



ISSUE BRIEF

Financing Higher Education:
A Myriad of Problems,
A Myriad of Solutions

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Executive Summary

The existence of high-quality, accessible, and affordable institutions is a key indicator of a nation's progress, and developed and developing countries alike are attempting to respond to the growing demand for higher education. However, this demand comes with a price. The “massification” of higher education can place a strain on the fiscal resources of a country and has forced many countries to refocus their priorities and develop innovative funding strategies to address the demand.

Countries respond to this dilemma differently. Many are creating legislation and strategies to address the financial challenges of higher education, including government and research grants, student/family personal income, loans, tax incentives, corporate investment strategies, and philanthropic gifts. The success of these strategies varies, often according to the country's prevailing economic and political conditions.

This paper uses a multicountry perspective spanning four countries—the United States, Mongolia, South Africa, and Ukraine—to highlight a number of strategies and challenges related to the creation and implementation of suitable higher education finance policies. It draws attention to the financial imperatives that affect higher education in the four countries and provides an overview of current policies, contextual influences, identified weaknesses, and proposed recommendations. Despite the fact that each country has a unique postsecondary context, all four countries grapple with strategies to ensure access to higher education for disadvantaged students and, more important, to ensure a high-quality education for all students.

The analysis suggests a number of findings. The first step in policy planning is to conduct a thorough needs analysis—an understanding of the operational environment and the social context is important to direct funding to the areas of greatest need. Then, policies should be created that can be expected to have a significant impact and that will not exceed the resources available to the government. Policymakers must garner significant political support from various constituents. A critical dialogue among policymakers, civil society, and political administrators is essential to create a sustainable framework within which policy can emerge. Whatever policy is decided upon, the financial and political resources must be available to ensure effective implementation. ❧

Introduction

At a time of sweeping socio-political changes, the postsecondary education systems of many countries are under keen scrutiny. This is due in part to the growth in demand for higher education and the simultaneous lack of resources to fund expansion. This dilemma presents major problems in attaining goals to improve access, quality, and equity.

The existence of high-quality, accessible, and affordable institutions is a key indicator of a nation's progress, and developed and developing countries alike are attempting to respond to the growing demand for higher education. However, this demand comes with a price. The "massification" of higher education can place a strain on the fiscal resources of a country; indeed, it has forced many countries to refocus their priorities and to develop innovative funding strategies to address the demand.


Different countries respond to this dilemma differently. The literature is rich with examples of how countries are creating legislation and strategies to address the financial challenges of higher education, including government and research grants, student/family personal income, loans, tax incentives, corporate investment strategies, and philanthropic gifts, to name a few. The success of these strategies vary, sometimes according to the country's prevailing economic and political conditions. This paper uses a multicountry perspective spanning four countries—the United States, Mongolia, South Africa, and Ukraine—to highlight a number of strategies and challenges related to the creation and implementation of suitable higher education finance policies. It highlights the financial imperatives that affect higher education in the four countries. It provides

an overview of current policies, scrutinizes the contextual influences, assesses the identified weaknesses, and proposes recommendations. Each country has a postsecondary context shaped by unique economic and political forces. However, all four countries grapple with strategies to ensure access to higher education for disadvantaged students and, more important, to ensure a high-quality education for all students. To create a comparative framework, we asked the following questions with regard to each country:

- To what extent does the country's postsecondary finance strategy affect educational equity?
- Are the existing policies effective? How might they be improved?

While the responses to these questions are varied, the unifying thread is a core desire to advance policies that promote equity and access for underserved populations. In some countries, the policies focus on providing funding to institutions; other countries look at financing education through direct benefits to students. Usually, both approaches are used to help students gain access to higher education.

This paper does not attempt to provide comprehensive solutions to the funding challenges in these four countries. Instead, through the multicountry perspective, it attempts to identify their common and unique funding challenges and show how each country is addressing these issues. Through a set of overarching recommendations, the paper encourages further dialogue and research. Policymakers and stakeholders who face challenges in financing higher education in their countries can use those conclusions as a starting point for discussion.

The paper is part of a series of papers produced for the Global Policy Fellows Program, an initiative of the Institute for Higher Education Policy. The goal of the program is to bring together policy analysts from around the world who are interested in developing higher education policies that improve the opportunity for and success of higher education. Other topics in this series include higher education and workforce development, the transitions between secondary and postsecondary education, and the trend toward privatization in higher education.¹ 

¹ For more information about the program, see www.ihep.org/programs/global-policy-fellows.cfm.

Country Contexts

In order to understand trends in financing across countries, each of the four countries is analyzed to set the context for discussion. In addition, each country section provides an overview of policies and recommendations for the future.

MONGOLIA

Mongolia provides almost no government support to institutions. All aid is directed to targeted student populations in the form of student loans, merit scholarships, and tuition assistance for disadvantaged populations. Another difference from many countries is that the Mongolian government is actually hoping to decrease enrollment numbers rather than increase them, because of concerns about sustainability and quality. As Mongolia transitioned from a centrally planned to a market economy, the government tried to decentralize higher education to make institutions financially self-sufficient; this had the effect of providing access to large numbers of students but with little oversight.

In 1991, parliament authorized the establishment of the first private higher education institutions (HEIs). The majority of institutions created were established for specific types of curricula, especially foreign languages, business studies, Mongolian culture, and law. By the 2006–07 academic year, Mongolia had 170 HEIs—48 state-run, 116 private, and six branches of foreign institutions—with 142,411 students (*Deed bolovсролын салбарын нэгдсэн үзүүлэлт* 2007). Most are concentrated in the country's capital city. The number of students enrolled in HEIs has been steadily increasing since the 1990s. "In 1990 less than 30 percent of high-school graduates in Mongolia, a country of about 2.8 million people, went on to college. Now more than 80 percent do" (Lin-Liu 2005). However, only one-third of the students are in private institutions. Consequently, a great majority of faculty members work at state-run HEIs. According to official

statistics, 6,818 full-time faculty are employed in state-run institutions, and 2,316 are employed in private institutions (*Deed bolovсролын салбарын нэгдсэн үзүүлэлт* 2007).

