



# **The Economics and Financing of Higher Education in Ethiopia, Analysis of Financial Policies and Current Trends at the State and Wolaita Sodo University: Qualitative Inquiry**

**Mulatu Dea,**

**Department of Educational Leadership and Management**

**Addis Ababa University, Ethiopia**

**Email: [lerramulee2010@gmail.com](mailto:lerramulee2010@gmail.com)**

## **ABSTRACT**

As we know from the total budget allocated to education, 40 % of recurrent and capital budget goes to Ethiopian higher institutions. Hence the public universities utilized the lion shares of the total budget of the education sectors. But the first GTP performance indicates that efficiency and quality of education at all level still critical. Furthermore, some of the public universities underutilized the allocated budget by the government and returned back to the finance minister. Thus, the effectiveness of the implementation of the program design to ensure quality, relevance, allocation of sufficient budget and efficiency of higher education system has to be improved. The major objectives of this qualitative study is to explore “The economics and financing of higher education in Ethiopia, analysis of financial policies and current trends at the state and Wolaita Sodo University from the academic years of 2012/13-2014/15 through qualitative approach”. Furthermore, the study critically views how federal democratic republic of Ethiopia finance higher institutions, budget allocation mechanisms, policy in relation to financing higher institutions, trends and patterns in Wolaita Sodo university students enrolment, staff composition and recurrent and capital budget, income generation mechanisms and its utilization , the trends and patterns of recurrent and capital budget expenditures of 3 consecutive years based on priorities, critical issues influencing the financing of higher education. The finding reveals that, even the performance of the university in utilization of allocated budgets and income generation also well improved, but the total performances of the university in terms of budget utilization were not promising. As we can see the three years annual reports of the university, the 99 % of budget allocated by the government. The attitudes of the university community towards searching for budget and allocation is solely responsibilities of the government. There are no any experiences of the university trying to expand the views of sources of funds and creation of linkage with the donors, even with the local NGOs found around. Furthermore, the political commitment to increase the sources of funds to the university very limited, their managerial skills and communication and dealing with the local community and mobilizing them as resource towards the financing of the university is not encouraging. Hence, the university should aggressively work on looking for additional funds from different sources in addition to the government funds to diversify the programs of the university and to well equip for research and community services.

**Key words:** Economics of Education, Budget, Capital Budget, Recurrent Budget, Budget expenditures, Policy

## **INTRODUCTION**

Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.

Economic growth registered in the last two years has enabled the country to maintain an average annual economic growth rate of 11% over the last eleven consecutive years of 2004-2014 (GTP-2013/14). In order to sustain the rapid growth momentum and achieved the planned target, it is imperative to increase the productivity of the whole sectors and expand investment in the industrial sector is an assignment for the GTP-2. But important to achieve the target the roles of higher institutions in providing well qualified and professional human power is on the front line of all.

The Ethiopian government is aggressively working on the expansion and development of higher institutions by providing required resources (financial, material and human) to strengthen the provision of quality education to the citizen so as to achieve the planned targets of the country. For instance, both in public and private institutions, the undergraduate enrollment rate has increased from 444,553 in 2010/11 to 491,871 in 2012/13. In higher education, undergraduate program female enrollment has also increased from 25.6% in 2010/11 to 26.5% in 2012/13. In the post graduate program both in public and private institutions, the number of graduate students has increased from 13,881 in the academic years of 2010/11 to 25,797 in the years of 2012/13. Voraciously, on the side of the government quality and relevance is the main focus of the higher education and hence quality and relevance improvement program of higher institutions has to be implemented more effectively to ensure the expected quality and relevance in the GTP 2 program. Particularly, political commitment of the higher institution leaders and their stockholders should take the lion's share to the above roles.

Besides increasing higher education enrollment, maximum efforts have been exerted to improve the relevance, quality and equity of higher education in accordance with the program developed to achieve these objectives. Public universities have already started admitting students in line with the 70:30 strategies between science and technology on the one hand social science on the other.

Over the last ten to fifteen years, there have been significant increases in the number of universities and student enrollments in Ethiopia. The numerical gains have increased access to universities and diversified fields of studies. This rapid expansion has not been, however, accompanied by commensurate funding increases.

As we know from the total budget allocated to education, 40 % of recurrent and capital budget goes to Ethiopian higher institutions. Hence the public universities utilized the lion shares of the total budget of the education sectors. But the first GTP performance indicates that efficiency and quality of education at all level still critical. Furthermore, some of the public universities underutilized the allocated budget by the government and returned back to the finance minister. Thus, the effectiveness of the implementation of the program design to ensure quality, relevance, allocation of sufficient budget and efficiency of higher education system have to be improved.

Around the world, higher education institutions are expected to fulfill multiple missions including the creation of knowledge, improving equity, and responding to student needs- and to do so more efficiently. The entire activities and missions in any higher education system (from teachers' salaries to library facilities, from computers to a physical building, and so on) require costly resources.

Accordingly, attaining an effective higher education system requires the right combination of sufficient funding, trained and talented employees, adequate facilities, state-of-the-art equipment and motivated students ready to learn (World Bank, 2000). Such combination enables universities to adequately undertake all its activities, achieve its missions, maintain educational quality and realize its vision. To attain all its missions, therefore, any system of higher education needs to be funded adequately.

The education of a given society and its role in helping meet clearly set objectives (e.g., development, economic growth) are closely tied to the resources available and the financing methods it employs (MoE, 2002). For any university to effectively perform its activities and roles, therefore, there must be adequate funding in the first place; and there must also be an effective and efficient system of resource allocation and financial management system. In this regard, a university generally requires adequate financial resources for its overall operations.

Besides, the mechanisms through which governments transfer funds for core activities to higher education institutions have an important effect on the way in which these funds are used (Albrecht & Ziderman, 1995). This is because, according to Woods (2008), a perfect resource allocation model provides the

greatest overall satisfaction in meeting objectives whilst simultaneously constraining the use of resources to exactly those which are available.

As we can see from higher education finance, it will be important to note that there is often a divergence between the way in which resources are supposed to be allocated and the ways in which they are actually transferred and used (Albrecht & Ziderman, 1995). In this regard, not only the amount of money distributed (*financial adequacy*) but also, and most importantly, how that money is allocated and utilized (*efficient allocation and utilization*) is crucial in any higher education system.

Achieving the missions and activities of higher education, therefore, largely depends not only on financial adequacy, but also on efficient utilization of the available resources. This is the fact, however, universities throughout the world, even in wealthy industrialized nations, is struggling to satisfy the ever-growing demand for higher education. Among, one of public universities which is working aggressively in teaching and learning, research and community services in order to satisfy the needs and demand of the local and national community is Wolaita Sodo University which is found in Southern nation and nationalities and people of Ethiopia.

### **Background of Wolaita Sodo University**

On the basis of the essence of the higher education proclamation (NO. 650/ 2009) that granted autonomy to public Universities in the country, Wolaita Sodo University has been made 'autonomous' and is led by government officials and academician since 2006. Its own transformational change framework leads the University on economic development and university enterprise cooperation.

