FINANCING HIGHER EDUCATION IN UGANDA: CASE OF PUBLIC UNIVERSITIES

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INTRODUCTION

This paper has been processed within the thematic framework of "Financing higher education" The thematic framework is located within a wider debate of "Accountability and performance management in public higher education within the context of the so-called the 'New Public Management" (NPM) paradigm recently embraced by different countries in both developed and developing world including Uganda.

PURPOSE OF THE STUDY

The objectives of the study were four fold namely:

(a) To present a historical evolution of higher education in Uganda and its role in national development in the context of globalization;

(b) To critically examine the available generic options for funding higher education;

(c) To critically examine the current mechanisms of funding public universities in Uganda; and

(d) To distill a policy message regarding reform of funding mechanisms for higher education in Uganda

FOCUS ON PUBLIC UNIVERSITIES

There are 32 universities and a galaxy of other tertiary institutions in the country out of which six are public. As depicted in table 1 below, public universities account for only 15.6% of the total number of universities in the country but their share of student enrolment stood at a respectable 66% in academic year 2009/10. The paper focuses on public universities owing to their dominance in enrolment in the university tertiary sub sector

Table 1: Student enrolment share of Public Universities in Uganda 2009/10

Institution	**Enrolment**	**% share of public enrolment**
Makerere University	33,112	45.1
Mbarara University	2778	3.8
Makerere University Business School	10,731	14.6
Kyamboggo University	22,290	30.4
Gulu University	3752	5.1
Busitema University	762	1
Sub-total	**73,425**	**100**
Aggregate enrolment for all higher education institutions in Uganda	173,369	
Aggregate University enrolment in Uganda	111,246	
% Share of university enrolment to total tertiary enrolment in Uganda	64.2%	
% Share of public university enrolment to total university enrolment in Uganda	66%	

Source: computed from data in the forthcoming The State of Higher Education in Uganda 2009/10 of the National Council for Higher Education.

METHODOLOGY

This paper is based on a descriptive study of the current funding mechanisms of public universities in Uganda and a host of other funding mechanisms available in the higher education funding policy kit. The research underpinning this paper is

keyed on the interpretative paradigm. Owing to the dearth of time, the inquiry exclusively relied on the literature review.

EVOLUTION OF HIGHER EDUCATION IN UGANDA AND ITS ROLE IN NATIONAL DEVELOPMENT

1.1 Historical evolution

While the Christian Missionaries are acclaimed for the start and development of formal basic education institutions in the colonial and post- colonial Uganda, the state is credited with the start and development of higher education in the country.

In 1922, the British colonial government set up a technical school at Makerere to provide technical education for students in East African region. The technical school remained the only one in the region until 1956. In 1928, the government established the Kampala Technical School, which later evolved into Uganda Polytechnic Kyambogo in 1986. (Johannesson and Moores, 2006).

In 1948, the government established a public teachers' college at Nyaksaura in the present day Kabarole District and it was later relocated to Kampala where it remained and was later rechristened Institute of Teacher Education Kyambogo in 1994. (Hyuha, 2003)

In 1963, the governments of Uganda, Kenya and Tanzania established the University of East Africa. This arrangement continued until 1970 when national universities were established and what was formerly the University College of East Africa in Uganda was renamed Makerere University (Turnbridge, 1986; Musisi,2003; Thomson Gale ,2006 in Johannesson and Moores, 2006)

In 1969, the Institute of Public Administration was set up and, in 1992 it was rechristened the Uganda Management Institute and it became a semi –autonomous statutory body advancing management education in the country (UMI profile in Johannesson and Moores ,2006).

In 1970, the Government of Uganda wheeled in a reform train which touched off a trend of using separate government Acts and Statutes to establish and govern public universities in whose wake Makerere University was reorganized under the auspices of the Makerere University Act 1970. (Johannesson and Moores, 2006)

Further development of higher education in Uganda from 1971 was, however, stymied by the political and economic turbulence that beset the country for one and a half decade.

Through the 1990's and early 2000's, the Government of Uganda undertook public sector reforms based on the New Public Management Paradigm (NPM), in whose wake, higher education was liberalized. The higher education reforms introduced by the government in the mid 1990's and early 2000's changed the landscape of higher education. The liberalization of provision of higher education brought in private sector players on the higher education horizon in the country. Furthermore, with the enactment of the Universities and Other Tertiary Institutions Act 2001, which is an umbrella law governing all public universities and tertiary institutions in the country, the government summarily dispensed with the earlier practice of using separate government Acts and Statutes to establish and govern public universities.

