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Policy Brief

Botswana's Dilemma in Financing Tertiary Education

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Introduction

Botswana like many countries around the world has pinned its hopes on using tertiary education and training as one of the critical vehicles of transforming its economy and society.

Accordingly, since independence in 1966, Botswana has invested heavily on educating its citizens at tertiary education and training level. Spending an average of 4.5% of its Gross Domestic Product annually, the country is among the world's leading spenders on education. The Government has spent millions of dollars sending its young people in large numbers to study in diverse countries such as South Africa, Kenya, Ghana, Nigeria, Malaysia, China, Australia, Canada, United States, United Kingdom, Germany, Russia and many others. However, considering the high costs involved in these external placements and in light of growing demands for tertiary education among citizens as well as projected decline in revenue, the Government has since mid-2000s started to search for alternative measures to continue training at reduced cost.

The current system of financing tertiary education is found to be both inefficient and unsustainable. Therefore, a new initiative on reforming the tertiary education funding policy has been initiated and it is intended to inculcate a strong culture of efficiency and accountability in the institutions as well as to come up with alternative financing strategies that involve parents, learners and the private sector. The rest of this brief elaborates on some of these alternative strategies.

Research Findings

UNESCO has widely documented the increasing global demand for tertiary education and reasons underlying this. It has also shown that in the majority of countries, the increase in demand has often outpaced the level of resources required to meet such growing enrolments. In this context, this high

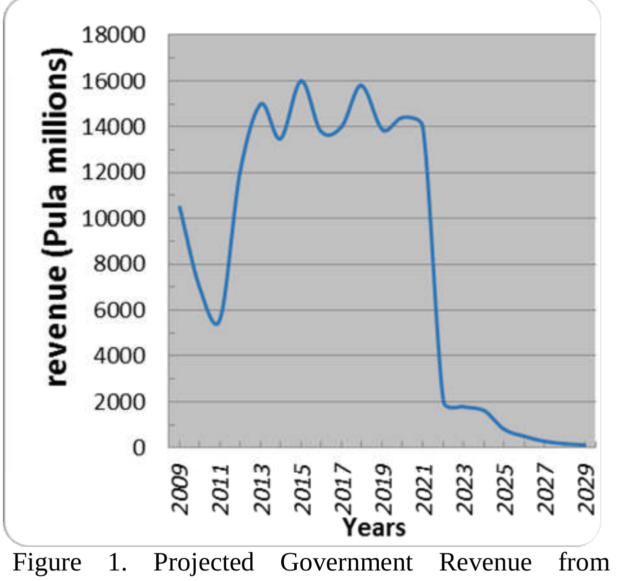


Figure 1. Projected Government Revenue from Diamonds 2009–2029 (BWP million, Constant) SOURCE: GOB (2010)

demand also presents a major challenge to quality of education across the education sector. Countries that are mostly affected are those with growing populations, especially in Asia and Africa (UNESCO 1998, 2009; and Peano 2011). Although Sub-Saharan Africa has reported the strongest population growth in 2010, Botswana on the other hand exhibited a declining population growth rate resulting, among others, from the high death rate due to the HIV/AIDS pandemic and decline in fertility following the growing educational attainment of women. However, this decline has not yet curbed the growing demand for tertiary education because the 18–24 year old age group continues to grow and put high demand on the country's tertiary education system.

Furthermore, Africa's low economic growth and other challenges mean that countries are not able to adequately provide resources for tertiary education. Botswana has not been spared as revenues from diamond have been declining (see Figure 1). This challenge is expected to worsen as projections on government revenues show that the revenue from mining, which is the main source, will continue to decline until they reach the lowest point by 2029.

