Chapter 1

INTRODUCTION

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The Development Context

This multi-country study of higher education financing includes three East African states (Kenya, Tanzania and Uganda), five countries in southern Africa (Botswana, Lesotho, Mozambique, Namibia and South Africa), and an Indian Ocean island state (Mauritius).

The countries in this sample of case studies vary considerably in terms of their size and development status. As Table 1.1 shows, there are four extremely small countries in terms of population (Botswana, Lesotho, Mauritius and Namibia) and five medium-sized countries, with South Africa being the largest of the five with 49 million people.

Table 1.1 provides information about these countries’ development status as measured using United Nations Development Programme’s (UNDP’s) Human Development Index (HDI). The HDI is a composite index derived from three measures: income or GDP per capita; education (adult literacy, and the combined gross enrolment ratio for primary, secondary and tertiary education); and life expectancy. In its 2009 Human Development Report, the UNDP derived the HDI for 182 countries which were categorised as very high, high, medium or low HDI countries. The countries with the highest HDIs were Norway and Australia, and the first category included all the Western European countries, the USA, some Asian countries (Singapore and Hong Kong) and, interestingly, Barbados.

Of the nine country case studies in this volume, Mauritius was ranked as a high HDI country (ranking 81). Botswana (125), Namibia (128), South Africa (129), Kenya (147), Tanzania (151), Lesotho (156) and Uganda (157) were ranked
as medium HDI countries; and Mozambique (172) was ranked as a low HDI country. Table 1.1 shows the HDI values which range from 0.804 for Mauritius to 0.402 for Mozambique. Norway ranked at number one had an HDI value of 0.971 (UNDP 2009).

Table 1.1 also shows the Human Poverty Index (HPI), the ranking of countries in terms of their levels of poverty, with the country being ranked number one having the least poverty. Amongst the nine countries included as case studies in this volume, Mauritius was ranked the highest at 45 out of the 135 countries on the HPI. It is clear that there is a close correlation between the value of the HDI and the extent of poverty, with Mozambique having the highest incidence of poverty at 46.8% at a HPI ranking of 127 out of 135 countries.

Table 1.1: Population and the Human Development Index by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (M)</th>
<th>HDI Ranking</th>
<th>HDI Value</th>
<th>HPI Ranking</th>
<th>HPI Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>1.9</td>
<td>125</td>
<td>0.694</td>
<td>81</td>
<td>22.9</td>
</tr>
<tr>
<td>Kenya</td>
<td>37.8</td>
<td>147</td>
<td>0.541</td>
<td>92</td>
<td>29.5</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2.0</td>
<td>156</td>
<td>0.514</td>
<td>106</td>
<td>34.3</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1.3</td>
<td>81</td>
<td>0.804</td>
<td>45</td>
<td>9.5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>21.9</td>
<td>172</td>
<td>0.402</td>
<td>127</td>
<td>46.8</td>
</tr>
<tr>
<td>Namibia</td>
<td>2.1</td>
<td>128</td>
<td>0.686</td>
<td>70</td>
<td>17.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>49.2</td>
<td>129</td>
<td>0.683</td>
<td>85</td>
<td>25.4</td>
</tr>
<tr>
<td>Tanzania</td>
<td>41.3</td>
<td>151</td>
<td>0.530</td>
<td>93</td>
<td>30.0</td>
</tr>
<tr>
<td>Uganda</td>
<td>30.6</td>
<td>157</td>
<td>0.514</td>
<td>91</td>
<td>28.8</td>
</tr>
</tbody>
</table>

Source: UNDP, 2009. The average HDI ranking for sub-Saharan Africa is 0.514; for South Asia it is 0.612; and for Latin America and the Caribbean, 0.821. The Human Poverty Index (HPI) value indicates the extent of poverty.

In terms of income per capita measures, four countries in the sample have attained middle income status – these are Botswana, Mauritius, Namibia and South Africa. The other five countries are regarded as low income in terms of this measure.

In summary, the nine countries vary considerably in terms of their population size and their development status as reflected, for example, by their respective HDIs, HPIs and income per capita.

