

Higher Education Finance and Cost-Sharing in Ethiopia

I. A Brief Description of the Higher Education System in Ethiopia

The first higher education institution in Ethiopia, the University College of Addis Ababa, was established in 1950. In spite of the country's need to expand the higher education sector, little progress was made in the subsequent 50 years. Until 1995, for example, there were only two public universities and sixteen affiliated and independent junior colleges in the country. Recently, following the government's decentralization effort to expand the higher education system in regional states, several more universities were added increasing the total number of universities to nine in addition to the three higher education institutions that are under different Federal government entities and the eight teacher training colleges under the Regional Governments (Yizengaw 2007). In 2004, the Ministry of Education began building an additional 13 universities several of which started classes in 2007 (University Capacity Building Program, 2008).

Over the last decade the number of private higher education institutions in Ethiopia has grown considerably. Between 1998 and 2000, five private colleges were created offering programs for a two-year diploma (Zewdu, 2000). In the 1999/2000 academic year, 8,376 students were enrolled in private colleges, accounting for 12.4 percent of total enrollment in higher education (MOE, 2000). By the fall of 2005, there were 64 accredited private higher education institutions enrolling more than 20 percent of students in the country (Yizengaw 2007). However, more recently, the private sector is being challenged by the expansion of enrollments in the newly created public colleges and universities and the number of students enrolled in private institutions has been falling (Fente 2008).

The total number of students enrolled in Ethiopian higher education has also grown rapidly in the last ten years with enrollments increasing from 35,000 in 1995/96 to 191,165 in 2004/05 (University Capacity Building Program 2008). Despite these increases, however, the total participation rate in higher education remains low. Only about 2.4 percent of the traditional age cohort is currently attending tertiary institutions, which even by Sub-Saharan African standards is low (World Bank 2008). While women's participation in higher education has been growing, by 2004, only about one-quarter of all students were women (Teshome, 2007).

While a new policy calls for admission to higher education on the basis of entrance examinations held by individual higher education institutions, students continue to be selected and assigned a university on the basis of results obtained in grades 11 and 12, and the Ethiopian General Secondary Education Certificate Examination (EGSECE), which is offered at the completion of grade twelve. In principle, all applicants are eligible for admission to higher education. However, due to space limitations, not all are admitted to public institutions. Student placement is based on a minimum cut off using the results of the EGSECE and transcripts for grades 11 and 12 for specific courses depending on the field of study. In practice, therefore, the cut-off point is determined by the space available in public universities and access is reserved to the high achievers who tend to be from well-organized public or private secondary schools in metropolitan areas.

Higher education institutions in Ethiopia hold evening and summer programs to accommodate those students not admissible through the regular programs. In 2003/04,

more than 50,000 students were enrolled in evening and summer programs on a fee paying basis. The major clientele of evening programs are either civil servants who intend to upgrade their qualifications or those who have been denied admission to the regular programs, as well as adult learners who seek to improve their education and credentials. An evening degree generally takes approximately 6 years to complete, while the evening diploma can be completed in 3 to 4 years. The summer (or Kiremt) arrangement is basically designed to upgrade the qualifications of primary and secondary school teachers. A five-summer session is needed to complete a bachelor's degree, while a diploma program takes only three summers.

While being less demanding than the regular degree program, the evening program is still competitive and involves a cut off point for screening applicants. The screening procedure further serves to assign students to particular fields of study once their admission has been approved. Business (accounting, engineering, economics and management), law and information studies are highly preferred fields and entrance in them, therefore, requires a highly competitive secondary school completion exam (EGSECE) or GPA.

Financing Higher Education

In the years following the introduction of university education in Ethiopia, students participating in regular programs were provided with free room and board and were given pocket money. In 2003, a cost-sharing mechanism (called the *Graduate Tax*¹) was introduced by which students became responsible for covering their full costs of food and lodging plus a minimum of 15 percent of the total instructional costs for their university program (Teshome, 2007). All enrolled students are eligible to enter into an agreement with the government that stipulates their responsibility for repayment of these costs and the terms that are in effect. Borrowers must begin repayment after a one-year grace period following the completion of higher education and must complete repayment within 15 years. Students also have the option of paying the calculated amount up-front at a 5 percent discount.

Meanwhile austerity in higher education, partly driven by the expansion of the higher education sector, has increased the number of students enrolled on fee-paying bases. According to some accounts, close to half (46 percent) of students in public institutions in 2003/2004 were enrolled in fee paying evening and summer programs (Teshome, 2007).

In 2006, public education spending accounted for approximately 6 percent of GDP and 17.5 percent of total government expenditures. Of the public expenditure on education, higher education accounts for about 31 percent (World Bank 2008). The recurrent budget increased from approximately \$10 million in 1996 to over \$60 million in 2004 and the capital budget investment grew from less than \$8 million in 1996 to over \$90 million in real terms in 2004 (Teshome 2007). Estimated public recurrent spending per student at

¹ A *graduate tax* is a variant on the income contingent loan whereby the student (sometimes only the graduated student), in return for government subsidization of higher education in the form of low or no tuition fees, must pay an income surtax, generally for the rest of his or her earning lifetime. While the Ethiopian graduate tax has some common elements it is not a true graduate tax as students must pay off their debt within 15 years.

higher education level for 2005/06 was reported as 6,646 Birr (2006/07 Annual Education Abstract of the Ministry of Education).

The Ethiopian government has been working to diversify higher education revenues and increase the overall budget. As mentioned, since 2003 students must share in the costs of higher education by repaying a portion of their higher education costs back to the government via tax system (Yizengaw 2007). However, the effectiveness of the higher education cost recovery mechanism where student repayment is linked to their earnings remains to be seen. The simultaneous task of increasing higher education resources while maintaining accessibility of higher education has yet to be addressed.

II. Estimated Expenses of Higher Education

Ethiopia Higher Education Expenses Borne by Parents and Students First Degree, 10 Month Academic Year 2006-07

[National currency (Birr) converted to \$US by 2005 World Bank ICP purchasing power parity estimate \$1 = Ethiopian Birr 2.3]

		Public	
		<i>Low Public</i>	<i>High Public</i>
	Special “One-Time” or “Up Front” Fees	NA	NA
<i>Instructional Expenses</i>	Tuition*	626 birr [\$272]	1,998 birr [\$868]
	Other Fees	NA	NA
	Books & Other Educational Expenses	521 birr [\$227]	1,040 birr [\$452]
	Subtotal Expenses of Instruction	1,147 birr [\$499]	3,038birr [\$1,320]
<i>Student Living Expenses</i>	Lodging	600 Birr [\$260]	600 Birr [\$260]
	Food	1,800 Birr [\$783]	1,800 Birr [\$783]
	Transportation	100 Birr [\$43]	500 Birr [\$217]
	Other Personal Expenses	869 Birr [\$378]	1,800 Birr [\$782]
	Subtotal Expenses of Student Living	3,369birr [\$1,465]	4,700birr [\$2,043]
	Total Cost to Parent & Student	4,516birr [\$1,963]	7,738birr [\$3,364]

* Simple interest calculated on total owed by student after one year grace period following graduation. Interest rate used is average of bank rates while student in school.

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