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POLICY OPTIONS TO FINANCE PUBLIC HIGHER EDUCATION IN AFGHANISTAN

A Dissertation Presented

By

FRANK MCNERNEY

Submitted to the Graduate School of the
University of Massachusetts Amherst in partial fulfillment
of the requirements for the degree of

DOCTOR OF EDUCATION

September 2009

Education

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POLICY OPTIONS TO FINANCE PUBLIC
HIGHER EDUCATION IN AFGHANISTAN

A Dissertation Presented

By

FRANK MCNERNEY

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DEDICATION

To my wife Yijie Zhao, and my children, Tara and Eric

ACKNOWLEDGEMENTS

I would like to thank many friends at CIE and also in higher education in Afghanistan for their help with this study. My Afghan associates spent generous time from their exceedingly busy schedules to discuss the future of education in their country; I appreciate their advice and observations. The CIE faculty members were particularly encouraging: Ash Hartwell, my advisor, has always been an inspiration. I have always appreciated his thoughtful comments, open mind and his considerate nature. Moreover, I will always be indebted to Gretchen Rossman and David Evans for giving me the opportunity to join the center.

I also want to thank my wife, Yijie Zhao, for her strong support, insights and suggestions. She has been my motivator and my coach throughout the process.

ABSTRACT

POLICY OPTIONS TO FINANCE PUBLIC
HIGHER EDUCATION IN AFGHANISTAN

SEPTEMBER 2009

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While recovering from decades of conflict and trying to adjust to an incipient free market economy, public higher education in Afghanistan is currently confronted with rapidly increasing enrollment and inadequate government financing. The imbalance between high demand for and insufficient supply of higher education has led to a decrease in the quality of education and an urgent need to develop non-state sources of funding. Using Johnstone's (1986) diversified funding model as the conceptual framework, this exploratory case study reports actors' attitudes and perceptions of the financing policy options for Afghan public higher education and the impediments to introduce this model in Afghanistan. Data were collected from documents and semi-structured interviews with Afghan administrators, politicians, instructors and students during four months in Kabul in 2008.

The findings show that: a) the state has most likely reached the maximum financial contribution to public higher education and that little more can be expected; b) that the existing funding for this sub-sector is not managed well; c) that the current legal

framework does not support expansion of the entrepreneurial activities that are developing at the higher education institutions; c) that the legal system does not provide incentives to develop Afghan national donor support; d) that the introduction of user fees, though currently under consideration, is confronted with significant technical impediments, and e) that the introduction of tuition is not on the agenda because the higher education institutions have found the introduction of "night school" as an alternative means that allows the charging of tuition under the guise of "extra" services.

In light of the aggregated actors' attitudes towards these funding options, this study identifies considerable legal, technical and political blockages that hinder the creation of a functioning diversified funding model. The findings indicate that one significant pre-requisite for any development of these new funding sources will be increased institutional autonomy. Without devolution in power from the centralized ministry to the institutions, the necessary incentives and mechanisms will probably be missing for the development of these alternative sources of funding.

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CHAPTER 1

INTRODUCTION

This study examines the attitudes and ideas of actors who influence policies to increase resources for four-year public higher education in Afghanistan. Until this time there has been no research in Afghanistan to assess the financial problems of higher education and to provide information about likely future funding sources and impediments. This is an exploratory case study to map the current status of available funding resources and the actors' position on future options. Chapter One identifies the financial resource problem in Afghanistan; Chapter Two provides the conceptual framework and analyzes nine contextual factors that restrain policy reforms; Chapter Three describes the interview methods and the various groups of primary actors that were interviewed; Chapter Four reports the interview data according to potential funding sources; and finally Chapter Five provides an analysis along with recommended future research and policy considerations.

Background

Higher education systems throughout the world are undergoing a transformation that reflects the global embrace of neo-liberal economic policies, particularly the emphasis on free markets and the democratic principles of the Post Washington Consensus world political economy. Arguably, since the demise of the Soviet Union there has been no real alternative to the capitalistic model based on free trade and open markets, even though the recent financial crisis has led to more introspection about this

laissez-faire approach. The unyielding pressure from this prevailing “free market” model has particular effects that influence policy decisions in higher education financing.

One major result has been the ever increasing search by universities for funding from more and varied sources to meet the increasing costs caused by competitive challenges from other higher education institutions and the increasing demands and expectations of students and faculty (Bok, 2003; Clark, 2004; Geiger, 2004). Another effect of the market-based approach has led to the reduction in government financial support with a preponderant shift to user fees and other sources of funding, as central governments relinquish administrative and financial authority to the institutions (Johnstone, 1998, 2002b; World Bank, 2000, 2004).

This shift in costs to other non-government sources, along with concurrent levels of increased institutional autonomy, has also led higher education to seek greater links to job markets and to listen to user demands for appropriate curriculums to prepare them for financially rewarding careers. These outcomes are interrelated and mark a significant change in the goals of higher education from the traditionally cultural to the pragmatic and immediately useful. Increasingly, the shift now has many institutions checking the marketplace and listening to faculty and student demands so that academic departments provide consistently relevant skills and knowledge. Higher education in Afghanistan is no exception to this changing global model; the debate has already started: the question is how fast reform will occur in this country given its historical aversion to rapid changes and its unstable political and economic foundation.

While democratic reforms are being introduced to Afghanistan, its political economy is attempting to move from a rigid centrally planned regime to a flexible

market-based economic system. The challenges are enormous, especially in a culture where violent resistance remains a viable alternative among large segments of the citizenry. As a potentially instrumental actor in implementing this new approach, the higher education system will have to adapt to new relationships involving institutions, the ministry, students and other actors. One of the most important changes will be how the public higher education system will fund access, quality and equity in a more competitive sector. This study provides timely information about the views of the most important actors and their attitudes concerning the introduction of new ways to introduce resources into higher education in Afghanistan.

According to Johnstone (1986), funding possibilities can be framed into five potential sources: a) the state, b) entrepreneurial activities, c) parents, d) students, and e) donors. The purpose of this study is to analyze the primary actors' perceptions of the financing issues in higher education according to these five categories. Therefore, this is not a technical analysis that attempts to find a "best" solution according to certain criteria; instead, the findings report the current system of funding, the ways that the actors seek to change the arrangements and the many blockages that hinder the development of new financial sources within the system. The purpose of this approach is to provide a multi-layered understanding of the choices from an Afghan viewpoint, and not to dichotomize between two or more choices and then provide a comparative analysis based on a rational, non-political methodology. Thus, this research is intended to provide a baseline for Afghans to do further research.

Statement of the Problem

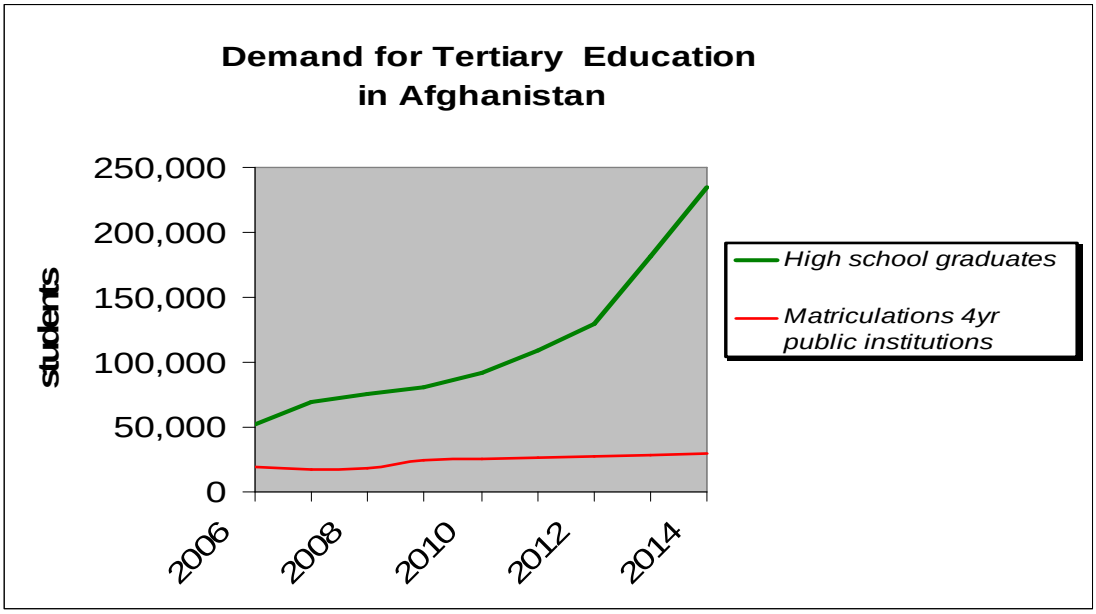
The lack of resources in higher education prevails in every country, even those with mature, developed economic systems, so it is not surprising that one of the poorest countries in the world, Afghanistan, has difficulty meeting the financial needs of higher education. While the problems are numerous, one fundamental underlying issue is certain: the demand for higher education continues to increase beyond the capacity of the state to finance quality education. There are too many hopeful secondary school graduates who want to advance their education and there is too little political willpower to curb enrollment levels to finance quality improvements.

The demand for quality higher education is expected to increase significantly within Afghanistan. From 2001 to 2008, enrollment expanded from 4,000 in 2001 to 56,000 in 2008, and demand is still on the rise. As the enrollment bulge passes through high school levels, resulting from the tremendous expansion in primary education since 2001, the number of high school graduates is expected to grow more than three times from approximately 75,000 in 2008 to over 230,000 in 2014[1]. During the same period, the intake in the four-year public higher education institutions will remain limited due to severe supply constraints[2].

[1] The Ministry of Education (MOE), which is responsible for grades 1-12, provided these figures in November, 2008. They may be revised downward in the future given that the system of data collection is being refined and that many factors, especially security levels, affect school enrollment.

[2] The MOE is actually accepting more students into two-year teacher-training colleges than the MOHE accepts into four-year institutions. The capacity of these two-year colleges may be near their limit although there are no estimates from the MOE. So far the MOE has been able to greatly increase the placement of high school graduates in these two-year colleges while limiting the enrollment increase in the four-year institutions. Nevertheless, this practice cannot continue indefinitely and the capacity of the two-year colleges may have been reached already.

Figure 1: Increasing Demand for Higher Education



The graph (Figure 1) above shows a projected 65% increase in annual matriculates in public higher education from 18,250 in 2008 to 30,000 in 2014[3]. To be precise, these projections are for the intake of non-paying "scholarship" students; these figures do not include the students in the private sector or those who pay for "night school", two likely supplies, although with very limited capacity to absorb some future enrollment demand.

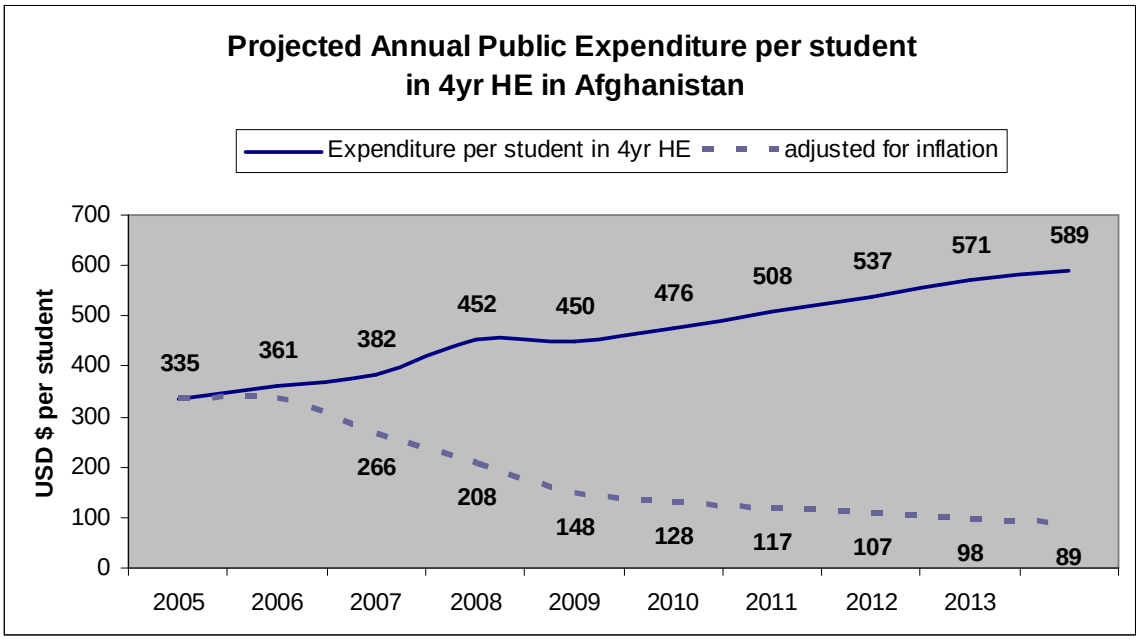
There is strong, implicit political pressure to continue to expand enrollments by adding new faculties at the existing four-year institutions and by building new four-year institutions rather than using the existing resources for improvements in quality inputs. The reasons are varied and unexplored. Some participants in this study claimed that uneven distribution in the sector has led to discontent; the previous expansion, just after

[3] Any figures that attempt to project the supply of higher education are tenuous. The MOHE does not make projections and the figures here are based on comments from interviewees and a rough estimate from several faculties. Most interviewees commented that the system is currently at capacity in 2009. If this is true then any increases may be optimistic and the demand supply imbalance may be even greater.

2001, led to regional disparities, with fewer facilities and lower enrollments in the Pashtun, southern regions. Others claim that the enrollment demand has put enormous pressure on politicians to continue increasing supply, especially in underserved areas. The solution seems to be to just keep expanding with disregard for financial constraints; some interviewees even stated that every province should have its own public four-year institution[4].

At the same time, expenditures by the government have only been sufficient to add new students; the meager annual increases are not sufficient to cover inflation[5] (see Figure 2).

Figure 2: Projected Expenditures per Student in Public Higher Education[6]



[4] As of 2008 there are 34 provinces in the country; however there may be more in the future.
[5] According to the IMF (2008) inflation levels are predicted to rise from 7.6 % in 2006 to nearly 24% in 2009. Food prices have doubled in the 12 month period ending May, 2008 (IMF, 2008, p 30).
[6] Notes:

- Total estimated enrollment increases from 56, 000 in 2008 to 73, 000 in 2014[6]
- Funding from the state increases from 25 million USD in 2008 to 43 million in 2014
- Inflation rates are based on IMF (2008) predictions.

These expenditure rates are consistent with very poor states in comparison with averages from other countries, and are significantly under resourced compared with expenditure levels in more developed countries[7]. Unfortunately the meager state support may not be used efficiently given that 60% of this annual student expenditure is used for student subsidies and not instructional costs. Even if these subsidies were removed completely – not a recommended policy due to the effect on poor students, there is still a desperate need for greater resources to improve low quality levels in this system.

According to the Afghan Minister of Higher Education, the World Bank, USAID, administrators at various Afghan universities, and numerous external partner universities, the Afghan higher education sector is severely under-resourced, given its ostensible goals to meet the increasing demand for relevant and competitive four-year undergraduate education (Mirwa, 2005; Romanowski, McCarthy & Mitchell, 2007; USAID, 2005). Unfortunately, the existing and projected government financing resources are severely limited, and the extreme reliance on external donor funding for all capital projects and a significant proportion of operating expenses is obviously not a sustainable approach (World Bank, 2005). For instance, from 2001 until now, with the generous external donations from many sources that have paid for the capital improvements on all the higher education campuses, students' learning environment has been improved, but it is still woefully inadequate. Despite the fact that most institutions are now rebuilt, they are still dysfunctional due to the lack of libraries, laboratories, technology and trained staff—in brief, all the components that support a modern, relevant education in the new

[7] UNESCO (2007) reported that in 2004 U.S. institutions received over $10,000 USD in public support while India ($3,668), Indonesia ($1,077), Philippines ($1,661) and Peru ($1,222) received less based on equivalent USD (p.70-71). These statistics should be skeptically reviewed. According to Hauptman (2009) even expenditure statistics from the OECD are questionable. He claims there is just too much variation in structures to provide meaningful comparisons.

knowledge-based economy of the world. There are no internationally accredited public higher education institutions in Afghanistan; there are only four graduate programs in the country but with no doctoral level studies. Very few instructors have received advanced degrees in the past ten years; most received their degrees twenty to thirty years ago and were not able to stay current in their field because of unfavorable conditions. Overall the quality of teaching and learning in all the four-year public higher education institutions is substandard and, as I will argue, is deteriorating as more students are enrolled and new instructors with only a baccalaureate degree are hired.

The Ministry of Higher Education (MOHE) publicly remains quiet but privately acknowledges that they do not have the resources to meet this demand or to improve the current quality, given the level of state financing. Because the government salaries are too low, most instructors have to work second jobs for extra income to make a living. There are no funds for information technology or even book purchases. No library or faculty in the entire system has a single subscription to an academic journal paid for with government funds, and the available few are provided by a few donors. Overall, ministry officials argue that they cannot even provide an adequate learning experience for the existing students and that further expansion will only result in overstraining the already meager facilities and under-trained staff. Nevertheless, new faculties and institutions continue to open because the policy process is dominated by political expediency.

The premise in this study is that the government will have to allow institutions to access other non-state sources of financial support to improve quality levels and to compete with the private sector in higher education in the future. Currently, competition from private higher education is minimal; however, these institutions may become

formidable in the future, according to actors I interviewed. The possible inability of the public higher education institutions to compete with the private sector troubles several of the actors. They fear that the private institutions will eventually provide better employment possibilities for those with a higher socio-economic status (SES) in society and thus segment society into classes as graduates from better schools assume the most influential positions. The key issue for these actors ultimately revolves around resources. Their major concerns are how the public higher education institutions will find the necessary resources to compete in this new market-based system, and how the public system can provide high-quality education to disadvantaged students.

None of the actors I interviewed was content with the current conditions and funding levels for the higher education. The findings from this study show that there is considerable discontent from students, instructors, administrators and politicians about the future of the public higher education system. This is primarily because none of them believed that the state could meet the financial needs of higher education, and also because most of them lacked sufficient knowledge to make an informed analysis of potential options. In addition, reliable data are scarce in this system. Although some measures are already in progress, most of the actors interviewed were unaware of these developments.

Current Efforts to Address the Problem

The Ministry of Higher Education (MOHE) has begun to make some incremental policy changes to meet the demand for higher education; however, an overall strategic plan is not yet available. Two policies have reduced the demand supply imbalance (see

Figure 1) to a very limited extent. First, private four-year institutions that are approved by the MOHE now accept approximately 1500 students annually; second, approximately 1000 students are accepted each year into the night school program at the four-year public institutions[8]. Both of these options require students to pay fees, yet demand has been very strong. According to interviews with the private sector, institutions are planning significant enrollment expansions while the MOHE and the public institutions are planning to continue to increase night school enrollments by adding more faculties to the program in the future.

In addition, other policies to allow alternative financing methods are being considered. First, senior ministry staff has submitted a higher education law to Parliament that legally allows public institutions to seek resources from prescribed non-state resources. This new law allows institutions to raise new revenue sources from partnerships and other activities with the exception of charging student fees and tuition. Unfortunately, this law remains incomplete since it does not provide the necessary incentives for institutions to pursue these new funding sources. The law clearly states that all funding must be remitted to the central government.

The second policy change involves discussion with the Ministry of Finance (MOF), the MOHE, Kabul University (KU) and the President's Office (PO) to allow KU the right to open their own bank accounts to retain these non-state funding sources.

[8] Another more significant effort to meet demand is being undertaken by the Ministry of Education., which manages the two-year colleges. Those students who are not accepted into the four-year institutions can apply for admission to the two year colleges. These institutions are even more woefully under-resourced and exist primarily to train secondary school teachers. Many students who attend these institutions do so for one year then take the Concourse test again to seek admission to the four-year institutions. This system still needs to be studied to determine how well it meets the needs of students.

Verbal approval was granted yet the details are still being negotiated[9]. Drafting the agreement will be a substantial task and could delay the implementation for an unknown period but the trend marks an important step in university autonomy. If KU proves successful then other institutions will want to follow. The MOHE supports this financial decentralization with regulatory oversight. They are in the beginning process of discussing and drafting higher education regulations concerning these alternative sources of income.

Given these developments in the financing of higher education, I am curious to learn how the Afghan actors in higher education perceived the funding problem along with their solutions through an exploratory investigation into the topic. Consequently my research questions are deliberately open-ended and broad queries.

Research Questions

My principle research question is what Afghans believe are the policy options for financing higher education in Afghanistan. Once again, I am interested in the perspective of the major actors in higher education in the Afghan context, that is, how key actors in the system perceive the issues related to financing and what implication their perceptions have for the policy formation.

There are three assumptions underlying the question. First, changes in the financing of higher education are likely to be the result of internal political compromises and less of technical analysis; second, external opinions and recommendations should be avoided in this context where xenophobic elements can easily sabotage any "Western"

[9] Previously all externally generated funds had to be forwarded to the central coffers in Kabul, where they were mingled with general funds and almost always never returned to the institution.

solutions; and third, the lack of data to support technical analysis means that conclusions will be extremely conditional.

The following sub-questions are used as a guideline for data collection. The findings in Chapter Four are reported using these queries. The first two questions are intended to establish whether the state can provide sufficient funding and whether the existing funding is managed well. The third and fourth questions are concerned with alternatives to the state support and reasons why these new sources have not been fully developed.

1. Does the government have the resources to support higher education?
2. Does the MOHE need additional resources? (While this may seem obvious to most observers, it is necessary to establish whether or not certain actors believe additional resources are even needed. One argument against the need for additional funding might be better use of existing budgets.)
3. Where will the resources come from?
4. What are the restraints that must be overcome to develop these sources of funding?

The Importance of this Research

This timely research will help identify problems with developing additional non-state resources in Afghanistan. Most actors are minimally informed of the issues involved with implementing any non-state funding options because higher education finance research is not available and the Afghan policy process remains limited to a few

individuals. These two conditions of asymmetric information and a "top-down" policy process could lead to unintended consequences. This paper may help provide a basis for policy dialogues by clarifying issues and the views of important actors related to particular policy options. Specifically, this research has the following intention:

1. To provide attitudinal and factual information about the existing situation for policy dialogues on financing reform policy.
2. To provide a political mapping of actors and link them with issues.
3. To identify processes that block reforms.
4. To suggest areas for more research.

Study Overview

This study relied primarily on data derived from documents and open-ended interviews with individuals and focus groups in Kabul, Afghanistan during the period July 24 to December 6, 2008. These individuals consisted of politicians, including members of parliament and the President's Office; international donors, including the World Bank and USAID and other private sector donors; administrators in public and private universities; ministry officials; faculty members and students from public and private higher education institutions; and unaffiliated education leaders and opinion-makers in society. The participants of the study were invited to analyze and comment on the conditions of higher education in Afghanistan with the specific focus on financial resources in public higher education institutions.

CHAPTER 2

CONCEPTUAL FRAMEWORK & CONTEXT

Conceptual Framework

Throughout the world there are many changes in financial structures in traditional higher education systems (Ball, 1990; Johnstone, 2004; Task Force on Higher Education, 2000; World Bank, 1994, 1995, 2004). A major conceptual change is the movement from a centralized, financially state supported system to a decentralized, mixed funding model, a change, according to many, that brings higher education institutions into alignment with the global free-market economic systems, where higher education institutions must compete for students, faculty and resources. Underlying this change to "free markets" is a complex grouping of economic ideas categorized as the neo-liberal economic theory. The roots of this theory are found in the laissez-faire economics of Adam Smith and David Ricardo; the enlightenment principles of individualism and democracy from Rousseau, Locke, Mills, Kant and others; and, more recently, from two proponents, free-market theorists Fredrick Hayek representing the Austrian School and Milton Friedman the Chicago School[10].

According to the proponents of "free markets", competition rather than state-led solutions leads to more efficient outcomes. In their view, each higher education institution competes for students and faculty, operating essentially as a business in a

[10] Both Hayek and Friedman worked together at the University of Chicago; both won the Nobel Prize. Hayek's work was largely forgotten while Keynesian economic theory predominated until the 1970s. The popular story is that Hayek's resurgence began after Prime Minister Margaret Thatcher read "The Road to Serfdom" and declared it to be the guiding principles for her party.

marketplace with the autonomy to make budget decisions. The minimum state apparatus provides the overarching regulatory framework to ensure minimum quality standards and to maintain a fair marketplace for competition. Countries that adhere to the neo-liberal, free-market approach have similar higher education financing structures featuring decreasing levels of government funding and correspondingly increased user fees for students; greater emphasis on institutional partnerships with the private sector; and more marketing efforts to attract donations, gifts and grants. Overall, these higher education systems experience increased autonomy levels regarding competition between public and private universities for faculty and students and accountability for institutions to provide relevant learning experiences for graduates to enter productive work (Bok, 2003; Clark, 2004; Geiger, 2004).

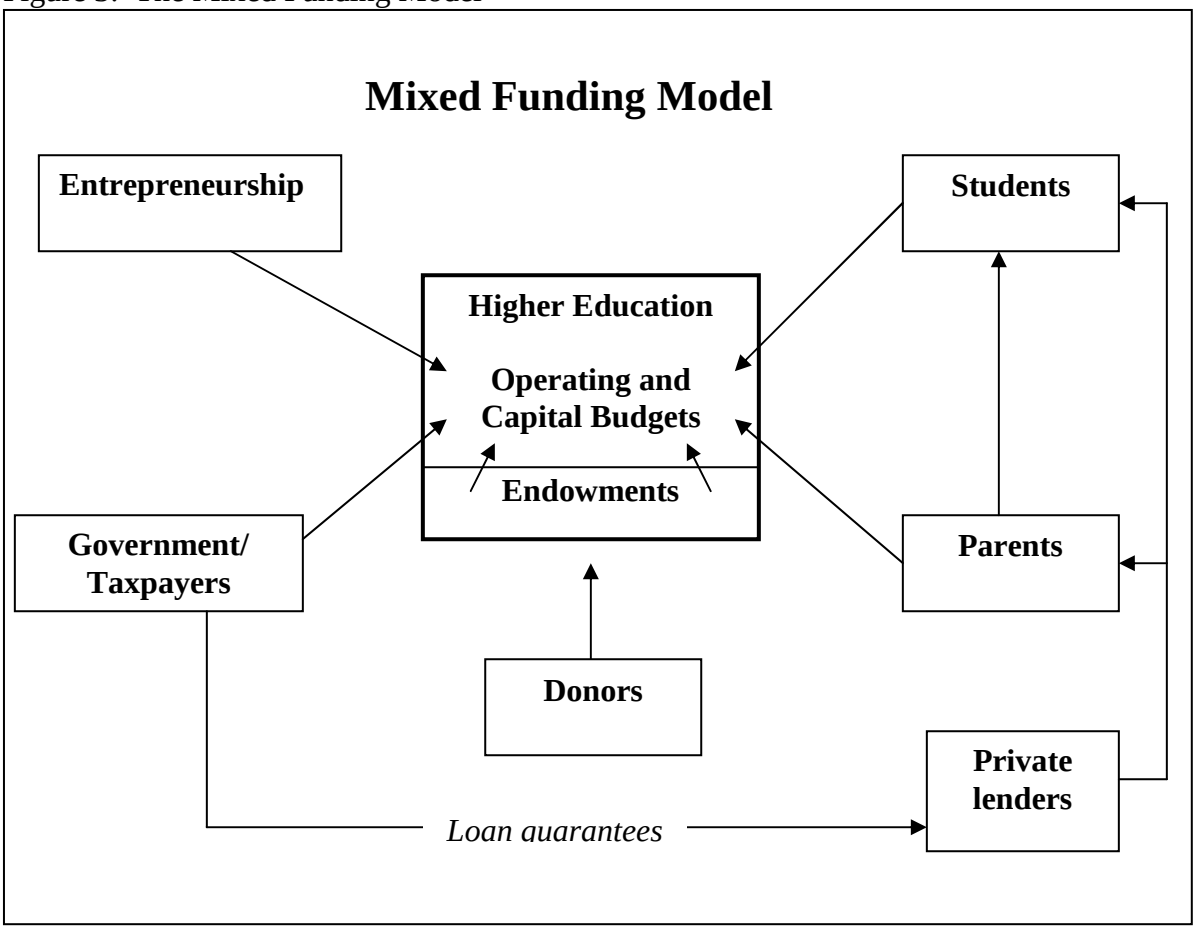
The world-wide expansion of higher education has been enormous and it continues to grow, especially in developing countries. During the period from 1990-91 to 2000-01 developing countries doubled their enrollments from 29.3 to 58.3 million while total enrollments increased from 68.6 to 110.7 million (Sanyal & Martin, 2006, p.3). This notable increase in demand and the corresponding pressure on governments to fund increased costs has led, among other outcomes, to a financial reform in higher education. Bruce Johnstone, a noted international authority on financial systems in higher education, remarked that "the 1990's saw a remarkably consistent worldwide reform agenda for the management and financing of higher education…with similarities among countries greatly disparate in wealth and in political-economic systems" (Johnstone, 1998, p. 1). The primary reasons for this change are increasing student demand and enrollments, the fiscal austerity of governments, the increasing market orientation of higher education to

meet the management and financial challenges, increasing costs to deliver higher education, and the willingness of users to pay increasing levels of tuition and fees (Johnstone, 1998).

Today, this belief in an autonomous, competitive higher education system that relies on a mixed source of funding pervades the recommendations from policy advice institutions (e.g., World Bank, 1986, 1994, 1995, 2002; Alexander, 2001) and special higher education committees throughout the world (e.g., Task Force, 2004; Task Force on Higher Education and Society, 2000; Wran Committee, 1988). Their findings influence higher education associations. For instance, one Islamic higher education federation provides an example of the change from the state to the market orientation. The Federation of Universities in the Islamic World (FUIW) in their *Strategy for Developing University Education in the Islamic World* noted: "Market liberalization and cost effectiveness…force higher education institutions [in the Islamic world] to enter the market of competition for funding. [This move will] lead to ensure a balance between making money and producing knowledge" (p. 10). FUIW recommends more alternative funding as a necessary ingredient to distance the universities from an "interfering state", explaining that the poor condition of most universities resulted from "poor funding and reliance on a single financing source, namely the government" (p. 9). The association pointed out that historically institutions depended more on other sources than the state and that these non-state sources are necessary: "Throughout the centuries, educational institutions and schools were established within centers and mosques, financed by non-government sources such as donations (*zakat*) and *waqf* endowments" (p. 15).

The mixed funding model provides the conceptual framework for this study. The following diagram shows the overall design with key elements.

Figure 3: The Mixed Funding Model



The depiction of the mixed model identifies five funding sources: the government, donors, entrepreneurship, parents and students (Johnstone, 1986; Johnstone & Shroff-Mehta, 2000). The "system" was expressed by Eicher and Chevaillier (1993) and many others and has no creator but many contributors. According to Johnstone (1986), any reduction in one source must result in an increase somewhere else – or reduce enrollments or quality at the institutions. This mix of contributors depends on many factors, as stated by Eicher and Chevaillier (2002) that "the choice of the precise mix

depends more on the practical and social constraints of a given society and on the political process than on the rational views of researchers and evaluators" (p. 75).

Johnstone (1986) used five general categories to describe the zero-sum financing possibilities. These labels are meant broadly: the *government* could be either national, state or local taxing authorities; *parents* include extended families and spouses; *students* refer to any user of higher education services; *donors* encompass private individuals, international agencies, aid organizations –essentially any funds received with minimal reciprocal expectations; and, finally *entrepreneurship* covers the broad range of commercial relationships between the institution and the private sector, including the sale or lease of assets such as consultancy services, patents, facilities and other mutually beneficial financial opportunities. These latter arrangements differ from donor gifts since they involve contractual *quid-pro-quo* terms and conditions.

Eicher and Chevaillier (2002) acknowledge that for most Western European countries, and for other countries with a similar higher education funding system, i.e., one based on solely taxpayer financing, this new model would mean "a drastic rethinking of the relationship between public authorities and institutions…substantial increases in tuition fees….the setting up of a guaranteed student loan system and the increased participation of business…Each country will have to make its own choices according to its own constraints and political stances, but the logic of the present system [the mixed finance model] should lead them all to broadly similar choices" (p. 88). Recent experience in industrialized, transition and developing economies confirms these pronouncements. Several world-wide trends are evident. First, state support has proportionally decreased while institutions have a greater reliance on tuition fees and

student loans to finance the expansion of higher education (e.g., Johnstone, 1986, 1998, 2002b; Psacharopolous, 1994; Salmi, 2001; Woodhall, 2006, 2007; World Bank, 1994, 2002); second, more institutions are increasing entrepreneurial activities; and third, more institutions are making efforts to cultivate larger and greater numbers of donors (Task Force on Higher Education and Society, 2000).

The mixed funding approach is developing incrementally as institutions become more autonomous from state funding. The United States higher education sector provides an instructive model since it arguably started earlier on this path. For many countries seeking to emulate the quality and reputation[11] of U.S. institutions they may also have to endorse these financing alternatives. According to David Ward, the president of the American Council on Education, and John Douglas at Berkeley, there has been a paradigm shift in the way U.S. universities are being financed since governments are no longer willing to cover all the costs of higher education (Ward & Douglas, 2005). Thus, U.S. public universities rely heavily on the mixed funding model, with growing levels of funding coming from students, parents, entrepreneurial activities and donors.

This paradigm shift from government support to other alternatives conforms with the overall market-orientation ideology, which bounds most policy decisions today in developing countries and extends to the developing world as they become linked to the global economic system[12]. Johnstone (2002b) summarizes that this model developed as a

[11] Numerous education specialists argue that the autonomous structure of U.S. universities along with their financing mechanisms enable them to compete successfully. Alison Wolf, Sir Roy Griffiths Professor of Public Sector Management, King's College London in a public debate on higher education in The Economist magazine, made a representative comment that "American universities, meanwhile, are the envy of the earth. That is in large part because they are competitive and have to earn their way. They have, in other words, to attract students and student fees. It is not just the private universities either. Public universities, too, charge fees; and students pay them."

[12] This system, sometimes referred to as the Post Washington Consensus (PWC), is based on neo-liberal economic theory.

result of increased enrollment demand in higher education that led to political pressure to increase supply. Governments, however, were having difficulty increasing tax levels. Due to changing social priorities[13], higher education funding did not increase commensurate with hyper escalating costs to maintain quality in this sector (Johnstone, 1998; Sanyal & Martin, 2006). Since higher education has shown some ability to raise funding through other sources, states were willing to grant increased autonomy to institutions to seek these alternatives.

The timing of these changes occurs during periods when governments can least afford the expense of higher education and consequently pass on the responsibility to those who can and those who benefit from the service. The alternative, such as the reduction in enrollment levels and even the closure of higher education facilities, is not politically feasible. Ward and Douglas (2005) note that cost-transfers from government to students occur in the U.S. especially during periods of recession when the state budgets are especially subject to scrutiny. According to Johnstone (2002), every higher education institution is driven by decisions made under "austerity", or "survival conditions", a better term used in developing countries. Based on this inability of governments to meet the growing financial needs of universities, institutions had to look to other sources besides the government (Johnstone, 2002).

Concomitantly with the decrease in taxpayer financing, universities began demanding more autonomy as they were charged with finding more of their own resources. Increased autonomy led to more entrepreneurial activities that attempt to use

[13] In the education sector, beginning in the 1970s, rate-of-return studies by Psacharopolous (1973, 1977, 1981, 1985, 1994) at the World Bank showed that it was more prudent for governments to finance primary education rather than the tertiary level. Since then, the World Bank (2002) has hedged this position, noting the importance of higher education in meeting the challenges in the knowledge society of the future.

the assets of the university to derive more income through partnerships with the private sector and marketing efforts to get endowments from wealthy donors. The university began to organize differently; the "ivory tower" with isolated academic departments was now becoming the "business enterprise model" divided into *profit and cost centers* with professional management teams forging links with the private sector, acutely aware that programs and institutional reputations relied heavily on ambitious funding schemes from a variety of sources.

In the United States and other developed countries, this new entrepreneurial vision was lauded in a wave of publications such as *The Entrepreneurial University* (Clark, 1998a), *The Enterprise University* (Marginson & Considine, 2000) and *Academic Capitalism* (Slaughter & Leslie, 1999). These management approaches envisioned nimble higher education organizations that would efficiently use faculty and institutional resources in partnerships with the private sector, while generating income for the universities along with other benefits. In this view institutional autonomy was incompatible with static, unsupportive government bureaucracies. According to Clark (2003), "a high degree of financial dependence on a single mainline source is a flawed way to construct a self-reliant university. The interests of government multiply and change; the support of universities can readily slide down the government's list of priorities" (p. 108). Proponents argued that financial self-reliance becomes possible with a mixed financial funding structure and increases the possibility of more control over the direction and activities in the university.

Throughout the world, the greatest change in the financing of higher education is that students and parents are paying more tuition and user fees to cover more of the costs

of education (e.g., Johnstone, 1998; Johnstone, 2004b; Johnstone & Schroff-Mehta, 2000; Woodhall, 2007). Specifically, higher education institutions throughout the world are reducing subsidies for the cost of students' living expenses, establishing moderate tuition fees, and requiring the fees to increase with the explosive increase in costs to deliver the education. Concurrent with increases in cost-recovery from students and parents, systems have been created that support students' payment of tuition and fees, either through grants, scholarships, loans, work-study or service contracts after graduation. Without these financial support systems it is unlikely that so many students would have supported the shift.

In the next section, I will review the literature to determine the factors that influence policy decisions to introduce entrepreneurial activities, increased donor funding and the introduction of tuition and fees in higher education. Afterwards, I will discuss the Afghan context. Together, the conceptual framework, the literature review and the context will provide a reference point to judge the research findings and allow rigorous interpretations.

Literature Review

All three of these non-state funding sources have been used in many countries throughout the world. This section identifies factors that should be considered in policy deliberations to use these new funding sources. Currently, Afghanistan relies heavily on state support and donor contributions from international agencies; however, if the country follows the same course as others, the composition of this source will likely change in the future, leaving proportionately less state funding.

The new sources of financial support will typically include new types of private donors (philanthropy), new entrepreneurial partnerships with the private sector and the introduction of fees and tuition. All of these options will present difficult challenges in the Afghan context.

Donors

There are many types of donors that assist higher education. In Afghanistan international donors including bilateral and multi-lateral organizations have provided almost all the support to rebuild the system. In the future, the sector will most likely have to develop private sources of philanthropy from internal sources such as wealthy businessmen since the international donors will likely reduce their gifts. This literature review is concerned with how private philanthropy will have to be developed.

One of the main reasons why donor gifts are so attractive to higher education institutions is that they do not involve a tuition increase or an increase in state funding, two politically very difficult tasks (Johnstone, 2005). Still the requirements to build a reliable annual source of philanthropic income are daunting for a poor country. A Task Force (2004) assembled to advise the British Government on ways to increase donor contributions to British institutions identified the following four essential factors:

1. A donor pool with substantial wealth must exist and they must be appropriately cultivated,
2. The institution must create a development office with a marketing presence along with administration and faculty that supports the effort through ongoing participation. "We are clear that the main success factor for fundraising is a

professional office in each university that follows established techniques well and is resourced properly. This has to be combined with an institutional acceptance that fundraising is an important activity and that those in leadership positions devote a substantial amount of time and energy towards it" (Task Force, 2004, p. 1).

3. The government must establish a legal system with favorable tax treatment for the donations.
4. In society, a culture of philanthropy has to exist to develop private donors.

These minimum requirements present significant problems for developing countries. First, it is not clear how large the pool of wealthy donors might be in a developing country as poor as Afghanistan; certainly this is a major consideration in assessing how much time and funds to invest in developing this source. Surprisingly, even in a place such as Afghanistan the pool may be larger than expected if donors are asked and if treated properly. "Many, particularly alumni, are very willing to support their institutions especially if the university has created an environment where giving is regarded positively by both the donor and the recipient" (Task Force, 2004, p. 1). More research on Afghan philanthropy is needed to identify what "proper" treatment entails.

Second, the creation of a development office can act as a barrier since it requires an initial investment in time and money that may not bear results for many years (or not enough to cover the initial cost). A professional development office can become a complex organization[14], depending on the expected donor pools targeted. Beyond just the expense of the office, the creation of this department should also be considered with

[14] See Appendix A for an organizational flowchart for the professional development office at the London School of Economics (from Task Force, 2004, p 29).

other organizational changes since staffing may also require a fundamental shift in the roles of key personnel at the institution.

