Higher Education Finance and Accessibility: Tuition Fees and Student Loans in Sub Saharan Africa

by

D. Bruce Johnstone

State University of New York at Buffalo
United States

A case study prepared for a Regional Training Conference on
Improving Tertiary Education in Sub-Saharan Africa: Things That Work!

Accra, September 23-25, 2003

Financial and material support for this training activity were generously provided by the ADEA Working Group on Higher Education, the Association of African Universities, the Agence Universitaire de la Francophonie, the Carnegie Corporation of New York, the Ghana National Council for Tertiary Education, the Government of the Netherlands, the International Network for the Availability of Scientific Publications, the Norwegian Education Trust Fund, and the World Bank.

Higher Education Finance and Accessibility: Tuition Fees and Student Loans in Sub Saharan Africa

D. Bruce Johnstone

Higher education at the beginning of the 21st century has never been in greater demand, both from individual students and their families, for the occupational and social status and greater earnings it is presumed to convey, as well as from governments for the public benefits it is presumed to bring to the social, cultural, political and economic well-being of countries. Nowhere is this demand more compelling, but with indicators of *success* more elusive, than in the countries of Sub-Saharan Africa, beset with fragile economies and democracies and struggling to maintain higher educational quality amid conditions of financial austerity and a relentlessly increasing tide of student demand.

The fundamental financial problems faced by institutions of higher education are worldwide and stem from two nearly universal forces. The first of these is the high and increasing *unit*, or *per-student*, cost of higher education. This can be attributed to an historically-entrenched, tertiary education production function that is both capital and labor intensive and that has proven throughout the world to be especially resistant to labor-saving technology.[1] The second force greatly exacerbating the financial problems of tertiary educational institutions and ministries in many countries is the pressure for increasing enrollments, particularly where high birth rates are coupled with rapidly increasing proportions of youth finishing secondary school with legitimate aspirations for some tertiary education. And again, nowhere in the world are these exacerbating, or magnifying, conditions more prevalent than in Sub-Saharan Africa.

Because tertiary education in most countries, at least in the last century, has been largely dependent on governments, or taxpayers, for the revenue to meet these high and rising costs, the increasing technical difficulties of taxation itself plus the pressure of competing public needs (many of which may be far more socially and/or politically compelling, particularly on their respective margins, than the claims of higher education) has plunged tertiary educational institutions and ministries in most countries—even those that are industrialized and wealthy—into conditions of financial austerity. When these cost pressures are *not* met with commensurately increasing revenues—which is increasingly the case everywhere in the world and especially so in the countries of Sub Saharan Africa—the result is less apt to be increased efficiency and productivity and more apt to be some combination of: (a) diminished quality of the output (i.e. of teaching, scholarship, and service); (b) diminished working and living conditions for professors, staff, and students alike; and/or (c) constrained capacity and the consequent extreme rationing of places—and thus the denial of opportunities to students who may be qualified but who lack the secondary school academic preparation or the financial means to "buy into" an available place (see Sawyer, 2002).

In most of Africa, the combination of flat or even declining economies (brought on in part by the worsening terms of trade for the less-industrialized world), burgeoning populations (especially those seeking tertiary educational experiences), political and social instability and conflict, and oppressive debts have all contributed to the extreme financial austerity of, as well as a consequent diminishing accessibility to, African tertiary education. The reform agenda for African tertiary education thus includes the need for expanding other-than-governmental, or tax-generated, revenue as well as measures to lessen the current financial barriers to tertiary education participation for children of the poor, of those in rural or remote areas, or of ethnic or linguistic minorities. Accordingly, this paper will address first the familiar concept of *cost-sharing*, or the shift of a portion of higher education costs of instruction from being born

[1] Where technology is introduced into tertiary education, it tends to add costs--and arguably to add quality, and thus possibly to add efficiency—but rarely to diminish unit costs.

predominantly or entirely by governments, or taxpayers, to being shared by parents (or extended families) and students. We will then address the related policy prescription of *student loans*, or the deferral of some of these student-borne costs to a future time when the student [borrower] will presumably be more productive, enjoy a higher income, thus be able to repay the loan as a sound personal investment.[2]

COST SHARING IN AFRICA

Cost-sharing is generally thought of as the introduction of, or especially sharp increase in, *tuition fees* to cover part of the costs of instruction, or of *user charges* to cover more of the costs of lodging, food and other expenses of student living that may have hitherto been born substantially by governments (taxpayers) or institutions. However, there are many other possible forms, or what may usefully be thought of as *stages*, of cost sharing. Some of these, as shown in Table 1, are likely to be early and relatively easy, with less fiscal consequence but more likely political acceptability. Such measures could include the introduction of small, non-instructional fees, the freezing or diminution of student support grants (especially in an inflationary economy), the channeling (sometimes with some governmental resources) of more students into a tuition-dependent private sector, or in the few countries that have introduced significant loan programs, an improvement in recovery rates (i.e. a lessening of needed public subsidies) via an increase in the rate of interest or an improvement in collections.

Other forms or stages of cost-sharing have potentially greater fiscal impact, but may still be more politically acceptable than the introduction of across-the-board, up-front tuition fees for all students. The introduction of so-called *dual track,* or *parallel* (as in Uganda and Kenya) tuition fees, in which students who are *not* academically accepted into the small and selective pool of fully state-supported slots may still be admitted *for a fee*, maintains a kind of fiction of free higher education even though most young people, even if academically qualified, will never enjoy it. Still another form, developed and popularized by Australia and adopted by New Zealand and Scotland, and "on the table" in 2003 for the rest of the UK, is a tuition fee that is *deferrable* for all or most students—as an income contingent loan to be repaid only after the student borrower is employed and earning a salary.[3]

---

[2] Time and space does not allow this paper to address those elements of the tertiary education financial reform agenda that that are essentially *cost-side*—that is, efforts to increase productivity or efficiency. Cost-side measures remain important in spite of the fact that the lowest-hanging fruits of productivity enhancements have in most instances been adopted long ago. However, placing all of the hoped-for solutions on the revenue side--and primarily on variations of *cost-sharing*--is almost certainly untenable politically. Thus, revenue-side solutions, especially those that entail a shift of costs to parents and/or students, in most instances must be accompanied by an appreciation on the part of politicians, students, and the general public that university faculty and staff and their related governmental bureaucracies are also bearing some pain and shifting established modes of behavior.