1.2 **The participation rate in higher education in Uganda**

The liberalization of the higher education sector in the country in the 1990's and early 2000's led to a spurt in the number of higher education institutions in the country. The database from the National Council of Higher Education indicates that the

higher education landscape in Uganda is now dotted with 32 licensed public and private universities and affiliated colleges, 11 national teachers colleges, 46 colleges of commerce, 6 technical colleges, 1 forestry college, 2 cooperative colleges, 2 hotel and tourism institutes, 19 management institutes, 14 health and medical schools, 5agricultural and animal husbandry colleges, 1 fishery training institute, 1 metrological school ,12 theological colleges, 5 media schools, 1 law institute, 2 aviation schools and 4 study centres.

The increase in the number of higher education institutions in the country would imply that the participation rate in higher education has increased since there is increased higher education supply.

The participation rate is one of the measures used to determine the extent of access to any cycle of the education system using an indicator called the Gross Enrolment Ratio (GER). The GER for higher education in Uganda is estimated to be in the order of 4.1% (NCHE, 2006). This compares unfavorably with the African continental average of 5%. (Bloom, Caning and Chan, 2005). The GER average for East Asia and Pacific is 17.2%, Latin American and Caribbean average is 27% and South Asia average was 10% (World Bank EdStats, 2004 b). In further comparison to Uganda, the Republic of Taiwan (China) which is demographically inferior to Uganda (23 million versus 32 million for Uganda), had 75 universities, 70 colleges and 24 special schools at the tertiary level,. The aggregate enrolment in higher education institutions approached one million in 2003/04. (Johanneson and Moores, 2006). With the GER of less than 6% , Uganda is one of the countries with the lowest participation rates in higher education in the world.

1.3 **The role of higher education in national development**

The strategic role of higher education in national development especially in formation of skilled human capital is not in dispute. While the human capital argument is an old

one, there is a new twist. The new twist (Thurow, 1996) holds that human capital is more important today than in the past.

The heightened importance of human capital today is attributed to technological advance and international competitive pressures that make education a more important source of economic performance than ever. (Barr, 2003)

In this era of technologically-driven globalization, knowledge is now the motor force in the rapidly dynamic global economy and society. It is now appreciated that countries with more developed higher education systems enjoy more rapid economic growth than those countries with less developed higher education systems. The contrasting picture of Asia and Africa in terms of economic transformation has been associated with differing levels of development of higher education in the two continents.

The emergence of the global knowledge economy has resulted into challenges and opportunities. Countries that benefit from globalization are those with highly skilled human capital and it is a blow to the countries without specialized human capital. Developing countries face challenges in the competitive world economy on the account of the fact that their higher education systems are not sufficiently developed for the knowledge transmission and use. (Rani, undated)

Kasozi 2009 reveals that the World Bank has constructed a Knowledge Economy Index (KEI) based on four aspects to typify knowledge economies and that the index runs from 10.0 (highest) to 0.00 (lowest). The four aspects are favorability of and use of knowledge development within the economic and institutional regime; innovation; education and information and communication technology.

When the KEI is applied to countries, the scores of developed countries range from 8.00 to 10.00 while Uganda, Kenya and Tanzania score less than 3.00!

The above exposition underscores the need for a well -developed higher education system and high participation rate if Uganda is to corner the benefits arising from globalization. The quantitative and qualitative expansion of higher education to a great extent depends on the pattern of financing.

THE COSTS OF HIGHER EDUCATION

1.4 Issues in Higher Education Costs

In order to appreciate the financing mechanisms of higher education in any country, it is imperative to grasp issues surrounding costs of higher education. The budget allocation to higher education institutions is supposed to be predicated on the unit cost sufficient for delivering quality higher education.

Higher education institutions such as universities, whether public or private, like any other enterprise, bear costs in the process of production. They engage in financial transactions to acquire resources required in their production processes.

The costs borne by universities include salaries and wages, and fringe benefits; purchases of goods and services, and acquisition and maintenance of facilities and equipment and other non- wage costs. Universities like any other public higher education institutions also bear another cost category called opportunity cost, which are functions or activities that could have been implemented if the resources were not deployed elsewhere.

Universities by nature do not have a uniform cost structure owing to the fact that there are differences in institutional mission, program mix and faculty mix (eg professorial versus non professorial). (Layzell and Caruthers, 2001). In other words, there can never be a uniform unit cost for all universities in a given country owing to the fact different

universities have different missions and have different academic program foci, which lead to different cost structures.