> In many U.S. institutions, the Vice-Chancellor's role is split into two – a President who focuses on leadership and external relations and a Provost who focuses on internal operations and leadership of the academic staff. This enables the President to devote typically half of his or her time to fundraising. (Task Force, 2004, p.30)

Also, a development office alone is not enough, the senior administration and perhaps deans and faculties will have to become part of the fundraising enterprise. While they may not be tasked with actual monetary goals they may be asked to "meet and greet" and build relationships. Many faculties may resent this imposition, remaining skeptical or even condescending (Elliot, 2006). They see fundraising as beneath their position and not consistent with their image of faculty members as indifferent to monetary influences. Finally, members of institutions may not know how to ask, or they may have a fundamental lack of confidence in their own institution's ability to use the funds in a proper manner to meet the objectives promised to the donor (Task Force, 2004).

Faculties and administration may also be concerned that such funding may distort the mission of the institution and the community spirit by supporting specific programs, courses or individuals. For this reason they may be fundamentally in favor of state support since any effort to increase this type of outside funding eventually leads to undue influence concerns. The proliferation of naming rights on buildings is symptomatic to Altbach (2006) who believes that these practices threaten an institution's commitment to truth and knowledge. This is not an unjustified position. According to Paul Schervish (1997), who studies the motives of major donors, "the complex part about the charitable motivation of the wealthy is that those who hold great wealth and consciously direct it to

social purposes invariably want it to shape rather than support a charitable cause" (p. 86). Another realist, Peter Frumkin, believes that donors have increasing power in the relationship with institutions; therefore, a balance between the independence and public nature of higher education and the donor's interests and desires must be considered by each institution (Frumkin, 2006). This balance will have to be decided according to the mission of each institution.

Third, the legal framework in society must provide "protection" for any donations. In Islamic history there are accepted legal precedents for donors to establish endowments for higher education that might be used for creating an acceptable framework in Afghanistan. Al Qarawiyin University, which started in the 11 century, owes its development "to the bequest fortunes from all parts of Morocco" that was devoted to its services. These assets were used "to increase its revenue, which resulted in an increase of scholarly chairs, and regular students who benefit from board and scholarships" (Raissouni, 2001, Theme II, Section 2). Another venerable example that could be cited comes from Egypt. "One of the oldest *awqaf* supporting a major seat of Islamic teaching and research and higher education is the Al Azhar University" (Hassan, 2006, p.4).

According to the literature there appears to be few restrictions on the educational use of these funds. Waqfs were not restricted for use in one faculty but were used for "all kinds of sciences, depending on the predominant scientific knowledge of each era" and could be used "to cover teachers' wages, students' food and board, libraries of precious books and any other activity that helped these schools fulfil their goals and preserve their continuity" (Raissouni, 2001, theme II, section 2). Waqfs could be restricted for a

specific purpose or for a specific group depending on the wishes of the donor[15] (Raissouni, 2001). Not unlike today, the donors could use these waqfs to encourage study in one scientific area or another by stipulating conditions, such as the use of particular equipment (e.g., an astrolabe), with the intention of making the beneficiary use the "most proper way". The types of assets and funds that can be used to endow a waqf have been contested by Islamic scholars for centuries[16], mainly based on the fact that assets put into a waqf were removed from the tax base of the ruling powers. In Afghanistan, so much land was put into waqfs, allegedly for corrupt reasons, that King Ammanullah in the late 19th century decreed that all waqfs were dissolved so that taxes could be collected (Dupree, 1973).

Also, the management at the institution has an obligation to protect the donors' gifts. "Gifts of significance are given to organizations that earn the trust and confidence of benefactors" (Hodge, 2003, p. 90). On the part of institutions that use accepted financial reporting practices, this also means greater accountability (Wagner, 2003) and transparency in their financial arrangements. "Universities throughout the world need to be — and need also to be widely *perceived* to be—cost-effective and accountable if they are to present credible claims both for more tax revenue, for tuition fees from parents and students, and also for philanthropic contributions" (Johnstone, 2005)[17]. Donors expect the institutions to manage their gifts responsibly (Grace & Wendroff, 2001).

[15] An example given by Raissouni, (2001) is the 20th century Moroccan king who bequeathed the proceeds from 200 acres of orchards to support 200 students with the stipulation that married students receive one and one half share (1.5) versus an unmarried student's one share (1).
[16] One of the key distinctions is whether or not moveable assets, such as cash, could be included (Cizakca, 1995).
[17] This quote is from a presentation by Johnstone and therefore no page number is available.

Fourth, a philanthropic culture is not something that one institution can create. According to Johnstone (2005), this type of society is characterized by:

- An ethic of volunteering and giving in society;
- Specifically an ethic of giving to higher education—in addition to giving to religious or cultural organizations or to other worthy causes;
- Giving generously and sometimes anonymously, rather than giving always in such a way as to be singled out--for example, as in the donation of a named building or monument.

Johnstone (2005) believes that donors in a philanthropic culture understand that there are insufficient government funds for use in higher education given the multitude of other priorities that the government must support. He feels that as long as individuals believe that taxpayer revenues should finance the total cost of higher education they will not donate money to support institutions (Johnstone, 2005). For example, in Germany, a rich developed country that heavily support charities, donations to higher education are small because society believes that the role of the government is to support the institutions through taxation (Hochstettler, 2004). Research shows that donors do not want their funding to replace existing government funding sources (Task Force, 2004). In the U.S., "donors were motivated to give to institutions in order to raise their quality and facilities from good to excellent; not in order to support the basic infrastructure" (Task Force, 2004, p. 16). The purpose of these funds is not to replace or substitute government funding but to provide additional funding to improve the excellence of the institution (Task Force, 2004).

While senior management at an institution is directly responsible for developing donor relations, the motivation to begin entrepreneurial activities with the private sector typically begins with individual instructors driven by personal opportunities and rewards. This type of resource can not be developed using a “top down” approach; instead, it relies on crafting an environment that provides incentives for individuals to act in their best interest and that of the institution.

Entrepreneurship

Entrepreneurial activities include many types of non-traditional relationships between university faculty, students and the institution itself with outside private and public interests. Some examples that might be more applicable to the Afghan context include industry related research and development undertaken by the faculty but funded by the private sector, consultancy opportunities for faculty members, technology transfer through patenting and licensing fees, educational activities outside of the traditional undergraduate classroom, such as continuing education and lifelong learning in various forms, and the commercialization of physical campus assets including agricultural land, halls of residence, cafeterias or even the limited sports facilities.

These types of commercial opportunities are available to most institutions with desirable assets and to many faculties, although mostly in the sciences and less in the humanities. There are exceptions though. Clark (1998a), in his study of five entrepreneurial European universities, claimed evidence that the entrepreneurial spirit extended even to the so-called “heartland” departments – the humanities and social science departments that are not generally thought of as market oriented or able to augment revenue from the sale of their services. One of the main benefits from endorsing

an entrepreneurial spirit in an institution is the very practical result of increased compensation for low-paid faculty. Court (1999), in his study of Uganda's Makerere University, cited the enhancement of faculty salaries, which, in turn, slowed the exodus of academic staff, as the most important impact of faculty and institutional entrepreneurship.

Not all institutions are ready to endorse entrepreneurship. Clark (1998b) noted that institutions typically have a "demand-response imbalance" which appears in public universities supported mainly by a national or regional ministry of education or education and science. "The capacity to respond [to initiatives and opportunities in the private sector] is limited by underfunding and by rigidified internal structures that were constructed in the simpler days of elite higher education" (p. 10). Underlying these structures is the fundamental understanding of the purpose of the higher education institution in society. Entrepreneurial activities have led to conflicting views. Therefore, one initial question concerns the mission statement and whether or not these types of entrepreneurial activities are consistent with the faculty's ideas about the purpose of the university and their role.

In many institutions, there is a philosophical struggle among the faculties and administration concerning the ethos of academic disinterestedness, openness, communal property and universalism (Merton, 1973) and the free-market where property rights, incentives and private interests predominate. The rhetoric in these debates may be overzealous, whereas the reality may be less divisive. According to Clark (2001), "in a carefully managed institution with strong leadership and a clear forward-looking vision, entrepreneurial character in universities does not stifle the collegial spirit; it does not

make universities handmaidens of industry; and it does not commercialize universities and turn them into all-purpose shopping malls –on all three counts it moves in the opposite direction" (p. 10). According to Clark (1998a), the outcome depends upon a "strengthened steering core" (p. 5) with active leadership that "cannot depend on old habits of weak steering. They need to become quicker, more flexible and especially more focused in reactions to expanding and changing demands (p.5).

The entrepreneurial vision endorses a system with certain characteristics, the primary one being a management orientation that allows experimentation and loose control.

> …the creation of an entrepreneurial university is not a stage that can be passed through once and forever. It is a process without end. Its creation is likely to happen not as a big bang, but in an incremental, evolutionary fashion, as a flexible organizational character that can adjust and readjust with better responses to rapidly changing demands. (Clark, 2001, p. 17)

The approach stresses flexibility and even disorder to enable opportunities to arise, yet it all happens within a systemic approach to change. According to Clark (2001), this attitude can be systematic, "…entrepreneurship is not based on a personality type, nor is it a stage in the life cycle of an organization. Rather, it is a way of managing, where one pursues opportunities beyond means that are currently available" (p. 16). Essentially, entrepreneurial spirit cannot be decreed or prescribed through a series of steps; the organizational structure has to allow the various possibilities to grow and develop.

There are two key factors that are essential to enable this entrepreneurial spirit to develop in ways that benefit the university. First, the appropriate context must be developed with procedures and incentives that channel behavior in strategically desired directions. Second, these incentives must capitalize on academic motivations and

interests, both professional and financial, of the faculty to be successful (Davies, 2001). According to Renault (2006), based on a web survey of 59 professors in the U.S., there are three institutional influences on university researchers that affect their willingness to pursue outside business relationships. The first, and most important, is their philosophical belief about their role in higher education and their capability to meet the external demand. The second concerns the change in some departments to more tacit scientific endeavors with deliberately greater focus and interest for work in the private sector. If the department where the instructor works supports outside relationships then the instructor, especially the younger instructor, is likely to pursue these options. Third, certain policies at an institution could push the instructor in that direction, such as tying promotions or tenure to certain targets.

According to research by Hendrekson and Rosenburg (2001), incentives are critical and explain the difference between the successful U.S. entrepreneurial results in higher education and the lagging Swedish institutions. Their findings might be universalized in that they note several types of incentives that explain the differences. That is, the U.S. uses institutional incentives to encourage faculty to become entrepreneurs rather than salaried employees; there are more incentives for faculty to expand their "business" with outside commercial firms; there are specific incentives and administrative encouragement to adjust research to the interest of the private sector to facilitate the transfer from academia to the business sector. Their conclusion is that faculties need incentives in ways that they find beneficial and the work they produce must be of interest to the private sector.

Typically, a commitment to be more entrepreneurial requires that a university make changes both in the culture of the institution and in the practical organizational structure. Particular individuals in the faculty may have no difficulty establishing relationships with the private sector and working with corporate sponsors. The real problem is how to institutionalize the relationship with the university (Davies, 2001). There is a significant problem with a clash of cultures between the private business and the university, especially if the university is bound into a national bureaucracy with policy constraints (Davies, 2001). For example, the private sector has a short time-frame that involves the development of a saleable product; they want to bring a product to market quickly; consequently they make decisions quickly and purposefully to that end. Universities are not typically organized in ways that promote quick decisions, and their desire for publishing information to the wider world is also not consistent with the property rights mentality of the private sector (Davies, 2001, p. 39). Organizational changes might include setting up a department to promote relationships with the private sector, establishing a contracts management office to monitor commitments and ensure compliance, developing a bursar's office, and creating an oversight committee to monitor the entire operation. Deans and chancellors might also need to be granted more contractual authority to enter into agreements as more active participants in the marketing, management and supervision processes.

The financial organization of institutions must also change from minimal state support to a more diversified finding model. To be more entrepreneurial, institutions must have more autonomy to make individual choices –and to bear the responsibility for these decisions. The mixed funding model supports the development of an

entrepreneurial institution. “Diversification of income seems essential for entrepreneurial character. A university can move ahead on desired initiatives without waiting for system-wide enactments that come slowly, with standardizing rules attached” (Clark, 2001, p. 12). The changes in the financial system should support any new incentives by establishing a “financial consciousness” to all transactions. Davies (2001) suggests the following changes.

- Deans should advocate a “surplus oriented mentality” (p. 6) so that prices of consulting contracts and other services include more than just the costs involved.
- Academic units should be thought of as “profit centers” (p. 6) where all forms of income are recorded against the costs involved. Units should be allowed to keep a certain amount of any surplus for their own plans, which envisions considerable operating freedom for each entity.
- There should be development funds for new initiatives at different levels of the university, (the administration, faculty, individual instructor), to promote new ideas.

There are risks, of course, with this entrepreneurial approach.

- Outside activities can divert staff from the core mission of the university. Academics may take outside jobs for the money and not for any benefits to the university.
- Outside activities can “be in open conflict with the canons of scholarly integrity”. (Johnstone, 2002a, p. 32). Funding sources with vested interests can create problems; clear rules and transparency are essential.

- The uneven distribution of revenue producing activities within the institution creates distribution problems (usually between the sciences and the humanities). Also, the success of one unit may raise unreasonable expectations. "It is well to keep in the public mind these limitations and potential 'downsides', lest government come to believe that all staff in all departments and universities can live as can the 'marketable few'" (Johnstone, 2002a, p. 32).

The creation of an entrepreneurial university poses perhaps the greatest challenge to the centralized organization structure in Afghanistan. The difficulty lies not only with the ministry but with the institutions too because they must develop autonomous staff with the right characteristics. Entrepreneurial spirit cannot be decreed. "Universities need autonomy but they also need to develop entrepreneurial leadership to put that autonomy to effective use" (Clark, 2001, p. 20).

Parents and Students (Tuition and Fees)

In this section I will consolidate the literature for these two funding sources, parents and students, but it is important to note that the responsibility for paying various costs of higher education depends on the nature of the costs and the culture, even for households that can afford fees. For example, in Scandinavia, an affluent country with very high income levels, parents assume that students are responsible for their living costs, including housing and food, which can be substantial; therefore. it is accepted practice that students cannot also pay tuition and fees while they are studying (Marcucci & Johnstone, 2007).

Charging fees and tuition are more widely practiced than one would think based solely on the reading of national constitutions that espouse free education. The financial pressure on higher education institutions in developing countries has led to the de-facto use of aspects of this mixed model, particularly regarding charging fees and tuition, even though there may be constitutional prohibitions. In many countries, including Russia, Egypt, the central Asian republics, Uganda, and most of sub-Saharan Africa, constitutions declare that education is free yet an increasingly larger percentage of the student enrollment in public institutions pays fees (Marcucci & Johnstone, 2007; Shattock, 2001).

The dual track system developed out of necessity because the governments could not keep pace with the rising costs of providing higher education, and leaders could not undertake the political expense of attempting legal changes. In this compromised approach institutions can offer *additional* seats to fee-paying students[18] (and they can retain a certain percentage of this revenue locally) after they have admitted a pre-determined number, by the central authorities, of full scholarship students who qualify based on the national entrance exam. The result is that "public institutions have become semi-privatized by depending increasingly on fee income; the 'private sector' is within not without" (Scott, 2002, p. 148).

The dual-track approach has become very popular throughout former Soviet block countries, enabling many to survive the loss of state funding. In many former republics the percentage of fee-paying students now exceeds merit-based scholarship students. In

[18] Each country has devised their own unique nomenclature to categorize the fee-paying students differently from the non-fee paying students.

Russia, legislation was passed to permit institutions to add an additional 25% fee paying students to their enrollments but in reality the numbers are much higher (Shattock, 2001).

One successful institution provides a useful prototype. Makerere University in Uganda used the dual-track model to generate revenues and improve quality (Court, 1999). In 1992 there were no user fees but by 1999, 80% of students paid some level of fees, with the revenue contributing half the total income of the university. During this period enrollments doubled, while government sponsored students remained constant at 20% of the student population (Musisi & Muwanga, 2003). The reason why this approach has had success not only derives from the greater opportunities for more individuals to attend, especially those from higher socio-ecomonic status (SES) levels with political power, but also because lower SES levels may still see sufficient possibility of attending given that the space available to merit-based students remains constant.

There are several categories of arguments that are used to justify and rationalize cost-sharing, i.e., the transfer of financial responsibility from the state to parents and students. Proponents of tuition and fees typically use three approaches to rationalize this transfer including comparative analysis studies of similar countries, perceptions of equity in a particular culture, and rates of return analysis based on the Human Capital Theory.

Comparative Analysis with Other Countries.

Johnstone (1986) was the first to show comparative parental and student contribution rates from other countries (Woodhall, 2007). This watershed approach analyzes the cost recovery rates in five developed countries and ultimately has led to several countries changing their views from fully government funded higher education to

a system of cost recovery. In the Afghan context useful comparisons could be made with the Central Asian Republics (CARs)[19] since their higher education system shares many similarities with Afghanistan.

For example, the CARs are landlocked neighbors in the same region of the world, sharing similar geographical characteristics, related inhabitants and economic systems based on primary exports with little manufacturing[20]. Perhaps, most importantly for this study, the administrative systems bear the historical imprint of the Soviet Union's centrally planned economic approach (Brunner & Tillett, 2007). While Afghanistan was only occupied for ten contentious years (1979-1989), the Soviet approach to education marked the final imprint on an education system that had already in its development become highly centralized under the monarchy. Consequently, by the end of the Soviet occupation, all administrative and financial decisions in all the ministries were made by ministry officials in the center at Kabul.

From a financial perspective, the institutions in these countries experienced a massive drop in subsidies and had to find their own financial resources after the Soviet Union disbanded. This has not happened in Afghanistan since the donors have continued to fund central government operations, but the lessons are useful since eventually higher education will have to sustain itself. According to a World Bank study of the CARs by Brunner and Tillett (2007) entitled *Higher Education in Central Asia: The Challenges of Modernization: Case Studies from Kazakhstan, Tajikistan, the Kyrgyz Republic and Uzbekistan*, the primary policies introduced to meet the financial challenges in the CARs

[19] These republics generally include: Tajikistan, Kazakhstan, Kyrgyzstan, and Uzbekistan, while Turkmenistan remains isolated.
[20] Kazakhstan has recently found substantial quantities of oil and gas deposits, which they are rapidly extracting. This economy has taken a different trajectory from the other CARs.

included the following. 1) Public institutions could now accept paying students; 2) private institutions were encouraged (particularly in Kazakhstan) to meet the demand; 3) scholarships were limited to a reduced proportion of students with financial caps and sometimes for only specific subjects (p. 38); 4) the higher education system consolidated through integration; 5) and students who wanted to receive state scholarships had to meet certain criteria[21]. One noteworthy point concerning scholarships is that awards to students were not based on financial need but only on merit (Brunner & Tillett, 2007).

The net result of these policies has changed the financing structure of the higher education systems. Now "the principle source of income for public institutions is from fees" (Brunner & Tillett, 2007, p. 46) and living expenses for students, such as housing and meal allowances, have been eliminated. Yet, despite these changes, total student enrollment has increased significantly, although the increase is due to the increase in the number of paying students (p. 35). For example, in Kyrgyzstan in 1999, 73 % of students at public institutions were paying fees; in Kazakhstan in 2005, it was 84%; in Tajikistan in 2005, 74%. The problem is that access has not improved for those in rural or public schools (p. 39). As a result,

> fees are indispensable for both public and private universities and make up a substantial proportion (60 to 70 per cent) of their cash flow with the result that expansion is not only a social goal but a financial goal too. More students equals more tuition which means greater income. (Brunner & Tillett, 2007, p. 38)

It is not clear that the additional funding from paying students has increased quality. In fact, quality is still low since universities lack basic materials, and faculty are underpaid. "Professors have to teach in one, two, three or more institutions to earn a

[21] Students had to take the national examination and achieve a score above the cutoff level established by the government. Students could gain 'extra" consideration as a member of a particular ethnic group, region, potential future occupation (teachers, doctors) or traditionally privileged group.

professional salary" (Brunner & Tillett, 2007, p. 38). "The average age of faculty is increasing; there is a lack of incentives and the risk of becoming irrelevant, especially as private universities grow. Also, cash flows, even from the additional payments from students for most universities, are not sufficient to build a long term research and teaching faculty" (p. 38).

There are important lessons that can be learned from the transformation of these higher education systems. In the CAR institutions, increased autonomy and the free-market have brought a new set of priorities for higher education in terms of skills, jobs and knowledge, and higher education institutions are finding it difficult to respond. Second, unlike higher education institutions (HEIs) under the command economy, present day universities, however reluctantly, must take account of employment trends and the demand for different subjects or diplomas or become an anachronism. Understanding the labor market, however difficult, is particularly important for HEIs as they move closer to becoming market organizations (Brunner & Tillett, 2007).

Equity Considerations.

Arguments that use this approach have a common underlying basis: those who can pay should contribute more than those who cannot for public goods. Many religions, including Islam, support the principle that those who have more should also give more[22]. In higher education, the principle argument in favor of cost recovery is that it is wrong for the richer segments of society to receive a free education at the expense of the

[22] The *Zakat* laws are based on this assumption. This law requires all Muslims to calculate their income levels each year and make a donation based on a percentage.

majority of poorer taxpayers. It follows that if the students are mostly from higher SES levels then a system should be introduced where these rich students have to pay.

Proponents point to evidence from many research studies that shows that "elite[23]" higher education systems consist of students overwhelmingly from the upper economic levels of society. In these cases, economists have shown that taxes to support higher education are regressive[24], i.e., they fall more heavily on the lower economic levels of society (e.g., Blaug 1970; Chapman 2005; Goodman & Kaplan 2003; Greenaway & Haynes 2003; Psacharopoulos 1977). In developing countries, where higher education systems are small and represent a small percentage of the population, the World Bank (1999) noted the tendency for higher-income groups to use higher education more than poorer groups. They stated that: "The predominant pattern of public higher education in the developing world principally benefits the most affluent households, who are also the most powerful politically" (World Bank, 1994, p. 4). This fact was also recognized by another leading policy committee sponsored by UNESCO: "We know of no country in which high income groups are not heavily over-represented in tertiary enrollments" (Task Force on Higher Education and Society, 2000, p. 28).

Rates of Return Analysis:

Based on the Human Capital Theory, rates of return studies, primarily by Psacharopolous (1973; 1981; 1985; 1994; 2006) and Psacharopolous and Patrino (2004), led to shifts in government funding to primary education that provided greater social

[23] Trow (1974) called an elite system of higher education (less than 15 percent of the relevant age group enrolled in higher education) to mass (15-50 percent), or even universal (more than 50 percent) access.
[24] "Since higher education systems are financed by the entire population but available only to a small minority they have a regressive fiscal impact" (World Bank, 1994, p. 23).

returns and an overall reduction in funding support to higher education. Using this analysis technique, education is transformed from just a cost to an investment option that an individual should be willing to pay some amount now for a return (salary) in the future. The important idea is that those who do not invest are not entitled to the rewards; there are no "free riders".

> It is eminently desirable that every young man and woman, regardless of his or her parents' income, social position, residence or race, have the opportunity to get higher education – provided that he or she is willing to pay for it either currently or out of the higher income the schooling will enable him or her to earn. There is no case for subsidizing persons who get higher education at the expense of those who do not. (Friedman & Friedman, 1980, p. 183)

The initial Psacharopolous studies were supported by the World Bank and had considerable influence on governments in developing countries and transition economies. In these studies, despite criticisms (e.g., Bennel, 1996; Klees, 1991) concerning the inaccurate measurement of social returns, the evidence continually showed greater private returns for individuals compared to the social returns to society from investment in higher education. Even as better estimates of returns to social returns narrowed the gap, the argument in favor of cost recovery did not weaken (Woodhall, 2007).

The principal economic theory underlying these rates of return studies is Human Capital Theory, a theory of investment based on the differentiation of returns that accrue to individuals and those that benefit society. Human capital refers to the stock of productive skills and technical knowledge embodied in labor; specifically it represents the skills above raw talent, i.e. acquired skills through learning (Belfield, 2000). It directly links educational attainment with the labor market by showing that increased education corresponds with increasing salary levels (Belfield, 2000). Since this theory underlies the principal justification for transferring funding responsibility from the state

to students –arguably the largest potential source of funding for most universities, I will discuss this theory in more detail.

In1964 Gary Becker wrote *Human Capital*, applying an investment model to education, whereby an investment required a sacrifice of benefits in the short term (tuition for school and opportunity costs) for a future stream of benefits (salary). Based on this understanding, researchers such as Psacharopolous at the World Bank used a discounted cash flow analysis of the benefits accruing from educational attainment and showed that higher education levels led to higher private returns compared to social returns, for every level of increased education level (Psacharopolous, 2006a). This idea that some returns are private and some social is critical; it becomes a dividing line between those who support and those who oppose fees in higher education.

Private returns accrue to the individual and social returns to society. Private returns include the "extra" salary earned as a result of more education levels while social returns include the taxes paid on that additional salary plus other benefits[25]. The primary justification for charging user fees is based on the measurable private returns that graduates receive as a result of higher education (Psacharopolous, 1995; 2006a). Private returns are uncontrovertibly measurable[26], while most social benefits are much more difficult to quantify (Psacharopolous, 2006a) other than the additional taxes individuals pay. This difficulty creates problems. If social returns can be shown to be greater than private returns then the case can be made for more government subsidies. On the

[25] These other benefits are controversial. Many correlations have been made to determine what these benefits might be. Examples include correlations that link college graduates and better health, voting participation, better parenting, etc.

[26] There are three methods for computing rates of return: (a) by an additional year of schooling; (b) from a specific degree, and (c) based on an increase in an increment of education quality within a specific year of education (Belfield, 2000).

contrary, if the benefits of additional years of schooling accrue more to the individual then the individual should also bear the additional investment cost. Due to the measurement problems, there has been disagreement about the level of social returns (Birdsall, 1996; Chapman, 1999; Psacharopolous, 2006a). However, the generally accepted principle is that social returns decrease relative to private returns as the level of education increases (Psacharopolous, 2006a). Consequently, while the fairest approach would be to charge students on the basis of their proportional private returns, this calculation remains impossible. Nevertheless, no one doubts the existence of social returns and, according to state support proponents, that is why government should continue to have some role in subsidizing higher education.

The consequences of the World Bank findings that support the theory are far reaching in the developing world (Alexander, 2001). One benefit was justification for more investment in education by the World Bank; not only does the rate of return exceed the initial investment amount but the returns from education exceed more investment in physical capital (Psacharopolous, 2006a). "Human capital provided the opportunity for the neo-liberal agenda to be applied to education, allowing the World Bank to continue its involvement, and even increase its influence, in the education sector" (Rose, 2003, p. 72). Another significant change was the level of funding for different education sub-sectors. Throughout the world today, education finance policies, which are most conducive to social welfare, give priority to lower levels of education[27] (Psacharopolous, 2006a; World Bank, 1995). Upper secondary and tertiary levels are especially less subsidized.

[27] They also support the acquisition of general rather than occupation specific skills

There are many critiques of the human capital theory. The main philosophical disagreements are listed below.

- Human capital theory remains *ahistorical*, i.e., the context does not matter to the economic theory. Critics argue that this "universalist" approach cannot be accurate for all times and places (Block, 1990).
- *Collectives* are not considered. There is an overemphasis on individuals when society and culture play roles (Block, 1990).
- Human capital theory is *purely quantitative*: the only human activity that is worthwhile is based on an exchange of commodities (Klees, 1991).
- The theory relies on rational choice theory, which presupposes that humans make informed decisions based on rational principles. Research studies continually show that humans make decisions based on many factors, and some are not rational, especially in situations of complexity and uncertainty (Elster, 1983).
- *Equity considerations* are not part of the model[28].
- The measurement problems are significant; growth accounting does not include all of the investment in education such as the initial outlay of capital in buildings and infrastructure; only the recurrent costs are included (Blaug, 1976).
- *Market imperfections* predominate in education markets. For example, degree levels are substituted for real learning (Klees, 1991).

Steven Klees (1991) provided one of the more biting commentaries on the state of the research available to support human capital theory. He argued that the theory rested on very thin grounds given the various technical problems and theoretical issues in

[28] Adherents of the human capital theory argue that issues concerning equity should be left to politicians and voters.

attributing causality to education for later work benefits. Among many issues he pointed out that the problem of "signaling"[29] has still been ignored even though this issue had been raised since the 1960s.

One appeal of the human capital theory for policy makers is that it fits nicely with the basic premises of individualism and accountability, two supporting values in neo-liberal policies. Individuals are free to make rational choices, and they bear the responsibility and accept the rewards resulting from their decisions. Proponents argue that with this theory and the use of the rates of return technique, individuals can measure costs and benefits to make rational choices.

While human capital theory provides a rational justification for charging fees, the evidence does not support the widespread use of this concept, either by institutions to set pricing policies or by parents and students to decide on appropriate expenditures. The evidence does show that there are many factors involved in setting fee and tuition levels and that students select an institution based on factors other than a careful rate of return analysis. First, I will identify the limitations in setting tuition policy and then discuss the factors that influence student decisions to attend universities.

Factors That Limit Tuition and Fee Charges

The ability to institute any level of fees is greatly limited by the politically context, since all user fees remain politically unpopular, especially where historically higher education has always been subsidized (Johnstone, 2004b). One World Bank study

[29] Signaling refers to the idea that employers hire workers based on certifications, i.e., degrees, and not what they actually learned in education facilities. Consequently, the idea that learning is related to later benefits, in the form of salaries, may be an erroneous assumption up to a point. In a recent study by Hanushek and Wossman (2007), there appears to be a correlation between cognition and later success.

(Carlson, 1992) noted that "political resistance to instituting or raising higher education tuition fees may be the greatest obstacle to public higher education finance reform (p. 86). As one African education expert wryly suggested, there are reasons why campuses for higher education in many countries are deliberately located away from capital cities – student demonstrations are often powerful, unpredictable and violent, leading to political unrest[30].

In developing countries there are many factors that limit the transfer of funding to students and parents. Johnstone (2002a) notes the following.

1. The debate about cost-sharing arrangements is politicized and therefore based on special pleadings and vague information, typically anecdotal.
2. There is an absence of financing support either in the form of grants or student loans. Consequently students have to find the money up front before they can matriculate.
3. If *means testing* is required then there are technical difficulties in verifying parental ability to contribute. Connected with this concept is the difficulty in defining "parental ability to contribute", especially the levels of income needed and the different types of assets that should be counted in any equation to establish capability. Also, some cultural determination of the extent of parental obligation to provide support must be defined and accepted in society.
4. Finally, a society might be willing to accept this shift in financial responsibility from the government to students if it means that the

[30] Attributed to Dr. David Evans at the University of Massachusetts who has spent many years working in education in Africa.

> possibility of enrollment also increases. The failure of any shift in costs to bring benefits in the form of increased access will result in future difficulties in raising fees and tuition (Johnstone, 2002a).

Since institutions do not directly use pricing models based on human capital theory due to many of the limitations noted, they justify these charges according to other acceptable practices. Typically there are three general ways of explaining fee charges: a) the "ability-to-pay" principle, or essentially what the market can bear –sometimes this is considerably below cost, either because the student population cannot afford the true cost or because the institution has other pricing reasons to select a lower fee; b) cost, i.e., it costs more for the institution to deliver a particular course, such as a laboratory intensive class that needs many supplies and equipment; and c) "the future earnings potential" of graduates from a particular discipline. This last approach is entirely consistent with human capital theory. It represents a rational, market-based orientation to pricing goods and services since it assumes that students will be willing to calculate a future stream of benefits (wages) and make a corresponding investment (fee payment) to have the opportunity to enjoy those benefits. I will discuss each of these and then review the literature from the other perspective, that is, factors that contribute to students desire to attend higher education.

There are limits to tuition level increases, especially in developing countries, where the "ability to pay" principle may be paramount. One primary reason for not charging any fees is the perception that a high percentage of students who attend higher education come from low SES households and therefore cannot afford the user fees, even at very low rates. For those who can pay some fees, there is the problem of establishing

trustworthy means testing programs to fairly choose those who will pay. Even for those who can pay some fees, there is also the perception that fees should not increase beyond other cost increases in society. Consequently, proposals are sometimes made to link fee increases with economic indicators such as the CPI, not so much because the consumers know anything about the cost structure at universities but because this is the increase students can afford.

Administrators in higher education typically do not support these types of fee increase limitations for several reasons. First, they ignore the true cost of providing services which has been increasing at rates above inflation (Johnstone, 2004a). Second, this approach ignores the potential rising incomes in society (Ward & Douglas, 2005) and it also demands that institutions set their pricing levels accurately to begin with so that they do not have to make special requests later for larger increases. In general, institutions in the U.S. have cautiously raised fees on an incremental basis following an ability to pay principle, after monitoring their peer pricing policies and determining the effects on the admission process (Ward & Douglas, 2005).

From a free-market perspective with a social conscience, the question is what level of tuition will maximize the efficient use of available assets and what will be the effect on access for particular targeted groups. If tuition levels are too high, certainly lower SES individuals will not be able to attend; if too low, perhaps demand will be too high causing enrollments to increase, resulting in deteriorating quality. The revenue from user fees will have to be measured against the number of scholarships that can be given to lower SES students to offset the lower enrollments from these levels that result from the fees. In this financing model the institution attempts to charge acceptable high fees from

those who can afford the fees so that they can fund sufficient scholarships needed to ensure more equitable access, while retaining some excess revenue for improvement in instructional quality to satisfy the entire student body. In the U.S. system, "on average, public four-year institutions route approximately 20 percent of all fees into financial aid; some devote as much as 33 percent to financial aid" (Ward & Douglas, 2005, p. 10). In developing countries, such as Afghanistan, the percentage would probably need to be considerably higher but further study will be needed to determine optimal amounts. The net result is students pay different levels of fees so that the student body in higher education resembles "the passengers of an airliner in the variability of payments they have made for the same service" (Ward & Douglas, 2005, p. 10).

Institutions would prefer to charge students based on a "cost plus" model. There has been a gradual shift in pricing policies to more differentiation based on costs of provision. By the late 1980s, the Belgian government instituted a system that recognized that the cost of providing certain academic degrees is greater than others. They provide funding for institutions based on a simple algorithm: budgets for institutions consist of two parts, a fixed sum for research and a sum based on the number of students. Students in different programs count as different "student units"; humanities students count as one, natural sciences as two, medicine or engineering as three (Bender, 1993). In this particular case the government still subsidizes students but it is not a long step to reach the point where institutions are likely to ask students to pay these additional costs. To some extent this already happens at the undergraduate level for certain courses. For example, students in many countries pay user fees such as lab fees, or material fees for certain courses that require more preparation time, more materials, more classroom space,

etc. However, charging “extra” fees for identifiable course materials is a simple operation compared to calculating the instructional and other resource-related costs involved with attending a particular class at a particular time. In practice, it is quite difficult to reallocate the myriad university costs to calculate related individual user-fees for enrollment in a specific course.

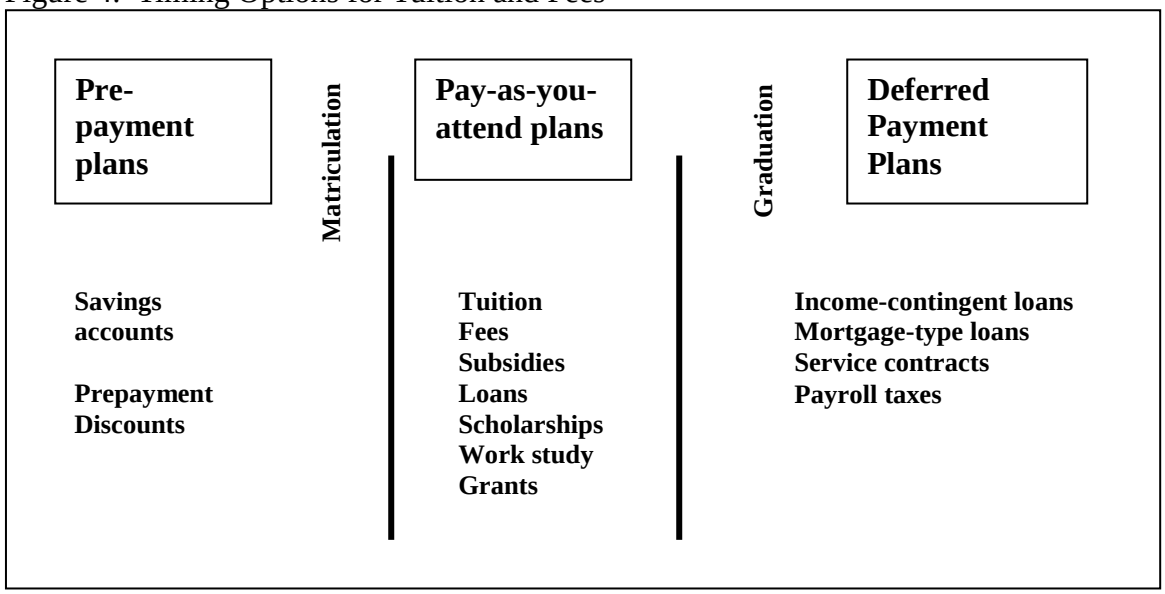
The third approach to charging fees and tuition considers the future earning potential of students. Medicine, engineering and science graduates would have to pay more in this model. This has already occurred in developed countries where specific professional graduate programs use differentiated pricing, i.e., medical, engineering and business schools price their services based on prospective earning rates of graduates (Marcucci & Johnstone, 2007). The use of income contingent loans is based on this concept (Chapman, 2005, 2006a, 2006b; Chapman & Ryan, 2002).

In undergraduates programs, differentiated pricing based on predicted future earnings is much more complicated, especially if students are encouraged to take a broad-based curriculum. Also, if graduate degrees are required to enter particular high-value professions then the link between the undergraduate degree and the final professional degree is weakened resulting in lower obvious causality. There are many cases of students who major in English in the United States, for example, yet go on to a graduate law school while not all English majors in undergraduate programs go on to an advanced degree. In undergraduate programs that are the final degree for certain professions in developing countries, it may be possible to institute differentiated pricing based on future income levels.

The Timing of Charges

Regardless of the justification for tuition and fees, actual pricing policies including the timing of the charges are very important for students. Institutions have introduced many new approaches to timing fee charges with most of them attempting to mitigate the full brunt of a one-time charge. Deferred payment plans are hypothetically attractive to students and parents because they shift the cost of an education to a later date and spread the payment over a longer time period. Loan schemes may also be attractive to some institutions, provided that the institution does not need immediate cash, since these options presumably have a positive effect on increasing tuition levels and increasing access possibilities for more students. The following chart classifies payment approaches into three types based on the timing of the collection.

Figure 4: Timing Options for Tuition and Fees



In developing countries, the pre-dominant approach is most likely the standard payment approach where students pre-pay each semester[31] for courses taken that

[31] Or trimester or quarter but some definite time period that designates the beginning and the end to a specific course.

semester. Other approaches that use plans either to pre-pay (or save via some tax incentive) or defer payments to post-graduation are more likely found in developed countries where financial systems are well-established and operating costs are manageable. Another reason why developing countries might prefer standard payment plans derives from their cash poor financial condition. Essentially most higher education institutions operate on a cash basis, with no other intermediate or long-term funding options. These institutions most likely cannot afford to wait for the receipts from deferred payments from student loan payments, or even the more unreliable income from income-contingent loan schemes, while service contracts[32] offer no financial incentive.

Graduate taxes that are based on progressive income levels have been introduced in Scotland and Ethiopia (Marcucci & Johnstone, 2007). The income-contingent loan scheme, as typified by the Australian program (HECS)[33], also appears particularly attractive to some students since theoretically it protects those who do not reach certain minimum wage thresholds from unaffordable fixed monthly payments. In this model, students accrue all university charges until graduation when repayments are calculated based on student reported income levels. According to Chapman and Ryan (2002), the HECS program after 14 years of implementation successfully increased the revenue to higher education with "no adverse consequences for the participation of relatively disadvantaged prospective students, noting that the participation of all groups has increased" (Chapman & Ryan, 2002, p. 78). Obviously such a program requires

[32] Service contracts refer to agreements where students in exchange for free tuition and fees offer their employment after graduation for a specified time period to work in some way that has large social benefits. These programs are usually offered by the government. In the U.S., the military branch of the government has specifically used this approach to recruit and in developing countries the approach has been used to also recruit graduates to chronically difficult employment sectors in the government service, e.g., rural teaching posts.

[33] The Australian Higher Education Contribution Scheme (HECS) began in 1989.

considerable requirements in income reporting transparency, financial systems and stable social structures that are not typically found in developing countries.

