institutions. There is also a significant number of Mauritians who travel abroad or rely exclusively on the distance mode for their higher education.

Some new developments have recently taken place in the higher education sector in Mauritius. These include the setting up of:

1. two higher education institutions with a regional vocation, namely the University of the Indian Ocean (UIO) and the *Institut francophone d'entrepreneuriat* (IFE);
2. the SSR Medical School; and
3. a private dental college.

There are proposals for making Mauritius a knowledge-based economy. This will entail in the near future greater privatization of higher education, through the creation of more private institutions, private universities, branch universities and companies.

3.2 Participation in higher education

As already pointed out, some 20,488 Mauritians were undertaking higher education as of December 2001. *Table 3.1* shows the enrolment of students in publicly and privately-funded institutions. The higher education enrolment rate, calculated as a percentage of the population aged 19 to 24 years, was 15.7 per cent in December 2001. More than 85 per cent of students were undertaking their studies locally, of which 65 per cent were in publicly-funded institutions.

The percentage of students following higher education courses in publicly-funded institutions was 55 per cent of the overall participation in higher education. At present, the five higher education institutions (UoM, MIE, MGI, MCA and UTM) taken together account for 50 per cent of the higher education student population, with 10,204 students.

Table 3.1 Enrolment in higher education, 2001

	Total enrolment
Publicly-funded institutions	
Higher education institutions	10,204
University of Mauritius	5,027
University of Technology, Mauritius	368
Mauritius Institute of Education	4,026
Mahatma Gandhi Institute	520
Mauritius College of the Air	263
Polytechnics	939
Sir Guy Forget	334
Swami Dayanand	97
<i>Institut Supérieur de Technologie</i>	508
Other	226
Industrial Vocational & Training Board	201
Mauritius Institute of Health	25
Sub-total	11,369
Private institutions and distance education	6,100
Overseas	3,019
Total	20,488

Source: TEC, 2002.

The three polytechnics: the *Lycée polytechnique* Sir Guy Forget, the Swami Dayanand Institute of Management and the *Institut supérieur de technologie* account for 4.6 per cent of the student population. The other

publicly-funded institutions, namely the IVTB and the MIH, account for only 1 per cent of the student population.

3.3 The University of Mauritius (UoM)

Established in 1965, the University of Mauritius absorbed the College of Agriculture, which was established in 1914 and currently dominates the local higher education sector. Originally it started with only three schools, namely agriculture, administration and industrial technology. Today, the University of Mauritius has expanded, comprising five faculties, namely: agriculture; engineering; law and management; science; and social studies and humanities. It also comprises a Centre for Medical Research and Studies; a Centre for Distance Learning; a Centre for Information Technology and Systems; and a Consultancy Centre. In 2001, the University had a student population of 5,027.

3.4 Mauritius Institute of Education (MIE)

Founded in 1973, the Mauritius Institute of Education (MIE) was initially responsible for teacher education, curriculum research and development, and reform of the national examinations system. Over time, the National Curriculum Centre for Research and Development, along with the Mauritius Examinations Syndicate (MES), have taken over the role of curriculum development and examinations respectively from the MIE.

At present, the MIE is mainly engaged in teacher education and comprises four schools, namely: applied science; education; science and mathematics; and the arts and the humanities. The main objective of the MIE is to improve the quality, competence and qualifications of the teaching force in the education system, spanning from pre-primary and primary to the secondary level. Total enrolment at the MIE amounted to 4,026 in 2001.

3.5 Mahatma Gandhi Institute

The Mahatma Gandhi Institute (MGI) was established in 1970 as a joint Government of Mauritius-Government of India venture for the general promotion of education and culture, with emphasis on Indian culture and traditions. Today, it has responsibilities, within the

higher education set-up, for courses in such areas as Indian studies, the performing arts, fine arts, Chinese and Mauritian studies. The MGI comprises four main schools, namely: Indian music and dance; fine arts; Indian studies; and Mauritian, African and Asian studies. The MGI had a student population of 520 at the higher education level in 2001.

3.6 Mauritius College of the Air

The Mauritius College of the Air (MCA) was established in 1971 to promote education, the arts, science and culture through mass media. In 1985, the Statute of MCA was re-enacted to maintain distance education as the major strategy to meet its objectives. In 1986, the MCA merged with the Audio-Visual Centre of the Ministry of Education and until recently it has been catering mainly for the primary and secondary education sectors through the production of education programmes for broadcast on radio and television. The MCA has also been producing educational materials for non-broadcast use in non-formal or continuing education. In 2001, the MCA had 263 students undertaking higher education courses run jointly with overseas institutions.

3.7 Tertiary Education Commission

Overseeing the four higher education institutions listed above is the Tertiary Education Commission (TEC), which was set up in 1988. The responsibilities of the Commission are, *inter alia*:

1. to foster the development of post-secondary education and training facilities;
2. to provide guidelines to the tertiary education institutions for preparing annual and long term plans for the operation and development of post-secondary education and training;
3. to make recommendations to the Minister of Education and Scientific Research on the development of tertiary education in Mauritius;
4. to advise the Minister on policy matters relating to the award of scholarships;
5. to promote co-ordination among the tertiary education institutions in respect of: (i) the use of physical infrastructure and other material resources; (ii) the optimum use of manpower; (iii) the organization

- of tertiary education programmes; and (iv) the planning and implementation of research; and
6. to receive funds from government and allocate them to the tertiary education institutions on the basis of their annual and long-term programmes.

3.8 Polytechnics

Initially, there was only one polytechnic in the country, whose programmes were primarily vocational in nature. However, with the creation of two additional polytechnics, the emphasis has changed.

At present, the Sir Guy Forget Polytechnic offers courses at Technician level (*Brevet de technicien*) and the Swami Dayanand Institute of Management runs diploma courses in information technology, business administration and informatics. The *Institut supérieur de technologie* offers diploma level programmes in electrotechnics, mechatronics and civil engineering. The total enrolment of the three polytechnics was 939 in 2001.

3.9 Technical School Management Trust Fund (TSMTF)

The TSMTF was created in 1990 to manage the polytechnics. It is administered by a Board. Industry Advisory Committees are appointed in respect of each course being run. Each Committee comprises representatives of both the public and private sectors and is responsible for establishing course objectives, curriculum content and delivery modes; establishing terminal standards and certification; prescribing training equipment, hardware and software; setting training facilities and environment; advising on industrial training attachments; reviewing course results and diploma holders' employment performance; monitoring and evaluating market demand; and assessing and upgrading courses.

3.10 Industrial and Vocational Training Board (IVTB)

Most of the courses run at the Industrial and Vocational Training Board (IVTB) are of a vocational nature and lead to the National Trade Certificates – NTC (levels 3 and 2). The government sponsors these courses under the aegis of the IVTB, which organizes its own training

and also supervises training courses provided by the private sector. Since 1998, the IVTB has started running selected higher-education-level courses at the Higher National Diploma level (HND).

3.11 Private institutions and distance education

There are more than 30 private institutions operating in the higher education sector in Mauritius (Tertiary Education Commission, 2000). These institutions offer primarily ‘niche’ courses in such disciplines as management, accountancy and information technology, and are mostly affiliated with overseas institutions. They encompass both distance learning and face-to-face tutorials.

A majority of the examinations are conducted by the MES, although a few are organized and supervised by the overseas institutions themselves in collaboration with the local partner organization. In 2001, there were 6,100 students embarked in higher education, through either distance education or face-to-face tutorials.

3.12 The University of the Indian Ocean (UIO)

The University of the Indian Ocean was established in 1998 under the aegis of the Indian Ocean Commission. It is essentially a network of higher education and research institutions of the five member states of the Indian Ocean Commission: Comores; Madagascar; Mauritius; Reunion Island; and Seychelles. Its secretariat is based in Reunion Island. UIO offers higher-education-level programmes to students of five member countries and until now has run two courses in Mauritius, namely: waste water management; and a (bilingual – English and French) Master of Business Administration.

3.13 The University of Technology, Mauritius

A new institution, The University of Technology, Mauritius, was created in June 2000.

The objects and functions of the University are to:

1. provide multi-level higher education including continuing professional education;

2. foster and encourage the advancement and development of knowledge and skills;
3. provide research, development, consultancy and other services for industrial or commercial organizations, public bodies or individuals;
4. exploit commercially for its benefit the services and resources of the University of Technology;
5. serve as a centre for fostering co-operation, partnership and exchange of ideas between the academic community on the one hand and the public and private sectors on the other;
6. promote entrepreneurship among its students;
7. give a regional and international dimension to its teaching, research, consultancy, development, service and other activities; and
8. develop into an institution of excellence in teaching, training, scholarship, research, consultancy, service and other services and products, with emphasis on its areas of operation.

