

Higher Education Finance and Cost-Sharing in Ghana

I. A Brief Description of the Ghanaian Higher Education Sector

The public tertiary education sector in Ghana is composed of eight universities, ten polytechnic institutions and several professional institutes. Between 1990 and 2004, enrollment in the public tertiary institutions increased by 550 percent from 13,415 to 87,929 students. Much of this growth was due to dramatic increases in enrollments at the polytechnics.

A number of private universities and higher education institutions have been established since 2002, although they account for only 5 percent of total tertiary enrollments. As of 2009, there were more than 45 private tertiary institutions accredited by the National Accreditation Board (Ghana National Accreditation Board website). Despite such growth in both tertiary education sectors, the gross enrollment ratio for the 18-22 year old age cohort in tertiary education stands at only 5 percent (UNESCO Institute for Statistics estimate for 2006).

Admission to public sector tertiary institutions is based on a student's results on the Senior Secondary School Certificate Examination that is administered by the West African Examinations Council. Students who do not meet the competitive departmental requirements and cut off points, but who do satisfy the minimum entry requirements may be admitted on a fee paying basis, whereby they pay a significant tuition fee, rather than the lower, but by no means inconsequential, academic fee charged to regular students (see next section).

Access to tertiary education in Ghana continues to be quite limited and unquestionably differentiated by socio-economic status, region of origin and types and locations of secondary school (Manuh, Gariba and Budu, 2007). Less than 35 percent of the students who apply are admitted due to growing numbers of qualified secondary school leavers and university space and staffing limitations. The majority of these come from a limited number of secondary schools and the more advantaged regions.

Universities have devised various strategies to deal with space limitations including the construction of new lecture halls and residential facilities and the design of innovative degree programs that reduce the number of years students must spend on campus and/or integrate distance education components. At the University of Education, Winneba, for example, the bachelor of education program combines three years of intensive on-campus courses with a one year internship in Ghanaian schools (Manuh, Gariba and Budu, 2007). Efforts are also underway to address equity issues through the establishment of regional quotas for university admission and gender balancing strategies.

II. Financing Higher Education

Higher education was traditionally free of charge in Ghanaian universities. Qualified students were also entitled to free board, and free lodging. Funding is the most serious challenge faced by higher education in Ghana today. In order to solve the financial crisis in higher education, and as part of the second phase of its Economic Recovery Program (1987-89), the government considered several steps towards adjusting the financial structure of higher education. These adjustments included: increasing the role of private higher education institutions; increasing the number of public universities, and introducing cost sharing.

Cost sharing was introduced in 1997 through the adoption of the ‘Akosombo Accord’ that divided responsibility for university funding between the government (responsible for 70 percent of total funding) and three sources (30 percent) including university internal revenue-generation, private donations and student tuition fees. Student academic and residential facility user fees were introduced 1998. Students who are living in university housing pay both, while students off campus pay the non-residential academic facility user fee and a small non-residential facility user fee. Academic fees were imposed ranging (depending on course area) at present (2009) from GHC 93 (US\$39¹) to GHC 300 (US\$126) per year for continuing undergraduate residents (Kwame Nkrumah University of Science and Technology website). Residential students were charged a residential facility user fee of GHC218 (US\$92) plus hall dues of GHC40 (US\$17), while non residential students pay a small non-residential facility user fee GHC 24 (US\$10). Universities may also admit fee-paying students who do not meet the competitive departmental requirements and cut off points, but satisfy the minimum entry requirements (Kwame Nkrumah University of Science and Technology website).

Student Loans

The student loan scheme was introduced in Ghana in January 1988, prior to the introduction of cost sharing. The main purpose of the student loan was to supplement the student’s private resources, especially parental support for food, lodging, transportation costs, and other expenses that were difficult for many families because of the very high poverty rate in the country. (At the outset, the student loan program as an element of *cost-sharing*—in which the recovery would be important—did not seem to be of great importance.)

