

FINANCING TERTIARY EDUCATION IN THE CARIBBEAN: THE CASE OF THE UNIVERSITY OF THE WEST INDIES

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OUTLINE OF PRESENTATION

- *Tertiary Education Landscape in the Caribbean*
- *Demand for Tertiary Education in the Caribbean*
- *Funding the University of the West Indies*
- *Trends and Future Plans*

TERTIARY EDUCATION LANDSCAPE IN THE CARIBBEAN

- **Tertiary Education:** *all post-secondary education consisting of a mix of private and public universities, colleges, technical and vocational institutes/colleges/polytechnics and professional schools offering certificates, diplomas and degrees.*

TERTIARY EDUCATION LANDSCAPE IN THE CARIBBEAN

- The Caribbean (eg CDB's BMCs) consists of a range of tertiary level educational institutions:
 - **Regional University** —U of West Indies
 - **National Public Universities** -- U of Guyana, U of Technology (Jamaica), U of Belize, U of Trinidad & Tobago, U of Haiti
 - **Private Universities (on and off-shore)** —St Georges' U; Ross U; Northern Caribbean U; American U of Antigua; U of the South Caribbean
 - **Private and Public Colleges/Schools/Polytechnics** – several in the various countries
 - **External Colleges/Universities** ----online and distance programming

TERTIARY EDUCATION LANDSCAPE IN THE CARIBBEAN

- The trade in educational services under the ***General Agreement on Trade in Services (GATS)*** has introduced several tertiary level institutions (TLIs) of varying quality to the region especially for profit institutions under the various modes of delivery.

TERTIARY EDUCATION LANDSCAPE IN THE CARIBBEAN

- From the Governments' perspective there are issues regarding the **allocation of funds** between:
 - Education and other social and economic functions
 - Pre-school, primary, secondary and tertiary levels of education
 - Different tertiary level institutions
- General **Public Policy considerations** include:
 - **Access** to tertiary education at reasonable cost to meet mid and high level skill needs
 - **Effectiveness** of different allocations
 - **Efficiency** (internal and external) of different allocations
 - **Equity** of the process

DEMAND FOR TERTIARY EDUCATION IN THE CARIBBEAN

- Several factors fuel the **demand for tertiary level education** in the region:
 - *Adoption of universal free secondary level education, which creates a pool of persons for the next stage of education*
 - *Adoption of a “social demand” approach to educational planning with the “free” provision of education up to tertiary level in some countries*
 - *Higher levels of education needed for social mobility and production processes (middle and higher level skills)*
 - *Free mobility of labour within CARICOM (CSME) for certain categories of labour which requires tertiary level certification*
 - *Need to replace those who have migrated to OECD countries (up to 80 % of tertiary educated persons migrate)*
 - *Relatively high private rates of return to university /tertiary education*

DEMAND FOR TERTIARY EDUCATION IN THE CARIBBEAN

- Rates of return studies show the following for tertiary level education:
 - **Barbados: 18% (2003)**
 - **Jamaica: 26% (1996), 19% (2002)**
 - **St Lucia: 23% (1996); 21% (2004); 39% (2008); 33% (2012)**
- Data show “low” acceptance rates for some institutions indicating **un-met demand** for tertiary education
- For UWI, the acceptance rate (offers to applications):
 - **2007/8---57%**
 - **2008/9---57%**
 - **2009/10-56%**
 - **2010/11—58%**
 - **2011/12---45%**

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- UWI at a Glance:
 - *Established as a University College of the University of London in 1948*
 - *Independent status as UWI in 1963*
 - *Four Campuses: Mona (1948), St Augustine (1962), Cave Hill (1963), Open (2008)*
 - *Enrollment has grown from 33 in 1948/9 to 48,000 in 2012/13 (headcount not FTE)*
 - *Graduates (all certification) increased from 11 in 1951/2 to 9804 in 2011/12. First degrees from 11 in 1951/2 to 6934 in 2011/12*
 - *Expenditure of US\$450m (2011/2)*
 - *Alumni of 120,000 plus*
 - *Ranked Number one in the Caribbean*

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- UWI Charter 1972 para 24(i): the contributing countries (15 in total) should “ ***undertake to contribute to the revenue of the University on a continuing basis***”
- But financing the regional university has been a major challenge from the beginning of its existence

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- *“The fact that the British government was prepared to make a capital grant meant that local legislatures and politicians never came to grips with the serious problems of financing a university in the area”*

(Lloyd Braithwaite, *Social and Economic Studies*, vol 14 (1), March, 1965, p.79)

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- Pressing challenges:
 - Need to **increase enrollment** in light of the pressing demands in the local and external labour markets [CARICOM's target of 15% enrollment at tertiary level by 2005]. Rapid increase in enrollment at Cave Hill and St Augustine from 2002
 - Existence of a **possible “cost disease”** with its high skill labour intensive costs rising over time and also the varying costs of provision from humanities (low) to medicine and engineering (high).

