The Private Provision of Higher Education in Ethiopia: Growth, Challenges, and Prospects*

Kasirim Nwuke**

Abstract
Since the overthrow of the Derg in 1991, the government of Ethiopia has embarked on a number of reforms of the higher education sector. These reforms have been driven by the need to address geographical and structural imbalances in the higher education system, the increasingly sophisticated demand of both the public and expanding private sector for high quality employees, and the changing context of international economic competition. The key elements of these reforms are: expanding access; addressing the geographical distribution of access; improving quality; and encouraging competition in the provision of higher education by allowing private provision. Since these reforms were enacted, the private higher education sector has grown significantly, providing both enhanced access to higher education and diversification of the higher education curricula. The emergence of a pluralistic higher education sector presents threats and opportunities and has, as a consequence, generated considerable public policy debate in the country. However, there has been very little analysis of the sector to serve as a basis for decision-making.

This paper seeks to provide information on the private higher education sector in Ethiopia by examining the general characteristics of the private provision sector and its contribution to expanding access and on the creation of new knowledge through research. It also examines the likely impact of plural providers on

* This paper was presented at the Ethiopia Triple Helix Conference on Higher Education, Innovation Systems and Economic Development, United Nations Conference Center, Addis Ababa, Ethiopia, on May 29, 2005. Comments by conference participants and two anonymous referees are grateful acknowledged. The author would also like to acknowledge the competent research assistance provided by Berhanu Haile and Daniel Ayalew Mekonnen.

** Chief, MDGs/Poverty Analysis & Monitoring Section, United Nations Economic Commission for Africa, Ethiopia.
quality and the policy options adopted by the government. The analysis shows that the private sector is making a significant contribution to the expansion of higher education in Ethiopia, especially with respect to expanding access to women and the production of intermediate-level technical skills that the expanding Ethiopian economy needs. Secondly, due to the relatively small size of private providers and the tight regulatory restrictions on the types of courses and programmes that they offer, private higher education is unlikely to threaten the average quality of higher education in Ethiopia in the short term. Concerns at this time about quality may be premature. However, due to capital and capacity constraints, the scope of the sector to contribute to the creation of new knowledge is limited. Finally, the paper argues that the future of private provision in Ethiopia depends critically on the growth of the public sector. In the short to medium term, it is the public higher education sector that will provide the bulk of the skills needed to staff the private provision sector. It will also depend on the growth of the Ethiopian economy, on the policies of the government especially in respect of expansion of the public provision sector, on the behaviour, performance and conduct of public higher education institutions and on the easing of regulatory restrictions. The paper also points to the need for additional research to better understand the constraints and possibilities of the sector.

Résumé

Depuis la chute du Derg en 1991, le Gouvernement d’Éthiopie a entrepris un certain nombre de réformes dans le secteur de l’enseignement supérieur. Ces réformes ont été dictées par la nécessité de corriger les déséquilibres géographiques et structurels au niveau du système de l’enseignement supérieur, la demande de plus en plus complexe aussi bien du secteur public que du secteur privé en expansion pour des employés de qualité et le contexte en évolution de la concurrence économique internationale. Les éléments clefs de ces réformes sont les suivants: élargissement de l’accès; traitement de la répartition géographique de l’accès; amélioration de la qualité; la promotion de la concurrence au niveau des dispositions de l’enseignement supérieur en tenant compte de la privatisation. Depuis la mise en œuvre de ces réformes, le secteur de l’enseignement supérieur privé s’est développé de façon considérable en favorisant un accès amélioré à l’enseignement supérieur et la diversification des programmes d’enseignement supérieur. L’émergence d’un secteur d’enseignement supérieur pluraliste présente des menaces et des opportunités ; ce qui a par conséquent suscité un débat d’intérêt public dans le pays. Cependant, il n’y a pas suffisamment d’analyse sur le secteur qui puisse servir de base pour la prise de décision.

Le présent document traite de ce problème. Il vise à fournir les informations relatives au secteur de l’enseignement supérieur privé en Ethiopie. Le document examine dans un premier temps les caractéristiques générales de la privatisation du secteur et sa contribution à l’élargissement de l’accès et à la création de nouvelles connaissances à travers la recherche. Le document examine également l’im-
pact probable des fournisseurs pluriels sur la qualité et les options politiques adoptées par le gouvernement. L’analyse indique que le secteur privé contribue de façon significative à l’élargissement de l’enseignement supérieur en Ethiopie, notamment en ce qui concerne l’élargissement de l’accès aux femmes et la production d’une main-d’œuvre technique de niveau intermédiaire dont a besoin l’économie éthiopienne en expansion. L’analyse indique également qu’en raison de la taille relativement petite de la privatisation du secteur et des exigences réglementaires strictes sur les types de cours et des programmes qu’elles offrent, l’enseignement supérieur privé n’est pas susceptible de menacer dans le court terme la qualité moyenne de l’enseignement supérieur en Ethiopie. Il serait en ce moment prématuré de nourrir des inquiétudes sur la qualité. Cependant, en raison des contraintes de capital et de capacité, les ambitions du secteur de contribuer à la création de nouvelles demeurent limitées.


