

Vision for Tertiary Education under Free Market Policies:

A Comparative Analysis of Contemporary Tertiary Education Policy of Zambia and New Zealand

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A thesis in partial fulfillment of the requirements for the degree of Master of Education at
Victoria University of Wellington.

February 2001

ABSTRACT

In the past two decades economic theories of the 'market' have permeated economic and social sector policies of both developed and developing countries. Market mechanisms have become the main policy option upon which economic and social sector reforms, including tertiary education, have been premised. In this study I have compared trends in contemporary tertiary education policy of two countries: Zambia and New Zealand. Prior to 1980 in both countries education was predominantly a public monopoly and free at all levels. However, in the late 1980s and early 1990s New Zealand and Zambia respectively embarked on radical economic and social sector reforms based on the competitive market model.

I have argued that market mechanisms in education policy of both Zambia and New Zealand had their origins in economic theories of the competitive market. These theories gained popularity at a time when countries were going through unprecedented economic difficulties. Thus, although on the surface competitive market policies would seem to suggest that the aim of government was to improve efficiency and accountability and to increase equity and equality of opportunities in tertiary institutions, under conditions of increasing demand on declining public resources and at a time when demand for tertiary education was increasing, it would appear that the long-term intentions of governments in both countries were to reduce public appropriation to tertiary education by transferring part of the responsibility of funding education to institutions themselves and to the beneficiaries of tertiary education. I have also argued that because New Zealand already had a prolific education system in place and a comprehensive student support system it was in a better position to operate its tertiary education system along free market lines. An under-developed tertiary education sector and lack of comprehensive student-aid packages in Zambia have meant that the implementation of market-oriented policies in tertiary education are likely to impact more negatively on the students, education institutions and Zambian society in general.

ACKNOWLEDGEMENTS

I would like to extend my sincere thanks to the following for the various roles they played during my studies: My wife Makulata and my daughter Kateya, for their continued support throughout my studies; all members of Mansfield Street and Vivian Street Gospel Halls, for their friendship, material support and, most important of all, for their prayers. I would also like to extend my thanks to my dear brother in the Lord, Lighton Mwape Mukonshi of Zambia, who was instrumental in sending me some materials on Zambia at short notice and whose continued support during my absence in Zambia I have highly cherished.

Further thanks go to all members of staff of Victoria University, School of Education, for the various roles they played during my studies. I am particularly very grateful to the following staff: my supervisor, James Irving, for his guidance, his many useful suggestions and his support throughout my stay at Victoria University; the School Librarian, Margaret Anderson, who was always there for me when I needed assistance in finding material in the library and in acquiring it from other libraries if it was not locally available; and Joanna Kidman, course coordinator of Higher Education (EDUC 558), for her time, advice and encouraging comments. And lastly, I would like to extend my thanks to the New Zealand Ministry of Foreign Affairs and Trade for having given me this opportunity of studying in New Zealand under their scholarship. To you all thank you very much and may the Lord bless you.

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INTRODUCTION

In recent years tertiary education has undergone radical restructuring in many countries around the world. Changes in tertiary education policy have not occurred in isolation, but have been part of an overall economic restructuring process aimed at revitalizing or maintaining individual countries' economic advantage on the world market. In almost all cases where economic restructuring has taken place tertiary education has been identified as an essential ingredient in the 'economic restructuring equation'. For developed countries, the thrust for reforms in education has been the need to build successful, knowledge-intensive and highly skilled economies (See, for example, Dearing, 1997; Ministry of Education, White Paper, 1998; Perris, 1998). "An efficient, responsive and internationally competitive tertiary sector, has been seen as a necessary pre-condition for achieving this objective," (Boston, 1998, p.1.).

Although a majority of developing countries face even greater challenges in addressing issues of fledging economies, through an enhanced tertiary education system, the push for reforms in tertiary education have tended to be in response to external influences such as the World Bank and International Monetary Fund sponsored structural adjustment programmes (Harber, 1998; Takala, 1998). However, in both developed and developing countries, the economic crisis of the 1980s acted as a catalyst for restructuring of national education systems along competitive free-market lines. In these restructuring programmes there has been an increasing tendency, for both developed and developing nations, to incorporate market-elements in education policies. "The market has been seen as the ideal model on which to base educational arrangements," (Roberts, 1998, p. 4). The underlying assumption of the market rationalism is that tertiary education institutions should operate as businesses in a competitive environment in the service of a client market. Under this arrangement, students are seen as clients who should assume a greater responsibility for their education by paying tuition fees (Boston, 1998; Riggs, 1999; Sosteric, et. al., 1998).

In this study I have identified key elements in tertiary education policies of Zambia and New Zealand. I have analyzed similarities and differences in policy-orientation in terms of the socio-economic environment prevailing in the two countries and in terms of the specific conditions within tertiary education. The underlying assumption in this study has been that, although similarities in policy between the two countries abound, and although this may, on the surface, suggest that the two countries are responding to similar environmental pressures, each of these countries faces a unique set of local demands and pressures.

I have adopted a comparative perspective in the collection and analysis of data. One of the problems confronting the researchers pursuing comparative studies of this nature is the apparent incomparability of the two countries in question. Apart from a common British colonial legacy, and the fact that both countries are located in the Southern Hemisphere, there is little else in common. The task was made even more daunting by the lack of readily available models upon which to base comparisons. To get around this problem I began by first developing a theoretical model on which I have based the comparisons. My study involved carrying out two tasks, that is, analysing environmental conditions under which market mechanisms in education have evolved and comparing of market mechanisms in tertiary education policy documents.

My thesis is organized along the following lines: chapter one has been devoted to a review of the literature on markets and tertiary education policy. I have argued that market-oriented policies that dominate tertiary education policy originate from and have been supported by and dominant economic theories that have permeated both economic and sector policy.

In the second chapter I have synthesized an analytical model upon which I have based my data collection and analysis. In synthesizing the model I have integrated ideas from the Eastonian Systems Analysis (SA) model and the model suggested by Woods and Bagley in

their study of market elements in public service. The SA model helps to highlight the key areas in the policy making process. In my study I have particularly focused on the 'environment' component of the SA model in analyzing factors that were significant in the genesis of market mechanisms in education and in analyzing educational factors that have either supported or hindered full implementation of competitive free market policies in Zambia and New Zealand. Because the focus of the SA Model is mainly on the process of policy formulation and implementation, I have borrowed ideas from Woods and Bagley's analytical model in comparing tertiary education policy-orientation of the two countries. By combining main ideas from the two models, I have come up with an analytical framework that has enabled me to identify components within the environment that have been significant in shaping tertiary education policy and at the same time to compare the level of marketization of tertiary education. I have, however, used ideas from the two models at a less ambitious level than for which they were originally designed, that is, as a framework for comparative analysis. Accordingly only select components of the systems model have been highlighted, while those components which do not have immediate application to my study have only been referred to in passing.

Similarities and differences in policy have been analysed in the light of environmental factors prevailing in each country. For the sake of clarity I have divided the environment into general and specific environments. The general environment refers to general factors, such as socio-economic and political factors, that have been significant in shaping education policy, while the specific environment refers to conditions prevailing within tertiary education. Consequently the remaining chapters are organized along the key components of my analytical model, that is: "The general environment"—chapter 3; "The educational environment"—chapter 4; and "Policy output"—chapter 5.

In chapter three, 'The general environment' has been examined by identifying and analyzing variables within the environment that were, directly or indirectly, responsible for the genesis and in determining the pace of implementing market mechanisms. Both internal and external factors have been examined.

In the fourth chapter I have examined educational variables that have played a significant role in the implementation of market mechanisms in tertiary education, while in the fifth chapter I have compared the actual tertiary education policy-orientation of the two countries, based on six market variables. In the last chapter I have summarized the study, drawn some conclusions and made some suggestions for future policy.

I faced two problems in carrying out my study. The first problem was the lack of sources of data on Zambia in Wellington, while the second was the need to convert data into comparable form. For example, in comparing various public expenditures there was need to convert the local currencies into a common currency such as the US dollar. To acquire data on Zambia I sought the help of the School of Education Librarian, who ordered some materials for me through the interloan system. I also solicited the help of friends in Zambia, who had to send me some materials at short notice. But much of the data that I used in this study was found on the Internet. Internet sites hosted by the World Bank, the International Monetary Fund, Zambia Investment Center and the Zambia Privatization Agency proved to be very rich sources of data, especially on Zambia's economic performance.

To minimize the problem presented by the need to convert data into comparable form I utilized two strategies; the first strategy was to use ratios rather than hard figures. To compare various public expenditures, for example, I expressed these as ratios of Gross Domestic Product or of the total public expenditure. The resultant ratios were then used to give a general picture of trends in the two countries. The second strategy was to use statistical data presented by international agencies such as the World Bank where and when these were available. Since

such data is usually presented in a common currency, the US dollar, this made comparisons to be done more easily. However, data presented by international agencies were not always in agreement with locally available data. Where this occurred I ignored the international data and instead utilized local data.

Because of the scarcity of data on Zambia, in this study it was the availability of data on Zambia that finally determined what I could and could not include in the study. This, in a way, meant that Zambia was the limiting factor in the type and level of data that I could collect on New Zealand. With so much material and data on New Zealand this proved to be a highly daunting task.

CHAPTER 1

Markets in Education: a review of the literature

Background

The concept of 'markets' has, arguably, become the most significant education policy issue in recent years. Market-oriented policies have permeated education policies of both developed and developing countries. Although skepticism continues to be expressed over what is seen as the encroachment of the economy over the running and organization of educational institutions these policies, nevertheless, continue to spread wide and far.

Market-oriented policies have attracted a lot of debate. They have been described by different commentators using various terms including commodification, commercialisation, economic rationalism, marketization, market discipline, market-liberalism, the 'New Right', or simply as the 'market model' (See, for example, Atkinson-Grosjean, 1998; Codd, 1998; Easton, 1998; Riggs, 1999; Roberts, 1998; Sosteric, Gismondi and Ratkovic, 1998). But all these terms refer to what Codd has described as, "... an ideology which has the primary objective of achieving a total rationalisation of the agencies of the state, including educational institutions, to bring them into line with the policy prescriptions of free-market economics and corporate managerialism," (Codd, 1998 p. 7). As Codd has aptly pointed out, the main feature of contemporary economic and social sector policy-approaches has been the dominance of the economy and economic processes over all areas of state policy-making. Naturally these policies have attracted a lot of debate and research from a wide section of the scholarly world. In tertiary education the focus of these debates has been mainly on tertiary funding policies, including student user-fees; student choice; diversity of supply; competition among education providers; and institutional autonomy (See, Kenway, Bigum, and Fitzclarence, 1993; Kenway,

Bigum, Fitzclarence and Collier, 1993; Peters, Marshall and Parr, 1993; Watkins, 1993). These elements are also the foundation upon which competitive free markets are premised.

In this review I have explored the nature of educational markets: their genesis, the underlying assumptions and the social and political contexts underpinning free markets. I have identified and briefly discussed key elements in educational markets and the rationale behind their incorporation into tertiary education policy. It is my opinion that it is only possible to follow through the logic of the market and why it has become popular in social sector policy, by drawing attention to structural elements of the market.

