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Financing of Higher Education: an evolution of Cost Sharing approach in Tanzania

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Abstract

Higher education has more private than public returns (National Higher Education Policy, 1999). With this argument, it is rational for each beneficiary to pay for its costs. To the contrary, students and parents in Tanzania believe that financing of Higher Education used to be, is and has to remain the state responsibility (Ally, 2009). Although their stance might have emanated from poverty and socialist mindset; it is supported by scholarly work. For example; Bruce Johnstone (2004) as well as Fahima Charafeddine (2006) argues that, replacing public with private financing in developing countries is wrong because of the nature of services rendered by higher education and the state responsibility to provide these services as to promote sustainable development. With two antagonistic arguments, there are three questions. First; is it feasible to leave financing of higher education entirely with the government alone owing to bureaucracy and competing priorities on its insufficient budget? Second, is it feasible to leave financing of higher education entirely with beneficiaries whom public interest may not be their priority? And third, what has been the practice with regard to financing of higher education. This paper aims at answering these questions by providing an understanding of frameworks which have been used to finance higher education in Tanzania from colonial era to date. It specifically highlights drawbacks of the cost sharing scheme which was officially adopted in 1994 and managed by the Ministry of Science Technology and Higher Education. And finally, it point out success and challenges faced by the current cost sharing scheme which was established in 2004 and managed by Higher Education Students Loan Board (HESLB).

Keywords: Financing Higher Education, Cost Sharing, Higher Education Students Loan Board, Tanzania.

1. Introduction

Education is the process by which an individual acquires knowledge and skills necessary for appreciating and adapting to the environment and to the ever-changing social, political, and economic conditions of the society. It is regarded as the key to human development and forms the backbone of any national development (Education and training Policy, 1995). Higher education on the other hand, refers to the scope of knowledge and skills imparted within the tertiary level of education. Based on Higher Education Policy (1999), there are two clearly distinct levels of training institutions in higher education provision, namely; the University which is the highest level of institutions dedicated to professional and intellectual development of mankind and society in general as well as the non-University professional training institutions which are devoted to human resource development for the middle and intermediate level of the occupational structure of society.

The goal of any educational system is to provide or develop a balanced individual capable of surviving in his environment and contributing meaningfully towards the survival of the society to which he belongs (Onyenemezu, 2012). Different scholars have shown that higher education is of particular importance to national development in Tanzania as it is elsewhere in the world. For example; Akinleye (2002) assessed the link between indigenous knowledge systems and sustainable development and concluded that, knowledge and skills gained through teaching, learning, research and consultancy provided by higher learning institutions is necessary in developing appropriate human resources for building social, economic and political organizations and carry forward national development.

Being one of the least developed countries; the demand for education in general and higher education in particular has always been high. Policy documents also supports increased demand for higher education, for example; the National Higher education Policy (1999), issued by the Ministry of Science Technology and Higher Education of Tanzania reveals that, there has evidently been rapid change in the world of Science and Technology which necessitates higher education to provide answers to such aspects as; the need for specialized skills, the need for new emerging areas of Science and Technology such as Biotechnology, Environmental Science, Genetic engineering, micro-electronics and informatics, the need for entrepreneurship, the need for globalization and international competitiveness, the need for social democracy and good governance, the increased social demand for higher education, as well as the need for sustainability of higher education and resources allocation.

Since the demand for education in general and higher education in particular has been increasing parallel to changes within the economic and social dimensions, one is tempted to believe that there has always been a solid plan to facilitate a good proportion of students to acquire education to such higher level. To the contrary, enrolment of students in higher education sector has been very low. According to both the Review of Higher Education System and the National Higher Education Policy (1999), the gross enrolment ratio has remained at around 1%. Furthermore, despite being the biggest in size and higher population, Tanzania had fewer higher education students compared to other East African countries. While Uganda had 92,605 as per Uganda Bureau of Statistics (2008), and Kenya 101,000 as per Economic Survey report (2008), Tanzania had only 55,687 higher education students in 2008 as per Higher Education Students Loan Board strategic plan (2008-2011).

Low enrolment can be explained by lack of preparedness to finance higher education on part of parents and guardians as well as lack of financial resources. It should be noted that, due to both poverty and socialist mindset at individual and national level, students in higher learning institutions in Tanzania has been heavily dependent on government to finance their higher education studies as most parents and guardians were not prepared for that. There are two school of thoughts which attempt to explain students dependency, first; financing higher education has to remain the state responsibility and second; financing higher education should not be left to government alone, but should be shared with other stakeholders because it is too important to leave it entirely either with the state bureaucracy or with those stakeholders for whom public interest may not be the priority.

Fahima Charafeddine (2006) argues that, those who support replacing public financing as a whole with private financing are unaware of the nature of the service rendered by the education and the state responsibility to provide this service. They forget that higher education, in particular is the source of development in developing countries. The arguments brought forward by Bruce Johnstone (2004) reflects the same idea with an additional remark that, following the nature and the risk associated financing higher education through students loans due to absence of collateral that can be recovered in the event of non-repayment, increasing likelihood of default and cost of collection. Such a risk calls for either government guarantee or government itself being the lender. That is to say government should institute and manage cost sharing process in higher education sector.