Universities do not operate to maximize or minimize costs rather they function within a range of accepted norms for production relationships such as staff student ratios, laboratory space per student for instruction (Brinkman, 1990).

In Uganda, the higher education regulatory agency, the National Council for Higher Education (NCHE) has worked out and issued accepted norms for production relationships for universities in Uganda. The norms, referred to as capacity indicators, are based on different dimensions and these include staff student ratios, classroom space per student, library space per student, student computer laboratory per student, computer student ratio, and student book ratio.

The accepted norms of production relationships and other operational elements provide the basis for determining costs of higher education. The costs of higher education and the students' fees especially for higher education institutions in the public sphere have been and will continue to spur debate in both developed and less developed countries because of the high premium placed on higher education as both a public and private good.

Layzell and Caruthers, 2001 noted the 'explosion' of literature in the form of reports and articles on the subject of costs of higher education and the concomitant students' fees between 1990 and 1999 in the United States of America (USA) reflecting the heightened debate on the subject. Kasozi (undated) noted the fierce debate that has raged on both in the public and private quarters in Uganda regarding issues pertaining to university fees.

Kasozi (undated) and Layzell and Caruthers, 2001 identified the issues that are intrinsic in the discourse on costs of higher education. The issues are:

a) The equitable means of financing the cost of providing higher education or the proper distribution of financing the cost of higher education. In other words, who should pay for higher education;
b) How inflationary pressures should be addressed;
c) Determining the costs (and benefits) of technology usage in higher education ;
d) Which stakeholder of higher education (the students, the administrators, the government and the general public) has the right to set the fees levels;
e) Definition of criteria for determination of fees levels ; and
f) Determination of the period for fees payment.

AVAILABLE OPTIONS FOR FINANCINGHIGHER EDUCATION

Different scholars have discussed the issue of funding higher education. They have all put forth different options/ strategies/modes/systems of financing higher education and their respective challenges. The financing options propounded by the different scholars can be categorized into revenue side modes and cost side modes.

The revenue side solutions seek to create opportunities for income to directly flow to higher education institutions while cost side modes seek to compress costs of higher education so that in the process more funds are available to higher education through diminished outlays on non pedagogical activities.

In this paper, the measures under the revenue side modes are credited to scholars: Albretcht , D and Ziderman , A, (1992), Barr (2003), Johnstone ,B (1986); (2003);(2004); (2006); Kasozi (2009), Mamdani (2007) , Odebiyi and Aina (undated) , Williams, P

(1974) and World Bank (2010) while the methods under the cost side modes are credited to Johnstone, (2009).

1.5 Revenue side modes

(a) Full government or Public Financing

Under this mode, the state is the owner, governor and bankroller of the higher education institutions. The state provides funds directly or through an intermediary agency. The state underwrites the budget of the higher education institution to the extent 60% and above. The state supports students through scholarships for them to defray costs relating to tuition and non- pedagogical components. The state funding is not based on the unit cost. This model is prevalent in Asia, Europe and Africa before International Monetary Fund (IMF) brokered Structural Adjustment Programs (SAPs) dispensation.

(b) **Dual track system** where there is addition of a special tuition –paying track while maintaining free higher education for the regularly admitted, state sponsored students.

In this mode, public higher education institutions are allowed to attract private funds by operating a Private Student Entry Scheme (PSES). This model is dominant in the former Soviet Union and East Africa.

(c) Public dependent institutions

Under this mode, the state provides the bulk of funding to privately owned higher education institutions especially to cater for research. This model is dominant in the Organization of Economic Cooperation and Development (OECD) countries

(d) Cost sharing

Cost sharing entails a shift of at least some of the higher educational cost burden from the state or tax payers to parents and or students to avoid exclusive reliance on the state. The abolition of 'boom' allowance at Makerere University in the early 1990's was a cost sharing measure.

The philosophy underlying cost sharing is that since both the students and society stand to gain from higher education by way of life skills acquisition and having educated citizenry respectively, both parties should contribute to the defraying costs of higher education pedagogical and non- pedagogical.

(e) Student loans scheme

This model entails the state putting in place a mechanism to avail students with low interest loans to meet pedagogical and non- pedagogical costs of higher education. Usually the fees paid through loans are based on a realistic unit cost.

This model is perceived to be equitable as students from under privileged backgrounds are able to access higher education financing and they are not required to pay back until they start working.

