Cost Sharing in Higher Education: The International Experience and Lessons to be Learned

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Abstract: Due to improved access to educational opportunities throughout the world, student enrollment has increased to a great extent especially in developing countries. Education at primary, secondary and tertiary levels has its own unique benefits either to the individual or the society. The benefits are usually seen in terms of social rate of return. The benefits that an individual gains from tertiary level education is considered more than that of primary or secondary education. Moreover, the cost per student at tertiary level is more than the primary or secondary level. Governments have become guite sensitive to rising cost of education and budget constraints. In response to this challenge, many countries have introduced cost sharing schemes at different times to recover educational costs incurred at the institutions of higher learning. Cost sharing among different parties - students, parents and government could be a complex and sensitive issue. The experiences of countries that introduced cost sharing would be beneficial to Ethiopia as it has introduced a cost sharing scheme in 2003/2004. This paper attempts to present the experiences of Asian and African countries that introduced cost sharing at various times.

Introduction

Some writers make a distinction between what is referred as tertiary education and higher education. According to these writers, tertiary education institutions train, prepare and produce middle level professionals in different occupations usually not requiring a University degree. Higher education institutions, usually universities, university colleges, and institutes train high level manpower for occupations requiring a university degree or equivalent as a basic entry qualification in a profession.

All over the world, universities are seen as the highest level of institutions dedicated to the professional and intellectual development

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of society in general (Chacha, 2004). Higher education institutions play important roles in the society. These roles are categorized into three major areas namely; research, teaching and public service (Chacha, 2004). According to Salmi (1991), higher education institutions, in addition to their important social functions in forging the cultural identity of a nation and providing an avenue for upward mobility, contribute to economic development in two ways. Firstly, they have the main responsibility for educating and training a country's middle and high level scientific, technical and managerial manpower. Secondly, they create new knowledge through research and advanced scientific training and serve as a key conduit for its adaptation, transfer and dissemination (ibid. 2-3).

The former president of Tanzania, Julius Nyerere, (in Todaro, 1985:37) articulated the role of universities in developing countries in the following manner:

The university in a developing society must put the emphasis of its work on subjects of immediate moment to the nation in which it exists, and it must be committed to the people of that nation and their humanistic goals ... We in poor societies can only justify expenditure on a university of any type if it promotes real development of our people. ... The role of a university in a developing nation is to contribute; to give ideas, manpower, and service for the furtherance of human equality, human dignity and human development..

With such a belief, governments, especially in developing countries, invest heavily on higher education and this is more so in African countries. Moreover, higher institutions have a unique place within the educational systems of African countries. In reference, to this fact, the Association for the Development of Education in Africa (1999:1) states that:

Universities play a more important national role in Africa than in other regions. They are potentially the most capable

institutions in their countries. They are often the only national institutions with the skills, the equipment, and the mandate to generate new knowledge through research, or to adapt knowledge for the solution of local problems.

As governments invest heavily on their universities and institutions of higher learning, enrollment increases. As enrollment increases in higher institutions of learning, so does expenditure against a background of diminishing financial resources.

In developing countries including Ethiopia, higher education has been heavily dependent on government funding for so many years. However, due to increased enrollment and limited financial resources, what we see now is that the quality of teaching/learning and research has declined. There is now inadequate staffing, poor physical facilities as well as poor library resources.

In order to lessen the burden of government expenditure on higher education, and also to improve the quality teaching/learning, the government of Ethiopia, like many other countries, has introduced a cost sharing scheme starting from 2003/2004. The experiences of many countries that introduced cost sharing schemes indicate that the operationalization of such a scheme is not an easy matter. Thus, the main purpose of this paper is to investigate the experiences of selected countries, especially African countries, that introduced cost sharing in their higher educational systems and to draw lessons from such experiences.