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- The provision of services to meet the enrollment levels determines the “**full economic costs**” of running the University
- **Economic cost** is defined as “*the full complement of resources required for operating and maintaining the University, whilst ensuring its continued viability and highest quality of output*” [UGC Task Force Report, 1998]
- **Full economic costs** therefore includes “*all costs which will be incurred in operating and maintaining the University inclusive of depreciation, cost of pension supplementation and cost of debt service*” [Office of Finance]. Such costs include recurrent and capital costs needed to meet the teaching needs of students and some research/administrative needs

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- How is this “**full economic costs**” met?
 - *Government contributions(based on the number of students enrolled)*
 - *Tuition and other student fees*
 - *Project Funds*
 - *Commercial Operations*
 - *Investment Income*
 - *Other Miscellaneous Income.*

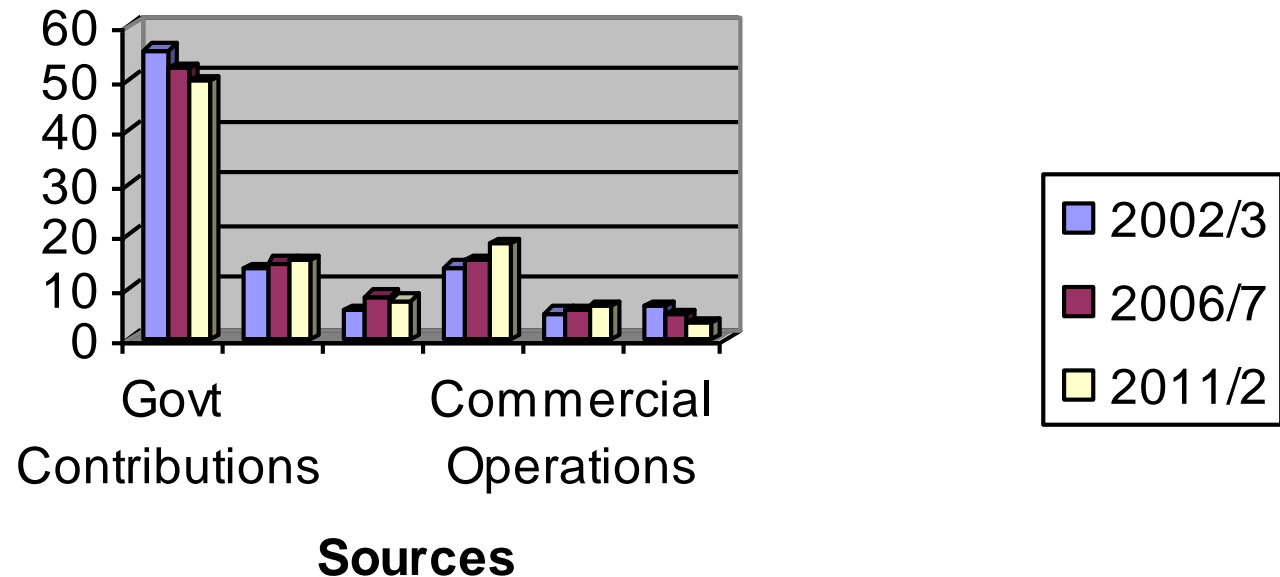
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Sources of UWI Income 2002/3 to 2011/2 (%)

Source	2002/3	2006/7	2011/2
Govt Contributions	55.9	52.1	49.9
Tuition Fees	13.6	14.6	15
Special Projects	5.3	8.2	7.6
Other Projects	13.8	15	18.2
Commercial Operations	5.2	5.4	6.2
Other Income	6.1	4.8	3.2
Total	100	100	100

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Sources of UWI Income 2022/3 to 2011/2
(%)