Introduction

The purpose of this paper is to contribute to the emerging literature on the private provision of higher education in Africa. In the past fifteen years, the higher education sector in many African countries has become increasingly plural. In Nigeria, Kenya, Uganda and Ethiopia, to name a few, private higher education institutions are contributing to the production of skilled manpower for the national economy, helping governments to conserve the resources that would otherwise have been spent on public provision and redirecting to other priority areas. The public higher education sector, though still dominant, is increasingly facing competition and higher education policy in many African countries is recognizing the contribution that the private higher education sector is making to national development. The paper uses Ethiopia as a case study.

Private provision of higher education1 in Ethiopia is still in its infancy although the first privately-owned institution of higher learning dates back to 1954. Since the mid-1990s, the private provision sector has grown following reforms introduced by the 1994 Education and Training Policy Sector Strategy whose objectives were to increase access to educational opportunities with enhanced
equity, quality and relevance. In 2004, there were 22 higher education institutions classified as private by the Government of Ethiopia, up from 16 in 2001. In that period, most of the institutions were accredited to award certificates and diplomas only. The change in recent years was so unprecedented that the number and scale of institutions rose very rapidly and in 2006 there were 27 institutions enrolling 39,691 students for undergraduate degrees (Education Statistics 2006). Although each is small compared to the public sector providers, together they are gradually beginning to alter the higher education landscape of the country, and their impact is likely to grow as they consolidate and if the regulatory regime becomes less restrictive.

The higher education sector reforms that ushered in private involvement in higher education provision were necessitated by a number of factors. First, there was the need to plug the capacity gaps that had arisen as a consequence of the decades-long Eritrean independence war and the large-scale emigration of qualified manpower that was caused by the repressive Derg regime. During this period, there was very limited expansion of the higher education sector due to severe resource constraints, as resources, a proportion of which could otherwise have been expended on higher education, were instead spent on prosecuting the war and protecting the regime in power. This had very serious consequences for the education sector and for the rest of the economy. The beginning of the massive brain-drain of highly-educated Ethiopians, which continues to this day, can be traced to this period. For the higher education sector, the consequence was quite clear: in spite of recent efforts, Ethiopia’s public higher education sector is one of the smallest in Africa. According to the World Bank (2003), Ethiopia’s tertiary gross enrolment ratio stood at 0.8 percent in 2000 against 4 percent for Sub-Saharan Africa. Given the country’s population of over 73 million, half of which is young, the public higher education provision sector, in spite of recent expansion, is unlikely to effectively respond to the rapidly expanding enrolment at the primary and secondary levels, meet the rising and urgent skills demands of Ethiopia’s expanding economy and accommodate the rising population.

Second and this is a corollary of the first, there is a wide gap in higher education attainment across gender and across space. Given the limited availability of resources and the pressure on government finances, the government is unlikely to successfully bridge this gap by expanding access in a short period of time without additional resources. Third, the changing nature of international competitiveness which increasingly requires an educated workforce is also a factor. It is unlikely that Ethiopia will attract the foreign investment that it needs to grow and to reduce poverty if its workforce is uncompetitive relative to its neighbours. And finally, there is also the pressure to accommodate the large second-
ary education output – which is likely to increase as Ethiopia intensifies its efforts to meet the education Millennium Development Goals (MDGs).

However, there is considerable concern – both public and private – about the place of private provision in Ethiopia’s higher education sector. These range from concerns about quality and the possible erosion of the signalling effect of higher education to the job market, to concerns about exploitation of the poor by rent seekers. Some argue that higher education is a public good which should be provided by the State using taxpayer funds in order to ensure that equity and national educational priorities are met. Others argue that higher education is a quasi-private good whose benefits can be completely appropriated by private actors and as such should be privately provided. Reference is made to the large reserve pool of qualified youngsters who could not win admission into the highly competitive public sector as justification for private provision.

In any case, whatever the demerits or merits of the arguments in the Ethiopian context are, it is important to add that a wave of private provision of higher education is sweeping across the continent, a wave that Ethiopia is unlikely to escape. This wave is likely to intensify if Ethiopia becomes a member of the World Trade Organization (WTO) and resultantly a signatory to the WTO’s General Agreement in Trade in Services (GATS) which aims to open up trade in services including higher education. A gradual opening of the sector to private providers will probably prepare the country to take on the future challenge of international trade in higher education. The emerging debate on the plural provision of higher education in Ethiopia is understandable because education is the fulcrum of sustainable development and indeed, with the emergence of globalization and increasing global competition, it will become one of the defining enterprises of the 21st century. The quality of the higher education system is critical to ensure the adequate supply of qualified, highly skilled and well-trained manpower to support economic development.

Unfortunately, not much is known about the private provision sector in Ethiopia upon which policy can be based. Thus the purpose of this short paper is to contribute to the emerging literature on the private provision of higher education in Ethiopia. The paper begins with a brief discussion of the private provision sector, its characteristics, contributions, and growth. Secondly the paper focuses on some challenges – most specifically quality, access and financing. The analysis shows that the private higher education sector is making a demonstrable contribution to improving access to higher education in Ethiopia and providing intermediate-level technical manpower to the government and private sectors. It also shows that at this stage, its effect on average quality is likely to be minimal given the restrictions on the types of courses/programs offered and con-
cludes that the scope for private provision is likely to increase as incomes rise and as existing private providers consolidate.