[3] It is strange to Americans, who are acculturated to the notion that a tuition fee is a financial responsibility of parents, at least to the extent of their financial *means*, that British students, who have long professed to disliking student loans, actually prefer additional personal indebtedness as long as it is *income contingent* to a means-tested, but nonetheless *up-front*, tuition fee paid by their parents. See Department of Education and Skills [UK], *The Future of Higher Education*.

Table 1
Forms and Stages of Cost-Sharing
(in approximate order of increasing political resistance to implementation)

Type of Cost-sharing	African Country Example[s]	Other Country Example[s]	Potential Revenue Impact	Potential Political Acceptability
1. Small "earmarked" fees (e.g. registration, examination, or "caution"--but not yet "tuition."	Most African Countries (Nigeria a good example).	India, Egypt	Generally small	Quite acceptable
2. The "freezing" (lessening of the "real" value) of student grants.	Most African Countries	US (to Federal Pell grants), Russia, other "post-Communist"	Generally small but continuous	Relatively acceptable
3. The cutting or elimination of some student support grants.	Most African Countries	UK (elimination of Mandatory Grants)	Small to large	Unpopular (protest in Ghana (1991; also in Kenya and Tanzania.
4. The encouragement and even revenue support of tuition-dependent private sector.	Kenya, Tanzania, Uganda, Ghana, and other countries.	Pervasive (especially the Philippines , Japan, Korea, Brazil, Russia,, etc)	Significant over time—but requires tuition fees.	Quite acceptable
5. The introduction of fees for lodging and food.	Most African Countries (except Francophone?]	Most OECD Countries, China, Vietnam, Mongolia	Can be large	Unpopular, but can be done gradually—and has precedent.
6. The introduction of tuition only for students not admitted to "free" slots: *dual* or *parallel* track.	Uganda, Kenya, Ethiopia, Tanzania	Russia, other NIS, Czech Republic, Poland, Hungary	Can be large	Acceptable: provides opportunities to stud-ents who had none.
7. The introduction of tuition only for *certain* public institutions or programs.	Nigeria (tuition for state, but not federal, institutions	Mexico (State and federal universities other than UNAM)	Medium to large	Relatively acceptable
8. The introduction of tuition in the form mainly of *deferred contributions*.	Reportedly under consideration in Ethiopia	Australia, New Zealand, Scotland, Wales, proposed for UK	Uncertain: revenue and therefore state savings in future	Relatively acceptable
9. The introduction of "up front" tuition fees at all public institutions	South Africa, Mozambique	Britain, Netherlands, Austria, China, Mongolia, Vietnam	Large	Unpopular
10. Enhancing recovery on student loans	South Africa (success-fully); Kenya and Ghana (attempting).	US	Potentially signifi-cant, but extremely difficult to effect.	Relatively acceptable
11. Large increases (beyond the rate of unit cost increases) in tuition: increase in % of costs recovered.		US	In response to state cuts, so no *net* revenue impact.	Angers politicians and press; moderately unpopular to public.

Finally, the most direct and financially remunerative forms of cost-sharing—but also more politically contested—include the introduction of tuition fees where they did not heretofore exist, the great increase in tuition fees (i.e. in excess of the rate of increase of the underlying per-student costs of instruction) where they have already been established, and the introduction of full user charges, or fees, on what may have hitherto been heavily subsidized lodging and food. Table 1 shows some of these forms or stages in approximate order both of increasing fiscal impact and of the likely increasing political resistance, and therefore in the approximate order of their likely introduction in countries attempting to move in the direction of greater cost-sharing—with most African countries at about levels 5 and 6.

The rationale for *cost-sharing* has been the subject of a large and well-accepted (even if politically and ideologically contested) body of economic and public finance theory (Johnstone 2003, 2002, Woodhall, 2002, 1992). Suffice to note here that the most compelling case for cost sharing in developing countries may rely less on the familiar neo-liberal economist's presumptions of theoretically superior efficiency and equity (as valid as these presumptions may be), but on the much simpler to grasp and much less controversial *sheer need for alternative (i.e. non-governmental) revenue.* This need, in turn, emerges from the enormous scarcity of tax revenues as well as the long and compelling queue of competing public needs. Simply put, the economic, political, and social imperatives for a great expansion in the capacity of tertiary education systems—especially in low income countries that currently have very small portions of young adults enrolling in any sort of post-compulsory studies—is so far in excess of any conceivable additional public revenue likely to be devoted to higher education that alternative, non-governmental revenue sources must be found. And by most policy calculations, a substantial portion of this non-governmental revenue is going to have to come from parents and students in the form either (or both) of tuition as well as of user fees for some of the currently free or heavily subsidized student housing and food.

Most of the countries of Sub-Saharan Africa have resisted *up-front* tuition fees, which is the most direct and fiscally significant form of higher educational cost-sharing. This resistance may stem from two, mainly historical, features of Sub-Saharan Africa. The first is the European colonial legacy and the fact that the continent of Europe—on which most of Africa's classical universities are modeled—still remains the world's last bastion of free higher education. Even though this European tradition is under tremendous pressure and has been slowly giving way to encroaching tuition fees (as in the UK and to a lesser extent in the Netherlands, Portugal, and most recently Austria), the European political and cultural resistance to tuition fees is powerful. Thus, to African politicians and powerful student unions faced with prospect of charging or paying for something that may once have been free of charge (at least for a few fortunate families and students), the fact that most European governments, with far wealthier families and far better employment prospects for students, continue to resist tuition fees gives credence to the belief (or hope) that higher education can somehow continue to be free.

