The Introduction of Cost-Sharing at the Addis Ababa University and the Inevitable Concomitant Demands for Good Academic Governance: Preliminary Observations

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Abstract: Owing to the raging surge of globalization that engendered the inescapable phenomenon of universal interconnectedness among higher education systems as well as among employment markets, academic institutions are finding it increasingly difficult to persevere as suppliers of knowledge that has a global appeal. The situation has posed a threat to their very survival in the social Darwinistic sense of the term in an academic world littered with soul-searching curricular innovations and incredible research breakthroughs. Employment imperatives of today's globalized world seem to cater only to the individual who happens to know all possessing a scholastic résumé that sounds like a recipe for divinity. The cultivation of an individual of that caliber requires among others resources the most critical of which is finance. Therefore, the way higher education is financed, and in a sustainable way, becomes a cause for considerable concern for governments and citizens alike. The same concern by the Ethiopian government metamorphosed into the recent introduction of a cost-sharing scheme in one of the country's oldest universities-the AAU. But the question is that any fee-charging higher education system is expected to live with a number of hard choices and to fulfill a plethora of apparently politically unpalatable demands. Some of the critical exigencies that are the natural antecedents of a non-free higher education system include the notion of the university as a market-driven institution and the accompanying principles of competitiveness and competition. Other equally crucial imperatives that are the corollaries of a fee-charging higher education system and that determine the system's relationship with society include the issues surrounding university autonomy, accountability, social responsibility and transparency. A public that pays for its own education or the education of its sons and daughters demands-and rightly so- a university to be in a position to develop techniques of management, administration and self-verification which balance university autonomy with the obligation to be accountable to society, to demonstrate efficiency in fulfilling its mission and transparency in its manner of achieving it. In brief, a form of "social contract" has to take shape between the university and society. The other highly sensitive issue that invariably arises in the governance of a higher education system that

charges fees is that of academic freedom. Here, academic freedom should not be construed to refer only to the academic community. It should rather be seen as part of a broader human right- that of freedom of information and expression. In situations where there prevail instances of muzzling of legitimate student voices and police harassment of students on accounts of their political persuasion while they bear the brunt of the economic cost of running the system itself, the above otherwise colorful virtues lose any of their values. With that theoretical background, the paper attempts to make a preliminary assessment of the changes that are currently taking shape or that signal future direction in the areas of academic freedom, quality, efficiency, accountability and social responsibility following and concomitant with the very recent institution of the cost-sharing scheme at the AAU. It addresses the question of whether the university is trying to put systems of service delivery that guarantee these democratic values. It also tries to see if the scheme has fulfilled one of its major objectives of having graduates who will volunteer for rural engagements through government placement in return for free education services. More specific issues like the sufficiency of the country's financial infrastructure to ensure effective loan recovery as well as the underlying considerations that led to the determination of the monthly installment amount and the repayment period will be discussed vis-à-vis prevailing local economic demands and constraints. Finally, the paper makes feasible suggestions of how to go about ensuring these values so that the cost-sharing scheme operates to fruition while at the same time securing sufficient additional funds towards delivering educational services of standard quality.

Introduction

Rapidly expanding primary and secondary school enrolments, increased demands for skilled labor, and the growing perception of higher education as a path to individual prosperity fueled pressures to expand higher education opportunities. In the context of developing countries, the effect has been dramatic: higher education enrolments increased substantially at all income levels.

A cross-country regression analysis of the sensitivity of the country's tertiary gross enrollment ratio to the lagged (4-year lag) secondary gross enrollment reveals that for every percentage point increase in the secondary gross enrollment ratio there tends to be a ½ point increase in the tertiary ratio.

But the resources the government allocates to higher education failed to keep pace with the expansion. Maintaining the quality and ensuring needy students' access to higher education, while at the same time containing fiscal expenditures require that institutions either become more cost efficient or bring in more external funds.

The constant search for additional funds in a regime of budgetary strain like ours gives rise to the question of who should pay for higher education with the accompanying equity implications. The first question is whether higher education should be free vis-à-vis parents and/or students. Or the question of whether free or heavily subsidized higher education is equitable.

To begin with, in the African context, the government bears the entire responsibility of controlling, financing and maintaining higher education. This is not, however, without rationales. Primarily, as higher education institutions are the nerve centers of modernization, maximizing access to them would be in the national interest. In other words, the very presence of benefits that accrue to the society at large require, in the economic sense, the intervention of the state. Secondly, free provision is presumed to promote equitable access to educational services. Where higher education is free, i.e. fully subsidized by the state, aspirants come and perceive it as a right rather than a privilege. In such a scenario, higher education assumes the role of a gate keeper to employment opportunities, hence social mobility in which case limiting access to higher education may be equated to denying the right to social mobility. Thirdly, the political motive portrayed in the aphorism, "He who pays the piper calls the tune" lends a strong motive for state intervention.

Further expounding the second rationale, which is the focus of our interest here, it has been suggested that making higher education free would promote access to the poor. The advocates of such a stance cite as their basic argument the fact that if it were not free, the poor would have totally been barred from higher education. However, this reasoning seems to lose vigor as some more enlightening studies came up with more convincing arguments against free higher education.

The prominent educational economist, George Psacharopoulos is one of the opponents of free higher education. According to him, the fact that higher education is free does not in and of itself bring about equalization of opportunities. This is because, he argues, even if it is free, enrollments have to be rationed by non-price means such as competitive examinations (Psacharopoulos, 1977). This situation is further complicated by the limited availability of university places. But the question is why is the non-price allocative mechanism inequitable?

First, competitive examinations favor students from well-to-do families who can afford the direct and indirect costs of private preparation for college entrance examinations. Second, when education is free, the ratio of aspirants to entrants swells up boosting the demand-supply gap. This creates the application of further non- price restrictions to entry likely to have a strong incidence on poor students. In a related tone, as the results scored at national examinations decide the students that would be entering the universities, the quality of education at the lower levels are bound to have a decisive importance. However, generally speaking, better primary and secondary schools are attended by children from well to do families who will have a much better chance of being successful in such examinations and hence get admitted to colleges or universities.

In the case of Ethiopia, in addition to the poor predictive validity of our examination systems, studies have shown that higher income households (8.1 %) have more children in school than the lower income level households (5-8 %) (Tirusew, 1998; World Bank, 1998). It is also estimated that Ethiopian secondary school students, especially those living in the rural areas, spend 82 % of their time traveling to and from school, and 52 % of their time studying outside of school than do primary students making the opportunity cost at this level of schooling very high. More over, the majority of low-income families live in rural areas where there are less qualified teachers and inadequate facilities. This scenario concurs with the economic contention that in a world of unequal incomes, free provision of education, which implies equal subsidization of the poor and the rich, cannot contribute to improve the distribution of income. Therefore, in a highly inequitable society like ours, an indiscriminate price structure becomes regressive. Put another way, if there is unequal partake in the educational process, equal subsidies result in inequity in the distribution of outputs; therefore, equity in outputs can only be expected through unequal inputs (Jallade, 1978).

Generally speaking, equity is said to be a problem in free or heavily subsidized higher education to the degree that:

- Educational opportunities are heavily skewed to the advantage of the children of the elite;
- Those (elite) students receiving the benefit of higher education do so wholly or primarily at the expense of the general tax payer (even if the taxes are entirely hidden through state control of prices and wages); and
- The taxes are collected regressively with a heavy burden falling on the working or peasant classes (Johnstone, 1991).

