Higher Education, Finance and Development

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percent in 2005. Other countries like Mauritania are building technical training centers tailored to market needs while Niger is committed to increasing enrollment in technical and vocational schools from about 20 percent of secondary school leavers in 2005 to 50 percent in 2015.

The development case for higher education

Higher education can lead to economic growth through private and public channels. Better employment prospects, higher salaries and a greater ability to save and invest resulting in better health and improved quality of life and consequently life expectancy are well known benefits out of the private channel. Higher education as a vehicle for public investment has public benefits of which some are linked to the private gains. Higher education helps economies to catch up with more technologically advanced economies as higher education graduates are more aware and can adapt to new technologies in addition to developing new tools and skills by themselves generating entrepreneurship with positive effects on job creation.

Higher education also has backward linkages especially to the primary and secondary school levels. The lower levels of the education spectrum can be improved through the availability of quality teachers out of the higher education system. Trained health workers out of the higher education can improve society's health, thus raising productivity. Higher education can also be a nursery bed for talented individuals needed to establish a policy environment necessary for growth

The first systematic macroeconomic analyses of growth appeared towards the end of the 1980s within the convergence model framework. In an effort to explain the variations in the wealth of countries with similar initial economic conditions, the level of education of the labour forced.21 Tw0.185 Tc5Tj0 Tcork explais. ha ca educaties converj0 Tc(h) Tj4.440 Tw0.249 Tc(3la

Changing structure of the Ugandan economy

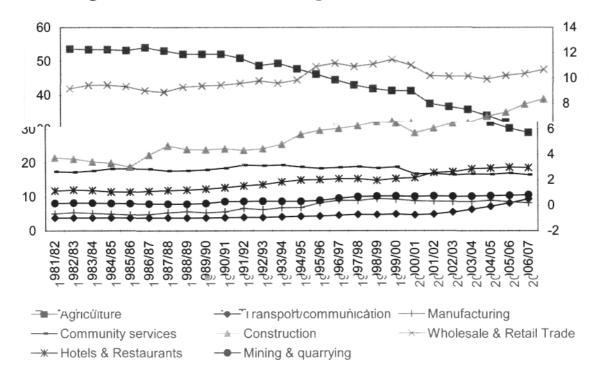
The contribution of agriculture to Uganda's GDP has reduced from over 50 percent in 1981/82 to about 21 percent in 2007/08 while the reverse has occurred in the services sector, now accounting for about half of the country's GDP. The ever-increasing significance of the industry and services sectors in Uganda's growth process calls for even greater emphasis on higher education sub sector to provide the much needed highly skilled labour force to support and sustain the sector.

Table 1: Sectoral contribution to Real GDP Growth (%)

Average growth rate	1990-1999	2000-2005	2006-2007
	6.3	5.5	8.0
Agriculture	1.8	1.3	-0.1
Industry	1.8	1.6	6.9
Services	2.7	2.6	10.2

Source: Uganda Bureau of Statistics

Figure 1: Sectoral contribution to Uganda's GDP; 1981/82-2006/07



Source: Uganda Bureau of Statistics

³ Figures based on rebased GDP series (2002 prices)

Higher education for export

Exports of services from Uganda have been rapidly growing from an estimated value of US\$ 200 million in 2000 to almost US\$ 500 million in 2006, while the share of service exports in total exports has averaged over 30 percent over the period. Exports of higher education knowledge based services like financial services, insurance, information communication and technology have also risen with their share in total service exports rising from 3.8 percent in the year 2000 to about 23 percent in 2006.

Since education in Uganda has expanded faster than the absorptive capacity of the Ugandan economy for the graduates, products of the higher education levels in Uganda have migrated to find suitable jobs elsewhere. Remittances of Ugandans working abroad accounted for 8.2 percent of GDP in 2007 (World Bank Migration and Remittances fact book, World Economic outlook database 2007), ranking Uganda as one of the top thirty remittance-receiving countries in the world. Although the Ugandan economy is expected to grow by at least 8 percent in the coming years, it can't fully absorb the expected growth in labour force arising from the high population growth rate of 3.7 percent per year. This provides a backing for a strategy to expand exports of knowledge-based services through outsourcing and employment overseas. This however can only be done through improving the quality of higher education to increase and sustain supply of highly skilled labour.

Uganda is already an education hub especially for students from the neighbouring countries. By mid 2005, about 8 percent of the total number of students in the major tertiary institutions in Uganda were foreign students largely from Kenya, Tanzania, Sudan, Rwanda and DRC. What remains is a comprehensive institutional and policy reform package to improve the quality and capacity for education services to realize the potential for Uganda as a niche market.