Higher Education in Ethiopia: A Brief Overview

The first higher education institution in Ethiopia, the University College of Addis Ababa, was commenced in 1950. Since then, little progress was made until the introduction of the Ethiopian Education and Training Policy in 1994. In line with this policy and the government's decentralization effort to expand the higher education system throughout the country, there are now eight public universities and a number of colleges, and post secondary institutions including technical/vocational education and training centers. Moreover, private higher institutions are becoming very visible in the country. Higher Education Proclamation No. 351/2003 states the objectives of Higher Education as follows:

- Produce skilled manpower in quantity and quality that will serve the country in different professions;
- Expand higher education services that are free from any discrimination on grounds of race, religion, sex, politics and other similar grounds;
- Provide equitable distribution of higher education institutions;
- Lay down problem-solving educational and institutional system that enables to utilize potential resources of the country and undertake study and research;
- Provide higher education and social services that are compatible with the needs and development of the country;
- Lay down an institutional system that ensures the accountability of the institutions;
- Ensure the participation of all those concerned bodies in administration decision-making to create and promote participatory culture;
- Make efforts to develop and disseminate the culture of respect, tolerance and living together among the people.

As mentioned above, the government and the private sector have been engaged in a rapid expansion of higher education provision in the country. The following table shows the total number of student enrollment both in government and non-government institutions of higher learning.

	Enrollment						
					Governme	ent and	-
Program	Goverr	nment	Non Gove	ernment	Non Gove	rnment	%
	В	F	В	F	В	F	Program
Diploma	56,318	12,891	31,661	13,707	87,979	26,598	59.46
Undergraduate Degree	54,285	8,659	3,741	1,867	58,026	10,526	39.22
Postgraduate Degree	1,915	135	-	-	1,915	135	1.29
Postgraduate Ph.D	3-4	-	-	-	34	0	0.02
Total	112,552	21,685	35,402	15,584	147,954	37,259	-

Table 1: Enrollment in Higher Education Institutions (2002/03)

Note: This figure does not include teacher trainees (about 21,400) who are attending diploma programs through distance education (Source MoE – 2002/03).

Table 1 shows that the majority of students (59.46%) are enrolled in diploma programs followed by the undergraduate degree program (39.22%). Enrollment in postgraduate program accounts only for (1.31%).

Total enrollment in Ethiopian higher education institutions in 1995 E.C. (2002-03) is 185,213 in all programmes - Regular, Evening and Kiremt for both government and non-government institutions. This shows an increase of 45.3% in access compared to the year 1994 E.C. (2001-02). Out of this, non-government institutions have 35,402 students, which account for 19.0% of the total; and this share is higher by 5.25 percentage points compared to the previous year. Meanwhile, the data for non-government institutions capture only those institutions that are accredited by Ministry of Education (MoE-2002/03).

In 1995 E.C. (2002/03), there were 134 government and 19 nongovernment TVET schools in the country enrolling a total of 72,162 students, out of which 54,026 are regular and 18,136 are evening students. Government-run TVETs enrolled 51,459 regular students while 2,567 regular students were enrolled in non-government institutions. The share of female enrollment in TVETs is 34,785 (48.2%) (MoE, 2002/03). During the same year, there were 25 government TVET centers run by the Ministry of Agriculture enrolling a total of 26,673 students. Out of these, 22,745 were males and 3,928 were females. The centers offer training in Animal Science, Plant Science, Natural Resource, Management, Accounting, Management and Animal Health (MoE, 2002/03).

Even though enrollment in the institutions of higher learning is increasing – 101,829 students (2001-02) and 147,954 students (2002-03), this is still small compared to the situation in other countries. The World Bank sector study (2004:12) indicates that:

Ethiopia's tertiary level gross enrollment ratio (GER) of 0.8% in 2000 places it among the lowest ranking countries of the world, as does its 62 tertiary students per 100,000 inhabitants. The current tertiary level GER for Sub-Saharan African is 4% with a regional average of 339 students per 100,000 persons.

Even though the statistics show that access to higher education is improving through time, Ethiopia has a long way to go in expanding higher education throughout the country. Furthermore, in relation to increasing student enrollment at higher institutions of learning, the issues of quality, equity, efficiency, gender, and financing higher education are areas of great concern.