In the above scenarios, the beneficiaries of higher education become insulated from its costs with regressive effect by way of subsidizing the education of the wealthy (Teshome, 1993). In a nut shell, high levels of subsidy for education do not necessarily ensure equal opportunity and may even result in an undesirable income transfer from the poor to the rich (Psacharopoulos and Woodhall, 1985).

Therefore, if free higher education is not equitable and yet goes on swallowing scarce resources, what other better steps could be taken to alleviate the plight of the poor who bear the brunt of the cost burden but benefit little? The first obvious solution would be to look for a way to guarantee that potential students are not dissuaded from the pursuit of higher education by virtue of their own or their parents' low incomes. This would aromatically imply that more costs be borne by the taxpayer rather than the parent. In many countries, most low income (or rural, or ethnic, or racial minority) youth are barred from higher education due to factors that operate at the secondary school level. The implication here is that measures be taken to minimize these barriers through grants and other forms of assistance in an effort to break the intergenerational transmission of educational deprivation and then promote access to higher educational levels (Johnstone, 1991). The second solution would be levying user fees on those who can afford it or on their parents and guardians through a mechanism known as cost sharing.

Cost- Sharing: Equity and Efficiency Arguments

Cost sharing which refers to all contributions and fees paid by communities and users, whether in kind or in cash, for the delivery of social services has the overriding importance of lowering the demand for government spending (Samoff, 1994).

A number of equity and efficiency arguments are forwarded against cost sharing. First of all, the rate of return arguments usually used by the proponents of cost sharing are ridden with underlying methodological anomalies, as the benefits of education such as honesty and loyalty are hardly quantifiable hence undermining the ability of the rate of return calculations to depict the true picture. In fact, so far it is only revenues from taxes that are used as an input in such a reckoning (Colclough, 1997).

Secondly, it is said that the fact that education is a quasi-public good lends it the characteristic that makes its adequate provision in a free-market situation untenable; education is also considered a merit good in which case the government, which is apparently better and more informed than the general public about the benefits of education, has to intervene for the good of its public (Burgess, 1997).

Thirdly, in certain contexts such as India where cost sharing is not yet introduced, household expenditure on education has already equaled or exceeded that spent by government making any additional household expenditure very unlikely. Furthermore, because of increased educational costs, students may be forced to learn and work at the same time constraining their time for their studies hence decreasing the overall internal efficiency of the level (Colclough, 1997).

However, such generalizations are not unassailable as they are strongly challenged by others who argue in favor of cost sharing. The first basic argument is that cost sharing promotes access. This is because, it is argued, in the current fiscal constraint of African governments and the increased pressure to cut public spending, the ever increasing social demand will not be met under such circumstances. Were such a scenario allowed to continue, then education would end up being an area of chronic underinvestment (Jiminez, 1987). There is also the contention that regardless of whether education is offered free or not, a de facto price selection takes place which favors students from well-to-do families. The fact that education is provided free of charge means that those who go over the selection hurdle are further subsidized. The 1999 National Household Income, Consumption and Expenditure Survey indicates that 71% of Ethiopian tertiary students come from households in the top income quintile. Given substantial regional variations in income and educational attainment levels that may operate at the lower levels of education, access to higher education often favors students from upper income families, especially those from urban areas in the most prosperous regions (World Bank, 2003a). It is also known that the provision of food and lodging in the country's higher education systems accounts for 15% of all recurrent expenses and becomes a cause for serious equity concern since 99.2% of the population (of predominantly poorer youth) are excluded from this welfare subsidy. The other argument is that the price elasticity of demand for education is estimated to be less than unity which implies that an increase in the price of education does not produce a significant drop in demand. The price increase will help generate substantial resources for education allowing more students top get university places (Jiminez, 1987). Similarly, it was argued that if education were totally free, individuals would consume it until they were satisfied and invests in it until it would no longer increase their future earnings (Schulz, 1961). The argument about the propensity of individuals to attach less value to a free service or good hence the attendant tendency they relish to consume it excessively also holds true here (Stiglitz, 1986).

In a nut shell, students -the direct beneficiaries of higher education- are the most obvious source of additional funds as this level's private return of return is greater than its social rate of return; hence recovering at least part of the costs of higher education can be justified on efficiency and equity grounds. Cost recovery is believed to lead to a more efficient use of public and private resources, to make educational systems that tend to attract elites more equitable, and to provide revenues to improve educational opportunities and quality. But, at this juncture, an equally pressing equity concern is worth-noting: recovering costs from students through direct payments is often both economically and politically difficult and raises the problem of how to preserve educational opportunities for students who can not afford to pay. A solution adopted by many countries is loans that defer payment for higher education until students graduate and begin to earn.

Loan Recovery through the Graduate Tax

Conceptual Notes

Student loans have proved relatively more effective in retrieving some of the costs of higher education. In addition to increasing private contributions to higher education by shifting the cost burden from taxpayers to consumers or from the present government and parents to future direct beneficiaries, student loans help to alleviate the burden of educational costs for low-income students (Jallade, 1978).

In different countries, a number of programs offer student credit in the form of mortgage-type loan. In this scheme, repayment is made over a specified period, usually in fixed monthly payments whose level depends upon interest rates and the maximum length of repayment period (Albrecht and Ziderman, 1993). The second type of student loan is similar to the mortgage-type loan except that the installment is not constant, and a third type is an income-contingent loan in which a fixed proportion of a graduate's annual income is used to repay the loan (Albrecht and Ziderman, 1993). Income contingent loans are expected to be more favorable than mortgage-type loans to low-income students. Because the future value of a degree is not known with certainty, the risk of borrowing for education is greatest for poor students whose future earnings potential may be lower than that of wealthier students. In addition, the poor are more risk-averse than the well-to-do. The fixed repayments of mortgage type loans commit the debtor to repaying an open-ended proportion of his or her income, and may, therefore, deter borrowing among the very groups that the loans are intended to reach. Income contingent loans provide for effective recovery of costs at minimum risk to the borrower. Because monthly repayments are linked to the graduate's income, income contingency limits debt burden in a given period and is therefore beneficial to lower-wage earners. These earners also benefit more from any subsidies built into the loans because they repay their loans more slowly than high wage-earners. One problem with income-contingent repayments is that, like any income-based tax, they may discourage earnings. Fixed loan repayment programs, which are akin to lump-sum taxes, do not discourage earnings.

In addition to the above deferred loan repayment options, there is a more radical approach currently applied in some countries referred to as a graduate tax. The idea behind the graduate tax is that by subsidizing higher education, the government is in effect financing the creation of human capital. This creates a future stream of benefits that accrues to graduates in the form of higher earnings. Because of its investment in the graduate's education, the government essentially acquires an equity share in the human capital created and is thus entitled to a dividend from the ensuing income benefits. In the case of the graduate tax, this dividend takes the form of a percentage tax on the graduates' income over their working lives. The graduate tax rate could vary with income level, with low income graduates exempted from the tax. Thus, the government assumes some of the risks of investing in human capital but spreads these risks over the student cohort; high-earning graduates will prove to have been good investments, graduates with low incomes or high unemployment, poor investments.