The other historic root of this resistance to fees has been the legacy in much of Sub-Saharan Africa of Marxist ideologies and the corresponding view that governments have—or at least ought to have—the financial wherewithal to provide all of education (as well as all of health care, pensions, and most other social services) free of charge. Politicians and students who are wedded to notions of entitlements and who view all of education as essentially a public good (and encouraged in this observation when they view other governmental expenditures that seem blatantly wasteful or corrupt) are not easily dissuaded. What many people in the industrialized West view as insurmountable resistance to taxation and serious constraints upon deficit financing continue to be viewed by those of a more Marxist persuasion as mere *political decisions to not tax*—and therefore an untenable decision to deny to the poor the benefits of what once was free to all.

However, the collapse of state-owned and centrally-planned economies throughout the one-time Socialist/Communist world, almost regardless of ideology or of individual views of what is properly "public," has so devastated the taxing ability of these governments that China, Vietnam, and Mongolia, for example, have abandoned all pretense to "free" higher education, declaring the new ideological correctness of cost-sharing and of substantial, up-front tuition fees. Russia, the former Soviet Republics, and the countries of Eastern and Central Europe, while still politically constrained to support some higher education that is "free," have also adopted cost-sharing measures such as freezing and otherwise diminishing student maintenance grants, imposing user fees, and implementing various forms of *dual track* tuition.

As shown in Table 2, cost-sharing is also being embraced by more and more governments throughout Sub-Saharan Africa—although slowly and cautiously, and frequently limited to its easier and more politically acceptable forms. At the institutional level, small fees are being introduced, food services are being required to be self-supporting, fees are being charged for evening or summer or other "special" courses and programs, and facilities and equipment is being offered for rent. At the governmental or ministerial level, where the problem is less institutional austerity than it is the sheer lack of capacity, private, tuition-supported alternatives are being allowed, encouraged, and even in some cases partially subsidized (such as students being eligible for loans at private institutions).

The most striking single example of institutional cost-sharing in Sub-Saharan Africa is probably in the adoption by Uganda's Makerere University of an aggressive policy of *dual track* tuition. As reported by Ssebuwufu (2002), Sawyerr (2002), and Court (2000), the admission of more than 70 percent of Makerere's students as fee-paying—while allowing the government and the university still to be able to claim that Uganda and Makerere provide higher education free of charge (to the very fortunate 20-30 percent)—has significantly improved the revenue position and thus both the capacity and the quality of Makerere. According to the World Bank/UNESCO Task Force (2000, p. 54), Makerere "…moved from the brink of collapse to the point where it aspires to become one of East Africa's preeminent intellectual and capacity-building resources, as it was in the 1960s."

Less aggressively (and somewhat less successfully financially), other East African universities in Kenya (Oketch, 2003), Tanzania (Ishengoma, 2001), and Ethiopia have also turned to variations on the theme of *dual track tuition*, opening their doors to students whose examination scores fall below the "cut off" for the highly selective tuition fee-free slots, but who are still able to do university-level work—*and whose parents can and will gladly pay.* (A slightly different kind of *dual track* fee policy has been adopted in Nigeria, where the politically visible and volatile national universities have been kept tuition-free, while the regional state universities have been allowed to charge tuitions [Odebiyi and Aina cited in Ishengoma, 2002]).

By most measures of success, including increased wages, better retention of faculty, and much needed infrastructure and technology, these *dual track* policies have been successful. At the same time, at least in theory, there are the following limitations to such policies:

1. They tend to reinforce (or at least fail to provide any forthright alternative to) the underlying ideology of entitlement that continues to reject the very notion of cost-sharing—even though senior policy makers in most of these countries know that many parents are, in fact, already paying significant tuition fees through the fee-paying tracks as well as even greater fees to the growing numbers of private institutions.

