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Grand Endeavours and Economic Realities: Managing System-wide Structural Changes to Ugandan Higher Education in the Face of Private Expansion

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Abstract

Uganda's higher education system has undergone a number of dramatic changes in recent years as part of a three-pronged effort to accommodate rapidly-expanding enrolments, improve the system's economic efficiency and provide education opportunities that are better matched to the nation's labour market needs. This paper examines these key developments in light of the country's rapidly-expanding private higher education market. The economic rationale for government regulation of private providers is discussed along with a cost/benefit analysis of three key private higher education related issues that we believe will need to be addressed in the coming years. At the end, we consider how applicable the Ugandan case is to the broader debate and policies associated with private expansion in other developing systems.

Résumé

Le système de l'enseignement supérieur en Ouganda a connu un certain nombre de changements spectaculaires au cours des dernières années dans le cadre d'un triple effort pour accueillir des effectifs en pleine expansion, améliorer l'efficience économique du système et d'offrir des possibilités d'éducation qui sont mieux adaptés aux besoins du marché du travail de la nation. Ce document examine les principaux développements à la lumière de l'enseignement supérieur privé qui est en pleine expansion dans ce pays. La raison économique de la réglementation des

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établissements privés par le gouvernement est examinée avec une analyse (coûts/avantages) des trois principales questions liées à l'enseignement privé qui à notre avis devront être abordées dans les prochaines années. En fin, nous examinons comment le cas de l'Ouganda est applicable au plus large débat, et nous examinons aussi les politiques qui découlent de l'expansion du privé dans d'autres systèmes en développement.

Introduction

Ugandan higher education has long been subject to the whims of political forces, in effect leaving the State economically depressed and, importantly, almost a generation of Ugandans without access to higher education. Since the late-1980s though, much has been done to strengthen the country's education infrastructure. After a turbulent fifteen years that began with Idi Amin (1971–79) and ended with Obote II (1980–85), the economic recovery policies instituted under Museveni have worked to reduce poverty by restoring fiscal discipline and monetary stability (Liang 2004). Now, at the onset of the twenty-first century, ambitious steps have and are currently being taken to ensure that all qualified Ugandans receive not only a quality higher education, but one that will help meet the country's diverse labour market needs and generate economic growth.

The path to achieving such goals however has proven difficult. Decades of low public funding coupled with a nearly tenfold increase in tertiary education enrolments since the mid-1970s has raised concerns about declining education quality, as do projections of double-digit enrolment growth for at least another decade. Over-production of social science and humanities graduates has led to a dearth of qualified labour in areas believed to be critical for economic growth. The expansion from a single public university in 1988 to a diverse collection of universities and non-university but tertiary providers, the latter of which consists mainly of legally-established private providers and new private providers seeking State recognition is also generating conflict. Private owners are frustrated by what they see as excessive regulation and public higher education officials fear the explosion of new privates are primarily exploiting ill-informed education consumers for their own financial gain. Though publics currently enrol more students, widespread agreement that private higher education will become the country's dominant provider in the not-too-distant future (National Council for Higher Education 2004) is forcing the Ugandan government to restructure its higher education system in order to better manage its expansion, increase efficiency and foster economic growth.

Change is taking place rapidly. The past four years have seen the passage of the first tertiary education act and the establishment of a national council tasked with ensuring that the components of the act are effectively implemented. In some areas like institutional licensing and accreditation, policies have already been put into practice. In others, such as an assessment of the labour market's needs, the development of macro-efficiency criteria or the creation of credit accumulation and transfer mechanisms, background studies and consultations with key stakeholder groups are actively underway. Before the end of the decade, a number of substantial and far-reaching changes in the regulations guiding the higher education sector are expected to be implemented.

What is occurring in Uganda today reflects parallel shifts from elite to mass higher education and from a model of central planning to one that is more market-oriented. Unfortunately, striking an appropriate balance when managing the two shifts is difficult; options and strategies that seek to capitalize on the strong points of one tend to produce dilemmas and tradeoffs that adversely affect the advantages brought about by the other (Salerno 2005). Given the fragile state of Uganda's higher education system, a more rounded analysis of the consequences stemming from the recent and wide-ranging changes, particularly as they relate to private providers, would be beneficial on several levels. From a theoretical standpoint, it would improve researchers' understanding of the economics behind private higher education provision in developing countries, an area that has received less than proportionate attention.[1] From a practical standpoint, it would do much to help ensure that policymakers' intentions are not countermanded by unforeseen policy consequences.