Despite the lack of empirical evidence on how loans affect access to higher education in developing countries, it is clear that making students pay more of the costs of their education will discourage some individuals who otherwise would have pursued higher education. Most higher education systems in developing countries are not equitable to begin with. Access tends to be skewed towards higher income groups, where children attend better primary and secondary schools and families can afford to have their children out of work for longer periods. Individuals in lower-income groups often lack meaningful access to educational opportunities, regardless of student loan programs. As currently designed, these programs bestow large subsidies on the wealthier groups. Increases in cost recovery ratios will reduce access for lower-income groups but, by economizing on outlays for higher education, will also allow the government to improve access to primary and secondary education and to provide grants to the poorest. The central equity concern should be to design a deferred payment program that minimizes any reduction in access; this concern is partly alleviated by the graduate tax arrangement.

The chief justification for the graduate tax or equity finance approach is that it can generate more revenue than do mortgage-type loan programs. Since payment of a graduate tax is linked to future earnings and not educational costs, tax payments can in theory be extracted long after a loan would have been paid off. Moreover, as graduates age and their salaries increase, revenues from the graduate tax increase, even without a rate increase. Yet this gives rise to the criticism that graduate taxes are front-loaded; that is, the government pays out money immediately and receives much later when the stock of tax-paying graduates accumulates.

The graduate tax introduced in the 2003/2004 academic year at the Addis Ababa University (AAU) covers government's full costs for student meals, accommodation and health services, plus 1% of estimated tuition costs. The total amount is Birr 1, 700 per year (196 USD). The equivalent amount in industrialized countries ranges between the lowest of $ 1750 in Australia to the highest of $ 5828 in Sweden, while in developing countries this amount ranges between the lowest of $ 200, in Ghana, to the highest of $ 845 in Kenya (Albrecht and Ziderman, 1993). Payments will take place at a flat rate regardless of income category until the individual's agreed share is fully recovered.

Cost-sharing based on the current graduate tax is a positive step, but its impact will not be felt immediately because it takes a minimum of `four years for enrollees to graduate and then start repaying through the proposed cost-sharing recovery scheme. If one assumes a tax of 10% of income for up to 15 years, with some 35% of graduates exempted for various reasons, then cost-sharing would reduce the budget share of higher education in total public education spending by only 1 percentage point in 2008 or 2009 (World Bank, 2003a).

While cost-sharing does not help much in the short run, if implemented at the level of a minimum of 10 % of income and under the above stated assumptions, it does have a very large impact in the later years. By the year 2020, for example, the share for higher education in total education spending would be some 4 to 5 percentage points lower with cost-sharing than without it (e.g., 18 % as opposed to 23%, or 165 as opposed to 215, depending on other assumptions). The income from cost-sharing would then represent a significant and fairly reasonable 20% of the total cost of running the higher education system in the outlying years, say towards 2015 or 2020. Hence, "if it works well, the arrangement should make the higher education system more accessible, more equitable, and more efficient in the allocation of social resources (World Bank, 2003a).

The terms defined in the Higher Education Cost-Sharing Council of Ministers Regulation do, however, raise some concerns.

First, the term graduate tax is nearly a misnomer for the kind of deferred repayment arrangement put in place in Ethiopia today, for four basic reasons: (1) the tax legitimately applies also to individuals who attend institutions of higher learning but fail to graduate. The tax is a type of user fee, and therefore could accumulate for each year that the student attends a university; (2) unlike in the case of the income-contingent mode of repayment where the government and graduates have a creditor-borrower relationship (which is exactly the case in Ethiopia's cost sharing program), and which terminates when the original loan has been repaid , in the case of the graduate tax, the government can be considered to have an equity holding, entitling the government to a share in the benefits of higher education, which are paid as a percentage of the graduates' income over their working lives (Albrecht and Ziderman, 1993); (3) in principle, low income students are exempted from the graduate tax, unlike the case in Ethiopia now; and (4) the graduate tax is normally linked to future earnings, and not educational costs.

Second, the proposed system is not clear on what the administrative procedures are for the self-employed. It may be true that in the very short run graduates will tend to be employed by the state or by formal sector companies that are large by Ethiopian standards. But one has to note that: (i) the real impact of the cost-sharing mechanism over the longer term, and (ii) as more and more graduates join the labor force, many will find it convenient or necessary to go into self-employment, either of a professional nature (lawyers, doctors, accountants, etc.) or entrepreneurial (in various personal services or in commercial intermediation, typically).

Potential Implementation Challenges and Opportunities

The first challenge in any student loan program is the issue of eligibility of students for loans, i.e., the question how students are screened for loan eligibility. The two most commonly used criteria for selecting eligible students for loans are the means-test and the merit-test. The former uses parental income as the basis while the later is done on the basis of scholastic achievement, irrespective of income. In most settings, both are used simultaneously with greater emphasis on the means-test. In our case, the means-test is applied across the board for all students both from well-to-do families and poor families. Whatever the rationalizations given therein, there are quite a number of equity questions the arrangement might bring to the fore. To begin with, besides their being risk-verse, poor students children in the rural areas of the country enter schools at a very late age, 12 on average. To make matters worse, life expectancy in the country is estimated to be about 49 years. These two important factors conspire to force poor students from the rural countryside refrain from pursuing higher education in spite of its intergenerational effects (World Bank, 1998). Even if they do, late school entry implies late college entry which in turn implies graduation at a later age leaving the graduate virtually in an abysmal limbo of eternal debt repayment and compromising his ability to support his aging parents. It is also known that now that automatic employment by the government is no longer in use, richer graduates are in a far better position to secure employment through the medium of their familial influences and aristocratic associations with the government elite; it is the poor graduate who is most likely to end up with low paying jobs than the graduate from a rich family.

Moreover, given the current arrangement where there is no specification as to the minimum wage rate on which repayments have to be made, the poor will continue to sustain greater pain later in meeting ends meet with a meager leftover salary. In fact, one of the critical issues worth considering in any loan program is the need to examine the relationship between necessary payments and the likely incomes of graduates to ensure that repayment never imposes an excessive burden on graduates. Therefore, it is often recommended that student loan repayments should not exceed a certain (albeit unspecified) proportion of a graduate’s likely income. The point is the current student loan program has failed to analyze the future average likely income profiles of graduates for calculating repayment burdens. Neither has it taken into account the future income range according to profession and economic sector as some sectors are better paying than others. About 50 % of students interviewed in this study said that they are against the cost sharing scheme, while about 32 % of them said that they are in favor of it. The remaining 18% took a neutral stance. However, all of these students subscribed to the view that the cost sharing program has taken them by surprise and has put them off guard to the extent of being perplexed on the decision of whether to pursue or not to pursue their education. These students also regretted the scheme’s failure to be considerate of departmental differentiation that would have differential impacts on the status of employment -cum-pay after graduation. The respondents tried to make critical comparisons between Information

Technology students and students from other streams. Those who endorsed the cost sharing program said that they wish that the money saved via the scheme would be used for renovating the university's facilities. In fact, it would be pretty logical to argue that there has to be a guarantee, albeit implicit, to ensure that the future generation of university students would not keep on learning surrounded, akin to their forerunners, by "dilapidated walls, stinking lavatories, and outdated publications" (Shimelis, 1999). But an even more logical argument stems from the fact that in the developing world, those who complete high school are among the happy few, in which case it would then be more urgent to improve the situation surrounding the adverse influence of the selective process that operates at the primary and secondary levels than trying to reinvest the repaid loan on higher education.

