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# **UNCTAD Trade in Services Workshop for AU-CFTA Negotiators**

**Uganda's Higher Education Service Exports –  
An AUC Case Study**

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## The Presentation

- Introduction
- Objectives
- Four Modes of Supply: From Student & Staff Mobility to Program & Provider Mobility.
- Methodology
- General Information on Uganda's trade in Services
- Findings.
- Policy Recommendations



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## Introduction

- The Action Plan for Boosting Intra-African Trade aims to fast track the achievement of a Continental Free Trade Agreement (CFTA) by enhancing Trade in Services as a critical emerging opportunity.
- The AUC commissioned five case studies to drive this agenda. This study is one of them.



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## Specific Objectives

- Increase the understanding of Trade in Services and higher education in particular as a basis for sector development and enhanced regional integration;
- **Start the establishment of an African Trade Observatory:** Provide information on the export of higher education by selected Ugandan universities and institutions of higher learning to compile best practices & success stories in the sector as a 1st step to build an African trade in services database;
- Review the performance of Uganda's higher education sector, paying specific attention to the export of higher education services.



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## Specific Objectives (2)

- Examines the policy context for higher education in Uganda and investigates how the policy facilitates the export of higher education.
- SWOTs (**Strengths, Weaknesses** (read Challenges) & emerging **Opportunities**, in the export of Uganda's higher education.
- Evaluates the effectiveness of government policy in Uganda in fostering exports of higher education services.
- Makes policy recommendations to enhance the export of higher education on the basis of information gathered thru this exercise.



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## Exporting Higher Education

The scope of the study considers the export of higher education through all four modes of supply as provided in the GATS.

- **Cross-Border Supply:** institutions providing web-based distance learning programs online to students living in other countries.
- **Consumption Abroad:** foreign students enrolling to physically study at universities in Uganda - tuition fees and other student related living expenses constitute exports of higher education services from Uganda.



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## Exporting Higher Education (2)

- **Commercial Presence:** Uganda's tertiary institutions establishing branch campuses abroad to offer courses accredited by the NCHE - fees paid to attend classes at these campuses are exports of higher education services.
- **Supply by Natural Persons:** Ugandan professors / administrators going abroad to deliver courses or advice on university administrative services. Their earnings are exports of higher education from Uganda.



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## **The New Paradigm: Program and Provider Mobility**

*The Globalisation of Education: The Next Wave, Findlay and Tierney (2010)*

From student & staff mobility to program and provider mobility

- Joint degrees between different universities;
- Dual degree programs, numerous institutions providing joint awards;
- Universities establishing branch, satellite campuses abroad;
- Colleges offering local and foreign qualifications;





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## The New Paradigm (2)

- Distance and e-learning programs;
- Declining role for public provision and explosion of private provision.
- The shift in the role of governments from provider to regulator.



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## Methodology

- Literature & Secondary Data : a combination of approaches were used to review the performance of Uganda's economy with emphasis given to the export of services.
- A Self-Administered Questionnaire was developed to collect primary data through face to face interviews with key respondents from the selected universities earmarked for the study.



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## Methodology (2)

- 14 Universities and Colleges covered.
- 2 Support institutions for higher education; **National Council on Higher Education (NCHE)** and the **Inter-University Council for East Africa (IUCEA)**.
- Close to 30 meetings and interviews were conducted.



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## Trade in Services: The Global Context

- Services account for approx. two thirds of GDP among OECD countries, and an increasing proportion (slightly above 40% of GDP) in the poorest countries (Vylder, 2007).
- Services are increasingly vital in the production of goods and services accounting for 60% of global production and employment, close to half the value of world trade and two-thirds of foreign direct investment flows (WTO, 2010).
- In the EAC, services have consistently contributed more than 50% of GDP value-added in the period 2006-2009 (SID, 2012).