The remainder of the paper is structured as follows. The next section provides a brief background on the growth and key developments in Ugandan higher education over the past twenty years, paying particular attention to the growing private higher education market. Section three discusses the economic rationale for government regulation of private higher education and then considers the benefits and costs, from an economics perspective, of three key private higher education-related issues that we believe will need to be addressed in the coming years. In the concluding section we consider how applicable the Ugandan analysis is to the debate and policies associated with private expansion in other systems.

Background [2]

Like many African countries, Uganda has witnessed dramatic growth in the demand for education at all levels. The Universal Primary Education initiative more than doubled primary education enrolments (from 3.1 to 7.3 million) between 1996 and 2002 (Avenstrup et al. 2004: 14). At the secondary education level, the nominal figures are less impressive but the growth itself certainly is not. Government-aided secondary schools enrolled some 37,000 students as of 1980. By 1996 that figure had increased by almost 6,000 percent to more than 256,000 students (Musisi 2003: 612).

Today, the benefits of primary and secondary-education investments are doing much to drive the country's surging demand for post-secondary education. In 1970 the higher education sector enrolled approximately 5,000 students. By 1980 that figure had doubled and over the next twenty years increased six-fold. Since 2000 alone, enrolments have again nearly doubled from approximately 68,500 to over 108,000. Much of the growth has taken place in the university sector[3] and specifically at the country's premier institution, Makerere University, which has seen its enrolments increase from around 2,500 students in the late-1970s to more than 32,000 by 2003.

The rapid growth in the demand for higher education has been met by an equally impressive supply-side response. As late as 1988 the university 'system' still consisted of a single institution (Makerere), yet by 2004 there were three more public universities and some twenty-three private institutions.[4] Alongside the university sector, Uganda also maintains a large number of non-university tertiary education providers that focus on teacher training, technical trades and commerce as well as schools for agriculture and fisheries. In 1970 there were two such institutions. By 2004 that number had climbed to 127; two-thirds of which were privately controlled.[5]

Though private higher education providers have made serious inroads into Uganda's higher education landscape, they resist detailed characterization. The frequency with which such institutions open and close, coupled with limited public monitoring and data reporting, makes it difficult to create a precise picture of the scale and scope of their activities. What is known is that the sector includes a mix of for-profit and non-profit providers, the latter of which includes both non-secular and philanthropically founded institutions. In general most are small (often enrolling between 40 and 400 students) and have only been established in the past four to five years. The courses they tend to offer are primarily in professional fields, especially business and computer science. In some cases their capacity to provide higher education (e.g. capital infrastructure, libraries, computing resources and instructors' credentials) parallel that of the public universities. Most however are sharply criticized for having sub-standard resources and offering courses that are better characterized as post-secondary education at best and more likely as little more than secondary education (Kasozi 2005). Nevertheless, both the number of institutions and their enrolment levels continue to expand. In 1999 they were estimated to enrol approximately six percent of all tertiary students (3,600); by 2003 their share had increased to more than ten percent (11,889).

Until recently the system's expansion was not supported by any substantive national planning, coordination or policy implementation. The introduction of three additional public universities and the opening up of the higher education market to private providers took place hastily in order to absorb the rapidly increasing demand. As per-student public funding declined[6] and concerns about both public and private universities' education quality grew, it became clear that Uganda's nascent tertiary education sector looked and behaved more like the disjointed collection of institutions that it was rather than as an actual system. The mode of public financing did little to encourage efficient resource use. Under-funding created a shortage of qualified academic and administrative staff while low pay encouraged public university faculty members to 'moonlight' at the private providers in order to augment their incomes. The absence of credit accumulation and transfer policies meant that students who stopped out of programs, for financial or other reasons (or who could not afford to pay for sitting exams), had to re-enrol and take courses over again. Humanities and social science programs experienced an enrolment boom while the technical and exact sciences, areas believed to be necessary for economic growth, saw dramatic declines.[7] Finally there was growing concern that the hordes of newly-established private institutions were not so much absorbing excess demand as they were profiting from ill-informed individuals by selling an inferior education product at an inflated price.