Mongolian higher education institutions are classified into three categories: colleges, institutes, and universities. The country has 11 state-run universities and three private universities. The biggest state-run university, the Mongolian University of Science and Technology, has 21,113 students; the biggest private university, Ikh Zasag, has 5,247 students. Most of the private institutions (85 institutions) have fewer than 500 students; many have fewer than 100. Since the 2000–01 academic year, enrollment at higher education institutions has increased to 142,411 students in 2006–07 from 84,985 in 2000–01; 93,478 attend state-run institutions (*Deed bolovсролын салбарын нэгдсэн үзүүлэлт* 2007).

One of the most striking features of the Mongolian higher education system is its complete financial self-sufficiency. Once entirely supported by the government, the state-run HEIs have suffered a drastic cutback in public funding since 1990. In January 2003, the government stopped paying for heat and electricity, which constitutes about 10 percent of the institutions' budgets.

The universities are forced to rely primarily on student tuition fees for survival. For example, in 2006, student tuition fees made up 91 percent of the total income of the National University of Mongolia, the oldest and best university in the

country; the rest of its income came from its auxiliary enterprises. The university spends 62 percent of its income on salaries, but they are incredibly low. To make ends meet, many faculty members must also teach part-time at private institutions. The teaching load of a professor who works at both a public and private institution can reach 24 to 26 contact hours a week.

Scholarships and loans cover only a little over 60 percent of tuition, and students are responsible for the rest. Furthermore, funding for student loans falls short in relation to the number of qualified applicants, so the government sets quotas for institutions. Candidates who qualify for scholarships and financial aid are funded before those who qualify for loans.

Even though the large numbers of students attending college seem to imply access, the lack of financial support creates a situation in which quality is a concern. With a lack of public oversight and funding, there is no effective mechanism to ensure and improve the quality of the education offered by Mongolian universities. Thus, critics charge that “the government is taking the virtue of self-sufficiency too far” (Lin-Liu 2005).

Overview of Impending Funding Policies

The current policies affecting higher education in Mongolia stem from the “*Master Plan to Develop Education of Mongolia in 2006–2015*” (Ulaanbaatar, 2006). It addresses multiple aspects of the higher education system, including financial support for students and the funding of the institutions themselves. The financial plan it lays out is aimed at relieving the burden of students who are unable to pay even the low tuition fees and enabling institutions to provide adequate salaries.

The government partially pays the tuition of orphans and handicapped students from extremely poor families. It also pays the tuition of one student per family if the student’s parents are employed by the government, if the student comes

from a herdsman family with fewer than 700 animals, or if a family has three or more students. The government offers scholarships based on winning an educational competition or earning consistently high grades in school.

The government also provides some student loans. The loan policy primarily targets low-income students, such as those who have a parent who has suffered a complete loss of earning capacity and those whose parents are both retired. Other policies target specific fields of interest to the government: engineering, technology, science, agriculture, and education. Still other policies encourage students to study abroad or enable those with high grades to continue into graduate school.

In terms of institutional funding, the government plans to pay the operational costs of higher education institutions and to increase that payment by 10 percent every year. In addition, the government will increase its investment in higher education each year by 8 percent. Finally, the government is committed to initiating a professional development program to help train faculty members abroad. Despite the general lack of financial commitment to higher education institutions in recent years, the Mongolian government appears to be showing an increased interest in supporting higher education.