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## Global & Regional Trends in Trans National Education (TNE)

- Education is the 2nd largest sector globally after healthcare, with total expenditure estimated at US\$ 4.5 Trillion in 2012 (Alpen Capital, 2010).
- In 2011, there were 4.3 million higher education students studying in countries other than their own. This category nearly doubled in size from 2000- 2010, from 2.1 million to 4.1 million, equivalent to an average annual growth rate of 7.1% (OECD, 2013).
- This will result in a global market of US\$ 6.3 trillion for education services by 2017. The OECD estimates that the number of post-secondary students enrolled abroad is set to grow from 3.7 million in 2009 to 6.4 million by 2025 (OECD, 2014)



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## Global & Regional TNE (2)

- There were 380,376 African students on the move in 2010, representing nearly a tenth of all international students worldwide.
- India and Nigeria are expected to experience the highest growth with respect to outbound student mobility globally for the period 2010 - 2020 with the other likely fast growers being Malaysia, Nepal, Pakistan, Saudi Arabia and Turkey (British Council, 2012).
- Kenya has consistently been the largest source of students studying abroad in East Africa with a total of 13, 748 students, equivalent to over 52 % of all East Africans heading overseas in pursuit of higher education in 2010 (Marshall, 2013)



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## Uganda's Policy Framework and Services

- The National Trade Policy (NTP) specifically highlights the importance of services as the main contributor to GDP and a significant contributor to employment. The NTP however, makes note of the existence of a gap in the capture of services trade statistics which requires special attention to realize the full potential that trade in services can make to Uganda's economy.
- The National Development Plan (2010) earmarks the IT Enabled Services (ITES) as a primary growth sector.



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## The EAC and Services

- In the EAC, services are prominent as a means to promote integration objectives. The EAC Treaty provides for the establishment of an export-oriented economy, allowing for the free movement of services to attain the Community's development goals.
- The EAC Common Market Protocol designates education services (incl. higher education) among the 7 Priority sectors in which all 5 Partner States were required to make commitments.





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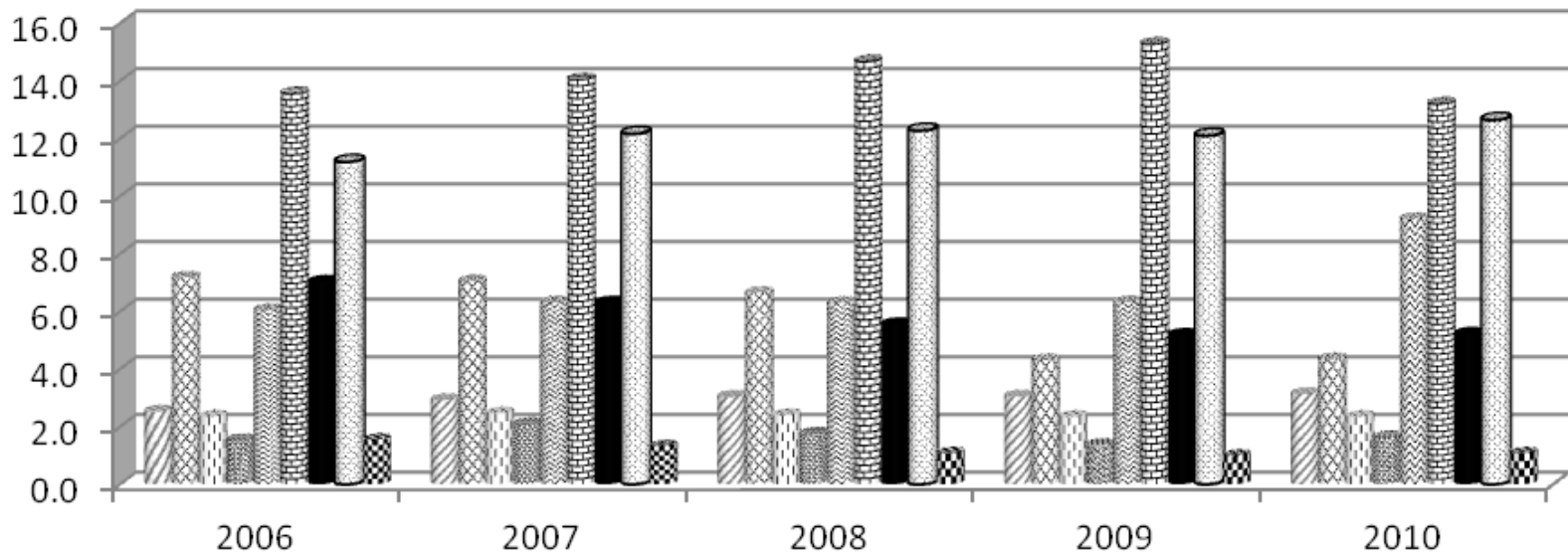
## The Importance of Trade in Services