Overall, loan schemes in developing countries have had considerable failures and few successes. Total cost recovery typically is so low due to high defaults, subsidized interest rates, and administrative costs (Johnstone, 2002a; Woodhall, 1991; Ziderman & Albrecht, 1995). Consequently, the introduction of any loan program must be pragmatic and fully aware of the pitfalls. The problem of managing a successful student loan system in a developing country can be substantial because there is still the problem of assessing risk and implementing a fair system of means-testing, which is no easy task in countries where transparent financial records and reliable tax collection systems are missing. In many developing countries even asset-rich individuals can be cash poor and there is typically no objective and easy system to assess the ability to pay. The administration must have the capacity to implement and manage a fair system, or else risk considerable criticism and charges of favoritism.

Several authors note characteristics needed for successful loan programs including (i) "sound administrative and financial management; (ii) a legal framework that ensures loan recovery is legally enforceable; (iii) effective mechanisms for targeting on the basis of financial need; and (iv) publicity to ensure understanding and acceptance of the terms for borrowing and repayment of loans" (Woodhall, 1992, p. 352); (v) "a credible collection institution, with incentives to collect; and (vi) a willingness to charge interest rates on loans equal to or above inflation"[34] (Ziderman & Albrecht, 1995, p. 88). All of these requirements represent very serious challenges in Afghanistan and it is

[34] If inflation rates are greater than the real rate of interest then there is an incentive to delay payments since the total owed loses value. There will also be a greater incentive to buy physical assets during higher inflation periods.

highly unlikely that a successful loan program could be introduced until significant advances are made in many other sectors in society.

Selected Factors Affecting Parents' and Students' Decision to Pay Fees and Tuition

There are three recognized financial restraints that must be recognized and satisfied before students will make the choice to attend higher education. The first barrier concerns the cost benefit assessment, i.e., whether the price of the investment is worth the expenditure; the second barrier is the cash or liquidity problem, i.e., whether the student has the funds to pay the costs; and, the third, concerns the level of risk aversion, i.e., whether the student is willing to accrue debt to pay the costs (Institute for Intergovernmental Relations, 2003). These are sequential concerns, the student must first agree that the price is worth the investment, then determine if he/she has the funds, then finally make the decision to accrue debt to make the investment (Usher, 2006).

The transfer of higher education financing from governments to students and the resulting increasing debt loads of parents and students is not an encouraging trend for students in lower economic levels. Based on studies in the British system, Callender and Jackson (2005) showed that high school graduates from lower SES levels may be more worried about accumulating debt as a result of loans for college expenses, and consequently chose not to attend for this reason compared to higher SES students; however, the affect disappeared once academic results were included in the mix. While the literature on debt aversion is thin (Usher, 2006), individual preferences do exist and cultural factors can clearly play some role. For example, the Koran prohibits interest bearing debt by Muslims (Usher, 2006). According to Usher (2006), lower SES

participation rates may also be due to a higher discounting of future benefits; low-income students with low academic achievement may have a different time horizon, i.e., they have a higher subjective discount rate when evaluating investments because the future is less certain.

In an early literature review, Lewis and Dundar (1993) classified the most significant factors that determine attendance in higher education based on the research findings at that time. They noted that the higher socio-economic status (SES) of students is positively correlated with enrollment along with related factors such as access to private tutoring and the educational attributes (preparation) of students. Also, there is a connection between increasing demand and labor markets: demand increases if students perceive that the degree will enable them to have better employment opportunities, i.e., their wage rates will be higher than non-graduates. Also, even during periods of high unemployment, demand increases because students are more likely to attend higher education than be unemployed. According to a rates of return analysis this may be because free tuition and reduced opportunity costs make the decision to attend school more economically viable.

In a later meta-analysis of determinants, Buchmann and Hannum (2001) reviewed empirical studies of the determinants of educational attainment in developing countries[35]. They identified macro and micro factors influencing education attainment in developing countries, noting that government (macro) policies directly affect enrollment decisions in addition to several micro factors including SES level, family size, family structure[36], the

[35] They noted that the research covered countries in Latin America, South America, Africa and South East Asia. They found little research available from the Mid East countries.
[36] Based on a study in the U.S. by Seltzer (1994) single parent households for example are less likely to send children to higher education.

family decision process, and previous educational experience. Concerning the research on macro-structural determinants of education, they noted the powerful influence of state policies, but because they were so varied, general lessons could not be summarized. They stated that "the efficacy of state actors in expanding education and shaping stratification patterns is highly variable over time and place and is enhanced or constrained by global institutions and forces" (Buchman & Hannum, 2001, p. 88). From these two reviews, the major determining factors concerning the student's willingness to pay fees and tuition can be summarized as the student's SES level, gender, previous schooling experience and perception of employment possibilities after graduation.

More recent studies identify another cause for low enrollments from particular groups, i.e., the asymmetric information problem, which results in decisions made on incomplete or erroneous conceptions. Callender (2003a) studied decision-making by high school graduates in England, and concluded that "all prospective students had unrealistic expectations about the actual financial situation of students. They underestimated both students' income and expenditure and over-estimated students' final debt" (p. 12). She also reported that while most students felt they were not well informed about financial options to help with costs, those who were most likely to go to university found it easiest to access information, and those who were least likely to go on to higher education reported the greatest problems in gaining access to information (Callender, 2003b). Usher also reported a similar result that low income families in Canada were more likely to overestimate the costs and underestimate the benefits (Usher, 2005). Christie and Munro (2003) showed that students are poorly informed about the individual benefits and costs of education and, as a result, make choices mediated by cultural and

familial resources, not by individual calculations thought to happen in the rational choice theory. John Ahier (2000) reviewed the literature and noted that much more needs to be known about the ways families make decisions for their children to attend higher education. In particular, intergenerational transfers are not considered, and neither are the types of assets held by families. He also believed that rational choice theory and human capital theory do not fully explain the reasoning behind decisions to send children to higher education.

In a developing country, the general ability to communicate reliable and timely information remains low to impossible, and an aversion to accumulate debt might be even more of an obstacle since reliable repayment sources are scarcer. Most likely, a system of higher education that depends on students going into debt means that poorer students will probably be disinclined to attend. However, the conclusion that introducing fees always decreases accessibility is not as clear as one would suppose. Usher and Cervenam (2005) looked at 16 countries and determined that, based on their own accessibility index[37], certain countries with high fees such as the U.S. and Canada scored better in accessibility than countries like Germany and Austria with free higher education. This would support the notion that many factors are involved in the decision to attend universities at least in OECD countries and perhaps in developing countries as well. The particular reasons why students choose to attend higher education in Afghanistan still need to be studied more extensively, while the data in this study provide several starting points.

[37] This index tries to capture if the student population reflects the SES levels in society.

Summary

The demand for higher education and the costs to provide high quality institutions are rising fast (Johnstone, 2002a), whereas government financial support cannot keep pace with the increases. As a result, private individual financing has largely filled the gap along with increased income from donations and entrepreneurial activities. Even with this increase in user costs, demand has increased substantially, not only because perceived benefits are still higher but also because financial support systems have increased. The net effect is that higher education financing reform is happening; institutions are becoming more entrepreneurial and are more actively seeking alternative sources of income; student debt has increased as education costs have been passed on to students by the government[38].

From the perspective of human capital theory, students should be willing to pay for education that generates future earnings; however, along with the availability of information, other factors are important, such as the student's SES level in society, gender, previous schooling experience and perception of employment possibilities after graduation. With or without fees, students from higher SES levels attend higher education disproportionately, partly because they can afford user fees and the opportunity costs; studies have shown that their demand is relatively inelastic (Marcucci & Johnstone, 2007).

According to market theory, higher education systems that charge no fees are likely to experience excess demand and an inefficient use of resources. Even where fees are introduced, there are limits to user fees although these limits depend on specific

[38] This increased debt accumulation has been referred to as a "negative dowry" (Robbins report in the UK, 1968).

factors within a particular country. Institutions are more likely to follow an incremental policy of increases to avoid politicization of issues and student confrontations. A principal finding from experience and research is that the introduction of cost-recovery charges must be accompanied by measures to support students, through loan programs, scholarships, grants and other means (Woodhall, 2006).

While this section has deliberately focused on the theoretical issues involved in alternative financing, many experts recognize the need for a clearer understanding of the contextual factors and processes within a country in the creation of meaningful public policy. "The constraints to policy improvement are ideological, attitudinal, affective, and political-economic as much as—if not more than—they are analytical or cognitive in origin" (DeStephano & Crouch, 2006, p. 1). Another veteran education economist supported this view.

> Outcomes of policy debates and reforms of higher education finance have often been determined by non-economic factors and issues…. There has been a growing recognition, not only among economists…, but also among policy makers, politicians, and donor and international agencies, that administrative and implementation issues can be crucial in determining the success or failure of tuition fees or student loans. (Woodhall, 2007, p. 46)

In the next section I will review nine contextual factors that will influence policy choices in funding higher education in Afghanistan.

Selected Contextual Factors that Constrain Policy in Afghanistan

> Universities—especially public, but private universities as well—operate always in a country-specific political and economic context as well as in an historical context and in an increasingly globalized international context. The financial problems as well as the possible solutions and their likelihood of adoption all occur within these larger contexts. (Johnstone, & Marcucci, 2007, p. 10)

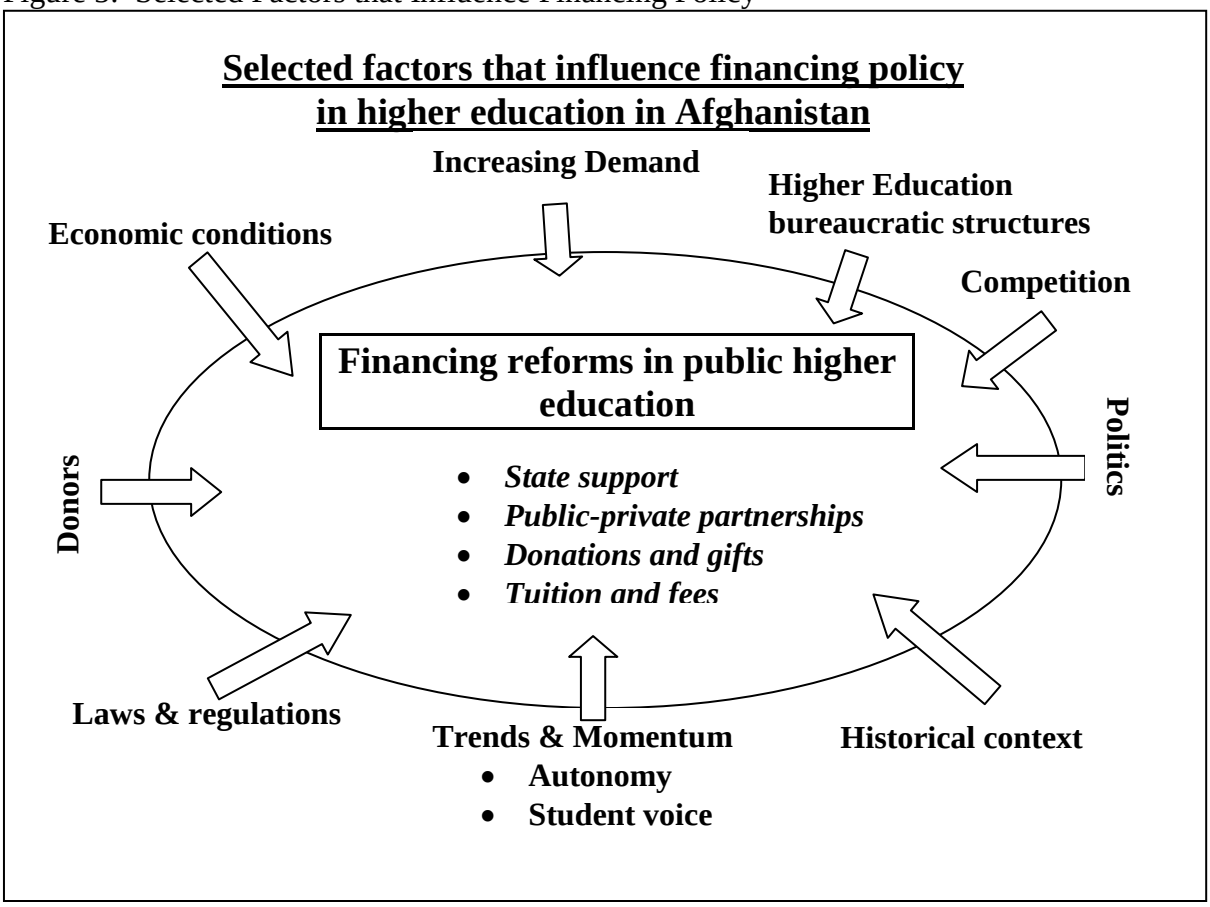
The following factors, shown in Figure 5, are influential in decisions related to university financing in Afghanistan. Financial capacity and legal frameworks are highlighted; however, culture, bureaucratic structures, donors and trends are all influential. As Afghanistan tries to embrace a free-market economy along with its values and systems, conflicts are inevitable. One Afghan critic of the change to the market-based approach noted:

> Our country has been inundated with ideas from outside the country. Before it was socialism and fundamentalism and now it is the free-market. But this movement to the free market will not succeed because the foundation is not there. The basis relies on five interlinked elements: an open government with regulatory power, security, rules of law, infrastructure and a cultural willingness to accept this approach.
>
> Remember Rostow[39] and his five stages of development? The first stage is the traditionalist society; this is Afghanistan. The fifth stage is the final mature economy; this is the stage the U.S. and other European countries are in now. If you try to implement the open market approach which is common in the fifth stage to the present situation in Afghanistan there will be a mismatch. We don't have all the support systems to make it work.
>
> Now we have anarchy, corruption, no regulation. We need another middle way. I don't mean a mixed economy. I am not talking about something ideological like socialism, communism or capitalism, but a way that is linked practically from our past. We have to look at what will work in this country based on our roots.

The purpose of this subsection will try to clarify those roots.

[39] Rostow developed a five stage theory of development that emphasizes transitions from one societal stage to the next. This early economic development theory (1960) was critiqued as too linear and too simplified.

Figure 5: Selected Factors that Influence Financing Policy



(Adapted from Healey & DeStephano, 1997, p. 16)

Politics

"There is no trust in the country. Everyone is protecting their own position."
---Presidential advisor to Karzai

"There is a high correlation between political and economic stability and the ability of nations to build and support quality higher education institutions" (Douglas, 2005)[40]. Unfortunately Afghanistan is a well known case of "state failure", a country where the state has ceased to provide even minimal services, such as security, education, basic health and justice for its population. Since 1976, there has been severe social

[40] This is an intuitive comment by the author; no research cited.

turmoil with insecurity predominating discussions, especially in the last few years as the influence of the Taliban movement grows. A turbulent social environment should not be surprising since this is an artificial country with at least four distinct regional groups[41] that the government tries to unify (DuPree, 1973).

Since 2001, when the Taliban government dissolved, an ongoing massive effort by the international donor community provides security and resources to rebuild the country. Development is uneven; security problems have intensified in the south, resulting in little development in this region, and rural areas lag urban areas in growth. There are many doubts about the government's capacity to use the external funds efficiently and productively; there is a national suspicion that the government is corrupted.

Policy discussions in Afghanistan must consider many ethnic factors, especially historical tribal attitudes, fears and objectives. This nascent democracy has a diverse population often divided along ethnic and tribal boundaries which often are invisible to outsiders. The Pashtuns, the largest ethnic group (>40%), see themselves as the true, historical Afghans, with a ruling lineage dating back to the country's beginning. A complex group, they are inclined to fight among themselves and historically difficult to unify (DuPree, 1973). Today, their extreme fundamentalist element, the Taliban, terrorizes the government through strategic bombings and assassinations. The International Council on Security and Development (ICOS, 2008) reported that the Taliban controlled 72% of the country at the end of 2008 compared with 54% in 2005. Until the Pashtun grievances are resolved, security concerns will dominate the southern

[41] These four groupings include: Herat in the west, which has a Persian history; provinces north of the Hindu Kush; Pashto speaking provinces in the east and the south; and the Hazzara in the center of the country.

and eastern regions of the country, a fact seemingly recognized by the existing Afghan government as they recently attempted to bring the Taliban to the negotiation table. Overall the tribal relations are a critical consideration in the implementation of any program (CIDA, 2007).

Afghanistan's future is still uncertain, according to one analysis by the Fund for Peace[42]. The democratically elected government of Afghanistan remains precariously weak, with little real power outside of Kabul (Asia Foundation, 2007; ICOS, 2008). The government has great difficulty ensuring security; both the police force and the Afghan national army are being trained but there are insufficient Afghan security forces to meet the challenge alone (CIDA, 2007; ICOS, 2008). Corruption levels are perceived to be high to endemic (CIDA, 2007; World Bank, 2005), and relations between powerful individuals and the powerless have been referred to as feudal. According to many political observers I interviewed, one comment sums the feelings of many. "Everyone sees another's gain as their own loss; no one seems to trust each other. Everyone suspects everyone else is corrupted." Given the low levels of social capital, it is not surprising that conflict levels are high.

One prominent Afghan, a leader in an international organization, tried to explain the situation.

> We [Afghans] need a strong leader who can take control and who can provide what the people really want. What people in Afghanistan want is security, food and after that some education and health services. If any form of government can provide that then the people will be inclined to follow it. Democracy does not seem to provide security. You know Karzai himself said that he felt that Afghanistan needs a strong central government before it can decentralize. What he meant is that there just isn't the capacity in the provinces to run complicated systems of government yet. To give these responsibilities to regions that don't have

[42] Afghanistan scored 8th of 177 nations in the 2006 annual ranking of the failed state index.

> regulations and checks and balances is inviting problems. The strong will just take from the weak. This has been Afghanistan's history.

Sub-national governance structures are even weaker than the national government, and in some provinces are non-existent (Asia Foundation, 2007)[43]. There is little structure below the province level and the problems of lack of capacity, planning and an inability to mobilize resources (CIDA, 2007) together mean that the administration generally has no effect in communities other than in communities where a school or clinic exists. Overall, local administration is rudimentary (CIDA, 2007) and not likely to change soon. "The government in Kabul and the international community have officially recognized the need to develop governance at the sub-national level, but have failed to date to invest the resources needed to effectively put a system in place" (Asia Foundation, 2007, p. 4). Overall, due to the lack of trained administrators and resources, government influence and capacity weakens as the distance increases geographically from Kabul. As a result, the government bureaucracy remains centralized in Kabul with little or no authority in the provincial and local governments (Asia Foundation, 2007). Effectively, this means that provinces, and perhaps even regions, are run by the existing power structures such as warlords and governors, without much government control.

An elected Parliament does exist although so far it has been dysfunctional since individuals are not inclined to join larger political units and therefore vote without considering compromises. Consequently, few laws are passed and most of the needed legal structure to operate remains tenuous. Most influential individuals and groups deal

[43] This report was primarily concerned with the extension of the national government policies into the provincial governments. There are examples of strong community government: the National Solidarity Program (NSP) is in thousands of villages, providing funding for projects selected and managed by local shuras. It is not clear how these localities connect to the provincial government if at all. Most likely they act independently.

directly with the president to obtain needed regulatory authority. The president has unusually extensive powers in a democracy, with the authority to appoint governors, police chiefs and other civilian and military heads. In higher education this power extends to appointments of chancellors in universities and approval of all deans and instructor positions. The president issues decrees (*farman*), according to historical precedent derived from the monarchy, which provide legal authority. Theoretically, these decrees should be ratified at some later date by the parliament.

Parliament does have an education committee with several instructors from provincial higher education institutions as members. The current head of the committee has no experience with higher education and tends to support the status quo centralized operations. The committee has been unable to move the higher education law forward, preferring to enter the fractious disagreement over the use of a particular Persian or Dari word for "university". As of December 2008, the higher education law has been held up for over six months with no progress, not because of anything to do with law, but only because the various tribal factions in parliament cannot agree on whether the name for "university" should be the Pashto (*pohntoon*) or Iranian (*donisgal*) term. This exclusively parliamentarian disagreement is not supported by the institutions or the MOHE because neither has a preference. Nevertheless, the fight does represent the use of language as a proxy for tribal control of power within the government.

Political power in Afghanistan is centralized and difficult to change. As one advisor to the president stated:

> It is so difficult to change a culture here. We have a system that is Soviet like in that it is so centralized. Now the external donors are trying to introduce ideas like democracy, decentralization and a market-based

> economy all at the same time to people who don't have the capacity to understand how even one of these concepts works in practice.

One sociologist at a private institution had this notion about democracy and change.

> Right now the political system inhibits freedom because throughout society, not just in higher education alone, there are a few exclusive groups that have the right to interpret the laws, culture and religion in this country. I don't see any improvement in this area. Here the government tries to control everything but the people want to be free from this intrusion. The result is conflict between the government and the people and the fact is that the people have no way to express their ideas.

Economic Conditions

Afghanistan is one of the poorest countries in the world according to comparative indicators. In 2006 Afghanistan had a Human Development Index of 0.345 which ranked 174 out of 178 countries (UNDP, 2007, p. 3)[44]. Factors that contribute to this low score include that 6.6 million Afghans do not have food to meet the minimum requirements, and that education levels are still quite low. Based on the Human Poverty Index (HPI)[45] Afghanistan scores 62.3, one of the worst ratings in the world. Unfortunately, economic progress has failed to keep pace with expectations and projections. For example, "…[Afghanistan] is not progressing fast enough in many sectors to achieve the Millennium Development Goals by 2020, with dire consequences for the poor and most vulnerable" (UNDP, 2007, p. 4).

On the positive side, the private sector economy has rebounded since the Taliban regime was toppled in 2001, with annual GNP growth expected to be over 13% in 2007

[44] By way of comparison, three neighboring countries of Iran, Pakistan and Tajikistan are rated 96, 134 and 122 respectively.
[45] In contrast to HDI which measures achievements, the HPI measures deprivation in areas such as life expectancy, literacy, access to clean water, birth weight (UNDP, 2007, p. 19).

(IMF, 2007), to $8.3 billion (USD)[46] or approximately $377 (USD) per capita –still one of the poorest countries in the world (CIDA, 2007). Unfortunately, "high growth rates, as mentioned above, are mainly due to reconstruction activities and such high growth rates have not sufficiently contributed to poverty reduction and employment creation" (MOF, 2007, p. 6).

On the other hand, the shadow economy may be much larger since economists estimate that 30% of the economy is illicit poppy production and trade (Ward, Mansfield, Oldham & Byrd, 2008) and because most Afghans are engaged in small businesses in the informal sector. Therefore, the national income per capita figure may be misleading, especially in the urban areas where every indication of a boom economy (and perhaps a bubble) has appeared; however, there are no data to segment the populace to determine income levels. Anecdotally, at least, the growth in wedding halls in the urban areas does indicate that families can secure several thousand dollars---and sometimes considerably more[47]---to have children wedded in style, according to one's status in society. Obviously, the image of the "poor Afghan" may not describe the urban elite.

While the private sector has grown, government revenues have also grown but have not kept pace with government expenditures. There are two structural problems that lead to this growing gap.

- Afghanistan suffers from "extremely low domestic revenues" (World Bank, 2005). Domestic revenues are approximately 8.2% of GDP, which is one of the lowest rates in the world. The causes are "the small private sector; the large

[46] 114th out of 177 countries in the World Bank index.
[47] In Kabul, it is not unusual for grooms to pay over $5,000 USD for a wedding. Some families are against this inflation to provide more sumptuous weddings and are seeking a legal solution akin to Pakistan where Sharia law forbids expenditures over a prudent amount.

informal economy with a dominant agricultural sector; and low compliance and mobilization" (MOF, 2007, p. 14).

- "A challenging expenditure structure", where the government controls only two thirds of its operating budget while external donors control all capital expenditures using their own processes. This external funding is mostly for large infrastructure projects and other capital items. Unfortunately, this investment creates future operating and maintenance expenditures that are not included in the recurrent budget because there is no tax revenue to fund these categories.

The result is a budget deficit gap that has stayed constant[48], which, consequently, limits the government's ability to introduce new policies that require more money.

> Based on the planned expenditures in 1387 [2008] and beyond, these budget ceilings will place enormous pressures on planned expenditures and leave minimal flexibility to accommodate future changes in spending policy…. Unless additional and sustained donor support is provided to the core budget new spending to meet any emerging priorities can not take place. (MOF, 2007, p. 12)

This is unlikely since there is no possibility of repaying the loans already received to cover the gap. In 2007 Afghanistan sought debt relief by applying for HIPC status and subsequent debt forgiveness[49].

The conclusion from this analysis must be that the government of Afghanistan would be bankrupt without external resources; consequently, public financing options are severely limited. Tax revenues are too low, capacity to manage funds is weak and expenditure rates exceed growth in revenues leaving projected deficits for the medium

[48] The new projections from the MOF anticipate that the government will bring in sufficient revenues to cover operating expenses only by 2012 (MOF, 2007).
[49] The Poverty Reduction Strategy Paper, a requirement for HIPC approval, was completed in May 2008 (IMF, 2008).

term. Essentially, the government provides too many services to a population that cannot afford them or is unwilling to pay the taxes needed to provide these services.

This is not a unique position in the financial history of Afghanistan. A review of the previous (pre-1976) financial record to see if there are any indications that any Afghan government practiced fiscal rectitude is discouraging. While conditions may be different today, there is no positive evidence from the past to support the belief that Afghanistan can prudently manage its finances as long as donors are willing to "fill the gaps"[50].

Afghanistan has always counted on foreign aid for a significant part of its national budget. Before 1979, Afghanistan had four five-year plans and one seven-year plan, all of which depended heavily on foreign assistance (Noorzoy, 1979)[51]. Since 1952, and perhaps longer, the government has never had sufficient revenues to meet its planned expenditures, but has relied on outside donors to contribute a significant part of the budget. According to one analysis of the first three plans (Lung, 1972), "the results of the first 15 years of planning were very disappointing. Unfortunately, even though projects were developed it was not possible to develop an internal self-generating process of development" (p. 5). The budget became, in effect, a proposal for more funding rather than any plan to spend money prudently. For example, Gilbert Etienne, in his report *L'Afghanistan ou les aleas de la cooperation*, stated in his analysis of the fourth plan that "the gap between [the] plan and [the] reality is so wide that the first one (the plan) is no

[50] One Afghan sage, Louis Dupree noted, "As long as Afghanistan can depend on economic assistance from both East and West, it is not likely to take a hard look at its financial position (Dupree, 1973, p. 647).
[51] Domestic revenue made up only 20% of the last plan, a seven year budget (1976-83). In the previous five-year plan of 1969-1975, domestic revenue covered 25% of the planned budget, including development and operating budgets. In the third plan of 1967-1971, internal sources made up 28% of the actual expenditures of the government; in the second plan of 1962-1966, the amount was 22.4% and in the first plan the amount from internal sources was 8.7% (Noorzoy, 1979, pp. 18-20).

more than a reference document. The targets are aimed at more by chance than by following a deliberate choice" (Etienne, 1972, cited in Lung, 1972, p. 7).

One reason, according to Lung (1972), is that the preparation of the plan is done without sufficient consultation. "The plan is prepared in Kabul between Afghan and foreign initiates, who constitute a 'club' made of technocrats and experts often with no responsibility and completely cut out from economic and social realities" (p. 12). If one looks at the latest approved PRSP[52], one might wonder how much has really changed. The document appears to be the work of foreign-led committees, and there is no evidence of a "grass-roots" approach[53]. This is what the Ministry of Finance in their budget for 2008 noted.

> Given the large external budgets in Afghanistan relative to the core development budgets in recent years and limited reporting systems by donors, links between the overall strategies of the government and budget allocations (mainly external budgets) have been limited. This asymmetrical ownership and mismatch of the national development strategies and budget allocations is expected to produce less than the optimum results in the sectors. (MOF, 2007, p. 11)

Donors

International donors are aware of the financing problems in Afghanistan but appear leery of the government's ability to manage finances. Perhaps the best indication of the lack of international trust in the government capacity is that the government does

[52] The Poverty Reduction Strategy Paper is a strategic plan that is purposefully left for countries to design and eventually implement based on extensive grass-roots interactions with communities and stakeholders throughout society. The PRSP for Afghanistan largely references the earlier macro design encompassing seven broad pillars for country reconstruction. The existing document appears to have been hastily written to meet deadlines and does not resemble efforts from other countries with approved plans.

[53] For example, the documents are only in English, and there is no translation into Dari or Pashto, the two local languages.

not control all the spending for typical government services in the country. President Karzai, in July 2007, stated that while $15.7 billion in total donor aid was spent in Afghanistan from 2001 to 2007, only 4.4 billion was channeled through the government accounts, and the rest was spent directly by the donors on independent, donor-managed projects (Australian News, 2007).

These aid amounts dwarf the government's operating and capital budgets and as a result donors prescribe the agenda for the country. According to one senior ministry advisor, the donors are the most important factor.

> Donors dictate what is good and bad for Afghanistan. They (the Americans) decide to build a dam we accept it; they (the Russians) decide we should plant cotton, we grow cotton; if the Chinese decide we need to do something we will do it; if the Indians decide something we will do that. We just don't evaluate these things as to whether we think they are good. Of course they have plenty of money attached to them.

The Afghans depend extensively on foreign aid, grants and loans to operate their government since they are far from self sufficient[54]. On the national level there are several major agreements which structure the development process, primarily because these donors control the financial framework of the country. The major agreements include the Bonn Accord, The Afghanistan National Development Strategy (ANDS)[55], the World Bank, IMF and USAID Memos of Understanding (MOU)[56], the Poverty Reduction Strategy Paper (PRSP), and the Highly Indebted Poor Countries (HIPC) agreement. Together these arrangements control donor contributions, the money supply in the economy, government expenditures, exchange rates, trade relations and the overall

[54] Based on a review of the government's 2007 budget (IMF, 2007), I estimate that the government relies on grants, loans and gifts for 33% of its 2007operating budget and 100% of the capital budget.
[55] The Afghanistan National Development Structure lays out the seven pillars for reconstruction. This approach recognizes that the complete system, not just one element, needs restructuring. Donors participate in certain sectors to organize efforts and reduce inefficiency.
[56] These Memos of Understanding lay out the terms and conditions for assistance.

development strategy. These major agreements also lead to many sub-agreements that must fit into the major objectives of these framework agreements. For example, the Priority Reform Program (PRP)[57], which is designed to reduce the size of the government and make it more efficient, has been undertaken throughout most government ministries, despite strong internal opposition. According to the independent Afghan Research and Development briefing paper, "…achievements under PRR have been disappointing. There has been an over-emphasis on improved pay rather than restructuring, many changes have been rather superficial, and enforcing merit-based appointment systems has proven difficult" (Lister, 2006, p. 8)

According to one presidential advisor, the resilience to change and the ineffectiveness of donor support is understandable.

> The reason why change does not occur is because the legal framework for making changes is weak and the operational capacity is low. We are relying on external donors to supply technical input for us but unfortunately these people do not know our special conditions here in Afghanistan. They really don't understand our systems and culture and consequently most of them are ineffective. I mean, how can someone come to this country and spend most of their time talking to a minister who himself doesn't know much because he is a political appointee? The consultant lives in a compound and is cut off from the "average" Afghans and consequently knows little about the real culture in the country. Consequently, the donors spend their money inefficiently.

Within the higher education subsector of Afghanistan, two donors, the World Bank and USAID, are the two largest contributors, providing both financial and technical support. Both of these agencies strongly support policies that encourage a diversified

[57] The Priority Reform Program is part of a larger public administration reform program (PAR). Essentially the donors do not want to give money to inefficient government bureaucracies, so they require that each government ministry undergo an efficiency review. All jobs are reposted and, technically, new more qualified people can take the positions. In addition, the structures are supposed to be streamlined to reduce staff. The overall results have been criticized. A fundamental problem with attracting more qualified people is the extremely low salary levels in the government.

funding model. The World Bank is attempting to build financial and administrative infrastructure in five major regional higher education institutions through a capacity building program that allows these institutions to manage and spend granted funds from the Bank. USAID continues to provide funds for selected construction projects and assists with instructor training[58]. Overall, donor funding for physical infrastructure for higher education has visibly dropped in the period 2001-07 after most institutions were reconstructed to allow basic operations[59].

Afghanistan has macro level goals established by international agencies, and most ministries rely heavily on technical support from outside. As a result, Afghanistan can not completely control its own destiny, and will not be able to until it can establish a level of financial independence[60]. Until then, donor policy continues to shape the country according to the global nation-state model based on democracy and a market economy as exemplified in developed countries. This is not necessarily a bad direction but it does show that the country's leaders have limited capacity to establish an internal set of objectives.

Bureaucratic Structures

Institutions in Afghan society can determine the possibilities of and constraints to new funding sources in higher education. The legacy from the past should not be underestimated according to one senior ministry advisor.

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[58] The higher education program (HEP) started a master's degree program in education at KEU. The project has also started institutional planning and fundraising activities along with English language teacher training and study abroad opportunities.

[59] Unfortunately, there are no statistics of any kind that summarize the total donations to rebuild the institutions. This comment is made based on conversations with Afghans working for HEP, a USAID sponsored program, who regularly visit 16 of the 19 institutions.

[60] Net ODA/GNI was 35% in 2003, 40% in 2004 and 39% in 2005 (UNICEF Statistics).

> You have to remember that this system we have now is very resilient. It is bigger than any one person. It started back in 1952 when Afghanistan became involved with the Soviet Union. We adopted their central planning approach; we had five year plans. Even after 30 years of war this centralized system remained! This is what the donors are reconstructing without even realizing it is a centralized bureaucracy like the Soviet model. In that system it was important to maintain control and to create government jobs for people. This is the same today.

There are three institutional structures that prescribe the possible financial reforms for higher education, namely, the higher education system itself, the ministry of higher education (MOHE) bureaucracy, and the existing financing system for higher education. The following section analyzes each of these structures in detail.

The Higher Education System

The higher education system uses a centralized administrative model with financial controls and operations located in the Ministry of Higher Education (MOHE) in Kabul. Institutions have few administrators in charge of managing the business operations and rely on the MOHE to provide operation support. The World Bank, through the Strengthening Higher Education Project (SHEP), is developing a small team of core staff to handle purchasing at the local level at five regional institutions. The experience with this program can provide useful lessons in assessing institutional readiness to assume these functions in the future. The initial evaluation is that institutions will need considerable time to develop competent staff and create procedures and controls.

According to the interviewees in this study, society is in the process of moving to a free-market system that emphasizes local authority to make decisions. The conflict

between centralized control and local autonomy provides the context for higher education issues. The institutions believe that the current relationships constrain their ability to provide quality, whereas the government believes that the institutions do not have the capacity to manage their own affairs and granting autonomy will lead to anarchy. One senior education advisor explained the overall problem.

> You can not grasp two melons with one hand (Afghan proverb). We are trying to hold onto an old system when our society is changing to another one. We have an old system that uses central planning, where the government has a monopoly on education provision. This is changing, however, because the framework in our society is changing to a free-market system. If the whole framework in society is changing to a bottom-up market-based orientation then the education sector can not remain isolated in an old system that no longer represents the desires of the people in a decentralized, democratic society. We have to change but the education system with its centralized control is still living in the past. We must have financial and administrative autonomy in the universities.

Next, I will discuss dominant trends that are putting financial pressure on the higher education system in Afghanistan, a bureaucratic structure. In Chapter One I already discussed the increasing demand for higher education and the political pressure to continue to increase access rather than spend limited funds on quality inputs. In this section, I will provide a brief history of the current system, describe the current status and then describe the most critical quality issue in higher education in Afghanistan, the lack of trained instructors. Unless this problem can be resolved, an expanding public higher education system with substandard instruction will likely result in poor outcomes for students and society.

The sparsely documented history of early Afghan higher education provides information about founding dates for institutions and intermittent enrollment figures but

little else[61]. While these numbers and dates might be useful as starting points to researchers, they are relatively insignificant in the policy making process today. More important is the perception of important historical events by the actors. I interviewed many long-time instructors and administrators, some of whom have worked as long as 50 years in higher education in Afghanistan. They shared an oral history of higher education with certain common features that guide decisions today.

First, all agreed that Kabul University (KU) was the center of higher education in Afghanistan and still today provides the leadership, the prototype organizational structure and the ideas that guide the system. Today most deans in other faculties in the higher education institutions throughout the country were graduates of KU. According to these older interviewees, KU had greater autonomy in the past. They remembered when the chancellor had real power, when he reported to the monarch and then the president directly. This special relationship changed when the MOHE was created in the 1970s to manage a larger higher education system, although some interviewees believed this status still exists.

In the 1960s the system began to expand by adding more institutions and increasing enrollments. Still, before 1978, higher education enrollments were small and predominantly located in Kabul (Samady, 2001)[62]. Prior to 1978, Kabul University[63] and nine other colleges operated, each with technical and financial support from such countries as France, Germany, the United States, Egypt, and the USSR. The growing institutions depended on foreign assistance to expand since there were no internally

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[62] Total enrollment in all higher education was approximately 10,600 students in 1978. By 2000 fewer than 4,000 attended.

[63] Kabul University was founded in 1932 and remained quite small until the early 1970s.

derived funds for new buildings or supplies. For example, in the 1960s the campus of KU was built with funds from USAID, and the various colleges that existed throughout the city were consolidated in this one location.

During the Soviet occupation, beginning in 1979, higher education expanded with an attempt at "massification" based on the education model found in the USSR. The Soviet education authorities created "academies" that were given research responsibilities, and they opened several four-year teacher training colleges throughout the country to train high school teachers. Graduate degrees were started although the quality was circumspect. Stories are told of six month MA degrees and one year doctoral programs but none of these tales can be substantiated. Undergraduate enrollments increased during the period of 1979-1988, and most likely quality also improved, although records from this period are difficult to cross-check and validate[64].

Unfortunately, the higher education system was devastated during the civil war and Taliban periods, from 1989 until 2001, while the national government disintegrated. Facilities were burned and looted; experienced instructors and administrators disappeared; students left the country; records were destroyed. Essentially, there was little that remained, although the MOHE still functioned through it all. Since 2002, the higher education system has been rebuilding with extensive but haphazard support from international donors. Other sources of revenue have not been developed because no fees have ever been charged to students, and very few entrepreneurial activities with the

[64] This period of education advances in Afghanistan remains unstudied. The records are most likely held in the ministries in Moscow and would be an interesting exploration. If the planned education policies for Afghanistan were similar to other Central Asian republics then the advances may have been quite substantial.

private sector have developed. Donors rebuilt the higher education facilities that are used today throughout the country, but most institutions are minimally functional.

As of 2008, there were 19 separate public institutions of higher education[65] that spread unevenly throughout the country, mostly in the more secure northern provinces with approximately 56,000 undergraduate students attending "day"[66] faculties taught by approximately 2,400 full-time instructors[67]. These institutions vary considerably in size and program offerings. Essentially there are three distinct Afghan classifications: universities, higher education institutions (HEI) and polytechnics. The differences are becoming less pronounced as institutions continue to expand program offerings, but generally universities offer a broad program of studies, while HEIs began as teacher-training colleges with one education faculty. The single polytechnic, located in Kabul and established by the Soviets in the 1960s, trains architects and engineers and still retains a socialist milieu with its Soviet trained faculty and use of the Russian language for some courses.

There are four larger regional universities based in the major cities of Kabul, Herat, Mazar and Jalalabad that enroll most of the higher education students. Kandahar University should be the major regional institution in the Pashtun south but remains quite small, partly because external donors have not contributed resources due to security concerns in that region and because the institution was threatened in the past with eviction periodically by their landlord. Kabul University (KU) is by far the largest

[65] See appendix B for a list
[66] These students are distinguished from "night" school students who must pay fees to attend classes to receive their undergraduate baccalaureate degree.
[67] These are tenured instructors. Part-time or limited time employment with a different salary structure does not exist yet.

institution with 13 faculties, 67 departments, enrolling 25%[68] of all higher education students. KU graduates make up the administration in most institutions and also most of the MOHE advisors.

Due to the intense political pressure, more institutions will be added to the system in the future. The MOHE would prefer to start affiliated faculties at new locations to build new institutions so that some economies of scale can be reached; however, the ministry cannot control the rate of change. At least three new institutions: Ghazni, Samangand and Helmund will open in 2009 that were not planned but will begin operations because of a directive (farman) from the President's Office. Still more faculties and other locations will open including Badghis, Kunduz and probably others. None of these decisions relied on any benefit-cost analysis and were political in nature to satisfy local powerful interests. All institutions have a tendency towards expansion by adding new faculties and more students, partly because of demand pressure and also because the only way to get more funding from the central government is to increase enrollment levels.