The Market Ideology and Tertiary Education

There is a general consensus among education policy commentators that contemporary education policy in all the countries that have implemented neo-liberal reforms have had nothing to do with education *per se*, but has had much more to do with underlying economic conditions (Dill, 1997; Gordon and Pearce, 1993). This assertion finds support in the fact that free-markets, as a policy-orientation, came to prominence in the 1980s in most countries around the world when countries were going through economic difficulties. The involvement of governments in the running of almost every sphere of life, including but not limited to participation in public enterprises; adoption of highly protective regulations meant to shield local markets from unfavourable external competition; and the overall lack of competition were seen as having led to inefficiency and overall poor performance of national economies. In response to the economic crisis many countries responded by embarking on radical voluntary or enforced structural adjustments of varying degrees (Ilon, 1997). In these adjustments the market became the only logical alternative upon which sustainable economic growth could be based. In the political sphere democratization became the popular catchword. This was especially true in countries that previously had not tolerated multiparty politics

because of their socialist political inclinations. Democratization not only promised to restore individual civil liberties but the whole agenda of competitive free markets hinged on individual freedoms, including increased freedom of choice in education. Democratization came to symbolize not only the movement toward plural politics, but also affected all sectors of economic and social life including matters concerning social welfare and citizenship. It came to mean the opening up of all sectors of economic and social life, which previously had been the domain of government, to competitive participation by the business world, Non-Governmental Organizations (NGOs) and individuals. It was no longer about political and civil liberties *per se*, but it was also about the conduct of business by multinational companies unfettered by national boundaries (Dan 1997). But as Dan has argued, the market ideology has also been responsible for promoting individualism based on egoism and competition.

Genesis of the Free Market Ideology

Competitive free markets in economic and social sector policies trace their origin in the interaction of both local and external factors. At the international level the free market ideology derived support from the globalization agenda of multinational corporations and in contemporary cultural movements collectively referred to as postmodernism (Kenway, et al., 1994; Kenway, Bigum, Frizclarence, 1993; Jones, 1998; Usher, Bryant, Johnson, 1997). At the local level political changes that took in the 1980s and early 1990s, against the background of declining national economies, rendered support to competitive markets.

Globalization had its origin within the business world where it came to mean "...the organization and integration of economic activity at levels which transcend national borders and jurisdictions," (Jones, 1998, p. 143). It was about organizing business on a global scale, based purely on market principles and the creation of a unified global economy (Dan, 1997); an economy that symbolizes the imaginations and aspirations of international capital. It is an

economy in which the role of government is progressively reduced to that of a facilitator while the market model is looked to as the only logical means of conducting, not only business, but all other areas of social life. As Jones has ably observed, the business world has come to believe in globalization as a “means of conducting business more efficiently, more profitably and more discreetly,” (p. 144). He further argues that:

It will cause no surprise to claim that an integral part of this aim was the intention to open up the world's markets and minimize the supervisory role of public authorities within them. Much of the globalization process came to be dependent on the adoption of reduced roles of government, not only as a regulator but also as provider of public services. (Jones, 1998, p. 144).

Globalization and the market ideology have a number of implications for different countries. The most glaring impact has been on the political, economic and social life of individual countries as they seek to balance internal and external pressures. Jones (1998, p. 144) observes that, “At its heart, the story of globalization is as much the story of changes, within individual nations as changes in economic relations between and among them.”

Pressure to respond and function along competitive free market lines that has gripped education institutions can not, however, fully be explained by globalization alone. As suggested by Kenway, Bigum and Frizclarence (1993, p.116) we should look beyond explanations that focus on the “...discursive politics of dominant fragments and fractions of labour, capital and governments.” They argue that such an approach does not engage sufficiently with significant cultural shifts that help to explain why markets in education have found such a receptive audience. This cultural shift has come to be associated with postmodernity.

Postmodernity has been described as a ‘short-hand’ for contemporary ‘cultural shifts’ or ‘logic’ in which the dominant commodity form is the image (Kenway, et al., 1994; Kenway,

Bigum, Frizclarence, 1993; Usher, Bryant, Johnson, 1997). Some characteristic features of postmodernity include the dominance of the market (Kenway, Bigum, Frizclarence, 1993); capital accumulation based on globalisation and the progressive integration of national economies through market mechanisms (Usher, Bryant, Johnson, 1997); and cultural dominance of commodity forms (Kenway, et al., 1994). Postmodernity has been facilitated by new forms of communication and information technology.

The coming to power of new political leaders and/or new political parties in the 1980s and early 1990s, sparked off by declining national economies, led to radical changes in which the market became the guiding principle in the conduct of business. The role of government in running of national economies was increasingly reduced, while liberalization and increased private sector participation were seen as the only way forward in revitalizing erring economies. The coming to power of a 'new breed' of political leaders in developing countries such as Zambia also signaled renewed efforts in implementing economic restructuring programmes, based on competitive free market principles, at a pace that would not have been thought possible before.

The Nature of Educational Markets

Although postmodernism, globalization and political changes that have taken place in the past two decades all help to explain why free market principles continue to make their way into 'popular consciousness' and to gain wide acceptance (Kenway, Bigum and Frizclarence, 1993), they do not tell us much about the nature of competitive free markets in education. To have a clear conceptualization of educational markets it is necessary to start with a description of what constitutes a market.

It is generally agreed that the term "market" is complex and subject to varying interpretations (Larry and Leslie, 1974). But for the sake of having a working definition I have

taken the general definition given by Dill (1997), that is, a market is a means of organizing the exchange of goods and services based upon price considerations alone. Leslie and Johnson (1974) have further elaborated on this definition by pointing out that a market consists of two components: the supply and demand sides. "From the point of view of a consumer, the market consists of those firms from which the consumer can buy a well-defined product; from the point of view of the producer, the market consists of those buyers to whom he can sell a single well-defined product" (Larry and Johnson, 1974, p. 5). Based on this definition of markets it would be assumed that there is only one type of market in education: that involving educational suppliers (education institutions) and educational consumers (the students). But in fact most commentators on higher education policy recognize three separate but interrelated market-forms. These include the market for programmes offered by higher education institutions; the market for research; and the labour market for academic professionals (Dill, 1997). In this study the focus is on the market for programmes offered by tertiary education institutions in which educational institutions are the suppliers and students are the consumers.

The use of the term 'educational-markets' often has two underlying assumptions. The first assumption is the existence of a perfect self-regulating competitive market in which the allocation of goods and services are optimally efficient (Dill, 1997). The second assumption is that competitive markets are level playing field on which all players have equal chances to succeed.

Based on the first assumption one of the attractions to competitive educational markets becomes their perceived self-regulatory ability. But in practice this assumption does not seem to have sufficient support because, like any other markets, educational markets have not operated in isolation, but have been subject to both societal and political influences. Societal influence arises from the fact that markets operate as subsystems within the wider societal context (Etzion, 1988, quoted in Woods and Bagley, 1997). Woods and Bagley have noted

that “Market behaviour occurs according to rules that are set not by the market itself but by the socio-regulatory contexts,” (p. 642). Political influence, on the other hand, arises from the fact that any form of educational market principles can not operate in any country without the support of a politically determined legal framework. As Dill (1997, p. 167) has observed; “The relationship between government policy and market behaviour is intimate. Truly competitive markets would be an under-supplied good without the supporting policies of government.” This observation has significant implications when analysing educational markets. When comparing market mechanisms in tertiary education it is, therefore, not enough to simply describe similarities or differences in policies without endeavoring to explain how these arise.

In the second assumption competitive markets are perceived as level playing fields where all players have an equal chance of fully participating and benefiting from a competitive environment. Free-markets are seen as self-regulating and beyond manipulation. Players on free-markets are not only presumed to respond to market-forces but also to play by the rules of free and fair competition. Thus, it is taken for granted that both old and newcomers on the market have an equal opportunity of succeeding as long as they play by the market-rules. But it must be remembered that the main motivating factor for entering the market is to make profit and, therefore, if left unchecked, market rules are likely to be abused. Woods and Bagley (1997) have further observed that markets are not a natural phenomenon nor do they operate by the rules set by the market itself, but rather they are socially conditioned and embedded. Freeing the markets to competition does not, therefore, guarantee a level-playing field nor does it guarantee maximum benefits to the consumers. In competitive free-markets there are always winners and losers. The winners tend to be the ‘big-timers’ who have the financial-muscle to manipulate the market conditions, while the losers are those who

do not have the resources to engage in restrictive business practices such as cartels, monopolies and mergers, and acquisitions.

The ‘Market Ideology’ and Tertiary Education

There are five elements in the educational market debate that have particularly attracted wide attention. These are consumer choice; competition among educational providers for students and funding; demand-driven funding policies; and corporate managerialism—a management structure that tends to assume the top-down arrangement in running the affairs of tertiary education institutions (Dill, 1997, pp. 172- 179; Kenway et al, 1993, p. 112; Peters, Freeman-Moir and Peters, 1994; Woods and Bagley, 1996, p. 644). In the educational market debate these five elements have been linked to accountability, efficiency, democratization, and increased opportunities for consumers in free markets (Coulson, 1996; Dill, 1997; Glass, 1994; Riggs, 1999). This linkage has been strengthened by treating educational services as products which consumers ought to purchase; the need to make education more responsive to the demands of a rapidly changing economy and the desire to make national economies competitive on the global market through the creation of a more responsive educational sector (Codd, 1998; Dill, 1997; Gomez and Sosteric, 1999; Kenway, Bigum and Fitzclarence, 1993; Kenway, et al., 1993; Patterson, 1991; Peters, Freeman-Moir and Peters, 1994; Riggs, 1999). By introducing a competitive market culture in the provision and funding of tertiary education the underlying assumption is that tertiary education institutions will become more accountable to the public, more efficient in utilization of resources and more responsive to the needs of the economy.

Choice in Education

Although the promotion of choice in education has, arguably, been one of the areas of focus in the educational markets, many commentators question its effectiveness in addressing

issues of equity, efficiency and accountability in the educational sector (Ball and Gewirtz, 1996; Cobb and Glass, 1999; Gewirtz, 1996; Glass, 1994; Gorard, 1999; Lauder, et al., 1994; Lauder, et al, 1995). Proponents of educational markets see choice as the most significant element in promoting accountability, efficiency, democratization, and in increasing opportunities for consumers in of education (Coulson, 1996; Glass, 1994). It has been suggested that increased parental and student choice is beneficial both socially and educationally. The logic here being that as parents' and students' freedom to choose increases so will competition among educational institutions. It is argued that as competition increases educational institutions will become more efficient and accountable in the delivery of educational services (see Glass, 1994).

The 'choice debate', however, goes beyond the quest for efficiency and accountability. It has also been about exercising democratic rights (Coulson, 1996; Vandenberghe, 1999), satisfying individual preferences and increasing diversity of educational programmes by encouraging institutions to become more innovative and responsive to the demand of students, society and the economy. Speaking from a historical perspective, Coulson (1996), has summed up the benefits of educational markets as follows:

There is no question that competitive educational markets have been more responsive to the needs and demands of parents than centrally controlled subsidized systems. This has held true whether the monolithic system have been run and paid for by governments, as was most the case, or by religious societies. ----- For centuries, the most sophisticated and modern instruction in England was to be had at private secondary schools, which introduced the sciences, practical engineering and surveying techniques, naval skills, and living foreign languages. Before they were squeezed out of existence by tax-subsidized public schooling, there was simply nothing that could compare to them (Coulson, 1996, p. 20).

In tertiary education choice is directly linked to the economy. Students are expected to make decisions not only about which institution to attend but also which course programme to pursue. They are expected to base their choices on labour market 'signals'. The underlying assumption being that if students are given the correct information they will always choose courses that are highly rewarding and in high demand on the labour market. Since highly paying occupations are those for which occupants are in greatest demand, higher education institutions would be forced to comply with the needs of industry through student pressure. "Choice, therefore, rests on the happy coincidence between the needs of students, the requirements of the labour market and a 'responsive' tertiary education system," (Peters, Freeman-Moir and Peters, 1994, p. 23).

The effectiveness and neutrality of 'choice' in bringing about positive change in higher education has, however, been questioned (Riggs, 1999; Peters, Freeman-Moir and Peters, 1994). This is because of the fundamental contradiction between the aims of 'choice' in free markets, that is, the pursuance of profit, and the role of higher education in society. Critics of free markets see the application of choice in higher education having the potential of accentuating existing inequalities in society. It has been pointed that:

The notion of increased choice and democracy, as envisaged by supporters of competitive system of education, is a farce. This is because choice is seen on one hand as the option to pursue wealth in the market place and on the other hand as the action of rationally autonomous individuals who make decisions untainted by the influence of gender, ethnicity and socio-economic status. The role of the university system in this scheme of things, is therefore to reproduce passively not only these social inequalities but also a trained labour force capable of docilely fulfilling its role in the division of labour. (Peters, Freeman-Moir and Peters, 1994, p. 28).

