Executive summary of the public audit report

STUDY LOAN SCHEME

20 May 2014 No. VA-P-50-8-5

Full audit report in Lithuanian is available on the website
of the National Audit Office: www.vkontrole.lt

DEFINITIONS

‘Access to higher education’[1] means equal opportunities to start, continue and complete higher education, regardless of the student's economic and social situation.

‘Credit institutions’ means the banks selected by the Commission on the selection of credit institutions which will grant loans to students.

‘State-sponsored loan’[2] means the loan granted with the State guarantee by credit institutions to pay the tuition fee, living costs, or partial studies under international (cross-institutional) agreements.

'Study loans’ means state loans and state-sponsored loans.

'State guarantee’[3] means the property liability of the State to repay the entire state-sponsored loan granted to the borrower observing the procedure laid down in the Procedure and Agreement on the terms of state-sponsored loans and State guarantee and to pay the interest on the repayable state-sponsored loan, except for additional interest established by the credit institution and/or interest on arrears and other penalties or other payments due to the borrowers’ failure to (properly) fulfil their obligations (hereinafter – the interest) if the borrower fails to repay the state-sponsored loan or part of it within the time limit laid down in the Agreement on state-sponsored loan, and/or to pay the interest or part of it, as well as in case of the borrower’s death, or if the credit institution requests that the borrower immediately repay both the entire state-sponsored loan or part of it and the interest accrued on the state-sponsored loan on the loan repayment day which has not been paid in the case specified in the Agreement on the terms of state-sponsored loans and State guarantee.

'State loan’[4] means the loan to pay the tuition fee, living costs, or partial studies under international agreements, which used to be granted from state budget funds.

Monitoring of public education and research’[5] means continuous analysis, assessment and prognosis of the status of and changes in education and research and collection of necessary data by entities of education and science.

[1] Research and Higher Education Monitoring and Analysis Centre, Overview of the Status of Lithuanian Studies, Vilnius, 2013, 100 pages.

[2] Resolution No. 480 of the Government of the Republic of Lithuania of 27 May 2009 on the approval of the Procedure for granting, administering and repaying state loans and state-sponsored loans to students (as amended by Resolution No. 875 of 21 June 2010), par. 7.

[3] Agreement No. 2-2013-1301/ST-13-6430 of 16 April 2013 on the terms of state-sponsored loans and State guarantee.

[4] Resolutions of the Government of the Republic of Lithuania: No. 2073 of 21 December 2002 on the approval of the Procedure for granting, administering and repaying state loans to students of schools of higher education (as amended by Resolution No. 942 of 25 September 2006), par. 3; No. 480 of 27 May 2009 on the approval of the Procedure for granting, administering and repaying state loans and state-sponsored loans to students, par. 6.

[5] Procedure for conducting monitoring of public education and research approved by Order No. V-1201 of the Minister of Education and Science of the Republic of Lithuania of 14 August 2012, par. 1

EXECUTIVE SUMMARY

Over the period 1998-2009, students were receiving state loans from state budget funds, from the funds generated from the repayment of loans, interest and interest on arrears, and from other funds allocated for this purpose. The study funding procedure was revised after the adoption of the Law of the Republic of Lithuania on Higher Education and Research[6] in 2009, with state-sponsored loans now being granted from the funds of credit institutions.

The new loan scheme aims to increase the access to higher education by creating favourable conditions for borrowing and to save limited public funds[7].

The audit was prompted by an ongoing discussion in the public space since 2009 about a need for a new study loan scheme and the opinion that the current scheme is allegedly beneficial only for credit institutions, that the state is undertaking big guarantee commitments, that the borrowing conditions are unfavourable for students, etc. The Programme of the sixteenth Government for the period 2012–2016[8] provides for revising the study loan scheme and going back to the provision of funds for the tuition fee and living costs from the state budget, rather than from credit institutions.

The objective of the audit was to determine whether the state-sponsored study loan scheme increases the access to higher education and allows saving the public money.

The audit was conducted at the Ministry of Education Science of the Republic of Lithuania and the State Studies Foundation. In addition, information was gathered from other bodies and institutions, such as the Research and Higher Education Monitoring and Analysis Centre, Centre of Information Technologies in Education, Commission for the Selection of Credit Institutions, and credit institutions providing study loans; the auditors also analysed audit reports on this subject, research and data of foreign countries.

The audit covered the period 2009–2013. Data from other years was also used for analysing trends and changes.

The following public audit conclusions and recommendations were drawn upon the assessment of the audit findings.

CONCLUSIONS

1. Changes in the loan terms increase the opportunities for students to get these loans, except in cases of expensive studies when a fixed maximum amount for the loans received limits the

[6] Law of the Republic of Lithuania on Higher Education and Research, 2009, No. 54-2140.

[7] Ministry of Education and Science of the Republic of Lithuania, *Presentation of the research and study reform* [*interactive*]. [viewed on 10 December 2013]. Internet access http://www.altajus.net/wp-content/uploads/2009/03/informacija_mokslo_ir_studiju_reforma.pdf.

[8] Resolution No. XII-51 of the Seimas of the Republic of Lithuania of 13 December 2012 on the Programme for the Government of the Republic of Lithuania, par. 198.

availability of all three types of the loan in the required amount (for paying the tuition fee, living costs, and partial studies under international (cross-institutional) agreements).

2. The monitoring of the access to higher education is insufficiently systematic and comprehensive because of a lack of monitoring indicators related to the impact of study loans on the access to higher education, so there is not enough evidence on the impact of these loans on the access to higher education
3. The introduction of state-sponsored loans reduced the administrative burden of the State Studies Foundation and schools of higher education and the demand of public funds, loans are issued more quickly, so granting such loans from the funds of credit institutions is currently more efficient for the State.
4. No forecast and analysis of the share and trends of repayable loans for a long-term period has been carried out, so the risk of increase in public expenditure has not been properly evaluated.

RECOMMENDATIONS

To the Ministry of Education and Science:

1. In order to manage comprehensive information about the impact of study loans on the access to higher education, the Ministry should carry out systematic and detailed monitoring, ensure that decision-making is based on evidence, establish monitoring indicators related to study loans, and ensure that monitoring is carried out.
2. In order to properly evaluate the risk of increase in public expenditure for study loans, forecast and analysis of the share of repayable loans should be carried out making long-term loan repayment forecasts.

The Plan for Implementing the Recommendations is given in Annex 2.