As another challenge, it is important to note several factors that may reduce the possible yield of the graduate tax. They have nothing to do with regulation as such, and much to do with university internal efficiency. Specifically, the yield of the graduate tax is greatly reduced, relative to the need for cost sharing, if the number of graduates relative to total enrolment is low. In Ethiopia, at present, the ratio of graduates to total enrolment is only approximately 1, in a context where the average length of programs is about 4.2 years, yielding an optimal graduation ratio of about 22. In other words, only some 7 of final year students seem to graduate, thus limiting the cost share contribution of the tax by at least 25% (World Bank, 2003a).

Moreover, the current discounts for the up-front, lump-sum payment (pay as you go) that would free the students from having to pay the graduate tax after graduation seem too low to serve as a viable incentive. The discount is 5% for students who pay up front as they study, or 3% for paying in the first year after graduation in a lump sum (Articles 5.1 and 5.2). But for a student who has the cash to pay up front, it would be far more rational to place the money in an interest-bearing account, accumulated interest plus principal to pay the tax later (or simply pay the tax through the payroll, and use the principal and interest to compensate themselves for the tax payment). The point is that it will strike most people as irrational to pay up front if all that one saves is only 5%. This will mean that income from the lump-sum payments will tend to be small. This is one reason why the cost-sharing will not help much with the cost bulge of the mid-2000s.

The AAU cost sharing program has also tried to justify itself on the basis of the program’s role in facilitating the pursuit of more socially beneficial engagements. The scheme offers a free higher education service in return for engagements in teaching and other areas of government interest. Teachers (and possibly other categories of labor deemed to be of broad public interest) are exempted from the graduate tax. The ideal is to pay teachers as much as is needed to secure their services, and then to tax them at the same rate as their peers are taxed. Opaque cross-subsidies of this type are generally to be eschewed, because they make the fiscal system much less transparent and may encourage other pubic employees to demand similar benefits.

This arrangement may help achieve important social goals but at the same time may have unwelcome consequences. First, it is only the risk-averse graduates from poor rural families that succumb to this choice which might limit their social mobility opportunities that are available in urban settings and in the final analysis, further perpetuate prevalent social inequalities. Second, it sounds like an implicit coercion and arm-twisting stratagem that tries to entice the graduate to such services driven by the sheer fear of a future debt burden in stead of by self-initiated altruistic intentions, hence trying to do what our university curriculum which is deplorably devoid of community blood and flesh failed to do. Arguing in terms of loan recovery yields, the World Bank report (2003) says that if such exemptions were not made, the cost-share would yield around 25% more revenue than in the baseline (where it yields some 20% of the total cost of running the system). This would permit a reduction in the minimum tax from its current level of 10%. Nevertheless, this study has found that the predominant majority of students refused to accept the government offer. Asked about the reasons that underlie their refusal, nearly 90 % of students interviewed said that they perceive the presence of opportunities for swift social mobility in the towns than in the rural areas. Few reasoned out that they are suspicious of the government’s intentions with regard to the possible areas of engagement which may include political assignments.

Moreover, there is considerable doubt that interest rates were assessed in such a way to ensure sufficient cash flows during collection. Careful financial calculations should have been made that account for the likely effect of inflation-particularly on the size of annual disbursements-and growth of the higher education system. The minimum tax rate is set to 10%.

This is very large by international standards, and especially so in a low income country. For the university-educated person it will represent a very large increase in taxes, leaving less for other forms of consumption and investment. Such a large increase in taxes is not a trivial issue. The amount is large enough to have economic impacts, and certainly can cause negative effects in the important markets where university graduates purchase goods and services, such as the real estate market. Yet, if the tax rate is reduced, then, all other things being equal, cost-sharing will decrease in its contribution to total higher education revenue generation (World Bank, 2003a).

Nevertheless, despite their usefulness in such matters like financial stringency, increasing efficiency or improving equity, student loans have been plagued by a number of shortcomings (Derbessa, 1998; Jallade, 1978).

Students' attitudes towards indebtedness may vary according to their social origin For instance, it has been found that students from low-income backgrounds are more averse to accumulating debt; they also tend to view the workplace as a more viable alternative and hence face higher de facto opportunity costs of foregone earnings than their counterparts from more affluent backgrounds. Put another way, low-income students are ambivalent about higher education and therefore less willing to sacrifice both the time and the assumption of debt (Johnstone, 1991). Thus, if it turns out to be such that upper-class students are more inclined to borrow than their less privileged counterparts, student loans will have defeated their purpose (Jallade, 1978). This is precisely the present scenario in Ethiopia partly because of the little incentives that would accrue to a student who manages to pay upfront and partly because, as some students said, they speculate that government might some time in the future abandon the scheme altogether along with the annulment of all outstanding student debts in which case paying in cash now would be an ill-advised move.

The other shortcoming of loan programs surrounds their financial efficacy which depends centrally on the extent to which the loans are repaid. This is what is known as the loan recovery ratio, which is the relationship between amounts lent to students and amounts returned in repayments. This ratio depends on three factors: the amount of hidden interest subsidies on the loan; repayment losses due to default, and administrative costs, which include initial processing costs, maintenance costs and collection costs.

Student loans are said to be subsidized if their interest rates are below the market rate. More precisely, even if loans are provided at market interest rates, for example at rates comparable to those on consumer loans, they are still subsidized because loans for investment in education are inherently riskier than consumer loans. This subsidy can be taken as a hidden grant to students. In our case, the interest rate of 10% is below the market rate of 13%, hence the loan program is fairly subsided.

Repayment losses were the most threatening of all factors to the efficacy of a loan program. Non-repayment of loans due to default, subsidy, and administrative costs were reported to be as high as 108 % in Venezuela, 103% in Kenya and 98% in Brazil. According to a report issued in 1993, no country in the world ever managed to reduce its repayment loss below 33%. Default rates were lower in industrialized countries particularly smaller countries where borrowers are easy to track. Barbados, a very small country, is a case in point with the lowest repayment loss record of 33%. A study has estimated that if loans were typically taken out to cover four years of study with a 20-year pay back period, the government would not cover even some percent of the initial generation of student loans until 14 years after the start of the scheme (Colclough, 1997).

Therefore, the likely default rate on a loan program can be assessed by examining the current tax evasion rate in a country, the proportion of self-employed graduates and the current rate of graduate unemployment or underemployment. If default or evasion is likely to be greater than, say, 25 %, it would be inadvisable to implement a loan program.

In a nut shell, regardless of the kind of loan recovery mechanism in use, students who pay for the services they receive become diligent about their studies as they become more vigilant about costs, and hence they attach greater value to their education (Colclough, 1997). This is believed to lead to improved quality of higher education as paying students naturally demand services that are worth paying for. It should also have positive spill-over effects on the internal managerial efficiency of institutions, which in turn will allow for greater access"(World Bank, 2003a).

The issues surrounding cost sharing and the ensuing client-service provider relationship that would inevitably prevail between the university and students escorts us to another important issue, which forms this paper's central focus and which, to the best of this writer's knowledge, is often overlooked in most discussions of the notion of cost sharing; these refer to the mosaic of academic and democratic demands for university good governance that inexorably come along a system that charges users of its services.