Since its commencement, WSU works hard to produce competent, skilled and responsible graduates by providing quality and relevant education and to undertake research and community services that generate knowledge and address economic, social and cultural demands of the community. The university also aggressively works to be research intensive and community based institution by rendering need based research output for nearby communities and country wise.

Currently, WSU is running 41 undergraduate, 15 postgraduate programs and 1 PhD program in three campus premises and enrolled more than 23 thousand students in regular, week end, and summer programs in three schools and six colleges. Hence, WSU is at front line among same generation universities as it is running even a PhD program and other several graduate programs. Most of the graduate programs were designed in order to add scientific knowledge, contribute to address the MGD there by to the renaissance of the nation. All the above programs run by the academic and administrative staff described on the *figure 2* below.

The expansion of the infrastructure is also in accordance with this line; research to be conducted in the university is also made to be directed towards such themes. Presently WSU laid foundations for its third campus in Tarcha, Dawuro Zone. Ministry of Education has approved the opening of the campus and allocated about 100 million Birr only to start with it. Now the university is on the process of fencing and starting the construction of the campus. The University has also established a special team composed of different specialties and offices for follow up of the activity. Side by side the Zonal administration has also hand over about 110 hectares of land at Kechi and Maraka Woreda for research center. The Zonal and town administration are closely working with the university and supporting whatever the university demand their cooperation.

In order to achieve the goals of the university and GTP 2 the WSU has its vision, mission and values which are clearly stated below.

### **Mission, Vision and Values of the University**

WSU is dedicated to contribute to the sustainable social, economic, and cultural development through provision of quality and relevant education, undertaking problem solving researches and rendering need based and relevant community services.

#### **Vision**

To be one of the best universities nationally and recognized internationally by **2020 E.C.**

#### **Mission Statement**

WSU is dedicated to provide quality education, conduct problem solving research and deliver need based community services.

## Values

Our core values are:

- Academic freedom and autonomy  
WSU will uphold and defend academic freedom and institutional autonomy so as to ensure that its education and academic pursuits are not subject to undue intervention.
- Excellence , ethics and professionalism  
WSU will strive for excellence in services rendered at highest possible standards of professionalism and ethics and seek to provide high quality services at a reasonable and affordable cost.
- Customer first: WSU gives high attention to its students and it also gives special attention to female, disadvantaged and people with special need.
- Gender equality: special attention to female

## The Structure of Financing and Budget Utilization of Wolaita Sodo University

It is very remarkable to understand the goals of financing higher institutions from a government policy perspective. Hence, the Ethiopian government financing Wolaita Sodo University because of three pillar strategic goals:

**Goal 1** - to improve the performance of institutions to generate more high-skilled manpower for the country's growing business, government, and NGO sectors,

**Goal 2**- Make the institutions more efficient, competitive, and innovative for the continuing expansion of the system in a way that protects and promotes quality, relevance and equity

**Goal 3**- Serve as an instrument to implement the GTP-2 of the education policy of the government

## How Federal Democratic Republic of Ethiopia Finance Higher Institutions

Under the current Ethiopian higher education finance system, capital and recurrent budget has been allotted to each higher institution through the Ministry of Education and Ministry of Finance and Economic Development. The amount of budget allocated has been determined by how much an institution received last year. 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 by the institution,
  - ✓ The ratio of women and minorities, and
  - ✓ The ability of the institution 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.

## Budget Allocation Mechanisms

Higher education in Ethiopia was and is funded by the Federal government, formerly allocated in a line item basis. In general, the current funding model of Ethiopian higher education can be characterized by what economists call a 'Centrally Planned' or 'Command system', a funding model, which has been the preferred mode of public funding for higher education across much of the world (Higher Education System Overhaul or HESO, 2004).

The government realized that, as the higher education system is rapidly expanding, a line-by-line negotiation of higher education institutions budget would become impractical and inefficient. The Ethiopian Higher Education Proclamation or HEP (FDRE, 2009), therefore, called for the introduction of a block grant approach for the funding of the institutions as part of this modernizing agenda. Ideally, the base formula funding would focus on the key operational aspects of the university. In general, these base funding components include:

- 1) Instruction;
- 2) Research;
- 3) Physical plant operations;
- 4) General management and services;

5) Student support and services.

Regarding the financial source and allocation method, **Article 62 of the Proclamation** clearly indicated that: '*Public institutions shall be funded by the Federal government or states through block-grant system based on strategic plan agreement*'. Therefore, development of a fair, effective and efficient funding formula for deciding on the individual block grants was an inevitable prerequisite for this to happen. Hence Wolaita Sodo University is also obtains the required annual budget from the Ministry of Finance and Economic Development per request of the university based on the proclamation.

Furthermore, the Director of finance and budget of the university remarked that WSU prepare the annual budget utilization report that is comprehensive financial plans which indicating net assets, sources of revenue, expenditure and how they intend to serve their debts. The budget plan is prepared in such a detailed manner that it indicated each aspect of the budget request with specific budget title and the amount needed for each activity as the director of the finance and budget described.

The Director of Finance and Budget of the University clearly underscored that the preparation of annual budget plan is found to be the responsibility of each department under each faculty and school/college. Accordingly, each department prepares their budget plan and submits it to their respective faculty/college deans. Deans from each faculty present the plans for discussion and submit to university officials. Finally, WSU reports/submit the total institution annual budget plan to MoE, MoFED and Parliament of the state. As a result, WSU Administration and development Vice President, Finance and Budget Director and Plan and Program Director negotiate about the amount allocated to the university.

In connection with monitoring and evaluation of the proper utilization of the allocated budgets of the university, the Director of finance and budget point outs that, WSU per quarterly bases submits the budget utilization reports to the governing bodies (MoE, MoFED, Parliament of the FDRE) with detail task activities of the university. This is one of the mechanisms of controlling the utilization of allocated budget to the university.

#### **Policy in relation to financing higher institutions**

The Ethiopian higher education proclamation clearly states that in pursuit of its mission, every public institution is granted all the necessary autonomy in the utilization of allocated budget with equivalent accountability. The Proclamation has now expanded institutional autonomy since universities are given freedom to manage their budget and decide on resource allocation without government approval.

