54987

Findings
Africa Region

No. 143 September 1999

Findings occasionally reports on development initiatives not assisted by the World Bank. This article is one such effort. The views expressed here do not necessarily reflect the views of the World Bank Group, the Government of Ghana, or the banks and NGOs mentioned.

Financing Higher Education in Africa: Makerere: the Quiet Revolution

Public Disclosure Authorized

One of the standing conundrums of educational policy in Africa in the last fifteen years has been how to provide good quality higher education to large numbers, equitably but without undue dependence on public resources. Now, from Makerere University in Uganda, comes an instructive demonstration of new possibilities for solving this conundrum.

In the past seven years, Makerere has reversed the plant decay and capacity loss of the 1970s and 1980s, and moved from the brink of collapse to a point where it can again aspire to become the pre-eminent intellectual and capacity building resource in Uganda and the wider region. It has more than doubled student enrolment, instigated major improvements in the physical and academic infrastructure and drastically reduced its traditional financial dependence upon the state. This has been achieved despite declining financial support from government but in a national context of economic growth and political stability. The contribution of the World Bank has been a set of programs supporting the macro economic and governmental reforms which have reinforced the context of institutional change.

The reforms

Restructuring at Makerere has had three central and interrelated elements: implementing alternative financing strategies; installing new management structures and introducing demand driven courses.

Alternative financing strategies

Makerere diversified its financial base and reduced its reliance on government by: encouraging privately sponsored students, commercializing service units and institutionalizing consultancy arrangements.

In the space of five years Makerere has moved from a situation where none of its students paid fees to one where 70 percent do. At the same time overall enrolment has more than doubled, with privately sponsored students accounting for 80 percent of new admissions.

Figure 1: Makerere University Admissions Statistics for Private and Government Sponsored Students

Source: Academic Registrar's Department

The impact of these financial reforms has been dramatic. Where previously the government covered all running costs, now over 30 percent of revenue is internally generated. Revenue gained from private students rose from 4 to 10 billion shillings in the three year period 1995/96 to 1996/97. A relatively constant government subvention, combined with massive enrollment expansion, has brought a dramatic decline in per capita cost to government.

Table 1: Makerere University: Internally Generated Funds as a Proportion of Government Funding

1995 – 1998 (1 US $ = 1200 UGS)

Year	Government Funding	Internally Generated Funds	Total
1995/96	20,328,433,000 (83%)	4,080,059,201 (17%)	24,408,492,201
1996/97	20,942,394,000	5,071,166,775	26,013,558,775

	(81%)	(19%)	
1998/99	22,541,938,000 (69%)	10,350,055,000 (31%)	32,891,993,000

Source: Academic Registrar's Department

Demand-driven academic reforms

Private students have been attracted through the provision of courses for which individuals, families, communities and companies are willing to pay, at times (evenings and weekends) when attendance is possible and facilities can be more fully utilized.

Funds gained from non-government sources have been allocated to library enrichment, faculty development, building maintenance, and, most important, to staff salaries, where the consequence has been to staunch the exodus of academic staff.

Decentralized and participatory management

Rapid expansion of enrolments and diversification of funding patterns have been facilitated by radical changes in administration and management. Specifically, a comprehensive strategic plan sets out an agenda for enhancing academic development based on internal decentralization and increased faculty autonomy.

Sub-sectoral re-allocation

One important effect of revenue diversification at Makerere has been to facilitate the re-allocation of government funding across levels of the education sector and to reinforce Bank-supported initiatives. As a result of the government's emphasis on its Universal Primary Education policy, supported by the World Bank, public funds for primary education have more than doubled since 1995/96 while funding for higher education has decreased by 7 per cent during the same period. The share of primary education in total recurrent revenue for the sector has increased form 52 to 68 percent since 1995 while at the same time the share for tertiary education has decreased from 28 percent to 16 percent.

Table 2:Public Funding (recurrent) of the Education Sector in Constant Prices 1995/96=100)

Level	**1995/96**	**1996/97**	**1997/98**	**1998/99**	**1999/00**

Primary	53,047	89,033	110,229	124,659	117,339
Secondary	20,700	26,698	28,643	27,960	27,366
Tertiary	29,300	31,349	28,902	28,230	27,574
Total	103,047	147,080	167,774	180,849	172,279

Source: World Bank calculation from Macroeconomic Program .

Reasons for success

The University has accomplished unprecedented reform in a short space of time. Why has it worked so well in Uganda and can it be sustained? There is no single-factor explanation for the accomplishment, and the reasons have to be sought in the interplay between a supportive external environment and an innovative institutional context.

The virtue of necessity

It could be argued that in 1990 the impoverished Uganda exchequer left the government with no alternative than to provide the university the latitude to seek diversified sources of revenue. Clearly, however, other factors were involved.

Macroeconomic reform and economic growth

One of the most important of these factors has been the economic reform that has taken place in Uganda, with the support of the World Bank, since around 1990. The fact that Uganda has been the most consistent economic performer in Africa during the 1990s goes some way towards explaining what has been possible in education and other social sectors. The government has established a record of sustained economic growth of 6.6 percent in the past decade and more than 8.0 percent in the last three years. Economic policies have included import liberalization, the opening of export marketing to competition, foreign exchange liberalization, privatization of public enterprises, financial sector reform and the reduction in the size of the civil service. In this context, entrepreneurial activity has flourished, real incomes have grown markedly and people with more resources have been willing to spend more on education including at the University level.