Table 2
Cost-Sharing in Sub-Saharan Africa, Selected Countries

	Cost-Sharing Policies	Student Loan policies/Programs
East Africa		
Ethiopia	Cost sharing open policy goal, but only "pocket money" elim-inated to date. Dual Track tuition: tuition, lodging and food covered for *regular*--not for evening or summer--students.	Government considering (as of 2003) a loan program modeled after the Australian HESC (in spite of likely problems with multiple and unre-ported sources of income and minimization of parental contributions.
Kenya	Tuition and user fees for lodging and food introduced in 1992, but tuition fee rolled back due to opposition. Dual track or Parallel Program tuition begun 1997 esp. at Univ. of Nairobi.	Comprehensive loan program introduced in 1970s, but failed with virtually no cost recovery. Program reinitiated in 1995 as Higher Ed. Loans Board, with mandate for "near self sufficiency."
Tanzania	Cost-sharing officially begun 1992 but at slow pace. Mainten-ance grants & lodging/food subsidies reduced in mid 90s. Only dual track tuition, but comprehensive tuition intended in future.	A so-called "loan" scheme implemented in 1993-94 as part of phase II of cost-sharing to cover a part of lodging and food costs. As of 2003, no interest rate stipulated, no collection machinery, & no recovery.
Uganda	Makerere Univ. famous for aggressive & financially successful dual track tuition, with more than 75% of students paying fees to the considerable financial benefit of the university..	Under discussion: no operational student loan program as of 2003.
Southern Africa		
Botswana	Limited cost-sharing measures said to have been introduced in 2002-03 along with efforts to improve collection of loans	Under discussion: no operational student loan program as of 2003.
Mozambique	Tuition ranges from $70-80 to $500+. Cost sharing seems to have been reluctantly accepted.	Under discussion: no operational student loan program as of 2003.
South Africa	Tradition of tuition fees and cost-sharing generally, although still resisted and complicated by issues of redress & planned institutional closures. Tuition in range of $1000-$3500.	Successful means-tested income continent loan program collected by employers. Reaching about 20% of student population. Interest is 2% real; repayment is 3-8% of income over threshold.
West Africa		
Ghana	Cost-sharing limited to small fees and user fees for lodging and food; no tuition fees.	After collapse of 1970s plans, a new scheme in 1988 linked to Soc. Sec. Nat. Ins. Trust, the contributions to which guaranteed repayments. High subsidies and collection difficulties persist.
Nigeria	Gov, expects 10% of costs to be from other-than gov.-revenues, but Cost-sharing is controversial, with nominal fees for lodging and food, and tuition at state—but not at federal—universities.	As in Ghana, the 1972 Nigerian Student Loan Board failed to collect and was suspended in 1992. A new Education Bank is constructing measures to increase collections and interest rates.
	Francophone	
Burkina Faso	In spite of Francophone tradition of no fees, B-F began to cut grants and begin modest tuition fee in 1990s: Increase from ca $12 to $24 in fall 2003 brought fierce student opposition.	Comprehensive program of small. means-tested loans, "Prets FONER," begun 1994: for 2nd & 3rd. cycle students: subsidized and income contingent @ 1/6 salary; little or no recovery to date.

Source: The University at Buffalo Center for Comparative and Global Studies in Education International Higher Education Finance and Accessibility Project. See: < http://www.gse.buffalo.edu/org/IntHigherEdFinance>

2. They are, at least arguably, inequitable in that the students most likely to attend "free"—that is, at the expense of the taxpayer—are the children of the most advantaged, many of whom could and would pay a modest tuition fee. As Sawyerr (2002, p. 57) cites from an unpublished study by Musisi: "An oft-cited danger of the introduction of fees at Makerere is an increase in the gap between the "haves' and the "have-nots" in access to higher education. Large numbers have been admitted, but access has not broadened."[4]
3. The differences in actual academic abilities, and even more so the differences in academic *potentials*, between the lowest scoring of the winners (i.e. those who just make it into the limited *fee-free* places) and the highest scoring of the "losers" (i.e. those who score just below the cut-off point on the examinations and can attend only by paying fees) is probably slight and possibly immaterial. Expressed another way, it is nearly certain that there will be considerable overlap around this *admission margin*, with the best of the fee-payers inevitably outperforming academically the worst of those attending free from fees.
4. Finally, depending on the validity and integrity of the system of selection for the limited *fee-free* places, the very considerable stakes involved in getting one of the fee-free places introduces the possibility (indeed, almost the inevitability) of corruption somewhere in the process.

In short, higher educational policies in more and more Sub-Saharan African countries are on a clear, even if slow, trajectory toward a greater sharing of the costs of higher education with parents and students. Although political and ideological barriers continue to deter such policies, especially where students are viewed with apprehension by governments, the more formidable constraints to a more aggressive adoption of cost-sharing policies may be increasingly *technical*: specifically related to two difficulties arising from efforts to combine a greater reliance on contributions from parents and students with the maintenance and even the enhancement of higher educational accessibility.

The first of these is the difficulty of fairly and cost-effectively assessing parental (or family) *means*, or its converse, the *financial need* remaining after all family and other resources (including savings and available current income) have been gathered in order to send a child (or young adult) to the university. In the US and most of the OECD countries, where both *earned* (from wages and salaries) and so-called *unearned* (from interest, dividends, and rents) incomes are generally known, and voluntarily reported, financial means are relatively easy to verify, generally from income tax returns. In developing countries, however, income or earnings may be from multiple sources, greatly fluctuating, sometimes non-cash, and frequently not reported or even recorded, and sometimes involving large extended families. In such cases, proxies for income or earnings must be found that are not disguisable, transferable, or contestable: for example, such easily observable characteristics as occupation of principal wage earner, educational level of mother and/or father, number of cattle, or the possession of a home with indoor plumbing, etc. (McMahon 1988, Tekleselassie 2002). This serious problem deserves much more attention from academics and policy analysts than it has thus far received. .

The second of the essentially technical problems is the challenge of establishing a student loan program that both promotes accessibility and expanded participation and at the same time results in real cost recovery. Most loan programs in Africa (as in much of Latin America and elsewhere in the developing world) simply do not recover payments (Johnstone, 2001; Ziderman1995, 2002). It is to this problem that we now turn.

---

[4] Such fees, in accord with what is called "high tuition-high aid" in the US, could in theory have the opposite effect and actually broaden access by increasing the availability of grants or bursaries for the less fortunate. It is probably the case that Makerere and other African universities have been in such dire financial straits that the expansion of accessibility has been a lesser priority; but governments could push them in this directions with appropriate rules and incentives.

COST-SHARING AND STUDENT LOANS IN AFRICA

Student loans, or any other sort of *deferred payment plans* (including all forms of *income contingent* and *graduate tax* schemes, regardless of what they may be called,[5] as well as more conventional, scheduled repayment forms), have been on the agenda of higher educational policy reforms for decades, including those directed at the countries of Sub-Saharan Africa. In theory, a student loan program combines the financial imperative of taxpayer revenue supplementation with the social and political imperative of expanding higher educational accessibility. At the core of the student loan concept is the belief that students who will benefit so much from the privilege of higher education can reasonably be expected to make a modest contribution toward its considerable costs. And student loans make a contribution toward equity by insulating this contribution from both the affluence and the attitudes of their parents. Adrian Ziderman (2002) claims that government-sponsored student loan schemes are in place in some 50 countries around the world, serving a combination of objectives including: (1) revenue diversification or income generation; (2) university system expansion; (3) equity, or the targeted enhancement of participation by the poor; (4) specialized manpower needs; and (5) the financial benefit of students generally, expressing their greater time preference for present money.