Cost Sharing at the AAU: Implications to Demands for Academic Good Governance

From the public administration and political perspective, governance is broadly defined as the exercise of authority through formal and informal traditions and institutions for the common good. Accordingly, governance encompasses the process of selecting, monitoring, and replacing governments. It also includes the capacity to formulate and implement sound policies, and the respect of citizens, and the state for the institutions that govern economic and social interactions among them (World Bank, 2000).

From this notion, we can divide governance into six components organized around three broad categories as follows: a) voice and accountability, which includes civil liberties and freedom of expression, and political stability, b) institutional effectiveness, which includes the quality of policy making and the search for Value For Money in service delivery, and c) the rule of law.

There are a number of underlying governance-related rationale for charging student fees in higher education. On top of the equity arguments discussed in the foregoing section, there are other important efficiency and governance rationale. First, such an arrangement tends to make institutions more responsive to student needs and develop the concept of treating students as clients, with consequent improvements in efficiency, quality and level of service. Similarly, universities will be forced to become more committed to achieving value for money or else they may not survive in the prevalent arena of a cut throat competition for scarce resources. The client-service provider relationship will also give rise to a more strategic application of the market strategy in university governance and administration. In other words, universities will have to relate training level to the market for graduates; they will have to act quickly and adapt to changing markets or lose market share in terms of students; students will be applying pressure as they will see where the market for graduates is and demand for appropriate training programs at the universities (Derbessa, 2003).

Cost Sharing; Implications to University Autonomy, Academic freedom and Sudents' Democratic Rights

In order for the university to fully assume and carry out the responsibilities which society lays upon it, the university as an institution of scholarship and its academic staff individually need to be granted certain conditions of work held to be necessary for such responsibilities to be optimally fulfilled. These terms are contained in the two concepts of university autonomy and academic freedom. The former relates to institutional self-government, while the latter relates to the individual members of academic staff. And, in respect of the freedom to choose what they will study, extends also to students.

Now that users are covering the costs of educational services and now that the institutional autonomy of universities is legally proclaimed, it is to be expected that government would refrain from interfering in the internal affaires of the university. The university has to operate in a relatively good level of autonomy.

In fact, under Article 7 of the Higher Education Proclamation, 2003, institutional Autonomy of higher education institutions is specified to encompass autonomy in:

- Human resource management and administration of personnel including recruitment
- Financial administration
- Setting one's organizational structure subject to approval by the appropriate body
- Establishing relations with local and international counterparts.

The generic feature which distinguishes the university from training, from compulsory schooling and post-compulsory institutes of education is the freedom to learn for students and the freedom to teach for academic staff. By extension, the freedom to teach is held to encompass the obligation upon academic staff to contribute through enquiry and research to the advance of fundamental knowledge which shapes the particular area of study to which they are individually committed. This basic mission has been part of the university's corporate responsibility, often described as the "search for truth". There are many ways of viewing academic freedom: as a functional condition which allows the university to fulfill its responsibilities to security; as a philosophic proposition and as a moral imperative. Is a professional ethic different from academic freedom? Not all those engaged in the academic community enjoy the same degree of academic freedom. Nor does it follow necessarily that academic freedom can-or should- be extended beyond academia. There is a view which argues that it should be confined to those places and circumstances where it may be practiced. This distinction is an exclusive one. It denies the notion that academic freedom leads on to the general right of freedom of expression and the general "right to know" (UNESCO, 2003).

Thus, the usual view of academic freedom is that, by definition, it applies to the academic community. Such a view does not go unchallenged by those who view academic freedom as a sub-set of a broader and universal human right-that of freedom of information and expression. This interpretation starts from the premise that academic freedom is a necessary condition for human progress. It links academic freedom to the broader issues of social advance in general thereby tying in academic freedom as an element in ensuring one dimension in human rights.

Academic freedom as a notion that is intricately intertwined with institutional autonomy is considered "the soul of the university". It is essential to the university and applies to both teaching and research. Freedom in research is fundamental to the advancement of truth (UNESCO, 2003).

Since the foundation of the university, academic freedom has been and remains the central value and condition which both justifies and makes possible, innovation and organized creativity. Academic freedom is the central, pervasive, and guiding principle of academic work. The principle of academic freedom can be defined as the freedom for the members of the academic community-that is, teaching personnel, students and scholars-to follow their own scholarly enquiries and are thereby not dependent on political, philosophical or epistemological opinions or beliefs though their own opinions may lead them in this direction.

Thus, academic freedom guarantees the liberty of those engaged in higher learning to teach, research, and to express opinions in the areas for which they are qualified and the advancement of which they are professionally committed and to do so without fear that such considered views will make them answerable for wrongdoing. An alternative interpretation, more in keeping with the Germanic legal tradition, regards academic freedom as the exemption in the area of academic endeavor and scholarship from government instructions and intervention.

The stark and impolite violation of this principle basically led to the dismissal of a good number of internationally renowned scholars from the University some years ago just via the swift poisonous hand-shake of a politician's arrogance. The ensuing academic distress has blown a yawning hole into the system and compounded the already simmering public concern on poor quality higher education. It is to avert such incidents of academic affliction that tenure as an instrument for ensuring academic freedom is often upheld in higher education institutions. Tenure also helps to ensure economic security that makes the profession attractive to men and women of ability and to reduce incidences of brain recycling and brain drain.

There are interesting tales about some students who never graduate as they are subservient ponies indefinitely stooged to gauge any sudden changes in campus political temperature and spy and report (sometimes endowed with the right take cold-blooded measures by their own) on students and staff who may cherish anything akin to political opposition. The AAU is also reputed for the number of security forces that roam its campuses as students in disguise. Still, screening criteria for scholarships as well as staff take ethnic and political allegiance as overarching criteria. Decisions pertaining to dismissal or temporary suspensions of students, who are believed to have participated in politically motivated student unrests, are allegedly made by the ruling party elites. A number of teaching staff interviewed said that they bemoan the fact that the University management is highly politicized. There are allegedly a good number of professors and students who play *Trojan horses* for EPRDF political maneuvering. Given the introduction of the cost-sharing scheme which automatically brings with it the inevitable exigency of autonomy, improvements should have been observed, but things seem to have started to worsen in light of recent incidents. Therefore, with or without cost sharing, the much desired universal conception and practice of the university classroom as the island of democracy and free expression remains only a myth in Ethiopian higher education. Still, the apparently politically "neutral' professor swaggers in an academic limbo poisoned by a poignant amalgam of the two most deadly enemies of university instruction: fear of party politicians' rebuke and egoistic free riding mentality.

So, whatever the particular legal setting in which it is located and whether or not it is respected by any government, academic freedom remains the fundamental philosophical premise on which the transmission of established knowledge are grounded. It is, in short, held to be the optimal condition for the advancement of knowledge, for underpinning the pursuit of excellence and the application of human creativity to matters of concern to the various communities, scholarly and economic, industrial and social, which have a stake in higher learning.