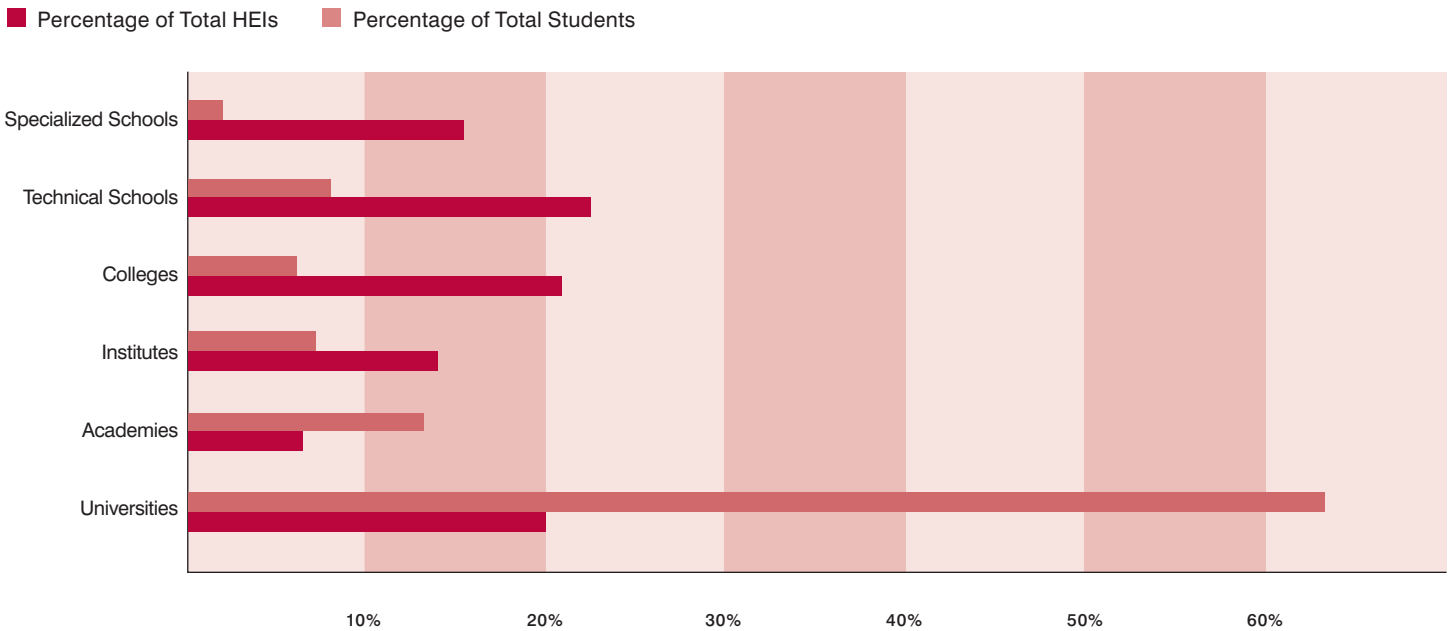
Financial Policy Recommendations

Without financial support from the government, there are few incentives for universities to improve the quality of education they offer. Low salaries and poor working conditions have made faculty recruitment difficult, which has led to lack of access for many students. The most important policy needed to ensure wide access to a high-quality education is for the government to provide various forms of institutional support.

Furthermore, government financial support of individual students does not ensure access for all students with financial need. While many disadvantaged students are supported,

FIGURE 1

Distribution of Higher Education Institutions and Students



SOURCE: AUTHOR CALCULATION. BASED ON DATA TAKEN FROM WWW.OSVITA.ORG.UA/ABITUR/ENTRANCE/RATINGS/19.HTML

many others have outstanding need. The government could improve the situation by changing the system of supporting students from the families of government workers and creating a formula that considers each student's need and merit.

The government should consider innovative methods to raise the funds for these initiatives. One proposal is to form public-private partnerships in which the government collaborates with commercial banks to create a new student loan program. The idea is to mobilize the resources of the banks to expand student loans, while the government guarantees the loans and subsidizes the banks with student loan interest (Sukhbaatar 2007). Another idea is for businesses in need of college graduates to provide support for certain degree programs to ensure an adequate supply of skilled workers in the future.

Mongolia continues to grapple with the change from a planned economy to a market economy and with how it will provide educational access to its population. In the face of growing interest in attending an institution of higher education and regulations that permit the rapid expansion of the educational system, government financial policies will greatly affect the status of higher education. Some measures to improve the financial situation for students and institutions are in place, but much more should be done to ensure equal access to higher education for all eligible students.

UKRAINE

Like Mongolia, Ukraine is experiencing changes in its higher education system resulting from the country's changed market structure. With the reduction in government budget support, the system faces numerous financial challenges. At the same time, owing to the creation of more institutions and institutional levels, an ever larger proportion of the population is pursuing higher education. And the system must also cover the costs associated with aligning its higher education curriculum with those of other European nations. At the same time, the government is trying to develop new sources of funding to support students with financial need.

In the 2006–07 academic year, nearly 920 higher education institutions existed to serve 2.8 million students (more than 70 percent of all high school graduates). The total includes 368 institutions at the III and IV accreditation levels (those that offer postgraduate academic degrees) (FIGURE 1).

The Ukrainian Law on Higher Education (2002)² specified types of funding on the basis of HEI ownership. The Ukrainian education system has three main types of HEIs: state (public), private, and communal institutions (FIGURE 2). Almost all Ukrainian HEIs are owned and financed by the government. This includes community institutions, which are under the administration of local public authorities. In addition to

² Law of Ukraine on Higher Education (2002) #2984-111.

FIGURE 2

Distribution of HEIs in Ukraine by Ownership

HEI TYPE	TOTAL NUMBER			PERCENTAGE		
	State	Communal	Private	State	Communal	Private
LEVELS III-IV						
Universities	140	6	38	28.0%	2.7%	19.1%
Academies	47	2	9	9.4%	0.9%	4.5%
Institutes	40	5	80	8.0%	2.3%	40.2%
Conservatories	1	0	0	0.2%	0.0%	0.0%
LEVELS I-II						
Colleges	66	78	55	13.2%	35.3%	27.6%
Technical Schools	192	4	14	38.4%	1.8%	7.0%
Specialized Schools	14	126	3	2.8%	57.0%	1.5%
Total	500	221	199	100%	100%	100%

SOURCE: BASED ON DATA TAKEN FROM WWW.MON.GOV.UA (2007)

providing funds for institutional costs for public HEIs, the government had been covering tuition for about half of all students (2006–07 academic year). However, the rate of student support varies by institution, covering more than half at some and falling to 20 percent at some HEIs. The rest of the students must pay for their education. In the 1990s, the state covered tuition for approximately 95 percent of students; now it supports about less than half,³ approaching one-third by the 2007–08 academic year.

About 66 percent of students in both public and private HEIs pay full tuition, and the number is increasing every year. Tuition levels established by private institutions depend on the general economic index, specialization, and location; they are usually the same as or lower than those at the closest corresponding public university. Two problems are obvious. First, tuition levels are poorly regulated; they are established by each institution

according to its own vision, popularity, prestige, needs, and other factors. Second, private institutions compete with public HEIs, although they have completely different financial opportunities and no government support. Inadequate funding—combined with growing inflation, an underdeveloped tax system, and the lack of free market experience in the educational sphere—results in low faculty salaries and a lack of technological and informational resources. These factors lead to a lower quality of education.

Although the current political scene is chaotic and constantly changing, all the main political players support certain social development priorities. However, frequent changes in leadership create some inconsistencies. For example, on the one hand, Ukraine joined the Bologna Process in 2005 and is implementing all the elements of the process (*National Report on the Implementation of the Bologna Process 2006*). According to the National Education Development Doctrine (2002),⁴ equal access to quality education is the main goal of the reforms, which are aligning Ukrainian education with western standards and ensuring its competitiveness in Europe.⁵ On the other hand, the government did not ensure that all the elements required by

³ Based on Ministry of Education and Science of Ukraine, www.mon.gov.ua (2007).