At the same time, student loans programs around the world have compiled an impressive record of failures, including notable African examples in Ghana, Kenya, and Nigeria (with a number of newer and lesser known programs such as those in Tanzania and Burkina Faso also looking like failures, at least on the criterion of cost recovery). At the present time, only the South African loan program appears to be successful—with *success* defined as the twofold ability to (1) expand accessibility by putting critical funds into the hands of students, and (2) generate a cost recovery that shifts some of the costs of this financial assistance to the students themselves. (The revitalized and supposedly reformed loans programs in Ghana and Kenya are promising, although somewhat less than successful as of 2003.)

Excessive subsidization

The essential failure of these student loan programs (and there many more failures in Asia and Latin America) can generally be attributed to one or both of two factors: (1) excessive built-in subsidization, and (2) insufficient and/or overly costly collection. Student loan programs (again, by whatever euphemism they may be called) are frequently doomed to fiscal failure by a built-in taxpayer subsidy that would fail to generate a sufficient cost recovery (measured by the present discounted value of the reasonably anticipated stream of future repayments) regardless of the successful *execution* (e.g. as signaled by low defaults) of the loan plan. These interest subsidies may be in the form of a zero rate of interest during the *in-school* years or the so-called *grace period* before the first payments are even expected, or simply of an interest rate that is far below the cost of money to the lender (generally the government). Such a built-in interest subsidy is especially stark in cases where the contractual rate of interest is both low and fixed, and where the country's economy is experiencing considerable inflation—which taken together considerably erode the present value of all future payments. However, there is even a not-inconsiderable built-in subsidy in the increasingly popular student loan programs (Australia, New Zealand, Sweden, the UK) that set the rate of interest to vary each year according to the prevailing rate of inflation, effectively recovering (assuming no defaults or other losses) exactly what was lent or borrowed in *real, or* inflation-adjusted, terms (i.e. a zero *real* rate of interest).

Indeed, insofar as cost recovery was a major goal of early student loans programs (and there is reason to believe that it was not), Kenya's former University Students Loan Scheme (1974/75 to 1994/95) at 2

[5] Policy makers throughout much of the world, politically apprehensive about a requirement for students to bear a portion of the costs of their higher education, are increasingly turning to euphemisms for both tuition fees and loans, referring instead to post-graduate *contribution schemes* (e.g. Australia's Higher Education Contribution Scheme (HECS) or Scotland's mandatory *contributions* to the Scottish University Endowment Fund).

percent interest or the current "reformed" Higher Education Loans program (1995/96 to the present) at 4 percent (Oketch 2003) or Ghana's current (summer 2003) SSNIT Student Loan Scheme limiting the borrower's rate to 3 percent (Ghana Website, Nortey 2002) had no chance of complete or near-complete cost recovery *even with no defaults*. Depending on the prevailing rates of inflation—quite high in both countries in many of these years—these interest rates represent considerable public subsidies, especially when the disbursements of loans are extensive.

The cost-effectiveness of this sort of built-in loan subsidy depends not just on the spread between the cost of money and the ultimate recovery rate, but on the degree to which a particular level of subsidy is necessary to get the desired level of student participation. Arguably, some subsidy is always necessary, or at least politically expedient; there are virtually no examples of generally available student loan programs in any country where there is no governmental subsidy whatsoever. However, there is clearly a *fiscal* trade off among (a) outright grants or bursaries, (b) the *effective grants* represented by the loan subsidies, and (c) the tuition fee itself, and there should, at least in theory, be some combination of levels that is most cost-effective for the aims of the government.

The most interesting African case in point concerning built in subsidies is the South African *loan bursary* feature that forgives up to forty percent of the final accumulated loan indebtedness for the successful passage of 100 percent of the courses. Clearly, this repayment forgiveness seriously erodes the stream of repayments and requires higher levels of new govern-mental loan capital into the program than would be otherwise necessary. At the same time, this is less a built-in feature of the loan program itself than it is a planned form of academic performance bursary, with its own goals, *that just happens to be attached to the loan program for convenience*. Whether this is a cost-effective expenditure of the South African Rand may be debated; its proponents in South Africa believe that it is (Jackson, 2002). At any rate, this is a clearly deliberate expenditure *via a student loan repayment forgiveness feature*, and as such should not be taken to detract from the fiscal success of the South African student loan program itself.

A particular disadvantage to highly subsidized loans in developing countries is the consequent need to ration the loans (that is, to ration the *subsidies*) via a means test—which returns us to the first of the so-called technical problems that need to be addressed in the implementation of cost-sharing in higher education. Because of the above-mentioned difficulties in means testing in situations in which family incomes are not likely to be known or easily verified, a minimally subsidized student loan is not only less costly to the government or taxpayer (allowing other higher-priority public expenditures to be made), but it also requires less costly verification of the entitlement to the loan. (Expressed another way, a minimally subsidized loan reduces both the *needless lending* and also the *effective opportunity cost* of whatever unnecessary lending might remain.)

The failure to collect

The second reason for the many student loan program failures is poor execution, especially the failure to collect repayments. Student loans are difficult to recover in the best of circumstances, even from guarantors or co-signatories. Students frequently—and especially in the countries of Sub Saharan Africa—face prolonged periods of unemployment following their departure from the university (in spite of all the talk and all the theory about high private returns to higher education). They move around, return to studies, and may go out of the country for long periods. They may not understand the need to maintain a good credit rating. Indeed the very notion of credit may be foreign to them, and they may well not have truly understood that the money they received was to be repaid—with some adverse consequences if they did not.