The mission of this new institution is to train leaders, professionals, technologists and entrepreneurs for the Republic of Mauritius, in order to meet the manpower needs for the social, economic and technological development that will sustain the growth and competitiveness of the country. As the name suggests, it is technology-based and hence programmes are offered in the fields of information technology, engineering and sustainable development sciences. Indeed, the University of Technology, Mauritius is complementary to the University on Mauritius, other than that it does not offer programmes in the humanities and the arts.

3.14 Funding of higher education in Mauritius

In Mauritius, the near-totality of funding required for public higher education institutions comes from the government. Education at the University of Mauritius became free in December 1976. The decision to abolish fees at the University of Mauritius in 1976 was made in the wake of a political decision of the then government, taken on the eve of the December 1976 general elections, to introduce free secondary education in Mauritius. Fees were, however, reintroduced in June 1980, to be abolished again in 1988. Tuition fees are therefore non-existent in public higher educational institutions, with the exception of the UTM, established in 2000, which charges fees including tuition fees at about 25 per cent of the cost.

There are about 6,100 students following courses locally in private institutions or through distance education. These students pay their own fees and are not subsidized by government. Students studying overseas also spend a substantial amount on their studies. Total expenditure on higher education for Mauritian students studying abroad is estimated to be more than Rs. 1 billion per annum, the equivalent of almost twice the total recurrent budget of the publicly-funded higher education institutions (Tertiary Education Commission, 2000 -2001). The economic return on the use of public funds (in the form of scholarships and tax rebates that are public revenue foregone) for students studying overseas is low, as many of them do not come back and thus are losses to the Mauritian economy. As a result, there is a low social rate of return, but a high private rate of return to such public investment in higher education.

Funding of the public higher education institutions is managed by the TEC, while that of the polytechnics is managed by TSMTF. Although IVTB and MIH are considered publicly-funded institutions, their funds do not come from the Ministry of Education. In fact, IVTB receives most of its funding from the private sector in the form of a levy, while all expenses of the MIH are borne by the Ministry of Health and treated as the training and upgrading of staff.

The budgetary allocation for the public higher education institutions is provided by the Ministry of Finance in the form of a one-line item to TEC and to the TSMTF. Funds received are allocated to the institutions on the basis of their budgetary submissions.

The sources of funding of the higher education institutions are shown in the table below. Nearly 90 per cent of the funds of higher education institutions come from the government as a grant. Of the remaining 10 per cent income, approximately 6 per cent comes from non-tuition fees charged to students. The other 4 per cent represents income generated internally by the higher education institutions.

Table 3.2 Sources of income of the higher education institutions

Year	TEC		UOM		MIE		MGI		MCA		Total	
	*Rec. grant from govt. Rs.M	% of total rec. income	Rec. grant from govt. Rs.M	% of total rec. income	Rec. grant from govt. Rs.M	% of total rec. income	Rec. grant from govt. Rs.M	% of total rec. income	Rec. grant from govt. Rs.M	% of total rec. income	Rec. grant from govt. Rs.M	% of total rec. income
1994/1995	15.3	97.0	106.9	84.4	57.6	95.3	76.7	96.8	24.3	90.1	280.8	90.8
1995/1996	25.4	96.8	112.0	79.6	56.2	94.8	80.3	96.6	29.5	91.4	303.4	88.8
1996/1997	25.9	95.3	130.5	84.3	61.1	94.4	80.4	91.9	32.5	91.6	330.4	89.3
1997/1998	24.1	95.7	153.7	83.8	67.0	93.2	90.0	91.9	35.0	91.2	369.8	88.8
1998/1999	26.9	91.2	187.0	83.7	77.1	93.6	98.5	89.8	44.8	92.6	434.3	89.7
1999/2000	14.1	79.6	190.4	79.4	73.6	89.3	101.7	89.4	43.5	91.9	423.3	84.4
2000/2001	22.5	84.9	212.6	76.1	82.3	91.4	114.2	92.1	55.7	88.8	487.3	83.6

Source: Financial statements of higher education institutions.

Note: * Rec: Recurrent

Chapter 4

Projected demand, supply, cost and financial sustainability of higher education in Mauritius

In this section, a projection of the demand for and supply of higher education in Mauritius for 10 years is shown. Based on that projection, the cost of higher education up to the year 2010 is then estimated, with a view to assessing whether the government will be able to financially sustain the sector.

4.1 Demand for higher education

A number of facts indicate compellingly that demand for higher education will continue to increase in Mauritius. These include:

1. People everywhere believe that education is beneficial to themselves and to their children (Gilles *et. al*, 1992) and hence demand for education will always be on the increase;
2. Education and income are highly correlated at both the individual and the societal levels. As a general rule, people with more education obtain higher levels of income, especially over time (Blaug, 1973);
3. One of the most important factors in the process of economic growth is related to the improvement of human capital through improved training and education, among other things;
4. The rates of return on education are generally high, particularly in developing countries (Psacharopolous, 1995);
5. Higher education is believed to confer other benefits such as civic status, democracy, success, environment and identity;
6. The emergence of mass education, the changing nature of the labour force and changes in people's aspirations have driven policy-makers to adopt enrolment targets that are very high by historical standards; and

7. The increasing emphasis on meeting changing educational and manpower requirements, related to the emergence of rapidly-changing technologies, is impacting on the nature of an increasing proportion of jobs.

On the basis of the above, it is clear that demand for higher education will grow rapidly. This increase will come basically from the following main areas:

1. the larger population and continued growth in student numbers, as the population bulge currently in the secondary school sector moves through to the higher education sector;
2. demand from postgraduates, employers and mature age learners;
3. ongoing pressure to improve quality;
4. a greater need for employees to return to higher education periodically during their working lives to update their skills;
5. the internationalization of higher education;
6. the need to adapt to and exploit advances in information technology; and
7. the increased importance of the knowledge industry.

Based on an estimated annual average growth rate of 0.85 per cent over the period 1998-2010 (Mauritius Vision 2020 Forecast), the total population of Mauritius is expected to increase to 1,276,000 by the year 2010.

There were some 130,000 people aged between 19 and 24 years (higher education enrolment age group) in 2001. This represented 11 per cent of the total population of the country. On the basis of the population projection made by the Central Statistical Office, Mauritius, there will be 140,000 people aged between 19 and 24 years in Mauritius in the year 2010 – an increase of 12,000.

Table 4.1 shows the forecasted population of Mauritius for the period 2001 to 2010, together with that of the group aged 19-24 years.

Table 4.1 Forecasted population of Mauritius

Year (mid)	Forecast population (1,000s)	Relevant age group 19-24 (1,000s)
2001	1.182 (Actual)	130 (Actual)
2002	1.192	131
2003	1.202	132
2004	1.212	133
2005	1.222	134
2006	1.233	136
2007	1.243	137
2008	1.254	138
2009	1.265	139
2010	1.276	140

Source: Central Statistical Office, Mauritius.

This level of participation in higher education of 15 per cent is considered to be low compared to other countries in similar stages of development to Mauritius. If Mauritius wants to position itself as a knowledge-based society, it will have to increase its participation rate in higher education.

The *Tertiary education white paper* (1999) makes a proposal for a 30 per cent enrolment rate in the higher education sector by the year 2010. With this targeted higher education enrolment rate (of 30 per cent), student enrolment in higher education would stand at 42,000 in higher education in the year in 2010 – an increase of 105 per cent over the present student enrolment.

With the expected increase in secondary enrolment, demand for higher education will grow in the years to come. In fact, government's intention is to increase enrolment at secondary level by having compulsory eleven-year schooling, that is to say, schooling up to the school certificate level. This will automatically increase subsequent demand for higher education (Ministry of Education, March 1998; Ministry of Education and Scientific Research, May 2001). Although the target enrolment rate

for higher education is 30 per cent for the year 2010, the combined effect of the expansion in the population aged 19-24 years and the growth in the number of students coming out of the new secondary school system will further increase demand for higher education.

The industrial sector will also drive demand further up as a consequence of continuous upgrading of knowledge and skills to remain competitive. As increased emphasis is being placed on the knowledge economy, demand for higher education will therefore increase.

4.2 Supply of higher education

There is a large proportion of demand for higher education that remains unmet in Mauritius. *Table 4.2* provides the relationship between applications (demand) and intake (supply) at the University of Mauritius (UoM).