The other weakness with competitive markets is that although they provide a wide range of alternatives from which to choose, this in itself does not guarantee the ability of consumers

to exercise choice. It has been argued that choice in educational markets is not even and only leads to polarizing effects and exacerbation of existing inequalities in society. It is also pointed out that in making choice, parents and students do not always possess equal knowledge. Therefore, providing choice merely strengthens the hand of the privileged because they have the “theoretical and practical knowledge and income to make their choice count” (Lauder et al, 1995, p. 6). Research findings have also shown that markets are a middle-class mode of social engagement. That is, educational markets are ‘rigged’ in favour of professional middle-class (Ball and Gewirtz, 1996; Gewirtz, 1996; Lauder, et al., 1995) and that choice is class- and race- informed (Cobb and Glass, 1999; Gewirtz, 1996). It is also argued that educational choices are not always made on rational and explicit grounds. ‘The rationality does not inhere in the minds of individuals as such, but in the culture of the group to which they belong.’ (Lauder et al, 1995, p. 6).

Funding Mechanisms

The issue of funding tertiary education, based on the market model, has attracted heated debate (Boston, 1990; Patterson, 1991; Maani, 1995a, Maani, 1995b). In order to promote competitive market mechanisms in tertiary education two funding approaches have particularly become common. These are the introduction of tuition fees in public tertiary institutions and funding of public tertiary institutions based on student numbers. In some cases the distinction between public and private institutions, in attracting public funding, has been removed (see, for example, Tertiary Education Review, White Paper, 1997; Media Release, 18 Nov. 1998). A funding mechanism that follows the student is commonly referred to as the voucher systems (Dill, 1997; Riggs, 1999).

In the voucher system of funding education instead of funding public education institutions educational subsidies are passed on, directly or indirectly, to the student or

parents. Institutions then attract funding based on the number of students coming to their campuses. Various types of public education subsidies to students and households exist in different countries. These include grants/scholarships; public student loans; family or child allowances contingent on student status; public subsidies in cash or in kind specifically for housing, transportation, medical expenses, books and supplies, social, recreational and other purposes; income contingent student loans; and tax reductions (OECD Indicators, 2000, p. 77). Students are then expected to pass on these funds to institutions they choose to attend. This arrangement has effectively turned students into customers in the educational market.

Public education subsidies are, however, meant to cover only part of the cost of education, while students and their families are expected to meet the remaining cost. At a time of rising tuition and other educational expenses, decline in disposable family income and declining public commitment to student financial aid, students and their families are increasingly being called upon to shoulder a greater burden of the cost of education (Hossler, Lund, Ramin, Westfall and Irish, 1997).

The introduction and increasing cost of tuition in tertiary institutions has been due to the change in philosophy of viewing tertiary education as a private good in which the individual derives most of the benefits. According to the Human Capital Theory, higher education is no longer viewed as a merit good but as a private investment for which the individual user captures most of the benefits through higher lifetime earnings or increased utility (Dill, 1997; Maani, 1995a; Stephens, 1996). It has been argued that in choosing to pursue or not pursue higher education, and in the choice of particular course programmes, individuals are rational and arrive at their decisions by carefully weighing the benefits to be accrued from further education against the cost of undertaking the programme. Consequently it is argued that since students capture most of the benefits accrued from higher education they should take greater

responsibility for their education by paying higher tuition fees (See also, Stephens, 1996; Sosteric, et. al., 1998; Riggs, 1999).

Rising cost tuition has been defended for three reasons: to promote equity; to create cost-consciousness among students and educational institutions; and to promote the emergence and participation of the private sector in higher education (Dill, 1997; Kamwengo, 1993). It is argued that most students in higher education in most countries come from middle and upper class social groups. It is argued, therefore, that low or no tuition fees means that higher education for the elite is being subsidized by taxes of the non-enrolled working class. Fees have further been justified on the grounds that the additional revenue generated would help to increase the number of places available in tertiary education and this would result in increased opportunity for many students. The introduction of various income contingent loan schemes would further help to promote access and increased participation by the various disadvantaged groups in society by ensuring that funds were readily available to needy students.

Under a competitive environment the introduction of tuition fees is seen as likely to encourage both students and institutions to be cost conscious and to make institutions become more sensitive to the needs of students (Dill, 1997; Kamwengo, 1993). "Higher fees are seen as beneficial because they will encourage students to become more concerned with the quality of their education,"(Sosteric, et al., 1998). As a result of student pressure higher education institutions would become more accountable in the delivery of educational services.

On the demand side, the introduction of various subsidies such as government grants and/or government subsidised conventional loans; income contingent loans; and graduate tax, have become the most favoured ways of funding students. Student-funding systems have been increasingly more popular and favoured over institutional-funding systems because they allow students to express their preferences (Dill, 1997; Riggs, 1999). It is argued that the introduction of funding mechanisms that follow the student enable students to 'shop around',

forcing higher education providers to deliver quality services or risk losing students to other institutions.

The move to introduce, and later on increase substantially, student fees, and the introduction of income-contingent loans has been viewed by critics as the commodification of education. Norman Fairclough (1992, cited in Sosteric et. al., 1998), has described the process of commodification as: "The process whereby social domains and institutions, whose concern is not producing commodities in the narrower economic sense of goods for sale, come nevertheless to be organized and conceptualized in terms of commodity production, distribution and consumption." In this process, education is conceived as a commodity that has to be produced, packaged, sold, outsourced, franchised and traded by competitors on a deregulated market (Riggs, 1999, Roberts, 1998).

The introduction of fees in higher education is seen by critics as a departure from the over-riding principal of viewing education as a right which the state should, as far as possible, promote (Boston, 1990; Stephens and Boston, 1994; Riggs, 1999). It has been pointed out that contrary to government expectations the introduction of fees and income-contingent loans would work against disadvantaged groups as few students would be willing to take up expensive programmes for fear of indebtedness (Boston, 1990; Stephen, 1993). Sosteric, et al. (1998) have gone further and cited the study conducted by Ball in 1993, in the UK and USA in which it was shown that increases in tuition fees and restructuring in education were "thinly-veiled forms of class warfare designed to reproduce 'relative social class and ethnic advantages and disadvantages.'" Implicit in this assertion is the view that the introduction of fees, and later on unprecedented tuition increases, are likely to lead to segregation along ethnic and social class lines.

Among objections to student support systems, especially student loans, are questions about access to tertiary education and debt burden. It is argued that fear of future indebtedness

may affect participation of certain groups. "In terms of access, loans are a potential disincentive to participation in higher education by women, ethnic minorities, mature students and low income groups" (Lin and Winn, 1993). It is also feared that as a result of incurring huge debts some students will be forced to 'flee' abroad, while others will be forced to delay, or put off all together, starting up families, and/or delay or be unable to make major purchases such as homes. "Many will be unable to fully participate in society as we know it today," (Riggs, 1999, p. 5).

Competition in Tertiary Education

Competition among education providers is perceived to be an important element in making public institutions conform to principles of free markets. "The importance of competition is underscored by an unshakeable faith in the free markets," (Peters, Freeman-Moir and Peters, 1994, p. 28). In higher education competition is seen to be necessary in bringing about efficiency, increased innovation, and in making institutions more responsive to the requirements of students and the labour market. Peters, Freeman-Moir and Peters (1994) have pointed out that,

Free market advocates argue the virtues of competition from two perspectives. First there is a moral point of view which suggests that competition is the very basis of a free society. Freedom, in this view comes as a result of being able to choose between rival institutions. The second point of view stresses the practical benefit of competition in the provision of goods and services. Consumers gravitate towards institutions which provide the best service at the least cost (Peters, Freeman-Moir and Peters, 1994, p. 20).

It follows from this logic that, in order to ensure financial sustainability and to attract students, institutions are forced to reduce costs and to improve on the quality of services they offer.

In order to open up public higher education institutions to competitive market forces a number of measures have been put in place. These are directed at removing the monopoly that public universities have enjoyed in the past. They include removing the 'degree credentialing' monopoly of universities. This has been achieved by: granting privately owned institutions the status of universities; allowing institutions, such as polytechnics, teachers' colleges and others, the power to grant recognised degrees; funding mechanisms which follow the student; and the removal of any discrimination in the funding of students studying at private and public institutions (Dill, 1997; Peters, Freeman-Moir and Peters, 1994).

Competition among higher education providers is seen as a healthy development in that it is supposed to make to institutions becoming more responsive to the demands of the education market. "The imperative being to 'sell' themselves and their programmes effectively in order to keep enrolments and revenues at healthy levels," (Roberts, 1998). This, it is hoped, will lead to institutions offering courses and programmes that are more responsive to the economic needs of a country. Programmes that do not have much relevance (based on student preferences) would eventually be eliminated. In this arrangement, therefore, the student and the economy assume the central stage in determining the direction and events in the education industry, while educational providers would have to respond to these demands if they have to stay in 'business'. In this way the excessive power that higher education institutions currently enjoy is brought under control. It is argued that,

The 'consumer-driven' system avoids the problem of 'provider capture'---a process where institutions have excessive control over the content, processes and valorisation of educational programmes--- and allows all committed, entrepreneurial players in the tertiary market place to flourish (Roberts, 1998).

The underlying assumption in creating a competitive educational market is that educational institutions should plan their course programmes according to student demands. This demand, in turn is driven by the labour market. Students are assumed to be capable of responding to and making informed choices based on the demands of the labour market. However, some commentators view such an approach to be biased against disadvantaged groups in society. They argue that gender, socio-economic status and ethnic background influence expectations and decisions made by individuals. They, therefore, see the labour market to be part of the patriarchal, racist and class-divided society that helps to produce inequalities. Peters, Freeman-Moir and Peters (1994) have argued that if higher education institutions “conform slavishly to the labour market signals, they will merely continue to reproduce inequalities inherent in society. Such an outcome is clearly at odds with the need to solve the problem of under-representation of those from disadvantaged socio-economic backgrounds,” (p. 24).

Competition among suppliers is seen as a healthy development in that a competitive environment helps to create an incentive to improve the quality of goods and services that the supplier provides. This works to the benefit of the consumer. Competition also makes suppliers to be more innovative and responsive to consumer demands. Under a competitive environment the tendency for suppliers to over-price their good or services is minimized or even eliminated as price is dictated not only by the cost of production but also by the level of demand on the market. This is in contrast to a monopoly where pricing is never competitive and consumers may be made to pay higher prices because there are no alternative sources.

Governance/Corporate Managerialism

The characteristic feature of the principles guiding governance or management of higher education institutions is the adoption of theories and techniques of business management in

the running of these institutions (Ball, 1998; Peters, Freeman-Moir and Peters, 1994). Whereas in the past there was no clear cut hierarchy of authority, now there is distinction between 'employees' (academic staff) and 'senior management' (vice-chancellors). This distinction is a reflection of the practice of private sector industrial relations. "Thus the division of interest which exists in the private sector industrial relations is now mirrored in universities," (Peters, Freeman-Moir and Peters, 1994, p. 41).

Two aspects of university life are particularly affected by these new changes in governance and management structures. These are: collegiality and tenure. Traditionally social relations in most universities have been based on the principle of shared responsibility with diffusion of power. Matters concerning policy have always been subject to discussion, debate and judgement by committees consisting of academic staff. However, participatory decision-making has come to be seen as inefficient and lacking in accountability, hence the recourse to the top-down organizational structure. Peters, Freeman-Moir, Peters (1994) have argued that the distinction between academic staff on the one hand and vice-chancellors on the other "indicates a shift away from collegiality to a more hierarchical form of university governance" (p. 41).