⁴ National Educational Development Doctrine (2002) N347/2002, available at www.mon.gov.ua/laws/Ukaz_Pr_347.doc.

⁵ Resolution of the Ministry of Education and Science on the Plan of Action to Ensure Quality of Education in Ukraine and its Integration in the European and World Community by 2010 (#612, 2007).

the Bologna standards (e.g., curricular development, teaching quality improvement, and provision of technical equipment) were sufficiently supported in the 2008 budget.

Overview of Current Funding Policies

Ukraine provides financial support for higher education through both institutions and students. The primary goal is to provide equal access to quality education. The two main challenges in this endeavor are (1) intense competition for entrance to prestigious universities (those that can pay to attract the best professors) and (2) a lack of incentives for state institutions (which receive fixed funding regardless of performance) to improve student outcomes.

In addition to funding for universities, the government provides a stipend for every “budget student.” These stipends (\$20–\$60 per month) are paid to students by the university and are of two general types: academic and social. Academic stipends are paid to all budget students who meet the minimum course requirements; they do not vary significantly on the basis of performance. Social stipends are paid to students in certain groups, such as orphans and students with special needs, regardless of their academic standing. The best students from this category may also receive academic stipends. In addition to the government stipends, there are 700 merit based presidential academic stipends, 500 parliamentary stipends, 100 stipends provided by the Cabinet of Ministers, and several stipends in memory of well-known Ukrainian academicians.

The stipend system was originally designed to support students who had already entered higher education institutions. Ukraine does not have a government scholarship system beyond the stipend system for budget students, with the exception of scholarships for high school graduates who win prizes in national or international science competitions.⁶ Students may request a government loan to attend a public or private higher education institution.⁷ The loan is offered for 15 years at 3

percent interest. The aim is to enable high school graduates to select a university and a field of study, but the requirements are not clear. The decision to approve or deny a loan is made by the university administration and representatives of the Ministry of Education and Science, and the process is neither open nor transparent. In the 2006–07 academic year, only 88 students were offered a government loan for higher education.⁸

Fiscal policies will continue to be adjusted as Ukraine transforms into a market economy and aligns itself with the European Union. As education is certainly a priority for growing economies, higher education can expect that its financial situation will adjust to reflect the new realities of the economy. Improving access to education is imperative, and financial policies are one of the most important methods for doing so; however, Ukraine still has many problems because of its political history.

Financial Policy Recommendations

The first step to create a stable higher education sector is the continued decentralization of funding; in other words, increasing the amount of government funds to local administrations. The funds should be distributed according to a rigorous monitoring and evaluation process based on objective performance criteria. A competitive funding system would help ensure that universities maintain or improve their quality, which would then increase access to a quality education for all students.

Various mechanisms for encouraging private financing should be developed and implemented. These mechanisms might include tax credits, providing scholarship money, and ensuring future job opportunities with businesses that require students with postsecondary training (Bogolib 2006). The encouragement

⁶ See Ukrainian Law on Education (1991) and Law on Higher Education (2002) for more information.

⁷ Cabinet of Ministers Resolution on Provision of a State Loan for Higher Education (#916, 2003).

⁸ Ministry of Education and Science official website (www.mon.gov.ua), Report (2007).

of philanthropy is a legitimate tool for both public and private HEIs. The government is unlikely ever to be able to provide financial assistance for all students who have need, so donations and stipends should be encouraged in any way possible.

The government loan system should be revised, clarified, and expanded. A commercial student loan system like those in other countries could be an alternative source of funds to cover tuition fees. Because of insecure credit mechanisms in Ukraine, the requirements to borrow money are very complex. A guarantee system is needed to encourage banks to offer loans that are accessible for low-income students.

Government budget mechanisms should be revised to shift allocations from institutions to students. More government funds should be used to cover tuition rather than institutional costs in public universities. The government should also consider paying universities on the basis of enrollment. This might be an incentive for universities to compete for students and, in the process, improve educational quality across the board. To succeed in reforming its higher education system, Ukraine must make multilateral changes that address economic, legal, educational, social, and labor issues (Yaremenko 2006). Reforms should be developed and implemented not only by the Ministry of Education, but also by the Ministry of Finance, Ministry of Justice, local and international experts, nongovernment organizations, private businesses, and other key players. The success of this endeavor will depend in part on the informational component—letting potential students know what they need to do to prepare for university-level studies and enhancing students' ability to find and apply for financial support. These changes would motivate highly qualified faculty members to stay in academics rather than moving into business or other activities in search of higher earnings and would, therefore, ensure better quality higher education.

The Ukrainian education system has many fundamental strengths (e.g., free higher education for a substantial portion of the nation's students, stable state funding of public institutions, and European integration), and the law requires equal access opportunities. The main objective of reforming the education system is to develop an efficient mechanism to implement the nation's stated legal principles and guarantee de facto equal access to higher education. With continued reform of financial policies, greater access to higher education for all students can be attained.

SOUTH AFRICA

In South Africa, as in the other three countries, higher education planning and implementation are inextricably bound to the broader socio-political developments in the country. These developments have had a profound effect on higher education, particularly finance. Before 1994, education was regulated through apartheid legislation; it was authoritarian, racialized, segregated, and bureaucratically centralized. With the onset of democratic governance, the African National Congress (ANC) government received a massive mandate to redress the inequalities of the apartheid legacy. Policy-shaping documents such as *White Paper on Education and Training* (1995), *Programme for the Transformation of Higher Education* (1997, 1998), *Report on South African Curriculum for the Twenty-first Century* (2000), and *National Plan for Higher Education* (2001) shaped an educational policy agenda that drove the government's political, economic, and social transformation. Although education was a primary focus area, it had to be juggled along with other social priorities, such as housing, economic development, and health care.