Table 4.2 Applicants and intake at the UoM, 1994/1995 – 2000/2001

Year	Applicants		Intake	
	Total	Qualified	No.	% of qualified
1994/1995	2,253	1,896	935	49%
1995/1996	2,819	2,433	956	39%
1996/1997	3,154	2,417	1,029	43%
1997/1998	3,320	2,769	1,427	52%
1998/1999	4,157	3,398	1,540	45%
1999/2000	5,657	4,792	2,179	45%
2000/2001	4,558	3,904	1,693	43%

Source: UoM.

It is observed that the average annual increase in the total number of qualified applicants to the University of Mauritius was 17 per cent over the period 1994/1995 to 2000/2001. Qualified applications as a proportion of the total hover around 85 per cent for the period. Of the total number of applicants, less than 45 per cent, on average, were admitted to the UoM.

The MIE enrolls in-service teachers only. There are also very limited places at the polytechnics, the MGI, the MCA and the IVTB. It is expected that with the setting up of the UTM, pressure on enrolment in higher education will ease up a little.

Table 3.1 indicated that enrolment in the higher education sector in 2001 stood at 20,488 students, of which 11,369 (55.5 per cent) were from publicly-funded higher education institutions. If Mauritius wishes to attain the 30 per cent target enrolment rate at the higher education level by 2010, it will need 42,000 seats, which represents an increase of 21,512 seats – more than double the present enrolment.

Assuming that enrolment in the private sector, which at present stands at 9,119, increases at an annual growth rate of 5 per cent, enrolment in 2010 in the private sector would be 14,147. In order to achieve the 30 per cent enrolment target, publicly-funded institutions would therefore have to increase their enrolment from the present level of 11,369 to 27,853. This is shown in *Table 4.3* below.

Table 4.3 Projected enrolment, 2001-2010

	2001(actual)	2010	Remarks
Total	20,488	42,000	42,000 represents 30% of the population aged between 19-24 in 2010
Of which private sector	9,119	14,147	5% growth per annum
Publicly-funded institutions	11,369	27,853	Balance

In order to increase enrolment from 11,369 to 27,853, either the capacity of existing institutions will have to be increased or new ones created. Both of these courses of action would require a significant amount of money to be invested in the higher education sector.

4.3 Projected cost of higher education in Mauritius in 2010

Using the projected figures for the student population in 2010 (*Tables 4.1* and *4.3*) and a unit cost of 65,000 per annum per student in 2010, an estimate of the cost of higher education in 2010 has been made in *Table 4.4*. The assumptions made in arriving at the estimates are then stated.

In the projected cost figure, only the higher education institutions and polytechnics have been taken into account, as the other institutions are not directly funded under the budget of the Ministry of Education.

Table 4.4 Projected cost of higher education in 2010 (at 2001 prices)

	2001	2010
Enrolment total	20,488	42,000
Enrolment private Institutions	9,119	14,147
Enrolment public Institutions	11,369	27,853
Unit cost Rs.	71,755	65,000
Total cost Rs.	815,782,595	1,810,455,000
% of govt grant	90%	90%
Govt exp HE Rs	734,204,336	1,629,400,500
Total govt exp Rs	4,274,000,000	6,630,376,795
% HE of total	17.18%	24.57%
GDP Rs	131,465,000,000	214,676,946,573
% of HE on GDP	0.56%	0.80%

Source: TEC.

NOTES

1. The 2001 unit cost works out at Rs. 71,555. It is expected that with an increase in the number of students, the unit cost will decrease. However, taking into account the size of the existing institutions and the need for new institutions and courses, only a reduction of 10 per cent over the period 2001-2021 has been taken. The cost in 2010 has therefore been estimated at Rs. 65,000.
2. The government grant in 2010 represents 90 per cent of the total cost for the sector, i.e. the same proportion as in 2001.
3. Government expenditure on education for the year 2010 is based on an estimated annual growth rate of 5 per cent, which is more or less the same real growth rate as over the past five years.
4. The GDP is based on an annual growth rate of 5.6 per cent (per Vision 2020 estimates).

It is observed that expenditure on higher education in the publicly-funded higher institutions is expected to increase more than two-fold, from Rs. 734.2 million to Rs. 1,629.4 million. The financial sustainability of the system is analyzed in the next section.

4.4 Financial sustainability of the higher education system in Mauritius

Table 4.4 reveals that if the target rate of 30 per cent enrolment is to be achieved by 2010, the proportion of government expenditure allocated to the higher education sector as a percentage of total expenditure on education will have to be increased from 17.18 per cent to 24.57 per cent in 2010. Government expenditure on higher education as a percentage of GDP will have to be increased from 0.558 per cent to 0.759 per cent in the year 2010 to meet the projected increase in enrolment.

These increases in the share of expenditure by the higher education sector, as a proportion of the total government expenditure on education and the GDP, are substantial. It would be very difficult for the government to sustain such increases.

Furthermore, the government has recently announced many reforms in the primary and secondary education sectors. These reforms will require a considerable amount of funds, decreasing the likelihood that the share allocated to the higher education sector will increase significantly in the next decade.

The government has on numerous occasions declared its intention to maintain the welfare state in Mauritius. This means that many basic necessities and other facilities will continue to be either free of charge or heavily subsidized. Pressures have already started to come from other sectors of the economy, such as health, housing and social security, which will compete with the education sector for public funds. It will therefore be difficult for the government to increase its expenditure on the higher education sector.

From the above analysis, it is less likely that the total amount of additional funding required to increase access to the higher education sector will come from the government. Therefore, any increase in expenditure in the higher education sector must come from sources other than government.

Chapter 5

Student loans as an alternative to funding of higher education in Mauritius

5.1 Introduction

The previous sections of this study have clearly established that the government will find it increasingly difficult to finance expansion in higher education. There is therefore a need for cost sharing in education, particularly in the higher education sector.

Cost sharing is generally thought of as the introduction of tuition fees to cover part of the costs of education, or of user charges to cover costs such as lodging, food and other expenses of student living that may have hitherto been borne substantially by governments (taxpayers) or the institutions. Cost sharing in the financing of education refers to contribution to the financing of education by stakeholders other than the government. It therefore refers essentially to private participation in the financing of education by students, parents and the community. However, there are many other possible forms, or what may usefully be thought of as stages, of cost sharing. Some of these are likely to be early and relatively easy, with fewer fiscal consequences but more political acceptability. Such measures could include the introduction of small non-instructional fees, the freezing or diminution of student support grants, the channelling of more students into a tuition-dependent private sector or, in the few countries that have introduced significant loan programmes, an improvement in recovery rates through an increase in the rate of interest or an improvement in collections (Johnstone, 2003).

The rationale for cost sharing has been the subject of a large and well-accepted (even if politically and ideologically contested) body of economic and public finance theory (Johnstone, 2003; Woodhall, 2002, 1992).

Opinions on the desirability or otherwise of private participation in the financing of education are mixed. However, the trend in many countries now, even in developed countries where free higher education has been a tradition for centuries, such as the UK and its ‘golden triangle’ universities, is for cost sharing through tuition fees, with appropriate mechanisms to assist those with financial difficulties.

Education at certain levels or of certain types is regarded as a commodity. Individuals have as much right to spend their money on education as they do on any other commodity. They therefore have a right to decide and choose how much they would like to spend on education; as well as what level, quantity and quality of education they may want.

Investment in education, be it by the government, the household, the rich or the poor, benefits all stakeholders, the economy and society as a whole, by increasing the general level of human capital contributing to economic growth and social development.

Education stakeholders can be classified into four groups:

1. government;
2. students and the parents (households) and the community;
3. employers; and
4. institutions.

As all stakeholders derive some benefits from education, all should participate in its financing. However, the extent and the form of the participation may differ.

Government has the obligation to provide education to its people. Its financial participation therefore cannot be avoided. However, depending on its social and economic policies, it may participate fully at certain levels, for instance at the basic and lower levels of education, and to a lesser extent at other levels, for example higher education.

Students, parents, households and employers also derive direct benefits from education. The returns to students are the highest and hence financial contribution on the part of the students or families is fully justified.

A more educated and skilled workforce will increase productivity and hence raise employers' profits. It is reasonable, therefore, that they should contribute to the financing of education. It could be argued that employers do contribute in the form of taxes, levies and other forms of social development to the community, however there may be a case for a more direct contribution to the financing of education by them in view of the direct benefits they derive from a more learned workforce.

5.2 Cost sharing in Mauritius

For a fairly long time now, private participation in the funding of education in Mauritius has been mainly in the form of private tuition at the level of primary and secondary school by parents and households. It is widely believed (by parents, in particular) that classroom teaching is insufficient for doing well in examinations and hence pupils must obtain private tuition.