Security of employment or 'tenure' is seen as an important aspect of universities. This is because tenure is directly linked to academic freedom. It is argued that, "By protecting academic staff from dismissal on grounds of political orientation, tenure helps to ensure that scholarship will not be impeded by those who hold competing ideologies," (Peters, Freeman-Moir, Peters, 1994, p. 40). However, under the market approach, tenure is seen to be encouraging laziness and as an impediment to the ability of universities to deploy resources according to market forces. Without such obstruction, it is argued, "Chief Executives would be able to close departments or contract out in order to release resources for those courses most needed by the economy and wider society," (Peters, Freeman-Moir, Peters, 1994, p. 42).

But educational commentators see these changes not only as a threat to academic freedom, but also as an assault on the principle of collegiality upon which universities are founded. They see in these changes the erosion of trust and cooperation that exists among university staff (Codd, 1998; Peters, Freeman-Moir, Peters, 1994); and a threat to the universities' ability to generate and maintain a rich variety of view points (Peters, Freeman-Moir, Peters, 1994, p. 46). Peters, Freeman-Moir and Peters (1994) have, therefore come to the conclusion that, "The deterioration of collegiality and abolition of tenure in universities could hinder the ability of universities to maintain theoretical diversity and eventually render them incapable of producing critical or independent thought," (p. 47).

Maani (1995) views the changes taking place in higher education to have been prompted by unprecedented increases in the demand for higher education; the need to address issues of increasing costs within the existing systems of student aid; and the need for expansion of tertiary education services. Noble (1997), however, sees these changes going beyond the need to contain the rising cost of education. He has argued that policy changes that have taken place in higher education institutions over the last decade have been a result of identifying universities as significant sites of capital accumulation. He has pointed out that,

In the wake of the oil crisis and intensified international competition, corporate and political leaders of major industrialized countries of the world recognized that they were losing their monopoly over the world's heavy industries and that, in the future their supremacy would depend upon their monopoly over the knowledge which had become the lifeblood of the new "knowledge-based" industries (Noble, 1997).

Although Noble's argument helps to explain the increased involvement of the business world in universities of developed countries such as the United States of America and Canada, it does not offer a reasonable explanation for policy changes in developing countries where

universities do not usually attract the attention of the business world because of their low research capacities.

Perhaps what is significant about contemporary tertiary education policy is that, in both developed and developing countries, market mechanisms have become a common feature of tertiary education and, for a long time to come education, institutions and beneficiaries of these institutions have to learn how best to survive under a competitive environment. From a comparative-research point of view, the market approach to education has opened up new avenues for cross-national comparative studies, as common themes continue to emerge as the impact of free market policies in education become obvious with the passage of time.

The study

New Zealand and Zambia offer good examples of countries in the developed and developing world that have pursued rigorous market mechanisms in their tertiary education policies. Prior to the 1980s and 1990s respectively the two countries pursued policies in which the provision of education was predominantly a government monopoly. Education was not only free at all levels, tertiary students also enjoyed extra benefits such as book, transport, and student allowances and other related student support benefits, while public tertiary institutions enjoyed unprecedented public support in terms of level of funding. During the last one and half decades, however, both countries adopted radical economic and social sector reforms based on the competitive market model in which appropriation to tertiary education was reduced. Under a competitive environment public tertiary education institutions lost most of the privileges they had previously enjoyed, while beneficiaries of tertiary education found themselves contributing more and more towards the cost of education. In New Zealand tertiary institutions were now expected to attract funding on a competitive basis depending on the number of students they attracted, while students were now expected to shoulder part of

the cost of education through the payment of tuition and other related course fees. Similarly in Zambia tertiary institutions were expected to be more actively involved in raising funds for general running costs, while students were expected to contribute towards the cost of education by paying at least 10 percent of tuition fees.

For countries that had always been very supportive of education in general, and tertiary education in particular, what factors led to such radical changes in policy?

What factors within the education systems in the two countries have helped to promote the implementation of market mechanisms in tertiary education?

Just how far have the two countries gone, relative to each other, in implementing market mechanisms in their tertiary education policies?

What is government's vision for tertiary education under competitive free market policies?

To answer these questions I have first developed a theoretical model upon which I have based my data collection and analysis. A discussion of the analytical framework, which I have employed in this study, follows in the next chapter.

CHAPTER 2

Framework for Analysis of Education Policy

Background

There are two important tasks to be accomplished in this study. The first is to examine the environment under which market-oriented tertiary education policies have taken place. The second is to carry out a comparative analysis of tertiary education policy of Zambia and New Zealand. To carry out the first task I intend to identify variables within the environment that have particularly been significant in the genesis and in determining both the pace and extent to which marketization of tertiary education has taken place. In the second task particularly attention has been paid to those variables that are a characteristic feature of free markets.

In order to carry out the two tasks in a systematic manner, I have developed a theoretical model by drawing upon the ideas of the models developed by David Easton (quoted in Howell and Brown, 1983; Jenkins, 1978) and Woods and Bagley' (1996). The model developed by Easton—the Systems Analysis Model—has been significant in highlighting various factors acting within the environment and their roles in shaping education policy output. Woods and Bagley's 'public markets' model, on the other hand, has been useful in carrying out comparisons of the extent of marketization of tertiary education between Zambia and New Zealand. By paying attention only to those components of the two models that are relevant and applicable to this study, it has been possible to benefit from both models without losing sight of the purpose of the study and, at the same time, without sacrificing on clarity.

To examine environmental factors that have had significant bearing on policy output, I have found the Eastonian systems model indispensable. However, there is one significant difference between the focus of the systems model and the approach I have taken in my study.

While in the Eastonian model the focus is on the whole policy process, I have made some slight departure from this approach by paying attention only to two specific components of the policy process: the environment and the policy output. I have deliberately taken this approach on the assumption that higher education policy can not fully be appreciated without some understanding of the various environmental factors impinging on the whole process of policy formulation. Although analysis of the policy process on its own is essential, it is not sufficient in explaining policy approaches of different countries without some clear understanding of the environment in which this occurs. To carry out the task of analyzing the environment, the systems model becomes indispensable. This is because this model helps to identify and to show the relationship between the environment and policy output. It must further be pointed out that policy shifts in higher education in almost all countries do not occur in isolation, but are a by-product of much broader economic imperatives. To better appreciate higher education policy, therefore, it is essential to examine the total environment under which these policies have come into existence. The study by Brown and Howell (1983) further helps to show how the systems model can successfully be used to analyze education policy. They have used this model to explain the policy-making process in education by highlighting specific aspects of the model in such a way that the model helps to explain some aspects of their study.

The second task, which is the main focus of this study, involves carrying out a comparative examination of higher education policy documents of Zambia and New Zealand, paying particular attention to free market elements in these documents. The main task will involve comparing the degree or extent to which free market elements have permeated higher education policy of the two countries, and to offer some plausible explanations for any similarities or differences. This calls for the development of some analytical framework, which will make it possible to systematically carry out comparisons. This has been achieved by employing the analytical model developed by Woods and Bagley in their study of market

elements in education policy. They have called their analytical model the 'Public Markets Model', but which I will also occasionally refer to as the 'Woods and Bagley's analytical Model'.

The Systems Analysis Model

The systems model offers some possibilities for coping with some of the conceptual problems of policy analysis: the question of identifying environmental variables with significant bearing on policy outputs. It has been pointed out that the focus of the model is the dynamics and processes of a political system operating in its environment (Jenkins, 1978). The starting point for analysis, using this model, is therefore the environment in which the political system operates.

Components of the SA Model

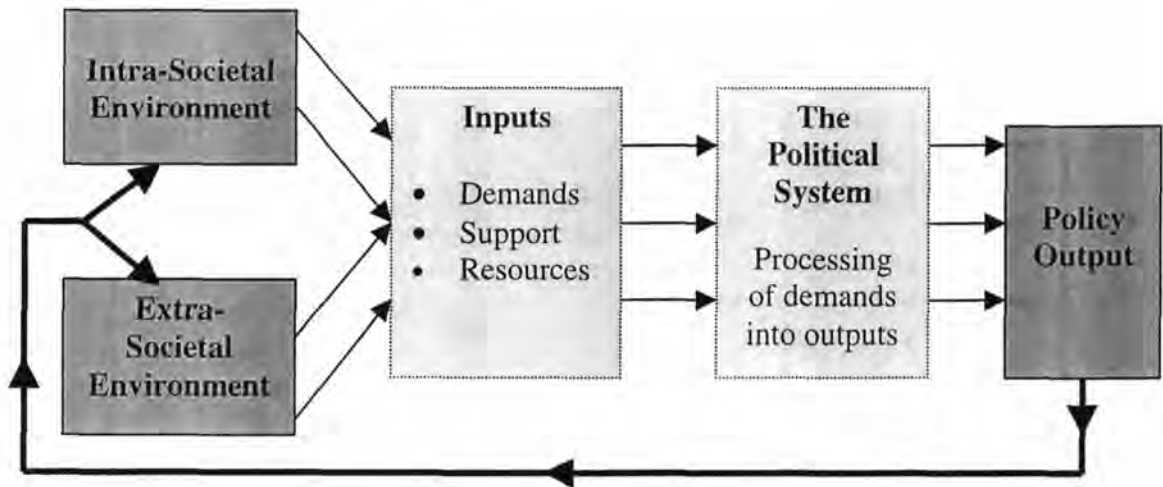
The key components of the systems model, as shown in Figure 2.I, are the environment, the input, the political system and the policy output. In a nutshell the policy process, as presented by David Easton, is seen in terms of an input-output model. Issues enter the political system from the environment (the input); this information is then processed and translated into decisions; policies emerge (the output); and are implemented. Howell and Brown (1983) see the underlying assumption of the systems model to be the interactions among political players.

The Environment

The environment has been described by Howell and Brown (1983) as consisting of both intra- and extra-societal components. They perceive the environment to be furnishing the disturbances to the system thereby displacing the system from its current pattern of operations. Jenkins (1978), on the other hand, defines the environment broadly in terms of socio-

economic, physical and political life. He does not see the environment to be structureless, but as consisting of individuals, groups, and organisations with values and interests operating alone or together over time.

Figure 2.1: Systems Analysis Model



Source: Howell and Brown (1983). *Analysis of Education Policy Making*

The role of the environment in the systems model is, therefore, seen as that of generating disturbances, which then impact on the political system. Howell and Brown (1983) have pointed out that disturbances consist mainly of those wants of members whose fulfillment appears to require some authoritative allocation. Wants, however, do not become automatically allocations since they are filtered both at the point of entry into the system, and in their path through it. Those wants that succeed in entering the system and become a component of the political agenda requiring political decision, are transformed into demands.

Inputs

Demands, together with support and resources, constitute the main inputs into a political system. Demands, as already alluded to, arise as wants from the environment. Support, on the

other hand, is considered as all those groups within the community who support the system; all the structures and rules by which authoritative decisions are reached; and all those who carry out the function of policy making (Howell and Brown, 1983). Resources help to transform political outputs from what would otherwise pass as mere ambitious political pronouncements, into attainable goals.

The Political System

The role of the political system is seen as that of transforming demands into authoritative allocations for society (Howell and Brown, 1983). Dye (1984) has, however, argued that characteristics of the political systems are not very important in shaping public policy. He therefore suggests that “Rather than think of the political system as causing public policy, perhaps we should think of it as *facilitating* public policy,” (p.313).

Policy output

Authoritative allocations are seen as the policy outputs of the political systems. Howell and Brown (1983) have pointed out that outputs take the form of government policies, decisions and implementing actions. They have shown that outputs in turn affect the environment and the input through a feedback mechanism. The function of feedback is seen as that of error regulation. This ensures that the system is pointed in an established and purposeful direction.

Feedback occurs in a loop with four segments:

- Outputs act as stimuli both through altering circumstances and members’ perception of this alteration (feedback stimuli);
- Members respond by modifying their demands and/or varying their support for one or more of the system’s components (feedback response);

- Information about this response is fed back to the political system (information feedback); and
- The political system reacts to this by producing further outputs (output reaction) and the circle begins again.