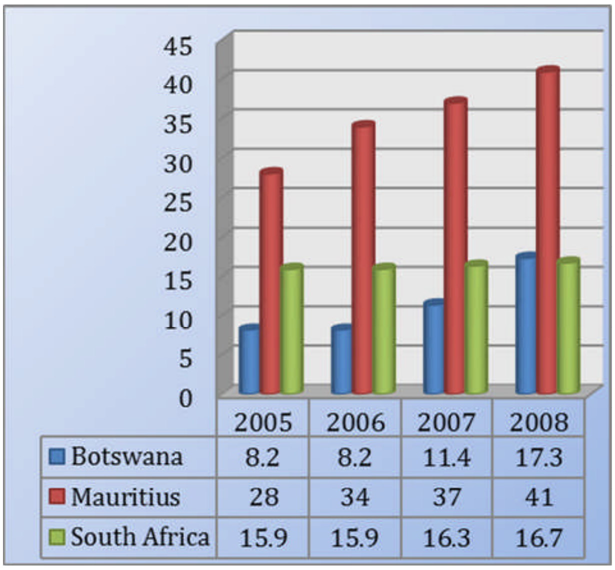


Figure 2. Gross Enrolment Ratio by Country of Comparison, 2005–2008
SOURCE: World Economic Forum (2011/12)

Figure 3, on the other hand, shows that tertiary education enrolment is expected to grow. This expected growth is desirable since Botswana currently lags behind upper middle income countries with regard to gross enrolment ratio (GER), especially Mauritius and South Africa (see Figure 2).

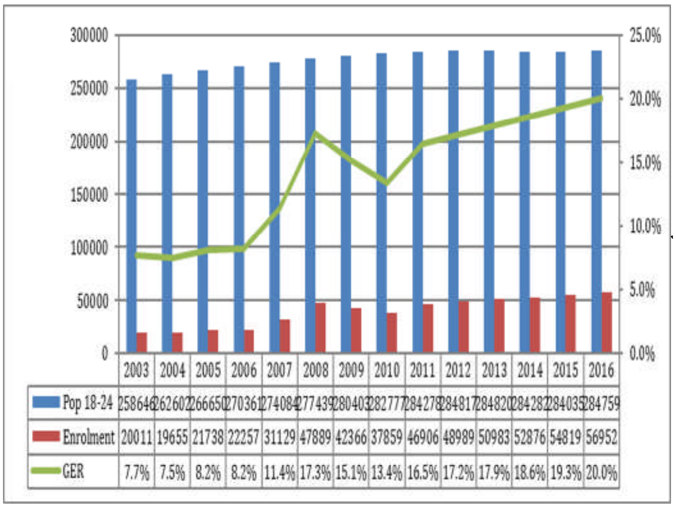


Figure 3. Tertiary Education Enrolment Projections
SOURCE: TEC (2013)

To address the increasing demand for tertiary education, the government embarked on building more colleges and universities. In addition, it started to sponsor students at recognised private tertiary education institutions and continued to place students in higher education institutions outside the country (GOB 2010). However, another challenge emerged— the need to put more resources into student sponsorship to ensure increased access and therefore increased GER as projected in Figure 3. Also maintaining efficiency in the institutions has been a challenge. There have been too many little institutions each specializing in this and that field of study.

How the government can ensure adequate tertiary education financing for infrastructural development, institutional operations and student sponsorships becomes a major challenge, therefore. To achieve the desired enrolment level, the government would need to spend on average close to 5 per cent of GDP on tertiary education up to 2016 (see Table 1). This level of spending and pressure on government might intensify as the growth in student numbers outpaces growth in available resources.

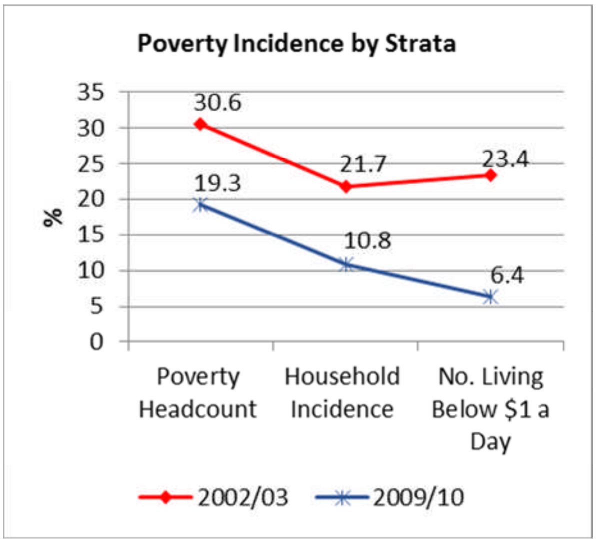
Table 1. Overall tertiary education funding.