The framework and motives which lead to cost sharing in financing higher education differs greatly among countries. In Kenya for example; the first initiative was started way back in 1963 when students started getting bursaries and grants. By 1974, however the demand was so high that the government introduced the University Student Loan Scheme, managed by the ministry of education. The beneficiaries were the students pursuing higher education in east African Universities. There was no recovery due to lack of legal framework. It was in 1995 that the government established the Higher Education Loan Board (HELB) with mandate to disburse funds and recover the loans. On the other hand; in Uganda, cost sharing came into being due to harsh socioeconomic and political conditions prevailing in 1970’s and 1980’s. There was no cabinet paper nor was the parliament to declare that time ripe for cost sharing. In 1993, Makerere decided on its own to start charging fees to private students so as to reduce dependence on government treasury, and diversify its financial base.

2. Financing Higher Education and the evolution of Cost sharing concept in Tanzania

Cost sharing means the shift of at least part or all of higher education costs from Government to beneficiaries including parents, students and communities (HESLB Lending manual, 2007). This term has also been defined differently be other scholars. For example; Bruce Johnstone (2004), define it as the world wide phenomenon in which the burden of costs of higher education is shifted from exclusive or near exclusive of independence of the government / or Tax payer to some reliance on the parents and or students, to cover the living costs of students. Ishengoma (2004) defines it as the process of shifting part of the burden for financing higher education away from the state and into students and families. For the purpose of this paper cost sharing is taken as the amount spent by the government to finance higher education which has to be re-paid by the beneficiary either directly through salary deduction or indirectly through working with the government under specified contractual arrangement which has a re-payment feature.

The United Republic of Tanzania, which in this paper is reffered to as Tanzania, is one among five countries within the East African great lakes region; others being Kenya, Uganda, Burundi and Rwanda. Tanzania was formed on 26th April, 1964 as a result of the Union between two countries, Tanganyika and Zanzibar. Tanganyika got her independence and became a Sovereign State on 9th December, 1961 and a Republic in 1962, while Zanzibar got her independence and became a Sovereign State in December, 1963 and the People’s Republic after the Revolution of 12th January, 1964. Although there is a good proportion of people who believe that financing of higher education in Tanzania used to be, is and will remain the state responsibility; the country has a long history of cost sharing in higher education (Ishengoma, 2004). The evolution of Higher education financing frameworks shows six distinct stages. Each of these stages indicates the presence of a cost sharing feature in financing of higher education as highlighted below.

2.1 Colonial period to early years of independence (1950's - 1964)

In Tanzania, cost sharing was started way back in 1956 when bursaries were given to poor students to assist them to pay for their studies. During this period, tuition fees in higher education applied to all students regardless of socioeconomic class or race and the colonial government provided bursaries to students who could not afford to pay for higher education. According to Ishengoma (2004), the responsibility of determining students who were in need of the bursaries was entrusted to local authorities. So bursaries reached beneficiaries through the local authorities and they were recovered in full from post-graduation salaries which was again coordinated by local authorities. This set up reveals that, financing of higher education was neither the responsibility of colonial rule nor the local authorities. It is not clear why a good proportion of Tanzanians believe otherwise.

2.2 The National Services Scheme (1964 - 1974)

After independence the government abolished colonial cost sharing mode and introduced bursary system. Theoretically there was no cost sharing but "building the nation". Through building the nation philosophy, it was compulsory for all graduates of higher learning institutions to attend six months National service training and on completion they were guaranteed employment. Interesting feature of building the nation philosophy was that, graduates were not paid for the six months hard work of building the nation. Furthermore, these graduates were paid only 40% of normal pay for 18 months after being employed. So in practice the six months hard work and the 60% out of salary for 18 months was intended to recover Government loan (bursary) which the student has benefited from their study (Ishengoma 2004).

2.3 Musoma Resolution Scheme (1974 - 1988)

In 1974 the government abolished the bursary system and took all the responsibilities of paying the costs of higher education. During this period the previous the National Service was extended to 12 months. Additional feature of this arrangement was that, all entrants of higher learning institutions were required to work for at least two years after high school before joining higher learning. The government started paying tuition fees; students travel costs; off pocket allowances; students union contribution, caution money as well as other higher education allowances and students started signing contract to work with the government for at least five years on graduation before they could be released to work elsewhere. For sure this is how they paid the costs of higher education (Ishengoma 2004).

2.4 Cost Sharing Policy Phase I (1988 - 1994)

In late 1970's and 1980's Tanzania faced a major economic crisis resulted by Idd Amin War 1978-1979 and its aftermaths. This lead to falling government revenue and the government had to re-think its policy towards higher education financing. In 1988 Tanzania through its cabinet endorsed cost sharing policy as the way to improve its suffocating budget (NHEP 1999). In January 1992 Tanzania made its formal enouncement of the cost sharing policy. In phase (I) which became operational in 1992/1993 academic year, students were required to pay from their own sources such items like; their own transport costs from their places of domiciles to their respective higher education institutions, money for covering breakage and loss of institutions properties (caution money), registration fees, application fees, student union and entry examination fees. It should be noted that, the two consecutive academic years 1992/93 and 1993/94 was like a transitional period; although the government was yet to produce a statement on how to provide assistance to the needy students who fail to pay for these items; it stopped paying directly to the University the sum of money related to identified items. This phase was managed by the Ministry of Science Technology and Higher Education (MSTHE, 2004).