Significance of the Environment

From the above overview of the process of policy making, it is clear that the environment plays a central role both as the point of initiation of the process and as an important focal point in the feedback mechanism loop. As Jenkins (1978) has ably pointed out, policies can not be understood without some understanding of the prevailing environment under which these policies came into being. A comparison of policy content, therefore, can not be complete without a clear abstraction of the existing environmental influences. Jenkins has further pointed out that the strength of environmental influences will tend to vary in relation to their proximity to the political system. In the same vein it can be argued that the significance which political players place on certain aspects of the environment, - in this case, education, - will also tend to vary from one country to another. This therefore calls for the need to clearly identify and specify what constitutes the 'environment' in order to carry out well-balanced comparisons. The need to be focused when analysing environmental variables has been emphasized by Jenkins. He argues that,

What passes for the 'environment' requires thought and attention. Because of the way systems models are usually presented, the all-embracing nature of environmental influences is rarely realised. As usually defined the environment surrounds the whole process, influencing anything and everything. While useful as a first approximation, this is too gross a representation of environmental influences. A more detailed focus on environmental variables may be crucial for policy studies (p. 23).

The significance of this quote lies not only in the need to be focused when identifying environmental variables but it also helps to draw attention to the need to look beyond political systems when conceptualizing the environment in order to understand policy variation. To explain policy change, there is “need to explore the socio-political conditions in which the political system operates, examining in particular the extent to which outputs are conditioned by external influences” (Jenkins, 1978, p. 26).

Some shortcomings of the systems model

In the systems model the main emphasis is on how political life is sustained, rather than on explaining how particular policy output is linked to the environment. Further criticisms of the model are that: it does not explain how particular outputs are produced, and it fails to explain the distribution of power per se or its consequences (Howell and Brown, 1993). However, my main concern is the failure of the systems model to relate in a clear and concise manner the impact of environmental factors on policy output. The environment and policy output are presented merely as elements along the policy process conveyor-line. The model does not also say anything about policy content. Howell and Brown have, however, argued that when the systems model is regarded less ambitiously as a framework for analysis, it can prove to be useful in that it enables one to focus attention on certain significant areas. It also helps to highlight the relationship between demands, support and policy making.

In this study I will take the advice of Howell and Brown (1993) and will treat the systems model as an analytical framework. In this way I hope to use the model to draw attention to key environmental factors that act as the major ingredients in the policy process. However, failure of the systems model to give a clear cut link between environmental influences and policy content makes it difficult to link the environment and policy content in a way that would make it possible to offer explanations for particular policy trends. It also

makes it difficult to carry comparisons of policy approaches between countries or within the same country over a stated period of time. To carry out a comparative analysis of policy approaches, therefore, requires the use of some alternative analytical model. Fortunately, Woods and Bagley (1996) have suggested such an alternative model in their study of public markets in education.

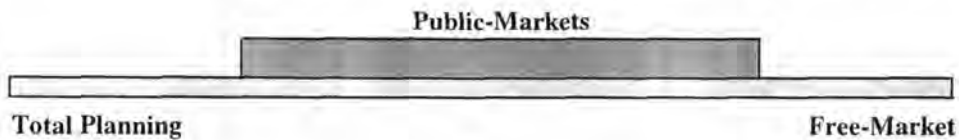
Woods and Bagley's 'Public Markets' Analytical Model

Trends in contemporary education policy in most countries have tended to combine free-market elements and some elements from public service or social welfare. Woods and Bagley (1996) have referred to these elements as the 'free market' and 'total planning' respectively (p. 643). Based on this view, three forms of education policy and provision are obtainable. These are 'total planning', 'free market' and a hybrid of the two, which Woods and Bagley have simply referred to as the 'public market'. They argue that, "according to how such a hybrid is set up and developed, the market or public elements may be weaker or stronger in relation to each other," (p. 643). They have, therefore, come up with a model to represent the three types of education policy approaches. In this model, the relationship among the three forms of education policy approaches has been presented as a continuum. They have argued that market elements are embedded in a wider framework. Their notion of public market is distinguished from free markets by taking public interest into account. "The model is distinguished from the notion of free market by the structural position and significance afforded to the public interest," (Woods and Bagley, 1996, p. 643).

The model is presented as a continuum, with the extreme ends representing 'total planning' and 'free markets' respectively. The area in between represents the varying forms of a hybrid, consisting of elements from public service (or total planning) and from free-market approaches. Woods and Bagley (1996) have referred to this hybrid as the 'public-market' (Fig.

2.II). They have pointed out, however, that rather than there being hard and fast boundaries between the three forms of educational policy approaches, there is a tendency to overlap into adjacent forms. Because of its hybrid nature, the public-market occupies most of the continuum.

Figure 2.II. Public Markets Analytical Model



Source: Woods and Bagley's Analytical Model of educational policy, p. 644).

It has been pointed out that movement from one form of educational policy to the other is not a smooth process, as the notion of continuum might seem to suggest. On the contrary it has been observed that,

Although the notion of continuum implies a smooth path along the axis between total planning and the free market, in reality we would suggest that moving along the continuum is not necessarily such a smooth process. Movement may be better envisaged as being characterised by jolts whenever intermittent changes with important policy implications serve to push a public service in one direction or the other (Woods and Bagley, 1996, p. 643).

This observation has some important implications for policy analysis in that it indirectly draws attention to contradictions, which arise each time there is some major policy shift. These contradictions arise from differences in perception of what is considered as important by the policy makers, the public and other key players in the policy arena. When elements from either of the two poles are incorporated into new policy to create a hybrid this inevitably leads to sacrificing or discarding of some other elements. But elements that are discarded may

have been beneficial to some members of society, while those that are embraced may prove to be putting some sector of society at a disadvantage, and vice versa.

Some shortcomings of the public markets model

In outlining their model, Woods and Bagley have gone a step further and identified some of the key elements found in both free markets and in total-planning policy approaches. By identifying the key elements in policy documents it is possible to determine into which broad category a given policy approach falls, that is, 'total planning', 'public-markets' or 'free markets'. This offers some basis for carrying out comparisons. However it may still prove difficult to locate the exact position on the continuum a given country (or institution) occupies with regard to its policy-orientation. Because of this it may be difficult to compare policy approaches between countries using this model.

A Modified Educational-Markets Analytical Model

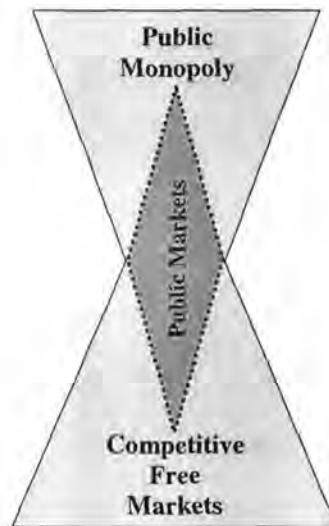
To minimize the problem arising from Woods and Bagley's analytical model, I have decided to think of the two major policy approaches as two cones, with each cone representing strict adherence to a particular policy-orientation. Each of these cones can further be considered to be consisting of elements archetypal of the particular policy approach. The space close to the base of each cone represents a higher concentration of these elements. In practice this indicates total adherence to a particular policy orientation. Movement away from the base of the cone towards the apex indicates diminished concentration of these elements or reduced adherence to the key principles underpinning a given policy approach. This would outwardly be manifested by some shift in policy characterized by discarding of some elements or features associated with that policy-orientation.

If the two cones are now placed on the same plane with the bases facing away from each other, by letting the two cones intersect each other, the three types of policy approaches are created (Fig. 2.III). In this illustration each extreme end (the area of the cone outside the intersection and close to the base of the cone) represents total adherence to a given policy approach, that is, 'free-markets' or 'total planning' respectively. The intersection between the two represents the varying forms of a hybrid, consisting of elements from the two major policy approaches. That is, the intersection represents the various types of educational markets or what Woods and Bagley (1996) have termed as the 'public-markets' and what other scholars refer to as the 'quasi-markets'. It can be noted that by 'total planning' Woods and Bagley are in essence referring to centralized control as opposed to decentralized control. Since centralized control or total planning is associated with public monopolies, in the modified model I will refer to 'total planning' simply as 'Public Monopolies'. In this approach to policy analysis, policy-orientations can be seen as a dichotomy comprising of 'public monopolies' on the one hand and 'free markets' on the other. Public markets can therefore be perceived as a hybrid resulting from the blending of elements, in various proportions, from the two policy approaches. Depending on how elements from the two poles are blended, public (or quasi) markets may approach closer to public monopolies or free markets in orientation.

As has been argued by Woods and Bagley, transition from one approach to the other is not smooth because of the anxieties involved giving up old practices and embracing new ones, which may even prove to be disadvantageous to certain sectors of society. It is also true that during major policy shifts countries do not always move from one policy approach to the other in a cautious manner. Governments have been known to embark on major policy shifts from one extreme end to the other without planning for short- and long- term negative consequences of such policies on various sectors of society. An example of this can be seen in most former colonised countries, which upon gaining independence adopted socialist

principles and went ahead and nationalised all private enterprises, including educational institutions. However, with the collapse of communism there has been a reversal to this trend, with most countries now adopting educational policy agendas based on free markets principles.

Figure 2.III. A Modified Educational-Markets Analytical Model



Adapted from: Woods and Bagley's Public-Markets Model.

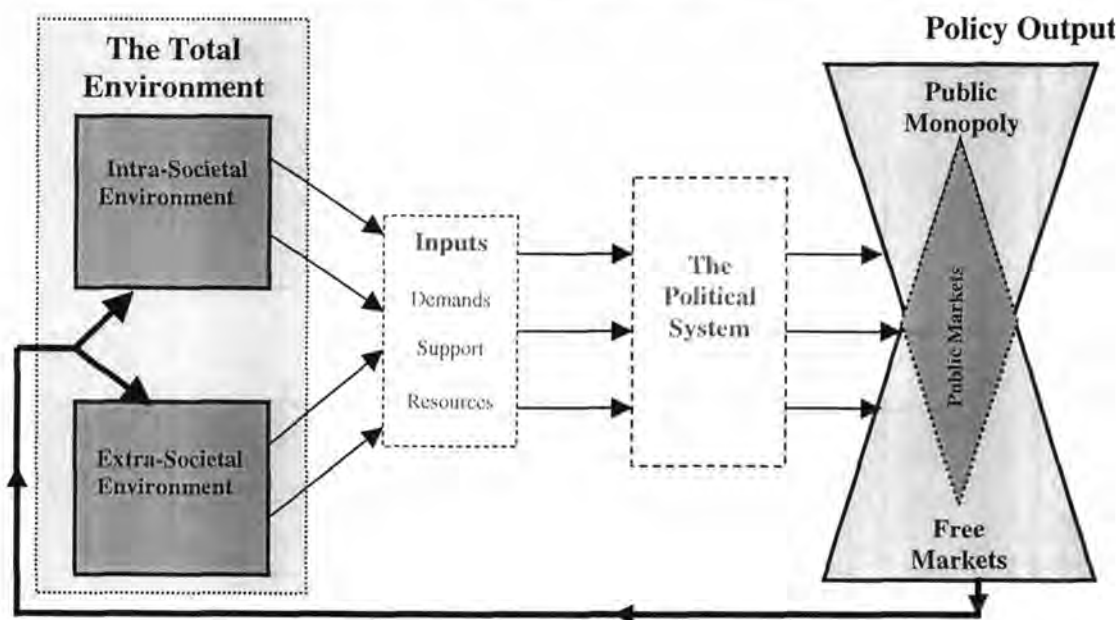
Synthesis of a modified Education Policy Analytical Model

Both the Eastonian Systems' and Woods and Bagley's 'public markets' analytical models are useful, in as far as they help to draw attention to particular aspects of policy analysis. However, when the two models are used alone they can not be used to investigate the relationship between the environment and policy output and at the same time be used to carry out comparative analysis of policy-orientations between countries. To carry out the two tasks simultaneously, therefore, calls for the use of some alternative analytical approach which combines ideas from both models. But, as I have already pointed out, it was necessary to modify the 'public-markets' model from its present form in order to make it possible to carry out comparisons. This has been achieved by looking at the three forms of policy approaches in

another way. The result of which is a model that I have termed as the 'modified public-markets analytical model' (Figure. 2.III).