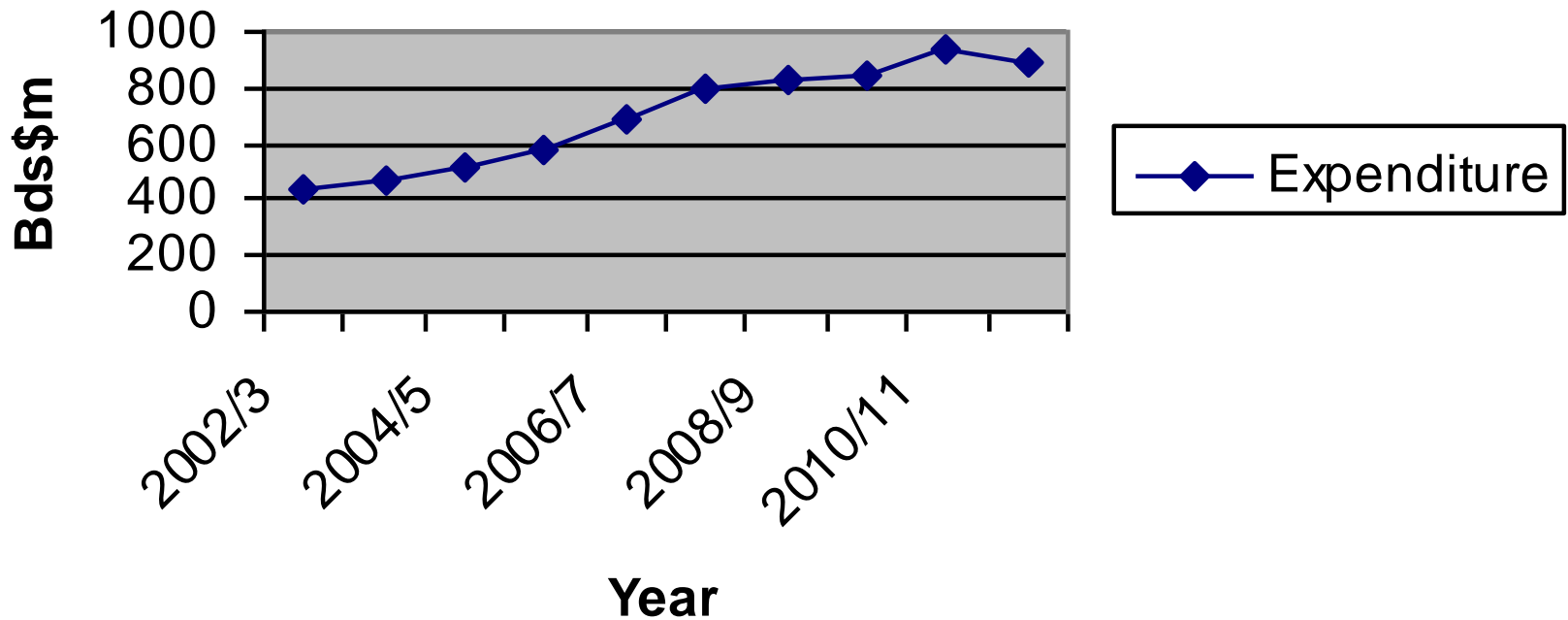


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- The Governments' Contribution to the Income of the UWI for services provided by the university has declined from **60.7% in 2000/1 (Bds\$291m) to 49.9% in 2011/12 (Bds\$486m)**
- **Total Expenditure** rose from Bds\$438m in 2002/3 to **Bds\$888.3.** in 2011/12 (over the two planning periods, 2002-2007 and 2007-2012)
- While **staff costs** as a percentage of total expenditure remained constant at about **60%**, the **salaries and wages component** increased from **44%** in 2003/4 to **53%** in 2011/12 of total expenditure.

