

Policy Brief

Revenue Diversification and Resource Utilisation Options for Ethiopian Universities in the Face of Declining Public Funding

Sewale Abate



Organisation for Social
Science Research in Eastern
and Southern Africa
(OSSREA)

Introduction

Public universities in Ethiopia mainly rely on government financing. This dependence on the government means that the funding levels depend on the fluctuations of government resources. Meanwhile, it is untenable to depend on public money to finance all the operations of the universities because government resources can only be meagre given the competing needs in the country. Additionally, universities need stable and reliable sources of funds. They, therefore, need to initially bridge the financing gap between the allocations from the government and the total financing needs by instituting strategies to diversify sources of funding with the eventual objective of being financially independent.

With an average annual higher education enrolment of 26 per cent in the last 10 years, the Ethiopian government, like many other African governments, is hard pressed to keep pace with the rising demand for higher education, while still providing virtually all of the financing used to run the public higher education system. Consequently, the government introduced a university graduate tax in September 2003, designed to gradually recoup the cost of meals and lodging, as well as a small portion of tuition costs. However, cost-sharing based on the current graduate tax is not expected to immediately relieve the financial pressures on the system, which are produced by rapid enrolment expansion. It is projected that by 2020, for example, the share for higher education in total education spending would be some 4 to 5 percentage points lower with cost-sharing than without it. The income from cost-sharing would then represent a significant and fairly reasonable 20 per cent of the total cost of running the

higher education system in the outlying years.

The rate of expansion of public provision in higher education has been so rapid that capital expenditure absorbed over 50 per cent of the total higher education budget from during the last 10 years and the federal government cannot keep up with the recurrent expenditure needs. Financing higher education should not be limited to the public purse. The case is even stronger for enhancing the space for private financing to contribute to higher education expansion. The rationale for heavily subsidising students is weaker today than before given that more than half of all TVET trainees are paying commercial fees in private institutions. There is substantial evidence that a large number of students (or their families) are willing and able to pay the costs of higher education. Private provision of technical and vocational education and training (TVET) services has expanded to serve over 57 per cent of the total trainees, in effect surpassing public TVET provision. This is an indication that the scope for private sector participation in the provision of higher education is enormous. Additionally, apart from instituting revenue diversification activities in public universities, another public policy option for funding the expansion of the higher education system is to determine whether more activities can be done within current budget limits.

Research Findings

Revenue Diversification Strategies

In the face of a slightly decreasing public funding, public universities in Ethiopia have shown some signs of a drive towards diversification of funding sources. The different strategies include:

The Extension Students Program— the contribution of this source of revenue to total revenue generated by the university ranged from 14 per cent in Jimma University to 61 per cent in Hawassa University.

Table 1

Table 1. Revenue generated through various revenue diversification strategies (in percentages)

University	Contribution to total generated revenue			
	Extension Students Program	Summer Students Program	Short-term Trainings	Consultancy services
Addis Ababa	*	*	*	*
Haromaya	30	43	0.8	-
Mekele	17	59	-	4.3
Jimma	14	54	3	-
Hawassa	61	13	0.8	1
Bahir Dar	27	21	1	0.6
Gondar	*	*	*	*
Adama	29	53	6	0.6

*Data not availed to researchers

The Summer Student Program— this program generated revenue that ranged from 13 per cent of total internal revenue at Hawassa University to 54 per cent at Jimma University.

Consultancies and Short-term Trainings provided very meager revenues for the universities. These findings are summarized in

The Distance Education Program: revenue from this strategy made up 23 per cent of the total internally-generated revenue at Haromaya University, and 29 per cent and 10 per cent at Bahir Dar and Mekele Universities, respectively.

Maintenance and/or Furniture Workshops: while all the universities sampled had maintenance and/or furniture workshops, only three used workshops for revenue generation. Revenue generated from workshop furniture in

Jimma University made up 23 per cent of the total generated from internal revenue. The contribution of revenue from maintenance workshops in the other universities was lacklustre, ranging from 0.4 per cent to 0.7 per cent.

Farming: Five universities were found to generate revenue from farming. While serving as practical teaching areas for agriculture faculties, the farms also serve as revenue generation sources. The contribution of farming revenue to total internally-generated revenue ranges from 0.02 per cent at Bahir Dar University to 18 per cent at Hawassa University

The contribution of internally generated revenue to the total recurrent revenue ranged from 13 per cent in Addis Ababa University to less than 5 per cent in all the other universities. Capital budgets are entirely funded by the government

Resource Utilisation and Cost Containment

Among the policy options available to universities in funding expansions are cost containment measures and optimal use of available resources. These may be accomplished by increasing the academic and non-academic staff ratios and by finding ways of increasing productivity using the existing facilities.