2.5 Cost Sharing Policy Phase II (1994 - 2004)

This framework became operational in 1994/95 academic year. During this period in addition to all which students had to pay in phase (I), students were required to pay for food and accommodation and out of pocket allowances. The government observed the fact that not all students could afford the required costs; hence the government introduced the student's loan scheme through which eligible needy students could borrow the required amount to cover meals and accommodation. The amount was given through interest free income contingent loans guaranteed by the government for every student admitted in public higher learning institutions under its sponsorship. During this period an out of pocket allowance paid to every student under government sponsorship in public higher education institutions was also eliminated. This phase was managed by Ministry of Science Technology and Higher Education (MSTHE, 2004).

2.6 Cost Sharing Policy Phase III (2004 to date)

This phase was graced by establishment of Higher Education Students Loan Board (HESLB). The Board was established under the Act of Parliament No. 9 of 2004 as amended by Act No. 9 of 2007 CAP 178. It was inaugurated by Hon. Minister for Higher Education, Science and Technology on 30th March 2005 and commenced its operations in July 2005 (HESLB strategic plan 2008-2011). Among other things the Board has been entrusted by the Government with the responsibility to disseminate loans to Tanzanian students who are eligible and needy as defined by the Act No. 9 of 2004. It was also entrusted to collect repayment for all loans issued to beneficiaries since 1994 so as to make the scheme successful and sustainable (HESLB strategic plan 2008 – 2011).

3. Rationale for establishment of Higher Education Students Loan Board

Following the endorsement of cost sharing policy by the cabinet in 1988 and its formal announcement in 1992; from 1992/93 academic year, students enrolled in higher learning institutions were required to pay for their own transport costs, caution money, registration fees, application fees, student union fees and examination entry fees (MSTHE, 2004). But it was learnt that, due to poverty and socialistic mindset; parents and guardians were not in position to participate in cost sharing. Owing to the sensitivity of the matter, in 1994 the Government institutionalized students' loan scheme so as to assist the needy students. Statistics shows that, loan ranging from 1.7 billions in 1994/95 to 9.9 billions in 2004/05 was provided to students in ten consecutive years (HESLB Loan Repayment reports 2009). However, the scheme failed to recover loaned funds from beneficiaries for the entire period of ten years. Hence there was a need to introduce a legally protected students' loan scheme which will facilitate recovery of loan from beneficiaries.

On the other hand, the students' loan scheme was for students who were enrolled in public higher learning institution. As years pass by, there was a growing criticism as to why the loan scheme is for students enrolled in public Higher Learning Institutions only. Critics argued that, since the loan scheme was being financed by public funds derived from Tax and other statutory payments; and because parents and guardians of students enrolled in private higher learning institutions are liable for Tax and other statutory payments the same way as parents and guardians of students who are enrolled in public higher learning institutions, then there has been no reasons whatsoever for the scheme to provide loan to students enrolled in public higher learning institutions only. From that, stand point, there was a need to reform the loan scheme for the purpose of establishing equity in provision of loan.

Furthermore, the percentage share of education sector budget allocated to higher education between 1994/95 and 2004/05 was declining. Statistics shows that in 1994/05 when the loan scheme was institutionalized the percentage of total education budget allocated to higher education sector was 24% while that of 2004/05 was 16.7% (Public Expenditure Review, 1994/95 to 2004/05). In other words, there was a growing under-funding of higher education which undermined the government move of improving access and quality of higher education in the country. The growing under-funding was partly explained by failure of the government to rationalize its level of contribution to higher education due to lack of legal framework which would ensure that loaned funds were recovered. Hence there was a need to come up with loan scheme which facilitates improved access and quality of higher education.

Also in the past, there were no private higher learning institutions in the country. But it became evident that, the number of private higher learning institutions was growing, and it was in the government interest to facilitate the growth of such institutions by enhancing their enrolment through provision of loan to students enrolled in such Institutions. However, the students' loan scheme which was for students who were enrolled in public higher learning institution only was not facilitating the achievement of government objective. As pointed out earlier, the socialistic mindset coupled with poverty among parents and guardians diminished their preparedness to pay for costs of higher education. Hence there was a need of coming up with a loan scheme that will enable provision of loan to needy students in a way that improves access to Higher Education, thereby facilitating growth of private Higher Learning Institutions.

