

ADDRESS BY PROFESSOR ERNEST ARYEETAY, VICE CHANCELLOR,
UNIVERSITY OF GHANA AT THE 84¹ H SPEECH AND PRIZE-GIVING DAY OF
ACHIMOTA SCHOOL, 12TH NOVEMBER, 2011

FINANCING TERTIARY EDUCATION IN GHANA:

SOME CURRENT PERSPECTIVES

Chairman, Members of the Achimota School Board

Headmistress

Fellow Akoras

Students of Achimota School

Invited Guests

Distinguished Ladies and Gentlemen

I would like to thank the School Board and Headmistress for doing me the honour of inviting me to speak on this auspicious occasion. Having passed through this school, I fully appreciate the significance of being the special guest of honour at Achimota School and I deem it a very major recognition. I thank you very much for that.

I have been asked to speak on the challenges of funding tertiary education in Ghana. If I did not know much about that before, the last year has taught me a whole lot about the subject, even if my lessons did not come through the most exciting channels. I will use this address to share with you what I have learned.

I came into the position of Vice Chancellor from being a simple development economist. As an economist, I appreciate fully many things that are associated with the process of delivering education. These include the following:

- Effective human resource development through education and skills enhancement is essential for economic growth and broader socio-economic development;
- This is because the more education and skills individuals possess, the greater their productivity, all things being equal;
- But the process of providing the education and skills requires several specialized inputs, including labour, physical assets, other capital equipment, and also other items that could more easily be replaced;
- As the cost of providing these inputs rises over time, it puts a significant constraint on the ability of the educational system to **supply** the needed education and skills;
- This happens at a time when as a result of rapid population growth, the **demand** for higher education has grown much more rapidly than ever before.
- Again, all things being equal, the price of education and skills provision would have risen to create an incentive for the **supply side** to rise to meet the **growing demand**.

One of the first lessons I learned as Vice Chancellor was that 'all things are not equal' and that they are unlikely to be equal at any time soon, unless one was willing to confront the obstacles head on. Let me talk about the things that have affected the demand and supply sides in some more detail.

Rapidly Growing Demand for Tertiary Education

Tertiary Education in the 21st Century has become increasingly important, not only to individuals for the sake of enriching their lives, enhancing their status and aiding a greater earning power. To the larger society, it ensures economic prosperity generally, as well as the advancement of democracy and social justice (Johnstone, World Bank report, 2006).

One of the principal challenges is that the demand for education beyond the secondary level is growing faster than the ability of governments worldwide to provide adequate resources to meet this demand. From 2005 to 2010, enrollment of students in Ghana's public universities increased from 73,408 to 107,058. Enrolment has risen sharply as applications and admissions have risen substantially. This academic year, the University of Ghana offered admission to more than 14,000 applicants, but this was only about a third of the nominally eligible applicants. The number of applications being received has doubled in the last five years alone.

Usually, demand is captured by an expression of the willingness to pay for a service. Thus, when potential students apply to our University for admission, we enquire from them whether they would be interested in a fee-paying option, and an average of 65% clearly indicate that they would like to come to Legon as fee-paying students, if necessary. That means there is a fairly substantial demand for the education that we provide.

Developments on the supply side

On the supply side, we may note that the number of tertiary institutions has grown considerably in the last decade to meet the growing demand. There are currently 57 public tertiary institutions in Ghana, including the 6 public universities, with 2 additional public universities coming. Considering the private universities, there are now 42 universities with about a half of them affiliated with the University of Ghana. Regularly we receive applications from new institutions that would like to be affiliated with us. There is clearly no lack of interest in the university business.

One would have expected that with the significant increase in the number of institutions, the pressure on the supply side and on the public universities would have abated, but this has not happened. I believe this is for obvious reasons: everybody wants to go to Legon, Tech or Cape Vars.

Manifestations of the Unmet Demand for Higher Education

The large number of people who do not find their way into tertiary institutions will either spend a number of years trying to improve their grades in order to gain admission later or try to find a job. In the event that both fail, they will probably end up on the streets.

For those who gain admission to the universities, the supply problems will not necessarily be resolved. A rapid and significant increase in student numbers always leads to congestion, pressure on facilities, inadequate equipment, high student-

lecturer ratios, etc. It is not uncommon to find poorly equipped science laboratories in all of the universities. Finding students standing in corridors and listening to lectures being delivered from far-away lecture rooms is fairly common in Ghana today. In this situation, there is a high likelihood that the public address system being used for the lecture is faulty and they will not see any audio-visual presentations made, if there are any. Students may take degrees in any of the sciences doing as little practical work as possible. Again, students may study for degrees in computer science with minimal access to computers in a small poorly equipped laboratory, as they do not own any laptops. After struggling through difficult lectures, poorly equipped libraries, they then have to contend with 5-10 roommates in a small room designed for not more than 2 persons. If there are issues with the capabilities of the products we churn out, this is what lies behind that.

The Current Funding Challenges

It is easy to list the several challenges that tertiary institutions face. Journalists like to ask me about the relevance of some programmes that we run. Government officials love to question governance and management arrangements in the institutions. And the universities do not fail to talk about their money problems. In my view, all of these go together. Universities need to mobilize the financial resources and show that they can manage them prudently and efficiently for a more carefully organized selection of programmes.

In spite of the general recognition of tertiary education's place as a principal claimant on public funds everywhere, in both rich and poor countries, it is

suffering from austerity. Financing tertiary education has become a concern to all stakeholders. The major stakeholders include the private sector, students, parents, labour unions and policy makers. Each stakeholder has a role to play in safeguarding the education of young people who are the future leaders of the nation.