Government financing of education sector in Uganda

A frequent critique of structural adjustment programs is that macroeconomic stabilization is only achieved through fiscal austerity involving severe cuts in expenditures on the basic social services like education needed by the poor. Uganda's record during the 1990s supports the contention that fiscal restraint is crucial in maintaining low inflation but also demonstrates that fiscal restraint is not incompatible with increased real spending on basic social services if the Government places a high priority on public service delivery in the allocation of budgetary resources. Budgetary reform in Uganda involved a progressive reallocation of budgetary resources towards the sectors, which are critical for poverty reduction identified in the Poverty Eradication Action Plan.

Table 2: Expenditures on education as percentage of total government expenditures

Year	As % of Total G	As % of Total Government Expenditure	
	Recurrent	Development	
1995/96	9.7	7.8	
1996/97	9.9	9.9	
1997/98	10.6	7.2	
1998/99	8.3	24.4	
1999/00	10.9	15.3	
1900/01	10.4	20.9	
2001/02	9.1	10.2	
2002/03	9.3	10.4	
2003/04	4.2	9.3	
2004/05	8.4	8.7	
2005/06	7.6	5.0	
2006/07	7.6	4.6	

Source: Uganda bureau of statistics

Recurrent education expenditures averaged about 9 percent of total government expenditure while development expenditures were a little higher, averaging 11.1 percent between the mid 1990s and 2006/07.

Uganda was able to achieve these levels of Government spending on basic social services like education on account of government according greater priority within the budget to spending on basic social services and shifting inter-sectoral budgetary allocation towards education and health, in particular primary education. Also on account of expanding the tax base, as well as reforms to tax policies and tax administration, the budgetary resources available to fund Government expenditures have grown rapidly, with domestic revenue collection, in constant prices, expanding fourfold between the late 1980s and the year 2000. In addition, the government's resource envelope has been boosted by substantial inflows of donor budget support.

Financing of higher education in Uganda

There is both private and public financing of higher education institutions in Uganda. Until the mid 1990s, those categorized as public institutions of higher learning were fully funded by the government. However, the 1992 White Paper and Education Strategic Investment Plan (ESIP) recommended divestiture from full sponsorship of tertiary education through the introduction of cost-sharing, private sponsorship, evening programs, long distance programs, internal generation of income through consultancies and the sale of services higher education receives about 10 percent of the education budget. However in line with government policy, subsibbw-0.303 Tc2d drnas

government-sponsored students and those on private or self-sponsorships in all public tertiary institutions with government sponsorship now skewed towards science courses.

From the 19th century, university research in itself made direct contributions to technical advancement in industry using science, as a basis for industrial innovation and it was oriented towards solving practical problems. The full development of the research potential of higher institutions of learning in Uganda, however, has not been realized for two major reasons: financial constraints and an unappreciative and underdeveloped research culture. Poor financial facilitation and inadequate research infrastructure are still a major hindrance to research development.

Research in Uganda has remained heavily dependant on donor support and consultancies. A number of problems related to capacity (numbers and technical knowledge) and limited access to and dissemination of research findings remain. Publications of research findings in international journals by staff and students of higher education in Uganda are very low. Most faculty members spend much of their time teaching and marking students' work, consequently devoting little or no time to research. The most senior academics are involved in administrative work in their capacity as heads of department, deans, or directors. Some of them are in great demand as international consultants or advisers to various government ministries, which remunerate their services handsomely. Moreover, many seasoned scholars have reached the peak of their academic careers and do not seem to be motivated to engage in locally based research.

Like many countries around the world, public resources in Uganda are increasingly becoming insufficient to finance higher education and cost sharing between the government and the students has become inevitable. While the government sponsorship scheme is targeted towards the critical science subjects, student loans programs should be explored as a financing mechanism for higher education. The student loan programs however are faced with a perpetual dilemma. As instruments of equity promotion, they need to be designed to meet the funding needs of students from low-income groups while financial institutions are required to respect the basic principles of financial viability to ensure sustainability.

Conclusion and way forward

In the extended Solow model with technological change, increased education levels are expected to result in increased productivity leading to increased economic development (Perkins 2001)⁴.

While inadequate funding can be responsible for compromising research and development- a key output of higher education-greater emphasis should be placed on ensuring efficiency and proper management of higher institutions of learning. Strong focus should be placed on quality in the learning environment while a comprehensive

⁴ Perkins. D.H. et al. (2001) Economics of develonment (5th edition). New York:

education policy framework is a matter of urgency if higher education is to meet the critical skills gap evident in Uganda.

Improving the quality and financing of higher education in Uganda entails the following;

- a) A curriculum reform and the institutional and policy framework of Uganda's education system
- b) Mass higher education without loss of focus on the creation of highly skilled labour base to spur higher growth.
- c) Designing an appropriate mix of primary, secondary and higher education for economic development and poverty reduction.
- d) Higher public financing and efficiency management.
- e) Appropriate financing instruments for students to enable them access higher education.
- f) Improving quality and capacity for education at all levels in Uganda for it to be a niche market for provision of education services.

The above questions related to higher education should be debated alongside the critical areas of research and development, trade and access to markets, investment and service delivery that are essential in Uganda's economic development endeavours.