

The Philippines

Loke Hoe Yeong

I. A Brief Description of the Philippines' Higher Education System

In the Philippines, the Department of Education, Culture and Sport (DECS) concentrates on elementary and secondary education, while the Commission on Higher Education (CHED) – a department-level agency attached to the Office of the President and which is independent from the DECS – governs the public and private higher education system (two-year colleges, four-year and comprehensive/technical universities) and oversees degree-granting programs in all post-secondary educational institutions. The Technical Education and Skills Development Authority (TESDA), an agency attached to the Department of Labour, oversees post-secondary technical and vocational education.

The latest statistics available (2012) indicate that the Philippines has 2,282 higher education institutions. This number includes 110 state universities and colleges (SUC) main campuses, 426 satellite campuses, 94 local colleges and universities, 16 other government schools and 1,636 recognised private higher education institutions.¹

Enrolment

In the 2010-11 academic year, there were 2,937,847 higher education students enrolled in the Philippines, with the majority of students being enrolled in business administration and related courses (785,305). The latest official projections for enrolment (made by the CHED in the year 2011) showed expectations for an increase from 2,986,023 for the 2011-12 academic year to 3,262,815 for the 2015-16 academic year.²

Public higher education institutions

The state universities and colleges (SUCs) are funded by the national government. In April 2008, the UP Charter of 2008, Republic Act No. 9500 was passed, providing institutional and fiscal autonomy to the University of the Philippines and designating it the national university. CHED-supervised institutions are directly supervised by the CHED, and their annual budget allocation is integrated in the government budget appropriation for the CHED. Local universities/colleges are operated, supported and maintained by local governments. Other government schools such as military and police academies that offer degrees and advanced training programs are supervised and regulated by the Department of National Defence and the Philippine National Police, respectively.

Private higher education institutions

The Philippines has overwhelmingly relied on private institutions to play a demand-absorbing role in increasing higher education opportunities. Historically, it was the Roman Catholic missions from Spain that established universities in the Philippines, including the University of Santo Tomas, the oldest extant university in Asia (founded in 1611).

¹ "Higher Education Indicators". 2012. CHED. <http://www.ched.gov.ph/wp-content/uploads/2013/07/Higher-Education-Indicator-as-of-July-24-2012.pdf>.

² "Higher Education Enrollment by Discipline And Academic Year". 2011. CHED. <http://Higher Education Enrollment by Discipline and Academic Year>.

The widespread growth of private, “non-sectarian” (as understood in the Philippines to differentiate these private universities from those affiliated with Catholic and Protestant groups) higher education institutions began to grow in the early years of the twentieth century, and especially after 1917 with the passage of the American-sponsored Private School Law (Act No. 2706) that granted private colleges and universities full autonomy both in funding and control.

Significant disparities exist between and within the public and private higher-education institutions, and there are major differences in unit costs per student, tuition fees charged and government subsidies.³ With higher unit costs and lower performance than private institutions, public institutions have at times been criticised for their inefficiency and lack of accountability. The University of the Philippines, a public institution, has, however, often been ranked among the top universities in the country.

Major contemporary issues (2011-16)

In 2011, the CHED released a strategic plan for 2011-16. It highlighted a number of its priorities for the five-year period, including:

- to restructure the higher education system, specifically the public component consisting of SUCs and local universities and colleges (LUCs), to improve efficiency in the delivery of quality programmes, to minimise duplication and to promote complementary relationships between public and private institutions;
- to increase access to quality higher education, i.e. to further improve access to quality higher education among poor, but deserving, students through scholarships and grants; and
- to institute reforms in the governance, administration, and financial management of SUCs, including (1) rotation of chairs in SUC boards; (2) a strengthened search and appointment system for SUC Presidents; (3) adoption of a code of good governance; and (4) implementation of guidelines in the utilisation of income.

II. The Financing of Higher Education

In the 2015 national budget, the state universities and colleges (SUCs) sector was allocated a total of P44.4 billion (US\$ 2.5 billion), 16.8% higher than its 2014 budget of P38.0 billion (US\$ 2.1 billion).⁴ For education as a whole, the Department of Education received P367.1 billion (US\$ 20.6 billion) from the P2.606-trillion (US\$ 146 billion) 2015 national budget, the top gainer among government agencies. The budget increase of 18.6% – as compared to P309.5 billion (US\$ 17.3 billion) in 2014—is intended to support the government’s thrust towards improving access to quality education, in particular the K-12 Program.