Furthermore, student loans are expensive to collect, partly because of the need to maintain current records and frequently to "chase after" the borrowers, but also because the amounts are generally small to begin with, making the administrative and servicing costs, even if done professionally and with good technology, expensive on a per-dollar-of-loan basis. When these conditions are considered in a Sub

Saharan Africa context—with little culture of credit, uneven postal and telephone services, generally inefficient governmental bureaucracies, and unevenly enforced official machinery for keeping track of people (such as taxpayer or pension contribution numbers required of all employees)—it is little wonder that regular repayments are the exception and that borrowers are frequently lost altogether to the systems.

A possible solution to this problem is to have the loan repayments collected by the employer at the point of wage or salary payment—just as employers are expected to collect pension contributions or withhold income taxes. Such mandatory employer collection does not have to be associated with the so-called *income contingent* loans, where the repayment due is defined as a percentage of earnings and is usually expected to be withheld (collected) by the employer along with mandatory income tax withholding and pension contributions. In fact, fully income continent loans may be problematic in much of Sub Saharan Africa, where earning streams may be multiple, frequently informal, and often unreported and essentially untraceable. But if the repayment due is on a fixed schedule, or if the income contingent repayment is independently calculated (i.e. based other than on a single wage or salary stream), an employer (it need not be the sole employer) can still remove the loan repayment automatically, inexpensively, and in a way that is difficult to evade.

Thus, for example, the South African National Student Financial Aid Scheme, which in 2001 lent ZAR 657 million [US$158.5 million] to some 93,400 students (99 percent of whom were "Black"), has been given the authority to compel employers to withhold student loan repayments owed from employees whose payments are in serious arrears, regardless of whether the repayment has been calculated on an income contingent or on some other basis (Jackson 2002, 2003). Similarly, the restarted and reformed Kenyan Higher Education Loans Board can instruct any employer to deduct from wages an amount due on a student loan—including the student loans dating as far back as the 1950s that were essentially forgotten, both by the borrowers and by the government (Kenya Loan Website).

THE DISTINCTION BETWEEN THE PARENT'S AND THE STUDENT'S FINANCIAL RESPONSIBILITIES FOR A SHARE OF THE COSTS OF INSTRUCTION

A form of higher educational finance that combines the concept of a *tuition fee*, or a payment for a portion of the costs of instruction, with a *student loan*, or the deferral of the student's share of higher educational expenses to the future, is Australia's Higher Education Contribution Scheme (HECS). This model imposes a tuition fee, but allows this fee to be paid in the future as a percentage of the student's future earnings. The Australian HECS, which has been urged as a model even for some developing countries (Chapman 1999), is more than a way for the student borrower to manage his or her indebtedness. Rather, it is being promoted as an alternative to, or a replacement for, what has commonly been thought to be the *parent's* share of higher educational costs. Thus, the applicability or inapplicability of an Australian HECS-type income contingent loan as an alternative to up-front fees does not rest merely on the ability of a government to know and verify all borrower incomes for most of their earning lifetimes in order to assure the financial viability of the scheme. Rather the applicability of the model depends in a very fundamental way on the respective roles assigned to parents and students in the underlying concept of cost-sharing.

Cost-sharing is frequently advanced as though the student's and the parent's (or family's) shares were theoretically and practically indistinguishable. However, the theoretical rationales underlying the expectation of a parental (or perhaps an *extended family*) share and a student share are quite different. A parental contribution is based on the principle that the student is still, at least through his or her first degree (assuming no significant time lapse between the completion of secondary and the beginning of tertiary education), a financially dependent child and that parents have an obligation to contribute financially to the expenses associated with their children's higher educations, at *least to the limit of their financial ability*. Additionally, it is assumed that the parents derive considerable satisfaction from the higher education of their children, and derive more satisfaction (and even some derived status) from being able to place their children in the "best" university they can afford and their children are able to get into.

The theory behind the appropriateness of a *student* contribution, on the other hand, is based almost entirely on the assumption of substantial personal and private benefits from the higher education. These presumed benefits may be manifested in higher lifetime earnings, greater status and influence, more "life options," or simply the personal satisfaction that comes (to most people) from being better educated. This theoretical appropriateness of a *student* contribution is buttressed by the fact that higher education in almost all countries (including developing and transitional countries) tends to be partaken of disproportionately by an intellectual and social elite—further supporting the principle that students should contribute something toward the costs of their higher education. It is this principle—quite apart from the principles that supported the parental contribution—that calls for student loan programs so that student can defer this contribution until they are financially able to do so.

Thus, the appropriateness of the income contingent loan concept as a way for students to more easily handle their repayment obligations depends on the degree to which incomes and earnings can be accurately and verifiably tapped to generate the payments to recover the loans. In this respect, the multiple, informal, unreported, and essentially untraceable forms of income characteristic of developing countries is going to make the cost recovery "problematic," as reported above. But equally or more problematic to the large goal of revenue diversification is the implication within the Australian HECS model that the parental contribution is no longer central to cost-sharing. For Sub-Saharan Africa, the extreme need for other-than-governmental revenue for higher education, the problematic cost recovery of any student loan program, and the demonstrable willingness and ability of a significant number of parents in all African countries to contribute to the higher education of their children together suggest that a parental contribution is not a potential source of revenue that can be foregone.

SOME CONCLUSIONS REGARDING TUITION FEES AND STUDENT LOANS IN THE SUB-SAHARAN AFRICAN CONTEXT

Although great variation occurs within the higher educational financing schemes in Sub-Saharan Africa, and although even descriptive—not to mention genuinely analytical and evaluative—information is uneven at best, the following conclusions are offered in the search for *Things that Work* in the financing of higher education in Sub-Saharan Africa.