Higher Education: Access, Equity and Financing

The challenges in education in general, and higher education in particular, in sub-Saharan Africa (SSA) are well-known. These relate in the main to
inadequate access particularly at the secondary and tertiary levels, poor quality of provision, low levels of efficiency as reflected in high drop-out and repetition rates, and inequity in access and the distribution of resources along gender, regional (urban versus rural) and socio-economic lines.

Obtaining a measure of access and equity is difficult in Africa given data and definitional challenges. In some countries (such as Botswana and Egypt) higher or tertiary education refers to all post-school or post-secondary education. In South Africa, on the other hand, higher education refers only to university education. In this regard, comparing gross enrolment ratios might be inappropriate. For example, South Africa’s Gross Enrolment Ratio (GER) for higher education is around 15–16% while that for Egypt and Mauritius (both covering all post-school education) are respectively 30% and 34%.

Notwithstanding this definitional problem, it is evident that participation in higher education in SSA is low in both absolute and relative terms. Of 23 SSA countries for which data are available, only Mauritius, Nigeria and South Africa have a GER in double figures (Pillay 2008; Adedeji & Pillay 2009). Among these 23 countries the GER ranges from 0.4% in Malawi to 34% in Mauritius.

Moreover, participation rates in SSA are substantially lower (5–6% in 2005) than the average for both developing (17% in 2005) and industrialised (66%) countries (UNESCO 2008).

In addition to low participation rates, access to higher education is highly inequitable. There are three important determinants of inequity: gender; socio-economic status and region.

Almost all SSA countries with the exception of Mauritius, Nigeria and South Africa, have significantly lower participation rates. Where women have managed to enter higher education in SSA countries, their participation is often concentrated in so-called traditional women’s disciplines such as the humanities and education, rather than in commerce, engineering and science.

Second, access is often dependent on socio-economic status. In most SSA countries, enrolment at universities is dominated by students from the highest income categories. Often, public funding mechanisms act to exacerbate such inequities by providing free higher education to the ‘best’ students who invariably come from the wealthiest households and the top secondary schools.

Third, participation in higher education is often skewed in favour of urban students. Students from rural households face enormous barriers to gaining access to higher education in general, and the better quality higher education institutions in particular.

The public commitment to higher education by most countries in eastern and southern Africa is relatively high (as a percentage of national income), particularly
in countries such as Kenya, Lesotho and Namibia. For the countries considered in this volume, average expenditure on higher education as a percentage of national income was around 4.6% in 2005 compared to 4.5% for developing countries as a whole, and 5.5% for industrialised countries (OECD 2006). However, public spending on higher education as a proportion of the education budget varies substantially amongst countries in this volume.

In SSA, as in many developing countries, there are often several reasons for low expenditure on higher education. First, there may be inadequate expenditure on education in general, as a percentage of the government’s budget. Second, where education expenditure may be considered to be adequate or reasonable, there are often considerable political pressures to ensure that the schooling sector gets the dominant share of the public sector’s commitment to education. Third, in a situation of serious resource constraints, there is often keen inter-sectoral competition for financial resources from sectors such as health, housing and social welfare. Finally, the case for increased higher education financing has not been helped by the low prioritisation of this sector by many African governments. The value of higher education for economic growth and broader social and sustainable development has not yet been fully recognised by African governments (Pillay 2008).

Overview

This nine-country study explores trends in financing policies paying particular attention to the nature and extent of public sector funding of higher education, the growth of private financing (including both household financing and the growth of private higher education institutions) and the changing mix of financing instruments that these countries are developing in response to public sector financial constraints.