According to a study carried out by Morisson (1997), the average cost of extra tuition, on the basis of tuition rates prevailing in 1997, represented a significant proportion when viewed as a percentage of the income of families. The study revealed that the percentage of household income spent on private tuition, depending on the number of subjects taken as private tuition, could range from 5 per cent up to 83 per cent (for up to five subjects at SC level and up to four subjects at HSC level).

Morisson's findings should be read with caution, as it would be very unreasonable to expect a household to spend 83 per cent of its income on private tuition only. In fact, the income used in the study conducted by Morisson is 'declared' income. Many Mauritians have income from sources other than their salaries.

On comparing the expenditure of parents on private tuition for one subject at the SC level with the unit cost of students at primary level, it was observed that parental willingness to pay for education for one subject at the SC level is three times what the government spends on each student at the primary school level. At the secondary school level, the comparison of unit cost has been made with the cost of private tuition for five subjects at the SC level and it was observed that parental willingness to pay for education varied from 0.55 to 1.5 times what government spends on each student at the secondary school level.

Given that almost all students participate in extra tuition, it can be argued that extra tuition is not, in practice, an addition to the basic education service. It forms an integral part of the provision of education in Mauritius. Seen in this perspective, it can be argued that extra tuition represents a form of regressive taxation and as such is inherently unfair, serving to reinforce basic inequalities in society.

According to another study conducted under the auspices of the Association for the Development of Education in Africa (ADEA) and the Council for the Development of Social Science Research in Africa, the private costs of education in Mauritius were estimated at more than 10 per cent of the government's recurrent outlay on education (Suddhoo *et al.*, 2001).

The capacity of publicly-funded higher education institutions to enrol students in Mauritius is limited. Of the 20,488 students participating in higher education in Mauritius in 2001, 9,119 (about 45 per cent) were following courses with private higher education institutions either locally or overseas. These students pay the full cost of their higher education. As pointed out previously, although higher education in publicly-funded institutions is free, these institutions do charge some non-tuition fees. The University of Technology, Mauritius (UTM) charges fees at the rate of 25 per cent of cost. Students following higher education in Mauritius therefore do pay some fees.

There are also a large number of Mauritians who proceed overseas for their higher studies and are funded by their parents. The cost borne by parents in this case are higher than what they would have paid locally, varying according to the country and discipline studied. The range of estimated costs per year in Australia, France, India, South Africa, UK and USA (common destinations for Mauritians) are: Rs. 318,000-Rs. 620,000; Rs. 115,000-Rs. 158,000; Rs. 30,000 Rs. 35,000; Rs. 105,000-Rs. 125,000; Rs. 390,000-Rs. 938,000; and Rs. 415,000-Rs. 937,000 respectively.

From the above, it is clear that households do contribute in some form to the financing of education in Mauritius. The figures from the 1997 study on private tuition and the number of Mauritians proceeding overseas for their higher studies at their own cost reveal that Mauritians value education, with some being prepared to spend a substantial amount

of their income on education in terms of private tuition. Willingness to pay for education therefore does exist in Mauritian society.

5.3 Cost sharing through student loans

Although cost sharing has many advantages including additional income for institutions and pressures relief on government budgets, it raises the issue of capacity to pay and hence makes the higher education system inequitable. Only those who can pay are able to enrol in higher education. In order to address this issue, many countries have introduced student loans schemes. Student loans are a means of deferring payment for higher education to a time when students are employed and can afford to pay.

Student loans provide for equity and equality of access to higher education in a system where cost sharing exists. A large number of students with financial difficulties can access higher education with student loans. They can take out loans, enrol, complete their higher studies and pay back the loans at a later stage when they start earning a salary. At the same time, higher education institutions will have upfront funds for their activities in the form of fees. Student loans can also be used for other objectives.

Ziderman (2004) has classified the different objectives of student loans into the following five categories:

1. budgetary objectives (income generation from tuition fees);
2. facilitating higher education expansion (bringing in more income from tuition for the institutions and facilitating the growth of private universities);
3. social objectives (improving and increasing equity/access for the poor): Student loans schemes may aim at enhancing the educational access of the poor. Subsidized loans schemes, in terms of grace period for repayment, below-market rates of interest and repayments not linked to inflation are some features that may be incorporated in loans schemes targeted at the poor;
4. manpower needs: Loans schemes may aim only at providing support for students who are willing to work in areas of national priority; and

5. easing student financial burdens while at the same time increasing their commitments.

In theory, a student loans programme combines the financial imperative of taxpayers' revenue supplementation with the social and political imperative of expanding higher educational accessibility. At the core of the student loan concept is the belief that students who will benefit so much from the privilege of higher education can reasonably be expected to make a modest contribution toward its considerable costs.

Student loans schemes have already been established in a number of countries. The success record of student loans, particularly in developing countries, has been mixed. While some schemes have proved to be broadly successful, others have frequently been disappointing both in terms of meeting set objectives and in terms of financial sustainability (Ziderman, 2004). It is therefore essential that policy reforms in the domain be guided by international experiences and records of good practice and mistakes to be avoided.

Mauritius has already declared its intention to become a knowledge-based economy and a knowledge hub in the Indian Ocean region. For this to materialize, there is need to considerably expand the provision of higher education. Private participation in the financing of higher education will be necessary and the setting up of a state-supported student loans scheme will go a long way to assist Mauritius in achieving its goals.

Chapter 6

Main features of existing student loans schemes in Mauritius

Further expansion of the higher education sector in Mauritius for the reasons explained above will require more funding from the government, students and parents. Pressure on public funding is already high and the government will not be able to financially sustain an increase in enrolment. It will therefore be left to parents and students to participate in the financing of higher education. Some parents are already paying for the higher education of their children studying either in local private or in overseas institutions. Some working adults are also paying for their higher studies. As pointed out earlier, even in public higher education institutions some costs are already being borne by the students, depending on the institution and programme followed. Some of these parents or students are availing themselves of student loan facilities to finance their higher studies or those of their children locally and overseas. The following section provides an overview of existing student loans schemes in Mauritius.

6.1 Existing student loans schemes

A national or state-supported student loans scheme proper does not exist in Mauritius. However there are several student loans schemes operated by individual institutions, albeit on a very small scale. Some of these loans schemes are provided on a benevolent basis, while others are run by institutions that capitalize on student loans for profit. The different organizations providing loans schemes are as follows:

1. Ministry of Education and Scientific Research (MoESR);
2. Employees Welfare Fund (EWF);
3. Mauritius Commercial Bank (MCB);
4. State Bank of Mauritius (SBM);
5. Mauritius Post and Cooperative Bank Ltd;
6. SSR Foundation, MoESR;

7. Trust Fund for Social Integration of Vulnerable Groups; and the
8. Mutual Aid Association.

The characteristics of loans schemes are set out in *Appendix 1*. A comparison of the different schemes is shown in *Table 6.1*.

6.2 Observations

On the basis of the above, it is observed that:

1. the loans provided by most of the institutions are at very near commercial rates;
2. there is no targeting of the students. Students with financial difficulties may have difficulties in accessing loans;
3. the objectives of the existing loans schemes are different. Most of the institutions are assisting students with a view to earning a profit, as the rate of interest charged and securities required are almost the same as for any other type of commercial loan;
4. rates of interest vary from institution to institution;
5. the loan amount differs according to the scheme;
6. the repayment is not the same under all the schemes;
7. most schemes do not provide for any form of subsidy to the students;
8. some institutions grant loans only to their members and hence accessibility to loans may be restrictive; yet
9. despite the above, there is demand for student loans in Mauritius. Even with a higher rate of interest, some students and parents do take out loans to finance their higher education or that of their children.

A properly-designed national student loans scheme would help significantly in providing the necessary framework to facilitate private participation in the financing of higher education in Mauritius. In addition to relieving the pressures on the budget of the government, such a scheme could be designed so as to also provide equity and equality of access in the system. The remainder of this section examines aspects that should be considered in the designing of an appropriate national student loans scheme for Mauritius.

