Foundation for Economic Freedom

FEF STATEMENT ON THE PROPOSED UNIVERSAL ACCESS TO QUALITY TERTIARY EDUCATION ACT

On July 5, 2017 Congress submitted its proposed Universal Access to Quality Tertiary Education Act to Malacanang for President Rodrigo Duterte's signature. It has been reported that his economic managers are recommending a Presidential veto of the proposed law.

We, the Foundation for Economic Freedom (FEF), support their recommendation.

FEF supports a Presidential veto because we believe the proposed Act will cause substantial amount of taxpayers' money to be spent on measures that are unlikely to result in the achievement of intended objectives. Budget Secretary Benjamin Diokno estimates that the proposal will cost about PhP 100 billion. This amount is not pittance, to echo National Economic Development Authority Director General Ernesto Pernia observation.

The Government can ill afford to waste scarce public resources on the proposed measures. These measures are not only of doubtful effectiveness but also arguably anti-poor and inconsistent with the pro-poor orientation of the President's development agenda. Our view is supported by the following arguments.

First, the free tuition subsidy will benefit predominantly the well-off, as pointed out by the economic managers and PIDS fellows, Dr. Aniceto Orbeta and Dr. Vicente Paqueo. Only a small proportion of the subsidy will benefit the poor, since only a small percentage (12%) of them make it to state colleges and universities (SUCs).

Second, there is no evidence that making already highly subsidized SUCs tuition-free will increase the overall tertiary enrolment rate, let alone the enrollment probability of poor children. Neither is there evidence that making SUCs free will improve the learning achievement of students. It is concerning, though, that there is no significant statistical correlation between higher education enrollment probability and ease of access to SUCs, on the whole and among the poor. This finding by Orbeta and Paqueo is worrisome because it raises doubts about the effectiveness of SUCs.

Third, while we support the idea of an income-contingent student loan, it would be highly risky to invest huge amount of taxpayers' money at this point, when there is no evidence yet that in practice such an idea will work in the Philippines. Given international and local experience regarding repayment issues, it is critical to first pilot test this innovative loan scheme locally, do a rigorous evaluation and, based on empirical evidence, make the appropriate decisions regarding scaling up.

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Finally, the proposed Act should be vetoed because there are better alternative ways of using taxpayers' money that are more cost-effective and strongly pro-poor. On this point, we support the use of available government resources to more adequately finance implementation of the recently approved UNIFAST law. This law provides a coherent framework for rationalizing and expanding student financial assistance program based on sound public finance principles and is consistent with President's inclusive development plan. UNIFAST advocates for full financing (tuition, living allowance, and other expenses) for merit scholarships for the bright, grants-in-aid for the poor, and loans for everybody else. The assistance is targeted, using objective indicators, and follows the students wherever they choose to study in public or private tertiary education institutions that meet certain quality standards.

To conclude, FEF strongly believes that taxpayers' money should be used wisely and carefully. In this regard, the money to be allocated for the proposed Act would be better used to finance more worthy alternative interventions to achieve intended higher education objectives or to support other more promising high priority development programs in other sectors.

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