Characterizing the Private Higher Education Sector in Ethiopia

Private provision of higher education is relatively new in Ethiopia. As a result, not much is known of the characteristics of the sector, its structure, conduct and the background of the people it serves. However, the emerging national literature on the sector conveys the impression of a rapidly expanding sector that is making significant contribution to the economy. Hence, the purpose of this section is to present evidence on the sector and to provide a brief discussion of its contribution to improving both gender and geographical access to higher education in Ethiopia in order to provide context for the discussion of quality that follows later. The evidence for the analysis in this section is drawn from various issues of the Education Statistics Annual Abstract published by the Ministry of Education. The conclusion derived from the analysis is that although the sector is expanding access to women, its contribution to bridging the geographical divide in access to higher education remains at best modest.

Characteristics of the Sector

The Ethiopian private higher education sector, as noted earlier, is small and characterized by small, family-owned operators. By enrolment in both diploma and undergraduate degree levels, Alpha University College (which is composed mainly of distance learning programmes and is the largest with about 16,302 enrolled students followed by Unity University College with 8,064 and St. Mary’s College with 3,166 students. The smallest is Selam Nurses’ College with 86 enrolled students in 2003/2004. Recent data is available only for students enrolled in undergraduate degree level and for the year 2005/2006 there were 27 institutions with a total enrolment of 39,691 students. Of this total, four private institutions take the lion’s share: Unity University College with 34 percent, Alpha University College with 22 percent, St. Mary’s College with 17 percent and Admas College with 13 percent. By type, most are ‘business’ schools providing training in areas such as Marketing, Accounting, Office Management, Banking and Finance, Management, Purchasing and Supplies, Journalism, Law etc. Of the 21 privately-owned higher education institutions in 2004, only one, Selam Nurses College, used to offer courses in the medical sciences. However, a remarkably high number of new nursing and medical technology colleges are flourishing very recently and of those colleges engaged in health sciences, four of them were teaching in undergraduate levels by 2005/2006. The scope of courses and type of programs offered is probably an outcome of the existing education manpower gaps in the country, the regulatory regime and cost.
The regulatory regime is an important determinant of the structure, conduct and performance of private higher education institutions in any country. The sector is likely to be small if regulations are tight and restrictive, for example relative to the portfolio of course offerings, access to donor and other funding, the library, fees, and start-up requirements. This was the case in the early years of private provision in Ethiopia. There was even debate whether any of the private higher education institutions should refer to themselves as universities. However, significant liberalization has occurred in the past few years and resulted in a very rapid expansion of the private provision sector to its current number of 66.

Nonetheless, the impact of regulations on the conduct of private higher education institutions in Ethiopia can be seen from an analysis of their course offerings which shows a high degree of concentration in the social sciences, business, computers and those courses that do not require huge initial investment outlays. This underscores the nascent nature of the private provision education sector and its relatively weak capital base and is consistent with the observed behaviour of private providers during the early stages of growth in private provision (Nwuke 2005). Courses such as medicine, engineering and the natural sciences, because they are capital and skill intensive and thus requiring huge investment outlays, remain the domain of the State. The result is that there is virtually no natural science or applied technologies research in private higher institutions in Ethiopia. Hence, their contribution to knowledge creation, except perhaps in the area of pedagogical innovation (such as computer-based instruction, client-centred instruction which is in tandem with the changing needs of the job market), is at best insignificant. Private higher education institutions are providing skills needed by Ethiopia’s booming construction, hospitality and floriculture sectors, for example. Their concentration on low-cost, technical, business, accounting, and nursing courses clearly reflects the growing labour market demand for intermediate level skills in these areas and could signal an emerging differentiation in Ethiopia’s higher education sector.

Further, the concentration on ‘light’ courses could indicate that concerns at this time about the likely impact on average quality of higher education due to growing multiplicity of private providers is perhaps a bit premature. However, it is intriguing to observe that until recently, there were no private higher education institutions owned by a religious organization or faith-based organizations as in other countries. Not even the dominant Ethiopian Orthodox Church owned a higher education institution. However, that is beginning to change. For example, the Catholic Church and the Adventists, two well-established providers of higher education in many countries, has recently entered the Ethiopian higher
education market. Evidence elsewhere (in Nigeria, Kenya, Latin America and the Philippines) shows that private higher education institutions owned by religious organizations are, on average, well-financed and offer a range of courses not significantly different from those offered by well-established publicly-owned higher education institutions. They are very selective and competitive. The entrance of this group of providers will further the expansion of access to higher education in the country and promote competition not only for very able candidates but also for those with the ability to pay. It will also result in quality improvements and in changes in the conduct of public universities. It may also significantly affect the Government’s efforts to mobilize additional resources for higher education through the ‘graduate tax’\textsuperscript{10} -- a cost-sharing mechanism introduced in 2003.

Growth and Structure

The private higher education sector in Ethiopia is growing at an impressive rate. From practically zero in 1998, enrolment in privately-owned higher education institutions has grown to 39,691 in the academic year 2005/2006 as can be seen from Table 1, accounting for 22 percent of aggregate enrolment in degree programmes.\textsuperscript{11} If enrolment in extension and postgraduate programmes is excluded from government institutions, this contribution could be significantly higher as can be seen from the 2003 data when these programmes were excluded and the private provision sector accounted for close to a third of all enrolment. This is significant given the very modest beginnings of the private sector.