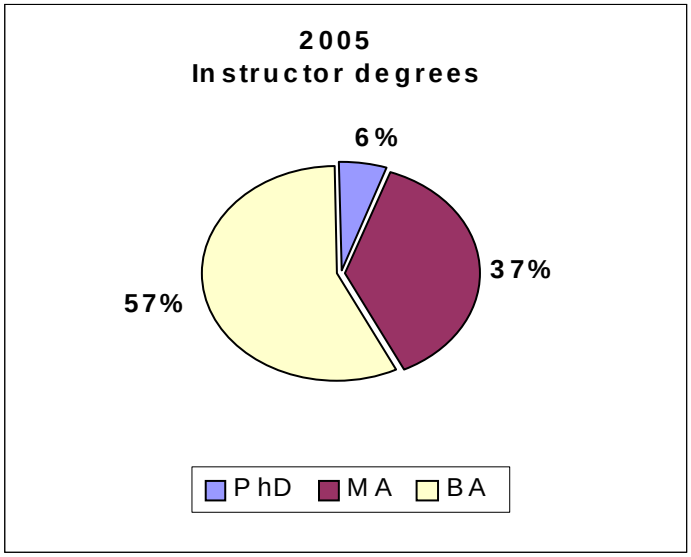
However, conditions at all the institutions inhibit meaningful student learning. The physical infrastructure remains inadequate. Electricity and water supply are often insufficient and do not function; classroom, laboratory and library facilities are very rudimentary. Basic computer facilities are lacking for both instruction and administration; broken, donated furniture, copy machines and computers clutter storage rooms – unusable because of the lack of maintenance funding. Standard, ongoing repair and rehabilitation activities for facilities are intermittent and poor quality. Some facility

[68] This figure includes 10,000 undergraduates in the day programs and approximately 3,400 night school students who pay fees.

planning activities have been started by outside donors[69] but these remain basic and often forgotten.

While the visible problems associated with inadequate facilities, such as poor maintenance and lack of supplies, appear to be the major issue, but the real issue is more difficult and longer term. Improving instructor quality must be considered the central challenge in any attempt to improve total quality in higher education institutions (Altbach, 2009). If instructors have insufficient, outdated knowledge and calcified pedagogical techniques, any equipment and certainly advanced methods and materials in an institution will be underutilized. Measuring instructor quality in higher education usually means evaluating the types of advanced degrees, the date the degree was conferred and the issuing institution.

Figure 6: Instructor Degree Composition 2005



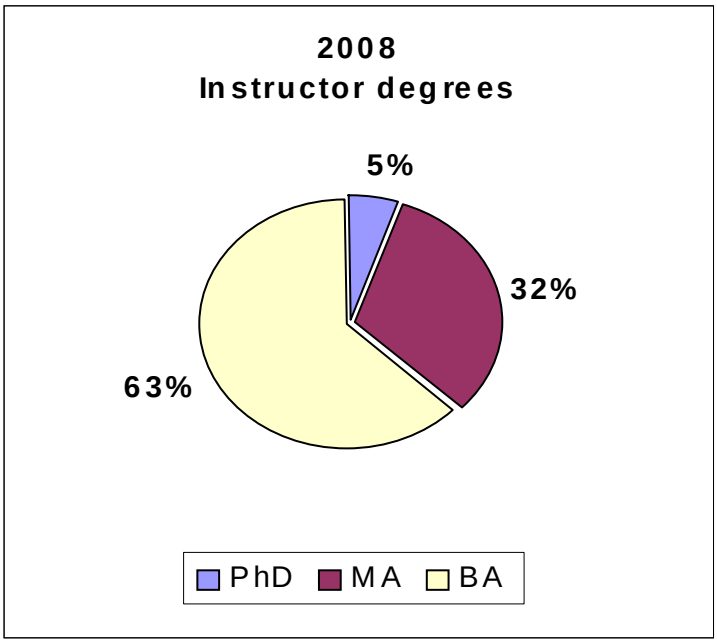
Unfortunately, Afghanistan suffers from a lack of instructors with recent internationally recognized advanced degrees (see Figure 6). The already low percentage of MA and PhD holders received their diplomas 20 to 30 years ago and these instructors have not been able to advance their knowledge since then. Consequently, according to one interviewee, one can find a geology professor unaware of

[69] Two examples include HEP (USAID), a project that works with developing plans for faculties of education and the World Bank project to assist the five main regional universities to write strategic plans. None of these plans has been used by the institutions to steer institutional operations.

plate tectonic theory or, according to some interviewed students, instructors who read from the notes that he himself had taken as an undergraduate student 30 years before, but with a new cover now. This problem has been recognized by all actors in higher education but there is no foreseeable solution given the current instructor incentives and the financial constraints.

In 2005 the ministry stated that one of its goals was to upgrade the degree qualifications of the faculty throughout the system. In absolute terms this happened, as the number of PhD and MA holders did increase slightly[70]; however, the percentage of advanced degree holders actually decreased as the total number of instructors increased. As the enrollment levels increased and new instructors were hired, not unexpectedly, the overall degree qualification of instructors has decreased. In effect, the expansion in the student enrollment levels led to an expansion in the number of instructors who do not meet the minimum requirements to teach at the university level.

Figure 7: Instructor degree composition 2008



[70] The number of PhD holders increased from 117 in 2005 to 131 in 2008; the number of MA holders increased from 735 to 762 in 2008 (MOHE statistics).

It is not surprising that most new faculty are only BA holders (see Figure 7) because there are no doctoral programs in the country and only four MA programs[71] that have a total capacity of graduating less than 75 students annually. New academic hires come incestuously from within a system that provides existing low levels of instruction; consequently, new graduates, while they may have better English and computing skills as a result of courses taken in the private sector, still lack the analytical training and advanced subject knowledge expected in a higher education institution. There is just no place to acquire this level of technical, subject-matter specific knowledge combined with analytical skills anywhere within the country.

To significantly increase the quality in instructors, the MOHE will either have to hire instructors trained outside the country or train the instructors internally with ample opportunities to study abroad. Hires from outside the country is not a likely solution because potential external candidates will have to decide whether to leave a position at another higher education institution in another country to work for low wages in an insecure environment in a system devoid of any meaningful economic benefits. Such a choice would also have to consider the alternative possibility of working at one of the expanding private institutions where they could receive salaried three times higher than in the public sector[72]. Developing advanced programs internally remains the most likely option although there are internal financial difficulties. Unless the institutions can develop additional income sources to finance the expansion of advanced degree programs in more faculties, the future quality will continue to decline. As the system continues to

[71] These programs include MA degrees in Pashto and in Dari at KU, Education at KEU, and Public Administration from the MOHE.
[72] Qateb Institute pays salaries of $900 USD monthly to its instructors holding doctorates from recognized Iranian universities.

expand enrollments, a greater percentage of instructors in public higher education will continue to be mostly BA holders.

Institutions will have to offer some financial benefits to attract advanced degree holders in the future. Currently, there are few incentives to motivate instructors. The salaries are very low; some instructors informed me that they could not afford meat once during the week, none could afford cars or to buy a house. The situation worsens as inflation increases; instructor's wages are decreasing in real purchasing power, resulting in a faculty where almost all the instructors are effectively part-time employees who work second jobs[73]. Instructors are very interested in beginning entrepreneurial activities with the private sector to augment their income. If these relationships were legally permitted it may entice instructors to remain in the system and attract new ones with higher qualifications to join.

There is a structural deficiency in the way higher education continues to expand at the cost of quality. The state cannot fund the necessary quality improvements because they must give priority to increasing access. Other sources of income will be needed to build quality.

The Structure of the Ministry of Higher Education (MOHE)

According to the actors I interviewed, administration in higher education in Afghanistan has always leaned toward centralized operations, partly because qualified managers among university faculty and administrators were difficult to find, partly because of perceived efficiencies, and most likely in the case of the MOHE, because

[73] According to one senior administrator at KU, over 70% of the instructors at KU have second jobs with NGOs, many of which pay much more than university employment.

ministries were set up for all other government planning activities as part of the five year plans that began in 1952. Today, four-year institutions have very limited to no administrative capacity to manage finances, to prepare budgets, to supervise accounts or to provide adequate reporting. In addition, no outside oversight exists in the form of an independent board of trustees. There are no auditing functions at the institutional level. Changes to introduce such structures would require significant investments in training and on-going budget expenditures for new staff.

The higher education sub-sector in Afghanistan is undergoing a transformation that has stretched the ability of the MOHE to adapt to the necessary changes. Public institutions are demanding more autonomy to make decisions, and the MOHE, while not ideologically opposed, does not have the means to introduce a transitional plan. Both the MOHE and the institutions know that much more funding is necessary to improve quality but they are unable to move decisively due to confusing or non-existing legal frameworks, a shortage of technical and managerial skills, and other process blockages (Chapter 5 will discuss these in more detail).

The MOHE controls all aspects of higher education policy and the implementation process. While the ministry officials see themselves as the custodians of quality control, fair practices and incorruptibility, institutions see the MOHE as the major impediment to advance modern reform policies. Currently, the departments within the MOHE supply “back office” operations for all the institutions and, theoretically, strategic planning functions. The MOHE leadership, according to several advisors, remains overwhelmed with small details and has no time to think about reform. According to

several advisors, there is no strategic planning, very limited data collection and almost no communication between departmental managers.

According to comments from several advisors, numerous instructors and students, the policy reform process at the ministry resembles the "*garbage can*" model introduced by Kingdon (1995). In this model, policy is created by a small group of individuals with limited, preconceived knowledge based on limited data and opinions, with the purpose of resolving an immediate problem. In this approach, the group gathers together to discuss previously known-to-them solutions based on what they believe is the problem. In the ministry this process also includes no meeting minutes, no published records and therefore no possible independent critique. One parliamentarian summed up his impression about the process where "the education policies are basically in the hands of the education mafia in this country—no one else can be involved". Another senior advisor working for an NGO noted with frustration.

> What I know is that the system here is very top down and that only a few people actually make policy. In the MOHE there are maybe four people involved: the minister, the two deputy ministers and maybe one advisor. The rest of the people don't want to make policy; they just want to be told what to do. They don't want to say anything that might jeopardize their job. This system is so Soviet; it is designed to keep people knowing little and it encourages no innovation. Change is not a good thing here.

Another advisor noted the ambivalence in the ministry. The leadership wants to change prudently but there remains no momentum behind any reform policies.

> It's like the ministry wants to change but then it doesn't want to change. If it means more people and stuff for a department manager then everyone is happy but if there is less then everyone asks why you were demoted. No one sees the system; they see things personally. There is much resistance to change in many departments here. They believe that some jobs, like procurement of meal services have to be done with them because there would be corruption if it were done locally. Actually they just don't want to give up their ability to make extra money so they act like

> corruption could not happen at the MOHE. This ministry needs a vision, a strategic plan.

Actually, little has changed in the Ministry since 1973 (Dupree, 1973).

> Most of the present ministers do try to delegate authority and encourage subordinates to make decisions within their jurisdiction but the increase in the numbers of those who actually make decisions remains small. Unfortunately, lower bureaucrats usually refuse to take action unless the regulations are specifically understood, which is generally impossible. Again, inconsistency in interpretation and implementation plagues the entire system, for no one seems to know exactly what the "regulations" say. (p. 657)

Currently the MOHE does not have a viable strategic plan[74], although the process to create a new one will begin in 2009. This is not surprising since the leadership at the ministry changes often. Since 2004 there have been three different ministers with varying reform objectives. Each time when a minister is replaced, most advisors and several critical staff[75] are removed too, leaving a *clean slate* for the next politically appointed incumbent with little knowledge of how the real systems run at the ministry. The surviving middle managers in the MOHE, most of whom have 10 years or more of experience, remain resolutely status quo as another aspiring reform movement comes and goes, along with their well-intentioned plans, ideas and ignorance. For middle managers the periodic leadership changes probably mold a more developed cynical view that nothing will change and that the best action is best to remain safely in the crowd until the next group of reformers arrives, becomes exhausted and frustrated, and is eventually replaced. What Dupree noted in 1973 is probably still true today.

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[74] The existing strategic plan dates back to 2005 and is no longer operational. A new plan will be undertaken in 2009. The 2005 plan had two main goals: total enrollment for an estimated 100,000 qualified students by 2010 (in 2007 the enrollment was 39,000 and the budget 13 million in total), and (b) to prepare to meet the demands of 1 million high school graduates by 2014 (MOHE, 2005). These objectives appear to be politicized and arbitrary, with no relation to available resources, since no conditional financing conditions were noted and the government would not have the ability to support such numbers.

[75] For example, the Deputy Minister for Academic Affairs was replaced each time. This is arguably the most influential position in the MOHE next to the minister.

> Many observers, Afghan as well as foreign, tend to underestimate the strength and importance of the middle-range bureaucrat and his attitudes. The dominant, inward-looking, self-perpetuating society tends to breed and perpetuate its own unpleasant environment. The great mass of civil servants remains perpetuators, not innovators. (Dupree, 1973, p. 657)

Even with all this inertia some small changes do happen. The concern is that the new policies are often conducive to short term but not longer term solutions and larger systemic problems. The incremental, problem-specific decision process may be considered safe, but it will not create the system change required for sector reform (Kingdon, 1995). If the process is also hampered by the lack of information, preconceived ideas, an inadequate understanding of the problem and an incomplete perception of the dynamics then unintended consequences are likely[76].

The processes used to introduce policy reinforce the assumption that policy creation is a matter of personality and "taste" and not a rational process. Policies often became "law" based on a presidential decree (*farman*) typically after an unknown individual or perhaps an influential group made a special pleading based on special interests. Special pleadings are common in Afghanistan where ethnic loyalties often surpass national interests and tribal custom allows any individual the permission to bring a problem to the leaders. This policy process (or the lack of one) should not be overlooked or underestimated. As long as the President can overrule the MOHE position on any issue, the MOHE staff might consider any effort to introduce a rational policy

[76] An example may be the recent policy to remove the mandatory retirement age for faculty (75 years). The purpose is understandable: to keep trained instructors in the system, but the effect will probably not be what was intended. Given the limited MOHE budget, the net result could be the unintended consequence of an aging faculty, since younger instructors are not given positions. Also, whereas younger instructors have a lower salary scale than older faculty, the wage bill will rise, without any increase in the numbers of instructors. This combination of an aging faculty and higher wages could be disastrous for a system that must be more efficient and relevant to compete with private institutions—and it could take many years to reverse the effect.

process as a waste of time because senior government administrators will only be swayed by political arguments.

Overall, the MOHE has limited capacity for introducing and implementing successful financial reforms. While ministry officials often show enthusiasm, perseverance and even some technical ability in certain areas, the components that institutionalize reform are missing[77]. The reasons for this are obvious: management skills, resources and cohesion among the staff are all at low levels; the leaders are political appointees and have no, or at best, limited experience running larger complicated bureaucracies; lower-level staff are paid woefully[78] and are unmotivated; the assistance that donors provide to make up for this gap includes hiring inexperienced advisors who report externally. Not only are these advisors not qualified to give advice, according to several MOHE officials I interviewed, but they are being paid such extraordinary salaries (sometimes 100 times the government rates) that may even prevent the advisors from embracing too much change with the chance of losing these positions. As one senior administrator at the MOHE acknowledged, "if we make too many changes and grant full autonomy to the institutions, then the MOHE is not really needed".

Today the MOHE is operational in nature. In the future, if institutions gain more autonomy, the ministry must be concerned more with other non-operational functions,

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[77] According to Crouch, Schwartz, Healy and DeStafano (1997) in Volume 4 of their extensive study, *Education Reform Support*, three technical aspects (data, analysis, and dialogue) must be institutionally integrated into a fully linked system for reform to be effective. In this model information flows fast and efficiently among the components of the system, leaders of each component are totally aware of how and why others use their outputs. If the data component and the dialogue component are too far from each other bureaucratically and practically, and are only indirectly linked to the analytical arm, the system will not work very effectively. The leaders of the three units or areas of work have to see one another as each other's direct clients, if not as members of a single team.

[78] Government salaries are approximately 2,500 Afghani or approximately $50 USD monthly for the average worker. This is not even subsistence level according to the administration at the MOHE.

such as strategic planning and quality control for the whole sector, including the private institutions. If the institutions win this contest for greater financial and administrative autonomy then the intriguing question becomes: What is the MOHE ability to change and adapt its current organization to meet the relative level of autonomy given to the institutions?

All education leaders that I interviewed commented that the MOHE is resistant to change. One senior donor noted three main reasons.

> First, there is a lack of knowledge and experience in the ministry, so everything is a big learning curve. Since they don't have the knowledge they proceed slowly. No one wants to make a mistake, because a problem could mean the loss of their job. Second, there are so many hurdles. There is just so much centralization that to make any changes requires different ministries' involvement and they all have their own interests to protect. Third, vested interests are everywhere. The system is not really designed to be efficient. For example, for me to get paid as a national staff member used to take about 90 signatures (both internal and external). I am not kidding. Now, there has been great improvement; it only takes 50 signatures. Because of this we start the process months ahead of time so that we can get paid on time.

Efforts have been made to improve the capacity at the MOHE but with limited effect. The MOHE is now in its second major reform phase. The first phase, the Program Review Process (PRP), was an impressive national effort by external donors to introduce modern, corporate management systems and techniques within all ministries to induce more efficient, transparent, functional and accountable activities. While the overall results were never publicly evaluated, the result at the MOHE must be considered a failure, based on the universal negative responses from all non-MOHE related individuals in the interviews in this study. The universal perception remains that this ministry, like the rest of the government, is ineffective because of corruption.

In a specific project aimed at the MOHE, the Capacity Development Project (CDP), USAID and other donors have spent millions attempting to introduce rational systems and management practices while increasing dialogues between departments so that the MOHE could reach a minimal standard to qualify for sector financing. This effort has not been publicly evaluated but initial assessments from interviewees in this study do not look promising. They noted the complete breakdown in communication between the donors' agents and the recipients and the partial removal of donor funding in this effort. According to one senior manager, "there is no incentive or motivation to change; the system has its own internal logic of rewards that ensure resistance to any attempts to remove these hidden incentives." In some cases these incentives are not difficult to understand because one only has to see what approvals are needed to complete a particular task. For example, one external donor working on efficiency measures noted that it "takes twenty signatures for a graduate to get a diploma"; at each stage, he assured me that some money probably changed hands. He also mentioned that it had already taken him over six months to understand this particular problem and that he was not optimistic that any change would occur soon. The same advisor lamented that "the management team does not really want training to make their work better and more efficient; they just want to work less."

The MOHE does not appear to have changed much since 1973 when Dupree (1973) made the following comment.

> Below the level of the ministers and deputy ministers, the ministries are a veritable bureaucratic jungle. Although ministers, deputy ministers and their immediate advisors generally have a liberal, action-oriented outlook and do attempt to get things moving, the system under which their underlings function precludes the rapid completion of any given project.

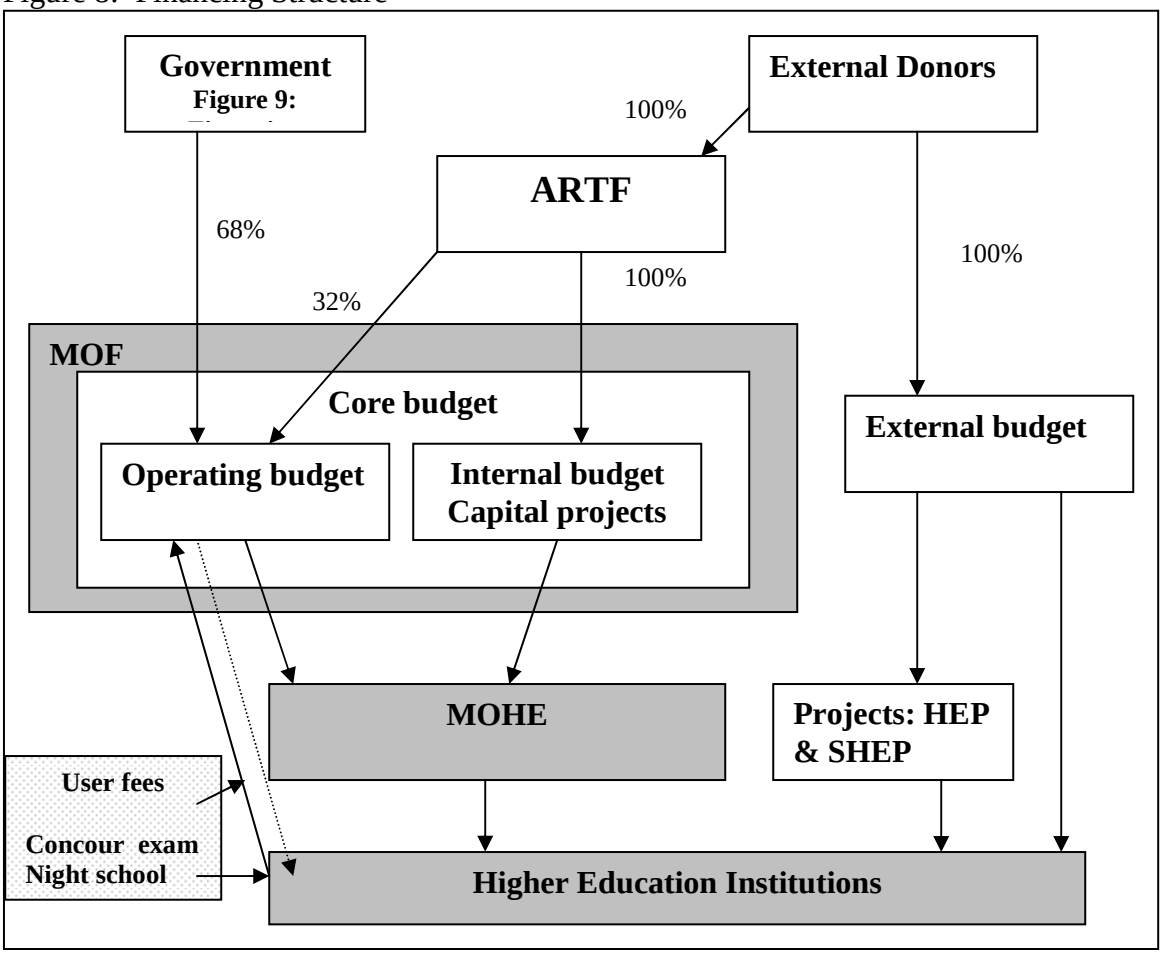
> Few bureaucracies in the world equal—although many approach—Afghanistan in its built in slow down mechanisms (p. 654).

Based on these perceptions of the Ministry, it is no wonder that the institutions would like more autonomy and an opportunity to try their own approaches.

The Financing Structure of Higher Education

The sources of funding for the national budget affects the funding available for higher education, which explains severe underfunding in the MOHE and the institutions. First, in the national budget, all capital expenditures come from donors with only a few minor exceptions and government operating expenses are not completely covered by internally generated funds. This means that both the current expenditures and all capital improvements in the country depend on external loans and gifts. The following diagram (Figure 8) shows the financing sources for the Afghan government.

Figure 8: Financing Structure



In 2008 the entire government relied on donors to finance 32% of the most recent 2008 annual operating budget, 100% of the internal capital budget and 100% of the external operating budget (MOF, 2007). The operating budget includes all government salaries, including teachers' salaries, and student subsidies, including meal allowances and housing. Currently, almost one third of the national operating budget, and consequently the higher education operating budget, comes from pooled donations held in the Afghan Reserves Trust Fund (ARTF), which are dispersed to the government after approval by the ARTF board, subject to stringent conditions of the members and the IMF.

The internal and external capital budgets differ in the level of control by the government. The MOF administers the internal budget while donors completely control the external budget. In practice, the donors still control the internal capital budget since they fund these construction projects individually and require extensive reporting to ensure that the funds are used efficiently. For these projects, however, at least the MOHE can prioritize a "core" list. Still, while listed as high priorities by the MOHE, these projects tend to remain on the list for years waiting for some donor to appear. Meanwhile, the external budget remains a rough, incomplete compendium of reported donor projects to individual universities that have no governmental oversight.

The net effect is that the government does not have any "extra" financing power to increase funding to higher education. A central government that relies on external donors to meet a significant part of the payroll expenses while simultaneously seeking debt relief from financiers is essentially in bankruptcy proceedings. Their only options are limited to charity. As long as higher education remains tied to the finances of a financially weak central government, the financial resources of the higher education sector will remain minimal, leaving the universities unable to meet the challenges of increasing quality and improving access. As one ministry advisor said, "Until we are able to pay for our own operations, the Ministry and the institutions have only a limited ability to make many planning decisions." Currently, every university looking for capital investments pursues its own donors.

The centralized financial system lacks any incentives to improve financing options. The highly centralized government system of funding does not encourage partnerships, local financing from local tax revenues, user fees (e.g., Concour exam fees)

or donations by wealthy individuals. The primary reason derives from the policy that all financial revenue flows that involve cash must be forwarded to the Ministry of Finance, where these funds are mingled with the national general operating budget[79]. Money once given to the central treasury rarely returns to the original recipient and not without long delays after considerable negotiations and visits. No ministries are allowed to have any local revenue bank accounts or use any monies raised locally unless approved by the MOF or the Office of the President[80]. As a result these local bank accounts are very rare. Consequently, administrators at institutions do not see the benefits in making any efforts to increase financial opportunities for their institutions.

One side effect of this expropriation policy to centralize all income sources distorts higher education development due to the unwillingness of donors to contribute funding that will go to the central government coffers. As a result of this reluctance, which often relates to the donor's own reporting and accountability requirements for fund distribution, the donors prefer to fund and manage the individual construction projects. This results in an unstated policy whereby donors fund all constructions while the government funds the operating budget to the extent possible. Of course institutions in this case are completely reliant on donors for buildings and equipment, and must meet

[79] This system of centralized financial control has come under increased criticism as the higher education institutions seek greater autonomy. It appears that Kabul University will be allowed, on a pilot basis sometime within 2009, to open its own bank accounts to manage monies brought in as a result of local activities. The university administrators, the Ministry of Finance, the Ministry of Higher Education and the President's Office all verbally agreed to this arrangement. However, the details will take time to consider and the legal framework will have to be written not only allowing the accounts but also specifying acceptable income-producing policies and legal structures. This daunting task will take enormous effort and should not be underestimated since it probably will be the first of its kind for all 25 government ministries.

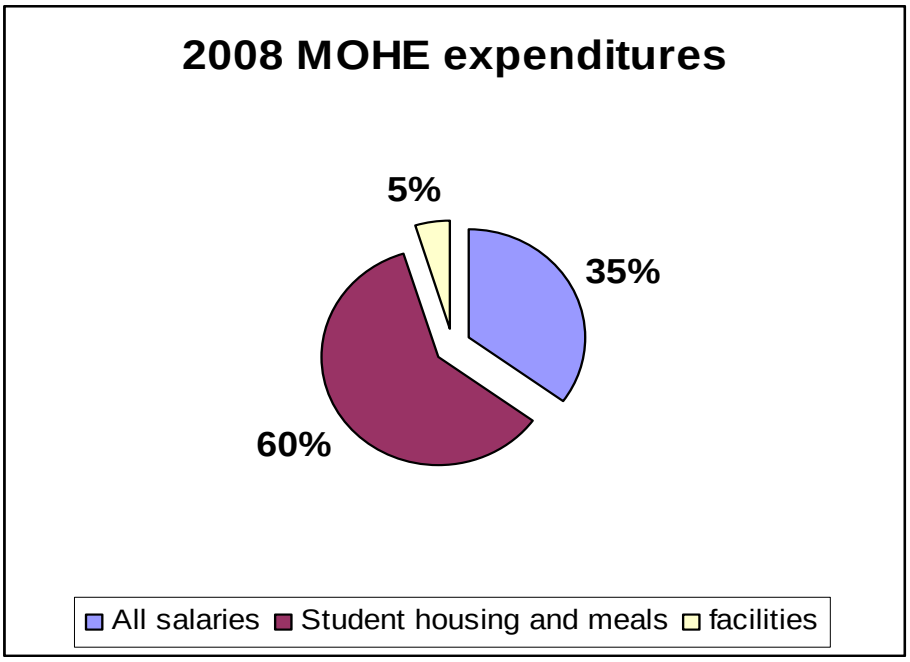
[80] According to the chancellor of Kandahar University, this institution can keep all the money raised from local sources because the chancellor received a special order from President Karzai that allows this practice.

donors' development requirements and objectives and endure the donors' funding limitations.

Unfortunately, donors are often limited to certain types of contributions. For example, they can only build female dormitories or more classrooms or large venues for meetings such as auditoriums with padded seats and advanced audio-visual equipment, yet no generators for electricity. Also, none of these projects comes with any maintenance allowances. Given that the MOHE has no funding for paint or minor repairs, the buildings usually become decrepit quite quickly. Unless donors are willing to pay maintenance costs as needed over a period of years, there is no mechanism to support the upkeep of facilities.

So how does the higher education sector use the minimal funding received from the MOF? In 2008 the MOHE received approximately 25 million USD. As noted in Chapter 1 this amount was spread among 19 institutions and 56,000 students and 2, 400 faculty, resulting in very low expenditure per student levels compared to competing countries. According to the MOHE Operating Budget Department, just two of these factors, salaries and student subsidies, constitute 95% of the total operating budget for higher education, with traditional student subsidies by far the largest expenditure. In the following simple figure (Figure 9), the small facilities percentage can be misleading because there are no funds for maintenance and very limited funding for operations. Included in the facilities budget are transportation subsidies for faculty, rent, some limited funds for power, guards and many miscellaneous items.

Figure 9: MOHE Expenditures 2008



This operating budget, even if completely funded with internal sources of income, is not sustainable. As noted, the MOHE has no budget for facility maintenance and operations; no budget for supplies, labs, libraries; no budget for consistent power; an inadequate budget for instructor and staff salaries; no research budget; no development budget; and, if the institutions do become autonomous, no budget for a professional management team.

One past minister wryly stated that since housing subsidies and meal allowances for students alone account for over 60% of the total higher education budget, he was "nothing more than a landlord who resolved housing problems."[81] According to the World Bank (2002), "countries that spend more than 20% of their tertiary education budget on non-educational expenditures, such as student subsidies are likely to be under-investing in materials, equipment, library resources and other inputs that are crucial for

[81] This comment was attributed to the former minister by an advisor. I did not personally hear this statement.

quality learning" (p. xxiii). The most obvious management decision according to many advisors would be to redirect funds from student subsidies to instructional costs such as materials, equipment and supplies. However, this remains a politically unpopular decision that education leaders do not want to test.

As long as the source of funding remains limited to severely constrained state sources, greater emphasis must be directed to how the limited funds in higher education are currently spent. Unfortunately, there is no program based budgeting in the MOHE at this time; therefore, it is very difficult to sort out precisely how funds are used except for these sparingly simple categories. The financial information is only available in such aggregated sums that precise analysis currently is impossible. What is known is that individual institutions prepare annual budgets, based on previous history. There are only three expense categories, instructor and staff salaries, student subsidies (housing and meal allowances) and facilities. Up to 2008 there were no revenue line items. After receiving these individual institutional budgets, the MOHE gathers these requests and prepares a budget request to the MOF.

There are two recent developments in funding higher education that indicate a willingness by the MOHE to look to other financial sources. I noted that up until 2008 the only source of revenue was the government, but in 2009 this will change since the MOHE will also include line items for fees received from night-school students and fees received from the Concour exam. These should not be considered "profit centers" because the MOF will not allow the MOHE to set tuition fees higher than that needed to cover the additional instructor time spent on delivering the courses in the night school or to charge fees in excess of the cost to administer the Concour exam. If any "excess"

income resulted from these two activities then the MOF would keep the remainder. Once again, there is little incentive for instructors or institutions to add more activities to their already busy schedules.

The MOHE plan, according to the approved PRSP (IMF, 2008), envisions the "construction of universities, teaching hospitals and higher education institutes in 15 sites in Kabul and other provinces…to accommodate 100,000 students for the upcoming years" (p. 114). The government's capacity to finance higher education expansion or improvement in quality will be limited for the future. Consequently, this goal resembles the historical five year plans in that it is essentially a plea for external financing. Perhaps the best that can be expected is a continuation of the existing funding levels even as higher education develops new sources of revenue. Higher education must continue to rely heavily on the generosity of outside donors in the future.

This centralized financial system did serve a purpose in the recent past and still has reasons for its existence. In 2002 when the entire government was reforming, there was no capacity anywhere in the country to administer financial systems. As one senior official at the MOF commented,

> We had no modern systems of management or financial control. Local and regional government officials were just collecting and keeping the money for their local use. Some provinces were rich and others were poor. There was no sense of a national government. We had to create a system that would be fair for everyone and that would strengthen the national government or else risk losing control completely. So the financial systems were designed to send all funds to the center where they could be redistributed. We did this also to limit corruption practices and because the only real expertise that could manage funds was in the center. This meant that we had to control everything, at least for a while. Now, there is probably enough capacity to start devolving some of this authority, but it has to be done slowly, step by step. The reason is that if there are any mistakes, if anything goes wrong, then heads will roll and we will be back to a point a few years ago.

Increasing Demand for Higher Education

Demand for higher education is growing beyond the state's ability to provide quality services. As noted in Chapter 1, total student enrollment has increased from 4,000 students in 2001 to 55,900 in 2008 and demand is expected to increase dramatically in the future (MOHE, 2005)[82].

In 2008 over 60,000 applicants took the entrance exam[83] and approximately 18,000 were accepted into the four-year institutions according to the MOHE Concour Department. This gap will continue to expand given that matriculates will most likely increase by small percentages in the future at the same time as the number of high school graduates increases significantly. Based on the current financing structure in higher education, the lack of funding for new facilities will constrain any large increases in supply to meet the demand. By 2013 over 180,000 students are expected to take the test but perhaps only 27,000 will be selected[84].

Several science faculties are also resisting larger enrollment requests[85] because of concerns with quality. At least two institutions, the Polytechnic and Kabul Medical University have reduced their enrollments from the high levels in 2006 to offer more quality training. Others that involve less equipment and expense, such as law, education

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[82] Still the Gross Enrollment Rate (GER), estimated at 2.2% using school age population figures from UNESCO (www.stats.uis.unesco.org), remains abysmally low when compared to "an average rate of 11.3 % for developing countries and 54% for developed nations" (Sanyal & Martin, 2006, p. 4).

[83] This exam, the Concour, is also used by the MOHE to sort students into faculties. Students taking the exam list their top ten choices in order of preference and are assigned to faculties based on their test scores. The most prestigious faculties that are in the highest demand are medicine, law, engineering followed by the sciences and social sciences.

[84] The high school graduation figures are from the MOE projections dated November, 2008. Unfortunately, the MOHE does not provide projections for Concour exam applications or for matriculations. These projections were based on historical increases and discussions with MOHE officials concerning the limitation of facilities.

[85] According to interviews with several chancellors and deans, the MOHE picks enrollment levels based on the previous admissions levels, usually asking the deans to increase the number by fifty, one hundred or more for the next year.

and most other non-technical faculties, have increased their numbers[86]. This increase in non-science majors is consistent with the experience in other countries such as Russia and the Central Asia Republics, where enrollment demand increased and financial resources were constrained (Shattock, 2001).

While there has been no study to assess the capacity of the higher education system, many administrators I interviewed feel that the number of students is nearing the maximum level given the current facilities throughout the country and the "normal" operating environment[87]. Further increases in "scholarship" non-paying students will come from additional faculties as more are added to the institutions and as new institutions continue to open. The net effect of this pressure to increase enrollments has been an increase on average from 19.5 students per instructor in 2005 to 23.4 per instructor in 2008, an increase of 20%.

Competition

To meet the increasing demand in higher education, private higher education institutions have been approved by the MOHE. As of 2008, there were twelve approved[88] private institutions (see Appendix C) with a total enrollment between 5,000 and 7,000[89] students that can grant a degree up to the BA level. Ten of these are located in Kabul and two are in Balk, and more are in the approval stages. Clearly there is a growing demand for this educational alternative.

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[86] This may be one way to increase student enrollments and keep costs lower since expenditures per student to train engineers and doctors must be significantly higher than that to train social science majors.
[87] University instructors are only required to teach a specific number of classes with normal working hours. The normal operating time for classes is between 8:00am and 3:00pm.
[88] Approved does not mean accredited by an international organization.
[89] The MOHE does not keep accurate records on student enrollment in private universities and the private institutions often provide inflated figures to show students' interest and promote confidence.

The education leaders who founded these institutions cited the lack of practical experience, outdated knowledge and poor pedagogical practices in the public sector as reasons for students to attend their facilities, emphasizing the superior education credentials of their instructors, typically with recent doctoral degrees from Iran and other countries, and the more advanced teaching practices. These institutions are also conscious of their connection to the private sector job markets, believing that their success is directly connected with how successful their graduates will be in getting the best jobs. Several owners reported that their curricula were designed to meet a gap in practical training for certain professions that the current public education system does not provide.

Most students I interviewed in the public sector stated that they would have gone to an accredited private institution if they could afford the fees. Senior administrators at the MOHE believed that the quality at these private institutions was lower than that in the public facilities, but this opinion was not necessarily shared by instructors or students in the public institutions. Unfortunately, it is too early to know if the private institutions are meeting the job market demands better than the public institutions. Only one of the private institutions, Kardan, graduated a cohort; however, no tracer studies have been done yet for this institution or for any public institution graduates[90].

It is not clear how financially sustainable these private institutions are at this time. For example, the American University of Afghanistan remains heavily subsidized[91] by USAID after six years of operations, despite charging the highest tuition levels in the country. Yet, this institution has been successful in inducing wealthy Afghan individuals

[90] The French Department at KU is an exception. They started tracking graduates and have a small database with 50 names.
[91] USAID contributes eight million annually according to one USAID source.

to donate capital funds for buildings on its present campus, a feat not duplicated by the public sector yet. The largest private university, Kardan, a for-profit institution, has approximately 3000[92] students, mostly in business management courses. Most students like the flexible hours offered so that they can attend night classes while working for an NGO during the day. Besides the curricula, a major draw is the diploma from a university not based in Afghanistan. This university is affiliated with Preston University, based in India, which may be subsidizing the initial operations. It is a for-profit company, so at some point the fees will have to cover costs. Other private universities specialize in law, medicine, psychology, with facilities that range from the best in the country (public or private) to renovated rental houses, and with most boasting foreign instructors with advanced degrees. Since none of the private institutions are required to submit public financial statements, it is difficult to know about their ability to sustain operations.

Other alternatives do exist to the public and private campuses in Afghanistan. Virtual higher education options are also available to a very select group of Afghans who: can speak sufficient English, possess the computer skills, have the finances, and the inclination. There is no evidence that more than a few scores of individuals meet these qualifications and pursue an on-line degree. Also, the number of students, using their own financial resources, who enroll in private institutions outside of Afghanistan, remains unknown[93]. This number may eventually reach several hundred but the current numbers are probably still quite small.

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[92] Accurate enrollment figures are difficult to find. Some sources report Kardan enrollment at 1,700. This self-reported number (3000) may be a "marketing" figure though.

[93] The Indian government generously donated 1,500 undergraduate full scholarships for qualified students. About 1000 of these students still remain in India according to the Department of Cultural Affairs at the MOHE. Those who left were either not suitable or were not able to pay their own housing and meal costs.

Overall, the private education sector will likely grow in enrollment levels and quality. One senior administrator at the MOHE stated that while the private institutions were not a factor now, their presence in the future will compete with the public sector. He noted that many instructors would consider working for more money in the private institutions.

Legal Framework and Regulations

Since 2002 there have been several attempts by ministers at the MOHE to propose a new higher education law to synchronize the system with democratic developments in society. Arguably the most reformist approach was a version in 2003, that would have granted institutions significant autonomy with an outside Board of Trustees to ensure accountability, more like the independent model in the United States. This version was never approved and the minister was eventually removed as being "too western" in his approach according to several interviewees. Another attempt was made to redraft the law in 2006, when a small team worked 18 months on a new version. This document attempted to lay the groundwork for future diversification of revenue sources. Yet this version was also rejected as being too reformist. According to one of the authors, the major reason for this rejection was the still common presumption among ministry officials that the "timing was not right yet". While the overall objective of diversifying revenue sources was generally agreeable to all parties, the feeling among many education leaders was that the institutions were not capable yet of managing their own affairs in an

equitable and fully accountable manner, leaving too many opportunities for corruption. Therefore it was still best if the MOHE managed the finances for all the institutions.

Currently, a new and more conservative higher education law is still pending approval in Parliament. This document, according to most education leaders, resembles the previous higher education law during the monarchy, and at least several advisors wondered why it was necessary to introduce the document to Parliament at all since there is so little new in it. Concerning the financing of higher education, the new law allows the public universities to enter into partnerships with the private sector, sell services, accept gifts, and basically do the same activities as does the private sector with the exception that no tuition or fees can be charged to students studying for a BA degree, and that all income received from any approved activities must be delivered to the central government. There is no mention of redistributing those same funds back to the institution; consequently, there is little incentive for the institution to engage in these activities.

The continued prohibition of tuition and fees as a potential income source is even specified in the Afghan national constitution. Article 43 states unequivocally that all citizens have the right to free tuition in public schools through the B.A. level.