Another dimension of the freedom within the academic community deals with the choice of disciplines. A paying student will have every right to choose whatever discipline he is going to study. The systematic allocative mechanism that is currently in use is not only a violation of the freedom of choice of a student who will be held legally accountable for any failure to repay loans, but it is would also be tantamount to saying that students are paying for something worthless. This is because in economic parlance the only real taste of worth is what a willing and uncovered buyer is glad to pay. The bad thing is the possibility of allowing students a free rein in their choices of disciplines is not a feasible option in our context with limited university places. Even whatever choices students make may not be an intelligent guess because of the lack of relevance of the university curriculum and the ever present mismatch between labor market demands and university programs. In addition, there is no concurrent economic growth that can absorb the increasing number of graduates. That may be a bad news for the urban-biased graduate who always dreams of rolling chairs and mobile phones. The mismatch has one immediate effect: unemployment or underemployment. The failure to fully pursue this aspect of good governance in a higher education setting would entail tremendous social costs. . On top of its significant effect in brutally reducing the loan recovery ratio, the gap between graduation and employment has serious economic and social implications; to begin with, the sheer accumulation of an army of unemployed graduate desperadoes may in the long run be a cause for social instability as the situation tends to widen the gap of government legitimacy. The deterioration of human knowledge that accompanies the gap has also huge social costs because of the inevitable *brain recycling* in switching to occupations that are totally irrelevant to one's qualification with adverse efficiency ramifications; worse still, the delay compounds the likelihood of never getting employed again which might in turn probably lead to a massive brain drain scenario (Shimelis, 2003a:201).

Secondly, the gap reinforces frustration that automatically leads to graduate underemployment that entails a high social cost because of surplus schooling or over education and because of the unethical workplace behavior it might engender. A study has shown that underemployment and the feeling of being overeducated for the job and the attendant state of underpayment is one of the motivators of corruption in the country (Shimelis, 2004a: 20).

In a nut shell, the issue of academic freedom is so important that it is expressly enshrined in all human rights treaties and even in the constitutions of some countries like Austria, Germany, Spain, Sweden, Turkey and some others (UNESCO, 2003).

Cost Sharing: Implications to Value for Money, Accountability and Transparency in University Service Delivery

Value for Money as a critical ingredient in the quest for good governance refers to a management practice whereby resources are acquired in appropriate quality and quantity at the lowest cost and that the maximum useful output is gained from the resources devoted to each activity. With respect to a higher education context, it may refer to the impact that services have on a university community and the general public in achieving the desired results. As a system, it would have the overall aim of helping authorities to do the right thing in the right place at the right time at the right cost, thus avoiding waste in both WHAT was done, and in HOW it was done (Shimelis,2004b).

The issue of Value For Money in service delivery is intimately linked to good governance, and hence poverty reduction. In fact, among the nine basic characteristics identified by the UNDP as the key to good and effective governance, effectiveness and efficiency play a considerable role.

Value For Money may range from simple economies to fundamental re-appraisals of policy. In some instances, cost reduction may not necessarily involve a reduction in expenditure; a more effective return in what is provided for the same level of cost is tantamount over a period to a reduction in overall costs. A point worthy of notice is that Value For Money is not just a collection of techniques. It is above all an attitude of mind, a commitment to good practice on the part of politicians and officials. The responsibility of Value For Money is an integrated and corporate concept, which involves members, and staff at all levels (Butt and Palmer, 1985). To make this happen, management has to instill a positive approach towards achieving Value for Money at all levels, so that the commitment permeates the whole organization (CIPFA, 1979). This is not, however, enough; management's enthusiasm and drive has to be supported by the right organizational structure and also formalized budgeting, evaluation and monitoring/control systems.

There are three angles from which one can come at the issue of Value for Money in service delivery. The first is whether the system is technically efficient, in the managerial sense of actually delivering the services required as efficiently and effectively as possible. This goes to issues like the bureaucracy and similar well-worn areas, whether things could be delivered better and cheaper, and whether there is enough way-out thinking, such as more imaginative use of the private sector via outsourcing certain services. Second, there is the question of whether the right choices are being made as between expending resources on one service and expending resources on another. This refers to the issue of priorities. And the third is whether the democratic process that apparently puts the university management in place, coupled with the heavy hand of government on them itself gives good value.

The quest for Value For Money should start with an understanding of policies and methods, which are unlikely to be changed however cogently the arguments for change are marshaled and presented. Thus, statutory responsibilities for pursuing certain policies are unlikely to be amended by exercises, which suggest that, in this department or that, they are wasteful and irrelevant to staff and students' needs. In a higher education context, this signifies the need for providing intensive staff training on the contents of the Higher Education Proclamation, University Charter, on issues pertaining to university autonomy, academic freedom and social responsibility as well as on students' democratic rights and on a host of other financial and administrative procedural novelties.

The second dimension envisages an extension of budgets and budgetary control systems into the realms of target setting with pre-determined indices of actual performance built into management information documents to afford clear comparisons of achievements with standards. If implemented fully, it would advance budgetary practice from the point where it deals with controls over money spent to where it deals also with assessments of what money has been spent on, and how this measures up to original intentions. The university has to put a sound system of financial/budgetary management systems and its own output-based performance system suitable for a university setting. This exercise becomes all the more important given the fact that the University non-academic staff is now de-linked from the Civil Service, which is otherwise making aggressive attempts to introduce a system of results-based performance management in public offices under its purview.

The principle to be followed here will involve the creation of measures of output for appropriate units of input and the comparison of target measures and actual achievements. This comparison should figure ultimately as large in management information as budgetary recording of money spent; it fulfills the other requirement, namely, measurement and assessment of the physical achievements gained for money spent- in short, a system of 'efficiency seeking.'

Value For Money could add to this the systematic means to question the content of the budgets and to measure the physical achievements gained for money spent. This involves questioning at both the decision-making stage and the implementation stage in both capital and operational procedures (CIPFA, 1979). Many universities already possess excellent systems for monitoring expenditure against budgets. The World Bank in its recent Ethiopian Higher Education Sector Report (2003) suggests that financial management expertise be strengthened at both the national and institutional levels in order to anticipate and manage effectively the implications of the recently announced shift to formula funding and block grant allocations. The Bank argues that effective institutional planning and management requires careful financial analysis, which in turn necessitates the tracking of expenditures, long-term financial projections, and the ability to estimate income and expenses accurately. Once such a system is installed, then it becomes an integral part of Management Information Systems and operates as a system of reasonable flexibility instead of an orthodox budgetary control.

Analysis of how institutions employ the resources provided by them can help to determine how effectively they focus on their main mission of teaching and research, and how efficiently the institution is managed. According to 2002/2003 estimates, government universities in the country spend 40 % of the total recurrent budget on salaries, 15% on student food, 11 % for other supplies, 9 % on services, 5% for maintenance, 6% for capital in recurrent costs and 4% for grants (World Bank,2003b).

The universities spend 15% of their budgets on student feeding, which is not a true educational expense. They also provide student housing and medical services out of their recurrent budgets. Analysis conducted under the Ethiopia Country Status Report on education indicates that these combined student welfare expenditures may consume as much as 20% of the recurrent budget of universities. Addis Ababa University which housed only 19% of enrolments received 41% of the tertiary budget. The expenditure per student at the University in 2001/2001 was 12,022, almost twice the lowest expense per student at the Bahir Dar University, which is Birr 6,764.

In light of the equity arguments in favor of cost sharing we discussed in the foregoing sections, these resources could be tuned towards better uses to increase the amounts spent on educational materials, to provide greater support for research (amounts not readily discernible but reportedly quite small), and to expand access to information technology on campuses. In recognition of this, the newly introduced graduate tax includes these nonacademic costs in calculating the amount charged to students (World Bank, 2003a).