The student loan scheme was a financial arrangement under which all Ghanaian students who are enrolled and pursuing approved courses in an approved public tertiary institution were eligible to receive a loan regardless of their real financial needs. The loan was available to full time students, but part-time students could also receive a loan with the approval of the Minister of Education. (In October 2002, the government began including students in the emerging private universities² in the student loan scheme under the Ghana Educational Trust Fund.)

The Social Security and National Insurance Trust (SSNIT) was assigned to provide the loans, which were repayable at a fixed, and substantially subsidized, interest rate: originally 3 percent but increasing to 6 percent in the mid 90s. Student borrowers who were employed could elect to repay via a diversion of both their own employee contributions and their employers’ matching contributions to the Social Security and National Insurance Trust.

¹ National currency converted to to US\$ by 2007 purchasing power parity estimate US\$1= GHC 0.42

² Private universities started the same year 2002.

Table 1: Annual Disbursement.

| Academic Year | Amount ₵m | Number Paid | Loan Level ₵ per student | T. Bills interest rate%* | Interest Rate for students % |
|---------------|---------------------------|-------------|------------------------------|--------------------------|------------------------------|
| 1988/89 | 407.60 | 8,138.00 | 50,000.00 | 19.33 | 3 |
| 1989/90 | 858.60 | 12,483.00 | 60,000.00 | 2.3 | 3 |
| 1989/90 | 898.90 | 13,492.00 | 72,000.00 | 30 | 3 |
| 1990/91 | 985.50 | 15,656.00 | 80,000.00 | 19 | 3 |
| 1991/92 | 2,199.30 | 16,302.00 | 150,000.00 | 25 | 3 |
| 1992/93 | 3,556.00 | 18,644.00 | 200,000.00 | 28 | 3 |
| 1993/94 | 7,575.60 | 23,053.00 | 350,000.00 | 29.5 | 6 |
| 1995/96 | 6,959.70 | 28,202.00 | 420,000.00 | 40.0 | 6 |
| 1996/97 | 16,853.90 | 30,213.00 | 600,000.00 | 42.8 | 6 |
| 1997/98 | 24,264.88 | 37,226.00 | 700,000.00 | 40.0 | 6 |
| 1998/99 | 31,836.82 | 42,501.00 | 800,000.00 | 34.2 | 6 |
| 1999/2000 | 44,812.40 | 48,356.00 | 1,000,000.00 | 42.0 | 6 |
| 2000/01 | 69,174.79 | 50,580.00 | 1,000,000.00 | 28.9 | 6 |
| 2001/02 | 78,751.71 (US\$42,728) | 54,876.00 | 1,500,000.00 (US\$81,390) | 28.2 | 8 - 10 |

Sources: SSNIT, 2004 (cedi converted to \$ using 2002 PPP) and *Ghana: Enhanced Structural Adjustment Facility: Economic and Financial: Policy Framework Paper, 1998–2000*

Note: T-Bill as of the end of the period.

At the beginning of the loan scheme in 1988, the Treasury bill interest rate reached 45 percent, but the students were still to pay only 3 percent interest and government subsidies covered the remaining 42 percent (UNESCO). Starting from 1999/00 the interest rate was made progressive: i.e. the more the loan the higher the interest the student was to pay, with a maximum interest rate of 10 percent. However, the rate of inflation in 2001 reached as high as 70 percent (which made even the *real* interest rate paid by the government on its Treasury Bills negative). Table 1 summarizes the history of students' loan. The increases in student loan amounts over the years were necessary to cover the high inflation rate in Ghana as well as the gradual increase in fees.

The problem of risk was covered through the requirement of three guarantors, who had to be current contributors to the SSNIT. In the event that the student defaulted on his/her repayments, the SSNIT had the authority to take the amount from the guarantor's pension contribution – effectively cutting the actual future pension after the guarantor's retirement. The maximum repayment period was 10 years, but 3-5 years was the norm. The Student started repayment as soon as s/he was employed. The monthly installment was equal to the student's social security contribution to SSNIT during his or her employment, continuing until the loan was repaid. The contribution was 17.5 percent of total salary: 5 percent from the borrower/employee (his/her required contribution to the pension fund), and 12.5 percent from the employer. In this way, the borrower did not have to experience any reduction in take home pay—although he or she was seriously eroding the future value of his/her pension (it should be noted that borrowers also had the option of repaying the loan outright or in installments). Table 2 presents the repayment options under this student loan scheme.