> Education is the right of all citizens of Afghanistan, which shall be provided up to the level of the B.A. (license), free of charge by the state. (Afghanistan Constitution, 2005, Article Forty-Three, Chapter 2)

This right has a long history. "…since the 1931 Constitution, education at all levels – primary through tertiary – was provided free for Afghans" (Samady, 2001, p. 589). Many have looked at the costs involved but the political process to make a change was too imposing. In 1972, in an article entitled, *Planning for University development in Afghanistan*, Amanuddin Ansary noted,

> I should mention the fact that higher education in Afghanistan is provided at absolutely no expense to the student. Kabul University charges no fees or tuition of any kind; room and meals are provided for students housed in the dormitories (about half the student body); and monthly pocket money allowances are paid to all students. These practices are of long standing and the philosophy behind them is set forth in the Constitution of Afghanistan…The practical effect of this policy is to make higher education very expensive for the government. (p. 98)

Even if the new higher education law is approved and alternative sources of income activities are legally possible, many regulatory issues must be resolved. Acceptable practices for private sector relationships must be agreed upon, incentive systems carefully designed, and codes of conduct developed. This is no small task and the MOHE has not yet provided the guidelines to engage in alternative income producing activities. The policies and procedures still must be agreed upon and written so that institutions and other government agencies are aware of their legal standing. Until then any monies received from sources other than the government are circumspect.

Trends

There are two other significant trends in higher education that are tied to alternative funding sources and that constrain the institutional ability to access these options. These are:

- The growing demand for autonomy from the MOHE by public institutions;
- The increasing voice of the students.

Autonomy

As a result of the increasing demand for higher education and desire for quality, institutions believe that the solution to their problems is more autonomy so that they can

manage problems directly and plan their own future. As one chancellor said, "The problem is time; it takes much too long for any decision from the MOHE. We have to move more quickly." Another chancellor commented, "We are working with a system that was created in the 18th [sic] century. It is so old and outdated that it is unusable." Specifically, what functions do universities want? The primary one is the ability to manage their own finances, including collecting revenues and keeping funds from existing and new sources, managing all their financial accounts, spending money according to budgets and generally controlling the use of these funds as they deem necessary.

According to one donor, the MOHE is concerned about giving too much autonomy too quickly to the institutions, since they are worried about transparency and accountability issues, and the possibility that many of the smaller universities in the provinces may be taken over by local political interests. The ministry argues that institutions may not be strong enough to resist provincial councils or strong governors, or mayors, or anybody with resources. As long as the system is centralized then the power of these regional politicians and warlords is minimized, and the institutions do not have the power to change the procedures and policies. This way the MOHE protects the institutions from special pleadings. This may not be just a rhetorical justification since several existing institutions were originally started by commonly known warlords and powerful provincial governors for political reasons without the permission of the MOHE just after the Taliban regime.

Currently institutions only have limited authority to manage academic issues, introduce or amend curricula or even make changes to an existing course since the

ministry must grant approval[94]. All instructor hires, promotions, and human resource issues are handled by the MOHE. The Academic Council, a department within the MOHE, has the responsibility for controlling faculty quality by reviewing the authenticity of all instructor degrees, checking publications and maintaining control over the promotion process.

Currently, institutions have no authority to change the three budget line items or to spend unbudgeted amounts beyond paltry figures[95]. Essentially all financial decisions are made by the MOHE since they have line item control. Financial governance at the institutional level does not occur given that individual institutions have very little authority to spend money, even with the approved budget. There are numerous anecdotes from chancellors about long waiting periods for approval to buy gasoline for a generator, or to pay for small services. This lack of financial autonomy infuriates institutions, causing them to make rash statements such as "if only we had authority to manage our own finances I would give up any money from the government." In this system, the MOHE holds all the legal power, so much so that one ex-chancellor stated that "there is only one stakeholder, the Ministry of Higher Education."

The ministry is completely aware of the desires of the institutions for more autonomy, but they are reluctant for one ostensible reason and for possibly many other less patent ones. Their primary vocal argument to counter quick decentralization policies is that the administrative staff at all institutions remains weak, understaffed and untrained with no professional management. One senior MOHE advisor summed up the problem

[94] Curriculums are theoretically identical for each faculty throughout all institutions but course offerings may be different based on instructor resources.
[95] One ex-chancellor of a larger institution claimed that his authority stopped at $1000 Afghanis ($40 USD).

as “low” capacity to administer these changes at the institutions. “Autonomy has to be earned; we can’t just give it to them. They won’t know how to deal with economic autonomy.”

There are no systems at the university to deal with financial resources[96]. No staff members have the needed expertise; no systems are in place and no knowledge exists concerning the procedures to manage and control an efficient and transparent operation. Institutions acknowledge this deficiency but respond that with resources, which they can raise, they can hire the needed expertise. Nevertheless, this unproven management capacity will remain as a serious liability for the institutions as they try to persuade the MOHE to grant more autonomy

The Increasing Voice of Students

Historically, students were very active in campus politics during the “New Democracy” period (1964-73). During this time there were numerous student strikes until the return of Daoud in 1973[97], mostly in Kabul and sometimes leading to the closure of KU, once for over four months (1972). One memorable event occurred on October 25, 1965 (*sehum-i-aqrab*) when soldiers fired on student demonstrators in Kabul and killed at least three with scores wounded (Dupree, 1973, p. 592). According to Dupree (1973), students were protesting in the spirit of the new democracy by “exercising their constitutional rights”, “gaining their freedom” and “throwing the corrupt ones out of

[96] The World Bank is training a purchasing department at the five major institutions as part of its SHEP project. These departments have some authority to expend money but no authority to accept income from non-governmental sources.

[97] 1963 to 1973 is referred to as the constitutional period in Afghanistan or the “new democracy” period (Dupree, 1973). The constitution of 1964 was considered reformists and made many changes in the judicial system and the rights of the monarchy.

office" (p. 592). Students also demonstrated over many other issues, some inane, including grading policies, attendance policies, arrogant teachers, housing issues, administrative practices, student-faculty relations, the desire for a student union, political ideas and many other points (Dupree, 1973). Participation rates were probably small among students but they effectively prevented the operation of the university. It appears that student protests grew with efforts to introduce more democratic governance (Dupree, 1973), an important lesson for the current administration in higher education as the Afghanistan society continues its current democratization effort.

Many administrators, both at the institutions and at the MOHE, fear that students are susceptible to outside political influences, which will involve them in activities that are ethnically and politically divisive, leading to unrest and violence. What they may not realize is that students are also upset with the administration. This dissatisfaction has historical precedent. For example, in the 1970s, "many people believed the students were being led by outside subversive elements to the government", but Dupree (1973) concluded that the demonstrations were largely caused by "homegrown dissatisfaction with the ministerial clique which had played musical chairs during the Daoud regime and the succeeding interim regime" (p. 595).

Today student protests may be on the rise. In September, 2008, one protest spilled into the streets near Kabul with some minor destruction of facilities. The students were protesting the low quality and small quantities of food in the meal allowance and the overcrowded and dirty dormitory conditions. Another violent protest in October in Balk, where at least one student died, appeared to be entirely related to the political fight

in Parliament concerning the naming of universities. A similar protest at KU in November was peaceful.

In 2005 in Kabul, several hundred students marched on the MOHE and threw bricks through the ministry windows after it was announced that a small one-time fee (approximately 500 Afghanis or $10 USD) would be collected from anyone registered to take the national entrance exam a few months later. It is not clear if the registrants were told the rational reasons for the fee. Essentially, the amount would cover the administrative costs of implementing this large test throughout the country and hopefully improve the quality of the test while enabling the administration to pay for safeguards to ensure test fairness[98]. It is not clear whether any explanation would have made any difference in the students' violent reaction. In the end the fee was instituted and today this policy has been accepted.

These two trends, the increasing desire for institutional autonomy and the increasing voice of students have the potential to drive changes in the higher education system. Institutions desire autonomy for many reasons including the possibility of raising more funding and controlling expenditures based on their own plans and needs. Based on my interviews, students want quality teaching and an education that provides them with opportunities of rewarding employment after graduation. Each will resort to different ways to protest what is missing. Instructors will disappear by working less and students will appear in more violent confrontations.

Summary of Contextual Factors that Influence Financing Reform Policy

[98] The test was often stolen beforehand and the answers sold –an occurrence that happened almost every year.

Afghanistan is not a stable country, either politically or economically. Donor funding provides the economic resources to maintain the current level of public services. Higher education would have to make significant adjustments in financing policies if donors stopped providing operating funding to the central government. Higher education institutions and the MOHE recognize that institutions need to find new sources of income, yet the problem of disengaging from a centrally organized government structure to legally allow these activities and incent the actors involves formidable tasks.

Demand for higher education will greatly outpace the ability of the government to build and operate institutions. This will present opportunities for the private institutions, especially from those students who can afford to pay. The public universities have passed through the reconstruction and stabilization stage, and enrollment levels have reached the capacity for most institutions. Unfortunately, the system lacks the necessary resources from the state to provide important quality inputs, especially to increase the percentage of trained instructors with advanced degrees. The sector may appear stable but it is slowly deteriorating: student instructor ratios are increasing; expenditures per student are decreasing after inflation deflators are calculated and barely increasing in nominal terms; facilities are deteriorating due to lack of maintenance funds; and the percentage of instructors with advanced degrees is decreasing. These downward trends indicate that the system either needs more resources or must reduce its size to maintain the current level of quality. It will be impossible to reduce the enrollment levels; therefore, the only choice is to seek alternative funding[99] while holding the enrollment levels constant in public higher education institutions.

[99] As long as the private sector continues to absorb students this practice may be possible.

The MOHE will have to transform higher education to meet this challenge. Unfortunately the MOHE may have difficulty transforming itself to meet the challenges that come with greater institutional autonomy, corresponding with these new sources of income. Bureaucratic structures are difficult to change. Greater institutional autonomy is a powerful incentive for faculty and institutions and the future policies will have to balance both the need for internal controls and accountability with greater academic financial freedoms.

CHAPTER 3

DESIGN AND METHODOLOGY

This research design uses a case study approach to studying the financing of public higher education in Afghanistan. This chapter discusses the design, including the methods used, limitations and the techniques to mitigate factors that might reduce the research reliability and validity. In the methods section I explain the selection process for the interviews and the groupings of actors into categories for reporting data.

The Case Study Approach

This study started with a single focal point derived from my observations during visits to numerous higher education institutions throughout Afghanistan. I wanted to learn how Afghans believed public higher education would acquire more resources in the future to improve quality. I wanted to know if they thought that the government had sufficient resources, and if the higher education sector needed more resources or if the management was a problem. I saw efforts to find resources by entrepreneurial chancellors but they were often stymied. I wanted to know what the possible alternatives were and what was blocking these efforts according to the actors. Above all, I wanted to hear the Afghan perspective to these questions since the solution would have to eventually come from their own experience and knowledge of what is politically feasible. Consequently, I developed four research questions:

- Does the government have the resources to support higher education?

- Does the MOHE need additional resources?
- Where will the resources come from?
- What are the restraints that must be overcome to develop these sources of funding?

Based on my previous in-country experiences, I knew my primary research question required understanding a complex interplay of actors and contextual factors that could not be accurately described using one or even a few variables. Also, after my literature review, I found no evidence of studies in Afghanistan that provided a description of the financing problem facing public higher education. This means that the study would be an initial investigation without the benefit of previous research efforts; therefore, it would need to be an exploration of actors and their attitudes, given the Afghan context and the issues that concerned them.

As I have shown in Chapter Two, there are numerous contextual factors that influence decision-making in public higher education in Afghanistan. These factors are not equally relevant at all times but change in priority and weighting as situations develop dynamically. My purpose as a researcher is to bring these added dimensions into the discussion about policy choices and not to limit the possibilities or the subsequent analysis to static tradeoffs between policy choices. I especially intend to report the internal actors' views on the developing problems and their policy ideas in a natural setting as opposed to modeling possible outcomes. For all of these reasons an exploratory, in-depth investigation involving many viewpoints would be an appropriate approach to the research questions concerning financing the higher education sector.

The particular characteristics of this study support the choice of the case study method when a holistic, deep understanding of a subject is desired (Feagin, Orum & Sjoberg, 1991). Yin (1984) presented three conditions to consider in the use of case studies: a) the type of research questions posed, b) the extent of control that an investigator has over actual behavioral events, and c) the degree of focus on contemporary events. According to Yin (1994), case studies are the preferred strategy when "how" or "why" questions are being posed. This research study has a primary purpose of understanding *how* financing will happen and *why* certain alternatives are favored over others. Moreover, I had no control over the respondents given that their participation was voluntary and their opinions had no effect on our relationship. None of the participants received any financial payments or any other incentives; neither could they expect any in the future. Finally, the focus of this study concerns the immediate and near term possibilities on a topic that is contemporary, pressing, opinionated and complex with many influential vectors. This complexity, in particular, made the use of a qualitative research method and the particular use of the case study approach desirable.

The case study methodology offers a guideline for investigating complex social units containing multiple variables. Rist (1982) states that the use of qualitative research methods is useful when the problem requires a holistic understanding, where inductive logic is used, and where a natural setting is needed, rather than one that is contrived or artificial (p. 441). Case studies are appropriate "…where questions of meaning and process can be answered only through understanding the context in which they exist" (Merriam, 1985, p. 204). Becker (1968) defines the purpose of a case study as twofold, which is "to arrive at a comprehensive understanding of the groups under study" and "to

develop general theoretical statements about regularities in social structure and process" (p. 33). "Grounded in a real life context, the case study as a holistic, life-like account offers insights and illuminates meanings that expand the experiences of its readers" (Merriam, 1985, p. 210). In summary, case studies are "particularistic, descriptive, heuristic and rely heavily on inductive reasoning in handling multiple data sources" (Merriam, 1988, p. 16).

Yin (1993) identifies three types of case studies: exploratory, explanatory and descriptive. Exploratory are sometimes a prelude to more research and recommend areas for future study; explanatory studies can be used for establishing causal relationships; and descriptive studies typically refer to a theory before starting the project. This study has elements of all three components. It explores financing options and recommends further research; it seeks to explain why the financial system has developed into the current form and it uses a descriptive theory to ascertain the development of the Afghan financial system into a worldwide model.

A case study focuses on a bounded system, usually under natural conditions, so that the system can be understood in its own habitat (Stake, 1988). The unit of analysis in a case study could be "an individual, a community, an organization, a nation-state, an empire, or a civilization" (Sjoberg, Williams, Vaungh & Sjoberg, 1991). According to Tellis (1997), the unit of analysis can be a system of action rather than an individual or group of individuals and, generally, case studies tend to be selective, focusing on one or two issues that are fundamental to understanding the system being examined. Furthermore, case studies are interested in a multi-perspective analysis where the researcher considers not only the perspective of the actors but also the relevant groups of

actors and the interaction between them (Tellis, 1997). This study has two boundaries, the higher education subsector and the financial issues within this system.

According to Smith (1982), there are several common assumptions underlying the use of case studies. First, the context has a great impact on social behavior; second, the subjectivity of the researcher is inevitable but provides the only way of knowing; and, third, multiple perspectives and methods increase control. I have already shown in Chapter Two that the context in Afghanistan influences decisions in higher education. While the strength of the case study approach is in its flexibility and emphasis on context, it has been criticized as being subjective because research findings rely on personal interpretation and analysis of the data and inferences. Thus, the results may not be generalizable and are difficult to test for validity.

As the researcher of this study, I am well qualified for this form of inquiry based on my previous experiences. I have worked in Afghanistan since May 2003 on a variety of projects in higher education. I have also traveled extensively outside of Kabul, visiting most of the four-year institutions and becoming familiar with the actors at the institutions and in various ministries. Approximately one quarter of the interviewees in this study were known to me before these interviews. My interest in this topic derives from my own background in finance and numerous discussions with various higher education actors concerning the future of this sector in Afghanistan. I would like to contribute to many discussions that have stagnated due to the lack of information.

Owens (1982) suggests six techniques to improve reliability and validity in case studies and several of them are used in this study, including prolonged data gathering on site, triangulation using a variety of sources, collecting referential materials, developing

thick descriptions and engaging in peer consultation. Denizen (1984) identifies four sources of triangulation; "data source triangulation" is used in this study by asking similar questions to various actors to determine reliability. Yin (1994) also recommends using multiple sources of evidence as the way to increase validity. Among the suggested six sources of evidence for data collection, three are used in this study, namely documentation, archival records, and interviews[100]. In addition, Yin (1994) notes that not all of the sources need to be used in every case study, and no single source has a complete advantage over the others; rather, they might be complementary and could be used in tandem. Thus, a case study should use as many sources as are relevant to the study.

Regarding data analysis, despite the use of multiple sources or through the use of multiple methods, it still requires the selective judgment of the interviewer. In the end, the case study method depends on the sensitivity and integrity of the investigator during data gathering and analysis (Owens, 1980). Kvale (1996, p. 190) notes five methodological approaches to analyzing data, i.e., condensation, categorization, narrative structuring, interpretation and an ad hoc approach. Several of these methods are used in this study: condensation which "abridges the meanings expressed by the interviewees into briefer statements"; categorization "where information is coded into categories and thus can reduce a large text into a few tables and figures"; meaning interpretation, which uses a "more or less speculative interpretation of the deep meaning of the text"; and finally an ad hoc approach that "uses a variety of methods to result in words, figures, flow charts" (Kvale, 1996, p. 190). A variety of research techniques and methods are

[100] The other three are direct observation, participant observation, and physical artifacts.

employed in this study given the scope and the exploratory nature of the investigation in the hope of generating more factors and possibilities for future studies.

The Study Design

The purpose of this exploratory case study is to identify the likely sources of funding for higher education in Afghanistan according to the views of the actors. The research data were collected using interviews with various education actors located in Kabul, Afghanistan, during the period from July 23 to December 15, 2008. Prior to this field work, I completed an extensive desk review of pertinent documents and reports from the World Bank, the IMF, USAID, MOHE, institutions and NGOs concerning higher education, governance, economics, finance, politics and culture in Afghanistan to provide a focus for this study and initial lists of actors and issues (See Appendix E). Along with this desk review of documents I also maintained close personal ties with individuals at the MOHE, the MOE, the MOF, international donors and the public and the private institutions as well as individuals in other sectors besides higher education to continually calibrate my understanding of the context.

The primary data came from open-ended, field interviews. Exploratory open-ended interviews were preferred to written surveys for several reasons. First, there are no previous studies concerning financing options in higher education in Afghanistan; consequently, this first study must identify the issues and the actors involved. Second, given the need to translate many English terms, especially terminology, into possibly two local languages (Dari and Pashto), there was a significant risk that many questions could

have been misunderstood. Third, there were reported problems in using written surveys in this context. One experienced western academic working in higher education in Afghanistan warned that his attempt to collect information via a survey had been compromised on many levels. Return rates were abysmally low, and he was not sure whether the respondents understood many of the questions given the translation issues. Given the translation problems, he had difficulty in bounding the issues into single unambiguous questions that could have been understood easily. Overall, he believed that individuals were not experienced survey respondents and, he found that they responded much better to oral interviews but in general were reluctant to formally write their responses (personal communication with J. S. on August 10, 2008). I agree with his analysis based on my own experience.

This hesitancy to leave a permanent, written account may be due to the respondents' perceptions of insecurity. In the current unstable environment, physical threats are always possible, but the more likely reason could be that positions and future careers could be jeopardized because of documented remarks about a particularly controversial issue (e.g., tuition policy). To maintain individual anonymity, I deliberately report data according to actor groups rather than on an individual basis. I also did not make recordings of any interviews.

Except for student interviews, which were purposefully done using focus groups, other interviews were carried out with the interviewee, my translator and me. I purposely used focus groups with students for several reasons. First, I thought that the students might not be as aware of the issues and that a group dialogue might allow various opinions to spur on new thoughts and ideas. Albrecht, Johnson and Walther (1993) note

that opinions are “generally determined not by individual information gathering and deliberation but through communication with others” (p. 54). Thus the interaction between participants in focus groups and the interplay and modification of opinions that occur may in fact provide data that is “more ecologically valid than methods that assess individuals’ opinions in relatively asocial settings” (Albrecht, et al., 1993, p. 54). Obviously, this particular assumption would need to be studied in the context of Afghanistan. My untested assumption in this study is that student group decision-making is more influential on policy decisions than individual student decisions concerning issues of financing, especially when cost recovery measures are the topic.

Second, my impression is that students are influential policy agents primarily because when they band together to form a group consensus they are feared. Their strength lies in a collective approach not as individuals. I wanted to hear that consensus, if it existed. Consequently, I was more interested in situations where one student might dominate a discussion on a certain issue and, possibly because of perceived knowledge or a “halo” effect, others tended to follow in a “bandwagon” (Liebenstein, 1950).

Limitations

Unfortunately due to security concerns, travel outside of Kabul was impossible, and consequently all interviewees except two were from Kabul-based institutions. They were primarily from four public universities, four private universities and government offices located in the capital. The higher education institutions in Kabul are leaders in education in Afghanistan; however, Kabul residents are often accused of having a unique

viewpoint about policy that may not be reflected in the rest of the country. Therefore, while higher education institutions outside of Kabul generally look to Kabul University for direction, residents outside the capital have traditionally viewed the capital with suspicion, believing that policy decisions serve the interests of those in Kabul.

In addition, the specific time frame could limit generalizations. While there are deeply-held cultural attitudes and views that prevail through any crisis, opinions about availability of resources can possibly be influenced by perceptions of immediate economic conditions and security concerns. In Afghanistan, the security concerns are particularly predominant given the unstable history and an apparently increasing crisis due to a resurgent Taliban. For this reason the interviewee responses could be highly conditioned on the perception of the national and local status at this particular time.

Another limitation concerns the use of translators. There are no professional certifications for translators in Afghanistan and the most proficient are generally hired by the major donors for long-term employment and therefore are unavailable. From my experience, most translators in Afghanistan are orally proficient in basic English-Dari dialogues but have weak written translation capacity and almost no ability in academic writing. It is exceedingly difficult to find an individual who can both write well and provide accurate oral translation, who is also willing to work on an *ad hoc* basis, and who does not affect the nature of the interview due to some personal characteristic or history. The latter is particularly important in Afghanistan where tribal loyalties preclude objective observations and where previous affiliations during the civil war and Taliban regime can easily taint the interview process without the knowledge of the researcher.

Methods

Selection of Candidates for Interviews

Individual and focus group interviewees were selected using several methods. Based on my previous experience in the country, I prepared a list of important actors in the higher education sector. Other actors were then identified through a "snowball" process. Starting with the initial interviewees, I always finished each interview with the question: Who else would be concerned with the issues of financing higher education? Through this accretion process of accruing greater knowledge of the system and the important actors, I broadened my interview list. As gaps appeared, I would ask my translator to arrange new interviews with missing individuals and interest groups. Through this "daisy chain" of interviewees, I was able to link ideas and people as well as cross-check information from several sources to ensure meeting the important actors and to deepen my understanding of the issues.

The risk in this "theoretical sampling" (Glaser & Strauss, 1967, p.45) approach is that early interviews may not be as comprehensive or penetrating since the researcher does not have sufficient knowledge of the situation to ask appropriate questions. This problem was mitigated as I was interviewing many of the better informed actors more than once after it became clear that certain follow-up questions should have been asked.

The initial list consisted of advisors to the ministry, external donors, MOHE deputies and staff, chancellors, students and faculty members. Since there are multiple actors within most of these groups, the interviewees were selected based on availability and personal contacts. For example, there are five advisors to the minister. Many of the most insightful interviews were with ex-officials who previously held important,

decision-making positions within the higher education system. Though for one reason or another they were forced out of the policy roles, they now hold teaching positions or have moved to other positions in other ministries. Not too surprisingly, this group was most willing to reflect on and share their understanding of the problems in the higher education policy process and the system.

All interviewees were voluntary participants. Interviews were held at the time and place of the interviewee's choice as recommended by Feagin, Orum and Sjoberg (1981). Most appointments were arranged but sometimes, with student focus groups especially, the meetings were spontaneous based on immediate availability, because those random students happened to be at a certain location at the time when the interview was undertaken. Although one focus group consisted of students selected by an administrator to participate because they were known to speak English, this was never specified as a requirement for the meetings.

Only a few interviews were conducted completely in English, and most were done in Dari or a combination of Dari and English. In all these interviews, including those meetings held in English (except one focus group meeting), I always had the same hired translator with me. After just a few interviews he was familiar with the purpose of the meetings, my interests and, most importantly, we agreed upon vocabulary for key terminology. Only one focus group meeting was held without this translator, but for this particular discussion I used a second Afghan translator who I personally knew for several years.

My translator is a competent oral translator with weak writing skills; consequently I only used him to make verbal translations. He graduated from the Faculty of Education

in Kabul Education University[101] in 1992, and he has always lived in Kabul and even worked through the civil war and Taliban crisis. I hired him for the duration of the interview period based on a recommendation from a colleague, an Afghan-American doctoral candidate. This colleague of mine speaks Dari, Pashto and English, and worked with me on a higher education project in Kabul. He could attest to the translator's abilities and his unaffiliated status from his previous working experience with the translator.

My translator has a reputation as a fair, honest individual, and just as important, someone who could contact high ranking officials and gain access, according to his referrals. Since I would have to rely on this person to call individuals and set up appointments for me, I needed a special person who had no "baggage". I was particularly concerned that his previous work affiliations might still label him in such a way that interviewees might be suspicious and untrusting and therefore they might withhold information. This did not appear to be a problem because my translator was never employed in any government ministry and he has never been employed in higher education (an outsider); therefore, there was at least a high probability that he was not perceived as having any alliances with particular groups or status within the system that would affect the responses. I checked this perception privately by asking two of my most respected interviewees if they knew of any problems using this interpreter due to his past affiliations or reputation. Both had no knowledge of any incidents or relationships that might negatively affect the data collection process.

Several translation issues were known to me based on my previous experience of working with translators in higher education. Foremost was that certain terminology had

[101] This was an earlier version with a different name and located in a different part of the city.

to be agreed upon prior to the meetings. For example, I instructed my translator to use a broad Dari term for "*resource*" rather than a single narrow definition, such as "money" or "buildings". I hesitated to give an exact narrow meaning that might concentrate a discussion to just that one definition. Consequently, I informed him to give a broad definition that included financial support, buildings, materials, training, etc. and to be aware if the interviewee was only considering a narrow view of the possibilities. In another example, I instructed the translator to be careful using the Pashto or Dari nomenclature for "university" considering that this naming issue was intensely political and divided many actors. I did not want to alienate any interview participants by mistakenly taking sides during this political controversy. My goal was to maintain a completely disinterested appearance to all of the participants concerning this and other political struggles.

Categorizing Interviewees

During the period from July 18, 2008 to November 30, 2008, I conducted 84 separate interviews with a total of 182 individuals (28 female); 13 of these interviews were with focus groups, 10 with students (56 participants in total) and three with instructors (49 participants in total). Ten individuals were also interviewed more than once, primarily because they held influential positions and had vast knowledge of the system. The following table categorizes the major stakeholder groups interviewed along with the number of individuals that took part, either individually or as a member of a focus group.

Table 1: Actor Groups.

Description of actors	Reference name in study	Participant number
Members of Parliament, the President's Office, and politicians	Politicians	7
Representatives of external donors (USAID, World Bank, private businessmen)	Donors	12
MOHE advisors, senior MOHE ministry management	Senior MOHE staff	13
Chancellors, senior administrators in private universities	Senior administrator (private university)	12
Chancellors, ex-chancellors, deans in public institutions	Senior administrator (public university)	12
Instructors at public and private institutions of higher education	Instructors	63
Students at public and private institutions	Students (faculty will be identified if part of a focus group)	62

Many of the interviewees serve several roles in higher education. For example, several professors also work in the MOHE in various positions, and some are involved with private higher education institutions. This table does not double count interviewees. Also, two individuals chose not to be interviewed for unknown reasons, although they were contacted on several occasions by my translator. They claimed they were unavailable during the four months when the interviewing process lasted.

Interview structure

In qualitative research the interview is a form of discourse. According to Mischler (1986), an interview is a joint product of what interviewees and interviewers

talk about together and how they talk with each other. As a result, the record of an interview is a representation of that dialogue and it is limited by the questions asked during the interview as well as the way the data is presented. I used open-ended interviews as recommended by Yin (1984) to expand the depth of data gathering, and to increase the number of sources of information. Open-ended questions are appropriate in this context for several reasons. First, this research topic has not been studied previously, so there is little knowledge that can be used to create precise closed questions; second, open-ended questions increase the response validity since respondents can "organize their answers within their own frameworks; and third, "senior officials, 'elites', do not like being confined by closed questions" (Aberbach & Rockman, 2002, p. 674).

During the interviews I gave participants time to answer my questions according to their own logic and style. Typically, I interrupted with probing questions for clarification, to summarize a particular point, or to refocus the conversation back to the main issue, financing higher education. Since my interviewees were often policy advisors and senior managers, I had to allow the interviewees considerable space to formulate their responses. Aberbach and Rockman (2002), in their interviews with senior bureaucrats and members of the U.S. Congress, noted that "elites especially—but other highly educated people as well—do not like being put in the straightjacket of close-ended questions. They prefer to articulate their views, explaining why they think what they think" (p. 674).

Examples of the types of open-ended questions I used included "How do you think the government should fund higher education in the future?"; "How can the government increase the level of resources for higher education?" and "What do you

think about the management of existing resources?" For administrators in higher education, I often asked: "What should be the role of the MOHE in the future?" The questions were not always asked in the same order, but were used at an appropriate time to encourage more open communication rather than to conform to a script. While this lack of a precise question order may have complicated validity testing I was careful to focus on the three main research questions as the guideline. The tradeoff in having a normalized conversational tone may have allowed more open discussion and more open expression of ideas.

Almost all interviews lasted about one hour and all were held in a place chosen by the interviewees. These places included public restaurants, conference rooms on campuses, classrooms, private offices and common areas near academic buildings. A typical interview started with a brief welcome and introductions, and then I would ask if the individual or group would like to use English or Dari, or both during the meeting[102]. We then took time to make introductions where I explained my previous work in Afghanistan, the nature of my research for this dissertation, and my affiliation with the University of Massachusetts. I used a direct approach with no information withheld or disguised. After having spent sufficient time to build some rapport, I began asking questions about the financing of higher education in Afghanistan, particularly the current status and the prospects and sources of future funding.

During these interviews I cross-checked information from different sources to determine reliability. This was not always possible and sometimes the researcher just had to accept conflicting responses. Unfortunately, there were often discrepancies about

[102] Some of the interviewees wanted to practice English so we occasionally would start the interview in English and switch to Dari. The Pashto language was not used in the interviews.

basic facts such as enrollment levels of students or budgetary expenditures, indicating the possibility that information was not widely disbursed. Most individuals only knew information from their world of influence and not beyond, which made it more necessary to seek a broad and deep pool of actors. One conclusion I did reach is that information availability appears to be extremely asymmetric, and only those who need to know at a particular time are informed.

I did not tape record any interviews. Instead, I took written notes during the meetings. Afterwards I filled in the details from memory immediately after every interview. If I was unclear about certain points, I reviewed my understanding with my interpreter before documenting. None of the interviewees objected to my note taking during the meetings. One of the benefits of having translations is that it does give the researcher adequate time between questions to record the conversation while the translator is working. Essentially, I found that I had more time to ponder the responses at the moment.

Next chapter focuses on the data analysis results of the study. I have used a case study presentation method that attempts to organize data to answer my primary research question while also providing a "thick description"[103] of factors. According to Merriam (1985), "a case study differs from other research methods in its product. The case study results in an intensive, holistic description and analysis of the phenomenon or social unit being studied" (p. 206). Merriam (1985) also suggests several ways to present the data. In this study I have tried to use several of these techniques by organizing the data as answers to the four principle research questions, also by including the use of 'skimmer"

[103] This term was "coined by Gilbert Ryle and adapted to anthropology by Geertz (1973) according to Guba and Lincoln (1981).

summaries at the beginning of longer sections, and finally by providing analytic summaries after the data is condensed and presented.

CHAPTER 4

FINDINGS AND INTERPRETATIONS

This chapter reports the interviewees' responses to the following fundamental research questions.

(1) Does the government have the resources to support higher education?

(2) Does higher education need more resources?

(3) Where will resources come from in the future?

(4) What are the blockages that constrain the introduction of policies to allow the new sources to develop?

The chapter is organized into subheadings that pose the question then summarize the actor's attitudes and responses. I do not show the responses to question four separately; instead these are embedded in the responses to question three. The reason is that most actors had very little understanding of the problems involved in introducing new revenue sources and therefore had no idea of the blockages involved. In Chapter five there is a summary of these alternative sources and the blockages that prevent implementation of policies to encourage their development.

Does the Government Have the Resources?

The purpose of this section is to discuss the actors' attitudes related to the financial and administrative capacity of the central government. These also include general perceptions about Afghanistan society and comments that demonstrate the mood and attitudes of the interviewees about the general conditions.

The findings of the study indicate some response uniformity among actors on this question concerning government finances. Almost all actors stated that the government did not have the resources to support higher education, believing that the government had few resources and very limited capacity. However, there is considerable confusion among the participants and much hearsay without many facts given for the cause of this financial situation. Apparently, financial information is not widely publicized or distributed by the government; therefore, few individuals know the national fiscal predicament; most assume that the situation is dire, but cite corruption as the main cause and not the possibility of overspending. The following sections summarize the main findings for each group of actors.

Politicians:

The politicians are generally the most careful with their responses, rarely providing direct responses to the questions. Perhaps this is because they are not informed with many financial details since control over government finances does not seem to be their primary role. My understanding is that, being much more concerned with issues of equity and social justice, they are removed from financial considerations. I did have the impression that members in the group I interviewed were looking solely to outsiders to make a financial difference, possibly because they assumed that internal options were limited, yet they felt that they did not really understand the donors very well.

> There are not enough resources in the government to provide sufficient quality education in the country. It is not a problem of distribution; there just isn't enough. We need outside donors. If they know our problems then why don't they give us the money we need? I don't know the answer to this question.

The economic system in Afghanistan is struggling to develop with free market incentives yet with centralized government controls. The politicians see the problem as strictly insufficient funding and not a philosophical issue, while those with a free-market mindset see the entitlement mentality as a genuine concern. The question "*Why don't they just give us the money?*" underlies an attitude that rankles donors, who would turn around the question to point the responsibility in the other direction, that is, "Why don't you earn the money?"

Donors:

The donors I interviewed all had a free-market orientation and assumed that the government lacked the resources to provide quality services to prepare students for later employment. None of the donors had a clear picture of the financial condition of the central government, which admittedly is complicated. They fundamentally believed that markets were the better approach and that a poor system where students paid nothing did not make much sense.

The donors believed that the existing government funds could be used more efficiently, and that much was wasted due to corruption and lack of planning. One donor commented, "There is so much corruption in the system. I don't think anything is really sustainable." Another questioned the basic notion of service in government, "How do you change a government like this where everyone has their own self-interest as the first priority?" Still another donor, "Capacity is so weak in the government." All of these responses assume that the management problems within the ministries are making the financial problem worse.

Senior MOHE Staff:

The senior MOHE staff is the most knowledgeable about the absolute limitations in the government resources, probably because they have to prepare annual budgets and negotiate with the Ministry of Finance for more funding. This is the observation of one senior manager.

> There are not enough resources available from the government for higher education. The ordinary budget is too small and the development budget is at the whim of the donors; you can not count on this money.

However, the MOHE knows that increased funding from the central government will be impossible in the future.

> We know we need more income for higher education. But we know that the security expenses are very high here and until we can have enough taxes to cover the normal [operating] budget we cannot control our own future. We depend on the donors for our operations. I think the number is between 40 and 45% [of the operating budget].

Also, funding will not be used for quality improvements in the future. Typically, the MOHE budgets for many quality inputs but the MOF rejects these requests. As a result, the MOHE usually only receives about 60% of their annual request, enough money to pay salaries and student subsidies.

> We just cannot convince the Ministry of Finance to fund quality related expenses. They say they do not have the money. They just refuse our requests and I am not sure on what basis.

The leadership at the MOHE is knowledgeable about the financial difficulties of the central government. They understand that additional resources will have to come from other sources but have been reluctant to embrace a completely free-market approach, preferring to find a mixed solution that keeps centralized controls.

Senior Administrators (Private Institutions):

This group of education leaders is the least concerned and knowledgeable about the financial capacity of the central government for obvious reasons. The general opinion of this group is that management inefficiencies in the government have led to waste and corruption. According to one founder at a private institution in Kabul, the problems in management are related to the political nature of all decisions in the country.

> Everyone here in Afghanistan approaches things from a political view; there really is no professional bureaucracy to run the country. All decisions are based on social pressures and not on planning or needs analysis. There is no professional input. The government officials who are making decisions without knowing what is going on except for the political and social pressures. As a result, everyone acts from their own prejudices and limited knowledge.

Senior Administrators (Public Institutions):

This group is also very aware of the limitations in the central government financing capacity. One administrator commented that the money from the government is "so small". The leadership in the institutions interacts extensively with the MOHE senior managers and knows about all the difficulties in procuring funds. However, since they are one step removed from the central government, they also put some blame on their intermediary, the MOHE, who they believe cannot effectively negotiate with the central authorities. One comment summarizes their position. "I don't believe we will ever get much money from the government. We have to look elsewhere." This group is overwhelmingly in favor of free market approaches to finding new financial resources.

Instructors:

There is no unified position among instructors. Many believed that the government was corrupted and had sufficient funds but just did not use them efficiently; some believed that there were insufficient funds; almost all had no real systematic understanding of the financial problems. They only surmised the problem based on rumors and supposedly obvious evidence.

> Yes, look at all the building and money spent on projects. Look at the minister's salaries; they are much higher than professors. I remember when professors were paid more than ministers. There is plenty of money in the government; it is just not distributed well. The money is being put in places where it should not be. I don't know the amounts but the evidence is there to be seen.

Instructors generally believed that there was also mismanagement in the government and the MOHE although they had less direct information and contact with both organizations. They leaned toward more autonomy and free market solutions.

Students:

The students have the least knowledge of the financial problems in the central government. The overall feeling is that the government did have the money before, but wasted it through corruption and mismanagement, and now they don't have enough.

> We don't trust this government to do anything good for the people now. They are corrupt. Where did all that money from other countries go? The donors gave billions to Afghanistan and there is nothing to show for it.

They not only showed disbelief in the government's capacity but indicated strong concerns of the financial future of the country.

> The government is not capable of controlling itself, never mind helping the rest of the country…. Corruption has wasted all these funds. We have

> borrowed this money and we will have to pay it back with interest. As a result we will all be poor in the future. We can not pay this money back at any time.

The students generally feel that poor management in the government is the real problem. There is a sense that the government wasted the opportunity when the resources from donors were available and now no one trusts them to act prudently and in the interests of the people.

> This government could get enough money to keep the universities tuition free but they have problems: first, they are not good managers. There is a poor system for collecting taxes. The financial management system in this country is weak. Right now the citizens in Afghanistan with money hide it from the government because they do not trust the government to use it well.

Many of them do have the growing realization that eventually students will be asked to contribute something.

> The government has no money now and that there are not many ways to get more money.

Nevertheless, the students still hold onto a different vision; they are not proponents of a free market in higher education.

> We want the system to be socialist like in the rich countries of Europe where there is free education and health [care] for everyone. But we know that the economy is not strong enough to support this. When the economy gets strong then we can do this.

Some students are even nostalgic, looking back on the "better situation" in the universities "when the Russians were here" because "socialism was better for us". Overall, students are in favor of strong government support, but they want better management to make the system work. As one student noted, "The government is responsible for the problem. Who else can do something about all this?" Students are

savvy; they understand that the free market approach will most likely mean that students will have to contribute to their own education. Most are hoping that the central government can keep it free.

Summary Discussion on Government Resources

The interview results show that politicians, donors, the MOHE senior staff, senior administrative staff in public institutions, some instructors and most students believe that the central government has a problem providing adequate resources to higher education. All the non-government actors claim that the problem could be mitigated if only the government managed the existing resources better. The donors, the senior administrators at private and public institutions, and the instructors believe that the solution is not a better managed government but a system that is based on free markets and less government intervention. The senior MOHE staff members are more divided, preferring a mixed system of centralized government functions and free market autonomy for the institutions. The nature of this mix is undecided.

Does Higher Education Need Resources?

While the answer to this question may seem obvious, an opinion about the need for resources depends on several factors. Using a simplified "gap analysis" framework, the following questions should be considered to arrive at a more definitive answer.

- What is the current status of higher education?
- What is the vision for the sector?
- What resources are needed to bridge the gap between the current situation and the future goal?