Since 2000 a number of important policy developments have taken place, the most important involving the development and implementation of system-wide coordination mechanisms. A *University and Tertiary Education Act* was passed in 2001[8] and was subsequently followed (in 2003) by the approval of the country's first Higher Education Strategic Plan, which will run until 2015. The focus now is overlaying structure on the burgeoning yet nascent system and working to increase its economic efficiency: from streamlining institutional management to reducing program duplication to better meeting the country's labour market needs. Today Uganda's National Council for Higher Education (NCHE) is working diligently to implement the mandates of the Act. It has commissioned both a graduate tracer study and labour market expectations survey. Credit-transfer and accumulation policies are being developed to facilitate student mobility, discourage program duplication and encourage more efficient resource allocation. It is also working to ensure that the degrees that students receive have some economic value, both within and outside Uganda, by developing requirements for the establishment of institutions and maintaining standards through a national quality assurance system. In all cases accommodating the nature, role and growing influence of the private providers continues to play a central role.

Economic Theory and Private Provision

As a good, education shares many characteristics with other goods that are produced and sold in markets. Thus understanding private provision of higher education is probably best answered by posing the opposite question: under what circumstances is public investment or coordination warranted? There are, in general, four commonly invoked answers, two of which justify public *funding* for higher education and two that justify public *regulation or coordination* of public and private providers in the market (Salerno 2005).

First there is the 'public good' rationale. Education provides individuals with substantial private returns, mostly in the form of higher lifetime earnings, but it also generates social returns in the form of lower crime rates, better health and a more productive labour force. Since society reaps part of the benefits, from an equity standpoint, it is fair that it bears part of the cost burden. Second, public investment ensures the provision of culturally or socially important, yet costly to produce, knowledge. Native languages are the most representative examples but so are programs in the physical and biological sciences, particularly in developing countries. In the case of the former, low consumer demand cannot generate sufficient revenue to justify producing the good but the program itself is necessary for ensuring that unique cultural capital does not die out as a result. In the case of the latter, significant demand may exist but excessively high production costs make it difficult, if not impossible, for consumers to bear the full cost.[9]

The third is a need to ensure the system's macro-efficiency. Market competition requires multiple producers but in the case of education, where the production costs and purchase price are expensive, limiting the number of producers is sometimes more efficient in that it can make it possible for the remaining producers to educate more students at a lower cost and with a higher quality (i.e. to realize scale and scope economies). The fourth has to do with information asymmetry. Unlike commodities such as corn, cola and stereos, things that consumers can immediately value at the point of purchase, it is not possible for individuals to know the value of the education they purchase until long after it has been consumed (Winston 1999).[10] Instead, they must somehow estimate the value of obtaining an education in a particular field and at a particular institution based on various market signals like other graduates' job opportunities and salaries. The rub is that education providers have a much better idea of the quality and value of the education they are selling. This information asymmetry gives providers a strong incentive to short-change or 'shirk' consumers in the exchange process.[11] In the absence of regulation, the fear is that private higher education institutions will charge students a higher price and then sell them a cheap (i.e. lower-quality) education in order to reap profits.

In sum, government subsidization and coordination of education markets takes place because, left to their own design, a purely private market will often fail, either through producing different goods than society wants, doing it inefficiently or by short-changing students. At the same time, public intervention generates its own tradeoffs. Whereas centrally planned (and funded) systems can promote macro-efficiency and help to ensure labour market supply in key areas, they also limit students' freedom to choose what they would like to study (Jongbloed 2003). Moreover, a small system that is dominated by public institutions that are evenly distributed (geographically) may create a system of local monopolies, thus stalling technological progress or hindering education quality (Salerno 2004). Somewhat ironically, these concerns are normally redressed by introducing market-driven systems that provide individuals with more freedom and flexibility to study what they want and competition from private providers, which forces public providers to constantly innovate and better cater to stakeholders' interests. Clearly, government and market provision are not complementary.