4. Higher Education Students Loan Board and its Operations

As pointed out earlier, Higher Education Students Loan Board (HESLB) was established under the Act of Parliament No. 9 of 2004 as amended by Act No. 9 of 2007 CAP 178 and commenced its operations in July 2005 (HESLB strategic plan 2008-2011). Its aim was to properly manage students' loan scheme which was started in 1994 (National Higher Education Policy, 1999). The Board has been entrusted by the Government with the responsibility to disseminate loans to students who are eligible and needy as defined by the Act No. 9 of 2004. It was also entrusted to collect repayment for all loans issued to students since 1994 so as to make the scheme successful and sustainable in a way that improves its effectiveness and efficiency in provision of loans to needy students (HESLB strategic plan 2008 – 2011).

In the first year of its operations the criteria for granting loan were not yet developed. At minimum all students admitted in any accredited higher learning institution (public or private) within the country and those pursuing their undergraduate studies outside the country under bilateral agreement were eligible for the loan. Higher Education Students Loan Board (HESLB) collected information about these students for the purpose of working out the possibility of providing them with necessary loans based on the financial capacity of the Board. As the matter of fact, the funds allocated by the Board to finance Higher Education through provision of loan were far less compared to the actual need of the students. That is to say, some students were paid part by HESLB as loan and were required to pay the remaining balance. The loanable items included; tuition fees, meal and accommodation, books and stationary, special faculty requirement, field practical experience and research expenses.

Students who pursued their studies within the country were paid 100% loan for all loanable items and for those who pursued their studies under bilateral agreement were given 3,000,000. Quantitatively, during the first year of HESLB operations students who pursued their studies within the country under the sponsorship of HESLB were paid TZS 2,500 per day to cover meal and accommodation and 120,000 and 500,000 to cover books and stationary for undergraduate and postgraduate respectively. This resulted into mismatch between the amount allocated for that year as pay out and the amount needed to be provided to students as loan. Following this mismatch the Board decided to suspend the sponsorship to fresh postgraduate students.

In the second year of HESLB operations; the year 2006/07, the Board continued with provision of loan using the same generalized criteria. So at minimum all students admitted in any accredited higher learning institution (public or private) within the country and those pursuing their undergraduate studies outside the country under bilateral agreement were eligible for the loan. Based on statistics, students pursuing their undergraduate studies within the country were paid 100% loan for meal and accommodation 3,500 per day and 120,000 for books and stationery. The rest of the loanable items were paid 60% of the specified amount as stipulated by structure of fee and other cost issued by their respective institutions. This amount 60% was paid to all students regardless of their socioeconomic background. Because of that, there were a lot of complaints over income inequality among students. Considering such complaints, the Board had to work out on the criteria which would take into account the income inequality among loan applicants so that those who are able to pay should not be granted the same amount of loan as orphans or those with permanent disability or those with genuine reason for low financial capacity and hence inability to finance their studies. The Board came out with new criteria for allocating students loans which was called Means Testing.

Means Testing is the system of determining the percentage of loan to be awarded to students depending on the socioeconomic status of students, parent or guardian and the maximum loan amount allowable for each loan item. Means testing refers to the measure of student's economic ability to share costs of higher education. In the context of Higher Education Students' Loan, Means testing as defined by HESLB lending Manual 2007 refers to assessment of the applicants' ability to raise all or part of funds to finance tuition fees, field and practical training as well as special faculty requirements cost. Other loanable items given under the Act are not subject to means testing. In the context of HESLB the applicants' ability to raise all or part of the education costs is derived from assessing the following factors; Educational levels of parents / guardians; Occupation of parents/ guardians; owned assets of parents/ guardians; as well as parents /guardians standard of living (guidance and criteria for insurance of loans 2008)

Since 2007/08 to date students were loaned in categories; and students, parents or guardians were required to contribute the difference and it is the practice that amount of loan to be awarded to each individual student depends on means testing results as well as the approved upper limit for each item provided to students as loan. For example; in 2007/08 the upper limit for tuition fee for student enrolled in undergraduate studies was 2.6Milion. During 2007/08 and 2008/09 Means testing results have been categorized as "A" (100%), "B" (80%), "C" (60%), "D" (40%), "E" (20%), and "F" (0%). That is to say 100% means full loan and 0% means no loan on means tested items. On these two academic years meals and accommodation raised from 2,500 to 5,000 per day; field practical raised from 6,000 to 10,000 per day; Book and stationery remained 120,000 per year for students enrolled in undergraduate studies; and the scope was extended to cover tutors and lecturers from public universities who wishes to pursue 2nd and 3rd degree in any public university within the country (HESLB guideline and criteria for granting loan 2008/09). The means testing results for 2007/08 and 2008/09 were as presented by table 1&2 below.