Table 2
SSNIT Loan Repayment Options

| | |
|-------------------------------|--|
| Preferred option | Beneficiaries pay back their loans outright or by installments |
| Social security contributions | Payments from beneficiaries are used to offset indebtedness |
| Deduction | Student's indebtedness may be deducted from the social security benefits of guarantors if the beneficiaries have not settled their indebtedness by the time the guarantors retire. |
| Scholarship | Effectuated by refunds from the Scholarships Secretariat |

Although this Ghanaian loan plan was widely praised by the World Bank (at least through its demise in early 2005) for seeming to solve the problems of student loan programs that were failing elsewhere in Africa, there were always problems, both in concept and in execution, about this particular kind of student loan scheme. The loan program in Ghana at first seemed to work in three critical ways: (1) to overcome the political resistance that so frequently plagues the introduction of student loan programs, which can be perceived as an “opening wedge” in the introduction of cost-sharing; (2) to find initial capitalization; and (3) to obtain a considerable degree of repayment recovery. The secret of its apparent political acceptability lay first in the very heavily subsidized interest rate and then in the mode of repayment, which added a substantial employer contribution (diverted from the pension fund to the student debt repayment) and then allowed the borrower to complete the repayments through the diversion of his/her own pension contributions—effectively “burying” the entire repayment within the depletion of the borrower’s pension fund.

The loan plan drew all of its capital from the existing governmental pension scheme. That is, the “loans” were not by the government nor by any private capital market entity, but by the governmentally-established Social Security and National Insurance Trust. The “loan” was money paid by the SSNIT either to the student borrower or to the universities, with the SSNIT then coming into possession of *assets* in the form of student loan repayment obligations. The repayment obligations, however, seemed not to have been viewed by the borrowers as repayment obligations in the normal sense of payments having to be made to the holder of their student loan notes, but rather as agreements to have their and their employer’s pension contributions—normally (at least for those in the formal employment market) 5 percent of the employee’s salary matched by an additional 12.5 percent of salary contributed by the employer—diverted from their future pensions into repayment of their loan obligations. Thus, until the student loan obligation is repaid—that is, the “note” held by the SSNIT retired—they would have gotten no credit toward their eventual pension and would at some point (far into the future) suffer from a pension entitlement considerable less than the pension entitlements of their non-borrowing age peers. And if the borrower was not in the formal labor market for his or her earnings to be so diverted, and was not otherwise disposed to voluntarily repay the student loan obligation, the guarantors would have *their* pensions reduced: that is, the SSNIT covering the implicit loss on such defaulted loans by reducing the liabilities it had on the pensions of the guarantors. Thus, defaults necessarily jeopardized either the pensions of the guarantors or jeopardize the actuarial viability of the SSNIT itself.

The Student Loan Trust

The recovery rate of student loans under the administration of the SSNIT was low. The government in 2001 owed the trust \$23.9 million, which represented part of the interest it had

agreed to subsidize on students' loans (Rossouw, 2001). The SSNIT was unable to turn to the guarantor's pension unless s/he is retired—which postponed any loan recovery at least for 15 years more. In addition, there were allegations of administrative ineffectiveness, with some students who paid still shown as owing a balance on the SSNIT, and others wanting to repay up front, but discovering that the Trust did not have a formula for bulk repayments. As a result, over 500 billion cedis in outstanding debts had accrued under the SSNIT, putting enormous pressure on the operations of the Trust and threatening the sustainability of the scheme.