Financing Higher Education in Ethiopia

Ethiopia is a poor country with a per capita income of only 100 USD. 85% of the population lives in rural areas as subsistence agriculture being the main economic activity. Like most African countries, higher education in Ethiopia has been free, with the government covering all education costs. The main rationale for free higher education in Ethiopia was based, among other things, on the country's aspiration to develop highly trained manpower that could accelerate the economic development of the society.

Since the introduction of university education in Ethiopia, students enrolled in regular programs were provided with free rooms and board. Students enrolled in evening program usually pay tuition and cover their own living costs. Students enrolled in summer programs have their tuition covered by different sources.

The education and Training Policy of 1994 states the following concerning educational finance in Ethiopia.

- The priority for government financial support will be up to the completion of general secondary education and related training (grade 10) with increased cost-sharing at the higher levels of education and training.
- Mechanisms will be created for students to cover their educational expenses through service or payment after graduation.
- Scholarship will be given to deserving (outstanding) students.
- Special financial assistance will be given to those who have been deprived of educational opportunities, and steps will be taken to raise the educational participation of deprived regions.
- The government will give financial support to raise the participation of women in education.
- The government will create the necessary conditions to encourage and give support to private investors to open schools and establish various educational and training institutions.
- The necessary conditions will be created for educational and training institutions to generate their own income and to use it to strengthen the educational process.

The Education and Training Policy of 1994 clearly indicates that cost sharing at higher levels of education and training is unavoidable. As a result of this policy stance, Ethiopia introduced cost sharing in 2003/2004 in the form of graduate tax (Proclamation No. 351/2003). The two major pronouncements in the proclamation concerning cost sharing state the following:

- any student who has graduated from higher education of a public institution is required to share the cost of his education, training and other services on the basis of cost-sharing principle.
- payment of cost shall be effected in the form of tax payable from the salary or other income obtained after graduation (Proclamation No. 351/2003, p. 2250)

According to the above proclamation all students who join higher education institutions of learning are obliged to cover their education costs. However, students who attend education courses and become teachers are exempted from paying their college education cost.

The Concept of Cost-sharing in Higher Education Financing

The term cost-sharing refers to the process of recovering part of the expenditure incurred in the provision of any service from the beneficiaries of that service. The key word part implies that cost is shared between two or more parties in the provision and delivery of a service. The question of how to share this cost or the appropriate mix among the sharing parties usually constitutes a major policy issue (Obasi and Eboh, 2004:159). Johnstone (2001a) defines cost sharing as a process of shifting of at least some of the higher educational cost burden from government, or taxpayers, to parents and students. And cost sharing, as he states, is most associated with tuition and fees or "user charges", especially on governmentally or institutionally provided room and board.

According to Council of Ministers Regulation No. 2003, cost-sharing means a scheme by which all beneficiaries of public higher education institutions and the government share the cost incurred for the purpose of education and other services.

It can be said that cost sharing is a revenue diversification and generation policy that recognizes the need for beneficiaries of higher

education to pay back a part of the cost of their education in order to sustain the system (Obasi and Eboh, 2004).

The major rationale for cost sharing is that it promotes equity, efficiency, enhanced students commitment and improved revenue (Johnstone 2002a). The equity argument for instance holds that the beneficiaries of higher education in many countries are disproportionately from the upper middle and upper classes who have the ability to pay, while the existence of means-tested grants and loans can preserve reasonable access for the lower classes. The efficiency argument holds that cost sharing encourages institutional efficiency aimed at lower tuition fees and a competitive edge, and for better teaching, academic programmes and services. The enhanced commitment argument asserts that cost sharing encourages faster completion and perhaps can encourage better study (Johnstone 2002a). Eicher (2000 as quoted in Obasi and Eboh 2004) states that tuition fees represent a source of independent income for the institution and increase its autonomy and capacity for optimal resource allocation. And on the students' part, they are compelled to carefully select their courses, minimize their time in school and become more responsive to changing labour market needs.