Table 1. Means testing results for 2007/08 Academic Year

	% Loan issued	% Contribution	No. Student loaned	% in Category
Category A	100	0	22,407	40.31%
Category B	80	20	19,266	34.66%
Category C	60	40	12,918	23.24%
Category D	40	60	926	1.67%
Category E	20	80	67	0.12%
Category F	0	100	0	0%
Total			**55,584**	**100.00%**

Source: Loan Disbursement report 2008

Table 2. Means testing results for 2008/09 Academic Year

	% Loan issued	% Contribution	No. Student loaned	% in Category
Category A	100	0	8,342	15.93%
Category B	80	20	29,647	56.60%
Category C	60	40	12,778	24.40%
Category D	40	60	1538	2.94%
Category E	20	80	74	0.14%
Category F	0	100	0	0%
Total			**52,379**	**100.00%**

Source: Loan Disbursement report 2009

In 2009/10 academic year the means testing results were categorized as “A” (100%), “B” (90%), “C” (80%), “D” (70%), “E” (60%), “F” (50%), “G” (40%), “H” (30%), “I” (20%), “J” (10%), “K” (0%) and the scope extended to cover teaching staff (tutors and lecturers) from all Universities (private and public) who wishes to pursue 2nd and 3rd degree in any public university within the country (HESLB guideline and criteria for granting loan 2009/10). Based on legal framework re-payment of loan was compulsory, and students were given a grace period of one year after completing their studies before they start repaying their due loans. To facilitate the process; a link has been established with employers, employer associations, Tanzania Revenue Authority (TRA), National Social Security Fund (NSSF), Public Sectors Pension Fund (PSPF), Parastatal Pension Fund (PPF), Local Authorities Pension Fund (LAPF), Business Registration and Licensing Agency (BRELA), and many other entities who help in tracking loan beneficiaries (HESLB repayment and recovery manual 2007).

5. Success of Higher Education Students Loan Board

The previous loan scheme had legal and operational limitations which were compromising the sustainability of the scheme itself as well as its ability to support the growing number of Higher Learning Institutions (especially private) in the country. Since it was in the government interest to facilitate growth of Higher Learning Institutions by enhancing their enrolment through provision of loan to students, HESLB was established to carter for that. In other words the success of the Board can be gauged against its achievements in facilitating such issues as; increase of Higher Learning Institutions, increase of Higher Education allocation from total education sector budget, growth in enrollment, increase in the amount of loanable funds, equity in provision of loan, recovery as well as sustainability of loan scheme itself.

5.1 Increase of Higher Learning Institutions

One of the foremost achievements of Higher Education Students Loan Board (HESLB) was to facilitate growth of private Higher Learning Institutions through promoting enrolment via provision of loans to students enrolled in these Institutions. Based on higher education loan statistics (2009), the number of private Higher Learning

Institutions has grown to 28 including; Agha Khan University, Hurbert Kairuki Memorial University, International Medical and Technological University, St. Joseph College of Engineering, Tumaini University Dar es Salaam College, Muslim University of Morogoro, Makumira University College, Mount Meru University, University of Arusha, Ruaha University College, Tumaini University Iringa College, St. Johns University of Tanzania, Bugando College of Health Sciences, Saint Augustine University of Tanzania, College of Education Zanzibar, Zanzibar University, New Man Institute of Social Work, Sebastian Kolowa University College, Mweka University, Stephano Moshi Memorial University College, Kilimanjaro Christian Medical Center, Mwenge University and Teophile Kisanji University.

On the other hand, another equally important achievement was the growth of public Higher Learning Institutions. Based on Higher Education Loan Statistics (2009), the number of public Higher Learning Institutions has grown to 23 including; Ardhi University, College of Engineering and Technology, College of Business Education, Dar es salaam University College of Education, Dar es salaam Institute of Technology, Dar es salaam Maritime institute, Institute of Journalism and Mass Communication, Institute of Finance Management, Institute of Adult Education, Institute of Social Work, Mwalimu Nyerere Memorial Academy, Muhimbili University of Health and allied Sciences, National Institute of Transport, Open University of Tanzania, Tanzania Institute of Accountancy, University of Dar es salaam, Sokoine University of Agriculture, Mzumbe University, Institute of Accountancy Arusha, Community Development of Tengeru Institute, Mkwawa University College of Education, Primary Health Care Iringa, Institute of Rural Development and Planning, University of Dodoma, State University of Zanzibar, Zanzibar Institute of Finance and Administration, Moshi University College of Cooperatives and Business Studies and Mbeya Institute of Science and Technology.

5.2 Increase of budgetary allocation for Higher Education Sector

Public Expenditure Review (1995-2012) shows a general increase of education sector budget in Tanzania over the years. From 1998/99 to 2007/08 the Ministry's Budget has increased from 2.9 % of total budget to 7.3 % and also its share to GDP has increased from 1.7 % to 5.3 %. However, despite increasing trend in the total education sector budget; there has been a decreasing trend in the percentage share of Higher Education in the total education sector budget. It should be noted that, after formal announcement of cost sharing policy the government started granting loans to students. Taking loan as the portion of Higher Education Budget; lack of legal framework to ensure recovery of loan made it difficult for authorities to justify an increasing share. Since HESLB was legally entrusted to recover the loan its establishment arrested the decreasing percentage share of Higher Education budget in 2004/05 as shown by table 3.