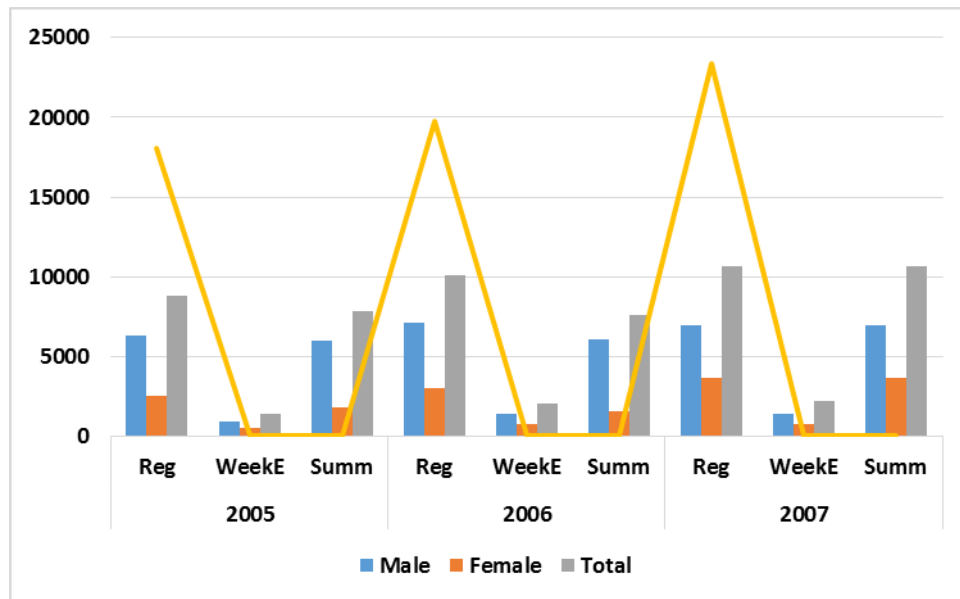
WSU is autonomous to manage its funds and property. Hence, without prejudice to other applicable laws and procedures, the university is free to use its income as it sees fit, in accordance with its approved business plan (Article 64.2). Accordingly, as the responses of the finance director, all the university administrators are aware that they are granted financial autonomy and hence they have the autonomy to decide on their allocated finance. But the director figure outs most of the concerned management bodies have not been exercising their financial autonomy in ways that could ensure effectiveness, efficiency and fairness because of lack of managerial experience, fear of decision-making as well as fear of taking necessary financial risks. Therefore, the University for the Last Two- three years returned ample budget to Ministry of Finance and Economic Development in millions back. Furthermore, the bureaucratic procedure of the procurement policy is the bottleneck for the proper utilization of the allocated budget of the university for the last three years as the director remarked.

#### **Trends and Patterns in Wolaita Sodo University Students Enrolment, Staff composition and Recurrent and Capita Budget**

The following figure reveals the trends and patterns of WSU students' enrolment for the last three consecutive years from 2005- 2007 E.C.

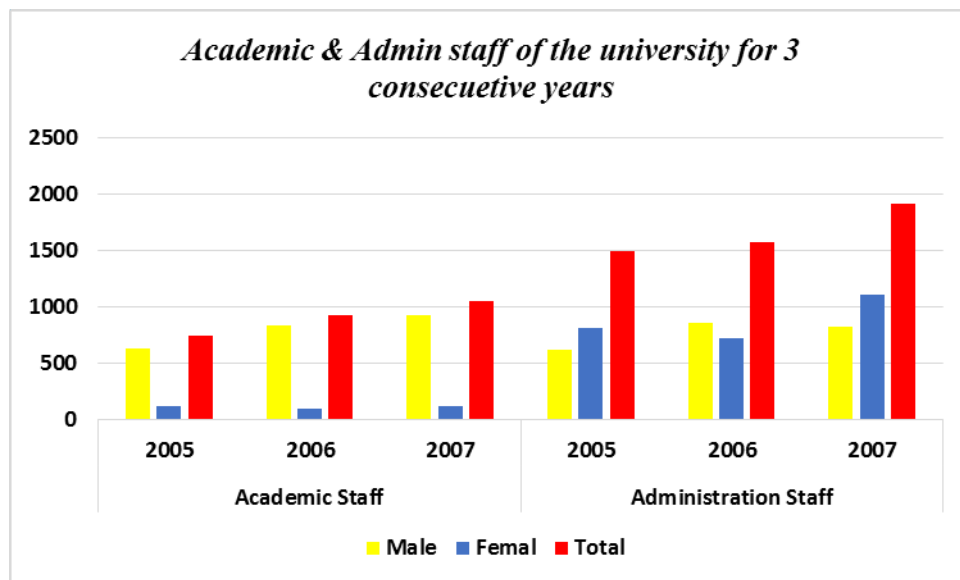
The total enrolment of students in the academic years of the 2005 E.C as Plan and Program Director remarked, 6282 male and 2492 female in regular programs, 901 male and 443 female in week end programs, 6011 male and 1826 female in summer and PGDT programs, total of **18,582** students attended their education in the academic year. In the academic year of 2006, 7074 male and 2990 regular students, 1362 male and 753 female students in week end, 6037 male and 1543 female in summer programs total of **19,719** students were attended their education. Regarding the 2007 academic year enrolment, 6963 male

and 3663 female in regular , 1410 male and 752 female in week end, 6957 male and 3669 female in summer programs total of 23, 414 students were attended their education at the Woliata Sodo University.



**Figure 1. Student enrolment trends of three consecutive years of WSU**

As we can see from the patterns of the three years consecutive enrolment; the number of the students increasing from years to years. Even female participation in the three respective years is increasing.



**Figure 2. Academic and administration staff composition of WSU in three years**

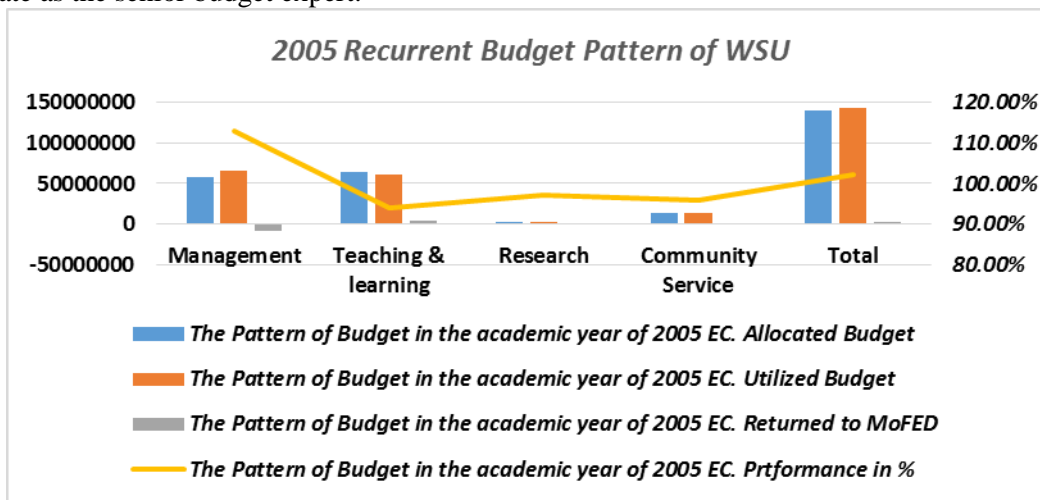
In connection with academic and admin staff composition in figure 2 above, the director also revealed that 630 male and 113 female total of 743 in 2005, 829 male and 91 female total of 920, in 2006, 927

male and 117 female total of 1044 in academic year of 2007 was the teaching staff composition. As we can read from the graph, the number of teaching staff increasing from year to year.