In fact, the proposed new budget allocation system is intended to: (1) be based on the performance of the institutions, especially, number of students admitted; number of students graduated; the quality of education; research and community services rendered to generate additional income;(2) serve as an instrument to implement the education policy of the government; and (3) make the institutions more efficient, competitive, and innovative (World Bank, 2003a). Under such circumstances pursuing Value For Money may not be a mere exercise for showing off an institution’s managerial excellence, but a question of survival and a key to securing badly needed external budgetary inputs in a regime of fierce competition for scarce public resources.

On the other hand, no concrete preparatory attempts were observed to put a system that allows contracting out of some of the non-academic business services to the private sector as an important feature of the pursuit of Value For Money. Such outsourcing would normally include areas like the provision of student meals, management of residence halls, computer maintenance, campus security (assuming that government security forces will not creep in as contractors using this arrangement), university-vehicle maintenance and repair, care of the grounds and gardens, and maintenance of minor facilities (Mkude, 2003). Contracting out of such services would lead to efficiency gains because it lessens the supervision burden for university staff, and because it reduces the non-academic workforce with its associated personnel management responsibilities and social benefits. The arrangement would also improve performance because of increased flexibility.

Yet another aspect worth discussing having efficiency implications is the prevalent unacceptable imbalance between staff and students as well as between academic and non-academic staff. The staff-student ratio at the AAU currently stands at 1:13 compared to 1:28 and 1:21 at Cairo and Khartoum Universities, respectively. The usually suggested ratio is 1:18 (MOE, 2002). Similarly, the ratio of academic staff to non-academic staff at the AAU stands at 1: 2 (MOE, 2002); this ratio which indicates the fact that the university has hired two non-academic staff for each academic staff is a strong clue of the prevalence of gross inefficiency by all standards hardly palatable for a fee-paying student that goes as far as mortgaging his future. Although no data is available on the situation during the past 10 months following the cost sharing scheme, there were no reports of anticipated downsizing to bring the above ratio to the usually recommended one of 2:1 and 3:1. Adding fuel to the raging inefficiency is the fact that such a huge non-academic workforce that roams the AAU campus has already been de-linked from the civil service, and hence the regulations that apply in the civil service and all the emerging service delivery reform agendas will not apply to it. In a situation where there is university autonomy including the devolution of financial management authorities in the midst of an unmanageably huge non-academic workforce, measures that ensure transparency and efficiency become urgent priorities.

However, it was found out that some new measures that can facilitate the teaching learning process and increase overall efficiency were taken by the university recently. These included the introduction of buses, and the launching of a student newspaper. Another related area of invasive concern in university service delivery that follows the footsteps of any cost sharing program deals with the quality of food, lodging, library medical and related services. In this regards, some 56% of students interviewed said that there were no improvements in these services, while about 25% said that these services have deteriorated. Most attributed this state of affaires to the admittance of students in unmanageable numbers.

Accountability is the other key instrument for achieving Value For Money. As public bodies or as private corporations, universities have long been involved in rendering accounts either to government or to Boards of Trustees representing either the public or the owners. Thus, the right to institutional self-government engages the responsibility of a university to demonstrate full and formal compliance with the appropriate conditions, laws and procedures. The demand for greater transparency and the press for universities to show their achievements with greater precision have brought the issue of accountability and quality assessment to the heart of higher education policy. Though the tying of institutional budgets to quality targets is far from being universal, it is clear that the extent a university may effectively exercise self government is increasingly dependent on demonstrated efficiency and effectiveness.

The fundamental questions about accountability revolve around who is to be held accountable on what, to whom, through what means and with what consequences. Accountability can be categorized roughly into external, meaning the obligation to supporters and society at large to provide assurance that they are pursuing their mission and using their resources responsibly; and internal meaning the accountability of those within the institution to one another on how several parts are carrying out their missions and responsibilities, how they are performing and whether they are trying to learn when improvement is needed. Accountability serves a number of positive purposes in a democratic society. It is a constraint on arbitrary and corrupt power, it raises the quality of performance by forcing critical reflection of operations, and it raises the legitimacy of the institutions (Cloete, 1997:4). About 60 % of students interviewed in this study said that they have observed no changes in terms of increased accountability both on the part of the academic and non-academic staff members to students and the interested public. They reasoned out that such a sense can be cultivated only by putting in place sound systems and procedures that ensure this virtue.

As in our foregoing discussions, accountability as a fundamental pillar for good governance may extend to the financial realm deep into the allocation and use of expenditures be they academic or otherwise. If this aspect of Value For Money is to be fully realized, the expenditure management of public service providers including higher education systems require a sound management practice which comprises of the following: a) a comprehensive budget and a consultative budget process, b) transparency in the use of public expenditures, c) competitive public procurement, and d) an independent external audit.

However, observations of current practices at the AAU portray a gloomy picture that informs the absolute necessity of a financial management system overhaul.

Cost Sharing and the Demand for Increased Social Responsibility

Direct involvement of the beneficiary public in financing higher education via cost-sharing brings with it an increased pressure on the university to pursue its role of social responsibility as a fundamental university virtue in a consummate manner. The issue of social responsibility has two indivisible sides as in a coin. The first refers to the sense of moral responsibility and ethical concern Higher Education Institutions ought to exercise towards the consumers of higher education services as public goods. This responsibility, which is legally enforceable, is manifested in the quality and relevance of the curriculum to dynamic national and international realities as well as in a university’s sensitivity to respect and advance the rights of its students, staff and the general public. This notion may also include the role higher education institutions play as “a model for society, a haven of honesty and accountability.”

The second aspect deals with what the French call *responsabilité civique.* Basically, this consists of a cocktail of social, cultural, economic and, to some extent, political activities in which Higher Education Institutions ought to get engaged by virtue of their being a child of the society in which they are founded. More philosophically, this refers to the utilitarian duties they execute as a practical expression of gratitude to the society to whom they owe their very *raison d'étre* and the great deal of nourishment they have constantly been receiving therefrom. The study has shown that the AAU's attempt to pursue this dimension of social responsibility has been deplorably weak and might be a cause for concern for students and government alike.

Pertinence as one of the gauges of the pursuit of social responsibility by a higher education system finds expression through, but not limited to, the relevance and dynamism of the overall program, curricular contents and research. Therefore, maintaining a socially pertinent, academically dynamic and contextually appropriate curriculum is by itself a fulfillment of the role of social responsibility, while the express failure to do so may be construed as an evasion of this virtue.

As an apparent effort to espouse the pursuit of the virtue of social responsibility, the government has forwarded the offer to forgive loans in return for teaching and other rural services that are of government interest. Two issues of import can be entertained with regard to the offer. First, the offer very much sounds like an arm twisting exercise and an implicit coercion on the debt-averse poor student. Second, the majority of students, about 60% of students interviewed said that they refused the offer, while the remaining 40% said that they accepted the offer. About 90% of those students who accepted the offer were from Technology and Pharmacy streams. An important point can be inferred from this: that these students were speculating on the fact that because of the very nature of their disciplines, they can not be consigned to rural engagements. The fact that almost all who refused the offer were from the teaching stream further confirms this assertion. Moreover, those who refused the offer regretted the government's frugal moves by reserving the entire choice of assignments in both occupational and locational terms to itself. They added that the government failed to leave even some room for negotiated changes in assignments. Incidentally, this state of affaires gives rise to a serious discussion of an issue that has for long been plaguing our education system: the rural apathy of our college graduate.