(in P **Millions**)	PROJECTIONS in constant prices					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
DTEF Funding	*2,451*	*2,445*	*2,468*	*2,494*	*2,530*	*2,558*
Institutional Funding	*1,165*	*1,181*	*1,205*	*1,220*	*1,236*	*1,251*
Research Funding (TE institutions only)	*10*	*30*	*80*	*120*	*160*	*200*
Sub-total Recurrent TE funding	*3,626*	*3,656*	*3,753*	*3,834*	*3,926*	*4,009*
Development Funding	*1,438*	*1,447*	*1,050*	*882*	*1,022*	*1,125*
Total TE Funding Requirements	*5,064*	*5,103*	*4,803*	*4,716*	*4,948*	*5,134*
Govt Expenditure projection (NDP 10, p 82)	*34,900*	*34,900*	*34,900*	*34,900*	*34,900*	*34,900*
TE expenditure as % of Gvt. expenditure	*14.5%*	*14.6%*	*13.8%*	*13.5%*	*14.2%*	*14.7%*
GDP Projections (NDP 10, p 75)	*89,100*	*99,800*	*114,100*	*121,000*	*118,300*	*126,581*
TE expenditure as % of GDP	*5.7%*	*5.1%*	*4.2%*	*3.9%*	*4.2%*	*4.1%*

SOURCE: Government of Botswana (GOB) (2011a) GDP figures.
Public Expenditure: Botswana Financial Statistics, Bank of Botswana

The government has been paying the bill alone for decades and it is now evident that this is unsustainable, and thus it inevitably necessitates that other stakeholders should begin to play a role in financing tertiary education since they also benefit, directly or indirectly, from production of skilled level. After all, cost-sharing is becoming the rule rather than the exception in most countries. Furthermore, poverty has declined in Botswana (Figure 4) and therefore, more families should be able to make part payments for their children.

Figure 4. Poverty Incidence by Strata



Statistics Botswana: Botswana Core welfare Indicators Survey (2009/10 No 2013/11)

Policy Recommendations

The Policy Challenge: Ensuring Sustainable Tertiary Education Financing

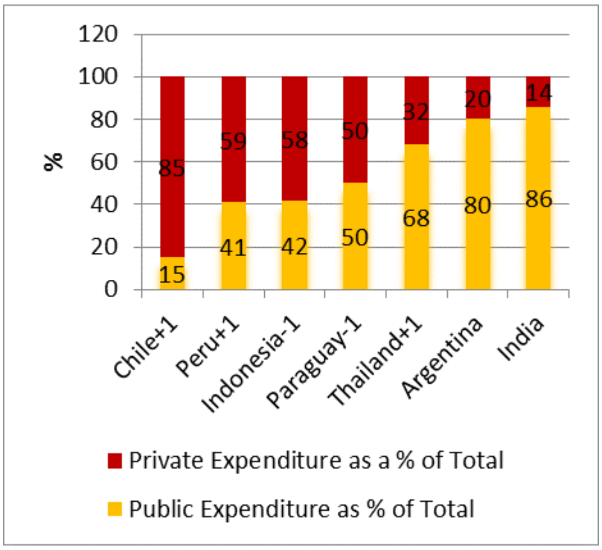
In order to ensure sustainable financing for tertiary education, other stakeholders, who were traditionally involved in financing education but who were gradually displaced by the availability of government funding due to mineral revenues since the early 1970s, should work hand-in-hand with the government and play a role in financing the tertiary education sub-sector.

Opportunities that can generate additional funds to compliment the government's endeavours include the following:

a) Reducing external placement and costs thereof

In mid-2007, on the advice of the Tertiary Education Council (TEC) which monitored and registered public and private education institutions in Botswana, the Government decided to prioritise studying at home over studying abroad. This measure saw the reduction of external placement by about 80 per cent over a period of seven years (2008–2013), a drop from over 5,000 studying abroad to the current figure of around a 1,000. The spinoff study at home was the increase in enrolment shown above, job creation, increase in rental and advertising services, and the rise of hawkers/vendors around each institution—public and private. The challenge of course required ensuring that quality tertiary education standards are maintained and monitored.