While this model is acclaimed for equity, its administration can be plagued with challenges. Albretcht, D and Ziderman, A, (1992), Kasozi (2009) and Williams, P (1974), and World Bank (2010) identified the challenges that buffet administration of student loans schemes:

a) Need for a thorough method of identifying eligible students to forestall situations where loans are accessed by the well to do thereby aggravating inequity in society;
b) Inability by the beneficiaries to repay the loan thereby engendering liquidity crisis by the loan fund;

c) Crowding out funding for strategic areas like science and technology as most students tend to have a penchant for 'soft ' sciences as opposed to the 'hard' sciences
d) Inadequate graduate tracking mechanisms;
e) Lack of a well developed private sector to support the loan scheme liquidity; and
f) Interest rates may be set far too below, grace periods and repayment periods may be too long there by aggravating losses.

(f) Voucher system – " Money follows the student"

The idea of a voucher system of funding higher education is credited to economist Milton Freidman in 1955 who sought to inject market competition in the provision of education. This is a student centered funding mechanism where instead of a direct transfer of public funds from the state to higher education institutions, a student centered funding is applied. Funding is now directed by student choices and higher education institutions whether public or private have to compete for students. Cheung (2004). This mode has been adopted in Hong Kong and Finland.

Different scholars have studied the voucher system and acclaim it as thus:

a) It provides consumers with choices (West,1997) and equal right of education (Zhang, 2000). In other words, it allows students choice of institutions and programs;
b) It helps to diversify education since higher education institutions in order to compete for students; they have to respond to the student and labor demands (Albrecht & Ziderman, 1992). Furthermore, competition helps to increase incentives for dynamic innovation (West, 1997);

c) It promotes equity by providing students with equal opportunity without bias (West,1997;Zhang, 2000). Zhang (2000) further opines that it gives private institutions equal right of accessing public funds;

d) It can spur increased provision of educational places, so it can result into overall increased access to higher education institutions (Albretcht and Ziderman, 1992);

e) It helps people to influence their own destinies by selecting their preferred higher education institutions and programs, which decision arouse interest, participation , enthusiasm and dedication (West, 1997); and

f) It leads to increased competition on the supply side of higher education, which competition can lead to increased efficiency and quality (Albrecht and Ziderman, 1992; West, 1997; Zhang, 2000).

(g) Private Higher education

Under this mode, higher education, the provision of higher education is liberalized so that private higher education institutions are allowed. This can be for profit or not for profit.

(h) Export trade in education

Under this model, higher educational institutions raise funds by enrolling foreign students on their campuses or online. Higher education institutions could also set up branch campuses in foreign countries, the so called off shore campuses. The advantage of foreign branch campuses is that there is no political sensitivity to the fees levels charged. A number of universities in developed countries such as the United States of America (USA), Australia, New Zealand and the United Kingdom have reaped big from higher educational export.

(i) Mobilization of resources from philanthropic sources

Under this mode, higher education institutions raise funds from different sources such as the alumni, national and international funding agencies, private corporates and foreign governments under bilateral arrangements. The funds are mostly used to support research. Funds are normally allocated to individual researchers, research projects and programs through competition on the basis of peer review. This mode is prevalent in research universities world- wide. For this mode to be a significant source of funding higher education in Uganda needs favorable tax policies for the potential benefactors in the private sector.

This mode, however, has its own challenges. Dougherty (2004) has identified some of the challenges:

a) Excessive reliance on private donors poses the risk of some donors exercising greater and not always positive influence over decision making in public higher education institutions especially academic freedom. Blumenthal et al.., (1997) found out, in a 1994 survey in 2052 of life science researchers at 50 top research universities in the USA, that 27 % of those who obtained support from industry indicated having to delay publication of results longer than six months, while the comparable percentage was 17% for scientists who did not receive industry support. Press and Washburn (2000) found out, in a study of major research centers in engineering, that 35% would allow sponsors to expunge information from papers prior to publication; and

b) Compromise of equality of opportunity where higher education institutions may begin to give donors sway in the admission

process. The case of so called "legacy" students at Harvard University has always been cited.

(j) Endowments

With this model, financial assets donated to universities are invested so that only a portion of the interest that accrues to the investment is spent. Endowment funds normally follow a strict policy allocation. Universities such as Harvard and Yale have hefty endowment funds.