In the recent past, public expenditure on education as a percent of GDP was 2.5% in 2005 in the Philippines, among the lowest budget allocations for countries in the Association of Southeast Asian Nations (for example, public expenditures on education as a percentage of GDP was 4.2% in Thailand and

³ Kitaev, Igor, Teresita Nadurata, Virginia Resurrection, and Freddie Bernal. 2003. *Student Loans in The Philippines*. Bangkok: UNESCO Bangkok.

⁴ Official Gazette

<http://www.gov.ph/2015/02/07/education-sector-to-get-a-bigger-boost-from-2015-national-budget/>

5.9% in Malaysia). In 2005, public expenditure on education as a percentage of total government expenditure was 15.2%, and educational expenditure on tertiary education as a percentage of total education expenditure was 13.3%. In 2007, the education budget allocation grew to P150 billion (US\$ 8.4 billion) from P129 billion (US\$ 7.2 billion) in 2006.

Trends in tuition fees

In what has been an annual exercise in recent years, 313 private higher education institutions were given permission by the Commission on Higher Education (CHED) to raise both tuition and other school fees by an average of 6.48% for the 2015-16 academic year. This number constitutes 16% of all institutions that applied to increase fees for that year.⁵

The CHED, citing CHED Memorandum Order No. 3 (the "Enhanced Policies, Guidelines and Procedures Governing Increases in Tuition and Other School Fees, Introduction of New Fees, and for Other Purposes), stated that it took into account the following factors when approving applications to increase fees:

- regional inflation rate
- financial standing of the institution
- financial capacity of most students
- impact of calamities (such as by Typhoon Haiyan, which struck the Philippines in 2013)
- quality track record of the school
- the mission and vision of the institution.

The CHED's approval of the tuition fee increases for private higher education institutions was condemned by the National Union of Students of the Philippines (NUSP) and the Rise for Education (R4E) Alliance, which has tended to protest against any increase in university tuition fees.⁶

Tuition fees at state universities and colleges (SUCs) have not similarly increased in the past few years. The last major increase in fees at SUCs was in 2007, when the University of the Philippines notably increased undergraduate tuition fees for the first time in more than 15 years, from P300 (US\$ 17) per academic unit to P1,000 (US\$56), sparking an outcry from student groups.⁷ This would have worked out to an increase in the annual tuition fee from about P9,000 (US\$ 504) to P30,000 (US\$ 1,680). It also approved annual tuition increases based on the country's national inflation rate. The SUCs in the country also approved tuition fee increases on a similar scale. However, in May 2008, in the face of rapidly increasing oil and food prices, the then-President of the Philippines, Gloria Arroyo, ordered a moratorium on tuition fee increases in the 110 SUCs.⁸

⁵ "CHED Allows 313 Schools To Raise Tuition, Other Fees". 2015. *CNN*.

<http://cnnphilippines.com/news/2015/05/19/CHED-allows-313-schools-to-raise-tuition-other-fees.html>.

⁶ "Tuition And Other Fees Increase". 2016. *NUSP*. <http://nusp.org/tag/tuition-and-other-fees-increase/>.

⁷ "CHED Chair Angeles: PUP Tuition Hike 'Unreasonable'". 2010. *The Philippine Online Chronicles*.

<http://thepoc.net/index.php/ched-chair-angeles-pup-tuition-hike-unreasonable/>.

⁸ "Arroyo's Tuition Hike Moratorium 'Too Late'". 2008. *ABS-CBN News*. <http://www.abs-cbnnews.com/nation/05/26/08/arroyos-tuition-hike-moratorium-too-late;>

"Palace Orders Moratorium on Tuition Fee Increase". 2008. *The Philippine Online Chronicles*. <http://thepoc.net/index.php/palace-orders-moratorium-on-tuition-fee-increase/>.

Table 1. Higher Education Expenses in the Philippines, Borne by Parents and Students, First Degree, Academic Year 2015-16 - Instructional expenses for one academic year

[National currency Philippine peso (P) converted to \$US by 2011 ICP Purchasing Power Parity Estimate at US\$1 = P 17.85]

NB. Fees given as for Filipino citizens

	Public		25,000 Private	
	Low cost E.g. Polytechnic University of the Philippines	High cost E.g. University of the Philippines	Medium cost E.g. University of Santo Tomas	High cost E.g. De La Salle University
Tuition fees	P 2,000 (US\$112)	P 31,500 (US\$1,765)	P 47,318 (US\$2,650)	P 189,000 (US\$10,588)
Other fees	P 1,000	P 2,000	P 10,000	P 10,000
Books, etc	P 2,000	P 5,000	P 5,000	P 5,000
Subtotal instructional expenses	P 5,000	P 38,500	P 58,318	P 204,000
Lodging	P 2,000	P 25,000	P 50,000	P 50,000
Food	P 5,000	P20,000	P 50,000	P 50,000
Transport	P 7,000	P 7,000	P 7,000	P 7,000
Other personal expenses	P 8,000	P 15,000	P 20,000	P 20,000
Subtotal cost of living expenses	P 22,000	P 67,000	P 127,000	P 127,000
TOTAL	P 27,000 (US\$ 1,513)	P 105,500 (US\$ 5,910)	P 185,318 (US\$ 10,382)	P 331,000 (US\$ 18,543)