Presumably due to these and other problems, legislation was introduced in the spring of 2005 to replace the SSNIT with the Student Loan Trust Fund (SLTF) means-tested loan and to immediately increase the volume of student loans by ₵1 million to ₵3.5 million through the Ghana Education Trust Fund. This increase represents a 40 percent upward adjustment in the loan for students and provided considerable real financial relief. Under the SLTF both public and private sector students are able to access the loans without the three guarantors required under the SSNIT. Instead, the student bears full credit risk for the loan with his/her parents acting as primary guarantors provided they contribute to the SSNIT Pension Fund. If the parents do not contribute to SSNIT, another SSNIT contributor must be found to serve as a secondary guarantor.

The loan amounts are means-tested and differentiated according to program of study. Science students receive GHC 420 per year, while humanities students receive GHC 380. The loans carry an interest rate equal to the prevailing 182 day government of Ghana Treasury bill during the in school years and one year grace period and an interest rate equal to the prevailing 182 day government of Ghana Treasury bill plus 4 percent during the repayment period. Interest is compounded annually during the in-school years and the grace period and semi-annually during the 15 year repayment period. Loans may be repaid through monthly deductions from the beneficiary' salary by his/her employers, through direct periodic payments to the Student Loan Trust Fund by the beneficiary if he or she is self-employed or by outright payment of the total loan amount by the beneficiary or employer.

Table 3

**Ghana - Higher Education Expenses Borne by Parents and Students
First Degree, Academic Year 2008- 2009**

National currency Ghana Cedis (GH¢) converted to US\$ by 2008 average exchange rate of \$1 = GH¢ 1.1³

| | | <i>Public Sector</i> | | | <i>Private</i> |
|--------------------------------|--|-------------------------------|-------------------------------|-------------------------------|---|
| | | <i>Low Public</i> | <i>High Public</i> | <i>Ghanaian Fee Paying</i> | |
| | Special “One-Time” or “Up-Front” Fees ⁴ | GH¢28 [\$25] | GH¢ 28 [\$25] | — | — |
| <i>Instructional Expenses</i> | Tuition | None | None | GH¢ 1,320 [\$1,200] | GH¢ 1,300-3,000 [\$1,182-2,727] |
| | Other Fees ⁵ | GH¢ 223 [\$203] | GH¢ 320 [\$291] | GH¢ 160 [\$145] | GH¢ 110 [\$100] |
| | Books & Other Educational Expenses | GH¢ 200 [\$182] | GH¢200 [\$182] | GH¢ 200 [\$182] | GH¢ 200 [\$182] |
| | Subtotal Expenses of Instruction | GH¢451 [\$410] | GH¢548 [\$498] | GH¢1,680 [\$1,527] | GH¢1,610-3,310 [\$1,463-3,009] |
| <i>Student Living Expenses</i> | Lodging ⁶ | GH¢ 48 [\$44] | GH¢ 400 [\$364] | GH¢ 900 [\$818] | GH¢ 325 -1,430 [\$295-1,300] |
| | Food | GH¢700 [\$636] | GH¢1,320 [\$1,200] | GH¢1,320 [\$1,200] | GH¢1,540 – 2,200 [\$1,400-2,000] |
| | Transportation | GH¢400 [\$363] | GH¢100 [\$91] | GH¢100 [\$91] | |
| | Other Personal Expenses ⁷ | GH¢1,100 [\$1,000] | GH¢1,100 [\$1,000] | GH¢1,100 [\$1,000] | |
| | Subtotal Expenses of student living | GH¢2,248 [\$2,043] | GH¢2,920 [\$2,655] | GH¢3,420 [\$3,109] | GH¢ 1,865-3,630 [\$1,695-3,300] |
| | Total Cost to Parent & Student | GH¢2,699 [\$2,453] | GH¢3,468 [\$3,152] | GH¢5,100 [\$4,636] | GH¢3,475-6,940 [US\$3,159-6,309] |

Low Public: lowest program fees (humanities student), living at home.

High Public: high program fees (applied sciences), student residing on campus in a single room in a traditional hall.

Fee Paying: Tuition fees for fee paying students are differentiated by program. The tuition given here is for a humanities student at the University of Ghana. Student living in a university hostel flat with kitchenette.

