



REPUBLIC OF ZAMBIA

REPORT

OF THE

**COMMITTEE ON EDUCATION, SCIENCE AND TECHNOLOGY
ON THE PERFORMANCE AUDIT REPORT OF THE AUDITOR GENERAL ON
THE ADMINISTRATION OF STUDENT LOANS AND SCHOLARSHIPS BY THE
HIGHER EDUCATION LOANS AND SCHOLARSHIP BOARD IN ZAMBIA
BETWEEN 2017-2020**

FOR THE

SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

FOREWORD

Pursuant to Standing Orders No. 198 (g), of the National Assembly Standing Orders, 2021, the National Assembly is vested with the power to consider audit reports referred to it by the Speaker or a resolution of the House. Thus, the Committee on Education, Science and Technology was mandated to consider the Performance Audit Report of the Auditor General on the Administration of Student Loans and Scholarships by the Higher Education Loans and Scholarship Board (HELSEB) in Zambia between 2017-2020 for the Second Session of the Thirteenth National Assembly.

In order to acquaint itself with the Performance Audit Report under consideration, the Committee sought both written and oral submissions from stakeholders. The stakeholders, who appeared before the Committee; are listed at Appendix II. The Committee held eight meetings to consider the Audit Report. The Committee is grateful to all stakeholders who tendered both written and oral submissions. The Committee further wishes to thank you, Madam Speaker, for affording it an opportunity to carry out its work. It also appreciates the services rendered by the Office of the Clerk of the National Assembly and his staff throughout the Committee's deliberations.



Mr Twaambo Mutinta, MP
CHAIRPERSON

JUNE, 2023
LUSAKA

TABLE OF CONTENTS

ITEM	Page
1.0 Membership of the Committee	1
2.0 Auditors General Comments	1
3.0 Functions of the Committee	2
4.0 Measures to ensure inclusive access to Loans & Scholarships for all	3
5.0 Measures to ensure Sustainability of the Loan & Scholarship Fund	5
6.0 Suggested Measures that could ensure Successful Implementation Of the Audit Recommendation	7
7.0 Conclusion	8
Appendix I	9
Appendix II	10

ACRONYMS AND ABBREVIATIONS

CDC	Constituency Development Committee
ICT	Information and Communications Technology
ECZ	Examination Council of Zambia
HELSEB	The Higher Education Loans and Scholar Board
HESFMS	Higher Education Student Financing Management System
HEA	Higher Education Authority
HEI	Higher Education Institutions
MOE	Ministry Of Education
MCDSS	Ministry of Community Development and Social Services
MPAs	Ministries, Provinces, Government departments and Agencies
NAPSA	National Pension Scheme Authority
OAG	Office of the Auditor General
PMEC	Payroll Management and Established Control
UNZA	University of Zambia
ZRA	Zambia Revenue Authority
ZNSU	Zambia National Students Union
ZSIC	Zambia State Insurance Corporation

1.0 Membership of the Committee

The Committee consisted of Mr Twaambo Mutinta, MP (Chairperson), Ms Sibongile Mwamba, MP (Vice Chairperson); Mr Ackleo Banda, MP; Mr Tyson Simuzingili, MP; Mr Elias Daka, MP; Mr Golden Mwila, MP; Mr Davies Chisopa, MP; Mrs Chrizoster Halwindi Phiri, MP; Mr Heartson Mabeta, MP and Dr Alex Katakwe, MP.

2.0 Auditor General's Comments

The Auditor General informed the Committee that in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Audit Act No. 13 of 1994 and the Public Finance Management Act No. 1 of 2018, the Office of the Auditor General was mandated to carry out Performance Audits in Ministries, Provinces, Government Departments and Agencies (MPAs) and to report the results to the Republican President and to the National Assembly.

2.1 Background to the Audit

The Committee was informed by the Auditor General that Performance Auditing also known as value for money audit is an independent, objective and reliable examination of whether Government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. The main objective of Performance Auditing is to promote economical, effective and efficient governance as well as contribute to accountability, transparency and quality delivery of public services.