This rapid growth in enrolment is accounted for by significant horizontal expansion. This significant expansion is accounted for in part by the treatment of privately-owned higher education institutions as business ventures. Reflecting growing competition in the sector, there has been an increase in degree-awarding private higher education institutions. From 47 in 2004, the number of private higher education institutions -- accredited and pre-accredited -- offering bachelor's degree programmes rose to 66 in mid-2007 (see Figure 1). The preponderance of pre-accredited institutions owes to the tight accreditation requirements. This rapid growth also underscores the degree of unmet demand for higher education, especially of the specialized kind, in Ethiopia. In addition to unmet demand, other factors, notably three, are also driving the growth of the private provision sector. First are the liberal economic and social policies adopted by the ruling Ethiopian Peoples Revolutionary Democratic Front (EPRDF) soon after it came to power in the 1990s. Their coming to power coincided with a period when there was increasing awareness of the contribution of higher education to economic growth and as a major factor determining the competitiveness of nations
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>26,243</td>
<td>31,723</td>
<td>34,351</td>
<td>34,177</td>
<td>52,327</td>
<td>132,986</td>
<td>143,753</td>
<td>140,426</td>
</tr>
<tr>
<td>Non-government</td>
<td>-</td>
<td>5,472</td>
<td>11,175</td>
<td>12,619</td>
<td>23,670</td>
<td>39,125</td>
<td>47,412</td>
<td>39,691</td>
</tr>
<tr>
<td>Total</td>
<td>26,243</td>
<td>37,195</td>
<td>45,526</td>
<td>46,796</td>
<td>75,997</td>
<td>172,111</td>
<td>191,165</td>
<td>180,117</td>
</tr>
<tr>
<td>% non-government</td>
<td>0</td>
<td>14.7</td>
<td>24.5</td>
<td>27.0</td>
<td>31.1</td>
<td>22.7</td>
<td>24.8</td>
<td>22.0</td>
</tr>
</tbody>
</table>

* * Note that 2003/2004–2005/2006 represents enrollments in all programmes: Regular, Evening, Distance and Kiremt while the 1998–2003 data does not include those enrolled in the extension and postgraduate programmes.
* ** Note also that 2005/2006 does not include Diploma students.
in a fast globalizing world. Second is the bulge in secondary enrolments and the consequent urgent need to expand access to higher education. The government had over the years made considerable efforts to increase primary and secondary participation rates resulting in 2004, a gross enrolment rate for primary and secondary education of about 65 percent (MoE 2004). However, against a gross tertiary enrolment of 0.8 percent in 2000, considerable investments needed to be made in the higher education sector if the gap in unmet demand was to be bridged. Government’s effort in this area can be seen in Figures 1 and 2 which show the evolution of education expenditures in Ethiopia since 1987 (G.C.)

As Figure 2 shows, there has been a sustained increase in budget outlay for education which had risen from less than 1.5 billion Birr in 1996/97 to slightly more than one billion in 1996. However, the share of Grades 1–8 spending in total education spending is falling. On the other hand, total expenditure on the tertiary education sector increased both in absolute and relative terms, reflecting the government’s renewed emphasis on the sector as an important anchor for broad-based poverty reduction as it is the sector that must produce the skills that the economy needs to grow and to compete with the rest of the world.
However, the increase in spending on the tertiary sector is not sufficient to meet the growing demand for higher education. As can be seen from Table 2 below, it is evident that much of this increase is concentrated on primary and tertiary education at the expense of secondary education. Primary education has commanded the lion’s share of total education expenditures with tertiary education a close second. Although this could address the bulge issue in the short-term, it is unlikely to address the physical capacity constraints of public higher education institutions. Constrained by capacity, their scope to expand access by increasing enrolment is in the short-term severely limited thus creating the necessary conditions for the growth of private provision.

Plans are underway, however, to expand the public higher education sector which could alleviate this constraint. The 2005–2010/2011 education sector development programme of the Ministry of Education envisages an ambitious expansion of the sector. As mentioned elsewhere in this paper, thirteen¹⁴ new public universities are planned during this period. However, the share of higher education of total budget allocation to the education sector will be 25 percent, with primary education taking 54.8 percent (MoE 2005). How the private higher

---

**Figure 2:** Trends in Total Public Expenditure on Education, in millions of birr

![Trends in Total Public Expenditure on Education, in millions of birr](image-url)

education sector responds to this rapid expansion of the public higher education will to a great extent determine its future role.

**Table 2:** Percentage Shares of Public Expenditure by Level of Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997/1998</td>
<td>56.0</td>
<td>10.7</td>
<td>45.3</td>
</tr>
<tr>
<td>1998/1999</td>
<td>53.3</td>
<td>9.8</td>
<td>43.5</td>
</tr>
<tr>
<td>1999/2000</td>
<td>61.0</td>
<td>11.9</td>
<td>49.1</td>
</tr>
<tr>
<td>2000/01</td>
<td>62.6</td>
<td>12.3</td>
<td>50.3</td>
</tr>
<tr>
<td>2001/02</td>
<td>65.6</td>
<td>11.8</td>
<td>53.8</td>
</tr>
<tr>
<td>2002/03</td>
<td>56.1</td>
<td>9.8</td>
<td>46.3</td>
</tr>
<tr>
<td>2003/04</td>
<td>61.1</td>
<td>10.6</td>
<td>50.5</td>
</tr>
<tr>
<td>2004/05</td>
<td>65.0</td>
<td>10.1</td>
<td>54.9</td>
</tr>
</tbody>
</table>