Concerning the current status, all of the actors mentioned that the main problem in higher education is the low quality, although different groups emphasized different aspects of this problem. The major issue that prevents clarification of financial needs is the lack of a common vision for the sector. The MOHE has not produced an updated strategic plan since 2005, and the latest one was admittedly too politicized to be ever implementable. Today, there seems to be several fundamental vision conflicts that have to be resolved. For example, the central government wants to increase enrollments, yet the institutions want fewer, better prepared students; the MOHE wants to maintain an unspecified level of control, yet the institutions want an unspecified level of autonomy. Until the vision is clarified, the need for financing will be vague.

The answer to the question "Does higher education need the resources?" encourages the actors to reflect on the role of the MOHE and its capacity to manage resources. In this centralized system, the MOHE has the responsibility for formulating the sector vision, along with defining the current problems and planning the needed resources to achieve the vision. Most of this section reports the actors' attitudes and opinions about the capacity of the ministry to fulfill this role.

Politicians:

Politicians not only know that the quality of higher education is low because they do hear about the problems from their constituents, but also realize that the ministry has little funding,

> [We are] not really happy with the quality in higher education. … About one year ago a committee asked the MOHE to improve the curriculum. The MOHE agreed to try but they said that they did not have the resources to achieve the results.

But they also have the impression that the ministry does not have the capacity to manage the funds, or at best, inefficiently plans the use of the funds it does receive.

> One of the problems is that we all know that the higher education budget is small, but do you know that this ministry doesn't even use all the money? I know because they came to us and said why we don't put the money into a medical facility at Khost at the end of the year. They said we have the money in the budget but we don't know where to spend it. Isn't this an indication that they cannot manage their existing money?

It is not possible to find the facts to support this story. Even if it is only partly true, the perception remains that the ministry cannot plan for the system. Until it can publicize the true facts, the negative image will prevail.

Donors:

International donors believe that more resources are needed in higher education to improve the quality. Since their fundamental bias is towards market solutions, they believe that a smaller, efficient MOHE along with more autonomous institutions should be the general direction for the sector. This vision may be in conflict with the MOHE vision of itself, though the evidence is not clear. In the conceptual donor model, the MOHE has more regulatory than operational responsibility for the sector. To the extent that the MOHE shows an interest in transforming into a regulatory body, international donors are willing to provide more resources for higher education. Conversely, to the extent that the MOHE wants to provide centralized operations, the international donors are less likely to provide funding.

The international donors may be weary of building capacity in the ministry. It is not clear that the previous technical assistance has been effective.

> There is no real capacity building. The people who work in these ministries are not well-trained, work in jobs as political appointees, have no background for the work and have the wrong idea about capacity building to begin with. Their idea is "show me a way to do my job easier, not better". The idea is how to spend less time working.

Donors reported that they had already attempted to update ministry procedures and train personnel. However, they believe the ministry remains fundamentally resistant to change. According to one bilateral aid donor to the MOHE, the ministry wants the "donors' money" not for "real reform" but "basically to build an empire" with "more bodies and things" because they equal more power.

In general, international donors are hesitant to finance and develop a centralized system that continues to expand without improving quality. They believe in managing the existing resources more efficiently. Several interviewees reported that it is impossible to build high quality in all the institutions and those scarce resources have to be prioritized and allocated efficiently.

> We should concentrate our resources into five or six universities to build quality. There are at least four universities that in my opinion should not be in existence and the others should be absorbed. There are now four new locations that are demanding a HE institution[104], such as Helmand[105], but this doesn't make sense. They can not even keep their students in the primary schools.

Overall, donors believe that more resources are needed for higher education, but not from them in the long run. They will not finance increased enrollments in higher education, as they will in primary and secondary education levels.

[104] After the interview with this individual, these four institutions were approved along with new faculties at other locations.
[105] This province is primarily known for growing poppy and for Taliban related activities.

Senior MOHE Staff:

The MOHE acknowledges the quality issues in higher education. While the institutions believe that autonomy is the tool that should be used to solve this problem, the MOHE believes that the system can work if only they received the necessary funding to do their job, and if there were support from all the actors. The MOHE feels trapped between the limited funding from the government and the unreasonable demands from the institutions.

> Clearly there are insufficient funds coming from the government under this system. The budget is about 25 million USD annually for all 22 institutions. That works out to be one of the lowest levels of expenditure per student in the world. We would need a budget of 250 million (USD) to really improve quality and capacity. If that low level is not bad enough, 70% of that amount is spent on non-instructional costs, particularly subsidies for student dorms and meals. Currently 27,000 students use the dorms throughout the system. The other 30% is for instructor's salaries. There is no money for other university activities such as buying books, buying lab supplies, etc.

The finances are grim, but theoretically could improve if the MOHE received more political support, as one MOHE official stated that they need support "from the top". He meant that the ministry needed more money and just as important, the ministry's decisions needed to be supported and not bypassed through the process of special decrees from the President's Office. Ministers and senior staff complain that if they decide to make a stand on certain principles, or because the decision is justified according to a plan for the "system", they can be overruled easily "from the top" due to some special pleading by an influential person. The senior MOHE staff believes that if only the actors in higher education would understand and support the existing policies then the present system could work. Here is an example from one MOHE official.

> I had a top military commander here with an instructor from KU and they were asking for a special favor that was essentially illegal and against our system. I told them to think about what they were asking me to do. They did not see anything wrong with it because they were just pursuing their own interests. They were not thinking about the system and other people, just themselves. This is what has to change. We need to make a national announcement of the way we will operate so that everyone knows and consequently no one will seek special treatment. This is the change in attitude we need. All day long I have to deal with things like this, and we have no time to think strategically or to get to the really important matters that could change things. It is frustrating.

This combination of a culture that endorses special pleadings and a Presidential Office that has the power to override any efforts by the ministry to plan and implement a centralized system has corrosive effects. It undermines the authority of the ministry because individuals and groups can circumvent unpopular decisions. From the ministry's perspective, there is little point in investing time or money to plan an efficient system when a political decree can open additional universities, enrolling more students, with minimal funding[106].

The MOHE understands this problem but has no control.

> The shortage of resources is due to inefficiencies in the system. We have too many higher education institutions. If we had fewer then we would have more control over the processes and this would mean less waste. These institutions were only opened to meet political needs and now we are trying to support them.

Consequently, due to the authority structure, the MOHE can never address the primary problem of quality, and they know it.

> Right now in Afghanistan, the MOHE can not stop to consider quality. There is too much pressure to increase the number of people who can attend college. Now we are all so concerned with the numbers; there is no quality.

[106] As more institutions are opened, the overall budget for higher education increases proportionally with the average costs of the new students. There is no additional funding for quality inputs.

The political reason for opening these universities is also the likely shared understanding that none will be closed or merged with other institutions in the future. The MOHE also knows this is an unrealistic option. This leaves the MOHE in a predicament. The ministry would like to increase quality by managing enrollments more carefully; however, they have little control over politicians who want to keep opening new institutions. Unfortunately, the MOHE receives no additional funding from the central government to improve quality. Consequently, they have to look for help from the donors, who philosophically are not in favor of increasing enrollments of free students in higher education and are reluctant to provide funding until the MOHE shows that they can manage access.

Senior Administrators (Private Institutions):

The senior administrators at the private institutions generally had no opinion on this topic. None of these individuals are part of any discussions between the ministries and the central government concerning budgets or quality issues in the public sector.

Senior Administrators (Public Institutions):

This group has a completely autonomous vision for higher education. They believe the low quality is the most significant problem and that the low financial support from the government correlates positively with this condition. This group philosophically does not support a centralized system; therefore, they also do not support any increased resource funding for the MOHE. They believe that even if the MOHE had financial support, they still could not support the institutions in ways needed to meet the

global competition. Fundamentally, they believe that the system has to be changed to allow each institution to find more resources.

> We are trying to hold onto an old system when our society is changing to another one. We have an old system that used central planning, where the government has a monopoly on education provision. This is true for other ministries in other sectors too. This is changing however, because the framework in our society is changing to a free-market system. If the whole framework in society is changing to a bottom-up market-based orientation then the education sector can not remain isolated in an old system that no longer represents the desires of the people in a decentralized, democratic society. We have to change but the education system with its centralized control is still living in the past. The foundation for the current Afghan education system is based on a nineteenth century idea and it is not compatible with globalization. We need to redo our foundation.

A senior administrator questioned the ability of the MOHE to respond with more efficient management.

> I remember the universities were different 40 years ago; today they have to operate like businesses. They have to be efficient and connected to the outside world and its needs. I don't think the people in the ministry really know how the model of universities has changed in the world today; they are operating under an assumption of a different system.

Some even wondered about the functions of the MOHE and the nature of its existence.

> Why do we really need an MOHE? We need our autonomy. We only need a small group that would make policy for the whole system.

Most of the members I interviewed from this group were unsympathetic to the arguments made by the ministry officials. For this group, autonomy was the goal; they had no faith in reforms or capacity building efforts at the MOHE. They thought that the donors favored their position and looked in that direction for support.

> It's a problem of management [at the MOHE]; there is no capable management. I think the external donors have to force the MOHE to make the reforms. It will not come from the inside.

The senior administrators at the public institutions believe that the tool needed to solve the problem of poor quality must be capable of changing the entire system; autonomy will disengage the institution from the MOHE that cannot meet their needs.

Instructors:

Instructors believed that a significant problem in higher education was low salaries and the lack of teaching materials. Many of them knew that they needed to upgrade their own knowledge levels but they also knew that there were few resources to do so. In general, the instructors had limited knowledge about the MOHE and the higher education system. I believe most of them had second jobs and were more concerned with maintaining their current hours of teaching at the university and therefore were suspicious of changes to the status quo.

Students:

Students are not satisfied with the quality of their education. They have numerous complaints about the lack of materials, poor conditions in classrooms, instructors with old knowledge and books that are outdated. They do not understand the vision for higher education, or how finances might be connected to these problems, yet they suspect that with the move to a free market system, student fees are possible in the future. They are in a quandary: they support state-funded free education but also know that the government has few resources to improve quality.

The students generally reported that they understand very little about the MOHE and they feel that the MOHE does not understand their issues.

> The MOHE is just busy typing documents and doing other things but they really don't know what is going on a campus.

The students feel that the MOHE and the donors are completely inaccessible to them. They feel hopeless because no one will listen to them or use their ideas.

> We know the administration is afraid of students organizing because of the potential political involvement of students. We feel the administration is deliberately inaccessible for this reason.

Summary Discussion on the Need for Resources in Higher Education

This direct question expanded into many discussions about the purpose of higher education and the resources needed to achieve that goal. Generally, all actors recognized low quality in higher education and they also believed that increased quality levels should be the goal[107]; however, the means to reach this goal were disputed. Until the methods are clarified, it will be difficult to assess what resources are available and what is needed to achieve the goals.

Currently, two methods to achieve higher quality and more access are currently being discussed among the various actors. One envisions building the capacity in the existing system, while the other is more revolutionary aiming at dismantling the existing system and giving the universities the autonomy to make their own decisions. The MOHE is reluctant to grant full autonomy to the institutions. They have reasonable concerns about fairness and corruption. However, according to skeptics, the MOHE also

[107] Some wanted accredited institutions; students and instructors wanted faculties with more knowledge (and advanced degrees).

has an unreasonable interest in their own survival. The responses from the institutions indicate that they strongly believe the ministry cannot be reformed. They believe they can do much better at managing their own institutions than what the MOHE can possibly do.

The MOHE has a clear role in the future of higher education, even if they do not articulate this well to the institutions. The ministry does have three useful objectives: first, to ensure a fair and equal distribution of higher education resources to the citizens of Afghanistan; second, to maintain the quality of the system; third, to ensure a system without corruption. Many doubt that the ministry can reorganize and upgrade to meet the requirements for managing a new system where institutions have more autonomy.

Complete institutional independence may never be possible. As long as the government provides some level of funding they will have to regulate the activities in some manner, or be convinced that the institutions have created a system to ensure the fair allocation of government resources and the quality of the service provided. The ministry believes that almost none of the institutions are ready to be autonomous, citing the lack of administrative and financial capacity. For example, one MOHE official retorted, "Look at KEU; there have been five rectors in the last four years. There is no competent administrative staff."[108]

Can the ministry be improved or is it structurally deficient to meet the needs of the institutions in a free-market economy? Consider the current problems within the ministry. The "hands on" management style at the ministry results from the lack of trust and the lack of management skills in a large-scale bureaucracy. My observation is that

[108] Even Kabul University does not have the existing financial expertise, although they have the basis for a staff as a result of the World Bank capacity building project (SHEP).

the managers at the ministry are essentially smart, reform-minded people who worked previously as deans or department heads at higher education institutions where they had very little experience managing large operations. When they are newly assigned to the MOHE, they have no previous experience with the MOHE departments; they do not fully understand the intricate operations as a whole; and the steep learning curve combined with the daily numerous small decisions leads them to believe that the system remains chaotic and even unmanageable. This lack of understanding could create the need for control.

Also, senior staff members justifiably fear corruption. Unfortunately, just when the senior members have sufficient experience to perhaps distribute management responsibility they are typically replaced. In the past five years there has been significant turnover in the MOHE senior staff levels. Overall, the problem is that the existing management team and the ministry advisors, while sincere in their efforts, perhaps do not have the experience and the knowledge to build a management team and structure that allows them to gradually disengage from operational activities and designate them to the institutions in a clear, planned, efficient manner.

The structure may be the problem. High ranking ministry officials and advisors at the senior levels are *outsiders* to the MOHE. They are not promoted through the ranks, but instead are political appointees who are potentially beholden to some other authority. These officials often arrive with good intentions. Generally, they diligently attempt a reform-minded agenda and ideas to make the system function more efficiently. Overall, they understand the critical lack of resources and try to work with the institutions and the donors to increase the flow to the institutions. Unfortunately, they do not remain in these

positions for long, but are replaced often, leaving few remaining policy structures and systems behind. One group of instructors provided their analysis.

> When our leadership changes everything goes with them, nothing remains. All the policies are attached to the person.

The assumption is that it was the selection of the person not the system that was wrong.

> Remember in Afghanistan we believe in the person not the system. I guess we did not have the right person leading the effort.

Meanwhile the middle-management and the civil servants in the departments have their own agendas and reasons to resist change.

My interpretation is that there are two visions at the MOHE. The leadership may have a progressive view, while the more resilient view of the rest of the bureaucracy believes in the status quo. The latter group just has to wait out the tenure of any really radical leaders because they know the system and they know that the next leader will need time. In fact, they have little interest in creating a new system because they are comfortable in their ways, and want to avoid large scale changes.

Overall, there is a role for the ministry as a regulator and policy advisor, but the institutions have not clarified their position, and neither have they made their objectives clear to other actors. The ministry may not have the skills to transform itself considering that transformational management team requires particular skills, a clear strategy and vision for the higher education system, and the power to create incentives to make it all work. This means that greater financial resources will be needed apart from a reorganization of the existing uses of funds.

Where Will the Resources Come From?

This section is divided into thee potential non-state sources of income, donors, entrepreneurial activities, and parents/students. For each potential source I report the responses of the actors and then provide a summary discussion.

Donor Funding

Higher education in Afghanistan depends on external donors for two types of support, for development projects and for current operations. These external donors have been responsible for both types where the development funding has rebuilt the higher education infrastructure in Afghanistan, and the operational funding continues to partially support salaries and student subsidies. Typically, development funding is generally negotiated directly with the donor by each institution while the operating funding support is provided through the centralized Afghanistan Regional Trust Fund (ARTF), an entity set up with the purpose of pooling donor funding from governments to be used to support strategic initiatives and the operating budget of the country. The participants in this study were almost all unaware of the ARTF and its operations with the exception of only one interviewee who knew that 30% of their monthly salaries came from the ARTF and therefore were gifts from donors.

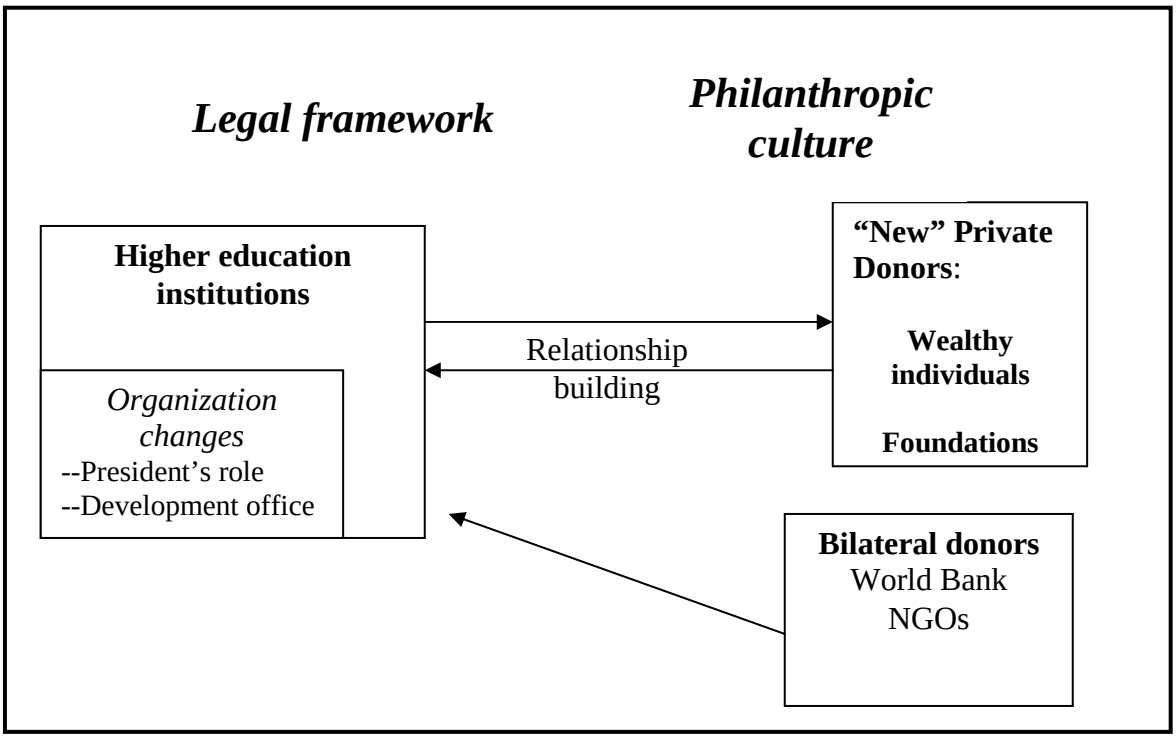
The participants were more familiar with development funding, that is, projects involving new buildings, but only a few individuals at the institutions knew details about this funding source. This is understandable since international donors have generally worked directly with only individual chancellors at the universities to decide on capital projects; therefore, most of the actors in this study, including almost all the senior administration at the MOHE and the institutions, have no first-hand knowledge of donor

interests, limitations or plans for future donations. The MOHE would like to be more involved in the coordination of these projects; however, the institutions generally pursue their own relationships. Consequently, the effort to find development funding is largely haphazard and ad hoc at both the institutional and the ministry levels.

Judging from interviews with these donors and the dwindling funding for the "core" development projects in the higher education budget, it appears that the golden age of development funding has nearly ended. Donors believe that most campuses have an adequate number of buildings to hold classes. According to these donors, their intention is always to provide sufficient resources in the form of physical buildings to restart operations; afterwards, the Afghan government have to fund the sector at appropriate levels. If this interpretation is correct then institutions and the ministry will have to reset their expectations and begin to change their approaches and organizations to attract a new type of private donor from inside the country for development projects, or seek other sources of funding.

The following chart illustrates the basic ingredients needed, according to the literature review, to create a successful private donor program. Essentially, the institutions have to specifically organize and spend money on staff and an office to build this source. They must create a legal climate that supports donations and build relationships with their donor pool. Based on the participants' responses, we can determine if they are looking to this source of funding and what needs to be done to develop this source.

Figure 10: Factors Affecting Donor Resources



Politicians:

The reluctance of bilateral donors to continue giving large donations may cause readjustment problems within the government and higher education. This is understandable. In the past seven years, the contributions for new building and renovations probably exceeded one hundred million (USD)[109] throughout the higher education institutions and the MOHE. This represents the largest influx of buildings in higher education in the history of Afghanistan, and it will not be easy to adjust to much lower levels of generosity. It appears that some Afghan politicians were counting on the continuation of these gifts.

> If the donors do not want to give us the money then I wish they would have told us that a while ago. Then we would possibly have found another

[109] The actual figures are unknown because these construction activities are all done by individual donors and the information is not aggregated anywhere.

> way. Now we rely on the donors for the money; we have not developed alternatives.

Arguably, a welfare mentality exists among some groups. Another interpretation is that the Afghans wish they knew the donors' intentions so that they could have planned better to replace the decreasing funding from this group. Based on the interviews there is a growing realization that the future will be different; however, the politicians are generally ignorant of potential options.

Donors:

In this section I distinguish comments from two sets of donors: the bilateral international agencies and a "new group" of philanthropists consisting of Afghan corporations, wealthy businessmen and foundations. The first group operates outside of the legal and accounting systems of the country while the new group must conform to the legal and cultural environment. At least one bilateral donor is preparing the institutions to find resources from within this new donor group.

> We are introducing a program at each of the universities where they will receive instruction in how to apply for grants and scholarships, etc. for their university. We hope that they will be able to submit these requests to donors to raise enough money for the equipment and things they need. If they can do it then they might have money for quality. We think the universities can raise quite a bit of money this way.

The institutions will have to become more aware of the donors' interests and the perceptions in society that support or hinder giving. One member of this new donor group explained his concern.

> One of the concerns we have is how much to publicize the good work we do with these donations. We are worried about some backlash where people say we are only doing it for the publicity. That is not our intent but

> we would like to have some recognition in a small way that we are trying to help.

It turns out that the legal framework presents the greatest difficulty in attracting more resources from internal sources. One donor from this new group who tried to make contributions found that the authorities saw the transactions quite differently.

> Instead it feels like we are often hassled by the government for making gifts. You see the Prosecutor's Office said we were contributing to corruption so they made us come in for questioning. They asked our entire senior staff of the company to spend a day answering questions, yet they asked us nothing. We just sat around waiting and wasting time. We are not trying to influence anyone. Basically we would like to give donations to the government but they are too difficult to work with. They don't understand this idea of making donations.

Because the framework is missing, donors are reluctant to become involved with public institutions and instead prefer to deal with private institutions even though they suspect that the sustainability of the private institutions is questionable.

> The legal environment does not support donations to the government. We gave a gift to the university and these were suspected by the Solicitor's Office to be bribes or some type of corruption. As a result of our efforts to be helpful I had to go answer all sorts of questions from the prosecutor and wasted so much time with them. I prefer not to do that again.

These donors do not really know much about what is really needed at the institutions since their relationship is typically only with the chancellor. They would like to help as directly as possible and to see their gifts used carefully and with a good purpose, but they do not really have much connection with the institutions to find out what types of gifts could be most helpful. One new donor heard that some scholarship students did not complete their studies in India because they could not afford some living expenses, he expressed that if there was "better coordination and more communication", they could have contributed "some small amounts" for the students to finish their programs. He had

the impression that the government neither supported business nor made any effort to legally incentivize him to make these donations.

> I would like to see more sensitivity by the government for the good work we are trying to do in this country. The government does not make it easy to operate here; they think we are trying to do something wrong. We are just trying to run a business and they make it difficult. I don't think there are even tax benefits for us to make these donations.

Senior MOHE Staff:

The MOHE had a prominent role with bilateral donors but this is not true with the new group. The ministry has not clarified their role in developing new donor relations. One senior MOHE staff member noted that the ministry had "not asked anyone to make a donation," indicating that there is no effort at the MOHE to raise money from private individuals or corporations. The ministry is not organized for this task. Perhaps this fundraising should be done at the institutional level where donors can feel more directly connected and influential.

The ministry recognizes the financial importance of the bilateral donors but dislike the policy "recommendations" that come with such funding.

> Donors dictate what is good and bad for Afghanistan. They decide to build a dam we accept it (the U.S); they decide we should plant cotton, we grow cotton (Russians); if the Chinese decide we need to do something we will do it; if the Indians decide something we will do that. We just don't evaluate these things as to whether we think they are good. Of course they have plenty of money attached to them.

It is not clear whether the ministry recognizes the need for developing this new donor resource. Most likely they believe the prospects for large gifts from the new donor group are low and therefore not worth the effort to develop the legal framework and the organizational structure to cultivate this source. The MOHE staff acknowledges that

private institutions can raise money from donations because they “depend on this money”. The public sector, however, somehow has been excluded from this option or these gifts.

Senior Administrators (Private Institutions):

These administrators are keenly aware that they need gifts from the new donors to fund operations. With the exception of one private institution, the rest are all funded with bilateral aid. Several of these institutions are funded with private funds from outside the country; others are seeking to raise money internally. I did not study the organizational fundraising efforts in these institutions, although one finding does emphasize the expectations from this funding source. One of the private institutions hired a president who spent the majority of his time in the U.S. fundraising as his primary, official responsibility, but was later fired for failure to garner sufficient funding.

Senior Administrators (Public Institutions):

The public institutions are used to pursuing potential donors. The chancellors already spend considerable time talking with potential sources, asking for buildings and other physical assets. Many of them are confident that they can raise more money if allowed to keep the cash funds. They often see the MOHE as a hindrance.

> Because the money from the government is so small, I have made many affiliations with outside donors myself. My team writes 15 to 20 proposals yearly with the help of my staff. I get projects here and ask, not for money, but for things like a building, equipment, a wall pained, etc. I don’t want any money [for myself]. There is no corruption here because we have no money to spend.

The administrator who made this comment, like his counterparts in other public institutions, approached the bilateral agencies and the NGO community for funding in

forms that are outside the government and ministry legal framework. This institution is one of the few that does have an organizational structure that would allow them to switch sources to new donors if the legal framework was clarified.

Instructors:

Instructors have no relationships with donors, and there is no expectation that they should, now or in the future.

Students:

Students are completely removed from donors. They can only guess at the motives for donors to contribute.

> Businessmen will make contributions too if asked and if they see the quality increasing. Everyone wants to be attached to something good. If the quality is low then no one will help.

Summary Discussion on Donors as a Funding Source

The higher education institutions completely rely on the generosity of multi and bilateral donors to rebuild higher education facilities and to provide the basic minimum conditions for teaching. Without their assistance in the past most institutions would not have the necessary facilities to function and there certainly would have been no enrollment expansion under the current levels of government funding. There are many examples at every institution of donations from international government agencies, such as the World Bank, USAID, DfID, CETA, AFD (French), GTZ, JICA and others, all in the form of “in-kind” contributions. The period of large donations appears to be over.

Other potential donors are just beginning to make gifts. There are a few examples of wealthy individuals making charitable donations; however their gifts remain small,

possibly for the following reasons. First, most institutions are unaware of how to develop these sources; second, wealthy individuals have not been forthcoming, preferring to remain unnoticed in a society prone to kidnappings; and, third, the legal framework does not exist. For example, such gifts are not tax deductable and, in the extreme case, appear to look like bribes, thereby requiring investigation by the Prosecutor's Office.

Entrepreneurial Activities

Entrepreneurial activities involve many types of relationships between the institutions and the private sector. The type of permitted partnerships and commercialization ventures will still have to be decided and a legal framework written to allow these activities.

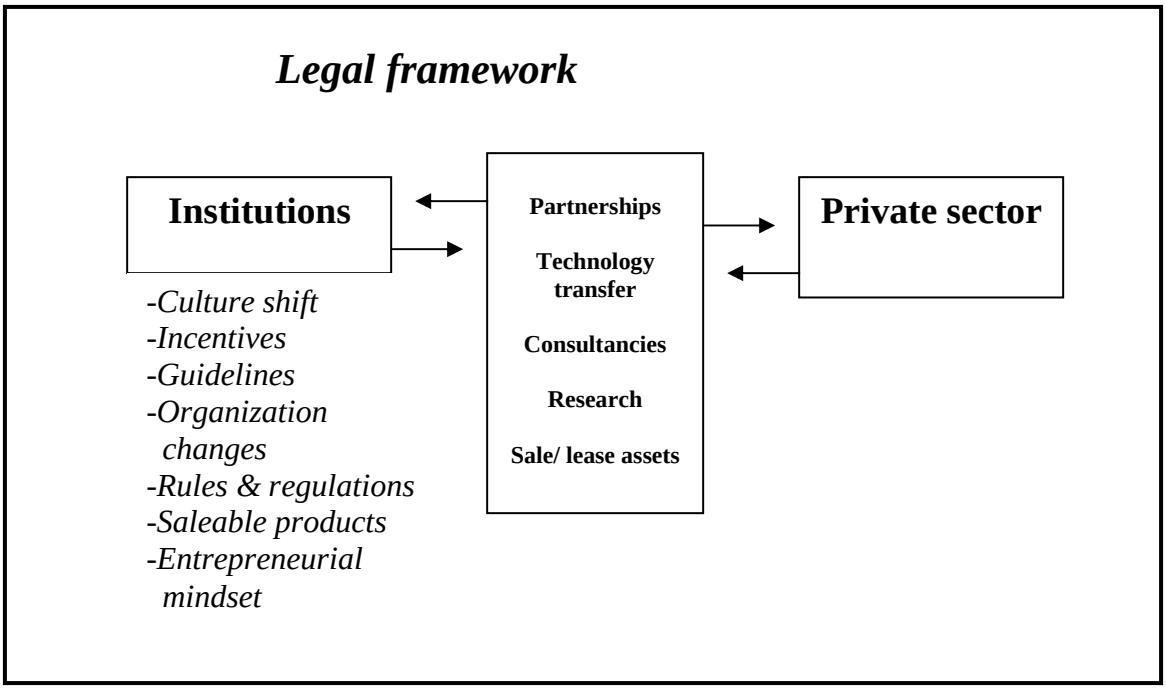
> One of the problems [in developing this resource] is the weak legal framework for making partnerships between the universities and the private sector.

Currently, the weak legal framework constrains the development of this potential source of finances.

Nevertheless, institutional support for entrepreneurial activities has increased. Institutions are using this potential resource as the lever to pry more autonomy from the centralized structure. The following figure highlights important considerations derived from the literature review on this topic. The main issues in introducing commercialization to higher education include: the necessity of broad agreement among the faculty and administration on the mission of the institution, which may require a culture shift; the creation of an acceptable incentive structure for the actors; the creation of a legal framework with regulations covering activities and codes of conduct; and a

move to identify and to conscientiously develop saleable products which involves closer ties with the private sector.

Figure 11: Factors Affecting Entrepreneurship Resources



Politicians:

Politicians do not see the urgency in developing the laws to allow the development of this resource. Members of this group are unconvinced that the faculties have much to offer the private sector and they believe that the instructors are not entrepreneurs who have the natural inclination to develop these activities.

> We can give the universities more authority to raise money on their own but really it is too early for that. How can they sell their knowledge and services when they don't have equipment and sufficient resources themselves to create this useful service for others? I think the mindset also has to change.

Donors (Private Sector Partners)[110]:

External bilateral donors and Afghan philanthropists support the development of entrepreneurial activities at the institutions; however, bilateral donors have shown no interest in becoming partners, a point that the institutions frequently claim leaves them in the position of supplicants. Afghan philanthropists and businessmen I interviewed might like to become business partners since these individuals own businesses that might benefit from a commercial arrangement; however, as the findings indicate, these individuals are not convinced of the financial rewards.

Currently there are very few true partnerships between the institutions and the private sector. Most of them must be considered more like donations at this time, either because the contractual arrangements are not specified or because the private sector sees these more as gifts. Some potential partners have great difficulties trying to originate partnerships with the institutions.

> As for real partnerships, we don't have any. I would like to see these in the future but this is not the time. These universities can not even handle the donations for a tea house, how can they be real partners? I don't have confidence in their ability. They are the government; they don't know what a real partnership means.

Some private donors want to see "long-term relationships" that involve more returns rather than "short one-time gifts".

> This [recent effort to give money and begin a relationship] was goodwill on our part. We don't really see much business coming from it. We wanted to help. We were asked to contribute, so we did. .

[110] To be consistent I am referring to this section as "donors" but some of these participants were also potential partners from the private sector.

One donor from a large financial institution did not see much practical benefit at this time because “real partnerships are still a long-time in the future”. Realistically, without any marketing studies, institutions may not have much to offer just now in the way of particular expertise to sell to the marketplace.

> We really don’t need lecturers from the universities in our profession; we need specialists in finance and banking. The university is not connected to our business in any way. We feel we have to train our own employees. In fact we are setting up our own education institution to do this.

Senior MOHE Staff:

The ministry recognizes the institutions’ desire to begin these entrepreneurial activities; however, the interviewees indicated that no person or group at the MOHE is charged with evaluating the processes needed. Officials understand the theoretical benefits and they are generally willing to support the efforts to begin the relationships with the private sector but “there is no one to write the laws”. According to those interviewed, the ministry does not have the capacity to develop the needed rules and regulations, laws and guidelines to advance this activity and does not possess the political capital to propel this change through the required channels at all the other ministries that have to approve the changes. The MOHE is not really organized to support this type of radical change. There are no systematic efforts to review the possibilities and the needed structures at the institutions to develop this source.

Senior Administrators (Private Institutions):

None of the senior administrators interviewed indicated that they had any partnerships with the private sector at this time.

Senior Administrators (Public Institutions):

As I mentioned earlier, this group of actors is leading the effort to start activities. The institutions all support their desire.

> If we were independent we could raise money here. This would be good for the government for three reasons: first, it would reduce the financial load to the government; second, the professors would be motivated to work and be active; and third, the faculty would develop more which means that the students would receive a better education.

It is believed that partnerships are necessary for the students.

> We have to build a connection between our universities and the private sector, businesses, because we want our students to have jobs when they graduate.

None of the institutions had done any marketing research to determine what the private sector want or what the institution have to offer to enter into mutually beneficial relationships. Most participants assumed that they could develop this marketing plan over time if they had the legal framework to do so. The institutions may be over-valuing this potential source of funding, while the donors that I interviewed were not as optimistic in the short term. Unfortunately, I was unable to meet any potential partners who might explore agreements with the engineering or agriculture faculties, the two most often recognized as potential university partners.

The members of this group have not thought extensively about the organizational changes or incentives needed in their own institutions that might be used to develop this funding source.

> Overall the faculty members like the idea of making more money but they have not thought through the issue very much. They see the next step where they can possibly make more money for themselves. What they don't see is the eventual

> expectation that they will have to make money from the outside for the university, if they go down this path.

Instructors:

According to the literature, opposition to entrepreneurship can be both ideological and practical. Research shows that many faculty members and administrators have an uneasy relationship with the private sector, fearing the loss of academic disinteredness and also the loss of the egalitarian society within the academic community. This does not appear to be a problem in this context so far. None of the interviewees noted any concerns with the commercialization of higher education; they just wanted the freedom to begin these personal relationships with the private sector. For some faculties, the problem is more practical because they do not feel they have the same ability to earn money as others and they wonder if they will become less important to the administration.

> I am afraid that other faculties will look jealously at the engineering faculty since they will make more money. This will cause problems.

Even though the instructors are in favor of these activities, they are not hopeful that permission will be granted soon. They know it will take time to discuss the issues among the different ministries.

> The idea [of entrepreneurial activities for faculties] sounds complex. There are many pieces that would have to be considered---and not just by the ministry, perhaps the Ministries of Finance, Justice and the President's Office would have to be involved. All these deliberations take time, partly because every ministry is so busy.

Students:

Although the students interviewed were generally supportive of efforts to develop this potential resource if their faculty had the opportunity to enter into financially profitable relationships, there were some reservations. Those in the faculty of engineering were very supportive of partnerships while those in the Dari literature department were not, primarily because each group had a different view of the practical possibilities to raise more income from such arrangements. The engineering students thought that their department would benefit if the instructors could enter into many outside contracts with private companies to provide services, and that the instructors would be willing to stay and teach at the university instead of opening outside private consulting firms if the instructors had sufficiently high salaries derived from augmenting these salaries with outside income from partnerships. A group of engineering students suggested what they thought would be an acceptable business relationship between the institution, the private sector and the students.

> If an instructor could make an additional $400 USD to $500 monthly above their government compensation then this amount would be adequate, …[and] if an instructor could make 20% of any contract amount.

They would like to see these instructors then hire fourth year students to work on their contracted projects as a kind of internship program.

Other students saw these partnerships as a way to generate more income for the institutions thereby allaying any need to charge students.

> Instead of getting money from students, faculties should have agreements with companies to provide services. This is the way the university should get more money, and it would have the result of increasing quality.

One commonly perceived benefit, according to several instructors, students and one donor, is that part-time instructors may be able to work full-time at the institutions because of the additional funding received from partnership activities.

> Now, almost all faculty members have outside jobs where they earn extra money. As a result they only come to classes to teach and then they leave. Often they are very tired when they are here in class.

Several members of this group estimated that about 60% of the faculty at KU had outside jobs where they made additional income for themselves. Technically, such second jobs are prohibited, but the rule cannot be enforced. It may be that instructors like the idea of partnerships solely because they can earn more income legally, not because they envision sharing it with the institution. The incentives and the rewards will have to be considerable for instructors to give up their second jobs and enter into partnerships where part of the income goes into the institution and where the institution has control over the terms of the partnerships. The institutions and the ministry are only beginning to discuss possible incentive systems.

Summary Discussion on Entrepreneurship as a Funding Source

In 2008, no operating income was derived from partnerships in any higher education institutions in Afghanistan, yet this promising income source has become an idealized financial solution according to most institutions. This possibility stands out as the main issue for 2009, when chancellors and deans in certain faculties envision large income streams from partnerships and they are pushing the MOHE to make policies that allow this activity. In particular, engineering and agriculture faculties believe that potential income could be substantial, based on their pre-1979 experience and individual

arrangements between instructors and some private sector firms. Unfortunately, the legal framework within Afghan society that permits partnerships between government and the private sector is weak and the rules and regulations within higher education are undeveloped.

The numerous types of potential partnerships with universities and the urge by the universities to find other income sources have led to several proposals and "experiments". Several institutional partnerships with private sector companies were attempted in the last two years; however none have gone smoothly since the MOHE remains unsure of the legal basis for these arrangements and its own policy. Take a few examples in Kabul. In 2008, the ministry rejected one specific partnership between one public higher education institution and a telecommunications company to fund a master's degree cohort in return for campus advertising. In another case, constructing several tea houses on a university campus resulted in the chancellor's resignation, the closure of the facilities for several months, and an investigation into the private company that made the donation. Currently, one corporation has built and staffed a campus cafeteria for this university and is willing to pay for subsidized meals. Another public university rents a building to an outside operator who runs a cafeteria for students. There are probably others, but they are not publicized.

While these individual experiments have evolved, the ministry currently is considering a partnership framework based on a concept for an outside "foundation" modeled on a U.S. university; however this model requires legal approval. Unfortunately, it is difficult to get exact details on the entrepreneurial arrangements. The MOHE does not have an office dedicated to pursuing these opportunities and potential

projects are submitted to a few policy makers who take long periods to consider the issues and who then either approve or deny the proposal with no accessible centralized records and no minutes of meetings to determine the main factors for their decision-making.

Overall, the income from this potential source remains tantalizing but unknown. Nevertheless, the promise may be much greater than the reality considering that faculty may be overestimating their real worth to the private sector and that there are so few private companies that need their services. So far there have been no market surveys to determine the demand or the potential income.

Cost Recovery from Students and Parents

The introduction of tuition and fees from students and the reduction in student subsidies remain the largest potential new source of revenue[111] to improve quality in higher education, yet this cost recovery option also present the most politically challenging problems. The assumption by almost everyone is that any increase in cost sharing from this source will be opposed by a potentially large segment of students, parents and other actors. The primary purpose of this section is to understand the views of the actors concerning this policy option.

One cannot underestimate the attachment to free education in Afghanistan, which has always been provided by the government. Prior to the constitutional *Loya Jirga*[112] in

[111] The removal of student subsidies for housing and meals, while not an overall increase to the budget, could release up to 65% of the current operating budget for instructional costs that could greatly help improve the existing quality levels.

[112] Historically, members from powerful groups throughout the country would meet at the request of the monarch to discuss societal issues. This group has evolved into an elected body that meets whenever a constitutional change is considered. Since it requires considerable planning along with costs and time the meetings are infrequently held.

2003, various constitutions under different regimes, including monarchies, constitutional monarchies, socialists, communists, and now democratic governance, continued this practice. The significant change that occurred in the new 2003 constitution was the increased specificity of the language. The law now explicitly states that education is free *up to the level of BA*[113]. Looking back, many education officials and government administrators believe this additional clause was a mistake.

> We need money. You know we tried to have the constitution say that education should be free *only up to 12th grade* [so that we could have the option of introducing fees]. When the members at the *Loya Jirga* saw this they said that the education should be free until the BA level. This was a mistake.

However, this was a political decision at that time and any future changes will also be mostly political in nature.