Throughout the world there is growing acceptance of the fact that the traditional way of funding public universities, largely through financial support from the government, has to change. These funds are to finance the cost of tuition, operations and investments, pay for the conduct of university-based research, including investments in research facilities and equipment. But they seldom do.

Public universities compete with various other public institutions and units for budgetary allocation for education. Universities do not normally receive enough funds for their recurrent expenditures. Until disbursements from GETFund became available in 2005, government support for capital investments, in our universities was almost zero. Over the last 5 years, public universities received on the average 77% of their recurrent and investment revenue.

According to the National Council for Tertiary Education, the public tertiary institutions expected to receive GHC172,473,295 as budgetary allocation for 2011 but what they actually needed to operate was GHC604,418,359 leaving a funding gap of GHC431,945,064. These huge gaps between their requirements and budgetary allocations have been there for several years, but have gotten worse in

the last 5 years. The average total cost per academic year for training a student in one of the sciences is about GHC9, 000, but the budgetary allocation implies a per capita expenditure of GHC4,000, leaving a gap of GHC5000. In the humanities, an average total cost of GHC5,000 is required to prepare a graduate annually but the budgetary allocation is only about GHC2,000, hence a gap of GHC3,000. Note that more than 95% of that budgetary allocation will go into the payment of wages and salaries.

There are indications that government has considerable difficulty in applying the "Cost-Sharing" and formula-based approach to funding tertiary education. It still practices an incremental budgeting technique in allocating funds to universities. The Ministries of Education and Finance through the National Council for Tertiary Education rely heavily on existing payroll data to provide funds mainly for, personnel emoluments without regard to student data and other elements of cost.

The funding gap has to be met in order to get universities to operate effectively. And that is why the universities have to find additional resources. This problem is not unique to Ghana. Most public tertiary institutions around the world, including in Africa, have responded to this mismatch between available public resources and the growing demand for tertiary education by principally raising tuition fees, but this option is not available to the public universities of Ghana. They are only allowed to charge what is generally known as "Academic Facilities User Fees" (AFUF) intended to cover the acquisition of specific recurrent items and services essential for the daily running of teaching departments. Currently the University of Ghana receives only about GHC2.7 million from AFUF, and GHC8.1 million from

all fees. The few foreign students and the full-fee paying students provide two and half times as much revenue as the regular Ghanaian students. But these fees together fill only about 10% of the gap in our budget.

Another response of universities has been to seek additional private resources through the commercialization of research and other private uses of institutional facilities and staff. While this is being done in a limited way in several public institutions, it has not generated as much revenue as it is capable of doing. Currently they provide less than 3% of the needed revenue. Funds from student and other sources though inadequate, have been more regular and reliable towards meeting service costs.

What is the way forward?

The Ghana Government agreed with education stakeholders at a workshop held at Akosombo in 2005 that it would provide 70% of the financing requirements of the universities while the other stakeholders and the universities provided the remaining 30%, including 10% from students. The earlier figures show that government provided less than 30% and not 70% of the funding requirements, while students contribute far less than the 10% of the funding requirements of the public universities.

An appraisal of the present system of financing tertiary education has become necessary and indications are that a firm decision on the matter can only be postponed at great cost to all stakeholders. It is time to seek innovative solutions

to the substantial challenges faced in financing tertiary education. I am fully aware of the fact that the Ministry of Education is hosting discussions on finding a solution to this problem. Vice Chancellors recently took part in a very useful forum hosted by the ministry to brainstorm on this issue. There is currently a very capable team of experts working on proposals to be considered at another Akosombo forum on the subject in the next few weeks.

I have two proposals that might be considered at for the next Akosombo meeting:

1. As an economist, it is obvious to me that the Ghana Government will have significant financial challenges in trying to provide 70% .of the total funding requirements of our public universities. Funding up to 50% of the total requirements is certainly feasible and can be accommodated in the budget and financed through several channels that will not affect macroeconomic stability in any significant way. The essential thing is how government raises the revenue and the means through which the expenditure is made. The remaining 50% can be financed through a combination of fees paid by students, funds raised by the universities through various engagements with the rest of the community, including donations from the private sector. The proportions will depend on the size and capacity of each university. What this calls for is the removal of any restrictions on the charging of tuition fees imposed on universities. If universities are made to justify their costs, it allows for a proper regulation of the system to ensure that students are not overcharged.

2. Government can determine its human resource needs through proper planning and provide full or partial support to produce specific numbers of graduates in the areas where they are required. What this means is that the government can

determine how many doctors it needs and pay for their training in full through an appropriate scholarship. All others who wish to enter a medical school will then have to pay their way. The same will apply to all other disciplines.

Fee Paying and Poverty

It is obvious that asking students to pay for a growing share of what it costs to train them can be seen as working against the poor. This does not need to be the case, and Achimota School presents a classic example of how a good but expensive product can be made available to the poor without devaluing it. The universal way to deal with the challenges of income poverty and education is to develop appropriate mechanisms for assisting the poor. What is called for is an appropriate loans and grants system that will be available to all who require it. The Students Loan Trust Fund is a scheme that has a huge potential in this regard. I will encourage that it is supported.

Conclusion

Mr. Chairman, as I end my speech this afternoon, I would like to underscore the fact that it is only a general realization by the entire community that essential beneficial changes can be made to the funding of tertiary education. Government needs to accept that the time has come for change. Parents and their wards need to understand and accept that opting to pay nothing for higher education will lead to qualifications that are not accompanied by the necessary knowledge and skills. The private sector will have to note that criticizing the institutions of higher learning and not cooperating to sort out the mess will mean that their own future will be

severely compromised. Universities need to be innovative, transparent, relevant and efficient in order to win the trust of all.

Thank you.