Executive summary

Two sets of issues provide the rationale for an exploration of higher education funding frameworks in the Southern African Development Community (SADC). First, in Africa in general and in SADC in particular, the analysis of higher education financing issues is critical to enhancing access and equity. Currently access and equity are unacceptably low. Moreover, access is highly inequitable in terms of gender, location and socio-economic status. Higher education financing policies must act to address this twin challenge of access and equity.

A second and related issue concerns the relationship between higher education and development. There needs to be a greater recognition on the part of African policy makers of the growing importance of higher education for development in its broadest terms (that is, economic, environmental and social). Recognition of the increasing importance of higher education in developing countries will lead to greater attention being paid to how higher education can and should be financed.

Part 1 provides key features of the higher education financing patterns and models in eleven SADC countries: Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. It was not possible to gather any information on the other three SADC member countries – Angola, the Democratic Republic of the Congo and Malawi – during the timeframe for this project.

Part 2 draws together the common themes, good practices and possible lessons from the country studies.

African higher education is characterised by extremely low participation rates. With the exception of Mauritius and South Africa, this is true also for the countries considered in this chapter. Moreover, three key determinants – gender, socio-economic status and region – act to skew the already low participation rates in favour of males, richer families and urban households.

Access and equity in higher education are fundamentally determined by access to and the quality of secondary education. In most SADC countries, access to secondary schooling is extremely limited and often of poor quality.

Public spending on higher education as a proportion of the education budget varies substantially among countries considered in this report. In the case of Lesotho, Mozambique, Namibia, South Africa and Swaziland, higher education spending is relatively high as a percentage of the education budget.

Several reasons can be given for low higher education expenditure. 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 might be considerable political pressures in ensuring that the schooling sector gets the overwhelming share of the public sector’s commitment to education.
Third, in many developing countries, in a situation of serious resource constraints, there is often keen inter-sectoral competition for financial resources from health, housing, social welfare and other government functions. 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.

Some common themes

It is evident that higher education financing in the countries considered in this chapter is often inadequate, and it is inequitable and inefficient in almost every country.

Higher education participation rates remain low in the context of a growing population, even though enrolments are growing everywhere in absolute terms, in several cases quite dramatically. In the face of serious financial resource constraints for higher education, education ministries have responded mainly in two ways. First, there has been a clear shift towards cost sharing in the form of tuition fees in countries such as Namibia, Zambia and Zimbabwe. In some countries (Tanzania, Zambia and Zimbabwe for example), this has taken the form of a dual track system where a fee-paying system co-exists with a free, government-sponsored scheme for some students. Second, governments in virtually all countries have permitted the introduction and subsequent expansion of the private education sector.

While the cost sharing and private sector strategies have enabled the government to address to some extent the issue of inadequate public sector funding of higher education, it has resulted in greater inequity almost everywhere. Unlike in Namibia and South Africa, where everyone pays tuition fees, cost sharing in Zambia and Zimbabwe, for instance, is only for those who cannot access government sponsorships. These government sponsorships invariably go to students from more affluent households who are able to access the best schools. However, both Zambia and Zimbabwe have adopted some measures to address these inequities through adopting quotas for the disadvantaged, and Mozambique provides scholarships to students from rural areas.

Furthermore, many of the poor in Africa appear to be seeking access to private higher education, a situation unlike that of the industrialised world. While these providers may help to address capacity gaps in higher education provision, many of the countries in which they are operating lack the necessary regulatory capacity to monitor quality effectively. In most SADC countries, unlike in the industrialised world, private higher education institutions are for-profit institutions.

Inadequacy of funding for higher education is often a consequence of weak departments of higher education within ministries of education. In several SADC countries, there is an inability and/or unwillingness to motivate for more higher education funding; at a political level, primary and secondary education and other departments within the ministry often get preference.
A widespread lack of planning and oversight capacity in these ministries sometimes results in universities spending more than they have been allocated, or building up huge debt burdens (e.g. Zambia).