And the third factor is relevance. The rapid growth in enrolment in private higher education institutions suggests that the courses and programs offered are of relevance to Ethiopia’s changing labour market. With graduate unemployment very high, there is growing demand for technical and professional skills needed by Ethiopia’s expanding private sector. However, public sector higher education institutions, constrained by bureaucracy, are not sufficiently nimble to proactively respond to changing labour market conditions. Still another driving the growth of the private provision sector is the growth in real per capita income. The Ethiopian economy has grown at an average rate of 5.6 percent in real terms (ECA 2006). This is very remarkable given that the country emerged from a long conflict about seventeen years ago. According to the IMF (2006) real per capita GDP grew at an annual rate of 5.8 percent in 2005 and was estimated to grow at 2.4 percent in 2006. This growth in real income is expanding the consumption set of the populace, including the consumption of higher education. Further, there was also the example of neighbouring countries such as Kenya and Uganda where access to higher education has been expanded by allowing private provision. In both of these countries, private providers have been making a significant contribution to the production of needed skills, to job creation,
and to efforts to conserve scarce foreign exchange which would have been used to pay for the overseas studies of a significant number of students who would otherwise have gone abroad to study.

Another driver of the growth of private higher education in Ethiopia could be the rising cost in Birrs of overseas education. In the past, when the exchange rate was low, many middle class families, along with the wealthy, sent their children and wards who could not meet the highly competitive entrance requirement of public higher education institutions overseas to study. As the Birr progressively depreciated relative to the dollar and other major currencies (and given an income growth rate that was slow relative to the rate of depreciation), some parents began to see private higher education institutions as an acceptable alternative to overseas education. In addition, given that a large number of private higher education institutions now offer bachelors degree programmes (over 40 according to Yizengaw (n.d.)), parents may select out of public universities because of Ethiopia’s central placement system for public institutions. According to this system, students are centrally distributed among public higher education institutions without regard for the catchment area principle. Students are not infrequently enrolled at schools very far from their home. Parents who do not want their children, particularly daughters, to be too far away, especially given Ethiopia’s poor road infrastructure and relative scarcity of good health services in far-off regions and who are able to afford it, may opt to enrol their children and wards in private institutions in, or much closer to, their cities of residence.

Finally, the decision of the government as expressed in the 2003 Higher Education Proclamation to introduce cost-sharing in public higher education may be increasing the relative attractiveness of private higher education institutions. The introduction of cost sharing (and the on-going discussion on the elimination of subsidies on food and lodging) is eroding one of the major attractions of public higher education institutions and encouraging the demand for private provision.

Geographical Distribution of the Private Higher Education Sector

One of the primary objectives the new policy has is to minimize geographical or spatial disparities in access to higher education. The State has consciously located new educational institutions in different and in some cases remote parts of the country. The expectation is that private providers, in order to maximize complementarities with the public sector, will also be increasingly located in such geographically disadvantaged locations in order to take advantage of complementarities between public and private providers of higher education.
Evidence indicates that this is not yet the case. Only 21 of the 66 private higher education institutions which are either pre-accredited or accredited for undergraduate degree programs between academic years 2003–2007 are located outside Addis Ababa Region. Some such as Unity University College, Africa Beza College, Admas College, Royal College, and New Generation University College have satellite campuses in the Regional States.

By concentrating in Addis Ababa and in urban areas, the private provision sector is not yet contributing to bridging the geographical divide in access to higher education; in fact, it might be contributing to the entrenchment of the geographical disparities in access to higher education. Three factors may explain this outcome. The first is that industrial and modern sector activities remain concentrated in Addis Ababa, the capital and wealthiest city. Economic theory suggests that the demand for higher education is a function of income, the price (tuition, other fees and the opportunity cost) of higher education. As people get richer, their demand for higher education (and all the services it provides) also increases. Given that Addis Ababa is the wealthiest region in Ethiopia, it is therefore not unexpected that profit-maximizing private providers of higher education will concentrate where willingness and ability to pay is highest. In addition, the scarcity of infrastructural facilities and complimentary inputs outside Addis Ababa and the major urban areas raise quite significantly the cost of private provision in other parts of the country.

One of the major indictments of the Ethiopian higher education sector is the under-representation of women in enrolment in higher education institutions (MoE 2001). According to the World Bank (2003), in 2001/2002, women accounted for only 16 percent of degree enrolment in regular and evening programs of public universities. The private provision sector is helping to bridge the gender gap. For example, in 2003/2004, of the 7,641 students enrolled in the regular programmes of private higher education institutions in Ethiopia, 3,998 or slightly more than 50 percent were women. The contribution of the private provision sector to expanding women’s access to higher education can be seen in Table 3 below. In 2004/2005, women accounted for just over 25 percent of the total enrolment in higher education institutions in Ethiopia in 2003/04.

