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Education Group

# Higher Education Finance: Worldwide Options & Trends

Egyptian Education Summit

Luxor Egypt, March 2010

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# My Experiences Shaped by:

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- Professor / Scholar of higher education finance, management, and governance
- Director International Comparative Higher Education Finance and Accessibility Project (Univ. at Buffalo)
- World Bank consultant in Morocco, Romania, Kenya
- Former US university college president and university system head (State University of New York)



# Inseparability of:

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- Finance (how much and who pays—as among students, families, taxpayers, and philanthropists)
- Governance (relationship to the state)
- Public policy: (how are tax revenues given to universities—and with what conditions?)
- Governance (internal: distribution of authority & influence: faculty versus management)
- Management (ability to reallocate resources in pursuing efficiency and maximizing outputs)



# Finance 1: The annual increase in costs / revenue needs, driven upwards by:

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➤ Increasing unit (per-student) costs / revenue needs  
Magnified by:

- increasing enrollments, driven upwards by
  - Increasing youth population (demographics)
  - Increasing participation (of increasing cohorts)

**Great annual (perpetual) increase in revenue needs**



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# Finance 2 ...at a rate greatly exceeding available government revenue

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1. Limits on size & growth of economy
  2. Technical difficulty of cost-effective and progressive taxation
  3. Competition for available increases in government revenue
- Result: Higher Educational Austerity
  - Need for public revenue supplementation



# Finance Trend 1: Increasing Reliance on Other-than-Public (tax) Revenue

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- Tuition fees
  - Up-front: parental expectation (US, Japan, China)
  - Deferred: student loans (Australia, England)
  - Dual track diversification by program (Egypt)
  - Dual track diversification by academic preparation (Russia, other former communist, East Africa)
- *Break even* fees food & accommodation
- University / staff entrepreneurship
- philanthropy



# Finance Trend 2: Financial Assistance: Student Loans

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- Purpose (importance of revenue recovery)
- Recovery depends on 1) design (interest rate),  
2) default, and 3) ability to tap private capital
- Generally poor record (generally predictable)
- Loans in OECD countries (Sweden, US, Japan, Canada, Germany, Netherlands, England, Australia)
- Loans in low and Middle-income countries (Chile, China, South Africa, Columbia, Kenya)



# Finance / Governance Trend 3: Reforms in Public University Budgeting

- State control → steering, or state guidance
- Ministry → public governing boards
- Academic staff as civil service → staff as employees of public corporations
- Budgets negotiated from prior year → formula (with output incentives)
- Negotiation → formula to force reallocation
- Line item control → lump sum
- Loss of unspent funds → carry forward



# Opposition to Financial Reforms:

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- Some academic staff
- Some students
- Some university heads

However, long run advantages to reform:

- Sustainable increasing revenue
- Greater efficiency
- Greater responsiveness to employers
- Greater responsiveness to students



# Considerations for Egypt:

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- Universities as public corporations (boards)
- Formula-based, enrollment-driven budgets with output incentives
- Selective and competitive state budget additions for research and advanced training
- Tuition fees differentiated by program & level
- A student loan scheme
- Subsidies & quality control to private sector