

## ORIGINAL ARTICLE

**GOVERNANCE ARRANGEMENT IN THE ETHIOPIAN  
HIGHER EDUCATION SYSTEM- MOVING TOWARDS  
QUASI-MARKET?**

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**ABSTRACT**

*Inspired by ideological shifts and pragmatic reasons, governments around the world are experimenting quasi-market type of higher education governance. Introduction of (quasi) market elements in higher education (HE) is also justified by its presumed benefits in efficiency among others. This study had Ethiopian higher education institutions as its focal area. In the study all the higher education institutions both public and private were considered.*

*The study had the purpose of examining whether higher education governance in Ethiopia is moving towards quasi-market.*

*Data were collected from policy documents, statistical abstracts and secondary sources. The public higher education institutions were also contacted by phone to collect data on their practices on some aspects of quasi markets. The analytical tool used was four dimensions of higher education supplier sovereignty. All the data were analyzed qualitatively.*

*It was found out that even though it has started the journey, higher education governance in Ethiopia is a far cry from quasi-market. Following this way the government can make better use of quasi market governance are recommended.*

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## INTRODUCTION

Outputs of higher education (from now on HE) possess traits that are typical of private goods. First, they operate in rivalry in consumption as production of additional units of outputs is obtained in a non-zero cost. Second, exclusion is an inherent characteristic as students' access to HE is limited by affordability of tuition fees or selection criteria. At last, HE generates paramount private monetary returns as reflected in higher salary or income enjoyed by HE graduates than non-graduates. Thus, it would be logical to scrutinize HE using market principles. Yet HE is a public good that can not be left exclusively to the market. Concomitant to this economic standpoint, HE researchers and students alike have been fascinated to examine strength of the market in the governance of HE.

With the advent of mass and universal access to HE, and dominance of neoliberal thought the motivating force of marketizing<sup>1</sup> HE has basically been economic efficiency as HE is thought by governments to be an inefficient enterprise we were told. Also important is a desire to use market competition as an incentive for greater innovation and adaptation than was thought possible through traditional forms of coordination relying on state control or professional norms (Dill, 2003). Another rationale for employing market mechanisms is that customers are themselves the rightful and best judges about what they really want to buy in the education market (Mok, 2000).

In Ethiopia following liberalization of the economy, private providers have flourished. Similarly efficiency, which is one of underlying rationales of

marketization of HE, has assumed a central position in the Ethiopian HE. This is

stressed in the Education Sector Development Program (ESDP) II (MOE, 2002). Thus, in the Ethiopian context it could be argued that the government is at the forefront in promoting marketization of HE with its policy initiatives and introduction of market economy in the country.

Markets in HE are often characterized by imperfections that mainly relate to externalities and income redistribution and the merit of good arguments. These imperfections create space for the government to be an actor in the market and often generate solutions the market would not give itself. Thus, one would normally get quasi-market rather than pure market operating in the HE sector. Consequently, it would be appropriate to see HE as one of the quasi-markets.

Bartlett & Le Grand (1993) identified some characteristics that are necessary for quasi-markets to exist. On the supply side, producers need to be accredited with the requirements established by the state. Also, the producers' objective is not that of maximizing economic value or profit. On the demand side, the power of acquisition does not occur only through the payment of fees, but rather in the form of public subsidies following individual students, either through formula funding models based on student numbers or through vouchers. From the side of the environment, they suggested important conditions.

Nevertheless, this model sidelines private providers. However, the last two decades have seen unprecedented growth in the participation of the private sector in the HE market. Thus, a better model that would cater for the

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<sup>1</sup> Marketization as a new HE strategy according to Teixeira et al. (2004) is perceived as the injection of market like elements in the HE sector.

Ethiopian reality is one developed by Jongbloed (2003) that heavily drew on Onderwijsraad (2001). Jongbloed

(2003) suggests for a quasi market to prevail in the HE sector, eight conditions need to be satisfied-four from the side of suppliers and another four from the side of consumers. On the providers' side are freedom of entry, freedom to specify the product, freedom to use available resources, and freedom to determine prices. On the consumer side are freedom to choose provider, freedom to choose product, adequate information on prices and quality, and payment of direct and cost covering prices.

By way of examining the level of sovereignty of HE producers, this paper thus seeks to find an answer to the question: can governance arrangement in the Ethiopian HE System be characterized as quasi-market?