(k) Third stream income

This mode is used to supplement income of higher education institutions. Third stream income consists of funds obtained by universities from the use, application and exploitation of knowledge and other university capacities outside the academic element. Third stream income includes licensing fees for diffusion of technological breakthroughs, income from spin-offs, contract research with industry, and consultancy fees. Research Universities in countries like the United States of America, the United Kingdom and Canada benefit a lot from this mode.

(l) Business income

This is income that accrues to investments in viable commercial ventures such as real estate, hotels, printing press, petrol stations, and bookshops. However, engagement of universities or higher education institutions in commercial ventures if not well managed could comprise teaching and research. It is, therefore, imperative to lay down conditions for success to avoid tension between engagement in these ventures and mission of higher education institutions.

(m) Earmarked taxation

Under this method of financing, education levy is imposed on the private sector for the direct benefits of skilled human capital from higher education institutions. The taxation can be in the form of personal and corporate taxes on profits at an agreed rate with the proceeds supporting a higher education fund.

1.6 Cost side modes

The cost- side modes are austere measures designed to diminish expenditure on non pedagogical activities and or items in higher education institutions so as to liberate more resources to defray pedagogical costs. The measures include the following.

a) Increasing class sizes, raising student staff ratios, teaching loads;
b) Deferring maintenance;
c) Substituting lower cost part-time academic staff for higher cost full-time academic staff;
d) Restructuring academic programs to drop low priority programs;
e) Outsourcing non- core functions like student catering services, cleaning and security services; and
f) Forming purchasing consortia with other higher education institutions for bulk purchase in order to reap price discounts.

In conclusion, no single financing mode whether on the revenue side or cost side is robust enough to provide adequate funding to higher education institutions to ensure quality and equitable higher education provision. Higher education institutions have to exploit a miscellany of modes. The choice of measures depends on the context of each higher education institution.

1.7 Mechanisms of funding public universities in Uganda.

The Universities and Other Tertiary Institutions Act 2001, provides for funding higher education institutions. It spells out the sources of funding for public higher education institutions especially universities. Section 59 of the Act provides as follows:

A public university may get funding from the following:

a) Grants or contributions from Central Government as may be appropriated by Parliament;
b) Voluntary contributions from the District Council within which the Public University is situated;
c) Grants, contributions , loans and donations acceptable to the University Council;
d) University fees; and
e) Any other money that may become payable to the public university in the discharge of its functions.

The Act requires University Councils to prepare budgets and present them to the Minister of Education and Sports for approval. The amount of Government subvention is usually communicated to public universities just at the commencement of the budgeting cycle.

1.8 State funding model of public universities

The Government of Uganda applies the line item budgeting as a mechanism for allocating higher education budget. The mechanism of line item budgeting process in Uganda is described below:

"In Uganda, public funds for each higher education institution are provided in three blocks: one for baseline salaries, one for development costs, and one for operating expenditure (based on a set amount per student and intended to cover mainly food and housing for students). The baseline salary block is calculated by reference to the number of posts agreed by the government. Apart from the two public universities, the number of posts, by grade and by discipline, is set by the Ministry of Public Service, which also sets the salary levels. The two public universities have more flexibility, but most of their public funds are still calculated by reference to the number of posts at predetermined government grades. For each institution, each block funds is then broken down into line items, producing a total of about 30 budget line items. Each of these is then reviewed line by line with the Ministry of Finance. Institutions are then expected to spend their public funds within the approved line item breakdown, although the movement of funds between lines is possible with prior Ministry of Finance approval" (Thompson in World Bank 2010: 43)

It should also be pointed out that the government of Uganda only funds students who secure admission into public universities. Students who secure admission into private higher education institutions are not state funded.

1.9 Trends of funding public higher education by the state

Table 2 below shows the projected government funding of the education sector in the 10 years as envisaged the Education Sector Strategic Plan 2005-2015.

A casual scrutiny of the projected state funding of the education sector as envisaged in the education sector strategic plan 2005-2015 clearly shows that both the primary and

academic secondary sub-sectors enjoy priority call on the education sector resource envelope. As shown in the table , the funding share of both sub-sectors in the total education sector funding is projected to be in the order of 72%.

The share of tertiary education budget in the overall education sector budget is projected to increase marginally though over the next 4 years from 11% in fiscal 2010/2011 to 13.4% in fiscal 2014/2015. However, when the inflationary pressures are factored in, the projected increase is not likely to translate into increased financial resource flows to higher education institutions in real terms. More ever, the projected increase to 13% of the total public spending on public higher education is far below the Sub Saharan Africa region of 20% (World Bank, 2010).

