

**ADDRESS AT THE  
FIFTH ANNUAL CONFERENCE  
of the**

**ASSOCIATION OF CARIBBEAN HIGHER EDUCATION ADMINISTRATORS**

*by*

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**JULY 8, 2005**

**FINANCIAL MANAGEMENT, FUND RAISING  
AND ACCOUNTABILITY IN CARIBBEAN HIGHER EDUCATION**

**THE CONTEXT: PRESSURES ON UNIVERSITIES**

It may not be unreasonable to address the topics of financial management, fund-raising and accountability in higher education by situating them in the context of the multiple pressures on higher education in the Caribbean.

Arguably the most encompassing pressure on the higher education system in the Caribbean is the expansion of access sought by students, encouraged by employers and directed by governments. At the aggregate level, tertiary education goals have been set in terms of doubling the proportion of the higher education age cohort enrolled in higher education institutions or in terms of substantially increasing the proportion of the labour force benefiting from tertiary education and training. Effectuating these goals entails large discrete or discontinuous changes in enrollment levels instead of the smooth adjustments at the margin characteristic of enrollment growth in previous decades. The changes in aggregate enrollment are themselves reflected in differential adjustments at the micro levels of faculties, academic departments, and academic units, altering the range of academic programmes and their relative sizes, i.e., altering the product range of higher education institutions.

The second kind of pressure is the demand for quality in higher education. Quality refers to relevance variously defined by social planners, employers and job-seekers. It is also defined as utility or usefulness variously revealed by employability, enhancement of intellectual capacity and transferability of knowledge across time and space. Furthermore, quality is posited in terms of academic standards, itself perhaps not ultimately susceptible to objective measurement or definition but often applied in an absolute sense by both those

who bemoan falling standards and those who advocate higher standards and is often applied in a relational or comparative sense e.g., in academic benchmarking exercises.

Education quality is an elusive concept because of multidimensionality and because the ordering of preferences among the various dimensions is not socially consistent, that is to say, different individuals and groups ascribe different degrees of importance to one or more dimension. One can empathise with higher education administrators who like in R.M. Pirsig (1974): *Zen and the Art of Motor Cycle Maintenance* exclaims in exasperation: "What the hell is Quality? What is it?" Perhaps, as Vroeijenstijn (1988) concludes "Quality is like love. Everybody talks about it and everybody knows what he or she is talking about. Everybody knows when there is love. Everybody recognises it. But when we try to give a definition of it, we are left standing with empty hands." Despite the imprecision and slipperiness of the quality of education concept, positive responses are expected of higher education institutions. Expanded access and quality change are two demand-side pressures. A third is the pressure to generate and disseminate knowledge through research, publication, conferences, symposia, seminars and workshops. Here, too, there are relevance and quality considerations as stakeholders demand closer correspondence between research output and the knowledge needs of the wider society.

A fourth demand side pressure is the call for more outreach activities by tertiary education institutions. What is envisaged is the intensification of public service in its myriad forms, including consultations and advice, membership of committees and task forces, and public lectures, media contributions and other informal dissemination of knowledge and expertise. So far, the pressure has been mainly on universities but it is only a matter of time before community colleges will be expected to make similar contributions.

There are supply side pressures. Attention may be drawn to a few major ones. The first is the failure of fiscal resource provisioning to match demand side pressures or even in some cases to keep pace with inflation. Effectively addressing the goals of greatly expanded access and enhanced quality of higher education requires the provision of much greater financial resources to purchase the current inputs such as human resources (education is a quintessential labour intensive activity), energy, etc. and to make the capital investments requisite for the expanded and improved supply of non-human services such as information technology, laboratories, etc. In the political competition for fiscal resources in revenue constrained budgetary situations, higher education institutions have not been entirely successful.

The public institutions at the urging of governments have resorted to tuition fees and other user charges to partially finance their operations. Private universities

and colleges have of course required no urging. User charges, especially tuition fees, in higher education have merit from the student perspective in which education and training are investments in future, higher earning capacity. They also have merit from the university perspective in which user charges finance the capacity to provide services. There is a tension which higher education institutions must manage between user charges as a means for providing an expanded and qualitatively improved service and user charges as a constraint on effective demand and effective access. Effective demand is to be distinguished from effective access. Effective demand refers to the willingness of potential purchasers of higher education services to pay for the services offered by particular institutions. In a non-competitive situation of sole supplier, it means the willingness to purchase or not to purchase at all. This has never quite characterized the situation in Caribbean higher education because although the University of the West Indies (UWI) and the University of Guyana (UG) as public institutions could be said to have been the sole suppliers during the 1948-1990 period, the geographical movement of students to North America and Europe is evidence of a multi-supplier environment perceived by demanders of higher education services. This is not to say that demand choices were made on the basis of price or price alone --- that is a matter for empirical study--- but merely to make the point that at the very least the Caribbean institutions were in a quasi-competitive situation. The current situation is one of revealed competition.