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UWI Total Expenditure 2002/3 to 2011/2 (Bds\$m)



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- **Should students pay fees?**
 - 1986 Government of Jamaica introduced a cess to meet part of the economic costs. It previously paid the full economic costs
 - 1988/89 Government of T&T introduced a cess
 - University Grants Committee (UGC) recommended that for 1996/7, 15% of economic costs should be made up of tuition fees
 - Further adjustment by UGC that from 1997/98 tuition fees would be 20% of economic costs with future reviews (eg to move to 25%)
 - These fees cover programs approved for UGC funding.
 - *The University is free to charge fees for non UGC/CGC funded programs*

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- Contributing countries have adopted different approaches to the payment of “economic costs” and tuition fees components:
- **Barbados**: Government pays economic cost and tuition fees for students attending UWI. Recent conditions have been imposed on length of time to complete degree. [***NB: Barbados has a Student Revolving Loan scheme***]
- **Trinidad & Tobago**: Same as Barbados through a GATE program (Government Assistance for Tertiary Education). [***NB: Dollar for Dollar program in 2001 whereby the Government paid 50% of tuition and the student the other 50 %***]
- **Jamaica**: Students pay tuition fees (20% of full economic costs) with access to a Students Loan Bureau

FUNDING THE UNIVERSITY OF THE WEST INDIES

- **OECS:** Government funding of specific students. University offers a discount for students from the OECS
- The University's budget to determine per capita economic costs and hence tuition fees is reviewed **annually** by the Campus and University Grants Committees to ensure that the expenses are justified and in order.
- The reliance on Government funding has been challenging for the University in recent years:
 - ***days outstanding for Govt contribution receivables moved from 19 days in 2007/8 to 94 days in 2010/11*** and
 - ***liquidity ratio (acid test) moved from 6.7 in 2004/5 to 2.6 in 2011/2***

FUNDING THE UNIVERSITY OF THE WEST INDIES

- With tight fiscal positions in the Governments, the University has sought to diversify its income sources to maintain a high quality of service provision. Some initiatives include:
 - **Charging of fees for non CGC/UGC funded programs** (professional programs, graduate degrees, professional development). In the case of the Open Campus, income from fees outstrip the contributions from the Governments
 - **The ‘summer’ and ‘evening’ programs**
 - **Research grants** (as Government funding hardly contributes to the level of research needed) and **projects** funded by development partners and agencies

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- **Philanthropy and alumni gift giving**
- **Commercial operations (student accommodation, cafeteria, bookshop, conference rental, hostel etc)**
- **UWI Consulting Company to compete for large projects**
- **Private sector partnerships for capital development (buildings)**
- **Business development Offices to develop entrepreneurial activities**
- **These measures have brought some income to the University but more needs to be done. There are also government backed loans**
- **There will still be a need to rely on Government contributions and tuition fees to support the **CORE** elements of the University's operations (paying teaching and support staff, purchasing supplies etc). [NB the social benefits associated with tertiary level education]**

TRENDS AND FUTURE PLANS

- The **UWI Strategic Plan 2012-17** under the **Financial Perspective** seeks to
 - *Reduce the reliance on Government contributions and engage in further income diversification*
 - *Restructure the University's capital base by encouraging more private sector equity participation*
 - *Introduce systems to promote the efficient use of resources*

TRENDS AND FUTURE PLANS

- Some planned initiatives include:
 - The promotion of **online and distance programming** regionally and internationally by developing a ***Single Virtual University Space (SVUS)*** which would allow staff to collaborate and delivery programs to the wider world. It is realised that such programming is the **next frontier** in tertiary level education which will be technologically driven
 - The **franchising of programs and courses** to other regional and international institutions especially in areas that the UWI has a competitive advantage

TRENDS AND FUTURE PLANS

- **Private sector university partnerships** with respect to the commercialization of research and the development of facilities (conference facilities with business schools, development of research and computing labs for training, development of creative arts centres for shows etc)
- **Greater use of ICT** for administrative activities to reduce administrative costs
- Developing capacity to contribute to regional and international development by establishing priorities and seeking **grant funding**
- **These measures would need a culture change in the way that the UWI operates—leadership and change management**

TRENDS AND FUTURE PLANS

- While the UWI will seek to strengthen its own financial base (eg becoming more **entrepreneurial**), the contributing governments need to identify ways to ease its financial obligations to the UWI and other tertiary level institutions (TLIs)
- Some measures include:
 - ***The promotion of loan schemes which are viable (U of Guyana has SLC like Jamaica)***
 - ***Tax incentives for savings plans and insurance policies for tertiary level education***
 - ***Develop national TLIs so that they can articulate well with the UWI***
 - ***Provision of scholarships for needy but gifted persons***
 - ***Use of regional bond financing especially targeted at persons in the Diaspora***



Thank you