Figure 5. Public and Private Expenditure on Educational Institutions as a % of Total Expenditure on Higher Education in Selected WEI Countries, 2004



Notes: 1+1 Data refer to 2005, -1 Data refer to 2003
UNESCO Institute for Statistics, Education Counts: Benchmarking Progress in 19 WEI countries. World Education Indicators 2007.

b) Policy reforms and rationalisation of institutions

Botswana has too many little public institutions that are very expensive to maintain. With the advice of the TEC, the Government adopted a new Tertiary Education Policy in 2008. The Policy calls for, among others, mergers and rationalisation of institutions and their transfer to the oversight of the Ministry of Education and Skills Development. This process has started in earnest and it is expected to reduce overhead cost of institutions. In addition, the policy has recommended the use of a rationalized formula-based funding model which uses unit cost of each programme as the basis of funding institutions. Increased financial autonomy of institutions and their good governance is expected to improve their efficiency. All the a) and b) policy intervention measures are expected to reduce public spending and ensure institutions generate part of their funding requirements. Another measure intended to reduce overhead costs on student sponsorship administration has been government's recent decision to outsource the Fund Administration and transfer the supervision as well as the allocation of institutional funding to a newly established parastatal called the Human Resource Development Council (HRDC), replacing the Tertiary Education Council which had a limited mandate So, pressing along these lines is worthwhile.

c)Cost-sharing with parents and students

Since it is becoming clear that public funds are already over-stretched, the government has started to explore measures of involving parents to contribute towards their children's tertiary education costs. Secondary school students whose parents' income is P1200 and above pay subsidized school fees while those whose parents earn less are exempted from paying school fees. There have been doubts as to the number of families who could be in a position to pay tuition fees for their children at tertiary level, but the welfare indicators tell a different story (Figure 4). Similarly, a means test should be applied at this level of education to establish students and/or parents' ability to contribute towards tuition and other costs. This would ensure that those students whose family circumstances do not permit them to contribute are not left out of the system while those who are able to do so get assisted.

d)Revenue generation by institutions

Tertiary education institutions in Botswana receive almost all their funding from the government. This state of affair is different in other countries, both in Africa and in the other continents. The TEC has been calling on the institutions to embark on activities that can generate third stream income which will enable them to complement government subventions. Although this is taking too long to take-off, the institutions now have to operate on tight budgets due to substantially reduced annual government subventions. Third stream income should not be an option but a requirement whereby the government provides a given percentage of institutional budgets, leaving the rest to the institution to generate.

This demand on tertiary education institutions in Botswana is not unique as also tertiary institutions in other countries both in Africa [for example, Uganda (Musise and Mayenga), Tanzania, Kenya, Malawi, and Ghana (World Bank 2010)] and elsewhere raise a substantial amount of their funding to supplement government subvention. The government should take a stand and stipulate the maximum it can provide to the institutions and let them raise the remainder as is the case, for example in Ghana where they are expected to raise a proportion of their financial requirements (Obese 2013).

e) Contributions by the private sector

The private sector benefits from education in many ways including the employment of educated human resources. It is therefore necessary for this stakeholder to also take part in the provision of these resources through various means, including but not limited to student scholarships, research funding and dedication of a proportion of profits to finance the tertiary education sector. This will form part of their social corporate responsibility in line with international practice and good corporate governance.

f)Levy financing

The Botswana government has established a number of levies to finance identified purposes. These are: the tourism levy, the vocational training levy and the alcohol levy. The first two levies are used or meant for training purposes while the latter was established to curb alcohol intake. However, the alcohol levy is currently used to fund youth-related initiatives. A fixed percentage of the three levies should be allocated to the tertiary education fund. The vocational training levy has since been reformed to become the human resource development fund, meant to extend its usage to cover the broader tertiary education instead of confining it to vocational training. The levy encourages the industry to engage in employee skills enhancement and/or training and reimbursed from the levy. In addition to these levies, the government should increase Value Added Tax (VAT) by at least one per cent that is dedicated to tertiary education financing. An example of this could be borrowed from Ghana which introduced an additional 2.5 per cent to VAT for this purpose.

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