1. Sub-Saharan African universities and other tertiary level institutions need to supplement their limited governmental, or taxpayer, revenues with revenues from parents and students.
2. These revenues should take the form both of user charges for governmentally- or institutionally-provided lodging and food and of tuition fees to cover a portion (say, one-quarter) of institutional costs of instruction.
3. Given the inevitable political resistance to cost-sharing, a multi-year progression of stages should be presented, with further shifts of costs on to parents and students clearly supplemental to governmental funding, and tied as much as possible to: (a) improvements in the quality of higher education, (b) expansion of opportunities and enrollments, and (3) extension of participation and accessibility to hitherto under-served populations.
4. Universities must actively and transparently continue seek efficiencies (even at some disaccommodation and pain) that minimize the per-student costs of instruction without jeopardizing quality.
5. The imposition of a tuition fee should be accompanied by a program of means-tested grants, drawing on clearly identifiable and verifiable characteristics (i.e. proxies for income) such as parental occupation and educational levels, prior schooling, and type of housing.

6. A single-track, up-front tuition fee (albeit one that can vary by institution and/or by program) is preferable to a dual track system that rations a small number of tuition free places according to measured academic preparedness—and thus inevitably rations according to the social class of the aspiring students.

7. Politically-acceptable language and euphemisms for tuition fees such as "contributions" may be necessary, but should not have the effect of substituting a larger (albeit deferred) contribution from students for an up-front contribution (a tuition fee) expected from parents (to the limit of their financial abilities to pay). Similarly, an expected student contribution via a student loan program (income contingent or otherwise) is probably a good step, and it may be a way to accommodate an up-front tuition for some students. But it should not be adopted as a wholesale substitute for an up-front tuition to be collected wherever possible from parents or extended families.

8. The setting of tuition fees should be as depoliticized as possible. Countries should consider an independent (albeit politically accountable) board, buffered from both the government and the universities and other tertiary institutions, to establish the base year tuition fee[s] and also to establish annual increases thereof.

9. A student loan program should be designed to collect (according to the present value of the reasonably-expected repayments discounted at the government's borrowing rate) something reasonably close to the amounts lent—less losses from defaults and other purposefully designed *subsidies* or *repayment forgiveness* features.

10. Student loan program must be equipped with legal authority to collect, technology to maintain accurate records, collectors who can track borrowers and verify financial conditions, advisors and repayment counselors in the universities, and the ability to enlist both the government's tax-collecting authority and employers in the collection of repayments.

11. An income contingent repayment mode should not be employed unless incomes can be reasonable verified. If income contingency is politically necessary, it should not be the "default" repayment obligation, but rather an optional means of payment that requires the borrower to demonstrate that he/she can discharge the repayments by paying a percentage of earnings from a single employer that represents the a dominant earnings stream.

12. Mechanisms need to be added to the repayment process, especially if the repayment mode is a conventional, fixed schedule mode, to accommodate borrowers whose earnings are low, either temporarily or permanently. In short, a conventional loan needs the same kind of genuine *low earnings protection* that is presumed to follow by definition from an income contingent form of repayment obligation.

13. A loan program needs to have a collection agency that is viewed as professional, incorruptible and technically expert. Universities and other eligible tertiary level institutions must be enlisted as partners in the program, especially in impressing upon the student recipients that loans are a legally enforceable obligations that must not be taken lightly or used in excess, and in keeping track of the borrower's whereabouts, at least during the in-school years.

THE AUTHOR

D. Bruce Johnstone is University Professor of Higher and Comparative Education and Director of the Center for Comparative and Global Studies in Education at the State University of New York at Buffalo. He served as President of the State University College at Buffalo and as chancellor of the 69-campus, 400,000 student State University of New York System. A long time scholar of higher educational finance and governance, Johnstone also directs the Ford Foundation financed International Comparative Higher Education Finance and Accessibility Project. The Project works in part with African students and scholars, and co-sponsored with the University of Dar es Salaam a two-day conference in March 2001 entitled "Financing Higher Education in Eastern and Southern Africa: Diversifying Revenue and Expanding Accessibility." Research papers from this project can be obtained from the following websites <http://www.gse.buffalo.edu/FAS/Johnston/index.htm> and http://www.gse.buffalo.edu/org/IntHigherEdFinance>.

REFERENCES

Ajayi, T. and R.A. Alani (1996) "A Study on Cost Recovery in Nigerian University Education: Issues of Quality, Access, and Equity," Accra: Association of African Universities.

Albrecht, Douglas, and Adrian Ziderman (1991) "Deferred Cost Recovery for Higher Education." Washington, D.C.: The World Bank.

Blair, Robert D. D. (1998) "Financing Higher Education in Africa" in UNESCO Regional Office (Dakar Senegal) *Higher Education in Africa: Achievements, Challenges and Prospects.* Paris: UNESCO.

Chapman, Bruce, "Reform of Ethiopian Higher Education Financing: Conceptual and Policy Issues" World Bank: Economics of Education Thematic Group, June 1999.

__________, (2002) "A Submission on Financing issues to the Department of Education, Science, and Training *Inquiry into Higher Education Reform,* July 2002.

Chapman, Bruce and Chris Ryan, "Income Contingent Financing of Student Charges for Higher Education: Assessing the Australian Innovation" in Maureen Woodhall, ed. *Paying for Learning: The Debate on Student Fees, Grants and Loans in International Perspective.* Special International Issue of *The Welsh Journal of Education*, Vol.11, No. 1, 2002, pp. 64-81.

Court, David (1999) *Financing Higher Education in Africa: Makerere: the Quiet Revolution.* Washington DC: The World Bank. http://www.worldbank.org/afr/findings/english/find 143.htm

Department of Education and Skills [UK], *The Future of Higher Education*. London: Her Majesty's Stationary Office, January 2003.