2.2 Motivation of the Audit

The Committee was informed that student loans have been widely advocated as a way of financing the private cost of investing in higher education. More than fifty developing countries in the world now have loan schemes which enable students to borrow from government agencies or commercial banks in order to finance their tuition fees and to repay the loans after graduation. In order to ensure that this is done, the Higher Education Loans and Scholarship Board (HELSEB) has been mandated through an Act of Parliament No.31 of 2016 to provide student loans to would-be prospective students.

The Committee was further informed that the Zambian educational system has shown that the transition from secondary to tertiary education has been very low as only twelve of secondary school leavers have accessed higher education. Despite enrolments in Higher Education Institutions increasing significantly from 5,985 in 1996 to 91,969 in 2017, funding from the government had not corroborated with this increase.

In addition, there has been public outcry due to the fact that more than sixty percent of rejected applicants were poor and vulnerable and therefore, could not meet the cost of higher education. There have also been Parliamentary debates on the need for Government to enable more young Zambian people access to the student loan facility by extending the coverage to private Higher Education Institutions. The audit was carried out in order to establish the extent of the student loan accessibility by eligible learners if it was in place.

2.3. Audit Objective

The audit objective was to assess whether HELSB has put in place measures to ensure increased equitable access and inclusive higher education through self-sustaining student loans and scholarships.

2.4 Audit Scope and Coverage

The audit covered the period 2017- 2020. The institutions that were engaged were Ministry of Education, Ministry of Community Development and Social Services, HELSB and the seven public Higher Learning Institutions, namely; University of Zambia, Copperbelt University, Mukuba University, Kwame Nkrumah University, Mulungushi University, Robert Kapasa Makasa University and Chalimbana University. The sample size consisted of 192 out of 18,673 students available and also thirty-seven officers from the two Ministries and HELSB. The selection was purposively done based on the presence of all the institutions which had students that were sponsored and available at the time of audit as well as limited resources allocated for this assignment. The areas visited included Kabwe, Kitwe, Lusaka, Chongwe and Chinsali.

2.5 Audit Questions

The audit questions were as follows:

- (i) What measures has HELSB put in to place ensure that loans and scholarships awarded are accessible and inclusive for all?
- (ii) To what extent has HELSB ensured the sustainability of the loan and scholarship fund?
- (iii) To what extent does the board coordinate with key stakeholders to guarantee the efficient administration of loans and scholarships?

3.0 Functions of the Committee

The functions of the Committee on Education, Science and Technology are set out in Standing Orders No.197 (c) and 198 of the National Assembly of Zambia Standing Orders, 2021.

3.1 Meetings of the Committee

The Committee held eight meetings to consider submissions on the Report of the Auditor General on the Performance Audit on the Administration of Student Loans and Scholarships by the Higher Education Loans and Scholarship Board (HELSB) in Zambia between 2017-2020 for the Second Session of the Thirteenth National Assembly.

3.2 Procedure adopted by the Committee

The Committee requested detailed memoranda from relevant stakeholders and invited them to make oral submissions and clarifications on issues arising from their submissions. The list of stakeholders who made submissions before the Committee is attached at Appendix II.

4.0 MEASURES TO ENSURE INCLUSIVE ACCESS TO LOANS AND SCHOLARSHIPS FOR ALL

The findings on the measures put in place to ensure inclusive access to loans and scholarships for all revolved around the following themes listed hereunder:

4.1 Number of School Leavers Accessing Loans

The performance audit established that the number of students accessing student loans was low despite the eligibility of the applicants. This was due to limited resources available under the HELSB scholarship resource envelope.

Committee's Recommendation

The committee noted that to in order to improve the number of school leavers applying and being awarded the loans and scholarship funds, the Ministry of Education should increase the budgetary allocation to student loans and scholarships for more to access it at both public and private universities. There is also a need to expand the existing public university infrastructure to accommodate more prospective students. The HELBS needs to revamp the sensitisation of learners in secondary schools on the support available for students in higher education.