By simply combining the two analytical models I have then come up with an analytical model which makes it possible to systematically carry out the two tasks, that is, the analysis of the policy environment and comparative analysis of education policy-orientation. I have referred to this model simply as the 'Educational Policy Analytical Model' (Figure 2.IV). The key elements in this model are the 'total environment' and 'policy output'. These two elements form the main area of focus in my study. By drawing attention to both the environment and policy output, it becomes possible not only to explain policy output in terms of environmental factors, but it also makes it possible to carry out comparisons between policies.

Figure 2.IV. Education Policy Analytical Model



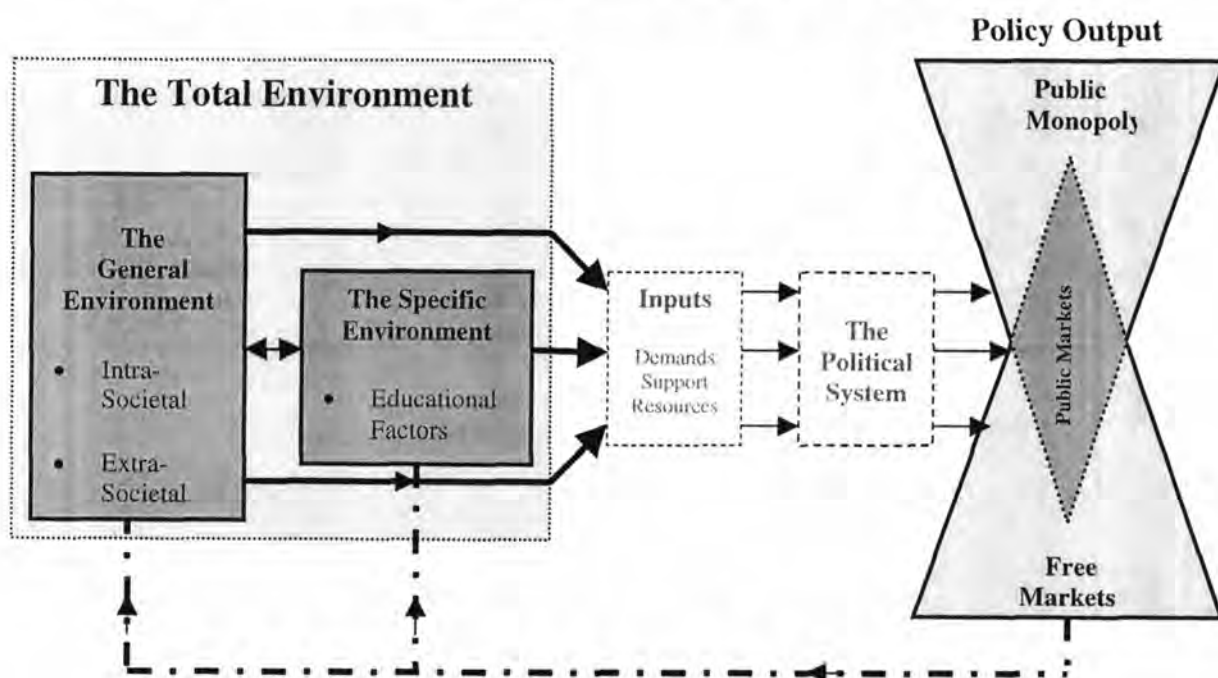
Adapted from: The Systems Analysis and Woods and Bagley's Public Markets Models.

In order to improve on clarity the environment has further been divided into two: the general and the specific environments (Figure 2.V). The general environment refers to general factors such as economic, social and political factors that influence both policy formulation

and implementation. The factors can be intra- or extra-societal in origin. The specific environment refers to the specific conditions pertaining to the policy area. In this case this it refers to all educational factors that impinge on and are in turn affected by developments in education policy.

Although the model comprises of four main components, that is, the environment, input, the political system and policy output, in this study the focus has been on the first and last components. I have decided to do this in order to keep the work within manageable levels.

Figure 2.V: Education Policy Analytical Model: the total environment



Using this model, it is possible to examine both environmental factors and the actual policy output, and how the two interact to shape each other. By critically examining the environment it is possible to offer plausible explanations for particular policy-orientation. This can be done by simply identifying the various elements in the environment and relating them to the given policy output.

The model can also be used to analyze the impact of various policies on the environment and vice versa. It also offers some possibilities for better appreciation of environmental factors that have significant bearing on both policy output and implementation. This can be done by examining environmental factors in several countries, or within the same country, over an extended period of time. By identifying and linking common environmental elements to specific policy approaches, a lot of valuable information can be obtained about how educational policies are conceived and operate and which variables to pay particular attention to when analyzing policy.

Framework for Comparison of Policy Documents

Using this model, it is possible to carry out comprehensive analysis of the policy environment and policy-orientation between countries. At the same time this approach helps to draw attention to areas that need investigation. Such an approach becomes increasingly important especially when it is realized that what has come to be referred to as the 'educational markets' is not a well-defined market but consists of a myriad of "orientations, imperatives and forms in which education is situated" (Kenway et al 1993, p. 110). This requires, therefore, that a systematic approach be adopted to avoid leaving out significant areas in the process of comparing countries with different education systems.

In this study the policy environments, that is, the general and specific (educational) environments, of the two countries were first investigated, followed by a comparison of policy-orientations using identified variables (Figure 2.VI).

Comparison of policy documents was based on six market variables. These are choice; competition among suppliers; diversity of supply; entry and exit into the educational market; demand-driven funding policies; and institutional autonomy, (Kenway et al, 1993, p. 112; Leslie and Johnson, 1974, pp. 5-6; Woods and Bagley, 1996, p. 644). These variables were

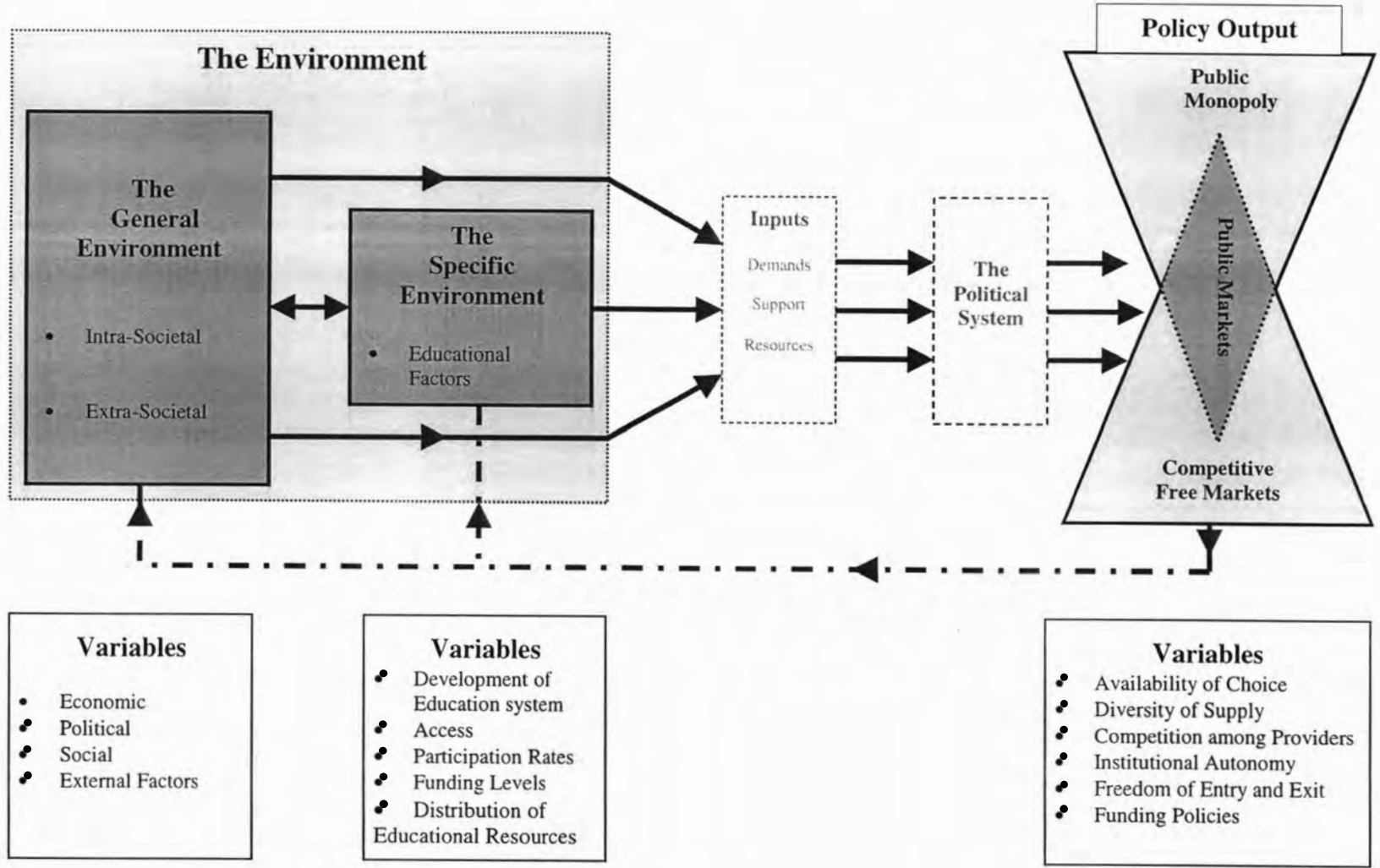
used to determine how far, relative to each other, the two countries approach competitive free markets in their tertiary education policy-orientation. Each variable was taken to be existing as a variance from a situation where the market mechanism is hardly present at all to one where it totally dominates.

In carrying out these comparisons the underlying assumption is that both Zambia and New Zealand tertiary education policy-approaches fit into the 'public market mold' and can therefore be classified as 'public markets'. The main task was, therefore, to identify factors within the environment that were significant in shaping tertiary education policy in the two countries and to decide how close, relative to each other, the two countries approximate free markets in tertiary education.

Methodology

Comparative social inquiry has been defined as a method of analysis that seeks to identify similarities and differences between spatial units by focusing on several objects of study (Geodegebuure and van Vught, 1996). These objects of study have been termed the "macro-social units." Ragin, (quoted in Geodegebuure and van Vught, 1996) has pointed out that: "What distinguishes comparative social science is its use of attributes of macro-social units in explaining statements," (p. 376). While Teichler (1996) has argued that comparative studies aiming to analyze phenomena based on a limited number of variables will produce completely unsatisfactory results. All these arguments help to highlight the importance of taking diverse variables into account when carrying out comparative studies. This condition has been met by drawing attention to environmental variables impacting on policy output.

Figure 2.VI. Framework for Comparison of Education Policy-Orientation of Zambia and New Zealand



Sources of data

The main focus of this study was based on official tertiary education policy documents produced after 1995. In the case of New Zealand, the focus was on “Tertiary Education in New Zealand: Policy Directions for the 21st Century” (White Paper), while for Zambia the two documents; “Educating Our Future: National Policy on Education” (1999), “Investing in Our People: Integrated Education Sector Investment Programme” (1996) and the recently enacted “University Act, 1999”, were the main focus upon which comparative analysis of tertiary education policies of the two countries were based.

In addition to official policy documents other relevant sources included books and public affairs publications such as articles in educational journals and electronic journals, New Zealand Ministry of Education Web Site, the International Monetary Fund (IMF), World Bank and UNESCO electronic databases. These contain some useful information on the subject. Information from these sources was particularly useful in the analysis of the environment. Although information on New Zealand abound it was not easy to source information on Zambia. To supplement the available information I also visited the Zambian website every day to check on any relevant information in the Zambia media.