Table 6.1 Main features of existing loans schemes in Mauritius

Loan-granting institutions	Ministry of Education and Scientific Research	Employees Welfare Fund	Mauritius Commercial Bank	State Bank of Mauritius	Mauritius Post and Cooperative Bank Ltd	SSR Foundation, MoESR	Trust Fund for social integration of vulnerable groups	Mutual Aid Association
FEATURES								
Type of institutions	Public	Public	Private	Private	Private	Public	Public	Public
Target group	For overseas studies	For studies locally and overseas	Mauritius only (means testing) UoM	For local studies only	Local and overseas			
Objective	Assisting needy students	Assisting students	Assisting students	Assisting students	Assisting students	Assisting students	Assisting students	Assisting students
Purpose of loan	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare	Fees, living expenses, fare
Interest rate p.a.	2%	8%	12%	12.5-12.75%	11%	8%	8%	12%
Security	Immovable property or bank guarantee	Immovable property or bank guarantee	Immovable property or bank guarantee	Immovable property or bank guarantee	Immovable property or bank guarantee	Immovable property or bank guarantee	Two personal guarantors	Fixed charge on property or bank guarantee
Number of beneficiaries as of 2003	208	902	N/A	N/A	N/A	11	N/A	79
Number of defaulters as of 2003	15	50	N/A	N/A	N/A	N/A	N/A	N/A

Student loans schemes in Mauritius: experience, analysis and scenarios

Repayment	Max 2 years moratorium over 5 years	1 year moratorium over 1 to 5 years	1 year after disbursement	After three years from disbursement	After three years from disbursement	After three years from disbursement	Income-contingent loan – loan repayment after loan period	1 year after completion of course	Immediately after disbursement over 6 years
Maximum amount	45,000	300,000	70% of loan	Between 100,000 – 1,000,000	80% of loan	40,000 per annum	50,000 per annum, total 100,000	300,000	300,000
Amount of loan provided in 2002/2003	1,620,000	173,096,650							

Chapter 7

Some considerations in designing a national student loans scheme for Mauritius

7.1 Introduction

Student loans schemes have been successful in many countries. However there are also some countries where the experience of student loans has been very disappointing. It is therefore important that when designing a student loans scheme for Mauritius, the success factors in countries where student loans have worked be taken into account and mistakes made in countries where they have failed be avoided.

In making a proposal for a national student loans scheme for Mauritius, the conclusion of Ziderman (2004) has been considered. These are summarized in *Table 7.1*.

Table 7.1 Loans schemes in selected countries: major strengths and weaknesses

Country	Major strengths	Major weaknesses
China	<ul style="list-style-type: none"> • Funding provided by banking system (minimal financial burden on government) • High repayment and recovery ratios • Promising experiment with commercial loans 	<ul style="list-style-type: none"> ▪ Coverage small (weak national impact) ▪ Heavy borrower repayment burden ▪ Funding for loans scheme expansion may be limited
Hong Kong S.A.R China	<ul style="list-style-type: none"> • Extensive student coverage • The various loans schemes are well integrated by central overseeing agency • Loans schemes for both poor and non-poor students • Use of student expenditure surveys to determine loans size objectively • Small geographical area: facilitates loans collection 	<ul style="list-style-type: none"> ▪ Uncertain economic and political future

Table 7.1 (continued)

Country	Major strengths	Major weaknesses
Republic of Korea	<ul style="list-style-type: none"> • Funding provided by banking system or existing financial funds (minimal financial burden on government) • Multiple schemes, with differing objectives, can meet needs of different sub-populations • Satisfactory loans repayment and recovery ratios 	<ul style="list-style-type: none"> ▪ Numerous schemes: rationalizing and integration desirable ▪ The schemes aimed at poor have low coverage, they only cover tuition and also reach the non-target population ▪ Scheme for government officials is overgenerous
Philippines	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> ▪ Very limited funding ▪ No national impact: covers very few students (less than 1% of enrolment) ▪ Lack of administrative skills in management of scheme ▪ Virtually no loans recovery in SNPL scheme (Region 5 and COE largely untried) ▪ Individual loan size too small to meet student needs ▪ No loans scheme reform in the offing
Thailand*	<ul style="list-style-type: none"> • Extensive coverage of upper secondary and tertiary student population • Loans scheme reform now on the public agenda 	<ul style="list-style-type: none"> ▪ Over-extended in relation to plans; weak central control ▪ Inadequate funding has led to retrenchment of the scheme ▪ Overgenerous built-in loans subsidies ▪ Minimal loan repayment and recovery ▪ Poorly-targeted at needy population ▪ Massive horizontal inequities ▪ Default sanctions weak

* This is based on an old scheme stopped in late 2003. Radical changes were subsequently made to the Thai loans scheme.

Source: Ziderman, 2004.

7.2 Adequacy of the loan size

The loan should be sufficiently large to meet the needs of the students at whom the scheme is directed. Loan size can and may be adjusted periodically, depending on surveys of student expenses and the compilation of a student price index to ensure an adequate level

of support. The implication of small loan size is that higher education remains beyond the means of the very poor, thus largely defeating the very purpose of the scheme.

On the basis of unit cost at the University of Mauritius, an attempt has been made to propose a loan amount. The table below shows the cost per student at the University of Mauritius for the years 1995 to 2003.

Table 7.2 Unit cost per student – University of Mauritius

Years	Total enrolment	Total expenditure Rs. in 1,000s	Cost per student
1995/1996	2,336	136,442	58,410
1996/1997	2,481	168,014	67,720
1997/1998	3,106	181,486	58,430
1998/1999	3,731	214,752	57,560
1999/2000	4,266	237,000	55,555
2000/2001	4,735	258,098	54,509
2001/2002	4,770	267,975	56,179
2002/2003	5,131	290,918	56,698

Source: UoM Annual Report; UoM Budget

Taking into account the above unit cost as well as other expenses such as books, transport and living expenses, it is expected that at present an amount of Rs. 75,000 per annum would be a reasonable amount to loan students.

7.3 Minimizing default in loan repayment

Loan repayment or collection will depend on the efficiency of collection and the attitudes and behaviour of the borrowers. Borrowers' failure to repay loans may result from their inability and/or from unwillingness to do so.

Properly-designed repayment plans may help students who do not earn large salaries after graduating. Lower interest rates and a longer grace period may also help. Finally, increasing the repayment schedule

may assist in lessening the burden of repayment on graduates, particularly in the early years of repayment.

Some measures that can be taken to reduce loan repayment evasion include:

1. need for guarantors at the time of granting loans;
2. joint surety
3. pledging assets as collateral security;
4. barring access of defaulters to further credit;
5. moral pressure – list of defaulters published regularly;
6. loan insurance; and
7. legal action.

7.4 Use of the banking system

Making extensive use of the banking system for administering, issuing and collecting loan repayments will definitely minimize the financial burden falling on government. The fact that the private banks are involved means that loans are administered along similar lines to commercial loans, leading to high repayment and recovery ratios.

7.5 Other considerations

Some of the conclusions of Johnstone (2003) on tuition fees and student loans in sub-Saharan Africa are very pertinent to this study and have been taken into consideration in making a proposal for a student loans scheme in Mauritius.

Given the inevitable political resistance to cost sharing, a multi-year progression of stages should be presented, with further shifts of costs onto parents and students clearly supplemental to governmental funding and tied to the greatest extent possible to: (a) improvements in the quality of higher education; (b) expansion of opportunities and enrolments; and (c) extension of participation and accessibility to hitherto underserved populations.

The imposition of a tuition fee should be accompanied by a programme of means testing grants, drawing on clearly identifiable

and verifiable characteristics (i.e. proxies for income) such as parental occupation and educational levels, prior schooling, and type of housing.

A single-track, upfront tuition fee (that can however vary by institution and/or by programme) is preferable to a dual track system that rations a small number of tuition-free places according to measured academic preparedness – and thus inevitably rations according to the social class of the aspiring students.

Tuition fees should be set in as depoliticized a manner as possible. Countries should consider an independent (albeit politically accountable) board, buffered by both the government and the universities and other higher institutions, to establish the base year tuition fee(s) and annual increases thereof.

A student loans programme should be designed to collect (according to the present value of reasonably-expected repayments discounted at the government's borrowing rate) something reasonably close to the amounts lent – minus losses from defaults and other purposefully-designed subsidies or repayment forgiveness features.

The programme must be equipped with: the legal authority to collect; technology to maintain accurate records; collectors who can track borrowers and verify financial conditions; advisors and repayment counsellors in the universities; and the ability to enlist both the government's tax-collecting authority and employers in the collection of repayments.

An income-contingent repayment mode should not be employed unless incomes can be reasonably verified. If income contingency is politically necessary, it should not be the default repayment obligation, but rather an optional means of payment requiring the borrower to demonstrate that s/he can discharge the repayments by contributing a percentage of earnings from a single employer that represents a dominant earnings stream.

Mechanisms must be added to the repayment process, particularly if the repayment mode is conventional, fixed schedule, to accommodate borrowers whose earnings are low, either temporarily or permanently. In short, a conventional loan requires the same kind of genuine low

earnings protection that is presumed to follow by definition from an income-contingent form of repayment obligation.