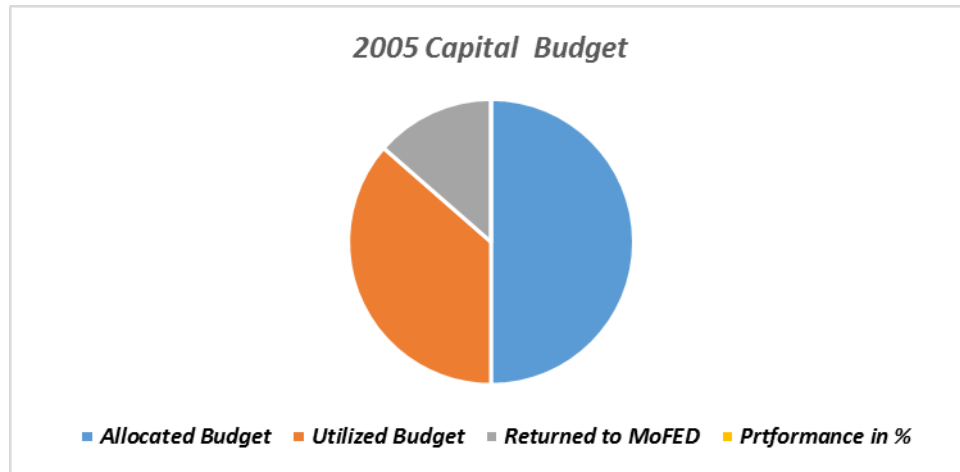
**Budget Analysis of the Academic year of 2005**

As the figure 3 depicts below, the total recurrent budget allocated by the government in four programs (management, teaching-learning, research, community services) were **138, 74175** million Birr. For management and administration the total allocated budget was 57,853,295 million birr among 65,318,453.48 million birr were utilized in the academic year which is 7,465,158.48 over the allocated budget for the program. As the director of finance and budget portrays that the amount over utilized because of the inflation of students meal price so that the university forced to use additional budget to balance and overcome the problem from incomes generated by the university. On the same academic year, under the program of teaching & learning, the government allocated 64,070,212 million birr among 60, 311,658.63 birr were utilized properly. But the university returned 3,758,554 million birr to the MoFED in the academic year. As finance and budget director, the returned budget because of the failure of Bid and bureaucratic procedures of the procurement process which is developed by Ministry of Finance and Economic Development to purchase and for project construction.

The other program to which the government allocated the budget in the same academic year is Research. The total amount of budget allocated to research is 2,656,100 only to the country with full of problem and among, 2, 584, 582.12 birr were utilized and 28,482.12 were returned to the Finance Ministry. What we can understand from this program is, despite higher institutions are the center of research and innovation, the attention of government in research and innovation were not encouraging. With regards to community services, the total budget allocated by the government were 14,162,143, birr in the academic year and among 13,577,573 birr were utilized and 584,570 thousand birr returned to the MoFED in the academic years. Even though the government allocated around 14 million to the community services the university was not efficiently used the allocated budget because of proper management of budget from the research directorate as the senior budget expert.

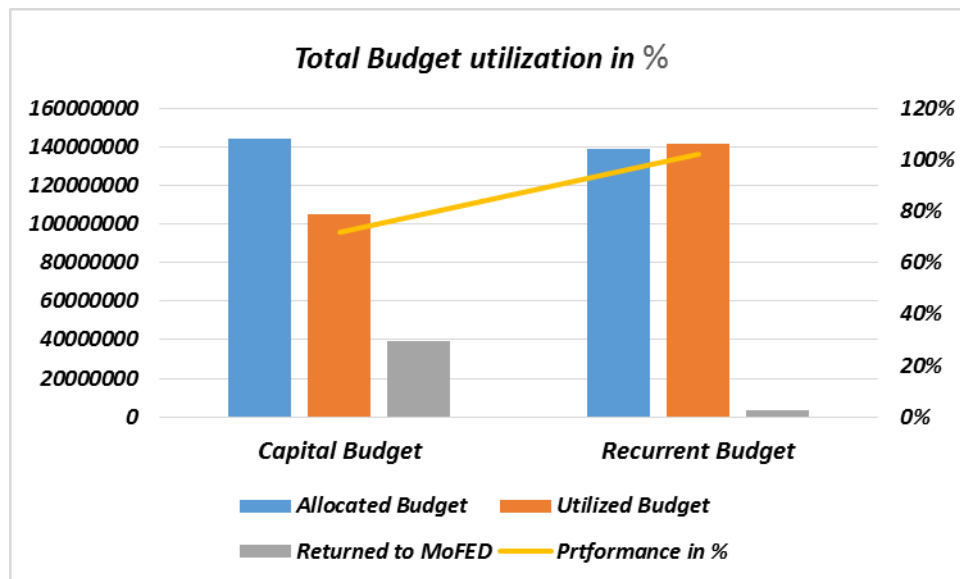


**Figure 3. Recurrent Budget patterns of WSU in The academic years of 2005**



**Figure 4. The pattern of Capital Budget of the Academic years of WSU in 2005**

As the Director of finance and budget, the lion share of the budget goes to capital project budget which is mainly focus on construction of the university and infrastructures. In the same academic year, as we can read from the figure, the total allocated budget were 144,412, 400 birr and among 105,228.638 were utilized in the academic year and around 39,183,762 million birr returned back to the MoFED. The basic reason for this is the delay in the Bid committee, approval of the projects by the MoFED and bureaucratic procurement process of the system fear of managers to take financial risk as Finance director of the university.

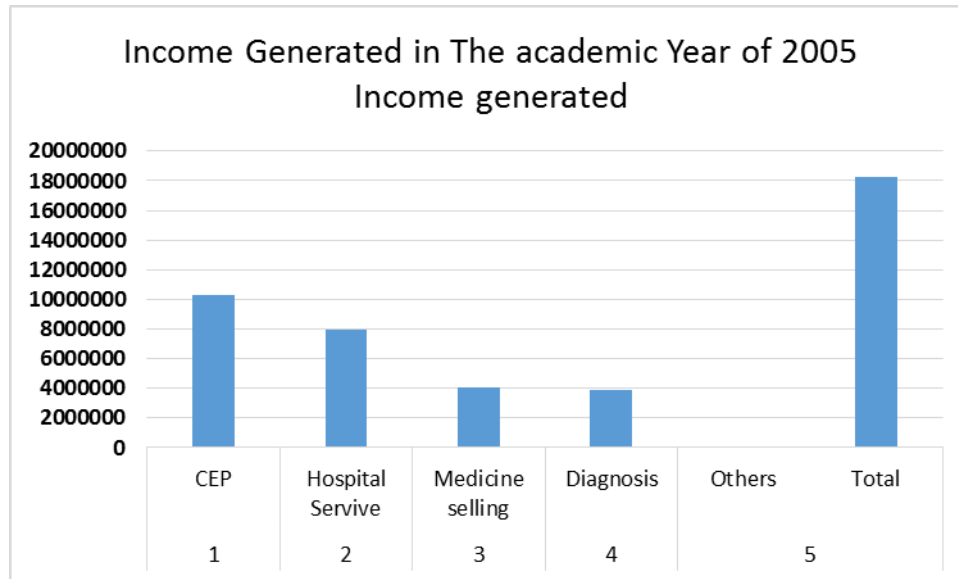


**Figure 5. The Total Budget Utilization Trends of WSU in the Academic year of 2005**

The figure above therefore indicated the overall utilization of the allocated budget in the academic year of 2005. Hence, the total performance of the university under the capital budget was around 73% and 103 % in recurrent budget. Overall performance of the university in the 2005 academic year was 88% only. Though it is the young university, the utilization of both budgets is not satisfactory.