Table 2: Education Sector Strategic Plan: Government funding 2005-2015, in billions of Uganda shillings

Sector	2004-5		2005-6		2006-7		2007-8		2008-9		2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	
Primary	400.4	46.1%	407.5	43.7%	486.2	43.9%	449.9	39.2%	461.1	37.2%	487.5	38.0%	558.1	39.1%	613.4	41.4%	687.9	43.3%	777	44.9%	891	47.0%
Academic Secondary	227.8	26.3%	266.2	28.6%	338.1	30.6%	391.6	34.2%	454.7	36.6%	456.9	35.6%	506.7	35.5%	473.2	31.9%	460.9	29.0%	462.2	26.7%	460.5	24.3%
BTVET	64.8	7.5%	75.7	8.1%	93.7	8.5%	108.3	9.4%	116.8	9.4%	128.3	10.0%	144.6	10.1%	162.2	10.9%	184.6	11.6%	205.6	11.9%	218.9	11.6%
Tertiary	134.1	15.5%	133.5	14.3%	137.7	12.4%	144.5	12.6%	153.3	12.4%	152.9	11.9%	156.7	11.0%	170.5	11.5%	191.2	12.0%	217.5	12.6%	254.1	13.4%
Central and Administrative Costs	40.7	4.7%	48.7	5.2%	50.6	4.6%	52.2	4.6%	54.9	4.4%	57.9	4.5%	60.9	4.3%	62.9	4.2%	64.9	4.1%	67.1	3.9%	69.3	3.7%
TOTALS	**867.8**	**100%**	**931.6**	**100%**	**1106.3**	**100%**	**1146.5**	**100%**	**1241**	**100%**	**1284**	**100%**	**1427.0**	**100%**	**1482**	**100%**	**1590**	**100%**	**1729**	**100%**	**1894**	**100%**

Source: Education Sector Strategic Plan 2005-2015.

1.10 **Funding streams in public universities**

As shown in Fig.1 overleaf, the funding streams in public universities comprise of government subvention, internally generated revenue and grants mobilized from development partners. The internally generated revenue primarily consists of fees from the Private Student Entry Scheme (PSES).

Analysis of the relative share of each stream in the overall financing in a fiscal year at each public university as indicated in fig.1 reveals the following:

a) In the fiscal years between 2004/05 and 2008/09, the share of Government subvention in the overall financing at Makerere University in a single fiscal year hardly accounted for 45% while in the same period, internally generated revenue accounted for over 50% hitting 56% in fiscal 2008/09. Furthermore, in the said period, government subvention share in the overall financing consistently declined;

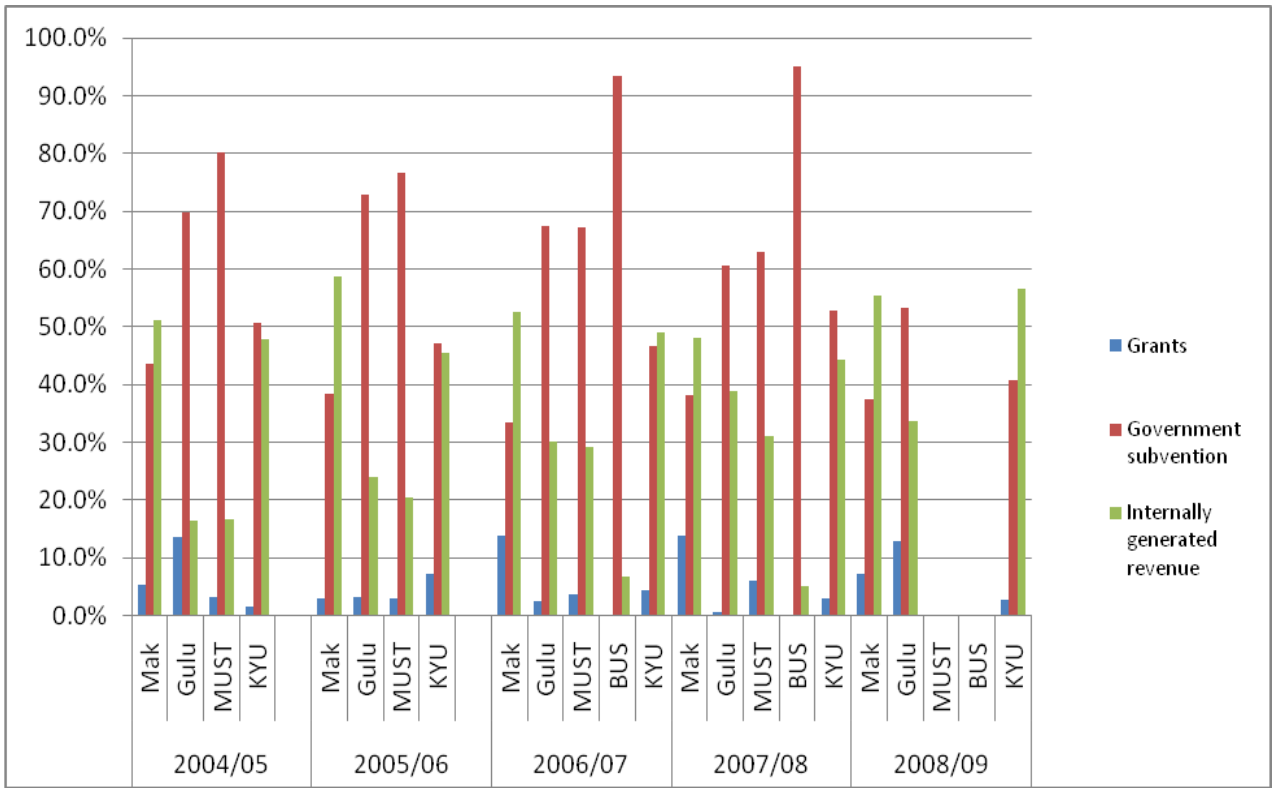
b) The picture for Kyambogo Univerity was not markedly different from that of Makerere University as the share of Government subvention in the overall financing consistently ebbed while the share of internally generated revenue increased;