Currently, South Africa has a vibrant and rapidly emerging higher education sector. Until the late 1980s, this sector consisted of 36 public institutions—21 universities and 15 technikons—that served approximately 550,000 students. After the first democratic elections in 1994, the enrollment figure for

tertiary education increased by 28 percent, mainly at the Historically White Universities (Subotzky 2007). A combination of factors—particularly rationalization (various cost cutting measures such as reducing staffing and infrastructural expenditure) and a decline in enrollment at Historically Black Institutions—caused a slight overall decline in the late 1990s.

South Africa illustrates the relationship between policy development and political hegemony. Higher education policy is undeniably influenced by the political agenda of the ruling party. This has resulted in a plethora of educational policies with scant regard for capacity or the resources needed for implementation. Jansen (2000) says, “South Africa’s fascination with new policy statements, rather than their implementation, may continue to constitute the dominant mode of policy engagement in education.” The practice of developing policy to appease a political mandate without consulting with the civil society or thoroughly appraising potential long-term effectiveness is a major stumbling block to a sustainable funding plan.

In addition, South Africa’s reentry⁹ into the community of nations has had both positive and negative consequences. One advantage was the country’s acceptance onto the international stage, with increasing interactions in trade, politics, arts, and culture. The downside was increased economic competition and the scrutiny of South African macro-economic policy by institutions such as the World Bank, which emphasizes fiscal discipline. This scrutiny resulted in a new macro-economic policy—GEAR (Growth, Employment and Redistribution)—which put a cap on government spending (Jansen, 2000). South Africa, like many other emerging economies, is a nation in transition; it is transitioning from socio-economic and political systems that placed severe restrictions on the economic and political development of the majority of the population. With severe backlogs in the development of infrastructure, the government is unable effectively to fund higher education. Various funding options

and strategies have been developed, including legislation that provides tax benefits for educational funding. These initiatives are still in the early stages and have not yet had any meaningful impact.

Overview of Current Funding Policies

South Africa’s finance strategy for higher education pursues equity and access in higher education. The strategy is outlined in a government white paper (*White Paper*, 1997), and the *National Plan for Higher Education* (2001) articulates the broad developmental objectives. The policy regarding equity was an attempt to create fairness in the supply of quality education, especially benchmarked against what was available under apartheid.

One of the first steps was to open the higher education institutions to all. Racial classifications were removed and thorough institutional audits were carried out, culminating in a radical overhaul of the higher education system. This overhaul included a severe rationalization process in which a number of HEIs were closed and others merged.¹⁰ The process was undertaken in accordance with macro-economic policy to eliminate duplication and enhance financial and resource efficiency.

Despite the reduction in the number of institutions, enrollment increased steadily, and the government’s financial strategy did not keep pace. As a new democracy proving itself to the world, the government had to be seen as applying policies in keeping with the recommendations of international agencies such as the World Bank. The fiscal discipline practiced by the South African government pleased foreign donor agencies but had a negative impact on service delivery because of the vast and diverse post-apartheid redress that was required. The current

⁹ During the apartheid era, South Africa was a pariah state, scorned and ostracized by most countries.

¹⁰ The number of higher education institutions was reduced from 36 to 23 (De Villiers & Steyn 2007).

funding framework in higher education flows from the 1997 white paper. On the basis of institutional audits, funding efforts aimed to improve efficiency. The white paper recommended the following:

- Reducing costs through a transparent allocation of public funds
- Reducing duplication and overlap in service provision
- Broadening the use of less labor-intensive teaching and learning strategies, including distance education and resource-based learning

Cost reduction was relatively simple, but revenue generation proved more challenging. The new funding framework is a distributive mechanism that allocates government funding to individual HEIs in accordance with government policy priorities (*South African Government Gazette*, 2003). Funding is allocated according to the Medium Term Expenditure Framework (MTEF). This is a three-year rolling budget that is monitored on an annual basis and reviewed in terms of how expenditure is measured against identified output benchmarks. Making funding conditional on meeting benchmarks places the responsibility for accessing government funds on the higher education institutions. The period from 1986 to 2006 saw a steady decline in government spending on higher education, from 0.86 percent to 0.66 percent of GDP (De Villiers & Steyn, 2007). The broad expansion of higher education remains a fundamental government project, but it presents the challenge of promoting access to higher education while simultaneously reducing funding.

The importance of higher education spurred the government to explore a strategic mix of funding sources, such as making learners from high-income families responsible for their own tuition, establishing the National Student Financial Aid Scheme (NSFAS) for students from poor families, and providing various

output grants, including financial subsidies to, for example, departments that cater to what are deemed 'scarce skills' such as engineering. Another innovation in the funding mix is harnessing the corporate sector as a vital funding resource as part of a broader corporate social investment initiative. Currently, tax relief is available to companies that provide funding for higher education.¹¹

Of the postapartheid redress initiatives, those that pertain to access employ the most innovative strategies for the development of higher education. The 1997 white paper emphasized equal opportunity both to enter higher education and to succeed in it. Because success in higher education is contingent on quality secondary schooling (a sector that was neglected for the Black population during the apartheid era), the government funded a series of short- to medium-term strategies referred to as "bridging" or "access" programs. These programs have enabled many learners who would not have qualified by virtue of their academic preparation to enter higher education, and they have improved the success rates for many students. Not only do the programs promote entry to higher education, they have developed into a multifaceted approach that includes financial support, academic support, and life skills training. Meeting the demands of a burgeoning higher education sector beset with the inequities of the apartheid legacy and constrained by fiscal discipline is a unique accomplishment of the ANC-led government.