**Income Generated in the Academic Year of 2005**



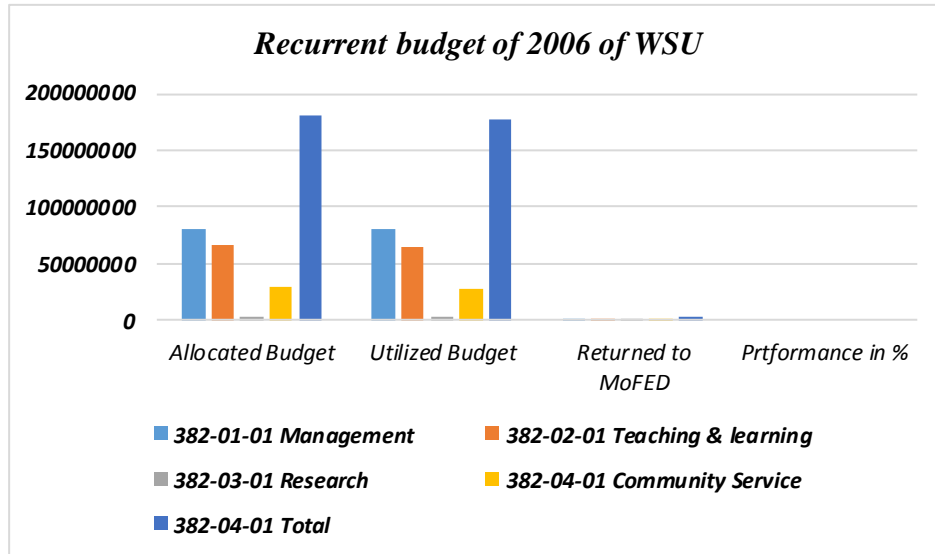
**Figure 6. Income generated in the academic year of 2005 in WSU**

In connection with income generation process, the university collected total of 18, 254,162 in the academic year from different sources. Among, CEP was in the front line, and which account for 10,255,805 million birr and the other are from Referral Hospital services which 7,998,365.64. As we can see from the figure, the target to collect the revenue were 15,000,000 as the finance director, but the university collected 25% additional incomes to the university and it is good experience as the director.

**Budget Analysis of the academic year of 2006 of WSU**

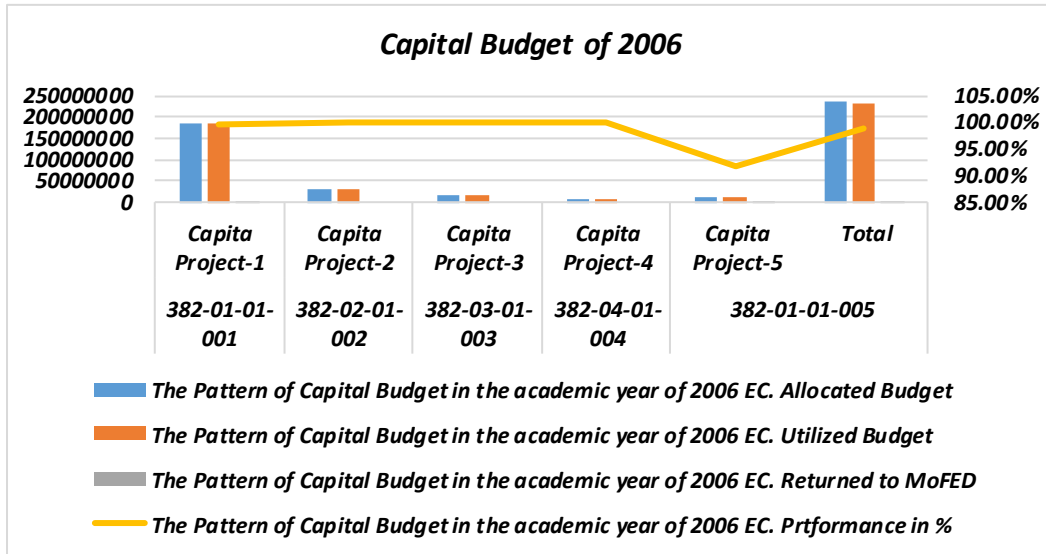
The second part of analysis deals about 2006 budget trends and patterns of Wolaita Sodo University. As depicted in figure below, the total *Recurrent budget* allocated to the respective university were 179,997,990 million birr and *Capital budget* of 235, 200,000 for the academic year of 2006. When we can see the utilization of budget of the university in line with the program, the first is Management and Administration (Code: 382-01-01) and the budget allocated to this program is 80,372, 492 among 80, 085,040 were utilized and returned 287,453 birr to the MoFED. The total performance of the university in line with program mentioned above were 99.6 % of the total which indicates better budget utilization when comparing to the 2005 academic year. In relation with the second program item which is teaching and learning, (Code: 382-02-01), the total allocated budget were 66,579,389 million birr among 65,390,811 were the utilized budget and 1,188.573 million birr returned to the MoFED. The total performance of the university was 98.2% in the academic year of 2006. Since the university is young and not well equipped with teaching learning facilities, returning budget from this program shows that the capacity to utilize all budget of the university is not encouraging and need improvement.

Research and Community services are the other type of programs to which the government was allocated the budget. Accordingly, 3,460, 000 for research (Code: 382-03-01) and 29,586,10b for community services (Code: 382-04-01) respectively. Among, 2,655,247 from research budget and 28, 716,938 were utilized in the academic year of 2006 respectively. The amount of budget returned from the two programs was 804, 753, and 8, 69, 170 respectively. The total performance of budget utilization of the university in the academic year of 2006 were 76.74% and 91 .05% in both programs respectively. It can infer that, the utilization of the whole budget in the two programs is not effective though the university is working on community based services and research to overcome the challenges of the local community.