These women would not have got a higher education if the private higher education sector had not existed. While this is a welcome development, it is also important to caution that the private sector is providing intermediate-level skills with limited career and labour market prospects, something which is likely to affect the future earnings profile of women and reinforce the income gender gap.
Table 3: Student Enrolment in the Ethiopian Higher Education System

<table>
<thead>
<tr>
<th>Year</th>
<th>Both Sexes</th>
<th>Female Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995/96</td>
<td>35,027</td>
<td>7,282</td>
<td>20.8</td>
</tr>
<tr>
<td>1996/97</td>
<td>42,112</td>
<td>8,514</td>
<td>20.2</td>
</tr>
<tr>
<td>1997/98</td>
<td>45,554</td>
<td>8,702</td>
<td>19.1</td>
</tr>
<tr>
<td>1998/99</td>
<td>52,305</td>
<td>9,769</td>
<td>18.7</td>
</tr>
<tr>
<td>1999/00</td>
<td>67,673</td>
<td>16,272</td>
<td>24.1</td>
</tr>
<tr>
<td>2000/01</td>
<td>87,431</td>
<td>18,207</td>
<td>20.8</td>
</tr>
<tr>
<td>2001/02</td>
<td>101,829</td>
<td>26,894</td>
<td>26.4</td>
</tr>
<tr>
<td>2002/03</td>
<td>147,954</td>
<td>37,256</td>
<td>25.2</td>
</tr>
<tr>
<td>2003/04</td>
<td>172,111</td>
<td>43,303</td>
<td>25.2</td>
</tr>
</tbody>
</table>


The Challenge of Private Provision

The growth of the private higher education sector presents opportunities and challenges for Ethiopia. If well nurtured, it can contribute to the pool of talent and knowledge that the Ethiopian economy needs in order to be competitive in the increasingly knowledge-driven global economy of the 21st century. However, there are three main challenges that I discuss in this paper which will to a great extent determine the future of the sector. These are the challenge of the trade-off between low-cost provision and quality assurance; the challenge of improving real access to the poor; and the challenge of financing.

Cost and Quality Assurance

The most likely immediate consequence of increased private provision of higher education would be a decline in the signalling effect of higher education because of a fall in the average quality of higher education. It is well known from the literature that one of the primary purposes of higher education is to provide a signal of the productivity of workers in the labour market. This effect is likely to diminish if there are many private higher education providers and there is no effective quality assurance mechanism. Under such circumstances, a degree from any university could mean anything in terms of quality. The consequences of a breakdown of the signalling effect of higher education can be quite serious and
it is for this reason that many governments in Africa, including Ethiopia’s, are careful about opening up the sector too quickly to private operators.

Private higher education institutions, especially of the family-owned variety, are very vulnerable to the quality problem because to survive, they must have lower production cost. Hence, the average cost of graduating a student is generally lower in private higher education institutions of the kind now predominating in Ethiopia than in public higher education institutions. These institutions are able to keep their unit cost of production low because they rely on part-time faculty, have lean administration and concentrate on offering programmes (social sciences and humanities, business studies) that do not require substantial investment outlays. This enables them to keep tuition fees relatively affordable. But it also has an impact on quality, on the distribution of skills in the economy. For example, part-time teachers are likely to be less committed to their students than full-time, permanent teachers. Where the institutions concentrate on low-cost courses, there could be an over-supply of such graduates and as a result, higher rates of graduate unemployment. Average quality of higher education could be an early casualty of private provision because of the approaches of private providers to cost minimization. In the short to medium term, there is likely to be a trade-off between increased access through private provision and quality.

Such an outcome could increase the recruiting cost for firms as they devise new mechanisms and instruments to screen out potentially low ability/low productivity applicants. But it is difficult to eliminate this risk especially if the number of vacancies is large relative to the pool of low ability/low productivity applicants. Hence, lack of quality control in the private higher education sector could result in an increased average cost of production, loss of international competitiveness and failure to attract foreign direct investment.

There will be labour market implications if a government’s imprimatur no longer serves as an indicator of the legitimacy and quality of a programme because of the proliferation of providers. Some countries, (for example, Nigeria) have tried to deal with the problem of quality by creating joint admissions and matriculation board whose purpose is to standardize the criteria employed in selecting potential university and other higher education entrants irrespective of the ownership of the institution. But this will not be enough in an increasingly differentiating higher education system. To assure quality, accreditation institutions will need to be established, mechanisms created and evaluation methodologies developed to ensure ‘that a degree is a degree is a degree’.

Efforts are underway in many African countries to assure quality and emerging lessons from these efforts could be of value to Ethiopia’s nascent private
provision sector. South Africa, for example, has a national system of Accreditation and Quality assurance in place. The East African Council on Tertiary Education is putting in place a quality assurance system for the sub-region. Egypt’s new 20-year higher education plan envisages the establishment of an accrediting agency. A lot still needs to be done. But these efforts, if they are to be successful, must be based on a system for measuring the quality of inputs into the education production function. The quality of teachers must be improved, libraries must be well stocked, science and technology departments must be improved and students and faculty must be part of the international community of learning and knowledge creation. However, Africa’s private higher education providers have so far not been active participants in the accreditation drive. They are yet to recognize that it is in their own self-interest to be part of the accreditation effort in order to obviate the need for greater government interference in the sector.