Academic staff to students ratios: A common indicator of efficiency in education is the ratio of academic staff to students. As highlighted in Table 2, when compared with regional staff to student ratios, universities in Ethiopia would suggest room for improvement: academic staff teaching loads are a bit higher when compared with other African universities.

Table 2. Academic staff to student ratios at some of the universities in Ethiopia

Public Universities	2003 Ratio	2008 Ratio	Regional Public universities	2003 Ratio
Addis Ababa	13	14	Cairo University	28
Haromaya	12	17	Makerere University	20
Bahir Dar	17	14	University of Ghana	19
Hawassa	11	17	University of Ibadan	19
Jimma	9	18	University of Khartoum	21
Mekele	14	9	University of Nairobi	19
Gondar	-	14		
Adama	-	12		

Academic Staff to Non-academic Staff Ratio:

The ratio of academic staff to non-academic staff is another indicator of efficiency. Non-academic staff numbers are proportionately equal to or higher than academic staff numbers (Table 3).

Table 3. Academic staff to non-academic staff ratios at some of the universities in Ethiopia

University	2004 Ratio	2008 Ratio
Addis Ababa	1:2	1:2
Haromaya	1:3	1:1
Bahir Dar	1:1	1:2
Hawassa	1:1	1:3
Jimma	2:1	1:1
Mekele	1:1	1:1
Gondar	-	1:2
Adama	-	1.1

Utilization of Selected Facilities: Apart from Adama University, all the other universities had a lunch break of one hour, while Mekele and Gondar Universities had up to two hours

Table 4. The ratio of photocopiers, computers and printers to staff and students at some universities

University	Photocopiers		Computers			Printers	
	Academic Staff	Non-academic Staff	Academic Staff	Non-academic Staff	Students	Academic Staff	Non-academic Staff
Addis Ababa	142:1	61:1	1:2	1:4	7:1	3:1	27:1
Haromaya	14:1	13:1	1:1	4:1	14:1	10:1	7:1
Jimma	5:1	6:1	1:1	2:1	63:1	2:1	6:1
Hawassa	14:1	94:1	1:1	26:1	9:1	6:1	31:1
Adama	17:1	38:1	1:2	1:1	18:1	4:1	29:1

Outsourcing Non-Core Services: Only three universities had attempted to outsource non-core services: Mekele University outsources security and cleaning services while Addis Ababa University outsources security services in only one of its campuses and Bahir Dar University outsources cleaning services. Outsourcing non-core services such as, the management of residence halls, computer maintenance, campus security, university vehicle maintenance and repair, care of the grounds and gardens and minor facilities maintenance, is now common in African universities.

Policy Recommendations

Universities need to institute demand-driven academic reforms if the potential for self-sponsored programs is to be fully exploited. Universities need to be able to adapt quickly

for the lunch break at some of their campuses, during which time all learning activities are stopped. Further, at all the universities classes start at 8am and end at 5pm, but at Adama University, classes start at 8am and end at 6pm. At Adama University, there are 85 classrooms in total; all free for two hours each day. In this way, Adama University is able to do more with the existing learning space. The practice in many universities in the world is to have learning programs running from 7am to 7pm or slightly later with no lunch break in order to make productive use of available learning spaces. This way, more students could be enrolled with little or no investment in physical infrastructure.

The procurement of other equipment such as computers, printers and copiers in some cases outnumbered the intended users (see Table 4 for the summarized the ratios).

to changing enrolment levels, the rise and fall of different fields of study and changes in demands for skills in the labour market. Continuous labour market scanning and curriculum review are therefore necessary to ensure that universities anticipate and plan for enrolment changes in various courses.

Consultancy services could generate more if universities were to institutionalise these services, advertise them and institute overhead charges for external fee earning activities performed by members of staff..

None of the universities surveyed had established productive university-industry linkages. Clearly, this is an opportunity to explore. Experience shows that universities can raise significant revenue through industry-funded research projects. Apart from raising revenue, these linkages ensure that

universities remain relevant by working on current industrial problems and training in current industry needs.

The current system does not encourage revenue source diversification. There is a need to give universities targets to make them proactive in their efforts to diversify revenue sources.

The utilisation of university resources was found to be sub optimal; academic staff-student ratios and academic staff-non-academic staff ratios are below those of other regional universities. More could be accomplished with existing facilities if universities were flexible with time usage and if procurement systems were efficient. Universities may consider raising the staff-to-student ratios to efficient levels. Use of available facilities during lunch breaks and after 5pm would enhance their productivity. This will allow the entire university system to admit more students within the existing infrastructure.

Contracting of non-core activities has not been well embraced either. Apart from cost reduction, benefits of outsourcing include lessening the supervision burden for university staff, reducing non-academic workforce with its associated personnel management responsibilities and social benefits, improving performance levels and introducing greater flexibility in the application of university funds.

Sources

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