#### **Materials and Methods**

The two successive HE bills, HE Proclamation No. 351/2003 and No. 650/2009 highly informed the study in its attempt to unveil the government's commitment to quasi market elements. Apart from this, the study also attempted to see the practical side of the marketization process. 16 of the 22 public higher education institutions (from now on HEI's) were contacted through telephone in this respect. Also consulted were secondary sources that involve previous studies related to the area. Moreover, an attempt was made to see if both the public and the private HEI's were using the internet to contribute to informed decision by consumers, students.

Drawing on annual statistics education abstract (MOE, 2009) and HE Proclamation No. 650/2009 (FDRE, 2009) this paper conceives HE to be level of education leading to first degree or higher qualification levels. Because of its relevance to Ethiopian reality Jongbloed's

(2003) analytical tool of marketization of HE was used to determine level of supplier sovereignty.

In the analysis considered are the regular programs of public HEI's that include the postgraduate programs. Regular programs of the public sector constitute 57.64 percent of the total enrollment in the public sector (MOE, 2009). Thus, realities of the regular program are assumed to more or less reflect realities of the public offerings as a whole. More importantly, as is true of other systems, in Ethiopia the focal area in the steering relationship between the government and the public HEI's is the regular program. This has been evident in the quality audit interests as well as funding mechanisms targeting the regular programs. In case of the private sector, it can be assumed that they behave similarly in all modes of their HE provision. Thus, the private sector as a whole is considered.

#### **RESULTS**

##### **Quasi market elements in Ethiopian HE**

###### ***Freedom of Entry***

In Ethiopia, the dominant form of entry to the HE market is private provision. As of 2008, 56 private providers were given the accreditation or the preaccreditation to offer HE (MOE, 2009) and two of them offer postgraduate degrees (Wondwossen, 2008: 146). While public higher education institutions are established by decree, private providers have to pass through accreditation processes. According to the 2009 HE proclamation (No. 650/2009) the power to issue accreditation and preaccreditation certificate is vested fully in HERQA<sup>2</sup>

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<sup>2</sup> HERQA is an acronym for Higher Education Relevance and Quality Agency which is established on decree

(Article 75) in contrast to the role, HERQA had prior to this proclamation.

As regards funding, the public HEI's are almost fully funded by the government. However a surprising reality of the private HEI's is that they are receiving no funds from the government despite their contributions in the production of human capital to the nation. They are left to heavily depend on tuition fees. But a new development that is expected to have significant implication to freedom of entry is found in the new HE bill. In contrast to the previous bill the present proclamation (No. 650/2009) article 86 states that the government may give budget subsidy to note for profit private higher education institutions.

#### ***Freedom to Specify the Product***

This condition refers to the extent to which HEI's can organize their curricula freely. It also includes the latitude providers have in specifying contents and objectives of programs. In Ethiopia, assessment of this freedom provides a mixed picture. Like HE Proclamation No. 351/2003, HE Proclamation No. 650/2009 has granted substantial autonomy to HEI's in developing their own curricula. But the practical and the striking reality at the public HEI's is the move towards national curricula at the undergraduate level. This clearly stifles role of universities in determining their own curricula. This is most visible in the teacher education, law, natural sciences and engineering programs. Similarly, with the government's present commitment to ensure 70 percent of the HE enrolment in the sciences and technology disciplines, public HEI's need approval from ministry of education when they want to launch new degree programs. At the postgraduate level public HEI's face no

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(Higher education Proclamation No. 351/2003 article 78) to help ensure HE quality and supposedly is an autonomous agency.

restrictions in determining curricula including both the content and the objectives. Thus, the curriculum one gets at Bahir Dar University can differ from that at Jimma University.

At the private sector, understandably there are no any barriers in specifying products. Once they get the accreditation, private institutions can determine the nature of their programs. For them what it takes to specify their products is the nature and availability of the labor market.

#### ***Freedom to Use Available Resources***

This involves freedom to decide on the deployment of resources such as personnel, financial means and students as well as freedom to generate additional financial inputs. In Ethiopia, HEI's- both public and private have enjoyed substantial freedom in their use of resources albeit some restrictions in the public sector. To begin with, student selection at the undergraduate level is totally out of their grip for the public universities. Concomitant to its role in administering university entrance examination (FDRE, 2009) Ministry of Education is fully responsible for the assignment of students. Now HE Proclamation No. 650/2009 has entitled public providers to admit non-traditional students to their regular programs. However, considering the conditions under which public HE providers are functioning nontraditional students will not be a significant part of the regular programs for the years to come. It is at the postgraduate level that the public HE providers are fully autonomous in selecting their students by making use of entrance examination as stated in HE Proclamation No 650/2009 article 39.