Potential buyers are confronted by more than one supplier located within their geographical borders or offering services through various distance education modalities. The institutional variegation of student enrollment within the Caribbean reveals the existence of competition in Caribbean higher education.

User charges are a constraint on effective access because they affect the capacity of potential students to afford enrollment. The willingness to demand is there; the means to make it effective is absent or compromised. The price sensitivity of the demand for tuition services is a subject of much social debate and inconclusive empirical investigations. However, the evidence does suggest that sharp discontinuous increases have negative impact effects, even though it is not certain whether those effects are prolonged or reversed in the future as other demand side variables such as student debt, parental income, etc, are adjusted. I am not aware of any study of effective demand in Caribbean higher education that can enhance our understanding and guide higher education administrators on this critical aspect of higher education planning and management.

An important consideration, moreover, is that as efforts are made to expand access to tertiary education and training in the Caribbean, the intended beneficiaries come from the ranks of the lower income groups whose capacity to afford tuition and non-tuition expenses is weaker. Put differently, greatly expanded access would mean, as it should, proportionately more poor persons gaining admission to higher education institutions but also proportionately more

of higher education students being unable to finance the costs of education from current household incomes, from dissavings, and from de-accumulation from de-accumulation of wealth.

Student loan facilities can alleviate the financial pressures on higher education institutions and on students. To make a meaningful contribution, student loan facilities must finance both tuition and non-tuition expenses, must have interest rates, grace periods, and term to maturity structures which are realistic about the earnings capacity and debt service capacity of recent graduates and must not have loan security conditions which present insurmountable barriers to credit applicants.

Higher education institutions make their own small contribution to the resolution of the tension between access and cost recovery by their various schemes for student financial aid. In doing so, they rely on private benefactions. In the Caribbean, although there is not a well established tradition of philanthropy, there has undoubtedly been a growth in student bursaries and scholarships funded by well meaning individuals and corporate enterprises. These trends are expected to continue. The business sector also makes financial donations for the purpose of financing capital investment programmes. Here too, the beginnings are relatively modest in terms of the number of benefactors but there is a discernible upward trend.

Higher education managers are also expected to resolve a tension between resource allocation for teaching and resource allocation for research and dissemination. The tension is created by the failure of both governments and business sector financial provisioning for research and dissemination to match their expectations with respect to quantity, relevance and quality of output. Research and dissemination is woefully underfunded in Caribbean higher education. Government subventions pertain almost exclusively to teaching programmes. Yet the institutions cannot and should not contemplate a situation in which teaching exists without research or in which the higher education complex is devoid of a research function. John Slaughter is quoted as saying: "Research is to teaching as sin is to confession. If you don't participate in the former, you have very little to say in the latter."

## ***FINANCIAL MANAGEMENT***

The multiple pressures described place a premium on prudent and efficient management. Institutions have to manage their cash flows to ensure the availability of financial resources when required. They have to invest temporary liquid balances safely with maximum rates of return compatible with maintenance of value of financial assets. They have to be fully cognizant of current and future

financial demands associated with existing and projected activities. They have to be alert to the possibilities of cost savings and waste avoidance.

Proper financial management is integral to the wellbeing of higher education institutions because their capacity to purchase inputs into the education, training and research processes and to do so efficiently is contingent upon the quality of financial management. The financiers of universities and colleges are reasonably concerned with the quality of financial management and are likely to curtail the flow of financial resources or intervene in other ways if they think that those resources are not being efficiently and prudently managed. This danger exists not only in relation to fiscal resources but also in respect of funds raised from private donations. This link is one aspect of the connection between financial management and fundraising. There would be no nexus if there were no expectations about the accountability of higher education institutions.

### ***ACCOUNTABILITY***

Martin Trow (1998) states that “the essence of accountability is the obligation to report to others about the activities of an institution, its parts and members, to explain, to justify and answer questions.” He goes on to note the distinctions between external and internal accountability and between legal and financial accountability and academic accountability. The purpose of accountability to external stakeholders is to “provide assurance of adherence to mission, honest and responsible use of resources, and satisfaction of legitimate expectations.” Internal accountability is the reporting obligation of constituent parts of the university to each other. Legal and financial accountability is the obligation to report on how resources are used and academic accountability is the obligation to report on performance of the institution.