4.2 Award of Sponsorship Categories

The audit report revealed that the funding options offered to applicants for student loans are twenty-five percent, fifty percent, seventy-five percent, and hundred percent are based on the 2004 Policy on Student Loans, Bursaries, and Scholarships. Additionally, the Board is mandated by Act No. 31 of 2016 to determine the criteria for student loan awarding. The Board decided to issue student loans at a percentage specified by the applicant after considering the lessons from the discretionary issuance of fifty percent loans regardless of the applicant's initial request.

The basis of the funding options on which the percentage categories are awarded was not documented. In this regard, HELSB was urged to explore the basis of the funding options on household vulnerability of the applicants. However, to implement this, a Means Testing Tool was required to be developed which would aid in the ascertaining of household vulnerability.

Committee's Recommendation

The Committee noted the lack of documentation and urged the Loans and Scholarship Board to come up with a Means Testing Mechanism to determine the vulnerability of the loan applicants authentically. This will make it easier to determine and target suitable applicants. A Means Testing is a form of subsidy (Loan) targeting. It is a targeted attempt to distribute the benefits of higher education such as tuition, accommodation and other costs to those who truly deserve them. Means testing also has an allocative function of the limited financial assistance by way of ranking in accordance with their level of need and thereby making it possible for funds to be allocated to those in greater need.

4.3 Selection Criteria

Section 5 (1) (c) of Act No. 31 of 2016, mandates the Board to determine the criteria and terms for granting student loans. HELSB awards student loans based on the following criteria: sixty percent to science-based programmes and forty percent to arts-based programmes.

This is further subdivided as follows:

- thirty-five percent for merit;
- thirty percent each for rural and female affirmative; and
- five percent for students with disabilities (SWDs).

In 2022, fifty-one percent of the students who received loans were male and forty-nine percent were female. However, that resulted in urban male applicants being considered solely on merit criteria and disadvantaged male applicants from urban regions, notably those from peri-urban and compound neighbourhoods.

Further, HELSB awarded fifty-two percent of student loans to applicants from rural districts, compared to forty-eight percent from urban districts. Applicants are classified as rural or urban based on their indicated residential address in their application letters and the Student Loan Application Form. Although fifty-two percent of the awardees were from rural regions, the existing criteria does not consider household vulnerability levels which also exist in urban regions. Also, the residential addresses indicated are not verified to ascertain if the applicant was truly based from the rural area.

Committee's Recommendation

The Committee recommended that the Means Testing Mechanism should be developed in order to address the issue of the selection criteria and further recommended that the selection criteria be automated and integrated into the Higher Education Integrated Information Management System. This system allows for variations in the percentages of the selection criteria depending on the human resource needs in a given academic year.

4.4 Training Programmes Awarded to Students

The audit established that the cost of sponsoring a student at a foreign HEI was higher than the cost of sponsoring a student at a local HEI for the same programme. The audit also established that HELSB did not conduct a trend analysis or a cost benefit analysis in order to make recommendations to the Minister for decision making at policy level. This poses a risk that fewer students would be sponsored to higher learning institutions thus limiting possible opportunities for education.

Committee's Recommendation

The Committee strongly directed HELSB to be conducting cost benefit analysis before deciding whether to train locally or abroad. The Committee further recommends that higher learning institutions should enhance the quality of local university programmes to reduce the number of students sponsored outside the country by the Loans board.

5.0 MEASURES TO ENSURE SUSTAINABILITY OF THE LOAN AND SCHOLARSHIP FUND

The measures to ensure the sustainability of the loans and scholarship fund were centred on the following themes:

5.1 Recovery of Loans

The Committee was informed that loan recovery database as at 31st December 2022, had 69,321 loan beneficiaries with a total loan portfolio value of K4.7 Billion. 36,104 beneficiary records in total was retrieved from the NAPSA database. HELSB had so far engaged 16,051 from the NAPSA records and was engaging the remaining 20,053. This leaves 33,217 beneficiaries from the total 69,321 beneficiaries of HELSB database who may be working in the informal sector and needed to be found.

Of the 69,321 beneficiaries, 15,779 were servicing their loans, 53,270 are yet to start repaying while 185 have paid off their loans in full. A check with National Pension Scheme Authority (NAPSA) records, shows that a total of eighty-seven beneficiaries passed away. The Committee was further informed that matured loan amounts have differing due dates depending on when a beneficiary accessed the student loan and the expiry of their grace period. In addition, as at 31st March 2023, HELSB has cumulatively recovered K363,765,331.94 since October 2018.