Inefficiency of higher education expenditure has been exacerbated by the absence in most countries of a systematic funding mechanism such as a funding formula. Most countries rely on incremental budgeting processes (for example, increases linked to inflation) rather than developing a funding formula that would be able to ensure greater predictability in the budgeting process and certainty of revenue for higher education institutions. Such predictability would be enhanced also by the development of closer links between education planning and the budgetary process, the latter ideally comprising a three-year medium-term expenditure framework. Very few countries, with South Africa being a notable exception, have established the necessary planning capacity for higher education in the ministry of education and/or appropriate budgetary frameworks for the country as a whole.

A major aspect of inefficiency in expenditure relates to the manner in which so called ‘loan schemes’ operate in several countries. In Botswana, Lesotho and Tanzania, for instance, governments operate loan schemes for higher education students. In practice, however, these are study scholarships to be used at both local and foreign institutions, as no serious efforts (except until this year in Tanzania) have been made to collect such loans. In practice, therefore, higher education has been free. It has also been inequitable as the students who access these ‘loans’ are often from the most affluent households.

In several small countries – especially Botswana, Lesotho and Mauritius – limited capacity has resulted in substantial resources being spent on education outside the country. In Mauritius, the costs of international study are borne by private households. In Botswana and Lesotho, however, the costs have been carried largely by the state. While there are clearly high private returns to individuals, the social benefits to Botswana and Lesotho more broadly (through, for example, returning graduates, remittances) have not been quantified and the cost to the taxpayers has been high.

Poor academic salaries lead to poor quality of education and/or poorly motivated staff, which in turn leads to low internal efficiency (as reflected in high drop-out and repetition rates and poor quality of outputs).

In several SADC countries (Lesotho, Tanzania and Mozambique), there is significant external donor involvement in higher education financing. The long-term implications for the government are considerable.

**Good practices**

It is evident that the overall picture of higher education financing in the SADC countries, with a few notable exceptions, is characterised by inadequacy, inefficiency and inequity. Nevertheless, there are several examples of ‘good practice’ that member countries may want to study and possibly emulate.
Financing practices that address the inadequacy of public expenditure

- **Private-public partnerships**: To address the issue of scarce public resources, Botswana is establishing a new university on a private-public partnership basis. In this model, the state will provide substantial funding for capital expenditure while the private sector will be responsible for operational expenditure. A similar venture is being created in Zambia at the Mulungushi University.

- **The differentiated government funding model**: In Mauritius, public institutions are not all funded in the same way. Institutions yielding high private returns (e.g. the University of Technology), receive lower fund levels compared to institutions yielding greater social returns (such as teacher education).

- **Cost sharing**: Several countries have recently introduced cost sharing in the form of tuition fees to address the inadequacy of institutional revenue. This is particularly so in Namibia, Mauritius, Zimbabwe, Zambia and Tanzania. South Africa has always had a system of fee-paying in higher education. However, not all countries apply cost sharing equitably because of the dual track tuition programmes (e.g. Zambia, Tanzania and Zimbabwe).

Financing policies that address equity

- **Provincial scholarships**: Mozambique provides scholarships to poor students from rural areas.

- **Loans to students in private higher education institutions**: Botswana and Tanzania (until this year) effectively see these as grants. These grants enhance equity, as students from lower socio-economic groups tend to attend private higher education institutions.

- **Loan schemes to address access and equity**: South Africa’s national student loan scheme is designed to attract larger numbers of historically disadvantaged students into higher education. Although there is some controversy about how ‘disadvantage’ is defined, the scheme attracts a high level of funding from government, operates at a high level of efficiency in terms of cost recovery and uses ‘means testing’ to ensure that loans go to those who are at the lower end of the socio-economic spectrum.