Although policy objectives might not have been completely achieved, the principles of access and equity have been vigorously pursued through policy discussions, debates, and, to a limited extent, in practice. Some successes are apparent; for example, a sharp increase in enrollment in HEIs (Subotzky 2007) and (although overall government

¹¹ South African Income Tax Act of 1962 Section 18A.

funding to higher education as a percentage of GDP has decreased steadily over the years) a steady increase in funding for the NSFAS (De Villiers & Steyn, 2007). This funding has boosted access, especially for indigent members of the population.

Another significant achievement was to involve the corporate sector through corporate social investment initiatives and, where appropriate, tax benefits. Government funding of academic support/bridging/foundation education programs at many HEIs also has promoted access and equity. Initially promoted by the corporate sector to stem the effects of the brain drain and to redress the racial profile in certain professional disciplines such as engineering, these programs have received vigorous support from the government. Currently, most HEIs offer some kind of academic support programs, and a significant percentage of NSFAS funding is channeled to academic support.

Financial Policy Recommendations

From the initial tenuous implementation of policy recommendations, we can assume that in the early stages of democracy, the government had inadequate expertise in policy development and a lack of capacity for policy rollout. Many of the policies were perceived as political symbolism (i.e., the government was appeasing its political constituency), and the lack of meaningful impact evoked much criticism. Undoing and remediating many decades of an oppressive and pervasive

political system will be an ongoing challenge for the postapartheid government for many years to come.

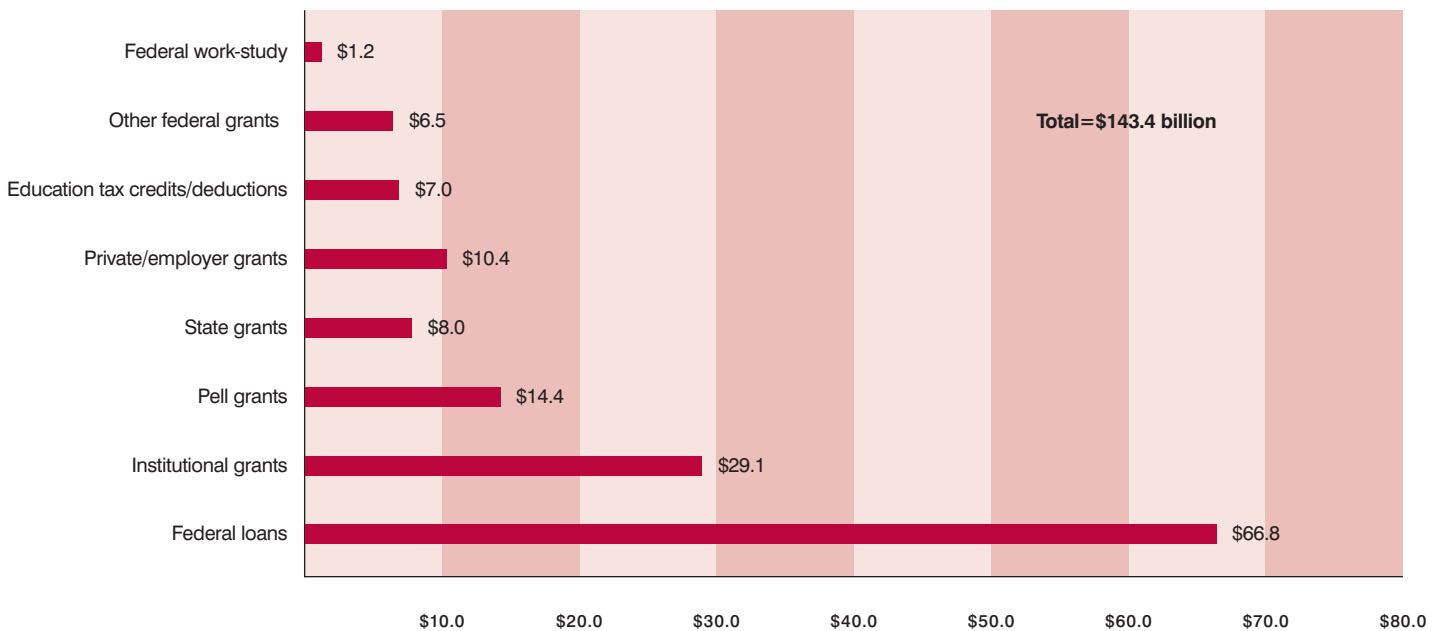
With regard to higher education in South Africa, policymakers first need to thoroughly analyze the financial situation to understand which institutions have adequate financial support and which may not be providing quality education to their students. It is also important to address the results of oppression and continue with bridge programs for Black students. Ongoing dialogue among stakeholders will help convince concerned citizens that the government is truly invested in providing greater access to students and it is not merely indulging in political pandering.

Although the current policies are based on solid theory, none of them address the possibility of failure or make allowances for possible problems in implementation. Programs will encounter difficulties, and the government must plan for them and discuss where it will find the resources to deal with them.

Finally, South Africa's unique political situation has left it with weakened state bodies. With the demise of apartheid came a demise in policy implementation. It is essential that state bodies, such as the legislative and judicial systems, be given the strength to roll out new policies. It is also essential that financial support be provided not only for students and institutions but also for the bodies that will ultimately ensure the success of policy implementation.

FIGURE 3

Undergraduate Student Aid by Source (in Billions), 2007–08



SOURCE: COLLEGE BOARD 2008
NOTE: DOES NOT INCLUDE NONFEDERAL LOANS.

While South Africa has made some strides in implementing fiscal policies beneficial to the higher education sector, continued diligence is important to correct the inequalities left from apartheid. Current policies are, to some degree, addressing the issues of access and equity; however, the criticisms noted are valid and should prompt ongoing review.

UNITED STATES

In the United States, policy discussions consistently focus on achievement gaps among low-income students and ethnic/racial minorities. While some of the persistent factors underlying the lower achievement of these groups stem from problems in the primary school system, the rising cost of higher education is also a definite barrier. The political context of the United States holds an inherent tension between providing services for those who are unable to provide for themselves and the idea of individual self-sufficiency. Nowhere is this tension more apparent than in policy discussions on postsecondary education. Policies to relieve the financial burden on individuals are contrasted with policies that address institutional concerns from the market economy.