A loans programme needs to have a collection agency that is viewed as professional, incorruptible and technically expert. Universities and other eligible higher level institutions must be enlisted as partners in the programme, both in impressing upon the student recipients that loans are legally enforceable obligations that must not be taken out lightly or used in excess, and in keeping track of the borrower's whereabouts, at least during the in-school years.

In administering the loans scheme, the following factors would also have to be considered:

1. properly defined policy objectives;
2. proper targeting of the loan repayment;
3. priority courses/programmes;
4. clear guidelines, eligibility and procedures for application;
5. properly-defined conditions for loan approval;
6. efficient administration of the system;
7. proper tracking of defaulters;
8. involvement of stakeholders;
9. properly-defined eligibility criteria;
10. incentive for financing institutions; and
11. adjustment for inflation.

Chapter 8

Proposals for a student loans scheme in the higher education sector

8.1 Introduction

As has been pointed out, with increased expansion and the need for equity and more quality in higher education, the government will find it increasingly difficult to continue to financially sustain higher education in Mauritius at today's levels. The tendency therefore is for cost sharing through the reintroduction of tuition fees in publicly-funded higher education institutions. This, together with the proliferation of the private higher education institutions, will create a market for loans enabling students to access higher education and pay for it at a later stage. In Mauritius, as in most other countries, university graduates can expect better job opportunities and higher lifetime earnings than those with primary and secondary schooling alone. Such students, who will benefit considerably from the privilege of higher education, can reasonably be expected to contribute towards the cost of their higher education. On the basis of the number of private student loans schemes already available from banks and other financial institutions and on the number of students taking loans, it can be concluded that there is a market for student loans in Mauritius, despite the fact that such loans are being offered along near commercial lines.

In view of the large amount of funds that would be tied up with the loan and the risk involved, a loans scheme funded by the government is not being suggested. Rather, it is proposed that the funds required for the student loans be provided by financial institutions and that the government top up the rate of interest payable by the students. The amount of interest payable by the government would be the difference between the commercial rate of interest and the reduced rate that students would pay. This will be a subsidy to the higher education of the students.

8.2 Details of the national student loans scheme

(i) Objective

The objective of the national student loans scheme is to increase access and improve equity in the higher education sector in Mauritius.

(ii) Eligibility

1. The loan will be open to all students following full-time and part-time award higher level education and training programmes in local public institutions, registered private institutions and recognized overseas institutions.
2. The programmes should not be less than the equivalent of one academic year of study.
3. Foreign students studying in Mauritius would not be eligible for a loan under this scheme.
4. Students whose income or whose parental income exceeds Rs. 25,000 per month would not be eligible for a loan under this scheme.
5. Students will not be eligible for a second loan if the first one has been reimbursed.

(iii) Scope of the loan

The loan will cover the costs of tuition fees, books, examination fees, maintenance expenses, air travel (where applicable) and other related costs. Proof of all such costs must be made available before disbursement of the loan/instalment.

(iv) Maximum loan amount

The amount of the loan would be 70 per cent of the costs mentioned in (iii) up to a maximum of:

- (a) Rs. 75,000 per annum for full-time undergraduate and postgraduate courses;
- (b) Rs. 45,000 per annum for part-time undergraduate and postgraduate courses;
- (c) Rs. 45,000 per annum for students following post-‘O’ level courses in vocational institutions.

(v) Period covered

The loans would normally be granted for a period of three years for full-time courses and five years for part-time courses. However, in cases where the duration of the first degree exceeds three years for full-time students and five years for part time students, the loan will cover the duration of the course. In the event that a student takes longer to complete his or her studies, the loan would be for an additional period of up to two years over the prescribed duration of the course.

(vi) Institutions granting loans

The loan can be disbursed through any financial institution, such as a bank or an insurance company.

(vii) Interest

On the basis of the current market rate of interest, which is 11 per cent, it is suggested that interest charged to the students be 8 per cent per annum. Government would top up the interest by 3 per cent.

(viii) Loan repayment

Repayment involves loan capital and interest charges. It will be over a period of up to five years, starting not later than one year after graduation (i.e. at the start of the fifth year for a three-year programme); the one additional year moratorium being provided for the students to find a suitable job and start earning a salary.

(ix) Security

The loan will be tied to a fixed charge on immovable property belonging to the student or the parents or guarantors coupled with an insurance policy taken out by the beneficiary. The latter must take out an insurance cover at the beginning of the loans scheme.

(x) Students with financial difficulties or without a guarantor

Appropriate mechanisms would have to be set up for cases in which the applicant cannot provide any security. In exceptional cases, the TEC

will make recommendations to government for guaranteeing the loan of such applicants.

(xi) Disbursement

The guidelines, procedures and disbursement will be clearly worked out to allow proper monitoring of the scheme. In general, disbursement would be effected on the basis of annual or bi-annual instalments at the beginning of each academic year or semester, against proof of registration and associated costs.

(xii) Management of the scheme

In order to monitor the scheme and for disbursement of funds and topping up of the rate of interest, it would be appropriate for loans to be granted on the basis of a certificate of eligibility granted by the TEC. This latter will then establish guidelines and procedures for the loan, eligibility for and amount of the grant on a case-to-case basis. The actual management of funds, granting of loans and collection of repayments would be effected by the financial institutions.

(xiii) Review of the scheme

Appropriate mechanisms will be put in place to review the scheme periodically (to take into account changes in the cost of studying at the higher education level, the list of priority fields of study, the higher education sector and inflation, etc.).

(xiv) In order to encourage students to enrol for courses in priority fields of study, government may further subsidize the rate of interest chargeable to students. For example, the topping up of the interest rate may represent 5 per cent instead of 3 per cent for courses on the list of priority fields of study.

(xv) Income tax relief

Parents of students will continue to benefit from income tax relief for their ward(s). In addition, interest paid on education loans will be deductible from income for tax purposes.

8.3 Financial implications of the scheme

An attempt has been made to estimate the financial implications of the scheme. This estimate can only provide an indication of the financial implications, with more accurate figures depending on a number of factors including acceptance of the scheme. It also provides an indication of annual earmarking of funds by the government or financing institutions in order to meet demands for loans and the annual or monthly repayment required of students.

The costing is based on an estimate of 3,000 students taking out loans for their studies. This figure has been proposed on the basis of the following:

1. more than 5,000 students pass the HSC examinations (or equivalent) every year;
2. most of these students are eligible for university admission (80 per cent according to Morrison, MIE); and
3. there are demands for higher education from other segments of the population, such as employees, adults, continuing education, etc.

The calculations for the 3,000 full-time students are shown in *Appendix 2*.

The interest payable by the students is capitalized during the first four years – three years for the duration of the programme and a one-year moratorium. Government, however, pays for the interest at 3 per cent as from the first year of disbursement of the loan, until it is finally paid up by the student.

The implication for the government is therefore the topping up of the loan by 3 per cent p.a. It is observed that the amount payable by the government would increase from Rs. 6.8 million in the first year to a maximum of Rs. 101.3 million in the eighth year, remaining at that level thereafter. The amount of subsidy provided by the government for the higher education of the 3,000 students would therefore be Rs. 101.3 million.

The maximum amount of funds to be provided by the financial institutions would increase from Rs. 218.3 million in the first year

to Rs. 2,956.5 in the seventh year. It then starts decreasing up to the fourteenth year, after which the net flow of funds becomes positive (see *Appendix 3*).

The yearly repayment per student would vary from Rs. 79,519 to Rs. 61,343 or some Rs. 71,128 per annum – about Rs 5,927 per month (*Appendix 4*). For purposes of comparison, the average monthly income of a graduate is Rs. 17,572 (Central Statistical Office, 2001). Payment of Rs. 5,927 per month should therefore not be a problem for the students.

Had there been no loans scheme, government would have had to spend some Rs. 513,000 per annum to support the 9,000 students (3,000 admitted each year for a three-year programme) on the basis of the present unit cost of Rs. 57,000 at the University of Mauritius. This is shown in *Table 8.1*.

Table 8.1 Cost to government of 3,000 students admitted per annum to publicly-funded institutions

	Batch 1	Batch 2	Batch 3	Rs.	Rs.
Year 1	3,000			57,000	171,000,000
Year 2		3,000		57,000	171,000,000
Year 3			3,000	57,000	171,000,000
TOTAL per annum					513,000,000

It is observed that the government would have spent Rs. 513,000,000 to provide higher education to the 3,000 full-time students without the loan. With the loans scheme, the topping up by government is Rs. 101.3 million.