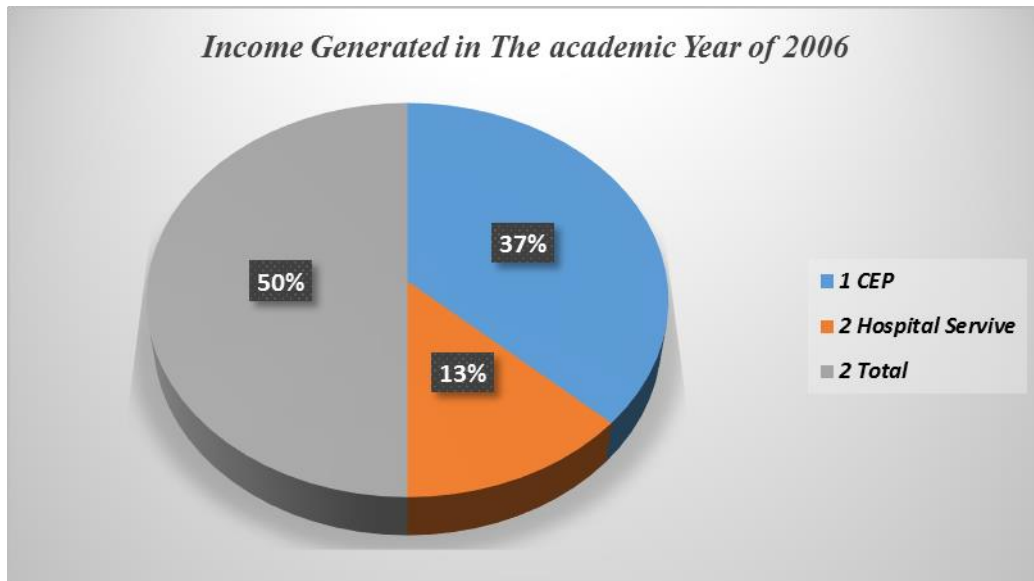
**Figure 7. Recurrent budget of WSU in academic year of 2006**

Figure 8 below describes the capital budget analysis of Wolaita Sodo University in the academic year of 2006. Accordingly, for the first capital project (Code: 382:01-01-001) the total allocated budget were 187, 067,200 million birr, among 185,472,354 were properly utilized as the director of the finance and budget and 1,594, 846 were returned to the MoFED. The total performance of the university budget utilization was 99.14% under this capital project. In connection with the second, third, and fourth capital budget items (Code: 382:01-01-002), (Code: 382:01-01-003), (Code: 382:01-01-004) the total amount of budget allocated were 30, 132, 800; 18, 080, 000, and 7, 000,000 million birr respectively and all the three item utilized fully and the performance of the university in the three capital projects were 100% in the academic years of 2006. But in the last item of capital project (Code: 382:01-01-005) the total allocated budget were 11,000,000 and among 10,089,787 were utilized and 910, 213 were returned to the MoFED. Its performance of utilization of the capital project was 91.72%. To sum, the total capital budget utilization of the university was 98.59 %, which is by far better than the academic year of 2005 as we can see from the figure 8.



**Figure 8. The Trends and Patterns of Capita Budget of WSU in Academic Year of 2006**

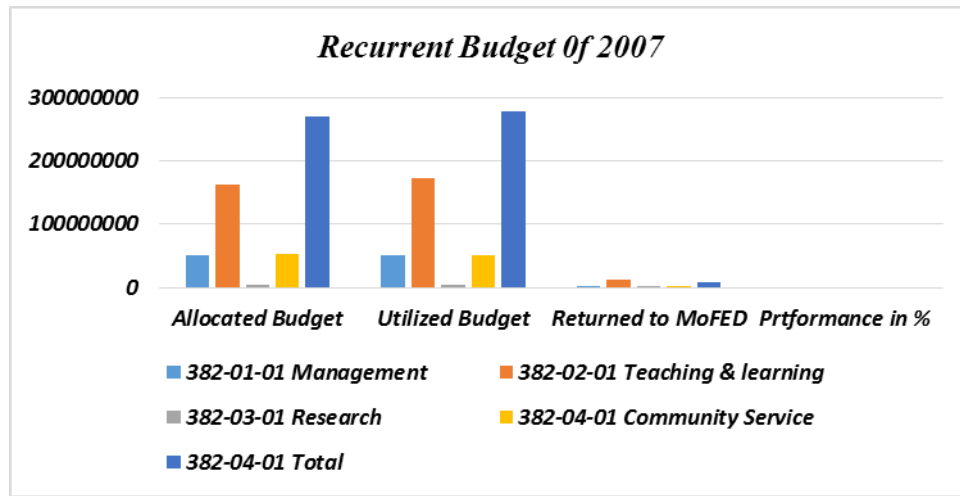
*Note: Description of Code: 382-01-01-001-existing projects; 382-01-01-002- Libra Labra organization, 382-01-01-003-post graduate building construction project, 382-01-01-004-Standard stadium construction project, 382-01-01-005-Store and garage construction projects*



**Figure 9. Income generated in the academic year of 2006 in WSU**

The Director of finance and budget of the university remarked that the university also generated income from different programs in the academic year of 2006. The baseline for the collection of income was the last year income generated plus 25 % that is 22,817,702.6. But, in the budget year the university collected 29, 347307.87 million birr which is advance from the annual planned income budget. The trends of income generation of the university in the academic year were increasing as to compare to the last year income generated and the total performance of the university in terms of income generation were 126.6 %.

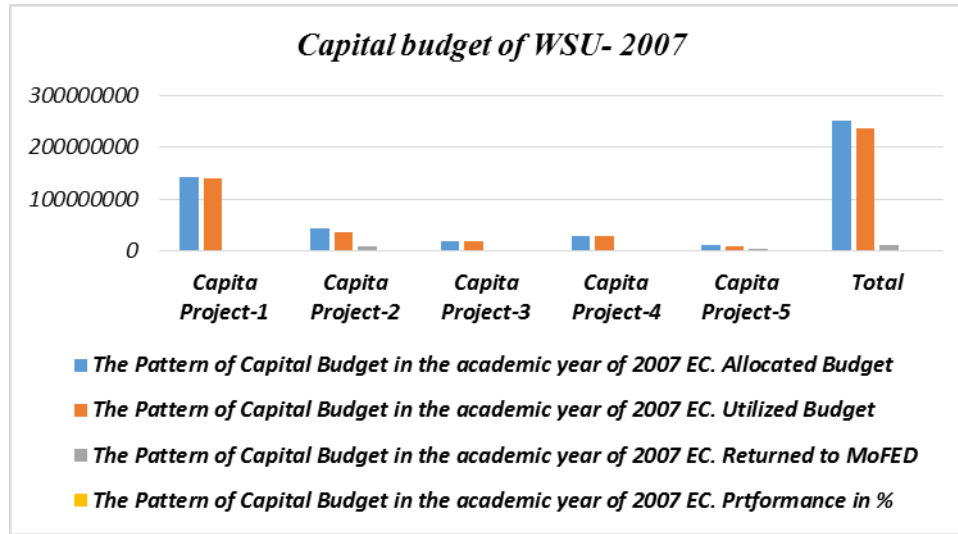
**The trends and patterns of 2007 Budget of WSU**