The American postsecondary system has more than 4,000 institutions, serving nearly 18 million students (U.S. Department of Education 2007). The system consists of non-profit and for-profit institutions, public and private institutions, and two- and four-year institutions. They vary in student body

composition, size, mission, and governance. Although diverse, these institutions share a fundamental goal: to educate students. However, educational opportunity and access to a quality education is unequally attained. While the percentage of the U.S. population receiving a college education increased during the late 20th century, further expansion of educational opportunity is needed for the United States to maintain its economic solvency and global competitiveness. However, many students encounter obstacles on the path to a bachelor's degree. In fact, recent census data show that only 27 percent of the general population has attained at least a bachelor's degree (U.S. Census Bureau 2004).

For more than a half-century, discussions of educational barriers have figured prominently on the national agenda. In the 1940s, under the leadership of President Harry Truman, the Commission on Higher Education articulated the nation's commitment to "eliminate the barriers of equality of educational opportunity." Sixty years later, in 2007, the Commission on the Future of Higher Education, under the direction of Secretary of Education Margaret Spellings, found that this goal was still largely unfulfilled. The commission's report—*A Test of Leadership*—reiterated a widely known truth: "Access to American higher education is unduly limited by the complex interplay of inadequate preparation, lack of information about college opportunities, and persistent financial barriers" (Secretary of Education 2006). Numerous studies have shown persistent gaps in college attendance and graduation rates for

low-income students and racial/ethnic minorities (ACCSFA 2002, 2006). About one-third of White students who first began in 1995–96 attained a bachelor’s degree by 2001, while only 17 percent of Black students and 19 percent of Hispanic students earned degrees (Berkner et al. 2002). Academic, informational, and financial barriers were among the factors influencing these low attainment rates. The interaction of these factors is complex and nuanced, but a primary indicator that affects even students who are academically prepared and well-informed is financing postsecondary education.

Overview of Current Funding Policies

One of the most critical issues affecting the American higher education system is the rising cost of college. But while many families encounter difficulty paying for a college education, it is important to remember that students and their families pay only a fraction of the cost. Funding comes from a variety of sources: federal and state governments, institutions, and the private sector. Nevertheless, over the past 25 years, average tuition and fees have increased faster than inflation, per capita family income, consumer prices, and health insurance (Wellman 2007). Student financial aid—particularly grant aid—has also increased during this period, and new forms of financial aid, such as income tax credits, have been introduced, but the additional monies have not kept up with tuition increases.¹² The erosion of state funding, the increase in institutional expenditures, the drive for institutional prestige, and a decline in the purchasing power of student aid are all symptoms of the affordability crisis.

To help students and families manage college expenses, a system of financial aid (which includes assistance from the federal government, state government, and institutions) was established. The federal government spends a significant

amount of money supporting higher education, much of it in the form of student aid. During the 2007–08 academic year, more than \$143 billion in grants from all sources, federal loans, work-study, and tax credits was distributed to undergraduate and graduate students (College Board 2008). Despite changes over the years, these programs have remained consistently focused on providing access and opportunity to underserved students.

In addition to federal support, states and institutions provide aid to millions of students. When state economies are thriving and appropriations for higher education increase, institutions generally can serve their students well by maintaining current tuition levels, increasing support services for students, and increasing financial aid. However, when state appropriations decline, the students feel the effects most acutely, as tuition increases and financial aid decreases.

The impact of reduced state appropriations and higher college prices can increase the demand for student financial aid.¹³ In the 2005–06 academic year, the states awarded about \$8.5 billion in student financial aid. Most of the aid was in the form of grants, both need-based (73 percent) and merit-based (27 percent). In the past decade, funding for merit-based aid has grown nearly three times faster than that for need-based aid. In 2005–06, states also provided more than \$1.4 billion in non-grant student aid, including loans, work-study, and tuition waivers. Loans accounted for approximately 35 percent of non-grant funds awarded (NASSGAP 2007).

¹² For more information about unmet need, also referred to as “work and loan burden,” see Advisory Committee on Student Financial Assistance (2002, 2006).

¹³ For more information on state grant programs, go to www.nassgap.org.

Institutions draw on funding from various sources—including state appropriations, tuition and fees, and charitable giving—to sustain operations. A decline in any one of these areas may possibly cause institutions to increase tuition or reduce services and amenities to students. The average amount of appropriations public institutions received from states in 2005–06 was 24 percent of total revenue (U.S. Department of Education 2007).

In addition to federal and state government funding, institutions provide financial aid to students, most often in the form of grants—need-based and merit-based—or tuition discounting. Some of the more prestigious schools have started a trend of awarding largely need-based grant aid to eligible students.¹⁴ Over the past decade, institutional grants have become more important; they now constitute the second largest share of financial aid. In 2007–08, \$29.1 billion in institutional grants was awarded, compared with only \$14.4 billion in Pell Grants¹⁵ (College Board 2008). Funds for institutional support are often derived from endowment funds received as charitable gifts from alumni and private donors.

Financial Policy Recommendations

The contribution of financial aid to college access and persistence is undeniable—it has opened doors for many deserving students.¹⁶ However, despite the good intentions of policymakers, student financial aid is losing ground in the face of competing federal priorities, the retreat of state support, the increase in college costs, and the diminished purchasing power of need-based grant aid. The most important financial policy is one that either keeps the cost of attending college at an affordable rate or that provides financial assistance to students at the same rate as inflation. Many students are left with financial need even after govern-

ment-sponsored loans. They are then forced to take out more costly loans or enroll part time while they make up the difference through a part-time or full-time job. Both options create a situation in which students are less likely to complete their college education.