Nearly all higher education systems implicitly recognize the tradeoffs between the two and attempt to capture the benefits of both centrally-planned and market-oriented systems though the introduction of strategic steering mechanisms like imposing barriers to entry, regulating the supply of academic programs and using incentive mechanisms that encourage students to take courses in socially-productive fields.[12] Barriers to entry, like institutional licensing or accreditation and quality assurance, make it difficult for unscrupulous new private institutions to enter the market or persist. By ensuring that new privates have enough physical space or qualified educators and minimum standards in areas like degree examinations, curriculum structure and student rights, the government is capable of preventing disreputable providers from taking advantage of ill-informed consumers and work to ensure that the degree students eventually obtain has some value. The supply of academic programs is usually regulated by national program registers wherein both public and private institutions must obtain permission to operate a new program. As a rule, programs that generally duplicate those offered by another geographically close provider are likely to be rejected on the grounds that they are macro-inefficient. The Netherlands, which has a system composed mainly of private higher education providers, has long engaged in this practice. Finally, financial incentives are frequently used where there are mismatches between what students want to study and what the labour market needs. In countries where financial aid is important, like the United States or Russia, governments may offer to pay off students' loans if they take up studies in certain fields. From a human capital perspective,[13] strategies like these may reduce the net cost of taking up education in certain fields and thus possibly sway some individuals to pursue academic studies in areas they may not have previously considered.

The problems and conflicts between private higher education providers and governments in developing countries like Uganda fit nicely into the ideas presented above. Centrally planned systems with low funding that have had to shift towards mass higher education usually cannot match the soaring demand with a commensurate increase in supply, especially when the shift takes place rapidly. The solution is to let private providers absorb the excess demand, which from a financing standpoint makes good sense. Where public funding is scarce, it is more cost-effective to partially subsidize private providers[14] or to set up and maintain an accreditation/quality assurance system than make long-term capital and labour investments.

Yet the NCHE has found, like many before them, that private higher education is a cat that is not so easily put back in the bag once it has been let out. The model of responding to the demand shortage first and then considering the consequences afterwards has put private providers in Uganda and elsewhere[15] on the offensive. To them, unclear *ex post facto* regulations are seen as overly burdensome and contradicting. As a result, many see the move as purposive limiting of their ability to expand or enter the lucrative, growing market for education even though the Ugandan government, and particularly the NCHE, claims their concern is that the proliferation of private providers is not alleviating the existing problems but making them worse. In the struggle between the two it would seem that the privates are, at the moment, winning. Mounting criticism over low public funding, declining numbers of publicly-available study places, poor quality in the public higher education institutions and relatively vague standards put in place by the NCHE have allowed private providers to successfully challenge the NCHE at many turns.[16]

When evaluating government regulation of private higher education, the pertinent question is whether barriers to entry are so excessive that they are discriminatory to privates in general and more specifically, those that can be cast as legitimate providers. From our analysis of the NCHE's regulations and through interviews with NCHE officials and high ranking officials at both public and private Ugandan universities, this does not seem to be the case. The accreditation mechanisms and emerging quality assurance policies apply to both public and private institutions and the standards set cannot be considered overly burdensome. In reality, the fundamental problem is that minimum resource requirements for producing a quality education are independent of an economy's ability to provide it. To a developing country like Uganda, meeting such requirements involves a more substantial *relative* investment, on behalf of private providers, than it does in other countries. Because publics enjoy some level of state support the differential between the two can easily be mistaken for public favouritism rather than for the economic reality that lies behind it.

Nevertheless, the devil is in the details. A finer examination of the situation shows that the processes and procedures that the NCHE uses or is planning to use still have economic consequences, some of which may actually offset the initially expected gains. Below we look at three such issues as they relate to Ugandan higher education and discuss their more detailed costs and benefits vis-à-vis the government's broader higher education objectives.

Private Closures

The NCHE's current licensing procedures allow private universities to begin offering education programs while in the process of seeking accreditation (or to become chartered as it is called in Uganda). Once an institution begins enrolling students, it has until the first cohort completes their studies to become accredited.[17] This process for introducing new private higher education institutions has become the norm in a number of countries, especially across Central and Eastern Europe (Schwarz & Westerheijden 2004).