> It appears that everyone has realized the mistake now of not charging fees to students. Although some cabinet members said that even suggesting cost-recovery from students was political suicide, they privately admit that the money has to come from them in the end.

Any permanent change to the constitution to allow fees would require a national convention called a *Loya Jirga*. A temporary permit to allow such fees, such as a Presidential decree, or *farman*, will still require broad public support, which is an unlikely event. The issue of fees in higher education touches many groups with political interests across Afghan society. I conducted a focus group interview with 22 instructors from 9 higher education institutions throughout the country to see who they identified as the main actors concerned with the issue of student tuition and fees. They noted the

[113] Unfortunately, there were no notes taken at this session so the actual record cannot be known. Witnesses that I interviewed said that the primary reason for this change was the perception that "Afghans are poor and if we charge fees then many poor people will not be able to attend university".

following primary actors including students, academic institutions, the MOHE, the MOF, parents, parliament, and the President's Office[114], but they also emphasized that everyone would have an opinion. For many actors, charging parents and students is the very last option to resolve the problem of too few resources in higher education.

Based on the literature, there are factors that limit the charging of fees and tuition. First, who is responsible for the costs of higher education? Is it the parents or the students? Second, what are the support mechanisms for students or parents to pay these costs? Does a viable system of means testing exist to determine scholarships? Are there systems to support payment plans or loan schemes? Based on lessons in other countries, there are substantial technical and contextual issues that have to be resolved before a system of cost recovery is implemented.

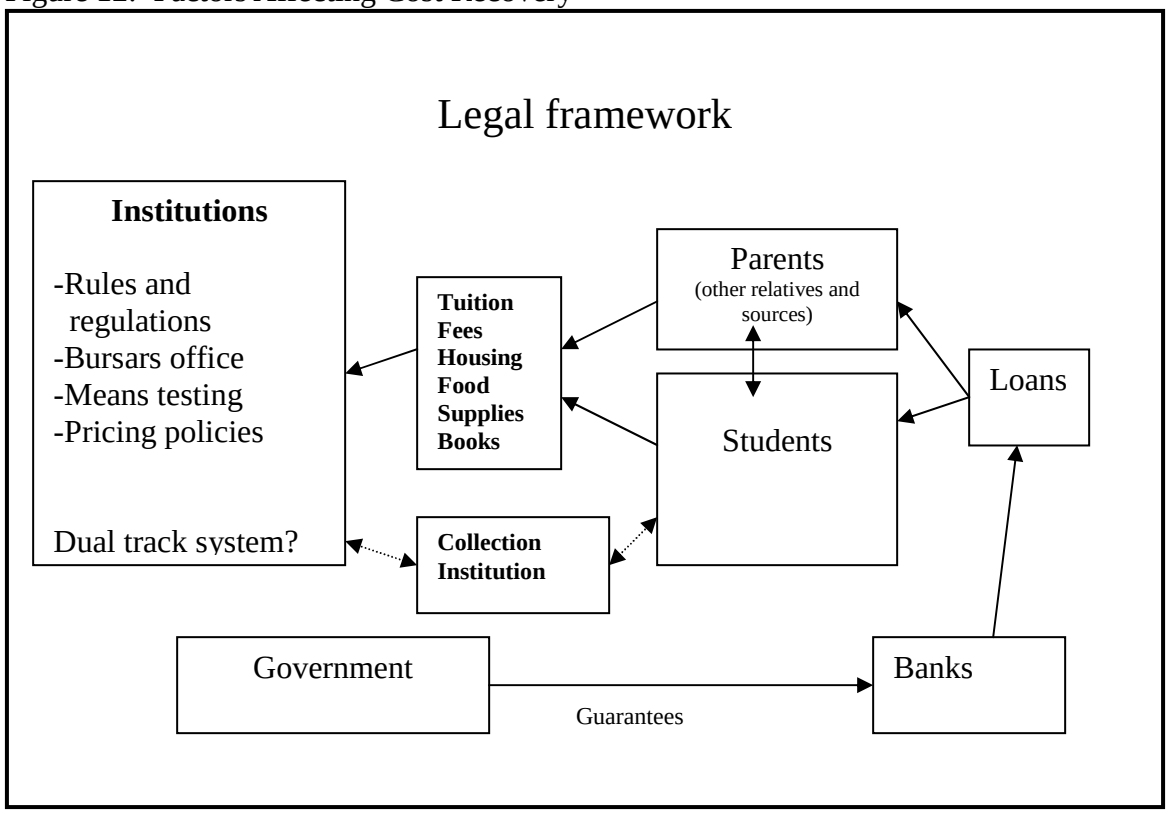
Among the contextual factors, besides the long historical precedent, the legal and political issues will probably remain insurmountable in the short term. Even though almost all the interviewees in the institutions and the ministry agreed that students and parents should pay some of the costs of higher education, there is no obvious policy champion to lead this policy change and there is no obvious "window of opportunity" on the horizon. Most participants suggested a gradual, preferably invisible reform agenda, concentrating on ways to charge "rich" students for housing and meal expenses, equivalent to 65% of the higher education operating budget.

The following diagram illustrates the important technical considerations. Setting up the necessary financial support systems, creating fair means testing policies, and

[114] Reducing student subsidies, according to almost all the interviewees, would not require a decision by Parliament or a constitutional amendment, although most felt that the President's Office would have to approve this change.

establishing bursaries at the institutions are some of the most compelling and difficult tasks.

Figure 12: Factors Affecting Cost Recovery



Politicians:

The politicians know this is a very sensitive subject and the short term political risks clearly outweigh any long term financial benefits to high education. No spokesperson will even step forward to explain this policy to their constituencies. They know that the populace will likely only hear this option as another way to ensure less access for the poor. One politician suggested staying away from the issue of tuition entirely and concentrating over a very long time period on reducing student subsidies.

> We know that so much money is spent on student dormitories and student meals and that this money could be used for libraries and laboratories, but any changes will have to be made slowly and the leadership at the MOHE

> will have to be strong enough to stand up to the President's Office. I suggest that the meals be eliminated first over a period of 4 to 5 years, basically one full student cycle, and that afterwards the free dormitory subsidy be also removed after another 4 to 5 years. This way over the next ten years we will have more money for the system and it will be done lowly and with less resistance.

Donors:

The international donors supporting higher education are philosophically in favor of cost recovery measures. They would argue that efforts should be made to create support mechanisms for introducing means testing and loan schemes according to an unspecified time frame and the limiting factors in the Afghan context. Currently, this policy is not openly advocated by the donors and no funding is conditioned on implementing such cost recovery policies.

Senior MOHE Staff:

This group recognizes the need for this cost recovery option, seeing the problem as "losing the income from the richest students to the private sector".

> The public system must have this income or else we will fall behind the private sector. They will have more resources and the education will be better. Those graduates will get the best jobs and the poor who attend the public system will receive the lower-paying jobs. This will create a hierarchical society. We are in a real predicament now.

The senior MOHE staff philosophically favors cost recovery from parents and students but believe that the politicians will not support the policy proposal and that the students will riot to prevent the introduction of any tuition, fees or reduction in student subsidies.

> Parliament would reject it because they would say that Afghans are poor. Even if I said to them, look, this student has a cell phone and spends 1000 Afghani weekly for phone cards; they can afford 500

> Afghani monthly for a university education. The Members of Parliament would respond that all Afghans are poor… I think they believe that the government should provide everything.

This popular conception that "all Afghans are poor" and therefore the government should provide the service is the most commonly used argument by opponents in every group of actors against the introduction of cost recovery measures.

> You know everyone thinks they are poor. It is the mindset and it will take time to change that. No one thinks that they should have to do anything they think the government should do it all.

The definition of the "poor Afghan" is elusive. The idea that all Afghans are poor serves everyone. It is actually more of a political than an economic label since there is obvious evidence of those who can pay, are willing to pay, or those who are already indirectly paying. I suspect that it is an effective shield for those who could pay but have taken for granted the government provision of certain services like higher education. Unfortunately, the system has grown around the subsidies so that the costs and benefits are distributed in certain ways that prolong the system and make it very difficult to change. The students are presumed to be the main opposition to any change in the system.

> The students are feared by everyone in this higher education system and for good reasons. No one wants to put any power in their hands because they are afraid the students will become fronts for political powers. You see the student body at places like [one public university] is a microcosm of Afghan society. We have Islamists, conservatives, radicals, liberals, every ethnic group, westerner-minded individuals, isolationists, etc. There are all kinds of problems between different tribes that we have to be careful about. No one wants to see fights between different ethnic groups on campus over this issue.

Many officials interviewed believe that the process of introducing fees could begin in the distant future. This group prefers the gradual removal of student subsidies first.

> The MOHE could initiate a policy to reduce government payments to students for housing and meals. I think the constitution is silent on this point.

One senior advisor admitted that this would be the first strategy but that it would not be easy because the politicians would not support charging "poor" students for housing and meals.

> I think that tuition and fees will be permitted in the future, but the change will come slowly. The first step should be to remove dorm expenses. Students and parents will be against this of course but we spend too much in this area, over 60% of the total budget. [The President] and other politicians will be against it publicly because they will want to give away something to the people, the mass of uneducated. [People] can be moved too easily.

Another reason why the ministry is not willing to initiate any cost recovery charges at this time may be because they may doubt their own capacity to deliver an improvement in quality, and so do the students and their parents.

> Basically people don't trust the government to deliver the improvement in quality. They want to see improvement first and then they might be willing to pay. People believe that the government is corrupt and that any money they pay for education will be misused by the government instead of being used for education improvement.

This is a very difficult belief to counter. The ministry must demonstrate increased competence to deserve the funding but probably cannot deliver better quality until more resources are available. Until politicians are willing to support cost recovery measures

and students perceive the necessity, the ministry is unlikely to push this option in their agenda. The most they will do is to continue exploring possible cost recovery options.

Senior Administrators (Private Institutions):

This group predicted that more students would be willing to pay for high quality, useful education that promised better job possibilities.

> There is great demand, and as long as the price is not too high the students will be able to afford the cost. I think half the graduates in Kabul could find the money to pay some level of tuition.

I was unable to review any market studies to determine demand, although several private institutions had undertaken this research. Based on the interviews, the possibility to enroll fee-paying students must be favorable but there are still cultural challenges.

> I know there are many people who would pay. But many people are not used to paying; they want something for nothing. There was even a governor who is very, very rich with much land and properties who asked me to help get his son into a private school. He wanted me to get [his son] in for free! … He said he shouldn't have to pay because education was free.

One chancellor at a private institution suggested an implementation plan for introducing tuition and fees in the public institutions.

> Parliament will not approve a change in the constitution to allow fees and tuition. Therefore, you would have to do it faculty by faculty, that is, you would create a separate institute or faculty that were able to justify charges by saying that without the fees the faculty would not exist.

Essentially, this is the exact argument used to allow fees and tuition charges in the night school.

Senior Administrators (Public Institutions):

The introduction of cost-recovery measures based on means testing is a commonly held position by this group.

> I think that the university could get money from some of the richer students. There are some who could pay something. Not everyone is poor. We don't have many places to look for money and we have to get the students involved in the culture of paying for quality services. Right now people aren't used to paying so we have to start slowly. I don't think many people would be against this if it is approached in a slow step-by-step basis.

The interviewees shared a common understanding that free education has led to problems on campus. Students who do not pay for an education "do not study", "are lazy", "waste time" and "become involved in outside political activities".

> I would like to see tuition introduced at some appropriate time. This free education leads to problems. I am always told that there are student groups developing based on ethnic and religiously divisive ways. This is due to the fact that the education is free.

There is a general perception that if students pay they will be much more serious about their studies and they will not have time to get involved in activities that subvert the administration. One administrator said, "If the students have to pay, they will care more about getting an appropriate education".

The administration in the MOHE and the institutions privately report that they would like to consider the introduction of fees and the removal of student subsidies for richer students. Poor students would continue to receive any existing benefits and scholarships. There is a feeling that some are taking advantage of the system.

> I think we also need to charge richer people for their dorms and meals. We gave out 1500 Afghanis each month to all students as long as they lived 30km from the campus. We had no dorms so we gave them money.

> They could use the money as they wished. I am sure some of those students could pay because I saw them dropped off at university in cars. They have money. If we could use some of this money that we spend on dorms for instruction we could improve the system.

It is assumed that as long as the demand exists, charging fees should not be a problem for students.

> I am confident that if we charged, all of our students would pay. It [would be] so cheap at $300-$500 USD [per semester] considering what they will earn later and what they would have to pay for courses and a private education. The percentage that can not pay is very small.

This group believed that in certain faculties, if students believe they will benefit they will pay the fees, such as the students in the law and medical faculties and some engineering departments who are confident that they will have good jobs in the future.

> Students would be willing to pay for a law degree. …They can earn on average about 1,000 to 2,000 USD monthly after they graduate.

This ability to earn money later is the main reason according to university administrators why the students should be willing to pay tuition now.

Many of the interviewees pointed to the night school program to indicate that some students are willing to pay for a degree.

> This year over 7000 students took a separate Concour test to enter the night school faculties in 2009. Only 1000 will be accepted, partly because not every faculty has a night program now [yet]. In the last year only 3000 took the test for about 300 places. It[The number of night school students] is growing because people can work during the day and attend school at night. The MOHE also increased the fees from 500 Afghanis in 2008 to 5,000 Afghanis per semester (less for government workers) in 2009 and this had no effect on demand; it only increased!

Besides, "students will contribute if they know that the money is going to [their own] faculty."

> The students, now and in the past, have donated their own time to fix the place up. Those gardens [located in their own faculty] were done by the students.

However, these interviewees do not share the same perceptions regarding students' willingness to pay fees.

> There are two different student ways of thinking at [one university]. The first are those who say there can be no fees [including tuition] because the constitution says so. This is about 60% of all students. The second group says that because of the situation, I am willing to pay if it improves quality.

Surprisingly, the reduction of student subsidies was more contentious among this group than the issue of charging fees. One participant who had thought about the practical realities of the problem explained that the support for these subsidies was based on equity in society.

> The student subsidy for dorms and meals is different. The government has to provide this because the justification is based on an equal access to education argument. If this subsidy did not exist then the people in the rural areas would not be able to attend university because of these costs and because they are poorer than urban students. In this case the urban students would go to university and not the rural students.

Underlying this argument is the assumption that "all Afghans from rural areas are poor", a lesser version of the original pan-Afghanistan presumption. Actually, no one knows how many Afghans, either from the urban or rural areas, could afford some level of fees. Many participants argued from an absolute viewpoint, but in reality, especially in a free market, decisions are made at the margins. In the future, the argument will less likely be concerned with the location of the students and more with the students' willingness and ability to pay.

Instructors:

The instructors interviewed had few comments on this policy option. They did not connect this potential policy with their interests. A few ventured an opinion that it was not possible given the legal restraints and because "all Afghans are poor."

Students:

I interviewed ten separate student focus groups, representing eight faculties from four institutions located in Kabul. Those willing to consider cost recovery measures had certain similar characteristics compared to those who were more opposed. Surprisingly, there were only a few groups that were adamantly against cost recovery under all circumstances. Most were willing to consider some version of cost recovery with contingent provisions.

The students who held the most extreme position were those who looked backward to the past and those who viewed Afghan society as more socialist than capitalist in orientation.

> Education and health [care] should be free in Afghanistan. We are more like a socialist society and we have to enable the poor people who have the ability and study hard the opportunity to go to university. We want the system to be socialist like in the rich countries of Europe where there is free education and health [care] for everyone. But we know that the economy is not strong enough to support this. When the economy gets strong then we can do this. Now it is difficult to collect taxes. There is also the problem that there are many villages where people are poor and can not afford to pay.

This comment expresses four of the more commonly used student arguments against any measures to increase student costs. First, "Afghanistan is socialists by nature"; second, "all Afghans are poor"; third, those who are poor study hard and deserve the opportunity;

fourth, the *timing is not right*. More arguments have been deduced from the interviews. That is, the service provided by the government is not worth the investment, and the conditions in the economy do not justify the investment. The following section analyzes the reasoning of these arguments.

From the students' perspective, Afghans are socialist by nature, which seems to support the idea that families, extended families and communities are willing to support students' higher education costs, unless these costs are somehow different than other communal responsibilities. This study cannot really comment on whether higher education costs are presumed to be the responsibility of one group or another; however, it does appear peculiar to imply that the costs should be borne by society alone and not also the user and the immediate family. This is surprising given other arguments concerning the socialist nature of families and society. More research needs to be done to determine what costs might be the responsibility of students and parents and under what conditions.

It would be interesting and even baffling to compare the responsibility for payment for an Afghan wedding with the non-responsibility for paying for higher education. For wedding receptions and gifts, parents and grooms often pay incredible amounts, sometimes spending several years of salary and borrowing money, yet no presents or money is expected from any of the guests to help support the future bride and groom. A simple answer may be that this choice between higher education and expensive weddings never had to be made before because education was always free, and because spending less on weddings and more on higher education has never been the cultural norm.

The notion that *all Afghans are poor* is a pervasive image in society. In all likelihood, most students have low levels of disposable cash to spend.

> I disagree that students should pay. It would be very difficult. I am already paying for my transportation, photocopies and supplies. And the prices for everything have gone up so much.

This general belief that all Afghan higher education students are "poor" may not be completely accurate; it may be that students choose to spend their cash on other activities. For instance, one student, who claimed that he "can not even afford to pay 50 Afghanis" and all he had was "30 Afghanis" in his pocket to get home, was said to spend 150 Afghanis each week in phone cards on his personal cell phone to call friends.

According to the literature review, a higher proportion of low SES students attend higher education throughout the world. Unfortunately, there are no studies to identify the SES levels that attend institutions in Afghanistan.

It was generally acknowledged among the participants that the poor are often the best students since they have to work hard to attend their faculty, but if they have to pay then they cannot attend.

> The students are too poor to pay anything. They are hard-working students from the provinces; they can not even afford clothes. If they had to pay then they would not be able to attend this faculty, even though they have the most talent.

This the-less-you-have-the-harder-you-work belief, at least held among the students, has not been researched. An interesting derivative of this idea is that all students who make it this far in the system must have worked hard to get to this point and therefore have "earned" the right to a free education. Given the fact that only 100 new students are enrolled out of many thousands of candidates who

want to attend the engineering faculty at one university, one representative student felt he deserved the scholarship.

> I am not in favor of paying because I think that students who have done so well on the concordat exam have earned the right to a free education. After all in many countries they give scholarships for the best students to go to a certain school. These are certainly the best students.

As for the notion that "the timing is not right" for students to pay, some of the costs of their education, there are a few general arguments. One focus group with four women from the Dari literature department at KU agreed that, "It is not the right stage in Afghanistan to introduce fees for students. It would be fine if the economy grows better, but now it is too early". Others were more specific, a group from the Sharia law department noted: "…now is the wrong time. We could pay later when people have jobs and more money." Others also connected the timing problem with the lack of money at this time; one focus group from the medical school remarked,

> We would be willing to pay something if we could pay back after graduation. Now we have seven years of medical school and if we had to pay at the end [a lump sum] this would be impossible. When we work, depending on our income, we could give some back to the government based on the salary. The problem is that students don't have enough money right now to pay this [tuition].

This argument supports income contingent loan proposal; however, Afghanistan does not have the financial systems to support this level of sophisticated financing.

Despite the proposition that students should pay, the participants argued that the poor quality in higher education did not deserve their investment or their effort. In other words, using a free market approach to justify non-payment, the participants indicate that the service provided by the government is not worth the asking price.

> Why should we put in the effort to become teachers when the government obviously doesn't put in any effort into training us? Look at these poor conditions!

The students suggested a willingness to pay to go to the best quality institutions. They recognized a connection between money and quality.

> We would like to go to a private university overseas where the quality is much better. There are a few private universities here and they will get better and bigger because they have money. Money means more quality. We would pay for quality if we knew the money would be used to make improvements.

According to one student at a private institution, the choice of a private university is obvious.

> I think that students would pay to go to the public universities if they could see evidence of quality such as good conditions, green lawns, trees, libraries, labs. If they saw these things they would think that this university is good; it has things to teach with. And it is obvious that they care about the education experience for the students. Now, if you go to a public university you see none of these things. You see broken things.

Students understand that to change the quality in public higher education will take a significant increase in resource levels.

> If the fees were very low then people could probably pay, but that wouldn't make sense. You would have to charge lots of money to improve the quality here. It would cost so much that to charge a little wouldn't be worth the effort.

The argument against cost recovery measures concerns the economy, specifically, the inability of students to find jobs. The students expressed a growing concern that graduates are not getting good jobs[115] and that they are remaining unemployed for longer periods. Most students recognized that Afghanistan is committed to a free-market system

[115] Good jobs by definition pay well, typically above $400 monthly. Teacher's salaries at grades 1-12 are at the low government rate of $60 monthly and therefore are unacceptable options for most graduates.

and the government is not responsible for giving them jobs after graduation. However, there are vestiges of central planning practices that resurface.

> The government has invested in us with 16 years of education and therefore they should give us jobs to make the most of *their* investment.

Others disagreed; they said that it was the student's responsibility and that this guy was crazy. One student said: "You were trained by the government to be a teacher, and there are jobs available as a teacher, and now you don't want to do what the government needs you to do. They *invested in you* but you want to be something else that you have no training for and you want the government to provide this?" The use of terms like "investment" was particularly interesting. It shows that students are beginning to think of education in terms of choices with costs and returns.

The students reason that the problem is that the economy provides few jobs; therefore, they cannot invest in the education. Perhaps fewer would attend if they had to pay part of the costs.

Students from Sharia law faculty:

> We don't think the future is too good. You know most students who graduate from this university don't get jobs. Maybe 80% are unemployed. (Another student disagreed and said that most students do get jobs, because they have the education and the brains. Neither mentioned any time frame.)

Student from night school journalism:

> In this economy there are no jobs. I don't have a job while I am going to school at night. I know. There are no jobs and so there is no income. … We are all just spending. This is an "expense economy", because we don't have the money yet we all keep spending. … There are no factories, no businesses, and the government is already full of people. They don't need more.

Students from another focus group at the Sharia law faculty

> We are not sure of our future after we graduate. There are not enough jobs. The government should activate the economy so there are more opportunities. Right now there are not ten factories in Afghanistan. Who will hire people? The government should work on the infrastructure more; they have not.

Student from Dari literature faculty:

> I want to leave the country and go to the US. I am very unsure about my education career. There are not many hopeful things.

Students from the medical school:

> We are worried about the future. Maybe we will not become doctors because the situation will get worse. There is no guarantee that we will work. The government is corrupt and the money is wasted. The external donors and even ISAF are also corrupt. How can we trust anyone to really help us?

Overall, students expressed some willingness to contribute to their education if the quality could improve, if they could pay later and if they could get a job to repay the cost. Very few students held a philosophical position that fees were intrinsically wrong; most offered technical reasons based on the contextual factors in Afghanistan to explain why fees were not appropriate. Clearly some students are willing to pay some level of costs in return for an education that gives them an advantage in the marketplace. Here is one interesting story.

I asked some students of one public university how much they would be willing to pay for a master's degree program in education. To my astonishment, several students, after conferring in small groups, came up with a much higher number than I expected --

$800 USD a year. Several other students said they could not pay this much –but none said that they could not pay. So I asked them why they were willing to pay for a master's degree but not for an undergraduate degree. They reasoned that while they were undergraduates they had to rely on their families for money because they could not work. In their opinion, very few students could find part-time work, but "when we are older and in the master's program we can pay more and won't rely on our family because we will have jobs". They assume that "the master's degree program will have better quality and will give credibility" to their undergraduate degree, so they could get better jobs.

I also asked the students how they would recommend that cost recovery measures be implemented if it had to be done sometime in the future. The rest of this section discusses these options suggested by the students.

First, the students suggested that the rich should pay more than the poor. Many of the students seem to realize that the government does not have the resources and that eventually richer students will have to pay something.

> The government does not have the money to improve quality. Here it would be good if those who could contribute would pay something. This act would be good for everyone in society. It would be good for all of us.

Actually, this principle is found in the Islamic culture and law[116].

According to students, the key is creating a fair method to determine who has the ability to pay. I suggested using the laws governing zakat as a possible solution because they did not trust the government to create this system, but this idea was rejected.

[116] I asked one Islamic philosopher and sociologist if the idea of progressive taxation was a problem, specifically if the rich are expected to pay more (ability to pay principle). He said that there are customs that support this approach; the first is *zakat*, which is true for every branch of Islam. Zakat is an Islamic principle whereby richer people pay 10% of their income to the poor.

> We can't use the zakat method to determine who is rich or poor because no one pays that anymore. How can we know who is rich or poor? Everyone will say they are poor. Philosophically the rich should pay more. If these people pay then the MOHE will have more money to pay for better teachers.

Unfortunately, the participants did not have an alternative suggestion to identify who were capable of paying.

Second, the students believed that more undergraduate were likely to support fees and tuition if they were enrolled in their choice of faculties. Students in some faculties do not feel any ownership for their institutions because they are placed as a result of their score on the national examination. At a teacher training university, I asked one focus group of 22 students if they wanted to be at this institution. Out of ten possible placement choices on the national Concour exam, only two of them put this university as their third choice, one as his fourth, the rest said it was their last choice, and even a few said it was not their choice at all but they were just assigned to this school. Consequently, the students did not feel any ownership with the school or its programs; they never wanted to be teachers. This is generally not true for high demand faculties such as medicine, law and engineering where students wanted to become professionals in this field.

Third, hybrid systems should be considered. A group of engineering students designed a conceptual solution that recognized talent and need. They envisioned that the most talented students, based on the Concour exam results, should be accepted and receive full scholarships. They also thought that the university could accept more students who were willing to pay fees[117]. They did not see any problem with having

[117] This is the "dual track" system used in many countries, including most of the former Soviet republics.

some students in the class who could pay and some who could not. They thought that such a system might be possible but they were worried about corruption.

Fourth, some students suggested a form of work/study program as a solution.

> If students in the engineering department could make a deal with a company so that the company paid the tuition and then at graduation the student went to work for the company and the company took the money out of the student's salary each month then this type of system could work. I am not in favor of students' paying but if they had to then this could work, because the student would not have to pay the money right away.

Fifth, some students suggested variable fees depending on the potential for jobs later.

> I think the idea of having variable fees based on what I could earn later is fair. We know that in other countries the students in law faculties pay higher expenses (tuition). This is because lawyers have more opportunities and can make more money.

Sixth, several students suggested a voluntary process to start with to introduce cost recovery measures.

> You know that students would volunteer to pay if they could do so. They will have a good feeling from this. There is an idea in Islam called "sawab" which is that you do certain good deeds to make God happy. So if this was going to change, I would make it voluntary at first: those who could pay should be asked to voluntarily pay something or donate something

Seventh, students would be more willing to pay if they are informed about the use of any fees and tuition charges, and if they have some choice in the use of the funds.

> If the students propose that this money [the money now used for student subsidies] is used for libraries and laboratories instead then the students will be of different minds. Those in dorms will want to keep the money but those who are not in the dorms will want to see the money used for improving the system.

One focus group stated they were completely unaware of how much of the current operating budget was spent for some students for housing and meals. After I mentioned the percentages they stated, "We are unaware that 60% of the HE budget is used for dormitory fees and meal allowances." One focus group from KU indicated that many students would support the transfer of this funding to other uses but they did not really trust this figure since it came from the government.

Overall, the interviewees showed a strong sense of social justice. They wanted a fair system where the richer paid more than the poor; they wanted to reward hard work with scholarships; they wanted democratic and transparent decision-making with choices. These are reasonable requests in a democratic society. One student interviewee provided a complete picture of the problem with a solution.

> It is logical to seek money from students but this policy must be consistent with the economy of Afghanistan and students' ability to pay. The good point about fees is that students who pay will work hard and demand more quality. They will not waste time. The problem is that students are not willing to pay fees because they are not used to it. Maybe only 30% of students could pay fees. There would have to be scholarships for the poor talented students.

Summary Discussion on Tuition and Fees

Most actors are in favor of cost recovery measures; however, none are willing to initiate the process. The topic of introducing tuition and fees for students is not openly discussed at the ministry. There are no committees set up around this discussion; cost recovery is not on the agenda at this time.

> No one knows how to introduce such a policy. A timetable of sorts was suggested whereby the implementation of fees would happen slowly, even unnoticeably, but that idea died.

One senior advisor thought that a plan existed with someone but I could find no evidence anywhere, “The ministry would like to introduce changes to collect more money from students. This would have to be done step-by-step. We have a plan; you should talk with someone.”. There is no one at the ministry who is willing to initiate a public policy discussion concerning tuition and fees.

> The pressure would have to come from external donors; there is no one inside strong enough to suggest charging fees to students.

According to the administrator interviewees, there is an unofficial plan that is based on a slow process of reducing student subsidies and charging fees for “extra” services like night school and the entrance exam. As long as students are granted access based on paying fees it is not likely that they will complain.

> It is actually not clear exactly what the government must provide, so we are trying to build a culture of paying for education services at the higher education level. So far we are not seeing much resistance from students because we are proceeding slowly.

Students indicated a willingness to pay under certain conditions, an outcome that many thought improbable. This is a compilation of reasons why students might be willing to pay for higher education.

1. If students do not have to pay the full costs while attending,
2. If students have an opportunity to make money in a good job after graduation,
3. If the fees are fairly distributed so that students in faculties that have more job opportunities pay more,
4. If students in faculties that use more university resources pay more,
5. If the quality improvement is visible,

6. If the reasons are explained to students and they are allowed to debate the proposed solutions,
7. If they are asked in the right manner, and,
8. If the future is promising with less employment insecurity.

Students are acting like consumers in the market to some extent. They want to see the quality before they pay for it. An "investment" mentality is growing. They are concerned that the money they might pay will be poorly used and not benefit them. The question that students ponder is whether the experience is worth the cost. Based on interviewees' comments, the following factors guide the students' thinking.

- They worked hard to get into this faculty and feel they deserve something.
- There are future possibilities of employment but they have no definite jobs yet.
- They feel they have little money now to spend on education, especially if they want to get married anytime soon after graduation.
- They do not think the administration is concerned with their welfare.
- They do not trust the government and they do not believe the government or the NGOs live up to their promises.

Some students expressed a greater concern with their future job prospects than others. Not surprisingly, medical, law and engineering students expressed the most optimism, but this is not always true for all graduates in those faculties. Engineering students, for example, pointed out that if a student was in construction related field then there were opportunities now, but other concentrations, such as mechanical or electrical, had fewer job prospects. Many students expressed a lack of confidence in their own training. In other faculties, such as literature, students were despondent, with little hope

for jobs and no belief in the quality of their education. When asked about the level of quality, one student from a social science department replied that the level was "zero", and another student replied, "I came to the university knowing something and I left knowing nothing." They were clearly disillusioned.

There are a few common stories that students rally around to ward off discussions and movements to introduce fees and tuition, including that "all Afghans are poor"; that these poor students are the most talented and hard-working; that the students have earned the right to a free education by succeeding in a very difficult process to enroll; and that services provided by the government should be free because they are only substandard and thus not worth paying. The students are particularly concerned about their own finances and their ability to support themselves while attending university. There are no financial systems in the country that can provide loans to students nor does the government have any programs that might support students. These mechanisms will have to be developed in the future.

The students feel that the MOHE and the donors are completely inaccessible to them. They feel hopeless that anyone will listen to them or use their ideas. Basically they feel that "the MOHE doesn't care" about the universities and the students.

> The MOHE is just busy typing documents and doing other things but they really don't know what is happening on campus.

They know the administration is afraid of students' organizing because of the potential political involvement of students. They feel the administration is deliberately inaccessible for this reason. The students cannot make sense of what is going on so there are multiple conspiracy theories. Everything is an "enigma". They seem hopeless and have lost faith in the dream of a better Afghanistan.

Summary Discussion for Chapter Four

I asked the interviewees three basic questions. Does the government have resources to support higher education? Does higher education need the resources? Where will the resources come from? The responses to each question can be summarized according to themes. I also asked a fourth question: What pre vents the introduction of new revenue sources; however I did not separate out these responses but included them within the responses concerning alternative resources.

First, concerning the availability of resources from the central government, the participants generally agreed on the following:

- The government does not have the resources.
- The system should adjust to the changing times, the free market economy, but the disagreement was over timing and the process.
- Those outside the ministries believe the government is too weak to introduce financial reforms; the system has to be externally influenced to reform.
- The policy process is based on personalities and not systematic analysis and technical inputs.
- The central government uses resources inefficiently.

Second, concerning whether or not higher education needs more resources, the interviewees drew the conclusion as follows.

- Resources are needed to expand and improve quality.
- Resources are used ineffectively by the ministry.
- The problem is the system; institutions want more autonomy to improve quality while the ministry wants more control to manage quality.

Regarding where the resources will come from, in this section I have divided the potential sources into three categories: donors, entrepreneurship, and tuition and fees. Concerning resources from donors,

- the higher education sector is used to donations from bilateral agencies, but they need to develop new sources from the new private donors;
- the legal framework remains weak; and
- the institutions have little incentive to pursue this source if the funds still go to the central government.

Concerning new sources of income from entrepreneurship, the following themes were prominent.

- The legal and regulatory framework does not exist.
- Institutions express enthusiasm; however, the potential is unknown.
- The MOHE theoretically supports these activities, but the policy details have yet to be considered.

Concerning the introduction of cost recovery measures,

- the legal framework does exist that allows the introduction of tuition and fees;
- actors supported the introduction of tuition and fees;
- students supported tuition and fees under certain conditions;
- no policy champion exists; and
- most actors are skeptical that means testing is possible.

In the next chapter, I will provide a political mapping of the actors and the issues.

CHAPTER 5

ANALYSIS AND RECOMMENDATIONS

The purpose of this study is to discover and interpret the possible financing options for public higher education in Afghanistan according to the perspective of the actor groups that most likely influence policy choices in this sector. Therefore, in this analysis I deliberately consider the policy process and the context in Afghanistan to attempt to understand the issues and solutions from an Afghan viewpoint. My goal is not to compare different options but to identify the restraints or "blockages" that prevent the implementation of these choices with the intention of making recommendations to resolve these blockages.

The first step is to identify the characteristics of the Afghan policy process; second, to summarize the position of each group of actors concerning the five policy options; third, to identify process problems that influence the implementation of these specific policy options. Finally, I make predictions concerning the likely development of the mixed funding model.

The Policy Process in Afghanistan

It is important to understand the Afghan policy process so that possible solutions embody this approach. There is no use providing an analysis that uses a completely rational, comprehensive approach if such technical, system-wide solutions remain unusable[118]. From my experience, Afghan leaders prefer to implement smaller, practical solutions and are worried about looking like agents for an international modernization

[118] There are already many such examples in Afghanistan. One recent expensive effort was the World Bank funded project to create community college policy and regulations.

agenda. Therefore, policy-makers must downplay any "Western" imprint that might be construed by opponents and the general populace as too radical and against basic Afghan values.

The Afghan approach to policy can be mapped using a typology developed by Haddad and Demsky (1994) [119]. As I noted in Chapter 2, the Afghan policy process has certain characteristics. The process is short and the possible options depend on the knowledge of the few characters involved; it tends to be incremental with the aim to fix immediate problems; the process relies on perceptions of political relationships with little technical analysis; and planning with hard data typically is unavailable. Using general interview data and the findings from one focus group in this study (see Appendix D), the Afghan policy can be categorized as incremental with individual personalities making decisions.

This approach is not surprising in a country with very limited resources to support the expenses associated with comprehensive planning systems and an environment where uncertainty over so many baseline issues, such as personal security and electricity for lights, makes realistic long term planning nearly impossible. In such a personality dependent environment, individual pleadings for small favors are more effective than institutionalized rules and procedures, especially where information is unavailable and

[119] In the Haddad and Demsky (1995) model, a north-south axis indicates two policy process extremes. At one end the methods are synoptic or comprehensive, involving the system as a whole; at the other extreme the method is incremental. The east-west axis indicates who makes policy, whether it is by a bureaucratic structure, say, a professional planning group, or at the other extreme, an individual. Quadrant 1 would describe a rational decision process, such as in Singapore where policy changes are considered by a professional bureaucracy with the power and intention of making broad changes to a system. Quadrant II could be Japan, which also has a professional planning structure but takes changes in small increments. Quadrant III describes Afghanistan, while Quadrant IV might describe one of the Emirates, where a single individual or small group has the power to make sweeping changes to a system. One instructor did place a vote in this quadrant because in his view, there are only a few personalities in Afghanistan that make policy and that they are capable of making sweeping changes to the system but the majority felt the process was dominated by individual personalities.

results are rarely known. Afghans are politically astute and practical. For them, the better plan, at least in the short term, may be simply to make choices within short time frames where factors are knowable and manageable.

Consequently, in my analysis I do not propose any comprehensive, rational, transformative policies for the system. Nor do I compare individual policies against certain criteria to determine an optimal economic or political solution. Instead, I concentrate on understanding the actors' attitudes and the process problems that block the implementation of the mixed funding model. Mostly I suggest new areas for more research and call for Afghans to take the lead in developing their own systems according to their political process.

Summary of Actors

The actor classifications I used in this study were intended to describe the primary interest groups in higher education and to protect individual identities. This taxonomy is useful to a limited degree in designing policies; however, more detailed affiliations within each of these categories must be examined. In the Afghan system, where individual personalities are often decisive, group labels are an over-simplification. Each of these actor categories has smaller, influential groups within the larger groupings that should be identified to determine boundaries.

This research does not specifically focus on delimiting these boundaries but it does discover segmentation among some actors within the major classifications depending on the specific policy. For example, some students from certain faculties thought that fees were useful under certain conditions. More research to determine a user fee policy might separately evaluate the influence of the students in a particular faculty,

institution and perhaps region of the country where the institution is located. A specific example of a fee might be a lab fee that only pertains to faculties with labs. What is less obvious might be fees to support general libraries or common facilities. More research is needed to refine the groupings according to issue sensitivity. This data will allow policy-makers to determine specific boundaries between these subgroups and thereby allow proponents to separate issues and build support based on the desires of each sub category.

The following table lists the primary actor groups along with their summarized responses to the possible policy reforms. I have also included the additional policy option of remaining at the status quo, that is, no changes to the existing financial structure in higher education.

Table 2: Summary of Actor Positions by Policy Option

		Policy reform options in financing public higher education			
				Cost recovery options	
Actor	**State funding**	**Donations**	**Entrepreneurship**	**Tuition**	**Fees**
Politicians	Support	Don't fully understand what is needed	Don't fully understand what is needed	No visible support. Against the Constitution so why even discuss.	No visible support. Against the Constitution. Do not see benefits right now. Concerned with "poor Afghans
Donors	Support	Ideologically supportive. Will assist.	Ideologically supportive. Will assist.	Ideologically supportive. Will not lead effort.	Ideologically supportive. Will not lead effort.
Senior staff at MOHE	Support	Support but difficulty leading due to technical issues	Support but unsure how to proceed due to technical issues	Support but fear student reaction. No political will to start a dialogue. Would rather expand the night school program	Support but fear student reaction. No political will to start dialogue
Senior staff at private institutions	Support	Strongly support in their own institutions; See public sector as competition	No data. Presumably support but see public sector as competition.	Strongly support in their own institutions; indifferent to public sector except that any new charges to public sector reduces cost difference between public and private.	Strongly support in their own institutions; indifferent to public sector except that any new charges to public sector reduces cost difference between public and private
Senior staff at public institutions	Dissatisfied with support levels. Might trade some support for autonomy.	Strongly support. Will take leadership role.	Strongly support. Will take leadership role.	Theoretically, medical, engineering and law faculties supportive depending if funds used in their faculties. No willingness to start processes	Theoretically, medical, engineering and law faculties supportive depending if funds used in their faculties. No willingness to start processes
Instructors	Support	Uninformed but supportive	Uninformed but supportive	Certain faculties supportive. No influence on other actors	Certain faculties supportive. No influence on other actors
Students	Support	Support	Support activities for their faculties	As a united front they are opposed, but depending on faculty, job prospects, ability to pay later, and available cash.	Depends on faculty, job prospects, ability to pay later, use of the funds and amount of the fee.

This summary illustrates several points. First, all the actors would like to keep government funding; second, there is no opposition to increasing donor or entrepreneurial funding sources; third, the possibility of introducing tuition is legally impossible and no group appears willing to fight a politically costly frontal assault; and fourth, the introduction of fees has mixed support and there are groups that could be formed into coalitions to support well-defined and targeted policies. As I noted earlier, students are the main opposition to the introduction of fees, but they are not always united. Based on the findings, certain student groups might form coalitions to support particular fees under certain conditions. More research is needed to determine likely alliances but the general incentive for students to pay a fee is related to their perception of future opportunities.