- Services comprise the largest part of Uganda's economy accounting for close to 45% of the country's GDP in 2011/12 (World Bank, 2012).
- The share of services to total GDP has been growing steadily, rising from 41.2% in 2001/2 to 52.4% in 2010/11 (MFPED 2011)



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## The Share of Key Services to GDP (2006-10)



Financial Services

Electricity supply

Education

Real and estate activities

Transport and Communication

Construction

Water supply

Wholesale and retail

Health



## The Share of Key Services to GDP 2006-11 (1)

	2006	2007	2008	2009	2010	2011
<b>Financial Services</b>	2.5	2.9	3.0	3.0	3.0	2.9
<b>Real Estate Services</b>	7.2	7.0	6.6	4.3	4.2	4.0
<b>Water Supply</b>	2.4	2.5	2.4	2.3	2.2	1.9
<b>Health</b>	1.2	1.2	1.0	0.9	0.9	0.7
<b>Electricity Supply</b>	1.5	2.1	1.8	1.4	1.6	1.3
<b>Transport &amp; Communication</b>	6.0	6.3	6.3	6.3	9.2	9.2
<b>Distribution Services</b>	13.6	14.1	14.7	15.3	15.7	17.3
<b>Education</b>	7.0	6.1	5.6	5.2	5.3	4.0
<b>Construction</b>	11.2	12.2	12.3	12.1	12.0	13.1



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## The Importance of Education to Uganda

- The education sector is the 6th largest sector in the economy, after agriculture, construction, manufacturing, wholesale/retail, real estate, and transport/ communication, accounting for up to 5.3% of total GDP. In the last 5 years its share in total GDP has exceeded 5%.
- The education sector is a major employer in the Ugandan economy. Household surveys conducted in 2002/03 and 2005/06 reported that the education sector accounted for 2.8% and 2.6% of total employment, respectively.



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## The Importance of Education to Uganda (2)

- **Education is the 4th highest employer in Uganda;** Over the period 2002-6, Uganda's total labor force was reported to have risen from 9.8 million to 10.9 million people with the education sector employing 270,000 people.
- Since its liberalization, the sector has emerged as a major source of foreign exchange. Earnings from the export of education services to the region were estimated at US\$ 36 million in 2010, from US\$ 30.4 million in 2009 (UEPB, 2011).



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## **The National Council for Higher Education (NCHE)**

The NCHE is the statutory regulator for higher education in Uganda. The NCHE's mandate includes among others: (a) Establishment and accreditation of public and private institutions of higher education in Uganda;(b)Ensuring that quality and relevant education is delivered;(c)Accreditation of institutions of higher learning and academic and professional programmes in those institutions in consultation with professional associations and regulatory bodies.