Ishengoma, Johnson (2000) "Cost Sharing and Student Loans in Higher Education in Tanzania: Developments and Challenges Ahead." Buffalo: University at Buffalo Center for Comparative and Global Studies in Education, October 2001. [unpublished]

Ishengoma, Johnson (2002) "Financing Higher Education in the Federal Republic of Nigeria: Developments and Trends" University at Buffalo International Comparative Higher Education Finance and Accessibility Project Website: <http://www.gse.buffalo.edu/org/IntHigherEdFinance/region_africa_Nigeria.html

Jackson, Roy, "The National Student Financial Aid Scheme of South Africa (NAFAS): How and Why It Works," in Maureen Woodhall, ed. *Paying for Learning: The Debate on Student Fees, Grants* *and Loans in International Perspective.* Special International Issue of *The Welsh Journal of Education*, Vol.11, No. 1, 2002, pp. 82-94.

Johnstone, D. Bruce, (1986) *Sharing the Costs of Higher Education: Student Financial Assistance in the United Kingdom, the Federal Republic of Germany, France, Sweden, and the United States.* New York: College Entrance Examination Board.

__________ (2002) "Challenges of Financial Austerity: Imperatives and Limitations of Revenue Diversification in Higher Education" in Maureen Woodhall, ed. *Paying for Learning: The Debate on Student Fees, Grants and Loans in International Perspective.* Special International Issue of *The Welsh Journal of Education*, Vol.11, No. 1, 2002, pp. 18-36.

__________(2003) "Cost-Sharing in Higher Education: Tuition, Financial Assistance, and Accessibility" *Czech Sociological Review*, Vol. 39, No. 3, June 2003, pp. 351-374

McMahon, W. (1988) "Potential Resource Recovery in Higher Education in the Developing Countries and the Parents' Expected Contribution," *Economics of Education Review*, 7 (1).

Mwamila, Burton LM, Issa Omari and Eva Mbuya, Eds. (2003) *Financing of Higher Education in Eastern and Southern Africa: Diversifying Revenue and Expanding Accessibility* (Proceedings of a Conference on Financing of Higher Education, Dar es Salaam, 24-26 March, 2001.) University of Dar es Salaam.

Norty, Victor O., Student Loan Scheme: the Ghana Experience" paper presented at an International Conference on Financing Higher Education in Eastern and Southern Africa. Dar es Salaam, March 2001. [unpublished]

OKetch, Moses O. "Privatization and Diversification of Resources in Kenya's Higher Education System." Nashville: Peabody College, Vanderbilt University, 2003. . [unpublished]

Osterbeek, Hessel, (1998) "An Economic Analysis of Student Financial Aid Schemes," *European Journal of Education*. Vol. 33 No. 1, pp. 8-16.

Salmi, Jamil (1999) "Student Loans in an International Perspective: The World Bank Experience." (unpublished).

Sawyer, Akilagpa, "Challenges Facing African Universities." Accra, Ghana: Association of African Universities, November 2002.

Task Force on Higher Education and Society, Higher Education in Developing Countries: Peril and Promise. Washington, DC: World Bank and UNESCO, 2002.

Tekleselassie, Abebayehu A. "Targeting Subsidies to Higher Education: Means Testing in Comparative Perspective." University at Buffalo Center for Comparative and Global Studies in Education, 2002. International Comparative Higher Education Finance and Accessibility Project Website [see below].

US Department of the Treasury and US Department of Education (1995) "A Study of the Feasibility of the IRS Collecting Repayments of Federal Direct Student Loans," June 1995.

Van Hart, Meagan (nd [2001]) "Can Student Loan Schemes Ensure Access to Higher Education: South Africa's Experience." University at Buffalo Center for Comparative and Global Studies in Education, International Comparative Higher Education Finance and Accessibility Project Website [see below].

Woodhall, Maureen (1988) "Designing a Student Loan Programme for a Developing Country: The Relevance of International Experience." *Economics of Education Review*, Vol. 7, No. 1:153-161.

_________. (1990) *Student Loans in Higher Education (3) English-Speaking Africa*. Paris: International Institute for Educational Planning.

_________. (1992) "Changing Sources and Patterns of Finance for Higher Education: A Review of International Trends." *Higher Education in Europe*, Vol. 17, No. 1:141-149.

_________. ed. *Paying for Learning: The Debate on Student Fees, Grants and Loans in International Perspective.* Special International Issue of *The Welsh Journal of Education*, Vol.11, No. 1, 2002.

World Bank (1994) *Higher Education: Lessons of Experience*. Washington, DC: The World Bank.

________ (2002) *Constructing Knowledge Societies: New Challenges for Tertiary Education.* Washington, DC: The World Bank.

Ziderman, Adrian and Douglas Albrecht (1995) *Financing Universities in Developing Countries*. Washington, DC: The Falmer Press.

Ziderman, Adrian, "Alternative Objectives of National Student Loan Schemes in Maureen Woodhall, ed. *Paying for Learning: The Debate on Student Fees, Grants and Loans in International Perspective.* Special International Issue of *The Welsh Journal of Education*, Vol.11, No. 1, 2002, pp. 37-47.

WEB SITES

International Comparative Higher Education Finance and Accessibility Project (July 1, 2003) <http://www.gse.buffalo.edu/org/IntHigherEdFinance/

Ghana (Social Security National Investment Trust) <http://www.ssnit.com/

Kenya (Higher Education Loans Board: July 1, 2003) http://www.helb.co.ke/Helb/index.jsp

South Africa (National Student Financial Aid Scheme July 1, 2003) <https://www.nsfas.org.za/nsfas_main.htm>