In the case of the private providers, they at all levels of training select their own students by using secondary school GPAs as a selection tool.

However, the students they enrol are those whose secondary school certificate examination scores are below that is required to be admitted to a public institution. But to the dismay of private institutions there are grounded

arguments that able students at HEI's produce positive externalities through peer effects (Jongbloed, 2003; Winston, 1999). This is so because HE is characterised by what some authors refer to as a 'customer-input technology' (Rothschild & White, 1995) to mean that students serve as raw materials.

With respect to freedom to determine qualification and terms of employment of academics, the picture in the public HEI's is mixed. Ministry of education sets restrictions over required qualifications for different functions in the HE sector. Within this framework both the public and the private institutions recruit and select their staffs. But a bit different reality in the public sector is that ministry of education is responsible for recruiting graduate assistants to HEI's. In the public sector the terms of employment like the salary level and duration of employment are not negotiable: they are centrally determined by the government. But, at the private institutions terms of employment are at their full grip.

Despite legal provisions (HE Proclamation No. 351/2003 article 57 and HE Proclamation No. 650/2009 article 62) to provide block grant budget to public HEI's, public HEI's have for several years been getting public fund on line item basis disabling them from allocating their funds based on their jurisdictions to different functions. In the public sector income generating activities are not new introduction by the present government. They existed even under the former communist regime. But they were leading to budget cuts from the government. World Bank (2003) has reported that public institutions now are generating income which reaches as much as 50% of their

recurrent budget. Now income generation activities by the public HEI's have their legal basis in the HE Proclamations (No. 351/2003 article 49, No. 650/2009 article 62). A glance at the Annual Statistics

Education Abstract of the 2009 reveals that 20 of the 23 public HEI's generate incomes through their evening programs.

Another indicator of freedom to use available resources is whether universities can contract out less core activities. In this regard, the public providers are entitled with full autonomy as indicated in article 93 of HE Proclamation No. 650/2009. Though the previous HE bill, No 351/2003 kept silent in this regard, there were no barriers in contracting out less core activities. However, the public providers seem to have stacked on every ancillary service. For instance, as of February 2010 among the sixteen public HEI's consulted for this research only four of them have outsourced cleaning and security services. And only one institution has outsourced the cleaning service. Needless to say the private sector is fully free in this regard.

#### ***Freedom to Determine Prices***

This condition relates to whether institutions can set prices to the services they offer. Notably it refers to tuition fees. In Ethiopia, following HE Proclamation (No. 351/2003) article 56, HE are required to cover part of the cost of HE they receive. Students have to fully pay for their food, accommodation and health care as well as 15 percent of cost of education. Payment is to be made in the form of tax payable from the salary or other income obtained after graduation.

Thus, it is possible to say that public universities do not set prices

themselves at all as uniform cost sharing scheme has featured. But in case of post graduate programs students fully cover the cost of their education which varies from institution to institution. In contrast, the private providers fully set prices at all levels of training.

There are far reaching arguments that students that pay for their education stand on their feet (Winston, 1999; Jongbloed, 2003). This means they will have the legitimate claim over which institution to attend. In the Ethiopian context, however, this claim seems to be non-existent. This is because students do not enrol in any public HEI on their own. Ministry of Education is in charge.

### DISCUSSION

In this paper it was attempted to examine if HE governance in Ethiopia can be characterized as quasi-market. In the analysis of suppliers' sovereignty it was shown that there is an appreciable level of freedom to join the higher education market. But this freedom is at risk. Though HERQA is supposed to be impartial to both the public and the private HEI's, there are claims that the agency is tighter with private providers than with the public ones (Selamawit cited in Wossenu 2005:22; Wondwossen, 2008:185). Another serious issue challenging entry to HE market is lack of assistance to private providers from the public purse. Contrasting the realities in Ethiopia, some African countries finance private HEI's. Johnstone (2004b) has documented that in Liberia, Togo and Mozambique governments have availed some forms of financial assistance to private HEI's.

With respect to restricted freedom public HEI's have in determining curricula, one can argue that the tendency of university's to emulate programs from one another coupled with the government's current move to channel funds in favor of science and technology courses will seriously hamper HE diversity in the country. It is incontestable however that program diversity is one of the path ways

marketization enables efficient allocation of resources to HE. In contrast, in countries which are cited as steering their HE through quasi markets such as the Netherlands, Austria, Denmark, and UK

(Estermann & Nokkala, 2009) HE systems have enjoyed considerable freedom in internal academic structures.