Table 3. Budgetary allocation for Higher Education sector (1995/96-2011/12)

Financial Year	Total Education Sector (TZS millions)	Higher Education	
		(TZS millions)	% Share
1995/1996	76,504	16,836	22.0%
1996/1997	92,631	19,320	20.9%
1997/1998	102,343	22,914	22.4%
1998/1999	107,457	19,000	17.7%
1999/2000	138,583	32,494	23.4%
2000/2001	218,051	46,679	21.4%
2001/2002	323,864	57,015	17.6%
2002/2003	396,780	70,540	17.8%
2003/2004	487,729	86,140	17.7%
2004/2005	504,745	84,315	16.7%
2005/2006	669,537	138,059	20.6%
2006/2007	958,819	209,859	21.9%
2007/2008	1,100,188	287,876	26.2%
2008/2009	1,430,372	305,431	21.4%
2009/2010	1,743,900	376,659	21.6%
2010/2011	2,045,400	542,774	26.5%
2011/2012	2,283,000	621,603	27.2%

Source: Public Expenditure Review 1995/96 - 2011/12

5.3 Growth of enrolment and increase of funds allocated for students' loans

HESLB reports (2009) shows a sharp increase in enrolment after its establishment as illustrated by figure 1

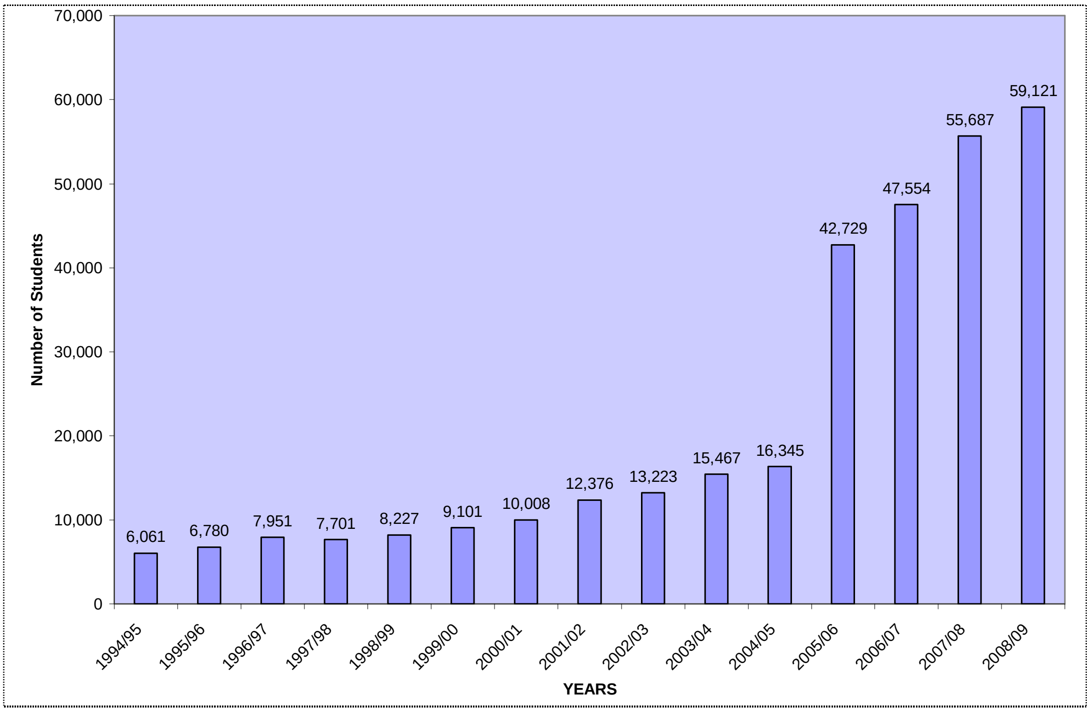

Figure 1: Higher education enrolment statistics (1994-2009)

Loan repayment reports also show a sharp rise in the amount loaned to students as illustrated by Figure 2

