

Income contingent loans as a solution for free education in SA



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Avoiding debt



- Government funds
 - Shrinking resources
 - Administrative and management costs
 - Public debt

- Time-bound repayment loans
 - Market-operated
 - Administrative and management costs
 - Personal debt

- Income contingent loans
 - Flexible and adaptable
 - Slim governance
 - Low risks of insolvance

Income contingent loans: history



- Pre-1989: no ICL, TBRL in many countries (e.g. the US, Canada, Colombia)
- Australia 1989: HECS
- International ICL adoption: New Zealand, 1992; the UK, 1997; Ethiopia, 2001; Hungary, 2003; Thailand, 2006 (only); South Korea, 2011; the Netherlands, 2016.
- Possible 2017 ICL adoption: Colombia, Ireland and Japan
- On-going research and debate in: Malaysia, Colombia, Ireland, the US, China, Japan and Brazil

Time-bound vs. Income contingent



- Time-bound loans
 - Default rates: from 30% in the USA to 80% in the Philippines
 - High repayment/income ratio
 - Limited elasticity
 - Stress and anxiety for subscribers

- Income contingent
 - Low income/repayment ratio: from 6% in Hungary to 10% in New Zealand and South Korea
 - Capacity to repay is linked to future incomes and adjusted proportionally
 - Broad-based to guarantee diversity and hedge risks
 - No stress for subscribers

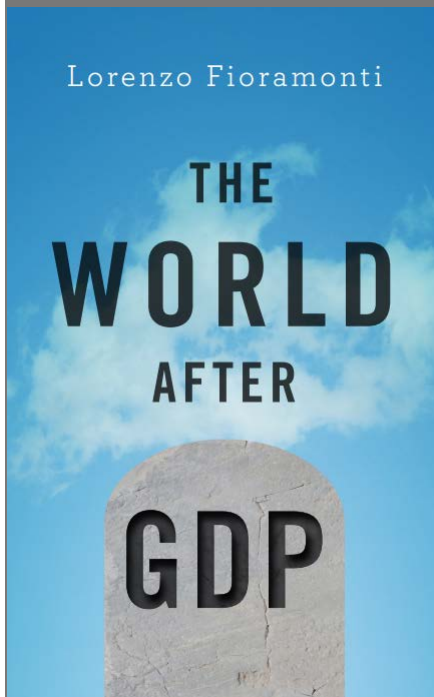
Why ICL is good for South Africa



- ❑ Shrinking public budgets
- ❑ Strong tax collection mechanisms
- ❑ Relatively 'low' costs of education
- ❑ Alternative to increasing direct taxation
- ❑ Delays repayment, limits personal debt
- ❑ Promotes convergence of interests between public and private sector → good governance, quality jobs
- ❑ Indirect redistribution process

THANKS!

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