High Private: high private tuition, living in campus housing.

³ While most of the country studies included in the ICHEFA project website use the World 2005 ICP purchasing power estimates, given the recent (2007) redenomination of the Ghana Cedi, the average exchange rate for 2008 is used here.

⁴ Freshmen must pay one time only charges for course catalogue, identity card and medical examination.

⁵ University charges include academic facilities charge, exam charge, matriculation charge, medical services, technology services, registration, and student activity dues.

⁶ Lodging includes non-resident residential charges for students who live off campus and resident charges for those who live on campus plus hostel fee of GHC 200/semester.

⁷ Very much depends on student’ individual life styles.

References:

- Atuahene, Francis. (2007). The Challenge of Financing Higher Education and the Role of Student Loans Scheme: An Analysis of the Student Loan Trust Fund (SLTF) in Ghana. *Higher Education*.
- Ibn Chambas, Mohamed. (2003). *Higher Education in the Twenty-first Century, Vision and Action. Volume V – Plenary. Ghana*. World Conference on Higher Education. Paris: UNESCO.
- International Association of Universities and Association of African Universities. (2002). *Guide to Higher Education in Africa*. Great Britain.
- International Network of Higher Education in Africa. *Ghana-Country Higher Education Profile*. www.bc.edu
- Manuh, Takyiwaa, Sulley Gariba and Joseph Budu. (2007). *Change and Transformation in Ghana's Publicly Funded Universities*. Partnership for Higher Education in Africa. Oxford, UK: James Currey and Accra, Ghana: Woeli Publishing Services.
- Penrose, P. (1998). Cost Sharing in Education - Public Finance, School and Household Perspectives. London: DFID. Retrieved from: <http://www.dfid.gov.uk/AboutDFID/Education/Research/Library/contents/dep27e/ch05.htm>
- Rossouw, Henk. (2001). Bad Loans Burden Ghana's Student Aid. *The Chronicle of Higher Education*, November 2.
- SSNIT to Recover Student's Loans: Ghana high commission, London. May 9, 2004. Retrieved from www.ghana.co.uk in May 2004.
- SSNIT (2003). *Students' loan – the Law*. Downloaded from SSNIT Corporate Website www.ssnit.com on June 26, 2003.
- Effah, Paul . (2003). Ghana. In D. Teferra and P. Altbach (Eds.), *African Higher Education*. Bloomington: Indiana University Press.
- UNDP. (2001). *Ghana Human Development Report*. New York: United Nations Development Program.
- World Bank. (2003). *World Development Indicators*. Washington, DC: World Bank.
- Yankson, W.K. and Nicholas N. N. Nsoqah-Nuamah. (2002). *Socio-Economic Background of students in Tertiary Institutions in Ghana*. Accra: National Council for Tertiary Education – Ministry of Education.

Websites consulted:

- Ashesi University College. http://www.ashesi.edu.gh/ADMISSIONS/financial_aid.html
- Catholic University College of Ghana. <http://www.cug.edu.gh/index.php>
- Concord, Gye Nyame. (2005). Funding Tertiary Education in Ghana. Ghana Home Page. <http://www.ghanaweb.com>
- International Association of Universities. Online Database on Higher Education Systems. <http://www.unesco.org/iau/onlinedatabases/index.html>

International Network of Higher Education in Africa. *Ghana-Country Higher Education Profile*.
www.bc.edu

Kwame Nkrumah University of Science & Technology website,
www.knust.edu.gh/fees/index.php

Ministry of Education, Ghana, MOE,
<http://www.ghana.gov.gh/governing/ministries/social/education>.

National Accreditation Board, Ministry of Education
<http://www.nab.gov.gh/nabsite/index.php>

SSNIT Corporate Website www.ssnit.com

Student Loan Trust Fund website, <http://sltf-ghana.org/loanscheme.htm>

University of Cape Coast website, http://www.ucc.edu.gh/fees_tuition

University of Ghana website: <http://www.ug.edu/gh>

Many thanks to James Anyan for his valuable assistance with this country profile.