**Figure 10. Recurrent Budget of WSU in the academic year of 2007**

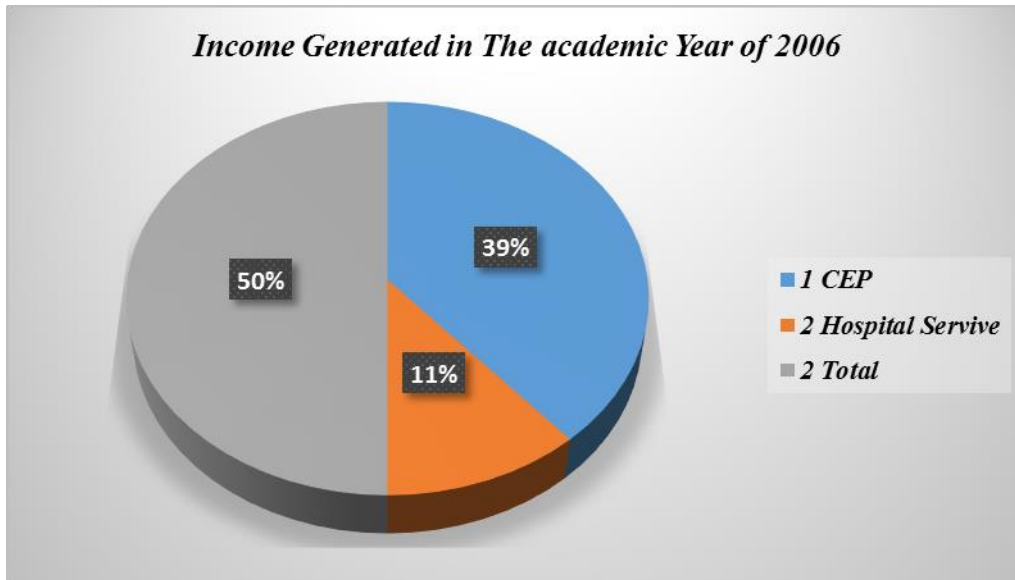
As finance and budget director of the university, the government allocates budget on two budget heads which is capita and recurrent budgets. Therefore the MoFED allocated the following budget for the academic year of 2007 for WSU. For recurrent budget, 270,161,020, and capital budget of 250, 500,000 total of 520,661,020 million birr. As the director, the budget can be divided in to three quarterly budget year and the budget is credited in the university account based on monthly activities of the university.

As the figure 10 above reveals that the total budget allocated to WSU in the academic year of 2007 under the first capital projects as director of finance (Code: 382:01-01) were 50, 943,772 among 50554707.3 were the utilized budget under this category and the returned budget were 389, 065 and its annual performance were 99.23% of total. Under the second, third and fourth programs (Code: 382:02-01), (Code: 382:03-01), and (Code: 382:04-01) the total budget allocated were 161,911,228; 4,179,400; and 53,126,620 in the academic year respectively. Among, 173,335,185.97; 3,359,104.84; 50,768,732.41 were properly utilized as the director responded. As we can see from the analysis, under the second item the university over utilized 11,423957.97 and the total performance of the budget utilization were 107.1%. In research program, the university returned 220, 295 which is total performance of 94% and from community services program returned 2, 367, 887 which is total performance of 95.6 % respectively. But the total performance of the university in recurrent budget utilization of 103 % which is over planned. Still it shows the proper utilization and planning gaps of the university.



**Figure 11. Capital budget utilization of the WSU in the academic year of 2007**

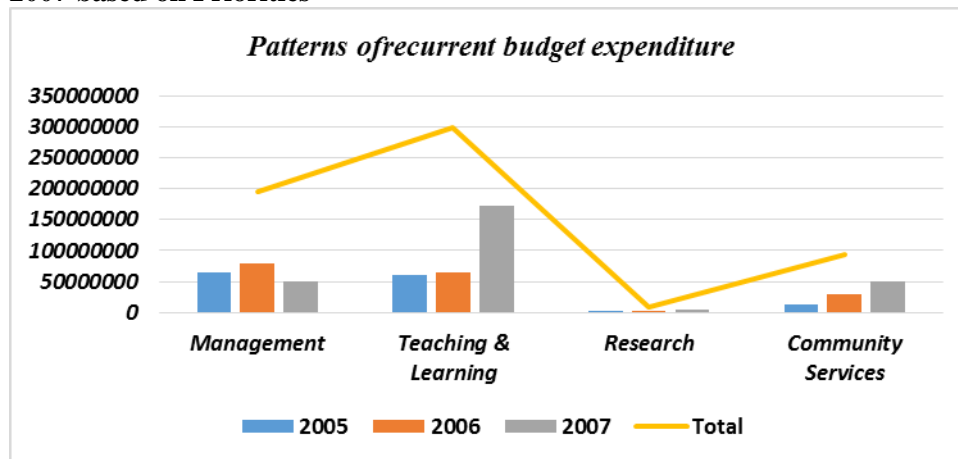
Figure 11 above depicts the capital budget utilization trend and pattern of the WSU in the academic year of 2007. Accordingly, the three items (Code: 382:01-01-001), (Code: 382:01-01-002), (Code: 382:01-01-003) from capita project budgets, the total budget allocated were 142,482,000; 44,800,000; 20,000,000 among 141, 589, 455.4; 36,346,085; 19,908,998 were the total capital budget the university utilized in the academic year of 2007. The total returned budget on the same years from three programs were 894544.6 with 99% performance, 8, 453914 with performance of 81.2% and 9, 1001.62 99.54 % respectively. The fourth and fifth categories (Code) 382:01-01-004), (Code: 382:01-01-005) the total allocated budget were 30,000,000 and 13, 216,000 respectively and among 29, 999, 999.13 and 9, 666, 317 were the utilized budget of the programs. O. 87 and 3, 549, 682 were returned to the ministry of Finance. As the director figure outs, the performance of the programs 100 % for the fourth and 73.4 % for the fifth program respectively. It can infer that the total capacity of utilization of the university were 84.83% in the academic year. This is because of different challenges such as out of plan utilization of capital budget, delay of procurement and bid system of the university, delay of feedback of audit report to work the next tasks, lack of proper documentation of non - café students, over utilization of students meal from planned budget are the major challenges of the university as the senior budget expert.



**Figure 12. Income generated in the academic year of 2007 in WSU**

The total income generated in the academic year of 2007 as the director of finance, from CEP, 25,154, 412 and from Referral Hospital services 7, 318,684 totals of 32473096.36 respectively. It can infer that the capacity to generate revenue in the university was encouraging and there is pronounced increasing of internal revenue from 2005 to 2007 academic years.