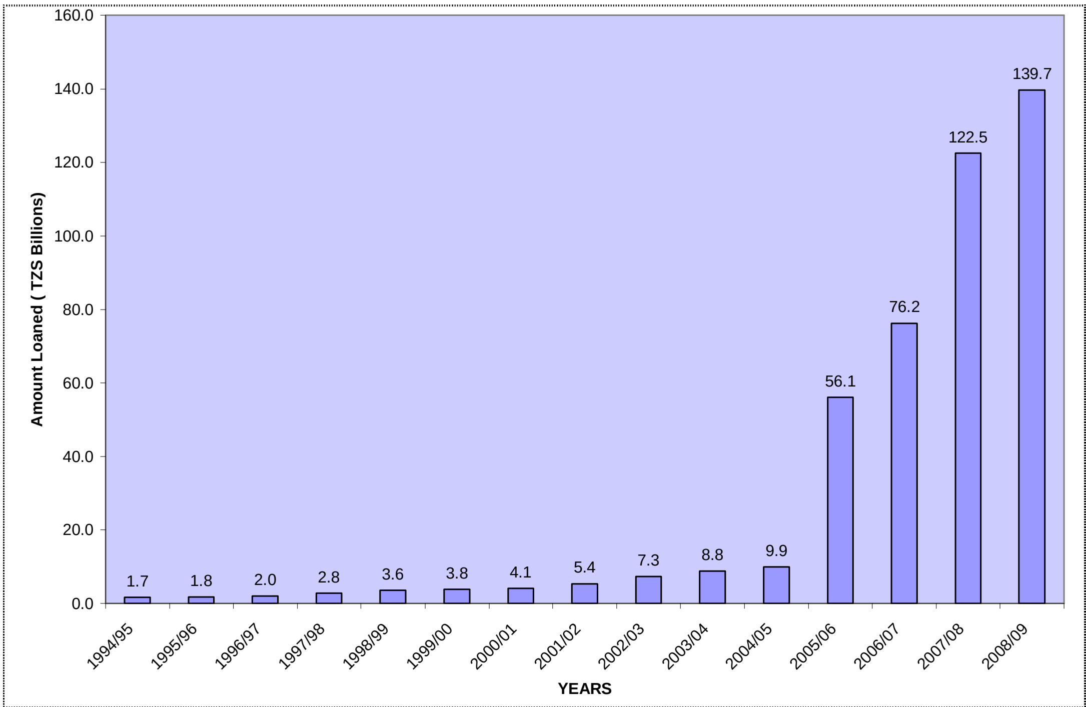

Figure 2: Higher education loan Statistics (1994-2009)

5.4 Recovery of loan from beneficiaries

Apart from showing the sharp increase in both the enrolment and the amount loaned by students from the Board; the HESLB loan repayment reports (2009) shows certainty for recovery of loan. It should be remembered that, the loan scheme which was officially adopted during cost sharing policy phase II in 1994 and operated for ten consecutive years (1994-2004) had no legal framework which enabled it to enforce repayment of loan from beneficiaries; as a result loan was granted to students but nothing was repaid for the entire period. The establishment of Higher Education Students Loan Board enabled the Government to rationalize an increase in the amount of funds allocated to students' loan because the Board was entrusted with legal power to enforce repayment of loan from beneficiaries. That is why, based on loan issuance statistics, while enrolment increased from 16,345 to 42,729 and the amount loaned to students increased from 9.9 to 56.1; the first sum of loan to be re-paid to the financier was recorded immediately after the establishment of the Board as illustrated by table 4 below.

Table 4 Loan Issuance and Recovery Statistics

Years	Number of Students Loaned	% increase	Loaned (TZS billions)	% increase	Recovered (TZS billions)	% to loaned
1994/95	6,061	-	1.7	-	-	-
1995/96	6,780	11.9%	1.8	7.3%	-	-
1996/97	7,951	17.3%	2.0	14.7%	-	-
1997/98	7,701	-3.1%	2.8	37.4%	-	-
1998/99	8,227	6.8%	3.6	29.4%	-	-
1999/00	9,101	10.6%	3.8	6.1%	-	-
2000/01	10,008	10.0%	4.1	6.8%	-	-
2001/02	12,376	23.7%	5.4	31.1%	-	-
2002/03	13,223	6.8%	7.3	36.4%	-	-
2003/04	15,467	17.0%	8.8	20.1%	-	-
2004/05	16,345	5.7%	9.9	12.5%	-	-
2005/06	42,729	161.4%	56.1	467.8%	0.001	0.001%
2006/07	47,554	11.3%	76.2	35.8%	0.054	0.070%
2007/08	55,687	17.1%	122.5	60.8%	0.913	0.745%
2008/09	59,121	6.2%	139.7	14.0%	2.088	1.495%

Source: MOEVT and HESLB Loan Repayment reports (2009)

6. Challenges facing Higher Education Students Loan Board.

As a matter of fact; some challenges facing Higher Education Students Loan Board are categorized as inherent due to monopolistic nature of the Board in the country; other challenges are in-build within its administrative structure while other challenges emerge from time to time in the course of accomplishment of its core operations. Based on both primary and secondary sources, the identified challenges have been categorized into the following groups.

6.1 Challenges related to loan application process

Based on study done by Ally (2009), generally 92% of respondents were not happy with the way HESLB attend and provide services to its customers, and 84% were specific that the process of loan application and issuance is not time effective. Their arguments centered on such facts as, the availability and accessibility of loan application forms is neither good nor user friendly; the loan forms are too long hence time consuming in filing it and it requires too many documents to be attached and it has to be passed through different government offices as well; lack of new Technology (the Internet) in some of the areas especially remote areas, which could be used to download the forms; centralization of HESLB activities hence lack of branches in other regions which could be used to submit forms; many students fail to meet deadlines; inadequate information about HESLB and how to fill the forms and the requirements as delay in knowing the mean testing grades.

6.2 Challenges related to loan eligibility criteria

Although loan eligibility criteria were based on a number of factors guided by section 17 of the HESLB Act No. 9 of 2004 and have been subject to review, 77% of respondents were of the opinion that the existing eligibility criteria for granting loans do not assist the needy students (Ally, 2009). They argue that, it is not appropriate to apply the same criteria to all students while they come from different backgrounds. For example; by referring criteria used in 2008/09 and 2009/10 apart from being a Tanzanian as per HESLB Act No. 9 of 2004 as well as being admitted to an accredited (recognized) Higher Learning Institution, in Tanzania as a candidate for a first degree or advanced diploma on full time basis; subject to means testing results, first time applicants must have excelled in form six examinations by attaining division one or two obtained in a single sitting. In line with this, first time applicants with equivalent qualifications must possess an ordinary diploma of at least second class grade or an average of "B" scores (if the diploma is not graded) or Full Technician Certificate with average of

"C" scores in the case of technical courses.