c) The picture at Busitema University and Mbarara University of Science and Technology is markedly different from Makerere University, Kyambogo University and Gulu University as the share of government subvention in the overall financing was over 60%;

d) In all the public universities, the share of Government subvention in the overall financing in the said period showed a consistent decline while internally generated revenue was consistently on the ascent; and

e) All public Universities except Busitema University had grants contributing to the overall financing with Makerere University and Gulu University leading the pack.

Figure 1: Funding streams in public universities 2004/05-2008/09 in percentages



Source: Computed from the Unit cost study of Education at public universities in Uganda by the AH Consulting 2010

1.11 Funding gap of public universities

Various studies carried out by different agencies in Uganda have revealed that public universities in Uganda do not charge fees based on a realistic unit cost. These studies include:

a) The Makerere Institute of Social Research (MISR) funded by the World Bank and commissioned by the Ministry of education and sports in 2003. The study found out that the percentage of current national tertiary unit cost to preferred unit cost was found to be 40% implying that public higher education institutions including public universities operated at a funding level of 40% of what is required to provide quality higher education,

b) The AH consulting study on unit cost of education at public universities commissioned by the Office of the Auditor General in 2010. The study revealed that the fees paid by students on Private Student Entry Scheme (PSES) in public universities were below the preferred unit cost.

The AH study on the unit cost in public universities also revealed that all public universities were reeling under both recurrent and capital budget deficits:

(a) For Makerere University to attain the acceptable level of quality standards set by the National Council for Higher Education, at the current level of enrolment, the University was experiencing a shortfall of UGX 43.5 billion with regard to operational costs and an extra UGX 139.57 billion relating to capital costs;

(b) For Kyambogo University to realize acceptable levels of quality standards, at the current level of enrolment, the University should bridge a shortfall of UGX 5.52 billion regarding annual operational costs and an extra 47.55 billion relating to capital expenditure;

(c) For Gulu University to hit the acceptable levels of quality standards , at the current level of enrolment, it must close a funding gap of UGX 0.41 billion regarding its annual operational costs and an additional UGX 3.07 billion pertaining to the capital expenditure;

(d) For Mbarara University to attain the acceptable levels of quality standards, at the current level of enrolment, it has to chalk up UGX 0.9 billion to close a funding gap relating to annual operational costs and an extra UGX 1.9 billion relating to capital expenditure; and

(e) If Busitema University is to notch acceptable levels of quality standards, at the current level of enrolment, the University has to bridge a funding gap of 0.42 billion regarding its operational costs and 5.16 billion relating to capital expenditure.