III. Financial Assistance

Student scholarships and loans

Article XIV, Section 1 of the Constitution of the Philippines seeks to “protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make such education accessible to all”, and to “establish and maintain a system of scholarship grants, student loan programs, subsidies, and other incentives which shall be available to deserving students in both public and private schools”. However, student loans have never operated on a large scale in the Philippines, and their impact on higher education financing has been described as minimal.⁹

⁹ "The Constitution of the Republic Of The Philippines". 2016. *Official Gazette of the Republic Of The Philippines*. Accessed June 30. <http://www.gov.ph/constitutions/the-1987-constitution-of-the-republic-of-the-philippines/>.

In the public University of the Philippines system, a new Socialized Tuition System (STS) replacing an older system was unveiled in 2013. It essentially seeks to provide tuition discount at rates that are based on the assessment of the paying capacity of the household to which a student belongs. Compared to the older system it replaced, the STS seeks to speed up the processing of tuition bracket applications, adjust income brackets of student applicants and increase the stipend of poor students in its constituent universities.

According to 2006 CHED data (latest available data), the CHED provided financial assistance to 41,712 students (broken down as 15,190 students in the scholarship program, 25,733 in the grant in aid program and 789 in the student loan program). In 2005, new procedures for administering the CHED scholarships, loans and grants in aid programs were approved (excluding the “Study Now Pay Later” student loan program), which outlined the slot allocation process, the fund allocation process and the respective management roles of the CHED offices and participating higher education institutions. Among other scholarship programmes, the CHED administers the State Scholarship Program (SSP) for needy meritorious students, the National Integration Study Grant Program (NISGP) for needy members of cultural minority groups and the Private Education Student Financial Assistance (PESFA) Program for needy students entering private universities.

Study Now Pay Later Plan (SNPLP)

Notably, the CHED offers student loans through the “Study Now Pay Later Plan (SNPLP)”. To be eligible, student applicants have to:

1. Be a Filipino citizen of “good moral character”.
2. Be not be more than 30 years of age at the time of application, except for senior citizens;
3. Be a high school graduate or a candidate for graduation.
4. Not have a combined annual gross income of their parents/guardian that exceeds P300,000. For those who are exempted from filing income tax, there should be a certificate of tax exemption.
5. Not be a recipient of any government scholarship and financial assistance.

Under the current terms, the loan is to be paid by the student-debtor within two years of graduation, for it to be interest-free – after which interest at the rate of 4% per annum would then be accrued to their balance.¹⁰

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

The repayment rate of SNPLP dropped from 41% in the 1970s to 80s, to 3%, in the process of GFIS’ disengagement in 1988-1992, to only 1.9% in 2003. Reasons for the low repayment rate included lack of information on whereabouts of defaulters; unemployment or low income of defaulters; absence of

¹⁰ Commission on Higher Education, . 2011. *Implementing Rules and Regulations In The Administration And Implementation Of The Enhanced Study-Now-Pay-Later-Plan (SNPL)*. Quezon City.

legislation compelling loan guarantors to pay off the “bad” loans of defaulters; lack of capacity to track and prosecute defaulters by both implementing and funding agencies; absence of data bank on SNPLP; absence of a specialised unit in charge of loan collection; and fast turnover of personnel in charge of SNPLP without proper delegation of responsibilities.¹¹ A spokesperson for the CHED said in 2013 that the low repayment rate was due to the lack of trained personnel to undertake collections, inability of beneficiaries to immediately find employment and low salaries of employed beneficiaries.¹²

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

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

The author wishes to thank Catherine Ramos and the author of the prior version of the Philippines country profile within the database of the International Comparative Higher Education Finance and Accessibility Project, on which this current version is based. Nevertheless the usual disclaimer applies.

¹¹ Kitaev, Igor, Teresita Nadurata, Virginia Resurrection, and Freddie Bernal. 2003. *Student Loans In The Philippines*. Bangkok: UNESCO Bangkok.

¹² Flores, Helen. 2013. "CHED To Spend P8 M For Study Now, Pay Later Program". *Philstar*. <http://www.philstar.com/headlines/2013/03/28/924874/ched-spend-p8-m-study-now-pay-later-program>.