In view of the above, the performance audit revealed that the loan recovery rate was low in that from the total amount of 2.9 billion of matured loans, the Loans Board had only recovered over K181 million at the rate of 6.2 percent as of October 2021.

Committee's Recommendation

The Committee recommends that the legal framework should be strengthened to mandate the HELSB to carry out the function of efficient recovery of loans. Further, the Board was urged to adapt best practices that have been successfully used by other countries such as Ghana and Kenya to recover loans. The HELSB is further urged to improve on the tracking systems to ensure that former beneficiaries are monitored and that they pay back the loans.

5.2 Insurance of Student Loans

The Committee was informed that the Board did not insure loans against the risk of failure by beneficiaries to repay during the period under review. It was also observed that the failure by the Board to insure student loans between the periods 2004 to March 2021 had resulted into accumulated bad debts in amounts totaling K2,580,036.34 from seventy-five beneficiaries who had graduated and were employed by the public service and died whilst serving before repaying the student loans.

Committee's Recommendation

The Committee recommended that HELSB should insure all student loans against risks as the Board may determine which include death, permanent and total disability as well as mental insanity.

5.3 Monthly Deduction of Student Loans

The Report revealed that some beneficiaries were not remitting expected scheduled payments. The status -quo had the potential to cripple the sustainability of the loans and scholarship fund.

Committee's Recommendation

The Committee recommends that all the loans should be pursued to ensure that they are paid back without fail. The Committee further directed the HELSB to conduct a reconciliation exercise with Payroll Management Establishment Control (PMEC) to normalise deductions for beneficiaries employed in the civil service who were underpaying on the loan. In addition, the HELSB was urged to track beneficiaries through the NAPSA database.

5.4 Investment of Funds

The Committee was informed that HELSB had no investment policy in place to help the institution plan and undertake viable investments. Consequently, the revolving fund has not grown significantly and therefore, HELSB continues to rely solely on Government funding. This poses the risk that fewer students will access the student loans.

Committee's Recommendation

The Committee recommended that HELSB should put in place the investment framework which should document policies like Investment Policy and Resource Mobilisation Policy. These policies should guide investment decisions and management of the Fund assets to grow and sustain the Fund. In addition, HELSB should employ a fund manager and other office holders to spearhead loan recoveries.

5.5 Presence of HELSB at HEIs

The Committee was informed that HELSB increased its reach to students through alternative methods like third party engagement and electronic platforms. To this effect the Memorandum of Understanding (MOU) with NATSAVE was entered into for sale and receiving of student application forms.

Committee's Recommendation

The Committee recommended that HELSB should fully implement the Higher Education Students Financing Management System (HESFMS) to provide the institution with a minimum viable digital product that will ease student application, registration, screening and other related activities.

5.6 Integrated Management Information System

The Performance Audit established that the HELSB had not developed an Integrated Management Information System (IMIS) to be linked to public higher learning institutions and other key student loan administration stakeholders.

Committee's Recommendation

The Committee urged the HELSB to develop an Integrated Information Management System. Further, the Board was urged to urgently implement a fully functional Higher Education Student Financing Management Information System to which an automated Means Testing mechanism should be linked to allow for access to critical information about loans and scholarship applicants, and to access student funding.

5.7 Publication of Student Names

The performance audit report showed that the publication of names of students for awarded with loans was not done in a timely manner. The implications of the untimely publication of names of awarded students not only disturbed the academic calendar but also the academic progression of the students.

Committee's Recommendation

The Committee urged the HELSB to ensure timely publication of names of awarded students in order not to disturb the academic calendar and also the academic progression of students. Further, the Committee recommended that the Loans Board should develop a harmonised and well-coordinated learning calendar among the HEIs.

5.8 Sensitisation Programmes

The audit established that only twenty-one out of 1,649 secondary schools countrywide had been sensitised on the availability of student loans during the period under review. The lack of a robust sensitisation programme to inform the potential university students in secondary schools about the availability of student loans and scholarships disadvantaged many prospective students who had no information about the availability of student loans and how one could apply for them.