As Trow points out, accountability constrains higher education management from arbitrary behaviour and corrupt practices, may maintain or improve their performance by necessitating critical self-examination and external evaluation, and can be used as a regulatory influence. To the extent that they succeed in doing these things, the accountability stipulations in higher education can reinforce the traditional legitimacy of higher education institutions and maintain and the basis for community support, particularly in respect of continued demand for their services and in terms of financial contributions to their operations.

Publicly owned universities and colleges in the Caribbean have a clear responsibility to report on all aspects of their operations. They report on their financial management, on student enrollment and performance, on academic resource mobilisation and use, on human resource management, on facilities management, and so on. Privately owned institutions have similar obligations

The formal structure for accountability varies across institutions. Typically,

however, the management of institutions is required to report at least annually to a governing body comprised of government representatives and other stakeholders, including staff representatives and student representatives. In the formal structure for publicly owned universities and colleges, governments may be said to represent the public interest but specific provision for the inclusion of particular interest groups is expression of the conclusion that broad public interest representation is not sufficient or acceptable to particular categories of stakeholders. The expansion of governing bodies to accommodate disaggregated stakeholders if pushed too far, may unintentionally weaken accountability by reducing opportunities for effective participation by individual members. In such situations, the work of governing bodies may become not only formal but ritualistic and devoid of practical meaning.

The structure for external accountability frequently supplements governing bodies by several committees exercising delegated authority of the governing bodies. The most prevalent ones are finance and general purposes committees which replicate the composition of the governing bodies. These committees by virtue of their decision powers and involvement in the management of the institutions, transgress the boundaries between accountability as a reporting relationship and autonomous decision-making and management. They also cross the boundary between broad guidance and strategic direction and instructions and directives. By this intrusive means, governments as stakeholders or as embodiment of the public interest weaken the autonomy of higher education institutions.

Various stakeholders sometimes insist on separate accountability arrangements. A fairly common instance of this is the requirement for separate accounting and reporting on earmarked funds emanating from charitable foundations, corporate donors and multilateral institutions. These make a direct link between accountability and fund raising. Because they are cost-increasing, they also add to the difficulty of financial management.

Students as stakeholders also have their own mechanisms for accountability, uniquely in the informal instrumentality of protest demonstrations. There has always been a self-interested concern with curriculum and instructional quality which encompasses the quality and availability of academic staff and the quality and accessibility of the supporting infrastructure. Their concern extends to the quality of administrative services impinging upon student enrollment, examination and graduation. They include amenities and services unrelated to the education process. However, the sensitivity to higher education management performance by students has been accentuated by the adoption of substantial user charges. Tuition fees and other charges connote a seller-purchaser relationship (implicit contract) in which students as customers seek justification of the price of higher education services as well as require quality with an insistence not characteristic of zero-tuition situations. Higher education has in effect become a commodity

and with this change has come accountability in market terms. Effective response would require a quite significant shift in the mindset of higher education managers. They must cease to see themselves as benefactors of students but instead as suppliers of services in a market which validates the quality of their management and institutional performance. They along with their counterparts in the academic departments must become much more responsive to student assessment and to the wider community's opinion of their academic products. This is not a soft challenge for especially in respect of their curriculum long-established universities and colleges are notoriously slow to change. Woodrow Wilson, former U.S President and President of Princeton University is reported to have said that it is easier to move a graveyard than to change the curriculum.

### ***TRUST***

Accountability is an alternative to trust. Efforts to strengthen accountability usually are accompanied by efforts to weaken trust. Trust itself must be earned and can only be earned and maintained if the management of higher education institutions is scrupulous in its compliance with principles of sound and effective management, particularly manages its finances with probity and prudence, and is seen to be in faithful pursuit of the community's welfare.

Trust, once eroded by arbitrary behaviour, financial transgressions and waste, and by disregard for the public interest is extremely difficult to regain. The role of trust as an alternative to external accountability places a high premium on the adequacy and effectiveness of the higher education institutions' own internal systems of management, control and accountability. Failure or inadequacies of those systems may signal the need for strengthened external accountability, often of a more pervasive and intrusive nature. It is therefore critical to ideals of academic autonomy that higher education institutions keep their houses in order.

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