Financing policies that promote efficiency

- **Linking higher education planning to budgeting**: In South Africa, there is a close link between planning (at both the institutional and system levels) and funding. Higher education institutions are required to submit three-year ‘rolling plans’ to the government as part of the state’s planning and medium-term expenditure framework budgeting process.

- **Funding to improve quality of education provision**: Mozambique provides a funding facility, the quality enhancement and innovative facility, which is an initiative to reward both public and private institutions and individuals for the development of quality enhancement programmes.
Some possible lessons

It is inevitable, given serious public resource constraints, that the higher education sector must look at alternative mechanisms to generate funds to enhance access and equity. Among the funding mechanisms that need to be considered are cost sharing and loan schemes that promote access and equity and are efficient in terms of cost recovery. A third issue relates to the development of a funding formula for higher education that can promote the more effective utilisation of scarce financial resources and enable governments to achieve the broader objectives of the higher education system (e.g. appropriate human resources development).

Cost recovery

The case for cost sharing can be made on several grounds. There are numerous rationales for students and families to share the costs of tertiary education with taxpayers. The arguments often used to make the case for cost sharing are:

- public money available for tertiary education is lacking in light of enrolment growth and competing priorities for public funds;
- those who benefit should contribute to the costs of tertiary education;
- public savings from individual contributions can be channelled to improve equity of access; and
- tuition fees introduce the virtues of price as a market mechanism.

However, there may be a number of technical aspects that make the realisation of cost sharing in developing/poor countries more challenging. This is essentially related to two aspects. First, the cost-division formula (i.e. the share that each of government and the students/families should pay) is difficult to calculate because the magnitude of tertiary education externalities is very difficult to measure. On the other hand, to be compatible with access and equality of opportunities, cost sharing must be accompanied by measures that remove financial barriers to tertiary education entry at the time of the enrolment decision, especially for the more disadvantaged groups. This requires effective and efficient student financial aid systems typically formed of need-based grants and loan schemes, and possibly other programmes to compensate for unequal education opportunities at the secondary level.

Developing an efficient and equitable loan scheme

Important lessons can be drawn from the South African and Kenyan experiences with regard to designing and implementing an effective student loan scheme. It is encouraging to see Namibia moving towards developing a loan scheme, but there are few signs elsewhere in SADC. The South African and Kenyan schemes are specifically designed to address issues of equity even though there is criticism of the Kenyan scheme, because it does not provide adequate loans to poor students in private higher education institutions.
Utilising financial resources effectively to attain higher education objectives

The funding framework developed in South Africa in the post-apartheid era re-conceptualised the relationship between higher education institutional costs and government expenditure on higher education. This framework is seen as a distributive mechanism, that is, a way of allocating government funds to individual institutions in accordance both with the budget made available by government and with government’s policy priorities.

The funding framework developed for higher education in South Africa attempts to address questions of equity and efficiency, including enhancing predictability, ensuring recognition of budget constraints and promoting institutional autonomy and equity.

The challenges for policy makers across the region with respect to higher education financing are numerous and can be captured in a series of questions:

- How do ministries of education and higher education institutions make the best possible (most efficient) use of current, limited resources?
- How can ministries of education develop a strong case to ministries of finance about the importance of higher education for economic and broader social development?
- What alternative funding mechanisms (loans, cost sharing etc.) are possible in poorer SADC member states?
- If cost sharing is to be considered as a possible funding mechanism, how can greater equity be ensured?
- In cost sharing systems, is it possible to re-direct current resources being expended in poor quality private systems towards expanding public sector capacity?
- If a loan scheme is being planned, are the necessary pre-conditions in place? For instance, is there an effective tax administration system? What role can employers play in cost recovery? Is there institutional infrastructure for means testing?
- Is a higher education planning and budgeting framework necessary to enhance the case for more funding and to promote more effective utilisation of current funding? And if so, what institutional arrangements are needed to promote systemic and institutional planning?
- Can higher education financing be used to ‘steer’ the system to obtain governments’ objectives, e.g. in human resources development?