Siphambe’s chapter on Botswana shows that education expenditure as a proportion of gross domestic product in that country is relatively high at around 9%, but the proportion of the education budget allocated to higher education is relatively low at 12.5%. Public higher education in Botswana has effectively been free for a long time. Interesting features of the Botswana system include the recent establishment of a new university on a public–private partnership basis and the fact that government-funded scholarships are provided also to students in private higher education institutions. The loan/grant scheme is notionally linked to human resource needs with financial incentives linked to relative scarcity. However, until recently, the loan scheme has been ineffective (in not addressing scarce human resources needs) and inefficient (because of poor cost recovery).
In Chapter 3, Otieno provides a detailed analysis of higher education financing in Kenya showing how the system in that country has evolved to the present situation characterised by a ‘dual-track’ system within public higher education, and the accelerated growth of private higher education. Otieno draws attention to the patterns of state funding at the public universities and provides a useful critique of the ‘unit cost’ system currently in use in Kenya. This chapter also provides a detailed description of the student loan scheme, one of two effective schemes currently operating in SSA (the other being in South Africa). Finally, Otieno proposes a new funding framework to enhance efficiency, equity and effectiveness.

The chapter on Lesotho by Pillay shows the high level of government expenditure (around 40% of the education budget) on tertiary education by this tiny, landlocked country. Government funds students through a loan/bursary scheme but the loans are actually grants as no recovery has taken place. However, some plans initiated by the Ministry of Finance are now under way to implement an effective loan recovery scheme. In addition, there is a high level of bursary expenditure on students outside the country. This is understandable from the viewpoint of developing scarce human resources for the country. However, anecdotal evidence suggests that only a small proportion of students return to the country on graduation.

Mohadeb’s description of the Mauritian system shows a system clearly differentiated into its public and private components. In this system, government covers only about a quarter of all higher education expenditure. An interesting feature of the public funding framework is the existence of a differentiated government funding model. For example, the University of Mauritius provides free undergraduate education while at the University of Technology, students pay fees (but not full cost). More than half of the funding for higher education derives from private households and goes to international institutions both inside and outside the country.

In Chapter 6 on Mozambique, Chilundo shows first the high percentage of the education budget devoted to higher education, at around 40%. A feature of the system is the high level of dependence on donor funding. There is minimal cost sharing in the system and government funds institutions on the basis of inputs (student numbers) only. The pattern of funding suggests a high degree of inefficiency and inequity. Innovative features of the system include the funding of quality improvement initiatives in both public and private higher education institutions, and provincial (rural) scholarships to address equity.

Adongo’s chapter on Namibia describes a system receiving a relatively high level of resources yet is characterised by high unit costs and general systemic
inefficiency. There are no clear criteria for allocating funds and the gap between institutional requests for funds and actual allocations is large. The national loan scheme benefits relatively few students. However, cost sharing in the form of tuition fees has been introduced.

The South African case study by Pillay describes a higher education financing system which is probably the most advanced in SSA. Key features of the system include a fairly serious public commitment to funding; an effective student loan scheme; a close link between systemic and institutional planning on the one hand and funding on the other; substantial cost sharing; and a funding formula which contributes to achieving the objectives of the higher education sector. Nevertheless, serious challenges persist with regard to quality, efficiency and inter-institutional equity.

In Chapter 9 on Tanzania, Ishengoma describes a system in which government is the dominant player with respect to funding. As in Mozambique, there is significant donor involvement in the higher education sector. There is limited cost sharing with loans being provided to students in both public and private institutions. Until 2007, no attempts were made to recover these loans. Recurrent funding is based on capitation grants and unit costs. Capital funding in the form of grants and loans are made available to public and private institutions through a parastatal, the Tanzania Education Authority.

Musisi and Mayega provide a detailed description of the higher education system and the manner of its financing in Uganda. A thorough analysis is undertaken of the trends in financing over time for the various components of the tertiary education system including universities, technical institutions and teacher colleges. The analysis of the university system pays particular attention to the evolution of the ‘dual-track’ system and the growth of private institutions. In addition, an extended comparative analysis is undertaken of the country’s ‘flagship’ institution, Makerere University, and Kyambogo University, including enrolment patterns, funding trends and unit costs. Finally, the authors provide a set of options for more a effective system of higher education financing by describing the respective roles of the state, private sector and donors.

The concluding chapter draws attention to the remaining challenges around the financing of higher education in this set of countries. In addition, some common themes, lessons and good practices are identified.