The problem arises when institutions' licenses are revoked or they do not receive accreditation. As it works now, when this occurs, the institution in question is simply not allowed to enrol any more students but they can (and are effectively obligated to) continue educating those students that are currently enrolled. This has two obvious and deleterious effects. First the education that still-enrolled students receive has little or no economic value. Employers have no reliable signal of the individuals' increased productivity; in fact it may be counter-productive to list one's enrolment at the institution on a job application form since the denial of a charter implies that it effectively offers sub-standard education.[18] Second, it allows defunct privates to continue charging students tuition fees even though they know they are providing their students with little or no value. However, as long as these privates can reassure their students that accreditation will come, evidence of which can be seen in the number of privates that have had their licenses extended, then they can essentially engage in the exploitation practices that legislators seek to curb through the implementation of barriers to entry.

There are at least two alternative way of addressing this dilemma. One is for the government to make arrangements between the publics and new privates so that if a license is revoked or accreditation is not granted then the institution's students are guaranteed placement at another university. This is promising, partly because it has been employed in other countries, yet complicated because of the lack of uniformity across Ugandan institutions in terms of their degree structures and program requirements. Until the credit accumulation and transfer strategies being developed by the NCHE come into force, it is difficult for the publics (or possibly even the accredited privates) to evaluate whether some or all of the student's prior coursework is transferable or if the student's capabilities will allow them to successfully do the academic work wherever they transfer to. This solution also raises an additional problem related to geographic mobility. Because most institutions, public and private, are located in the central part of the country, transferring may require a student to move and thus incur substantial additional costs (more on this in the next section).

A second and perhaps more preferable option would be for the NCHE to require newly established privates to partner with existing universities during their probationary period. In this 'mentoring' scheme the accredited institution would confer the new private provider's degrees during the licensing phase. The main benefit is that it provides new privates with more time to build up their capacity. It would also facilitate the establishment of new institution's programs (because the mentor institution's have already been approved) and facilitate credit transfer and accumulation because programs would be built on the basis of multiple institutions' experiences. What is more, such an option introduces incentive-based efficiency. Because the mentor institution is actually conferring the degree it has a vested interest in making sure that the new institution does not shirk on quality. Finally it does not force students to move or incur other transaction costs like the solution above.

Geographic Imbalance and Student Choice

The majority of Uganda's population resides largely in the greater Kampala region; not surprisingly, so too do most of the country's higher education institutions. Accurate figures are difficult to come by but at last count there were seventy post-secondary education institutions located in the central region (including three of the four public universities and most accredited private universities), 37 in the West, 32 in the East and only 16 in the North. These figures, coupled with others showing the diversity in educational infrastructure and school-going population across regions make clear how unequal the enrolment rates are, geographically.

The implication is that it is quite difficult for Ugandans outside of the greater Kampala region to find access to quality higher education. In some ways the expansion of the private sector helps to alleviate access concerns but in other ways it actually exacerbates the problem. Privates' offerings are largely limited to professional programmes and are regarded to be of a lower quality than publics; hence they seriously limit the educational opportunities of individuals living outside the capital region. Even though the country is geographically small, the transaction costs are high. The income of individuals living outside of Kampala is much lower and makes it financially difficult (on both the students and their families) to simply up and move. What is more, this structure has an additional adverse effect on women who, for cultural reasons, often do not leave home to attend university (Musisi 2003). The imbalance not only harms access on the basis of need, but also when it comes to merit. This is driven less by the emergence of privates and more by the historic mode of public financing. Because the government does not channel funding directly to the student (it only subsidizes study places at public institutions on the basis of merit), academically talented students living away from Kampala must either move or pay the full cost for their education.

The problem is not one that can be easily rectified. Typical solutions used in other countries are not likely to work in Uganda largely because of insufficient funding. Establishing small public satellite institutions is not feasible because one, they would only offer limited academic offerings, which does not enhance individuals' freedom of program choice, and two, they would simply siphon off scarce public resources from the already inadequately-funded public institutions. The government partially subsidizing private providers in outlying areas so that they can offer a wider range of academic programs is limited again by where such funding would come from. It also raises a host of other questions about the divide between public and private offerings housed under a private provider's domain. Even the least intrusive option, providing academically talented students with grant funding that they can take to either public or private institutions, suffers from having the resources to do it.