Committee's Recommendation

The Committee urged the HELSB to come up with a deliberate sensitisation programme for the secondary schools that involves the Ministry of Education in particular, provincial and district offices countrywide who have direct contact with the secondary schools.

6.0 SUGGESTED MEASURES BY STAKEHOLDERS THAT COULD ENSURE SUCCESSFUL IMPLEMENTATION OF THE AUDIT RECOMMENDATIONS

6.1 HELSB should uphold transparency in the manner in which the loan categories are awarded to students. HELSB must ensure that clear guidelines that will guide the applicants on how one should qualify for hundred percent, seventy-five percent, fifty

percent and twenty-five percent are developed and documented. Therefore, the Committee recommend that the Means Testing Tool be developed for automatic granting of funding levels in relation to household vulnerability.

- 6.2** HELSB should consider engaging Examinations Council of Zambia on how best they can access the Grade Twelve results data base for eligible candidates to apply for student loans This will allow for timely verification of the grade twelve results. HELSB should also work hand in hand with the Ministry of Education in creating a data base of urban / rural secondary schools.
- 6.3** HELSB should ensure that an investment plan is developed to help with the mobilisation of resources for the sustainability of the HELSB Fund and the key positions pertaining to investment are filled.
- 6.4** HELSB should ensure that the development of the integrated information system between itself and the HEIs is expedited. The Integrated Management Information System should also have a platform to ensure that the student loan beneficiaries are able to check in their status and to lodge in queries without having to travel to the HELSB offices. If possible the IMIS should also provide for some screening processes to lessen on the time it takes to screen students for each academic year.
- 6.5** HELSB should coordinate with other key stakeholders in the dissemination of the information regarding access to student loans and scholarships.

7.0 Conclusion

The Committee recommended that all applicants should meet the minimum entry requirements into the Higher Education Institutions. The disabled applicants who meet the merit criteria should be expressly selected, without providing a quota. To determine rural and urban, applicants should submit applications with recommendations from Constituency Development Committees since Constituencies are either predominately rural or urban and can provide a recommended list of applicants based on the rural /urban divide. The gender proportion within rural and urban should be fifty percent male and fifty percent female. HELSB should uphold transparency in the manner in which the loan categories are awarded to students. HELSB must ensure that clear guidelines are developed and documented that will guide the application on how one should qualify for hundred percent, seventy-five percent, fifty percent, and twenty-five percent. The Committee strongly recommends that among the main criteria to be used when screening the applicants is the social economic status.

Further, to accommodate the rising demand for student loans from eligible Zambians, loan recovery administration and financial sustainability must be improved. HELSB should improve the Fund's sustainability and growth in order to have a well-designed and efficiently managed loan scheme. Additionally, HELSB should raise stakeholder awareness, concentrating on educating applicants about the availability of student loans and scholarships. In addition, HELSB must look into ways to manage student loans equitably, and not to disadvantage eligible Zambian applicants in their pursuit of higher education.

Finally, the Committee wishes to express its gratitude to all the stakeholders who appeared before it and tendered both oral and written submissions and to thank you, Madam Speaker, and the Office of the Clerk of the National Assembly for the guidance and support services rendered to the Committee during its deliberations.



Mr Twaambo Mutinta, MP
CHAIRPERSON

June, 2023
LUSAKA

APPENDIX I – List of National Assembly Officials

List of National Assembly Officials

Mr Francis Nabulyato, Principal Clerk of Committees (SC)
Mrs Chitalu K Mumba, Deputy Principal Clerk of Committees (SC)
Mrs Angela M Banda, Senior Committee Clerk (SC)
Mr Fanwel M Chiwama, Committee Clerk
Ms Eneless Njobvu, Typist

APPENDIX II – List of Witnesses

Examination Council of Zambia
Office of the Auditor General
Ministry of Education
The Higher Education Loans and Scholarship Board
Higher Education Authority
Ministry of Community Development and Social Services
National Pension Scheme Authority
University of Zambia
Zambia Revenue Authority
Zambia National Students Union
Zambia State Insurance Corporation