This grave professional malaise, which can be taken as a gauge of the pertinence and quality of a higher education system's curricular system betrays an education system's fundamental failure to inculcate a sense of humility and patriotic sentiments hence its measly potential to prepare graduates who are committed to engaging in services that benefit the poor and the vulnerable. Very unfortunately, our universities, be they government-owned or private-owned, have only succeeded in fabricating a mass of amorphous graduates that are apathetic to rural engagements and have thereby deprived society of what it mostly desires: models of altruism and disinterested service (Shimelis, 2003b). Sisay Wagnew in his recent newspaper article (2004: 14) writes: "our graduates search for office jobs with sophisticated rolling chairs, computers, telephone and the internet." Concurrent to our argument, he attributes this situation to "…the barren education system that cast-off other suitable qualities like responsibility, altruistic vision and other compulsory societal values." The question thus remains: is the AAU now ready for and curricular overhaul to live up to this important aspect of social responsibility which is an inevitable corollary to any cost sharing program? In some respects, yes! The recently completed curriculum review which attempted to incorporate such badly needed skills areas like civics, ethics, communication skills, community outreach, and entrepreneurship is a first step in a long and arduous journey towards creating a morally accountable and socially responsible graduate corps (Budu, 2002).

In a very similar tone, the higher education curriculum seems to have failed to instill an entrepreneurial spirit in the minds of graduates, which is a much needed ingredient in an otherwise budding free economy like ours but with limited public employment choices.

With regard to job market orientation, the MOE has set a good precedent by undertaking a preliminary analysis[1] of the labor force requirements in relation to the need for educational training and skill preparation. As a complementary strategy, the World Bank has suggested that Ethiopia like some countries consider the possibility of creating a "higher education labor market observatory" for this purpose (World Bank, 2003a: 15).

[1] The survey, to be conducted at least once every three years, is said to collect information on job vacancies, salary structures, unemployed graduates, tracer study comparisons of public and private university graduates, employer satisfaction with graduate employees, demand for specific skills, etc.

On the other hand, research has to be accorded a serious regard and should form part of the job description of academic staff. As an emphatic reminder of the significance of research for a higher education institution, writers in the area recommend that academic staff commit at least one-fourth of their time for research. However, committing sufficient time for research can not in and by itself lead to fruition; the quality of the research is what counts most in the final analysis. Research need not only be an arena for showing off one's scholastic elegance and academic perfection, but more importantly, it needs to give priority to national problems and its outputs have to be socially valuable. Research has to be oriented in such a way that society owns its process as well as its outcomes.

The issues surrounding the pertinence of the curriculum and research undertakings are also reflected in our discussion of "quality", which demonstrates to society the extent to which individual institutions are meeting the high standards expected of them. As in our foregoing discussion, the first and most important aspect of social responsibility of higher education institutions is that they should be able to design curricula that reflect national and international realties and values. With regard to the issue of research, about 60% of students interviewed responded that they observed no attempts on the part of the university academic staff to gear research into socially meaningful areas. Interestingly enough, about 90 % of these respondents were from Technology and Pharmacy streams. This is a salutary reminder of the lamentably low level of research being conducted in the country in the stated areas.

Conclusions and Recommendations

- The Ethiopian cost sharing scheme is quite justifiable on quality grounds and partially on equity grounds. The income contingent loan recovery arrangement is also pretty rational for a student corps that can, in its quasi-totality, be characterized as poor. However, the fact that the means-test was used as an across the board eligibility criterion might engender serious equity concerns. Besides the semantic confusion that the name 'graduate tax' creates, the scheme lacks clarity on how to treat the future self-employed. The fact that the incentive for upfront lump sum payments is too small has, in economic terms, goaded the student who might have done so towards partaking of the limited public funds earmarked for loans.

- The minimum wage rate on which repayments will have to be made were not specified. The scheme has also failed to take into account the future income differentials according to profession and economic sector. Similarly, it appears that interest rates, possible default or evasion rates as well as the impact of the income of the debt ridden graduate on investment and other economic sectors were not properly reckoned with.

- The program's offer of free higher education services in return for government assignment in services and locations that are of public interest seems to have failed. The underlying reasons range from the lack of patriotic sentiments on the part of students attributable to amoral upbringing to the outright suspicion of the government's express intentions.

- The university has made no tangible progress towards ensuring institutional autonomy, and academic freedom as well as towards respecting the democratic rights of its community including the rights of free expression. Still, instructors harbor the fear of politician's retaliation as the fresh memory of dismissed colleagues hangs on the air. For the sake of the provision of quality higher education services and for the precedent that this situation sets to other higher education institutions, it is important that the institutional autonomy of the university be fully respected and students and staff be given the chance to air their concerns.

- The AAU has not made any aggressive attempts at revisiting the curriculum towards making it more employment-market oriented and socially responsive. Still, huge social costs are being incurred as a result of unemployment, underemployment and misemployment. A more critical employment market survey and a concomitant curricular revamp are highly recommended.

- The university has not shown any signs of reorienting itself towards engaging in research that is socially appealing and valuable. The ivory tower mentality of using research as the arena for showing off one's academic perfection and literary elegance still enmesh the psyche of our academicians. In a similar vein, the university's attempt to commit itself to civic endeavors and humanitarian enterprises has been one of nonchalance. Therefore, the university needs to pursue social responsibility as a fundamental university virtue and exemplify its role as a sentinel of esthetic values, a haven of honesty and an embodiment of cultural diversity.

- The study has also found out that there are no marked improvements in the quality of instruction and staff discipline following the introduction of the scheme, though it might, in many respects, be fairly premature to stress this.

- Apart from minor change that facilitate service delivery efficiency such as the introduction of buses, the university has not yet created sound systems of administration, management and finance that ensure accountability, transparency and efficiency. Gross efficiency losses are observed in the staffing of non-academic functions and steps have to be taken to make adjustments for a more rational staff balance. Similarly, The University has so far failed to dish up food, lodging, medical and library services that are worth-paying for. This is another area that requires serious attention. One likely solution would be to contract out some of the University's administrative functions such as provision of student meals, management of residence halls, computer maintenance, etc. to the private sector.

- A results-based performance management system tailored to the mosaic of needs that characterize a higher education system has to be urgently put in place. Complementary to this, a participatory budgeting system that allows measuring the physical achievements against the money spent has to be installed.

- Both academic and non-academic staff members have to be given orientations on new policies, proclamations and regulations as well as on issues that pertain to academic freedom and democratic rights.

- So far, there are no indications of attempts to introduce sound systems of financial management at the AAU. The entire higher education fiscal reform effort will be put at risk if system support agencies do not perform their roles effectively. The sheer intricacy of the funding formula soon to be introduced and associated elements may require a competent staff otherwise they would entail huge efficiency losses The competence to make effective institutional planning and management that require careful financial analysis, which in turn necessitates the tracking of expenditures, long-term financial projections, and the ability to estimate income and expenses accurately becomes a sine qua non for a sound administration of a cost sharing program. It is recommended that financial management software that is designed for use by planners (including presidents) as well as institutional financial officers be identified, acquired and introduced to the University along with the necessary training of staff. In fact, given the current situation, what is required is an overhaul of the whole financial management system with due consideration of relevant experiences from African countries especially those which have put cost sharing programs in place.

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