Based on these rationale and other factors, cost sharing has been in practice in many countries of the world for a long time. It is important at this juncture to highlight briefly the cost sharing experiences of some countries, especially those in Africa to get lessons with the hope of influencing policy choices and future actions.

A Brief Highlight of International Experience in Cost Sharing

Due to massification of student intake at the tertiary level, governments all over the world find it difficult to give free education to all students.

Thus, there is consensus among educators, governments, and even students and parents that the burden of sharing the costs of higher

education must be divided between the main financing partners: students, parents, taxpayers, and institutions (Woodhall, 1990).

Ziderman (2003:27) identifies five different sets of objectives for student loan schemes. These are: pure cost recovery; facilitating the expansion of higher education system; meeting specific manpower needs; easing student financial burdens and social objectives – improving equity and access for the poor.

Many countries throughout the world practice different forms of cost sharing. Western countries such as USA, U.K, Sweden, Germany, Denmark, Australia, the Netherlands and Asian countries such as China, Hong Kong, India, Indonesia, Japan, The Republic of Korea, Malaysia, Philippines, Singapore, Thailand practice a variety of student loan schemes. Furthermore, Latin American countries as well as a number of African countries also do have student loan systems.

Available literature indicates that in the early 1960s and 70s many countries were able to finance the costs of higher education. In the 1980s, student enrolment increased at the tertiary level and there was a reduction in public subsidies of higher education. As a result, parents and students were obliged to share the cost of financing higher education. The scheme has now become a global phenomenon. This is due to the fact that the financial reality for all governments is that higher education costs continue to increase sharply (Harte, 2004).

Cost-sharing in the form of student loan can be classified as income contingent loan, conventional loan and graduate tax (Obasi and Eboh, 2004). Income contingent loan is a scheme in which repayment of a loan is based on the amount of salary earned; so the less a student makes after being employed, the lower the payments, but the longer the payment time (Harte, 2004). In the Ethiopian context graduate tax means a scheme by which an amount is deducted from income in the form of tax to be paid by a beneficiary (students of a public higher institution) who has been obliged to share the costs of his/her higher

education (Council of Ministers Regulations No. 2003). Conventional loan (mortgage type) is a loan which must be repaid by regular installments (Woodhall, 1992). Some national student loan programmes provide examples of these conceptual models and can be found in countries like the United States, Sweden, Germany, The Netherlands, United Kingdom, Australia, South Africa, Kenya and China among others (Obasi and Eboh, 2004:162).

Available literature in cost sharing indicates that the scheme is a recent phenomenon in Africa as compared to the Western, Asian or Latin American countries. According to Woodhall (1991), one of the first African countries to introduce a loan programme for university students in 1970 was Ghana. African countries such as Kenya, Lesotho, Malawi, Nigeria, Zimbabwe, Botswana, Kenya have student loan schemes. In many countries, the introduction of a loan scheme is advocated on the grounds of:

- the need to reduce public expenditure as a result of falling government revenues, economic crisis and the necessity for structural adjustment programmes;
- a wish to reallocate resources to lower levels of education, or to improve quality in higher education;
- a more equitable distribution of the costs of higher education. (Woodhall, 1991:22).

According to Woodhall (1991:3), although there are considerable differences between countries in the way student loan programmes are administered, and the terms and conditions of loans, there is a general agreement that conditions for the effective management of student loan programmes include:

• a sound institutional structure for management and administration of loans; whether this involves a government agency, commercial banks or other type of organization will depend upon the particular institutional strengths of each country.

- Sound financial management to ensure that the purchasing power of the capital of a student loan fund is maintained, and the costs of administration of loans are adequately covered; this requires realistic interest rates to be charged on student loans;
- A sound legal framework for student loans, to ensure that loan recovery is legally enforceable;
- Effective machinery for targeting financial support and selecting recipients of subsidies on grounds of financial need or manpower priorities;
- Effective machinery for loan recovery, to minimize default;
- Publicity campaigns to ensure widespread understanding and acceptance of the principles of student loans and the importance of the obligation to repay loans.