CHAPTER 3

The General Environment: genesis of the ‘free-market ideology’ in Zambia and New Zealand

Background

There is a general consensus among education policy commentators that contemporary education reforms have not occurred in isolation but have been informed by economic discourses (Codd, 1998; Dill, 1997; Fitzsimons, Peters and Roberts, 1999; Kenway, Bigum, and Fitzclarence, 1993; Kenway, Bigum, Fitzclarence and Collier, 1993; Peters, Marshall and Parr, 1993; Roberts, 1998; Watkins, 1993). This observation arises from the fact that neo-liberal policies, with their celebration of the market, assumed increasing popularity following years of economic decline registered in many countries around the world in the 1970s and 1980s. During this period many countries witnessed negative growth in their economies: export earnings, imports, employment and real wage earnings all declined. This posed a serious challenge on the socio-economic and political spheres of, especially, developing countries. Many of these countries found themselves grappling with a desperate economic situation for which they had no immediate solution.

In response to this crisis many countries saw the answer lying in free market policies. The market was seen as the only alternative upon which to establish sustainable economic growth. Growing popularity of the ‘free-market ideology’ led to the domination of this ‘newly found’ ideology in all sectors of policy reforms, including social sector reforms. To have a clear understanding of developments in tertiary education policy, the starting point should be an examination of trends in national economies. However, since policy making and implementation is influenced not only by economic factors but also by social and political

factors, in this study I have looked beyond economic considerations alone and included political and social factors.

In this Chapter I have examined the economic, political and social conditions that led to the genesis of and later popularization of the market as a policy-orientation. In discussing the economy and its impact on policy, I have looked at factors that led to decline and general trends in economic recovery efforts in both Zambia and New Zealand. I have argued that over dependence of both countries on primary commodities for export earnings made them highly susceptible to external shocks, while highly interventionist economic policies made recovery difficult. In addition, although external debt has never been a significant issue in New Zealand, high level of indebtedness has become one of the major impediments to economic recovery and has had major impact on social sector policy in Zambia.

Within the political sphere I have argued that in both Zambia and New Zealand radical changes in policy-orientation is associated with change in the political party in power. In New Zealand radical changes are associated with the Labour Government that came to power in 1984 after almost nine years of being out of power. Although the National Party later regained power in 1990 they nevertheless, continued with the market-oriented reforms initiated by Labour. Similarly, in Zambia strict adherence to free market policies in economic and social sectors is associated with the radical political change that took place in 1991.

In discussing the social sector I have looked at basic social indicators such as employment trends, levels of unemployment and, in the case of Zambia, poverty levels. Both unemployment and poverty levels are significant social indicators in that they help to point to issues pertaining to equality of opportunity and accessibility to social services, such as health and education, among different social groups. The introduction of various user fees at a time when poverty levels and unemployment were increasing in Zambia, for example, meant that fewer members of society had access to basic social services. At the same time fewer people

saw the value of investing in education. In New Zealand, on the other hand, youth unemployment meant that more youths participate in tertiary education, while changing employment profiles led to more adults returning to tertiary education in order to enhance their employability.

Zambia and the Frantic Economic-Reform Effort

Several factors contributed to the introduction of and increased pace of implementing market-oriented reforms in Zambia in the early 1990s. Although it is an undeniable fact that both social and political factors have played some role in shaping both the pace and direction of economic reforms in Zambia, most commentators agree that economic considerations have had the most significant influence on these reforms (Bates and Collier, 1994). However to have a more rounded picture of Zambia's social sector policy it is necessary to look beyond economic issues alone and to include political and social factors as well. Since the economy affects both political and social spheres, an examination of all three is therefore necessary. Approaching the subject in this way promises to offer not only a clear understanding of the dynamics of education policy, but will also help to elucidate the restrictions that these three factors pose on education in Zambia.

Economic Situation

At independence, in 1964, Zambia was among a few countries in sub-Sahara Africa with very strong economies. Zambia's prosperity was based on the production and export of copper. During the first decade of independence there was rapid growth, with expansion in real output and corresponding improvement in the terms of trade (Kelly, 1991). However, Zambia's prosperity lasted for only a decade before a devastating economic decline set in. By the 1990s Zambia's economic performance had declined to extremely low levels (See Table

3.D). The decline was partially attributed to the mono-economic position and the failure to diversify into other viable economic activities, such as agriculture, at an early stage in the country's development. This made the country highly vulnerable to changes on the world market. Therefore, following the world oil crisis and the drop in the price and demand for copper on the world market in the 1970s, the country was found to be ill prepared to cope with the unfolding crisis. As a consequence the country experienced a very rapid economic decline of a magnitude "unparalleled by the experience of any other country in peacetime" (Simson, quoted in Kelly, 1991). By the 1990s the economy had got even worse (See Table 3.I).

Table 3.I: Zambia's Economic Performance, 1992-99

	1992	1993	1994	1995	1996	1997	1998	1999
Real GDP Growth Rate (% change p.a.)	-1.8	6.8	-8.6	-4.3	6.5	3.5	-1.9	2.4
GDP per capita	397.0	379.3	354.0	362.3	344.1	402.7	315.0	305.0
GDP Deflator (% change p.a.)	191.3	187.3	53.3	46.0	35.2	18.6	30.6	20.6
Balance of Payments (US \$ million)	-237.0	-160.4	-242.5	-264.1	-105.0	-127.0	-275.0	-185.0
Exports (In % of GDP)	34.0	30.2	33.7	35.9	30.6	31.3	25.7	22.9
Imports (In % of GDP)	40.9	31.1	31.6	32.8	35.5	32.2	30.5	26.1
External Debt (In % of GDP)	213.7	206.7	202.0	193.9	194.6	140.0

Source: ZIC: Zambia's Basic Economic Indicators. Online at: www.zic.org.zm/.

Besides the mono-economic position and the world oil crisis, several other factors contributed to the rapid economic decline in Zambia. These included excessive government involvement in the running of the economy; deteriorating terms of trade; the country's geographical location; and liberation wars in neighbouring countries (Kelly, 1991). Being a land-locked country all imports and exports have to pass through other countries to reach the sea. But conditions in neighbouring countries have not always been at the best.

Interventionist Policies

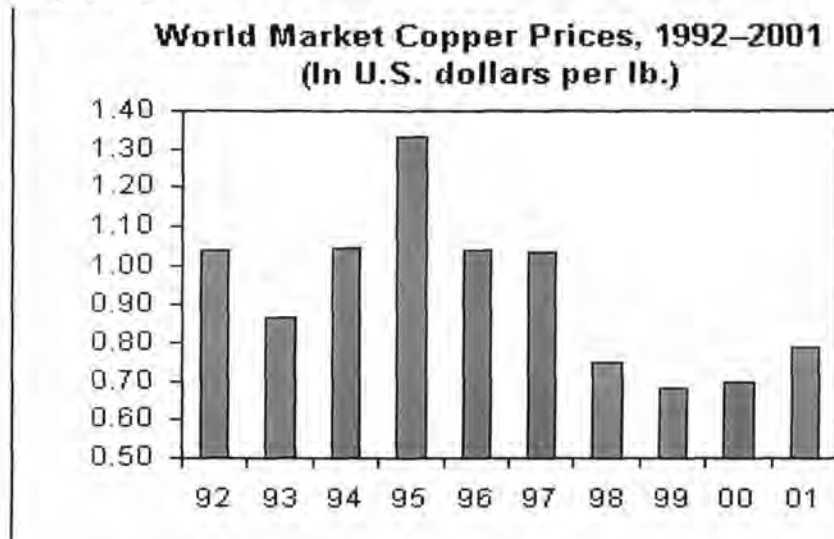
For two decades after independence, the management of Zambia's economy was characterized by state monopoly, with the state controlling 80 percent of the economy. The ruling party—United National Independence Party (UNIP)—instituted socialist economic policies that saw the nationalizing of most enterprises including the mining sector. At the same time structures and regulatory frameworks that supported and enforced the ruling party's socialist policies were created. In the manufacturing sector, the UNIP government created state enterprises and conferred important advantages upon them: subsidized credit, privileged access to import licenses, and preferential tax treatments. In the retail trade price controls were imposed and the state operated stores in competition with private establishments (Bates and Collier, 1994).

In the social sector, health care and education, including higher education, were offered free of charge, while consumer goods were highly subsidized. It is argued, however, that interventionist policies only led to decline in productivity and profits and, although it was possible to run such a system when the economy was doing well, it became economically unsustainable when the economy started to crumble.

Dependence on Copper

The extent of the country's dependence on copper is best illustrated by comparing the country's annual revenues and expenditure during the decade of prosperity (1964-1974) and subsequent years. From 1966-1970 copper sales accounted for more than 55 percent of government revenue; 60 percent of annual government expenditure; 44 percent of the Gross Domestic Product (GDP); and 95 percent of export earnings. By 1975, however, copper's contribution to the economy had fallen rapidly and by 1979 the situation had deteriorated to such levels that now the mining industry needed public funding for its continued existence.

Figure 3.I.



Source: IMF: Zambia Enhanced Structural Adjustment Facility Policy

Framework Paper, 1999-2001.

Two factors have been significant to the performance of the mining industry. The first is the fluctuating price of copper on the world market: During the first decade after independence, the average price of copper was US\$ 1.75 per pound. Between 1975-1983 it had fallen to US\$ 0.85, and it registered an all-time low in 1986 US\$ 0.60 per pound. Some slight gains were registered in 1992 and 1995 at more than US\$ 1.00 and US\$ 1.30

respectively. But this was followed immediately by a sharp drop in 1996. Even projections for 2001, when the mines will be fully under private control, do not predict major changes in the pricing of copper (Figure 3.I). Instability in the pricing of copper since 1974 means that the mining industry can no longer be relied on as a consistent source of revenue for the country.

The second factor is the increased cost of production, which consequently led to a progressive drop in mineral output (Table 3.II). The country started to experience a reduction in the volume of mineral production in the late 1970s and early 1980s. Low productivity was followed by a corresponding decrease in mineral export volumes. The volume of copper production in 1983 was 575 600 metric tons, but by 1997 it had dropped to only 301 000 metric tons. A similar situation prevailed for other minerals, including coal, lead and zinc. For lead and zinc production ceased altogether in 1994, following the closure of the Kabwe Mines, because low ore levels and increased cost of production rendered continued operation of the mine unprofitable.

Decline in mineral production and export volume was happening at a time when the cost of production was increasing. This meant, therefore, that whatever revenue was coming from mineral export much of it went straight into servicing the mining industry. At times earnings from mineral exports were not even sufficient to meet operational costs. This led to a situation whereby public funding was now needed to ensure continued operation of the mines. This reduced the mining sector from a national asset that it always had been for so many years to a national liability draining the already scarce public resources. Therefore privatization of the mines became one of the prescribed conditions that the new government that took office in 1991 had to meet in order to qualify for funding from the bilateral and multilateral donor community. By 2000 the mines were completely privatized.