With respect to freedom in using available resources this study has shown that there are serious restrictions. In contrast to Ethiopian HE system in many of the marketized HE systems there is a discernible trend, especially in Western Europe, towards the distribution of public funding through block-grants, rather than line-item budgets (*ibid*). Universities freedom in staffing and student admission has a very significant implication to steering competition among HEI's, which can contribute to quality HE. In relation to student admission, even though there are differences in mechanisms used in admitting students, universities select their own students as opposed to the current practice in Ethiopia. Concerning staffing, most of the western European countries have full freedom in the selection as well as determining salary level of their staffs (*ibid*).

As regards freedom of HEI's to set prices, the Ethiopian situation follows international trend. Jongbloed (2003) observed that in many of the western European HE systems, publicly funded providers charge a flat fee set by the government. These fees are often too far below the real cost of HE. This situation clearly exemplifies why HE cannot follow free market. On the other hand, it can be argued that undifferentiated tuition fee may work against program diversity of

institutions which may eventually contribute to system inefficiency.

The major limitations of this study are: 1) its references have been western European countries. This is mainly due to inability of the researcher to find any

Documented in related studies about the African continent despite attempts. 2) In studies of quasi-markets often included is level of consumers' sovereignty. But because of the publication size limit this part is not included in the present study.

### **Conclusion and recommendations**

#### **Conclusion**

This paper has attempted to examine if governance arrangements of HE are moving towards the quasi market. To this end, analysis was made as regards the extent to which quasi market like elements feature in the Ethiopian HE system. Jongbloed's (2003) four suppliers conditions for marketization of higher education were used for this purpose. From the foregoing analysis of the conditions, it is possible to discern that in the Ethiopian context, HE governance is in the track of quasi market though at present it is at an unsatisfactory level. However, the accountability mechanisms, such as the accreditation and quality audit exercise student evaluation of the academe and financial reporting and accounting mechanisms in place, coupled with the proposed funding mechanisms should enable the government to focus more on strategic matters.

The study is suggestive that a lot more remains to be done in creating quasi-market conditions in the public HE sector that takes also into account the research issue. This would lead to prevalence of competitive HE environment which will eventually lead to better access and quality. But compared to the undergraduate level of study, it was observed that the postgraduate level stands better in market like characteristics.

#### **Recommendations**

From the providers' perspective, to keep the momentum to entry to the higher education market, all the promised supports to the emergence and sustainability of private higher education providers should hold. Actually, there is a growing complaint from the side of private higher

education providers that the government has not made it possible for them to receive any kind of assistance from donors, has not exercised favorable taxation measures, has not exempted beginners with limited financial capital from income tax, has not yet exempted private providers from customs duty on educational tools such as laboratory equipments, and has not satisfactorily granted land free of charge albeit investment laws and higher education policy documents.

An additional point is that the Higher Education Relevance and Quality Assurance Agency has to be revitalized in a way it can help marketize higher education to further reap the benefits the country is getting out of it. For instance, quality assurance activities should be done also with the public providers. It has to also provide information to the public in the most accessible way as regards the outcomes of its evaluation of higher education institutions.

Moreover, to create a functional competition between private and public higher education institutions, the government has to subsidize or assist the private higher education institutions so that they can lower tuition fees and be among the list for secondary school leavers with necessary qualifications to choose from.

It has to be conceived that marketization is not an all good or flawless phenomenon especially considering realities of Ethiopia.

Vouchers may enable students to exercise full freedom on their choice of higher education products. Similarly preparation of entrance examination by individual institutions in place of ministry of education would enable public higher education institutions to enjoy the freedom to choose ones own

inputs of production, students. As a consequence nonetheless considering the socioeconomic condition of Ethiopian parents and the underdeveloped communication and networking system students will be compelled to opt for a higher education institution in their proximity. But this development will certainly have far reaching implications to the country which needs to work hard towards promoting social cohesion, and tolerance of any differences as it is characterized by big ethnic diversity. This would beg for careful consideration and informed decision by the government.

Finally, it should be remembered that marketizing higher education does not mean government should not intervene. In

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fact as it is shown in Dill (2003) marketizing may not necessarily lead to positive outcomes all the time. The

government indeed should involve when there are signs of market failures. At the least for instance as it is done in the Netherlands (Jongbloed, 2007) it has to clear misinformation on higher education providers if at all. Not only is the government legitimate to intervene in the market at times of market failures, it has the responsibility to be an important part because of externalities, equity issues and the necessity to defend some disciplines.

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