Access

The expansion of access to higher education is one of the strongest arguments in favour of private provision in Ethiopia in particular and in Africa in general. This argument is strong because most African countries with the exception of, perhaps, Nigeria, Kenya, South Africa, and Egypt, have a small university and higher education sector. There is evidence that non-university higher education institutions are in general more capable of responding to rapidly changing labour market conditions and they can also absorb a significant share of the demand for higher education. Ideally, access should be enhanced by religion, by gender, by ethnicity, and by income level to enable higher education to become an important growth factor in Africa.

However, the expansion of access to higher education through private provision has important equity implications that are yet to receive policy and research attention. Although education in general and higher education in particular is considered one of the most effective pathways out of poverty, it is not at all clear that privately-provided higher education is beneficial to the poor and that left alone, it can significantly contribute to poverty reduction in the short term. To see why consider the following thought process.

Let us assume, for purposes of exposition, that performance in university entrance examinations is correlated with income and other family characteristics. Put bluntly, the assumption is that, other things equal, children from wealthier households perform better than children from poorer households in university entrance examinations. Wealthier children are better resourced, receive better primary and secondary education, receive (in many cases) private tuition, are
likely to spend more time studying than running errands, are likely to have either or both parents educated, and associate with children of similar backgrounds. These place them at an advantage relative to children from income-poor households. Let us further assume that government universities, because they are older, better resourced and have a better reputation, have a higher admission cut-off point in university entrance examinations. Put differently, they are very selective and competitive. They also cost less to attend because of the high levels of public subsidy. It is easy to show that a large proportion of students in public higher education institutions will be drawn from well-off backgrounds. These are students from families that can afford to pay for their children’s higher education but are not paying.

Now suppose that a government, seeking to expand access to higher education to the poor and disadvantaged groups such as women and ethnic minorities, passes a law permitting private provision of higher education. Assume that private providers because they exist to maximize profit depend on tuition for their revenues and receive no subsidies from government. The population of interest to private providers will thus consist of those less able students who could not win a place in the public universities. Assume also that private higher education institutions, because they are new and are yet to acquire reputational capital, will naturally set a lower admission cut-off mark. Since we assumed earlier that performance in the exams is correlated with income, it is easy to see that the main catchment population of these new schools will consist mostly of students from well-off households who were unable to get into the better public schools; this is because they have a higher willingness and ability to pay for higher education.

A simple diagram (Figure 3) can help illustrate this thought process. Assume that students are distributed along a horizontal axis according to performance. Let G represent performance and let f(g) be the distribution function. We assume that this is a normal distribution and that both the public and private higher education institutions draw from a similar distribution. Let Gpub denote the cut-off point for public higher education institutions and Gpriv denote the cut-off point for private higher education institutions. We assert that Gpub > Gpriv. Then it is easy to show that private provision is unlikely to address the equity problem and therefore unlikely to contribute to significant progress towards poverty reduction, at least in the short run. As the average admission cut-off point falls, it is richer and better-off households who benefit more than the poorer households for whom access expansion is of vital importance if higher education is to be their pathway out of poverty.
This analysis clearly illustrates the possible implications of increased private provision of higher education in the absence of government intervention. Ability to pay may crowd out merit as a criterion for admission into private higher education institutions. The result of this will be the accentuation and consolidation of existing social relations. Private higher education will thus not serve as a ready pathway out of poverty for most of Ethiopia’s poor. For it to fulfil this promise, it is imperative that government put in place effective policies to enable the sector contribute to effective and real expansion of access to the poor. Such policies could include free land, bulk purchase of spaces for the poor, and subventions.

**Funding**

Private higher education institutions in Ethiopia are self-financing. This is the case in all African countries where the private provision sector is growing (Nwuke 2005). Private providers do not receive any subvention or special treatment from the State. However, their existence is changing the nature and content of the debate on government financing and provision of higher education. It is no longer anathema to talk of cost recovery in Ethiopian higher education. In this context, the Ethiopian government may need to reconsider the manner in which higher education in general in the country is currently funded. Private higher education institutions currently receive no funding from government. However, these
institutions serve a useful social purpose. Considering that higher education is a quasi-public good, government may consider new criteria for allocating funds among all higher education institutions in the country and across all programmes that they offer. This is critical in view of the fact that under the government’s Education Sector Development Programme (ESDP III) higher education is envisioned to expand rapidly between 2005 and 2011. The private sector is expected to have an annual admission of at least 45,000–50,000 by the end of the plan period. This is a goal that the sector can achieve if there is a substantial injection of funds. For example, private nursing colleges could be provided with public financing to enable them to expand the enrolment and production of nurses critical for the country’s efforts to meet the health Millennium Development Goals. A public funding mechanism that recognizes and embraces the private provision sector as part of the higher education system could be used to foster the emerging differentiation in the higher education sector, enabling institutions to exploit their areas of comparative and competitive advantage. Some of the institutions could be encouraged, through the funding system, to expand access while others can concentrate on research and competing with the best in the world.

Conclusion

The prospects of the private higher education sector in Ethiopia are bright. If the economy maintains the average annual growth rate of 5 percent of the previous years, it will be safe to assert that the demand for private higher education is likely to continue to expand. The country’s demographic profile, dominated by young people, is going to be a very important factor too especially as it is unlikely that government expenditure will continue to grow at its current rate.