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## **Inter University Council for East Africa (IUCEA) - IUCEA Act of 2009**

### Functions of IUCEA

- Strengthening regional cooperation through networks linking universities and other institutions of higher learning in the EAC and globally
- Initiating the development of higher education institutions in the region
- Encouraging collaboration in research and hence contributing to the development of centers of excellence in higher education and research



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## **Higher Education Student's Financing Board (HESFB) - Uganda Students' Loan Scheme**

The HESFB is a body corporate established in May, 2014 by the Higher Education Student's Financing Board Act No. 2 of 2014 to provide finance for higher education.

The scheme is designed to

- Increase access to quality higher education for a rising number of needy students completing the Uganda Advanced Certificate of Education (UACE);
- Bridge the gap between the high demand for higher education by a large number of eligible needy Ugandan students wishing to pursue their academic careers outside the bracket of the 4,000 beneficiaries of state scholarships but cant privately raise fees for self-sponsorship;
- Address the problem of low participation rates at institutions of higher learning which presently stands at 5.7%





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# Findings



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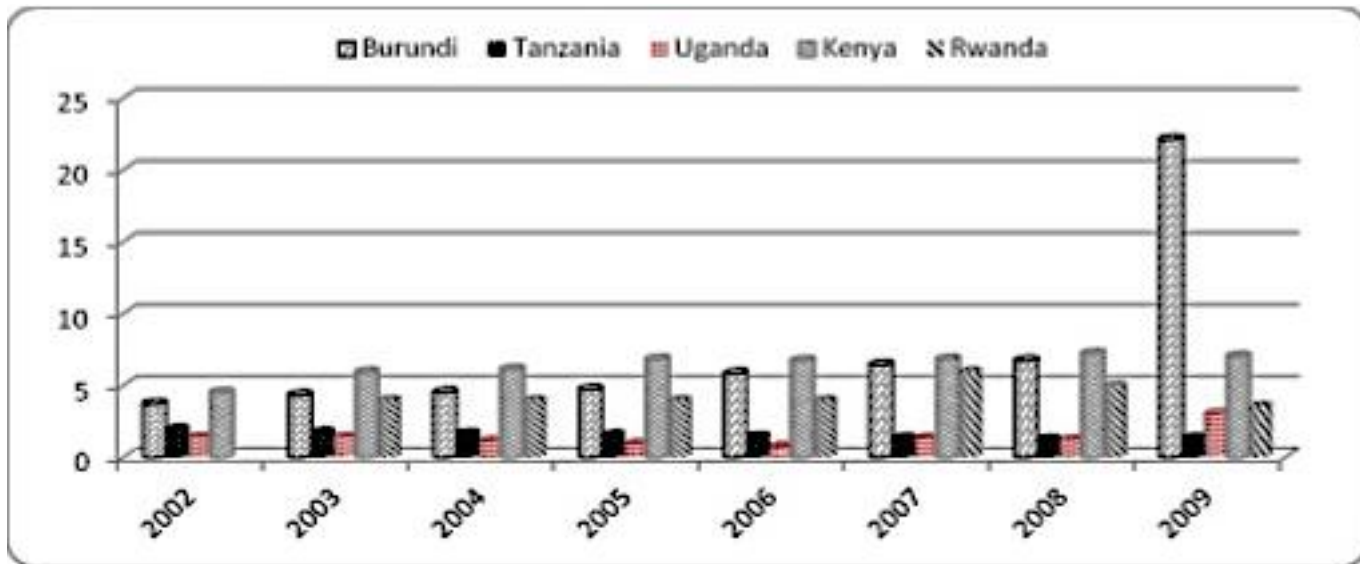
## Marginal Budgetary Resource Allocation to Higher Education

- Uganda's budget allocation to the education sector, one of its key service exports is not commensurate with the status of a strategic export sector. In the early years of independence, public expenditure on education stood at an average 4% of GDP. By the early 1980s this had fallen to less than 1% of GDP. As a share of total government expenditure, public funding of the education sector has been on the decline in the last 10 years or so, falling from 24% in FY 2001/02 to 14.6% in 2012/13.
- Among the EAC Partner States, Uganda allocates the least budgetary resources to education.