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Relevant web links

<http://www.unesco.org/iau/whed.html>

[http://www.usc.edu/dept/education/globaled/wwcu/background / Barbados.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Barbados.htm)

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[http://www.usc.edu/dept/education/globaled/wwcu/background / Cyprus.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Cyprus.htm)

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[http://www.usc.edu/dept/education/globaled/wwcu/background / Korea.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Korea.htm)

[http://www.usc.edu/dept/education/globaled/wwcu/background / Malaysia.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Malaysia.htm)

[http://www.usc.edu/dept/education/globaled/wwcu/background / Singapore.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Singapore.htm)

[http://www.usc.edu/dept/education/globaled/wwcu/background /
Swaziland.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Swaziland.htm)

[http://www.usc.edu/dept/education/globaled/wwcu/background/
Trinidad-and-Tobago.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/Trinidad-and-Tobago.htm)

[http://www.usc.edu/dept/education/globaled/wwcu/background/United-
Kingdom.htm](http://www.usc.edu/dept/education/globaled/wwcu/background/United-Kingdom.htm)

Appendix 1

Existing loans schemes in Mauritius

Appendix 1A

Lending institution	MINISTRY OF EDUCATION AND SCIENTIFIC RESEARCH
Type	Directly from government ministry accounts
Eligibility	<ol style="list-style-type: none">1. Mauritian student studying abroad2. Student who has completed first half of a specific course3. Money disbursed directly from government ministry and collected by the Treasury4. Means testing – Selection of credit recipients on the basis of family or individual income or more complex socio-economic status indicators
Terms & conditions	<ol style="list-style-type: none">1. Proof of particulars of expenses from start of course, source of funds, remaining expenses incurred until completion, surety or bank guarantee2. Student must justify the necessity of a loan and indicate his/her current financial resources3. Confirmation by person supplying funds to student
Loan amount	45,000 (maximum) to cover fees, living expenses, travel
Rate of interest	2 per cent per annum from date of course completion

Refund of loan	<ol style="list-style-type: none">1. Either loan refund in 60 consecutive monthly instalments after completion of course or in case student is unemployed, two years after course completion2. Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)3. Grace period: Allow student a specified time after graduation before repayment begins, with the assumption that they need time to find employment
Security, bond, surety & guarantor	Surety living in Mauritius & owning immovable property: mortgage Property to govt until loan reimbursement (or bank guarantee sum > loan amount)

Appendix 1B

Lending institution	EMPLOYEES WELFARE FUND / NATIONAL PENSION SCHEME / MINISTRY OF SOCIAL SECURITY / GOVERNMENT (CIVIL SERVICE) / MINISTRY OF FINANCE
Type	Autonomous public body
Eligibility	<ol style="list-style-type: none">1. Employees who have contributed to the Employee Welfare Fund and National Savings Fund for at least 3 years2. Children unmarried & not beneficiary of any scholarship or grant3. Students undertaking post-secondary studies (FT, PT, or through distance learning of at least one academic year duration)4. Any degree course, student must possess at least the HSC or equivalent

5. Documentary evidence of payment of 50 per cent fees for first year or down payment requested by the institution – whichever is lower at time of application
6. Loan disbursement: within 3 months after academic year starts
7. Retired employees: application consideration within 5 years after retirement date

Terms & conditions	<p>Proof of documents including admission, registration fee, travel expenses, exams fees, and duration of course</p> <p>For students proceeding abroad on studies for first time and where disbursement are made in two instalments: 1st disbursement on production of visa & guarantee; 2nd disbursement (where applicable & depending on case), 12 months after 1st disbursement, evidence for continuation of studies and student performance</p> <p>Students should take a decreasing term insurance policy to cover loan for security purposes</p> <p>Processing fee: Rs. 200</p>
Loan amount	Not exceeding study fees – up to a maximum of Rs. 300,000
Rate of interest	<p>8 per cent per annum</p> <p>Interest rates can be fixed in relation to inflation at either negative, zero, or positive rates, or they can float with an index of commercial rates</p> <p>Commercial rate charged for failure to produce evidence of student attendance, performance or student drop-out</p>
Refund of loan	<ol style="list-style-type: none">1. Loan refund with interest rate one year after disbursement Refund range: 12-72 months2. Late payment: 10 per cent penalty on unpaid instalments

3. Grace period: Allow student a specified time after graduation before repayment begins, with the assumption that they need time to find employment
4. Income-contingent loan: Payments are fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)

Security, bond, surety & guarantor

Bank guarantee or fixed charge on property

Appendix 1C

Lending institution

MAURITIUS COMMERCIAL BANK (MCB)

Type

Private commercial bank

Eligibility

1. Any Mauritian student
2. Means testing – Selection of credit recipients on the basis of family or individual income or more complex socio-economic status indicators

Terms & conditions

1. Proof of documents including (admission, registration fee, travel expenses, exams fees and duration of course)
2. Production of visa

Loan amount

70 per cent loan amount against property mortgage

Rate of interest

12 per cent

Refund of loan	<p>As soon as there is loan disbursement, either loan instalments with interest may start or facility of refunding the interest instalments only</p> <p>After 1 year, refund of loan instalments with interest is compulsory</p> <p>Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)</p>
Security, bond, surety & guarantor	<p>2 guarantors</p> <p>Property mortgage or fixed deposit or company share</p>
Appendix 1D	
Lending institution	STATE BANK OF MAURITIUS SBM ACHIEVER
Type	Public bank
Eligibility	<ol style="list-style-type: none">1. Any Mauritian student either studying in Mauritius or overseas2. Age eligibility: 18-55 years
Terms & conditions	<ol style="list-style-type: none">1. Proof of documents including admission, registration fee, travelling expenses, exams fees, and duration of course2. Production of visa3. Full-time course: borrower should be parents of the student4. Part-time course: student borrower and/or co-borrower with parent5. Up to 100% per cent financing6. Flexible security up to Rs. 200,0007. Tax relief if loan is secured (subject to eligible securities)
Rate of interest	12.5% per cent mortgage property or 12.75 personal guarantee

Loan amount	<ol style="list-style-type: none">1. Loan limit between Rs. 100,000 and Rs. 1.0 million Loan amount > Rs. 1.0 million may be considered2. Covers expenses like fees and accommodation (subject to supporting documentation)
Refund of loan	<ol style="list-style-type: none">1. As soon as loan disbursed, either loan instalments with interest may start or the interest in instalments for first 3 years After 3 years, refund of loan instalments with interest is compulsory Refund of loan: within 8 years2. Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)
Security, bond, surety & guarantor	<ol style="list-style-type: none">2 guarantors or bank guarantee Property mortgage or fixed deposit or company share

Appendix 1E

Lending institution	MAURITIUS POST AND COOPERATIVE BANK LTD
Type	Private bank
Eligibility	<ol style="list-style-type: none">1. Any Mauritian student either studying in Mauritius or overseas2. Age eligibility: 18-55 years3. Means testing – Selection of credit recipients on the basis of family or individual income or more complex socio-economic status indicators

Terms & conditions	<ol style="list-style-type: none">1. Proof of documents including admission, registration fee, travel expenses, exams fees, and duration of course2. Production of visa3. For full-time course only: Borrower should be parents of the student4. Up to 80 per cent financing
Rate of interest	11 per cent per annum
Loan amount	<ol style="list-style-type: none">1. 80 per cent of course amount2. Covers expenses like fees and accommodation (subject to supporting documentation)
Refund of loan	<ol style="list-style-type: none">1. As soon as there is loan disbursed, either loan instalments with interest may start or refund of interest in instalments for first 3 years After 3 years, refund of loan instalments with interest is compulsory Refund of loan: within 8 years2. Income-contingent loan: Payments are fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)
Security, bond, surety & guarantor	2 guarantors or bank guarantee Property mortgage (insured) or fixed deposit or company share

Appendix 1F

Lending institution	SSR FOUNDATION LOANS SCHEME (MOESR) University of Mauritius - Part-time student
Type	Autonomous public body
Eligibility	<ol style="list-style-type: none">1. Mauritian students only2. Student salary \leq Rs. 10,000 per month

3. Means testing – Selection of credit recipients on the basis of family or individual income or more complex socio-economic status indicators

Terms & conditions	Approval of loan by SSR Foundation Fund Committee. The committee will consider the application supported by relevant documents
Loan amount	Maximum: Rs. 40,000 in any one year, depending on course
Rate of interest	8 per cent per annum
Refund of loan	<ol style="list-style-type: none">1. Salary Deduction Authority Form sent to students' employer2. Loan refund with interest at rate of 8 per cent/annum in 36 consecutive equal monthly instalments starting at end of month in which loan is granted3. Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)4. Grace period: allow student a specified time after graduation before repayment begins, with the assumption that they need time to find employment