In conclusion, this short paper has explored the private higher education sector in Ethiopia. The analyses show that the sector, although young, is vibrant and making a demonstrable contribution to the expansion of access and the provision of industry-relevant skills. Given the small size of the sector and current restrictions on the types of courses and programs that they can offer, the sector is unlikely to threaten the average quality of higher education in Ethiopia in the short to medium term. On-going measures by the government through the Higher Education Relevance and Quality Assurance Agency (HERQA) to assure quality should be strengthened and scaled up. This is important as the private higher education sector is likely to consolidate and grow, driven by factors largely outside the control of government. To the extent that there is very limited research activity in these institutions, their contribution to the production of new knowledge is at best modest.
The future contribution of the sector will depend on many factors. First is the production of adequate manpower. In 2004, only 28 students were enrolled in Ph.D. programmes in Ethiopia (MoE 2005). This is insufficient for the needs of the public higher education sector and cannot be a basis for the expansion of the private provision sector. Government policy can seriously contribute to the attenuation of this constraint. Second, government policy, especially with respect to the establishment of new public sector universities and improving conditions in the old ones, will be an important determinant of the future of the private higher education sector. As pointed out elsewhere in this paper, the Ethiopian government in 2005 announced plans to establish thirteen new universities. These new universities, like the existing nine, will not charge (tuition) fees, and food and lodging will be provided free of charge. As the cost of living continues to rise, these attributes of the public sector universities could amplify incentives to choose public higher education, especially since some of the newer private higher education institutions have poorer facilities than the average public higher education institution. Third, the regulatory environment is very important for growth.

Finally, the private higher education sector is making a demonstrably positive contribution to Ethiopia’s growth and development. It is educating students – future workers, tax payers and leaders – at no cost to the government, thereby freeing up resources for the public sector to address other priority national development needs. It is also contributing to the dampening of social tension that could have arisen from the stunting of the higher education aspirations of young people and parents by the limited intake capacity of public higher education institutions. A more conducive regulatory and operating environment (which includes duty exemption for the import of educational materials, access to land and security of (land) tenure) could unleash the potentials of the Ethiopian private higher education delivery sector to scale up its contribution to growth, poverty reduction and efforts to reach the MDGs in Ethiopia by the target date.

Notes
1. In this paper, the term higher education institution refers mainly to degree-awarding institutions. In counting the private higher education sector however, we include even those awarding diplomas, which are comparable to public Technical Vocational Education and Training (TVET).
2. The number of public universities has grown significantly in recent times. In 2007, the public higher education sector consists of 21 universities (8 old and 13 new ones) under the direct supervision of the Ethiopian Ministry of Education, three specialized institutions under different Ethiopian government ministries/agencies and more than eight teacher-training colleges under the supervision of governments of the regional states.
3. Yizengaw (n.d) reports that gross tertiary enrolment ratio rose to 1.5 percent of the relevant age cohort in 2005. Note that Yizengaw includes students enrolled in private higher education institutions. The Government aims to raise this to 5 percent by the end of the current plan period in 2010/2011.


5. See in this regard World Bank (2003), Bedasso (2006), and Yizengaw (n.d).

6. The case of Unity College which had initially called itself a university exemplifies this early struggle over boundaries between the nascent private higher education sector and the government. The government’s position was that Unity was not a university but a college. This controversy was resolved by Unity being re-designated as Unity University College.

7. See in this regard Information About Accredited and Pre-accredited Institutions, Higher Education Relevance and Quality Agency, Ministry of Education

8. St. Mary’s College was the first in the country to undertake a full quality audit (HESC 2005).

9. The growth in the number of nursing colleges probably reflects in part the high demand for nurses in main Ethiopian migrant destinations such as the USA, Saudi Arabia, the United Kingdom and South Africa.

10. This is a voluntary scheme introduced in 2003 whereby an amount is deducted monthly from the income or earnings of a graduate of a public university to defray the cost of his/her higher education. This amount is agreed between the government and the student at the beginning of each academic year and depends on the cost in each institution and the program of study. The implication is that students attending high cost – due to inefficiencies – institutions pay more upon graduation; it could discourage students from attending those public higher education institutions.

11. The share of students enrolled would be higher if diploma programmes are included. As can be seen from the 2004/2005 data where this category was included, the private sector accounted for nearly 25 percent.


13. This is about US$172.17 million at an exchange rate of US$1=8.5 Ethiopian Birr.

14. Most of these are not really new but the upgrading/reclassification of some colleges or campuses of the previous eight universities into independent universities.

15. The conflict referred to here is the civil war – Eritrea’s war of independence (which started in the early 1960s and intensified from the mid 1970s) and the war prosecuted by various groups against the Derg, the military dictatorship. The author recognizes that Ethiopia fought a border war with independent Eritrea in 1997/98 and has recently been involved in the conflict in Somali.
The impact of these recent conflicts on economic growth and budget outlay for higher education is not ignored or under-emphasized.

16. See Yizengaw op cit for a rich discussion of cost sharing in Ethiopian higher education.

17. Ethiopia has recently set up a higher education quality assurance agency.

18. This assumption is not far from the Ethiopia reality. According to the 1999 Ethiopia National Household and Consumption Survey (HICE) over 70 percent of students in tertiary institutions came from households in the top income quintile (Yizengaw, n.d)

19. This is a trivial assumption in systems with very limited admission places (one or two universities) and a large pool of candidates as has been the case in Ethiopia.

References