**The Trends and Patterns of Recurrent and Capital budget Expenditures of 3 Consecutive Years of WSU 2005-2007 based on Priorities**

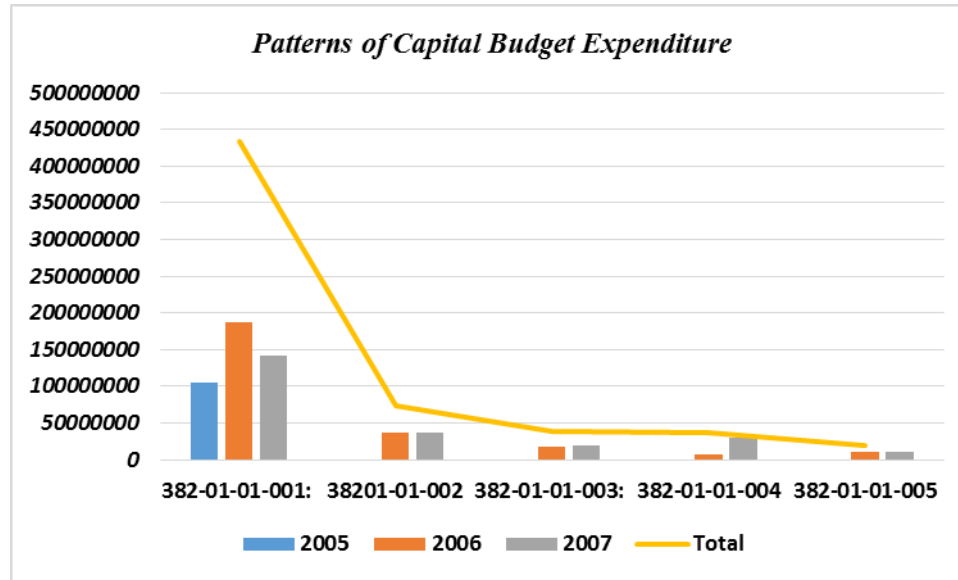


**Figure 13. Patterns of Recurrent Budget Expenditure of WSU**

We can see from the figure 13 above, the highest expenditure of recurrent budget goes to teaching and learning program which account for 299,037,655.6 million birr and it is the first priority area of the government in the 3 consecutive academic years. The second priorities of the government was management and administration program with the total expenditure of 195,958, 200 in the same years. The third priority area of the government was community services and its total expenditure were 93,063,243.41 million birr in the three consecutive years. Amazingly, even though the higher institutions considered as center of research and innovation, it is the last priority area of the allocation of budget and

its total expenditure was 9,198,933.96 million birr in three academic years. This program needs great attention from the government as well as the university to encourage young novice researchers and to develop the strong culture of research and innovation at higher institutions.

The other part of our analysis is the trends and patterns of capital budget expenditure of the university in the 3 academic years and its priorities areas. Accordingly, as we can observe from figure 14 below



**Figure 15. Capital Budget Expenditure Trends of the WSU in Three Academic Years**

Figure 14 depicts the total expenditure of capital budget of WSU for the three consecutive years. Consequently, the first priorities of the government expenditure was project -1 382-01-01-001 construction of existing building in three campus like library, class room, water tank construction and like which its total expenditure was 433,885,293.4 million on the three academic years. The second priority was Libra-labra organization project. This project deals about the fulfillment of library and laboratory equipment's to the university in the academic years. Thus, the total expenditure was 72,692,170.2 million birr. As the third priority, the total expenditure of 37,908,998.8 was belonging to the construction of postgraduate classroom building. As the fourth and fifth priorities, standard stadium and garage construction with the total expenditure of 36,999,999.13 and 19,756,104 was in place in the three academic years of the university. In a nutshell, since the university is young and belong to 2<sup>nd</sup> generation universities, among the budget heading capital budget expenditure were take the lion share of the expenditure of the university in the academic years as the data and university reports revealed. But under recurrent budget particularly research and community services expenditure is negligible when comparing to the others and needs special attention.

**Critical Issues Influencing the Financing of Higher Education**

As we can see the three years annual reports of the university, the 99 % of budget allocated by the government. The attitudes of the university community towards searching for budget and allocation is solely responsibilities of the government. There are no any experiences of the university trying to expand the views of sources of funds and creation of linkage with the donors, even with the local NGOs found around. Hence, the university should aggressively work on looking for additional funds from different sources in addition to the government funds.

Furthermore, the political commitment to increase the sources of funds to the university very limited, their managerial skills and communication and dealing with the local community and mobilizing them as resource towards the financing of the university is not encouraging. Let alone the further funds from

outside the institution, the budget allocated by the government is returned back to the ministry of finance because of leaders fear to take financial risks and making timely decision to the utilization of budget.

One of the new initiatives to provide quality and relevant education to the students is the advancement of ICT facilities. In this regards, the government working voraciously by allocating huge amounts of funds to ICT. In addition to this, the university officials should work belligerently on looking additional funds for the provision of new ICT facilities like smart class, WI FI in the whole campus, broad band internet services, sufficient computers for staff (Laptop as well as desk top) and it as an assignment for the top officials of the university as the data we have.

With regards to tuition fee as additional sources of funds, of course the university were collected tuition from week end and summer private students in each academic year, but its contributions as to be a sources of finance is very limited and in this regards the university should also work on the expansion of different marketable programs in different campus with the consultation of board of the university is recommendable to increase the revenue of the institution.

Finally, we want to underline to develop the leader's skill and abilities in community based project and program development in order to get further funds from donors is very prominent and needs special attention in the future.

## CONCLUSION

The finding reveals that, even the performance of the university in utilization of allocated budgets and income generation also well improved, but the total performances of the university in terms of budget utilization were not promising. As we can see the three years annual reports of the university, the 99 % of budget allocated by the government. The attitudes of the university community towards searching for budget and allocation is solely responsibilities of the government. There are no any experiences of the university trying to expand the views of sources of funds and creation of linkage with the donors, even with the local NGOs found around. Furthermore, the political commitment to increase the sources of funds to the university very limited, their managerial skills and communication and dealing with the local community and mobilizing them as resource towards the financing of the university is not encouraging. Hence, the university should aggressively work on looking for additional funds from different sources in addition to the government funds to diversify the programs of the university and to well equip for research and community services.

## REFERENCES

- Albrecht, D. & Ziderman, A. (1995). *Financing Higher Education in Developing Countries*. The Stanford Series on Education and Policy. The World Bank, Washington, D. C.
- FDRE (2009). *Higher Education Proclamation No. 650/2009*. Federal Negarit Gazeta of the Federal democratic Republic of Ethiopia. Addis Ababa, Ethiopia.
- Growth and Transformation Plan (2013). Annual Progress Report for fiscal year of 2011/12. MoFED, Addis Ababa, Ethiopia.
- HESO. (2004). *Higher Education Systems Overhaul*. Report on Inquiry into Governance, leadership & management in Ethiopia Higher education System.
- Ministry of Education (2005). "Education Sector Development Programme II 2005/6-2010/11". Addis Ababa: Ministry of Education.
- Ministry of Education, (2002). *Ethiopia's Education Sector Development Program II*. Unpublished Policy Document, Addis Ababa, Ethiopia.
- Woods, M. (2008). *The Theory, History and Practice of Resource Allocation Models in UK Universities*. The Journal of Finance and Management in Colleges and Universities, Nottingham University Business School.
- World Bank (2000). "Higher Education in Developing Countries: Peril and Promise". Washington, DC: World Bank