Some programs provide support before the student reaches college. Programs that stress the importance of completing certain advanced courses in secondary school and those that provide mentoring support for students who are unfamiliar with the college-going process are important to ensure access to higher education for students from disadvantaged backgrounds.

Finally, the institutions themselves must focus on community outreach and unique funding opportunities to make up for the need that remains after government support. Institutions can offer internship or work programs in partnership with local businesses, solicit private donations for scholarships, and make the most of the interest from endowments. To provide increased access for students, aid policies must improve the level of financial support available in real terms. Otherwise, many students who have the ability and desire to succeed will be priced out of higher education. ❧

¹⁴ For more information on these programs, visit the Carolina Covenant website (www.unc.edu/carolinacovenant) and Access UVA (<http://www.virginia.edu/financialaid/access.php>).

¹⁵ The federal Pell Grant provides need-based aid to low-income students to help defray some of the costs of postsecondary education. However, the grants are often faulted for not increasing as fast as the cost of higher education increases.

¹⁶ In spite of these policies, discrepant patterns in enrollment and attainment have existed for decades, suggesting that more work and innovative ideas are needed.

Overall Recommendations

Although each country discussed in this paper has a unique political and cultural context, a few overarching recommendations will help policymakers around the world to focus on access and equity in the higher education sector. With the growing influence of globalization, most countries face similar challenges in this sector, such as the trend toward decreasing government funding and influence in education, and the growing demand for access to higher education by students as well as workers with some postsecondary training.

The first step in policy planning is to conduct a thorough needs analysis. An understanding of the operational environment and the social context is important to direct funding to the areas of greatest need. In many cases, a particular population is at a disadvantage in accessing higher education—for example, rural students, racial or ethnic minorities, or persons of lower economic status. All constituents and historical contexts should be considered in developing fiscal policies for education.

With a thorough understanding of the situation, policies should be created that can be expected to have a significant impact and that will not exceed the resources available to the government. At this point, policymakers must garner significant political support from various constituents. Because of the common mistrust of government, it is especially important to have an open and fair process. A critical dialogue among policymakers, civil society, and political administrators is essential to create a sustainable framework within which policy can emerge.

Whatever policy is decided upon, the financial and political resources must be available to ensure effective implementation.

It is futile to discuss policy matters without considering possible threats that could block effective implementation. Some countries enjoy a stable political system, but many others are facing rapid expansion across multiple sectors or even a change to a completely new form of government. These factors will greatly affect implementation of any new policies, so it is important to have a strong base of support, some flexibility, and the ability to change policies that are not working. Policymaking rarely includes contingency planning, but it is an important factor for successful change. ❧

In addition to the descriptions and comparisons of higher education finance in the four countries, there are unspoken policy assumptions and tensions consistently reported as issues in respective countries. These issues emerged especially in the informal conversations that occurred throughout the Global Policy Fellows program. For example:

- Older and richer members of the established political and academic orders are often concerned that expansion of participation in higher education would dilute quality.
- There was often disagreement among politicians and academics about whether financial aid to individuals should be need based or merit based and whether institutional aid should be focused on elite research universities or on technical and vocationally oriented institutions.
- It is often difficult to get higher education policy discussion to focus on the value of higher education beyond economic development.
- Confusion may exist about what is meant by “private” higher education and “privatization” of higher education. There are differing conceptions of what it means for a school to be private for profit versus non profit; what constitutes a public/private partnership; and at what point government subsidy of private enterprise through loan programs becomes effectively a public program.
- It is important to gauge the political will to fulfill rhetoric about equal opportunity for all and universal access to higher education. However, there is concern about how to measure this rhetoric-reality gap and what policy strategies would be most successful in persuading governments to back promises with financial and policy commitment.

Of all the issues raised in the four nation discussions about policy in higher education finance, these issues—which require understanding culture and politics—were deemed as pressing and in need of further policy work as the always important issues of pure finance.

Conclusion

The four countries highlighted in this paper—the United States, Mongolia, Ukraine, and South Africa—with all their economic, political, and cultural differences, offer a microcosm of the challenges facing higher education globally. The rapid expansion in the demand for higher education has had a significant impact on issues surrounding access, equity, financial sustainability, quality assurance, and relevance, especially in the context of emerging and dynamic economic trends. The need is great for a systemic response, embodied in a widely consulted, non-partisan, and well-resourced policy.

This paper has highlighted the inextricable relationships among policy formulation, implementation, and broader socio-political developments. These complicated relationships are especially evident in South Africa and Ukraine, two countries that have undergone significant political transformation with a concomitant impact on education. In Ukraine, the system has devolved from centralized state control toward a free-market western-style. In South Africa, the impact of apartheid was pervasive, affecting all aspects of society, including education. Mongolia and the United States have not had recent major political upheavals, but both have experienced the global trend of reduced government funding for higher education.

The importance of sound policy formulation cannot be overemphasized. The research is rich with examples of attempts by various state agencies to advance policy formulations. Initiatives such as Mongolia's Master Plan, South Africa's National Plan for Higher Education, and the work of the U.S. Commission on the Future of Higher

Education, are all attempts to advance higher education. Many of the objectives set out in these initiatives are not yet attainable. Critics in South Africa see such initiatives as political symbolism. In Ukraine, many attempts are undermined by corruption and political bickering. Mongolia faces a severe shortage of resources, and the United States struggles to determine how best to aid students who are unable to access higher education.

In reviewing the challenges to higher education policies in the four countries, we have made some recommendations for further dialogue and possible implementation. Countries have unique histories and ideals, and there is no one resolution for all financial policy discussions. However, numerous ideas are presented in this paper that can be used as a starting point for discussions. The ultimate goal of most countries is to provide students with equal access to higher education, in terms of both quantity and quality. Many financial approaches are possible as countries seek to achieve this goal. ☞

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