Balancing Society's and Students' Needs

Currently, one of the NCHE's primary tasks is to oversee the completion of a labour market tracer study and graduates' expectations survey. As Uganda's economy has continued to expand, much attention has been given to the high rate of unemployment in general and among university graduates in particular. The available evidence (Kirumira & Bateganya 2003) supports what the NCHE and many others believe to be a key structural problem in Ugandan higher education: the mismatch between the education universities currently offer and the skills needed by business and industry. Only a small number of graduates are currently coming from the exact sciences while an overwhelming number are completing studies in the humanities and social sciences. The hope is that the findings from these studies can be used as a starting point for assessing the higher education system's current capacity to meet the country's labour market needs. Subsequently it will be used to shape the allocation of public funding, the structure of course curricula and to either reduce or expand institutions' programme offerings.

The expansion of the private sector has partly contributed to the imbalance since most of their programs are in a small number of professional fields. The problem here, however, is how a system that is becoming increasingly private can be persuaded to be more responsive to both state and labour market needs. By nature, private providers in market-driven systems will offer the programs and course offerings that are demanded. Since practically all of their income is generated by tuition fees, their program offerings are based jointly on cost-minimization and revenue-maximization.[19] This is why many privates tend to offer programs in professional fields like business and computer science and not in more academic fields like physics or biology: they are relatively inexpensive to offer and generally in high demand. To the NCHE and even the public universities, this revenue-driven model based on cheap programmatic offerings is precisely why privates are seen as greedy and exploiting a growing population of individuals seeking higher education for their own gain.

Hence the need for some degree of central program planning, even for the private sector, is necessary or else Uganda runs the risk of continuing to produce a glut of graduates in fields that are not necessarily conducive to advancing the needs of the local, regional or national economy. At the same time, dictating to private providers what they can and cannot offer is counterintuitive to the very purpose of opening up a higher education market.

Regulating program supply can be effective (the Dutch do it, for example) but the practice still runs counter to the notion of limited government invention in order to redress market failures. The logical option is to consider what types of incentive mechanisms can be used to entice private providers into providing programs that better meet society's needs. Human capital theory tells us that individuals will invest in education as long as the discounted value of the future benefits exceed the discounted value of the current costs. As stated earlier, one way to encourage individuals to take up programs in fields that society deems important is for the government to manipulate these benefits and costs through incentive schemes. Guaranteed employment in the public sector, for example, reduces students' uncertainty about their future income and hence may change their decision about what program to invest in as do scholarships and government repayment of student's education loans.

The lack of scholarships and grants in the private sector of the system means that the best students attend public universities. This further exacerbates the inequity between the two types of providers and is difficult to redress since funding follows the student and the program they apply to. An alternative national (or even institutional) funding scheme where socially-relevant programs receive disproportionately greater funding could help strengthen such programs and possibly increase their enrolments. Another option would be to partially subsidize privates that are willing to provide such programs. This has been done with some success in the United States and in Germany and, like we pointed out earlier, would also help to resolve the equity problems that stem from the geographical imbalance of public and private institutions. Still another alternative would be the establishment of a grant/scholarship scheme that allows students to take the funding to the private sector as long as they enrolled in government-approved programs.

Conclusion

The worldwide expansion of private higher education is here to stay and in the case of developing countries, is probably likely to do so at a much faster rate than in other countries. As higher education costs continue escalating even wealthier nations are finding it difficult to match the sector's resource needs with public support alone. In places like Uganda the expansion or possibly eventual domination of the sector by private providers makes good economic sense, in light of scarce public resources, even if it does present other difficulties.

Uganda is not alone in the problems it faces or in having to contend with a growing population of private higher education providers. Sub-Saharan Africa has seen remarkable growth in terms of both new institutions (Teferra & Altbach 2004) and enrolments (Banya & Elu 2001). The number of private higher education providers has grown as well, from less than twenty in the mid-1980s to more than eighty-five by 2002 and in all cases, the rationale for their new-found place remains the same: increasing consumer demand, declining capacity in the public sector, external pressures on governments to cut public services and growing demand for highly skilled labour. Like their Ugandan cousins, privates throughout Sub-Saharan Africa are generally small, professionally-oriented and expensive. They enjoy far less competition from the public sector the further they are from capital cities (Sawyerr 2002), are more likely to be staffed by part-time instructors and generally seen by the public to be of much lower quality than the elite public universities that were founded in an earlier age and on different principles (Beverwijk 2005). To that end, the issues we explored in this paper are of practical relevance beyond the Ugandan case.