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## Proportion of Education Expenditure Compared to GDP in the EAC (%)





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## Proportion of Education Expenditure Compared to GDP in the EAC (%) (2)

	2002	2003	2004	2005	2006	2007	2008	2009
Burundi	3.7	4.3	4.5	4.7	5.8	6.4	6.7.	22.1
Tanzania	2.0	1.8	1.7	1.6	1.5	1.4	1.3	1.4
Uganda	1.5	1.5	1.2	1.0	0.8	1.4	1.3	3.1
Kenya	4.5	5.9	6.1	6.8	6.7	6.8	7.2	7.0
Rwanda	-	4.6	4.6	4.0	4.0	6.0	5.0	3.6



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## **Proportion of Education Expenditure Compared to GDP in the EAC (%) (3)**

To enhance the development of exports higher education services as a major strategic export, Uganda **MUST** substantially increase public investment and budgetary allocation to the sector by a substantial amount, and at least to the level of Kenya's sector budget ratio for education in GDP (around 7% in 2009).



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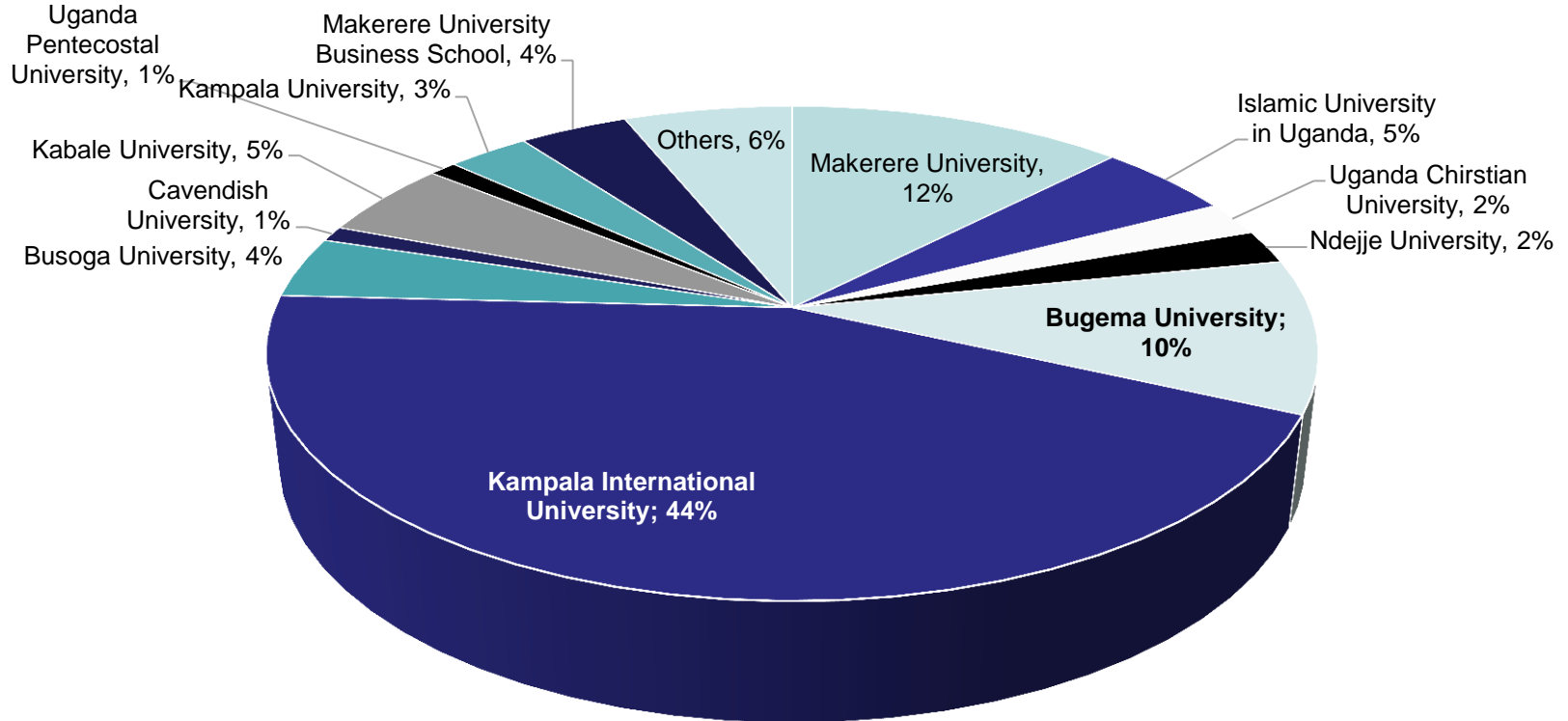
## Declining Foreign Enrollment from key Traditional-Markets: Kenya