There are many reasons why a particular policy has not been implemented yet even where most actors support the policy option. For example, a simple cash donation to an institution remains impossible yet is orally supported by the primary actors. The reason why this policy is not implementable derives from legal and technical issues. The legal system is not developed and the technical skills to create policies and procedures are missing. These "policy blockages" (Crouch & Healey, 1997, p. 38) can be substantial. Consider the broad expertise needed to clarify the various issues involved in the process of answering a fundamental question: how can the centralized system change to motivate institutions to expand entrepreneurial activities? The answer involves deep discussions about salary structures, incentive systems, professional ethics, culture, etc. that are difficult to prioritize and to implement in a piece-meal fashion. Introducing any of the policy options that would increase sources of non-state funding involves considerable

practical concerns that actually prevent the policies from gaining clarity and momentum. The following section will consider these restraints.

Process Blockages

Numerous process issues in Afghanistan get in the way of resolving substantive matters. Crouch and Healey (1997, p. 38) listed five common "blockages"[120] that are found in almost all education systems.

- the lack of technical and analytical design capacity,
- budgetary limits,
- legal and regulatory limits and problems,
- pressure group power, and
- a realistic fear of management complexity due to the lack of capacity to manage the reform process and the resulting system.

Process blockages have so far shaped the development of the financial structure in Afghan higher education. Consider just a few of the major blockages that affect the entire system: the existing budget limitations severely affect quality levels; the legal and regulatory framework does not support or create incentives to encourage new sources of financial support; the staff at the MOHE and in the institutions lacks technical and analytical design skills to create the documentation and regulations; perceived political pressure groups, mainly students, keep certain reforms off the agenda by their suspected political power; and the management skills needed to transform the sector to meet these challenges are missing.

The following table summarizes the primary process problems preventing the implementation of the financial policy options. I have also purposefully included "institutional financial autonomy" as a substantive issue, although it is not one of the

[120] Another blockage could be the low levels of trust in Afghan society.

financing sources in the mixed funding model. The reason is that financial autonomy is a critical pre-requisite, according to the institutions, for any discussions about finding alternative sources of funding. Without incentives that derive from this freedom the institutions claim little motivation to pursue outside options for financing[121]. Figure 15 summarizes these blockages.

These process problems, lumped together, appear insurmountable; however considered separately, the process blockages do seem to have one starting point. The most significant obstacle according to the participants appears to be the lack of a suitable legal framework that permits the institutions to operate autonomously at some level. Unfortunately, creating a legal framework that allows increased institutional autonomy is probably the most daunting task since several ministries (MOHE, MOF, Justice) parliament and the President's Office must discuss and approve the changes, yet none of these entities has the technical skills to create necessary laws and regulations. This pre requisite involves a philosophical rethinking of the very core ideas of the centralized government's role in society.

The lack of capacity to analyze and plan large scale interventions also poses a process problem. For example, the President's office, the MOF, the MOHE, the institutions and presumably the Justice department reportedly agree on some level of institutional autonomy yet an implementation plan has not been developed. None of the

[121] One could try to imagine a system where the MOF and the MOHE acted as the central bursar's office for all fees and tuition payments as well as contract managers for all relationships between instructors, institutions and the private sector, and even the controller for donor contributions (although not the development office); however, it is unlikely that such a system could provide the necessary incentives and the level of service needed to satisfy the institutions. Both ministries would have to change drastically to provide this level of support and the institutions are justifiably skeptical about such a transformation.

Table 3: Summary of Process Blockages

Substantive issues	Process issues				
	Technical and design	**Budgetary**	**Legal**	**Pressure groups**	**Management capacity**
(Pre-requisite:) **Institutional financial autonomy**	Requires human resources to design a "new" system. No internal technical capacity to analyze and design a complete solution.	Institutions will need financing to hire staff to manage its business affairs.	Significant legal hurdles involved. Entire government system is centralized; this may be the first approved financial decentralization scheme.	Within the ministries there are groups who support the status quo. The MOF will delay until convinced that capable oversight is possible. The chancellors are the prime movers for more autonomy.	Within the MOHE, very low capacity to manage this change. No capacity at institutions to manage finances with a few small exceptions.
Enable cash donations to institutions	Mechanisms must be developed. No skilled staff to document.	No finances to develop this potential resource; must "invest" to develop.	Significant hurdles exist. Legal framework must be developed. Tax incentives for donors needed. Several ministries involved to agree on changes. Regulations within the MOHE and the institutions must be developed.	Within the ministries there are groups who support the status quo. The MOHE and MOF will delay. The chancellors are the prime movers for more donations.	Institutions will have to develop expertise in marketing and develop clients, manage gifts.
Enable entrepreneurial activities at institutions	Acceptable practices must be codified; incentive system designed; pricing polices designed; codes of conduct developed; personnel policies developed; oversight mechanisms designed.	No internal staff has time or knowledge to fully develop. Need funding.	Significant hurdles exist. Extensive legal framework must be developed. Several ministries involved to agree on changes. Regulations within the MOHE and the institutions must be developed.	Within the ministries there are groups who support the status quo. The MOHE and the MOF will delay. Certain faculties with few commercialization possibilities may oppose. Faculties like engineering and chancellors are supportive.	Institutions will have to develop oversight committees and financial management capacity. Faculties will need to develop skills to market services.

Substantive issues	Process issues				
	Technical and design	**Budgetary**	**Legal**	**Pressure groups**	**Management capacity**
Introduce user fees	Significant constraints: need fee structures and uses, a means-testing program, scholarship programs, possible loan programs.	Institutions will need personnel to manage. Fees may have to be targeted for use in specified areas (e.g., library, labs), Reallocation of budget from center to institutions difficult.	Constitutional amendment needed to charge for "normal" services.	Opposition will be formidable from the Parliament and affected students and their parents. Rhetoric levels will be extreme. Very difficult to support unless obvious inequities exist. No visible policy champion.	Need financial management capacity at institutional level. Data management system needed.
Introduce tuition charges	Significant constraints: need tuition structures, a means-testing program, scholarship programs, loan programs.	Institutions will need personnel to manage. Reallocation from center to institutions difficult.	Constitutional amendment needed. Very difficult to impossible.	Opposition will be formidable from the Parliament and affected students and their parents. Rhetoric levels will be extreme. Very difficult to support unless widely recognized extreme crisis exists. No visible policy champion.	Need financial management capacity at institutional level.

Adapted from Crouch and Healey, 1997, p. 40

actors knows how to complete a technical analysis or create a design as a basis to recommend and implement such a far-reaching policy. Individual ministries may have limited expertise for their own needs but the type of comprehensive realignment probably requires greater skills, authority and willpower than any one ministry can muster.

The natural policy process in Afghanistan also contributes to the stasis, to the extent that the design of any one of these policy options spills over into multiple ministries involving distant actors who have little knowledge of higher education. The more likely a more comprehensive reform is needed, the less likely any movement occurs. This is the weakness in the Afghan policy approach. The incremental and personality based approach typically does not easily support major transformational reforms in policy (Kingdon, 1995). These large scale changes require levels of political willpower that exceed one ministry's capacity. Political pressure opposing these policy options stems from the centralized government mindset that the government leaders are considered essential to maintain control. Consequently, there are no champions willing to take on this fight, and not surprisingly there are no substantial efforts, except for certain chancellors, to implement these options.

Several policy options share similar types of process problems. For example, private donations and entrepreneurial activities have similar legal and technical blockages. Both require new regulations and well-conceived operational guidelines with real incentive structures. Cost recovery options also have such problems but have the additional burden of too many political issues. Fees and tuition charges have "blockages" in every category, which is the main reason why they are not on any actors' agenda. It would probably take the complete implosion of government support to cause an open

change in the policy of free education. Even then, the quiet solution will most likely be the "dual track" approach, just as it has been in the former Soviet republics.

To a small extent there has been some progress in each of these alternative funding options. One institution is negotiating ways for private donors to contribute resources; a few institutions are trying to establish entrepreneurial activities; night school faculties already collect tuition; and, students pay a fee to take the entrance exam. All these measures are starting but each is delayed for its own reasons, although some are similar. By analyzing each potential policy reform, the blockages will become more evident and the opposition will be more clearly identified. As a group, the problems are comprehensively impossible, but analyzed individually, with an understanding of the actors and the process issues, small possibilities begin to emerge..

Analysis by Policy Options

In this section each policy option will be reviewed in more detail. I begin with the baseline, the status quo where no new policies are implemented.

The Status Quo: State Funding

According to the interviewees, the current system of funding does not meet the requisite needs of higher education. Complete reliance on the state for all resources is not acceptable to senior staff in the institutions, not only because the funding is insufficient but also because the state retains complete control over the use of the funds. Currently, any annual increases from the state are being used at the direction of the President's Office and politicians to increase enrollments and not for quality inputs. System quality is gradually deteriorating although the hidden costs are not well known. Some of these

costs involve the following trends: (1) class size continues to increase and student-instructor ratios increase; (2) the overall quality of the faculty is decreasing as the percentage of advanced degree holders among faculties continues to decrease as a proportion of total instructors; (3) most instructors work part-time; the majority continue to seek second jobs spending an unknown amount of time away from their university responsibilities; and (4) university facilities continue to deteriorate due to the lack of maintenance and upkeep. All of these factors contribute to the degradation of quality in higher education, but none are widely known, not even among these actors.

The actors that tend to favor the status quo are the government officials and politicians. The central government tends to support the current power-arrangements. Concerning financing higher education, all actors insist that the government maintain at least the current levels of financing, even though those in the institutions claim that they would give up all funding in return for immediate autonomy.

In general, politicians and senior MOHE officials prefer gradual changes that maintain the control of the central government, while the senior administrators at the public institutions prefer quicker changes that increase autonomy for the institutions. Neither side has analyzed the implications and prepared sufficient legal and technical planning to present a more realistic power-sharing arrangement. The burden of inducing change rests with the institutions, who are asking for more autonomy to seek other sources of income in return for less pressure on the government to provide all the funding. This is a delicate argument by the institutions; they want complete autonomy but they also want more government funding. If they argue too much for autonomy, the

government may grant them what they wish but also stipulate lower rates of government funding in the future.

The alternative to the status quo financial system is the mixed model of funding that seeks other sources. As I mentioned already, the success of the mixed funding model depends on resolving the process blockages, particularly the issue of institutional autonomy.

First, there must be some agreement on what autonomy for the institutions really means. If the institutions want more freedom as a precondition before raising more non-state funding then they must have a plan that describes the extent of this freedom. Unfortunately, they do not. Currently, small steps are being considered in this direction, for example, the opening of a bank account by one institution, which presumably allows the institution to collect funds from entrepreneurial activities. However, these activities are still unregulated and undocumented. The point is that there are many technical issues involved with opening one small bank account. What sounds like a small incremental step is really a comprehensive change that must be considered by a much wider group, that is, several ministries.

Increased institutional autonomy will require a fundamental change in the entire centralized government. If new rules only required one ministry's approval then the issue might be resolved quickly. However, several ministries must approve the new arrangements, and these decisions are likely the first of their kind for the entire centralized system. Everyone will be concerned about the unintended consequences of this precedent and therefore proceed cautiously. Thus, a modest proposal from the institutions to "just" open a bank account so that the funds can be used locally may be a

Trojan horse, except that the MOF suspects what is inside. The MOF knows that this small step provides the opening for others. They want to see the future before they begin the process.

To make this kind of change requires thoughtful, long-term planning by knowledgeable groups. One recommendation is that, funded with outside contributions, a small team of Afghans[122], with individuals who have expertise in Afghan legal, accounting, university and ministerial practices, get together to draft the specific regulations and legal framework for consideration by the various ministries. It is important that Afghans lead this effort because external control over the process can result in charges that "Western" ideology is subverting traditional values. The challenge will be to find technically proficient individuals who can undertake this role. If Afghans are not available, I suggest that individuals from India or Iran[123] should be considered.

As noted earlier, most actors cannot quantify the degradation in quality in higher education. The primary actors are unhappy with the level of state funding but they do not estimate what is an acceptable amount. Measures must be developed that link limited government funding with enrollment increases, faculty degrees and training, facilities and maintenance, instructor salaries and purchasing power. One simple measure is to agree on a target expenditure level based on a per enrolled student to set a standard measure that can be used for year over year comparisons within Afghanistan and other countries,

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[122] The use of external technical sources is not recommended for several reasons: the Afghans are now suspicious of such advice. They must proceed on their own for this work to have legitimacy or else it will appear as a Western document with Western ideas. Also, the Afghans need the training because this will be just the beginning in a never ending negotiation between a centralized government, various ministries and institutions that want more autonomy.

[123] USAID will not fund Iranian employees, yet individuals from this country are already working as administrators and instructors in the private institutions. Many are extremely well-qualified. There are also certain Afghans who will denounce any Iranian influence as another example of external meddling. Ideally, a few Afghans with some technical ability should be allowed to make their own mistakes and develop their own competency through trial and error.

such as Pakistan, India and the Central Asian republics. Eventually, this standard could be used to show the percentage of funds per student from other non-state sources too. The advantage of this tool is that it begins to measure more than just an absolute contribution from the government, which may look significantly higher year after year but does not reflect the increase in enrollment and the degradation in quality.

Donor Funding

Up until the time of this study, bilateral donor agencies and the World Bank have provided donations in the form of physical assets outside of the higher education and the central government budgets. These substantial donations rebuilt the minimal physical infrastructure. Most likely, these international donors will contribute much less in the future; they believe their mission has been accomplished. Neither the state nor these donors have funded quality inputs[124] in the past and most likely will not in the future. Consequently, other sources must be found. Private philanthropists must be cultivated to meet this need. If the institutions can control the funds from this source, they argue that they will pursue these opportunities more aggressively.

Unfortunately, the legal framework represents the primary blockage point. Private donors are uncertain about the legal status of their gifts and the institutions do not have control over cash gifts, even for endowments. For example, there is no legal recognition of money or property given to the institutions, and there are no financial benefits to the donors who give.

[124] Quality inputs could include funding an endowed chair, paying for advanced degree training, books, lab equipment and supplies, furniture, maintenance costs, etc., essentially, items that are non-construction related.

The institutions are strongly in favor of policies that would allow them the authority to raise funding from all donors, both private and international and to manage and spend those funds according to institutional needs. They would prefer that the MOF and MOHE were not involved in the process. According to the senior MOHE officials and the President's Office, they are also in favor but must be convinced that there are adequate regulatory safeguards, policies and procedures to avoid financial corruption and unethical practices. The institutions have not provided a clear plan that details the documents needed to legally frame these activities.

The institutions will have to develop organizationally to successfully undertake this challenge, but it will require an investment in time and money. While the senior management at the institutions is in favor of developing private donors, they have not invested much energy yet in this policy option. The are several reasons: (1) there is still a belief that the bilateral agencies will continue to fund as before; (2) the institutions may not believe that these new donors will contribute much money; therefore, it is not worth the effort in time; (3) there is no one on the staff at the institution, other than the chancellor, to cultivate and develop these potential donors; and (4) the technical and legal knowledge is missing at the institutions to provide the necessary supporting documentation and planning to convince the central government that their concerns are met.

Before the institutions invest considerable effort in developing this potential resource, sound data are needed. Interviews should be conducted with potential private Afghan donors to determine interests and factors that induce contributions. If the pool of donors looks promising then a funded Afghan development committee needs to hold

dialogues with informed actors to draft preferred policies, including regulations and guidelines, for such donations along with preferred uses. These drafts could then be reviewed with the Justice Department for their opinion and recommendations. This process would help surface issues and also identify potential solutions for future dialogues.

Entrepreneurship

Enabling entrepreneurial activities to begin at the institutions is one of the highest priorities for the Kabul-based institutions in 2009. Several attempts have been made as unofficial experiments at the institutional level[125] to determine the political environment and the technical and legal challenges facing the institutions. Some of these activities are ongoing; several have not been approved and still another has been sporadically operational, depending on legal challenges. The senior administrators at the public institutions are the primary supporters and agitators for this policy change. The MOHE is attempting to understand and draft regulations to provide guidelines, while also negotiating with the MOF, the President's Office, and the Justice Department for increased institutional autonomy. Increased institutional authority is the price the government will have to pay to motivate the institutions to energetically pursue entrepreneurship resources.

The MOHE is particularly concerned that the institutions lack the financial management capacity to manage relationships with the private sector. Currently, the MOHE is reviewing proposals and discussing potential business relationships on a case-by-case basis. It is not clear what criteria are used to make decisions. The ministry's

[125] These activities involved the institutions and the private sector. No faculty or individual instructor relationships have been officially approved by the ministry yet.

concerns are justified. The introduction of entrepreneurial activities in an unregulated environment in any institution that remains divided over its mission in society could lead to many unintended consequences. The institutions have not drafted the operating documents, including codes of conduct, contract provisions, incentive arrangements, prohibited activities, etc. Nor has the MOHE. There has not been sufficient discussion concerning the issues among the various actors to construct a workable operating environment yet. Until more legal and technical work proceeds, the actual new income from entrepreneurship will most likely be limited.

Even if these process problems are overcome, it is still not clear how much funding is available from these activities. Currently, the institutions may have less to offer the private sector than they realize. With no research capacity at the institutions, and with instructors who have little recent training in their fields, there is a concern that the products and services that the private sector needs may not match what the public universities have to offer. There have been no studies to determine the commercialization possibilities. Most evidence to support entrepreneurship is based on anecdotal information from a few faculties.

To be successful, the institutions will have to negotiate incentive arrangements with their instructors and these agreements will have to be documented in contracts and regulations. This task will be complicated and require a realistic understanding of pricing policies and salary structures among many other factors. Institutions will also need to change organizationally; supervisory control from the central government and from the institutions must be more permissive and loose. Too many regulations, too much paperwork, and too many uninformed, distant supervisors can complicate working

arrangements with the private sector. In an overly regulated system, individuals with commercial opportunities might choose to leave the institution and work directly with their partners. In an entrepreneurial institution the instructors with the ability to raise funds have power that must be recognized. Until a viable system of incentives can be created in a legal framework that allows instructors to receive benefits and allows private/ public partnerships, this potential resource will be underutilized.

Considerable research is still needed in this area to determine the likely saleable university products and the marketing possibilities. The private sector must be interviewed specifically in engineering, medicine, agriculture and related fields to determine if the institutions have resources that match the needs in private businesses. Other useful information could come from a long-term tracer study to determine the types of jobs that graduates obtain after university. This may help universities who attempt to improve entrepreneurial relations with key industries. Short-term studies would include polling and interviewing business to determine possible areas of joint research activities. Eventually, a funded group of Afghans with experience in law, accounting, the private sector, and the ministry will have to analyze and document entrepreneurship activities.

User Fees

As of 2008 no user fees have been introduced with the exception of the fee to take the Concour exam. The legal framework does not allow these types of charges. However, arguments to support future fee charges are coalescing among the senior MOHE staff and the institutions since both desire income from this source. The primary justification for increased user fees is that the government is only responsible for providing “standard” or “normal” educational services within its financial means.

Admittedly, this may be a moving target depending on the government funding levels; however, based on an agreed-upon baseline for state support, a package of standard higher education provision could be designed. Anything more than this standard level might conceptually be called "extra" and therefore would not be provided by the state unless special charges were made to cover the costs. Gradually, this idea is developing; some fees can be charged for certain activities that are beyond "normal" and that would not be offered unless someone paid for them. Of course this division between normal and extra must be defined. Most likely this definition will become evident as a result of a case-by-case introduction of extra activities. The most obvious types of fees might be a specific user fee for a very specific faculty at one institution.

The most likely opposition to user fees will be affected students. While students may be opposed to these charges, their willingness to protest can be mitigated by several factors: the amount of the fee, the precision of the fee charges to isolate specific sub-groups; the visible benefits accruing to those who pay fees; the level of dialogues with the fee-paying group; and the transparency of the management and use of the funds.

The introduction of significant fee levels may necessitate the introduction of a systematic and transparent means testing program, if equity considerations become part of the policy process. Not only will the creation of a means testing program be a monumental technical task to both the design and the implementation, but the discussions to determine ability to pay, according to some standards, will be dominated by political interests.

The difficulty in creating and then managing a fair and equitable system will be significant. One of the problems with designing this system will be that broad acceptance

in the means testing program will be needed. There will be considerable difficulty in establishing who deserves a scholarship; the ubiquitous image of the "poor Afghan" in higher education will be difficult to overcome. In all likelihood, fees will be kept low to avoid the need for means testing, or the fees will be isolated to particular faculties, such as medicine, engineering and law, where students would be more willing to pay and where future employment opportunities allow students to find their own sources to pay the fees. Overall, considerably more information will be needed to create a means testing program.

Many user fees could be designed to have a targeted quality impact within a given faculty, while others can be broad to cover many needs. There is one fee that is sometimes mentioned that could have a broad effect on overall instructional quality in high education. This is the reduction in student subsidies, or charging for meals and housing costs, either partially or completely. To be specific, for those institutions that do not provide meals or housing but only dole out cash each month to eligible students, a proportional subsidy amount would be based on a means tested formula. The savings from this program could be used by the institutions or the ministry for other purposes, provided the central government does not just reduce the higher education budget by the amount of savings. For those institutions that provide meals and housing, students would have to pay a proportional share of the monthly cost based on a means testing formula. For these institutions, the additional funds could be used to maintain the dorms in better conditions, provide better meals or be transferred to other strategic needs, provided, once again, that the government does not simply reduce the higher education budget.

The senior MOHE officials and the senior staff at the institutions all would like to see a reduction in student subsidies for those students who have some ability to pay, given that over 60% of the total higher education annual operating budget is used for these subsidies[126]. The potential funds raised from these fees could be substantial. In 2008 approximately 27, 000 students (out of 56,000 total) received a subsidy because they ostensibly met one criterion: their "listed"[127] addresses were 40 km from their campuses. In comparison with $159 per student without the subsidy, the government spends $760 USD per student with a subsidy, or almost 480% more for a student who receives the subsidy. Students do not realize the expense associated with these subsidies and the impact that such expenditures have on higher education quality. If they had realized these costs, those students who do not receive the subsidy, especially those who do not need the support, would be more inclined to argue in favor of reducing the subsidies.

None of the interviewees doubted the benefits of dormitories for poor students. They stated that many poor students would not otherwise attend higher education, and most women will not attend an institution unless there is a dorm[128]. Fee proponents do not argue about the benefits; they argue that all students, both male and female, who can

[126] The monthly amount has stayed at a fixed level. Increases in absolute terms to this category result from increased enrollment levels.

[127] This single condition could easily become abused. In this society with such extended family relations, individuals still say their home is the place where their great grandparents lived even though they moved from that location 50 years ago and do not have a domicile there any longer.

[128] This statement needs more careful analysis. Actually most of the women who attend higher education do not live in dorms. The argument is that if there were more dorms more women would attend. There has been no research to determine how many women pass the Concour exam and are unable to attend higher education because a dorm does not exist at a particular institution.

pay should not be subsidized by others. Further research is needed to determine the ability to pay and an appropriate payment scale[129].

Any policy change to reduce student subsidies will face significant political and process resistance if students believe that all students have to pay these fees. If data are available that show students of higher SES levels use the subsidized services, and if means testing is used to allow poorer students to still receive financial support, the opposition may become fractured and the resistance more isolated. According to my research findings, the students believed that those who could pay should do so for the good of society.

One recommendation is that the MOHE begin a study to determine the composition of students in higher education, including those who receive the subsidy. The Concour application already collects some useful information, but more could be added, depending on some agreement on the measureable Afghan factors that influence a student's or family's ability to pay. The hypothesis is that if it can be shown that a substantial percentage of richer students are receiving subsidies at the expense of society, Afghan public sentiment may be in favor of particular reforms that permit charging fees to students of higher SES levels. The political debates over this issue will be intense, vitriolic and emotional, thus sound data is needed for further research, even though this may not be enough.

[129] This system of student subsidies must be studied to determine the fee variations that can result in improvements in quality and savings. For example, are there work/study arrangements that might be possible in Afghanistan? Could students be required to clean and paint dorms as part of their fee payment?

Tuition

The most difficult cost recovery policy option will be the introduction of general tuition charges for undergraduates for “normal” higher education services. Currently, tuition charges are allowed for graduate programs and for “night school” students, based on the concept that these educational services are “extra” and would not exist without charging fees to cover the expenses to supply the service. It is not clear what argument would be used to justify charging general undergraduate tuition other than perhaps a direct connection to enrollment increase. One might imagine that the “normal” provision of higher education could be capped at 60,000 students and that any additional students beyond this amount would have to pay to gain entry. Other technical ways could also be devised, but the biggest reason why this policy or a variation will not be introduced is that there is no political willpower among any actors to begin this reform measure. There are two reasons for this. First, the process blockages are immense in all five categories; second, there is an alternative currently being used that seems to offer the same outcomes. As a result, this policy option is not on anyone’s agenda.

The dual track system has started already in Afghanistan. The night school program, even with the substantial increase in fees, and with no financial support mechanisms, has experienced tremendous growth in demand. Over 7, 000 applicants took an exam to gain entry in 2008, and more are expected in the future.. The senior administration at the institutions and the MOHE are both in agreement on ways to expand this program to more faculties and to allow more student participation.. So far, the night program has been distinctly separated from the “day” students, but as facilities at night become more fully utilized this relationship may change. Conceivably, fees from night

school could eventually be used to provide more quality inputs for day students, resulting in sharing arrangements. The possibilities of cooperation or conflict are intriguing.

None of the actors expressed any concerns about the night school program on issues of quality, access or potential conflicts with the normal classes. All were grateful that the program started. Several students in the program expressed some minor criticism about fees but these were isolated and weak responses not supported by other focus group members. Consequently, the senior staff at the institutions and the MOHE are quietly expanding the system to more faculties to include more students.

One interesting potential future problem that may prevent full development concerns incentives. Currently, all student tuition funds are forwarded to the central government account at the MOF which then returns sufficient expenses to the institutions to pay the salaries of the instructors who teach these night courses. There is no "profit" in the program for the institution; the benefit is that the instructors receive some additional income. This incentive structure will probably have to be amended at some point to allow institutions to retain additional funding to continue to expand the program. It is reasonable to expect that in the future the institutions may want to negotiate fees based on their own market analysis and costs, and to keep the funds generated to expand the program. They may wonder how quickly they should develop this resource while the issue of autonomy remains unclear. Unknowingly, the early success of the program may be complicating the institutions' negotiations for more autonomy since the central government may be unwilling to forgo any income source that promises significant revenue.

Of course, the night school must compete with the private institutions. If the fees are too high relative to perceived value then students may consider alternatives. There are no studies yet to determine the composition of students who attend night school or private institutions. At some point the administrators of the night school program will need to analyze their market to determine the factors that influence students to attend their programs. My hypothesis is that these night students have one or more of the following common traits. First, they have jobs and do not want to give up their employment to attend the day classes; second, they scored well on the Concour exam but not well enough to enter their first choice in the day program; third, they believe that a degree from the public university is still more valuable than from a new private institution; fourth, the courses at the public institutions match their needs; and fifth, the fees at the private institution are too high. For now, the public institutions seem to have an advantage in attracting night school students but this may not last.

As I noted earlier, more research is needed to know the composition of the students who attend night school and higher education. More reliable data will assist night school pricing policies and eventually enable targeted interventions to resolve the inevitable problems concerning equity in a system where fees and tuition are introduced. The establishment of a de facto dual track system can lead to problems that other countries have experienced from using this approach for nearly twenty years, and the issues and conditions should be analyzed.

Summary Discussion

The senior administrators at the institutions are the primary actors interested in pursuing alternatives to state financial support. They will spend energy and time seeking

these external financial resources if there is sufficient incentive. The institutions have requested more autonomy; however, they have not been clear about the limits to this autonomy and they have not been able to provide the legal and regulatory framework that would assuage the concerns of the central government, primarily the MOF, to relinquish its financial authority to the institutions. Unfortunately, the MOHE also lacks the legal, technical and managerial skills needed to provide the documentation and data to support this proposal. The MOF, that is, the central government, is waiting to be convinced.

While the senior staff are negotiating this increased autonomy, attempts have been made by several institutions to start some limited entrepreneurial activities with the approval of the MOHE. However, due to the lack of guidelines, regulations, legal framework and mechanisms to collect and keep funding, the ventures have been small and secretive with minimal financial returns. In the future, if an acceptable level of financial autonomy can be negotiated with the central government, more entrepreneurial activities can be expected, although the institutional income from these activities will probably be small. The real benefit, which is also the same as from night school finances, is that individual instructors will have an opportunity to augment their salary and therefore may choose to remain in the public system instead of going to the better paying private sector.

The MOHE and the institutions have also endorsed the expansion of the night school program, the most successful new source of finances for higher education. This activity meets the needs of students, instructors and faculties and will most likely continue to expand greatly, meeting little resistance. Eventually, this “dual-track” system may result in more students paying fees for higher education than those on scholarships,

an outcome similar to that in former Soviet block countries. Other fee arrangements may develop but none are on the agenda currently; the political effort to introduce such charges is likely not worth the effort yet.

The golden age of nearly unlimited capital donations from bilateral agencies is probably over; new money will most likely be given with conditionalities such as matching funds requirements. Eventually, the institutions will have to develop new internal Afghan sources, especially private donors willing to give in the form of general unrestricted cash for endowments. The shift in gift preference may first come from private donors who recognize that, without increased financial budgets, physical assets will be underutilized, due to the lack of maintenance or basic operating expenses such as electricity and water. The institutions can capitalize on this new understanding if they understand their donors' reasons for giving.

Overall, the mixed funding model is slowly developing. Without the benefit of any planning documents and marketing information, it is difficult to predict the financial effect on higher education on any of the non-state policy choices. Finding sufficient resources to meet the quality needs of higher education will always be a major challenge in a country where the political economy remains unstable, but there is hope. In one sense it is remarkable how quickly public higher education has regrouped and moved forward from nearly zero assets in 2001. There are many capable individuals among the actors who I interviewed with ideas about how the system should develop; they will continue to find sources of income.

Postscript

This research on policy options to raise additional financial resources for higher education is an exploratory case study to determine the major actors, their concerns and the major blockages to enact policies to develop non-state sources of funding. The recommendations are primarily action steps to develop more focused studies in particular areas, especially market studies to determine potential income sources and levels, surveys to determine student composition and a call for the development of legal frameworks.

Several of the blockages I noted are very significant and may remain significant obstacles into the future. Negotiating mutually acceptable autonomy levels between the MOHE, the MOF and the institutions will be difficult and on-going. Establishing a fair and transparent means testing system may be impossible until objective ways of assessing income levels and "need" can be determined in society. The establishment of student financial support schemes that enable students to pay tuition and fees in the future requires a more complex Afghan financial system that has the experience and confidence in making consumer loans, probably an unrealistic development in the intermediate term when the country is still politically unstable.

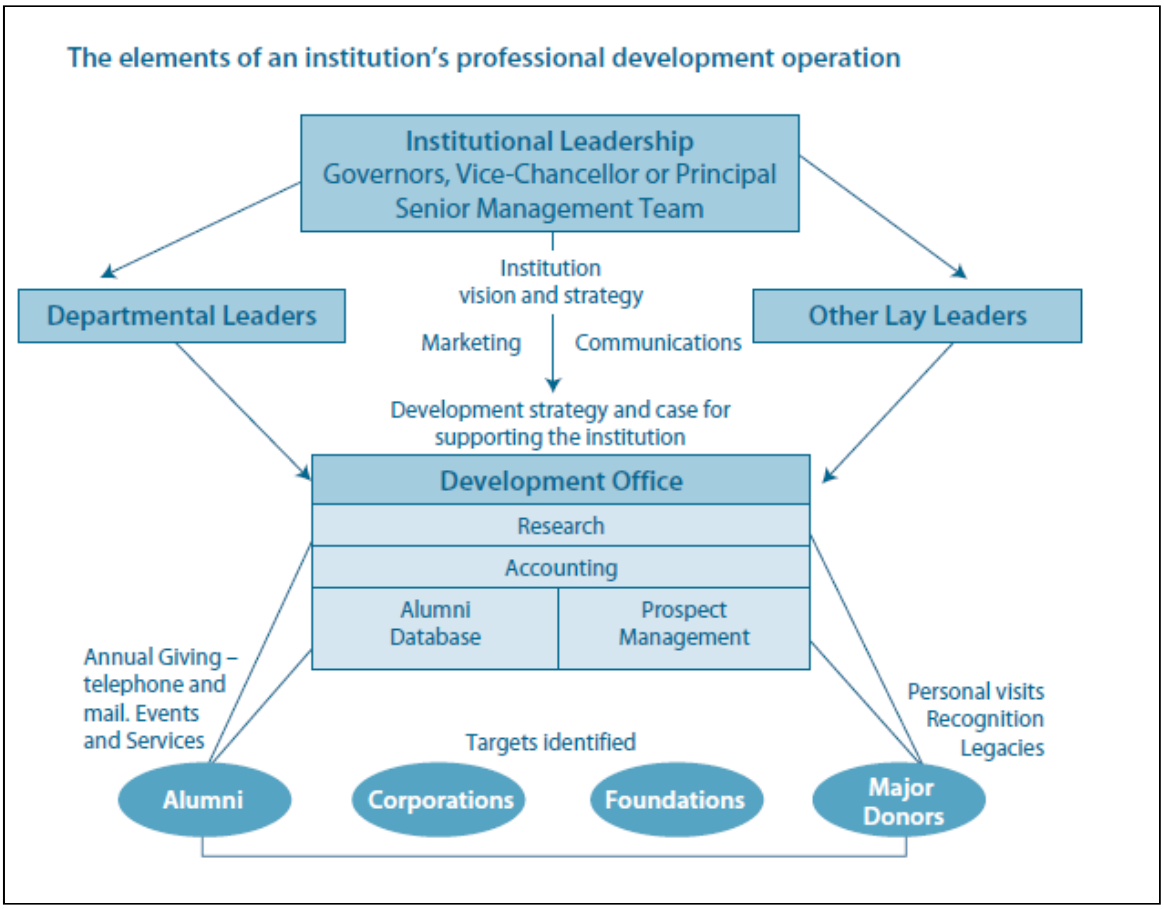
The public sector will face increasing pressure from the private institutions for students and instructors. In the public sector, as enrollments increase, more instructors will be hired with BA degrees because the institutions lack the financial ability to attract advanced degree holders. Overall, relative teaching quality, measured by the number of instructors with advanced degrees, will continue to decrease in the public sector. The private sector may be able to attract instructors with advanced degrees but research studies are needed to determine the decision factors and preferences of instructors to

make any prediction. The private institutions will continue to enroll increasingly more students. Thus, a possible two tiered system may be developing.

The blockages are significant, yet a reformed system for financing higher education is struggling to develop. If the institutions can negotiate acceptable arrangements to keep the funding raised from donations, entrepreneurship, fees and tuition, then the night school will continue to grow and more fees will likely be added in the future. At some point, the higher education system will have to deal with a major problem resulting from its own limited success. Surely the government will begin to cut funding and ask the institutions to raise more on their own. But that is an issue for the future.

APPENDIX A

AN EXAMPLE OF A COMPLEX ORGANIZATION TO INCREASE DONOR RESOURCES



(Task Force, 2004, p. 29)

APPENDIX B

PUBLIC HIGHER EDUCATION INSTITUTIONS 2008

No	Name of Institutions	Number of students enrolled			Number of Faculty		
		Male	Female	Total	Male	Female	Total
1	Kabul University	7324	2336	9660	475	122	597
2	Polytechnic University	2791	109	2900	204	33	237
3	Kabul Medical University	1451	649	2100	138	23	161
4	Kabul Education University	2537	1602	4139	116	48	164
5	Albironi University	1581	62	1643	56	5	61
6	Balkh University	3874	1348	5222	82	1	0
7	Herat University	3562	1723	5285	210	37	247
8	Ningarhar University	5764	207	5971	181	58	239
9	Khost University	2537	8	2545	42	5	47
10	Kandahar University	1509	78	1587	293	5	298
11	Takhar University	1406	166	1572	118	0	118
12	Paktia University	570	0	570	31	--	31
13	Bamyan University	577	39	616	48	0	48
14	Jawzjan Higher Education Institute	1884	430	2314	27	8	35
15	Baghlan Higher Education Institute	1286	166	1452	40	4	44
16	Faryab Higher Education Institute	450	187	637	25	5	30
17	Kunduz Higher Education Institute	779	211	990	34	22	56
18	Ghazni Higher Education Institute (new)	101	15	116	14	4	18
19	Badakhshan Higher Education Institute	235	134	369	27	9	36
20	Parwan Higher Education Institute	1188	124	1312	4	--	4
21	Samangan Higher Education Institute (new)	200	0	200	16	2	18
22	Helmand Higher Education Institute (new)	100	0	100	--	--	--
	Total	44693	9991	54684	2181	391	2489

Source: Afghanistan Ministry of Higher Education Statistics, 2008

APPENDIX C

PRIVATE HIGHER EDUCATION INSTITUTIONS 2009

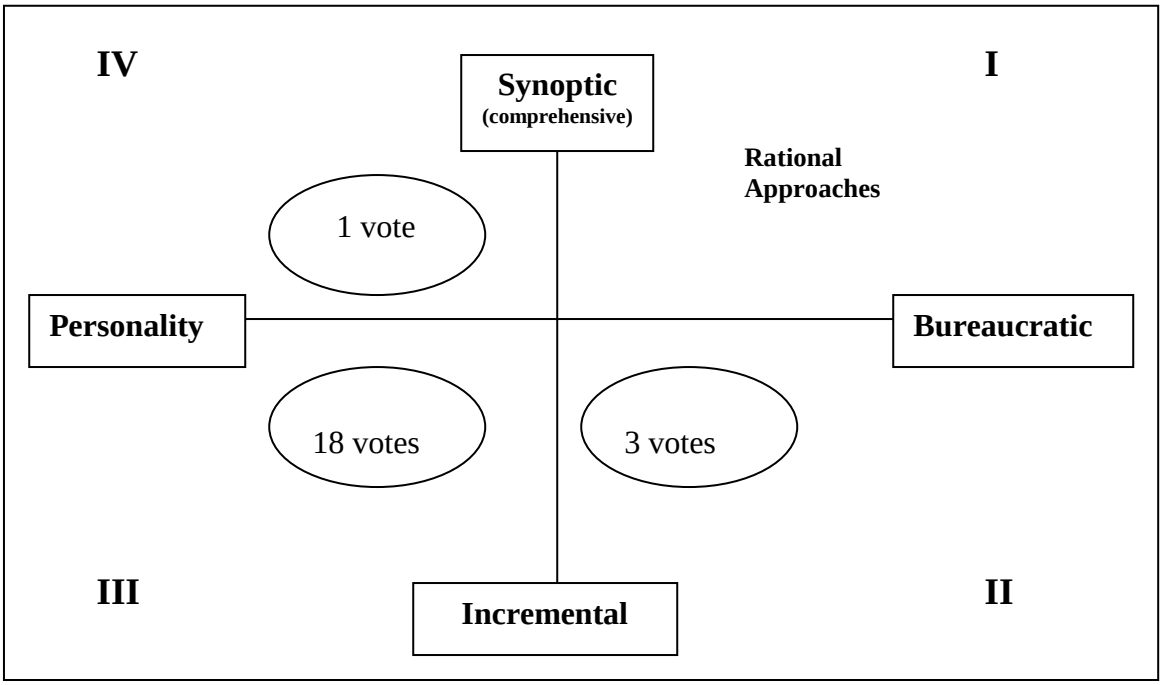
No	Private Higher Education Institutions	Student	Faculty
1	Kardan Higher Education Institute	1348	40
2	Mawlana Higher Education Institute	611	24
3	Bakhter Higher Education Institute	259	18
4	Maiwand Higher Education Institute	150	15
5	Khurasan Higher Education Institute	293	13
6	Katib Higher Education Institute	466	29
7	Cheragh Medical Higher Education Institute	55	9
8	Mariam Higher Education Institute	172	12
9	Khatamun Nabieen Higher Education Institute	250	6
10	Pishgam Higher Education Institute	94	7
11	Khawaran Higher Education Institute	--	--
12	Sadat Higher Education Institute	--	--
13	American University of Afghanistan	323	24

Afghanistan Ministry of Higher Education Statistics, 2008

APPENDIX D

POLICY PROCESS IN AFGHANISTAN

In September 2008, in a single focus group, I polled 22 higher education instructors from nine institutions. First, we read and discussed the Haddad and Demsky (1995) policy process classification scheme to ensure that the terms and purpose were clear, and then I took an anonymous vote, using paper ballots, to determine where Afghanistan should be placed on the grid. The results indicated that this group believed that Afghanistan policy processes were almost entirely based on a combination of personalities and incremental approaches. Note that none of the participants believed the process was based on rational and systematic approaches (Quadrant I), which is preferred by the World Bank for policy creation. The students voted as follows.



(Haddad & Demsky, 1995)

APPENDIX E

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