In the final analysis, the question really is whether the proposed changes will indeed help reach the nation's specific goals. Many of the activities and strategies being implemented by the NCHE will do much to strengthen the overall system's capacity to provide quality graduates and to better serve both individuals' and society's needs. At the same time, these choices will have both intended and unintended consequences that may dampen the gains many hope could be realized. In the desire to find a balance between market and government control, the only clear observation is that a balanced system is preferred to either of the extremes. Today the NCHE and the country's higher education providers are working hard to find that balance under the realization that both sides have little experience with the challenges ahead. If history and other countries' experiences is any guide then both sides will reach some compromise to ensure that each gets what they are seeking.

Notes

1. See the Program for Research on Higher Education's (PROPHE) for a bibliography of literature on the topic. http://www.albany.edu/dept/eaps/prophe.
2. Unless otherwise noted, all figures and percentages come from internal NCHE documents that were provided to us.
3. As of 2004 universities enrolled 58 percent (63,811) of all post-secondary education students.
4. Of the latter, 13 were fully accredited while 15 were licensed and in the process of gaining accreditation.
5. The non-university tertiary sector is distinctly different from the universities and in the Ugandan context cannot be seen as higher education in the typical sense. Because of this we will not discuss these institutions in the rest of the paper.
6. Before 1992 all students at public institutions were fully funded. In the wake of a white paper published that year, Makerere and eventually the other public institutions shifted part of the cost burden to students. As Court (1999) reports, while public expenditures on primary education doubled between 1995 and 1999, public expenditures for higher education declined, in real terms, by 7 percent.
7. In 1999–2000 it is estimated that only 13–15 percent of students enrolled in science-based programs (Musisi 2003: 613).
8. In practice the Act primarily did three things: 1) clarified the government's intention to regulate the establishment and management of higher education institutions, 2) equated the qualifications of academic awards from different institutions, and 3) established an independent body with the legal authority to make such changes.
9. While this type of public investment is beneficial from a program provision view, as Wolf (1993) points out, whenever there is a differential between who pays for the good and who receives it, there is a tendency for 'government failures' to emerge that can also produce various types of inefficiency.
10. Indeed, an individual can only put a precise value on their education when they have finished their career.
11. Estelle James (1981; 1978) and James and Rose-Ackerman (1986) have written extensively on shirking in education provision, particularly in the context of non-profit providers. In many ways the problem is comparable to purchasing used cars or insurance. In the case of the former the seller knows the value

of the automobile but the buyer does not. The car dealer then has considerable incentive to charge more than the fair price. In the case of the latter the individual knows how healthy he/she is and the insurance company does not. Here the individual has an incentive to tell the insurance provider that he/she is healthy in order to get a lower premium than a fair one.

12. Public higher education institutions are generally subject to similar rules and regulations, not for market failure reasons, but to encourage a level playing field in the competition between public and private providers. Because such institutions are established by the state, subsidized by public funding and subject to government oversight the concerns about market failures arising do not necessarily hold.
13. Human capital theory (Becker 1964) basically states that individuals will invest in education as long as the discounted value of all future benefits derived from it exceeds the discounted value of all the education's costs.
14. The state of Pennsylvania in the United States employs such a strategy. As the state does not operate a public university in the city of Philadelphia, it offers the privately-run University of Pennsylvania limited public subsidies to their medical school because there is no publicly-run university medical center in the state's largest city.
15. See, for example, Teixeira et al. (2004) for a good analysis of private expansion in Portugal.
16. In 2005 alone at least two private universities have taken the NCHE to court, demanding that their revoked licenses be reinstated. In both cases, the privates' licenses were reinstated and the time needed for obtaining accreditation lengthened (Mukisa 2005).
17. This is implied since by law only chartered universities have the legal authority to award degrees.
18. This is not as clear-cut as we make out. There is no concrete evidence to support the screening hypothesis (Vossensteyn 2005) and a recent study by Kirumira and Bateganya (2003) suggests that unemployment rates in Uganda do not differ greatly between individuals with a university degree and those with some university education.
19. The exception would be those privates that are organized as non-profits.

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