Political stability, trust, autonomy

Although lagging behind economic reform political change accelerated during the promulgation of the new constitution in 1995, followed by Presidential and Parliamentary elections. Political stability has strengthened the government's willingness to respect University autonomy.

Local government reform and decentralization

In a context of political stability and economic growth, a national process of decentralization and local government reform has been an important factor in bringing funds to local government, income to local communities and sponsorship to students.

Institutional leadership

Inside the University, the "inevitability" factor was at play in the sense that the University had to find a way of increasing faculty salaries in order to retain any kind of commitment. But it required a supportive external environment and internal initiative to make it happen and, fortunately, both were present. Much of the reform accomplishment can be ascribed to the energy and imagination of the University leadership and their faith in the benefits that a market orientation and professional and participatory management would bring to the institution.

Ownership

The process of reform has been gradual, negotiated and comprehensible, producing an almost palpable sense , across all strata of the university and beyond, that the process is owned and led by the institution itself. The package of reforms which Makerere is applying is not unlike ideas which have been disseminated for some time by the World Bank, but Makerere has made the ideas her own and applied them in her own way.

Issues and unfinished business

The limits of the market

Makerere represents an impressive example of institutional reform that takes advantage of different expressions of market demand. Yet, despite undeniable progress towards a new kind of University, restructuring remains incomplete. Revenue diversification has not been uniform across faculties and departments, which raises the issue of possible cross- subsidization. The internal re-allocation of resources has not been systematic because Makerere lacks the management information system to implement this fully. A thornier issue concerns balancing public and private funds. Despite the benefits of revenue diversification, some state funding is necessary to facilitate correspondence with national policies and ensure attention to equity.

Quality: teaching and research

Despite manifest improvement in facilities and faculty morale, questions remain about long-term trends affecting the quality of learning and the future of research. There are some signs that enrolment expansion is beginning to outrun the university’s physical, teaching and management capacity. Although overall quality is better than before the reforms, constant attention is required.

Internal efficiency

On the basis of its 1996 Strategic Plan, Makerere has improved internal efficiency, primarily through administrative decentralization and more intensive utilization of space. The new semester system is reducing wastage through fewer drop outs, re-sits or failures. A study funded by the World Bank is assessing the scope for greater rationalization of jobs and further out-sourcing of services.

External efficiency

In another study, the Planning Department is looking at the employment trajectory of graduates. Early returns give grounds for optimism about Makerere's contribution to the economy, although the speed with which graduates are getting a permanent job shows a decline, and science graduates remain in short supply compared with those from the arts. Further analysis will compare the relative performance of different faculties, males and females, public and private students and the comparative performance of Makerere itself in relation to other tertiary-level institutions.

Equity

Critics note that many who have qualified academically have been unable to afford the fees and consequently claim that economic privilege within the student body has increased. On the other hand, a recent study found that 40 per cent of students still come from peasant backgrounds. Gender inequity has lessened in the past seven years with the number of female students rising from 27 per cent to 34 percent of total enrolment.

Sustainability

Sustainability requires attention to equity, and a funding system is needed which reduces the inequalities in allocations of limited resources and valuable places. It seems likely that the long term financial future of Makerere will depend upon the development of a comprehensive student loan scheme which will require a high level of political commitment and managerial finesse and may be the next great educational challenge for the country.

Looking to the future, the World Bank and the Rockefeller Foundation are in dialogue with Makerere about a program of complementary activities in support of capacity building that would help to meet training needs for decentralization and local government reform, and contribute to the overall quality of higher education.

Lessons

The Makerere accomplishment has lessons for other universities in Africa that face similar resource constraints. It shows that expansion and the maintenance of quality can be achieved simultaneously in a context of reduced state funding. It puts to rest the notion that the state must be the sole provider of higher education in Africa. It dramatizes the point that a supportive political and economic environment is a pre-requisite for institutional reform. It also demonstrates the variety of institutional factors that go into the creation of a management structure suited to ensuring efficiency and effectiveness in the use of resources. For example, it shows that:

- A measure of autonomy from government in both policy and funding is essential for the development of alternative financing arrangements and the retention of funds.

- Once institutional autonomy is achieved, responsibility for budgeting and income generation can be devolved to faculties, within a formula that permits cross-faculty subsidization.

- Transparent allocation of generated funds is critical so that benefits can be shared in a manner that satisfies the majority and meets the needs of the institution as a whole.

- A widely accepted mission statement, strategic plan and an integrated management information system are central to the reform process.

- Training in financial management, for administrative and academic staff is also important.

- A performance-based personnel structure is desirable as long as it is flexible enough to ensure equity and does not treat performance and income generation as synonymous.

- At the end of the day, the imperatives of academic quality and equity require that, in a partnership involving public and private resources, the government retain ultimate responsibility for ensuring equitable access to knowledge creation and dissemination which constitute the *raison d'être* of the university and the ultimate rationale for managerial reforms.

For more information, please contact David Court, Rm. J10-067, the World Bank, 1818 H Street NW, Washington DC 20433. Tel. No: (202) 473-5736;
email address : Dcourt@worldbank.org