Many countries attempt to diversify their funding sources for higher education. However, the role of government in supporting higher education in terms of finance could not be minimized. Table 2 below shows the degree of dependence of various countries on government funding as source of higher education income.

Table 2: Degree of Dependence on Government Funding as aSource of Higher Education Income

High Dependence: 90% or	Medium Dependence: 70-	Low Dependence: less than
more of income from	90% income from	70% of income from
government sources	government sources	government sources
Algeria, Morocco, Argentina, France, Honduras, Netherlands, Kenya, Norway, Sudan, Sweden, Brazil	India, Phillipines, Indonesia, UK, Ontario (Canada)	Israel, Japan, Vietnam, Chile, South Africa

Source: Ziderman and Albrecht 1995

As indicated earlier, Ethiopia has taken recognizable steps to expand education throughout the country, including higher education. As a

result of this massification, there is an attempt to increase education expenditure.

According to ESDP II (2002/2003-2004/2005), in the coming three years the annual total education expenditure will increase to 6.6% of GDP and 21.1 % of government expenditure (ESDPII, P. 40).

Moreover, the cost breakdown of expenditure on various education programs is shown in Table 3 below.

Table 3: Program Cost Summary by Component ('000 E	Birr)

		Percentage
Sub-program	Grand Total	Share
Primary Education	7014700.2	46.4
 Formal Primary Education 	6302862.7	41.7
 Adult and Non-Formal Education 	16149.4	1.1
 Teacher Training (TTI and TTC) 	324835.2	2.2
Special Education	58859.0	0.4
Distance Education and Educational	163993.9	1.1
Media Support		
Secondary Education	1056693.0	7.0
Technical and Vocational Education and	2394688.1	15.9
Training (TVET)		
Tertiary Education	3459033.8	22.9
Capacity Building	152570.6	1.0
Administration and Others	1029367.8	6.8
Total	15107053.6	100.0

Source: ESDP II (2002/2003-2004/2005). Ministry of Education

As can be seen from Table 3, tertiary education takes up 23% of the total education expenditure. This amount will definitely grow as enrolment increases due to expansion. Thus, the main rationale for the introduction of cost sharing is to lesson the government's burden of financing higher education. The experience of developed countries in terms of financing higher education indicates that many countries first introduced programs of student financial aid in the 1960s.

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According to Woodhall (1992:1362), the mid-1960s saw a substantial increase in the provision of financial aid for students, with the introduction in 1962 of mandatory awards in the United Kingdom and a system of study means or studiemedel in Sweden, the educational opportunity grants and guaranteed student loan programs in the United States in 1965, and the Canada student loans plan in 1964 to 1965. Other countries such as Australia and Japan increased financial aid programs in the 1960s and early 1970s and the United States widened eligibility for financial aid with the passing of the Middle Income Student Assistance Act of 1978.

During the 1980s, however, there has been a reversal of this trend and several countries have reduced the level of public subsidies for higher education and shifted more of the financial burden of tuition or maintenance to students and their families. There was a shift from grants to loans in several countries during the 1980s (Woodhall, 1992:1363).

The shift towards greater reliance on student contributions, through loans or a higher education contribution, has been justified on grounds of increasing equity as well as reducing the financial burden on taxpayers and other providers of public revenue. The debate about whether grants or loans represent a more equitable form of financial aid has aroused considerable controversy (Woodhall 1992).

Conclusions

Even though cost sharing has become a global phenomenon, no country is satisfied that it has yet developed a completely adequate system of student support and the search continues for the best way of sharing the costs of higher education (Woodhall, 1992: 22).

The major rationale behind cost sharing is to diversify the sources of financing higher education. In this regard, the government, the students/parents, the institutions (universities and colleges) as well as taxpayers share the cost. These options of financing higher

education are meant to achieve the goals of efficiency, quality and equity. Unless the institutions of higher learning achieve these goals, then the introduction of cost sharing scheme is tantamount to a futile exercise.

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