- Although the number of foreign students enrolled in tertiary institutions in Uganda has increased over the years, in relative terms the share of foreign students to the total number of students has slightly declined since 2006. Whereas foreign students represented around 9.5% of total students in 2006, this had fallen to 9% in 2011.
- Kenya has been the leading source of international students to Uganda's universities and university colleges, contributing close to 71 percent of total foreign enrolment at university level (NCHE, 2013). Recent UNESCO statistics indicate that Kenya has consistently remained the largest source of students in East Africa enrolling overseas with over 52 percent of all East Africans heading overseas in pursuit of higher education (UNESCO, 2011).



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# Foreign Enrollment in Ugandan Universities and Colleges - Are Branch Campuses Critical?





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# Policy Recommendations





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## **Deliberate Govt. Promotion Efforts**

- A deliberate government policy for support to Higher Education and its export; There is need for a deliberate government policy to support the export efforts of the Universities in securing Uganda's current sources of foreign students and diversifying these sources.
- Broadening the scope of the Annual NCHE Higher Education Fair to include key export destinations may be a good way to start.



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## **Deliberate Govt. Promotion Efforts (2)**

- Develop an overall policy focus and commit resources to higher education; education should be viewed not merely as a public service but also as a foreign exchange earning service export. The policy focus should not be limited to government agencies but seek to maximize the participation of the higher education providers – who are mainly private.
- Deliberately Promote distance/online higher education programs; at present public policy does not include deliberate measures to promote and focus on developing distance online learning programs. AfDB/ Govt of Senegal \$5.2 million for the PAUVS project of the Virtual University of Senegal.



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## Facilitating Distance Delivery

- Grant all universities free access to the Internet Backbone; The Government should grant universities (both public and private) access to its Internet backbone with adequate bandwidth to transmit and carry educational content for the online distance learning programs.
- Establish an ISP for universities in Uganda; Universities should constitute themselves into an ISP as a platform to provide and maintain access to the backbone on a long term sustainable basis. Kennet, Rwandanet and Telnet in Kenya, Rwanda and Tanzania are good EAC examples to benchmark.



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## Tax Relief

**Provide tax relief to private universities;** The National Council for Higher Education, recommended that the Government of Uganda in the medium term could consider reducing taxes imposed on private universities. These taxes against which public universities are exempted put private universities at a distinct disadvantage. This could be in the form of tax rebates.



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## Overcoming the Regulatory Challenges of the '2nd Wave'

- **Effective regulation and quality assurance controls, especially for private providers;** The expansion of private provision of higher education in the region as demonstrated by the growth of the IUCEA's membership from 3 to 90 has triggered public concern with regard to quality assurance.
- **Re-engineering the EAC Qualification Framework of the IUCEA;** with a broader scope covering; (i) Oversight over the Credit Accumulation & Transfer System (CATS) and (ii) Mutual recognition of accreditation of higher education institutions and Programs.



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