Appendix 1G

Lending institution	TRUST FUND FOR SOCIAL INTEGRATION OF VULNERABLE GROUPS (Ministry of Finance) UoM and other recognized institutions
Type	Autonomous public body

Eligibility	<ol style="list-style-type: none">1. Household income \leq Rs. 10,0002. Students attending UoM & other recognized institutions3. Means testing – Selection of credit recipients on the basis of family or individual income or more complex socio-economic status indicators
Terms & conditions	<ol style="list-style-type: none">1. Final approval and recommendation by the Trust Fund The loan disbursement by Development Bank of Mauritius (DBM). Mode of disbursement: twice per year
Loan amount	Max: Rs. 50,000 in any year, amounting to max Rs. 100,000 during the course
Rate of interest	8 per cent to be capitalized until repayment starts
Refund of loan	<ol style="list-style-type: none">1. Start 1 year after completion of course2. Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)3. Grace period: Allow student a specified time after graduation before repayment begins, with the assumption that they need time to find employment
Security, bond, surety & guarantor	2 personal guarantees: salary: Rs. 8,000 per month each

Appendix 1H

Lending institution	MUTUAL AID ASSOCIATION
Type	Private body
Eligibility	<ol style="list-style-type: none">1. Mauritian and overseas students2. Applicant should be a member of Mutual Aid Association. As soon as he/she becomes a member, can apply for the loan
Terms & conditions	<ol style="list-style-type: none">1. In a family, 2 children are eligible to get a loan2. For all new loans, the first loan instalment, insurance premium and processing fee will be deducted directly from loan amount
Loan amount	Rs. 300,000 (max)
Rate of interest	12 per cent per annum
Refund of loan	<ol style="list-style-type: none">1. A loan refund with interest rate, that is Rs. 5,985, starts immediately after disbursement Refund range: within 72 months In no case shall the total deduction exceed one third of the monthly salary2. Income-contingent loan: Payments are a fixed portion of the monthly or annual income, thus putting a limit on the debt burden of a graduate (student)
Security, bond, surety & guarantor	Bank guarantee or 2 sureties or a fixed charge on property Salary of surety \geq Rs. 6,000/month

Appendix 2

LOAN PROVIDED BY FINANCIAL INSTITUTIONS WITH GOVERNMENT TOPPING UP THE RATE OF INTEREST (Rs. million)

Disbursement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1	225.0	225.0	225.0							675.0
Batch 2		225.0	225.0	225.0						675.0
Batch 3			225.0	225.0	225.0					675.0
Batch 4				225.0	225.0	225.0				675.0
Batch 5					225.0	225.0	225.0			675.0
Batch 6						225.0	225.0	225.0		675.0
Batch 7							225.0	225.0	225.0	675.0
Batch 8								225.0	225.0	225.0
Batch 9									225.0	225.0
Batch 10										225.0
Total	225.0	450.0	675.0							

Refund of capital

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1					135.0	135.0	135.0	135.0	135.0	675.0
Batch 2						135.0	135.0	135.0	135.0	675.0
Batch 3							135.0	135.0	135.0	540.0
Batch 4								135.0	135.0	135.0
Batch 5									135.0	135.0
Batch 6										135.0
Batch 7										
Batch 8										
Batch 9										
Batch 10										
Total					135.0	270.0	405.0	540.0	675.0	675.0

Interest payable by government - 3%

	225.0	675.0	1,350.0	2,025.0	2,565.0	2,970.0	3,240.0	3,375.0	3,375.0	3,375.0
Interest (%)	6.8	20.3	40.5	60.8	77.0	89.1	97.2	101.3	101.3	101.3

Appendix 3

Funds required by government

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1	225.0	225.0	225.0							675.0
Batch 2		225.0	225.0	225.0						675.0
Batch 3			225.0	225.0	225.0					675.0
Batch 4				225.0	225.0	225.0				675.0
Batch 5					225.0	225.0	225.0			675.0
Batch 6						225.0	225.0	225.0		675.0
Batch 7							225.0	225.0	225.0	675.0
Batch 8								225.0	225.0	225.0
Batch 9									225.0	450.0
Batch 10										225.0
Total	225.0	450.0	675.0							

Capitalization of interest

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1	18.0	37.4	58.4	63.1						177.0
Batch 2		18.0	37.4	58.4	63.1					177.0
Batch 3			18.0	37.4	58.4	63.1				177.0
Batch 4				18.0	37.4	58.4	63.1			177.0
Batch 5					18.0	37.4	58.4	63.1		177.0
Batch 6						18.0	37.4	58.4	63.1	177.0
Batch 7							18.0	37.4	58.4	63.1
Batch 8								18.0	37.4	58.4
Batch 9									18.0	37.4
Batch 10										18.0
	18.0	55.4	113.9	177.0	177.0	177.0	177.0	177.0	177.0	177.0

Refund of capital and capitalized interest

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial capital			675.0							
Capitalized interest			177.0							
Gross amount to be refunded			852.0							
Batch 1						170.4	170.4	170.4	170.4	170.4
Batch 2							170.4	170.4	170.4	170.4
Batch 3								170.4	170.4	170.4
Batch 4									170.4	170.4
Batch 5										170.4
Batch 6										
Batch 7										
Batch 8										
Batch 9										
Batch 10										
Total						170.4	340.8	511.2	681.6	852.0

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Interest on gross amount to be refunded											
Batch 1						68.2	54.5	40.9	27.3	13.6	204.5
Batch 2							68.2	54.5	40.9	27.3	
Batch 3								68.2	54.5	40.9	
Batch 4									68.2	54.5	
Batch 5										68.2	
Batch 6											
Batch 7											
Batch 8											
Batch 9											
Batch 10											
Total						68.2	122.7	163.6	190.8	204.5	
Funds required											
	218.3	648.0	1,282.5	1,896.8	2,494.8	2,842.1	2,956.5	2,855.4	2,556.8	2,074.0	

Appendix 4

LOAN PROVIDED BY FINANCIAL INSTITUTIONS WITH GOVERNMENT TOPPING UP THE RATE OF INTEREST (Rs.)

Amount to be refunded by one student

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1	75,000	75,000	75,000							225,000
Batch 2		75,000	75,000	75,000						225,000
Batch 3			75,000	75,000	75,000					225,000
Batch 4				75,000	75,000	75,000				225,000
Batch 5					75,000	75,000	75,000			225,000
Batch 6						75,000	75,000	75,000		225,000
Batch 7							75,000	75,000	75,000	225,000
Batch 8								75,000	75,000	75,000
Batch 9									75,000	75,000
Batch 10										75,000
Total	75,000	150,000	225,000							

Capitalized interest

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1	6,000	12,480	19,478	21,037						58,995
Batch 2		6,000	12,480	19,478	21,037					58,995
Batch 3			6,000	12,480	19,478	21,037				58,995
Batch 4				6,000	12,480	19,478	21,037			58,995
Batch 5					6,000	12,480	19,478	21,037		58,995
Batch 6						6,000	12,480	19,478	21,037	58,995
Batch 7							6,000	12,480	19,478	21,037
Batch 8								6,000	12,480	19,478
Batch 9									6,000	12,480
Batch 10										6,000
Total	6,000	18,480	37,958	58,995						

Refund of capital and capitalized interest

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial capital				225,000						
Capitalized interest				58,995						
Gross amount to be refunded				283,995						
Batch 1					56,799	56,799	56,799	56,799	56,799	283,995
Batch 2						56,799	56,799	56,799	56,799	283,995
Batch 3							56,799	56,799	56,799	
Batch 4								56,799	56,799	
Batch 5									56,799	56,799
Batch 6										56,799
Batch 7										
Batch 8										
Batch 9										
Batch 10										
Total					56,799	113,598	170,397	227,196	283,995	283,995

Interest

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Batch 1					22,720	18,176	13,632	9,088	4,544	68,159
Batch 2						22,720	18,176	13,632	9,088	68,159
Batch 3							22,720	18,176	13,632	9,088
Batch 4								22,720	18,176	13,632
Batch 5									22,720	18,176
Batch 6										22,720
Batch 7										
Batch 8										
Batch 9										
Batch 10										
Total					22,720	40,895	54,527	63,615	68,159	68,159

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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Amount to be refunded (Rs.)

Capital and interest					79,519	74,975	70,431	65,887	61,343	
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Annuity

1	283,995	0.08	-48,409	-22,720	-71,128					
2	283,995	0.08	-52,281	-18,847	-71,128		-5,927p.m.			
3	283,995	0.08	-56,464	-14,664	-71,128					
4	283,995	0.08	-60,981	-10,147	-71,128					
5	283,995	0.08	-65,860	-5,269	-71,128					
			-283,995	-71,647	-355,642					

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