The financing gap of the public universities and the corresponding student enrolment levels are captured in table 3 below:

Table 3:Financing gap in public universities (UGX billions) and student enrolment 2009/10

University	Recurrent deficit	Capital deficit	Student enrolment
Makerere	43.5	139.57	33,112
Kyambogo	5.52	47.55	22,290
Gulu	0.41	3.07	3752
Mbarara	0.9	1.9	2778
Busitema	0.42	5.16	762

Source: *Computed from the Unit cost study of Education at public universities in Uganda by the AH Consulting 2010 and student enrolment figures in the upcoming: State of Higher Education in Uganda 2009/2010.*

SUMMARY OF FINDINGS

From the discussion above on the financing of higher education in Uganda, we sum up as follows:

a) Uganda, with the GER of less than 6% is among the countries with the lowest participation rate in higher education in the world
b) University enrolment enjoys the biggest share in the total tertiary enrolment
c) Government funding of public universities is not formula based but rather enrolment driven and accountability for funding is bureaucratic
d) Government only funds students enrolled in public higher education institutions
e) The funding streams of public universities consist of government subvention, internally generated revenue and grants. The share of government subvention in the overall financing of public universities in each fiscal year declines as income from PSES increases.
f) In 2010, public universities were reeling under both recurrent and capital budget deficits in the order of UGX 50.7 billion and UGX 197.25 billion in order for them to reach acceptable quality of higher education provision based on the standards of the National Council for Higher Education. Furthermore, there seems to be a correlation between the width of the recurrent financing gap and student enrolment

1.12 Implications of findings

a) Uganda, with the GER of 4.1 % below Africa's 5 %, is among the countries with the lowest participation rate in higher education in the world

The marginal participation of Uganda in higher education means that the country is facing an acute dearth of highly skilled human capital that can be leveraged for it to sufficiently corner the benefits of globalization.

b) Government funding of public universities is not formula based but rather enrolment driven or input based

Government funding of public universities is not based on the realistic unit cost required to enable higher education institutions deliver quality education and carry out research.

Other countries in Africa have undertaken reforms with regard to funding of higher education institutions. For example, countries like Nigeria and Ghana apply normative unit costs derived from the designated student staff ratios by discipline and recommended costs of goods and services for a teaching unit by discipline. In countries like Mozambique and Ethiopia, governments provide additional competitive funds to spur qualitative improvements, innovations and knowledge transfer partnerships and networking (World Bank, 2010)

Some states in the USA have migrated away from determining funding for public higher education predicated on input measures (such as enrollments) or processes (such as proper use of funds or levels of facility utilization) to outputs (number of graduates) or outcomes (number of students placed in jobs or how well students perform on licensing examinations . (Burke&Serban,1998: 53-54, Layzell, 1999: 240). In other words, state funding is directly linked to institutional performance on individual indicators such as graduation rates. This mode of

funding helps states to steer public higher education institutions rather than relying on bureaucratic accountability.

Government only funds students enrolled in public higher education institutions

The government policy of only funding students enrolled in public universities limits choice for students in high schools and shelters public higher education institutions from competition. This creates an anti- market bias and denies Ugandans the benefits that come with competition. (Wabwire, 2006).

c) **The share of government subvention in the overall financing of public universities in each fiscal year declines as income from PSES increases**.

This funding approach implies that the state believes government funding of higher education is fungible with funding from the private student entry scheme and yet it is not the case. Funding from the private student entry scheme is far way below the preferred unit cost meaning that each student on the private entry scheme is a recurrent deficit generator, hence the seeming positive correlation between the size of the recurrent financing gap and the student enrollment.

1.13 RECOMMENDATIONS

While government undertook reforms in late 1990's and 2000's in higher education and other sectors based on the New Public Management paradigm, there were virtually no reforms in the funding of public higher education. Robust funding lies at the heart of provision of quality higher education. Since higher education is a strategic good, no

single funding mode can serve as a magic bullet to the funding challenges facing public higher education in Uganda.

There is need for the state to undertake further reforms in the higher education sub sector targeting more innovative approaches to funding. Government is requested to consider a reform agenda which could consist of the following measures:

a) Performance funding so as to steer public higher education institutions rather relying on bureaucratic accountability, and reinforce it with the creation of a matching or challenge fund for research targeting senior professors
b) Voucher system so as to minimize the anti -market bias in the funding of higher education
c) An effective and sustainable loans scheme so as to ensure that funding is based on a realistic unit cost
d) Progressive tax policies that make contribution to the cause of higher education tax deductible
e) Eliminate fungiblity in the funding of public higher education
f) Creation of a higher education trust fund underwritten from an ear marked tax.
g) Investing heavily in higher education infrastructure to make Uganda the choice of investment destination in higher education in the East African region.

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