



African Leadership Academy

Developing the next generation of African leaders

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INTRODUCTION TO THE ALA SOCIAL CONTRACT AND FORGIVABLE LOAN

Introduction

The following memo is a guide to your financial assistance award. After reading this memo you should have clarity and understanding of:

1. Our Guiding Principles
2. What the ALA Social Contract is
3. What your ALA tuition fees entail
4. What the terms of the financial assistance agreement mean
5. What the deferment process entails
6. Who to contact should you have comments or queries

1. Our Guiding Principles

At African Leadership Academy, we believe that financial circumstances should not impede a student from reaching their full potential, and should not rob Africa of its most promising talent. When we admitted you to ALA, we made a statement about our belief in your potential to transform the continent, and about our commitment to empower you on your leadership journey.

If you and your family cannot afford or independently finance your education at ALA, we have, through the generosity of our donors, made institutional loans available to you. Our loans, unlike almost any other loan you may seek, are forgivable if you meet the terms of your financial assistance agreement, because our loans are a social contract between you and the entire ALA community.

2. The ALA Social Contract

A social contract is an agreement for mutual benefit between an individual or group and the government, an organisation or community as a whole. At ALA, donors, parents, students, alumni, and staff come together to support ALA's mission to promote lasting peace and shared prosperity on the African continent. We do this by identifying, developing, and connecting the next generation of African leaders. Under ALA's model, students' financial circumstances are not considered during the admissions process (we have "need-blind admissions"), and all admitted students can receive need-based financial assistance in the form of a forgivable loan to ensure they can attend the Academy.

The ALA forgivable loan agreement is a social contract entered into between the incoming student and the entire ALA community. The members of our community have come, and continue to come together, in order to develop leaders for the continent. Therefore, the loan is forgiven for the alumni that return to have impact on the continent for at least 10 years after their 25th birthday (or from the moment they complete their undergraduate degree, whichever comes first).

ALA is not expecting you to fulfil your part of the social contract on your own. We have made a lifelong commitment to the development of your career, and have established the Department of Lifelong Engagement to assist you in your career development.

3. What Your Tuition Fees Entail

The total cost of attending ALA is split between your student contribution and your proposed ALA financial assistance award. You will pay your contribution to fees during your time on campus at ALA, per the payment



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structure provided by ALA Finance. If you choose to accept our financial assistance award, ALA will cover the difference between your expected student contribution and ALA's full tuition through a financial assistance award. Our financial assistance award is an option for you, not an obligation. You must let us know if you choose to accept it, or if you will find other means to cover the gap between your expected student contribution and ALA's full tuition.

If you choose to accept ALA's financial assistance please read below to understand the terms of your Financial Assistance Agreement.

Please note that financial assistance is optional, therefore this section may not be applicable to all students

4. Understanding Key Terms in Your Financial Assistance Award Agreement

During the Admissions process of enrolment at ALA, you will sign two key documents, namely:

1. The ALA Enrolment Contract; and
2. ALA Financial Assistance Award Agreement (Optional)

The ALA Financial Assistance Award Agreement contains key terms which require thorough understanding. Below is a summary of the key terms and their interpretations:

Forgivable Loan

A forgivable loan is a form of a loan in which its entirety, or a portion of it, can be forgiven by the lender when certain conditions are met. However, if the conditions are not met, the loan has to be repaid, usually with interest. ALA's financial assistance is structured this way to honour the promise under which ALA's past and present donors chose to support ALA, namely, to develop leaders who will develop the African continent. The interpretation of this statement has been, and continues to be, that our young leaders will have the most impact on the continent by being present on the continent. Therefore, the loan is forgivable on condition of your physical return and residence on the continent.

3.2 Establish residence and employment in Africa for a period of 10 years

The interpretation of 'employment' has been broadened to mean 'reside in Africa'. This means that as long as you are physically present on the African continent, ALA will assume your residence to also mean you are positively contributing economically and socially to the African continent. Entrepreneurial ventures, part-time or full-time employment, pursuing any post-graduate education – (such as graduate school, a second degree, a PhD, etc.) will also count to fulfil the terms of your contract. Your mere presence in Africa is enough. Please note that the abovementioned examples are not exhaustive.

You are required to be physically present on the African continent for a minimum of 10 years to qualify for the full loan forgiveness. Every year you spend on the African continent after your undergraduate degree counts toward forgiveness. 1/10th of your loan will be forgiven every year you spend on the African continent, meaning that by the end of the 10th year, your loan will be fully forgiven.

Please note that as a general rule, any time spent on the African continent prior to age 25 or before completing your undergraduate degree will not count towards forgiveness. Gap years, starting a venture before (or instead of going to) college, complete internships, etc., may be considered towards your Return To Africa commitment on a case-by-case basis.



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3.3 Principal amount and accrued interest

Principal Amount: The original loan amount borrowed.

Accrued Interest: The growing amount charged by the lender (ALA) to a borrower (the student) for the cost of borrowing.

3.4 [Interest is] compounded annually

Compounded interest arises when interest is added to the principal amount of a loan, so that the interest that has been added to the loan also accrues interest. In a way, compounded interest can be thought of as “interest on interest,” and can be contrasted with simple interest, which is interest calculated only on the principal loan amount.

Your financial assistance loan begins accruing interest immediately after your studies at ALA begin and continues to do so until the loan is forgiven or paid in full. The interest rate for your loan is set at 18% per year.

5. Applying for Deferment

Should you wish to postpone your return to the African continent after your 25th birthday, you have the option of deferment available to you. A deferment allows you to choose to postpone repayment on your loan for a specified period for residency reasons.

You may choose deferment in the following instances:

- Further education
- Job/Research opportunities which are unavailable or rare on the African continent
- Job/Research opportunities which will uniquely prepare you for your career on the African continent
- Job/Research opportunities whose impact has a strong and direct link to the development of the African continent
- Unforeseen circumstances such as: unemployment on the African continent, personal and/or extenuating circumstances

Please note: the abovementioned examples are not exhaustive. Deferment will be granted on a case by case basis.

The interest on the loan will continue to accrue during the deferment period. You must apply for deferment if you are planning to reside out of Africa (for any reason) after your 25th birthday. To apply for deferment, you will need to submit a deferment application form, motivational letter and additional documentation (where required) to studentloans@africanleadershipacademy.org. A panel will then review your application, and provide your results within 3 weeks.

6. Accessing Your Loan Details

The ALA Finance Office will inform you about your loan details via annual statements. Alternatively, you may contact the ALA Finance Office via email at studentloans@africanleadershipacademy.org for any loan-related queries you may have.