Furthermore, to qualify for loan; first, a continuing student must have passed the examinations neccessary to enable him to advance to the following year or stage of study, but this criterion was set knowing that the results of supplementary examinations from which the decision on whether students advance to the following year or not do come out late, hence necessitates delays on loan application and issuance. Secondly, entry results obtained (form six or otherwise) must be for the subjects relevant to the degree or advanced diploma courses applied for; however the Board have twisted the matter and gave special considerations for the applicants pursuing what they called 'priority causes'. In 2008/09 and 2009/10 for example; the priority courses included all science programmes and Teaching professional programmes. The question remains, are students knowledgeable about this criterion enough to select and undertake science subjects? Or even if they are aware of this criterion, are there adequate resources throughout the country in terms of skilled workforce infrastructure and facilities for teaching science subjects which would enable students to get division one or two and meet loan requirements.

6.3 Challenges related to space, equipments and staff

With regards to space and equipments; there have been complaints levelled against adequacy of working space. In general the entire space used by Higher Education Students Loan Board was claimed to be small compared to the demand of its operating functions. It should be noted that, the Board didn't have its own building (Ally, 2009). Likewise, there has been a shortage of working tools; especially computers and accessories needed to institutionalize information system necessary in processing Board's transactions effectively and efficiently.

With regards to staffing level; manpower has been a problem in loan disbursement, loan allocation and loan repayment divisions. Operating staff were very few in almost all divisions of the Board. For example; the Board had only 8 loan disbursement officers and only 8 loan allocation officers in 2009 while the number of Higher Learning Institutions to be served was as high as 51 (Ally, 2009). Inadequacy of the number of staff was justified by comparable data. For example; it was revealed that, in a similar Board (Higher Education Loan Board) operating in Kenya which was ahead of the Higher Educations Students Loan Board of Tanzania in terms of ICT and computer systems the number of loan officers in the loan disbursement and allocation divisions was 23 (Ally (2009).

Generally, the Board being ineffective in soliciting funds from the public to supplement the loanable funds provided by the government has been the opinion of 87% of respondents (Ally, 2009). It should be noted that, soliciting funds needs sensitization which would attract companies as well as individuals to start supplementing loanable fund from the government via donations; or introduce Higher education Tax/levy as it has been done in EWURA where every customer pays 1% for consumption of water and electricity respectively; or approach companies as to provide sponsorship e.g. Communication companies to sponsor students pursuing telecommunication studies; Accounting and auditing to sponsor students in those lines; establish fund raising centers and committees. So in other words, the problem stems from inadequate space, equipments and staffing level needed to accomplish the task.

Similarly, with inadequate number of staff and equipments, the Board has failed to increase the speed of loan application and disbursement process, via decentralization and establishment of centers which would enable applicants to submit the filled forms within their district, region or to the representative at each University. The Board has also failed to increase speed of loan recovery. As presented on table 2 earlier; based on HESLB loan issuance and repayment statistics (2009); the total loaned funds from 1994/95 to 2008/09 amounts to TZS 442.7 billions, and the recovered sum after four years of the Board's operations was only TZS 3.056 billions equivalent of 0.69%. It was argued that, one of the clear reason to this was the number of staff in repayment division which was not enough to efficiently support tracing of loan beneficiaries scattered all over the country and outside.

Other features which have been caused by inadequate number of staff, and equipments includes; failure to issue loan to applicants on-time; failure to establish feedback mechanism, as to enable students who are yet to get loan be informed on whether the application is in progress or they will not get the loan as well as failure to identify neediest students resulted by failure of the Board to work on correctness and genuineness of information presented to them by loan applicants. It should be remembered that, establishing a proper and realistic means testing process requires the board through its representative to assure that parameters used for means testing have a direct relationship with the current ability of the parent/ guardian. This is to say, the absence of HESLB staff to validate responses or issuing of the same set of questions used as means testing to applicants from diverse background is both unrealistic and misleading.

7. Conclusion

Cost sharing in financing of Higher education in Tanzania has a very long history. The paper has shown that, it is dated way back in 1956 during colonial era and has evolved over time in different frameworks to the current student's loan scheme managed by Higher Education Students Loan Board (HESLB) which was established in 2004. The origin of the belief that financing of Higher Education in Tanzania used to be, is and has to remain the state responsibility has been identified and supporting evidence have been presented as to verify that the belief itself is baseless. The paper has also pointed out drawbacks which necessitated restructuring of cost sharing in the course of its evolution. Furthermore, it has highlighted remarkable successes which have been recorded as well as challenges to be worked upon as to enhance not only effectiveness and efficiency of the current cost sharing scheme but also its sustainability.

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