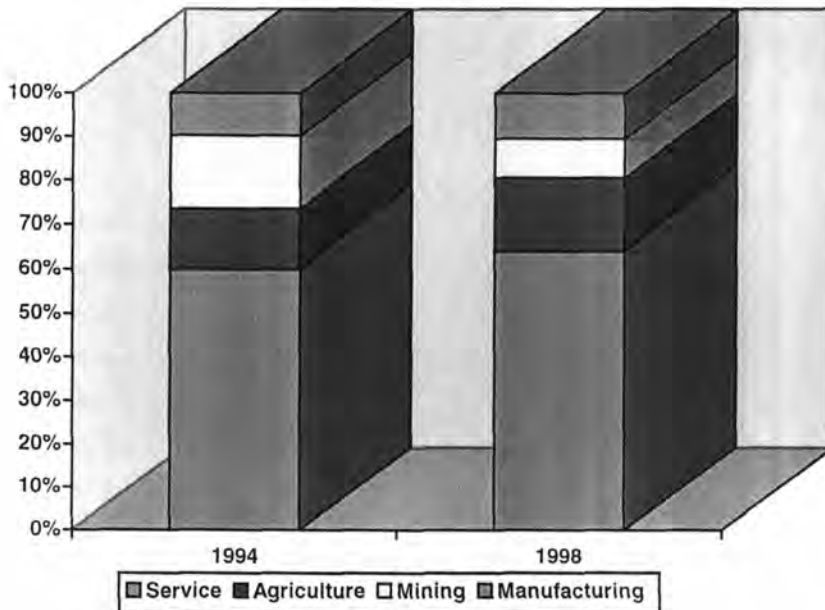
Table 3.II: Zambia: Volume of Mineral Production, 1983-97**(In thousands of metric tons)**

	Coal	Cobalt	Copper	Lead	Zinc
1983	453.0	2.4	575.6	14.4	37.8
1984	511.0	3.5	522.2	8.8	29.2
1985	511.0	4.4	479.4	8.8	22.8
1986	557.0	4.3	459.1	6.6	22.5
1987	557.0	4.5	483.0	8.0	21.0
1988	523.7	5.1	422.2	6.1	20.2
1989	394.8	4.9	450.4	3.8	12.9
1990	330.0	4.6	426.6	3.9	10.6
1991	401.0	4.6	376.9	2.7	6.8
1992	398.3	4.7	441.5	2.7	6.7
1993	328.6	4.2	403.5	1.5	4.7
1994	174.5	6.6	360.3	--	--
1995	151.9	2.9	307.6	--	--
1996	126.6	4.8	313.9	--	--
1997	--	2.0	314.0	--	--

Sources: IMF: Zambia Statistical Appendix (1999).

Although the mining industry continues to play a significant role in Zambia's economy, its overall contribution in the 1990s, as reflected by the composition of GDP, has remained relatively low and has been declining. In 1994 mining accounted for 16.7 percent of GDP, but this dropped to only 9 percent in 1998 (Figure 3.II).

Figure 3.II. Zambia: Composition of GDP by Production Sector, 1994 & 1998



Source: ZIC: Zambia's Basic Economic Indicators.

External Debt Situation

Although bad economic policies of the UNIP government, low copper production and prices of on the world market have all been significant contributing factors to the country's poor economic performance, they do not offer an adequate explanation for the continued poor performance of the economy almost ten years after UNIP was removed from power. A plausible explanation can be offered by examining Zambia's heavy external debt situation. The high level of external debt does not only continue to be the most challenging obstacle in achieving sustainable economic recovery, but the heavy debt burden has also made the country highly susceptible to external influence.

At the start of the economic crisis, in the early 1970s, the country possessed assets in excess of external debt. Government at that time strongly believed that the downturn in the price and demand for copper on the world market was only a passing phase (Kelly, 1991;

Alexander, 1997). This expectation, coupled with the need to maintain constant inflow of the much-needed imports, drove government into exhausting all its external reserves and turning to borrowing. Unfortunately anticipated recovery in the price and demand for copper never occurred. But external debt continued to grow until, eventually, it reached unsustainable levels. At this point the country started to borrow in order to pay off old debt.

Table 3. III. Zambia's External Debt, 1990-97

(In million of US dollar)

	1990	1991	1992	1993	1994	1995	1996	1997
Total external debt	6 898	6 827	6 260	6 532	6 347	7 013	7073	6 971
Medium- and long-term debt	6 517	6 435	6 031	6 218	6 106	6 789	6 868	6 924
Multilateral	2 969	2 843	2 866	2 979	3 077	3 329	3 369	3 397
IMF	1 362	1 326	1 238	1 188	1 166	1 242	1 200	1 138
Other	1 607	1517	1628	1 791	1 911	2 086	2 169	2 259
Bilateral	3 265	3 348	2 937	3 008	2 945	3 272	3 345	3 431
Paris Club	2 508	2 362	2 294	2 353	2 361	2 397	2 470	3 022
Other	757	986	643	655	584	874	874	409
Suppliers and other	283	244	228	231	84	189	154	95
Short-term debt	381	392	229	314	241	224	205	47
Export of goods and services	1 364	1 185	1 205	1 056	1 173	1 383	1 296	1 315

External Debt in percent of export of goods and services

	1990	1991	1992	1993	1994	1995	1996	1997
Total external debt	505.7	576.1	519.5	618.6	541.0	507.2	545.6	530.1
Medium- and long-term debt	477.8	543.0	500.5	588.8	520.4	491.1	529.8	526.5
Multilateral	217.7	239.9	237.8	282.1	262.3	240.8	259.9	258.3
IMF	99.9	111.9	102.7	112.5	99.4	89.9	92.5	86.5
Other	117.8	128.0	135.1	169.6	162.9	150.9	167.3	171.8
Bilateral official	239.4	282.5	243.7	284.8	251.0	236.6	258.0	260.9
Paris Club	183.9	199.3	190.4	222.8	201.2	173.4	190.6	229.8
Other	55.5	83.2	53.4	62.0	49.8	63.2	67.4	31.1
Suppliers and other	20.7	20.6	19.0	21.9	7.2	13.7	11.9	7.2
Short-term	27.9	33.1	19.0	29.7	20.5	16.2	15.8	3.6

Source: IMF: Zambia Statistical Appendix (1997; 1999).

Today Zambia's external debt situation has reached such alarming proportions that even the IMF acknowledges that, "Even by the standard of sub-Sahara Africa, Zambia's external debt burden is exceptionally heavy" (IMF Report, 1997, p. 14). In 1997, the country's stock of short-, medium- and long-term public sector debt stood at about US\$7 billion. This was equivalent to 204 percent of GDP and 530 percent of exports of goods and services (Table 3.III). What is of major concern is the unsustainability of the country's debt position. This has put the country in a susceptible position and has eroded government's negotiating capacity when dealing with bilateral and multilateral creditors. This has also meant that much of government expenditure has to go to debt servicing at the expense of social services and other developmental activities. The desperate nature of Zambia's debt situation is summarized in the following words:

An update of debt sustainability analysis (DSA) for Zambia suggests that even with strong financial policies, the avoidance of non-concessional borrowing, and the full use of traditional debt-relief

mechanism, Zambia's external public debt burden would not be reduced to sustainable levels before the middle of the next decade. (IMF, 1999: 50).

This official assertion is not only an acknowledgement of the desperate nature of Zambia's economic position, but it is also an indirect admission of the futility of the economic reform efforts that have been implemented so far. The IMF and WB supervised restructuring programmes, while promising to revitalize the economy, have only managed to plunge the country further into the 'debt trap' from which there seems to be no way out. The burden of paying back external debt has proved to be the greatest obstacle to the country's economic recovery efforts. External debt servicing continues to gobble a large proportion of the domestic budget (See Table 3.IV) and continues to pose a huge challenge to the country's political leadership.

The impact of heavy external debt is best illustrated by general trends in domestic budgetary allocations to the social sector ministries and to debt servicing. In 1993 and 1994 when debt servicing received the highest allocation (24 and 20 percent respectively), allocations to the ministries of health and education substantially declined, while from 1995 to 1998 when allocation to debt servicing was lower allocation to the two social service ministries slightly improved. Even though public allocation to debt servicing declined from 1995 to 1998 it, nevertheless, remained among the most highly allocated sectors. In 1997 and 1998 public funding devoted to debt servicing was among the highest and was only surpassed by that allocated to general public services and the Ministry of Education. From 1992 onwards a relatively large portion of public expenditure went to debt serving. In 1993 and 1994 debt servicing alone accounted for more than the combined allocation to the ministries of education and health. But this meant that even less public funds were available to meet more pressing local demands such as public spending on social services.

Table 3.IV. Zambia Domestic Expenditure by Functional Classification, 1990-98

(In percent of total domestic budget)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
General public services	24.9	26.1	35.6	28.1	28.9	25.9	13.4	15.4	16.1
Defense	15.6	10.1	12.8	7.8	8.4	7.9	6.4	6.3	9.6
Public order and safety	3.8	4.8	3.9	5.3	1.2	1.4	2.0	1.5	1.8
Education	9.3	10.9	9.1	9.7	9.9	11.3	13.5	15.8	14.4
Health	10.3	5.9	6.2	8.4	8.8	9.2	9.4	11.1	10.8
Social security	1.9	4.0	2.3	4.0	3.9	3.9	4.0	7.5	2.0
Community services	0.6	0.8	0.3	0.0	1.2	2.2	2.9	2.5	2.0
Culture & religious affairs.	1.7	1.4	1.4	1.4	1.9	2.0	2.4	5.0	3.8
Energy	0.1	0.1	0.1	0.2	3.3	5.3	5.0	3.3	2.6
Agriculture & fisheries	6.4	6.8	2.5	2.7	10.6	8.5	2.5	6.0	3.1
Mining & manufacturing.	1.0	1.8	2.9	0.8	1.0	1.2	1.6	1.8	1.4
Transport & communication.	4.2	4.1	8.7	4.1	0.7	0.5	1.8	1.9	2.5
Debt servicing	5.9	6.6	11.8	24.1	20.4	12.8	17.2	13.1	11.4
Other	14.4	16.7	2.4	3.4	...	7.9	18.0	8.7	18.4

Source: IMF; Zambia Statistical Appendix (1999).

Political Environment

Contemporary political changes that have taken place in Zambia have to be understood in terms of the harsh economic reality that has existed in the country for more than two and

half decades. For a decade after independence the country enjoyed a buoyant economy and government could afford to offer its citizens free social services and heavy subsidies on consumer goods. Free social services and affordable cost of living worked in favour of the ruling party, UNIP, making it popular, particularly at the grass root level. This made it possible for UNIP to carry out political manoeuvring, including constitutional changes which ushered in a one party dictatorship.

At independence UNIP ascended to power, with the African National Congress (ANC) being the only major opposition party. ANC did not, however, pose any real threat to UNIP: drawing its membership largely from the farming areas of central and southern provinces, while the rest of the country remained the domain of UNIP. The real threat to the governing party came with the formation of another rival party, the United Progressive Party (UPP) by a former vice president within the UNIP-lead government, following internal power struggles in UNIP.

UPP drew its support from the Copper-Belt and Northern provinces of Zambia. With UNIP just having lost three provinces to ANC in the 1968 elections, a further loss of two provinces threatened to reduce UNIP to a minority Government, a position that was highly unacceptable among the ruling-party leaders (Bates and Collier, 1994). The UNIP-led government, therefore, took steps to suppress the formation of the new party, UPP. In December 1971, over 100 UPP organizers were detained, and in February 1972, UPP was banned. The UNIP government went a step further and made constitutional amendments in December 1972, which made Zambia a one-party state, with UNIP as the only recognized legal party.

For almost two decades UNIP enjoyed total political monopoly with no significant threat to its dominance. However, the first wave of open defiance to its rule surfaced in 1986 when, following removal of food subsidies, food-riots erupted resulting in damage to property and

loss of lives. From that time on opposition to UNIP's one party rule progressively mounted until 1991 when, with the wind of change taking place in Eastern Europe, UNIP made constitutional changes that saw Zambia return to multi-party politics.

The economic crisis in Zambia also lent popular support to the notion that if conditions were to improve UNIP, with its shoddy economic policies, had to be removed from power. The push for political change reached the climax in July 1990 when intellectuals, church leaders, businessmen, ex-ministers and disaffected members of UNIP, labour leaders and members of the public met in Lusaka to discuss 'the multi-party democracy option' (Alexander, 1997). This meeting culminated in the formation of a movement—Movement for Multi-Party Democracy (MMD)—that spearheaded the return to multi-partism in Zambia. Six months later, in January 1991, MMD was transformed into a political party after the President assented to constitutional changes that permitted the formation of other political parties.

The formation of MMD was, in many ways, a marriage of convenience. It consisted of individuals from diverse backgrounds and with diverse political and economic interests united only by the common desire to remove the UNIP government from power. Alexander notes the following about the political zeal of the MMD membership:

The MMD coalition of interests was united in its opposition to the one-party state, UNIP and the leadership of President Kaunda. Members of MMD have differing ideological perspectives, purposes and interests but campaigned against the authoritarianism, patronage and inefficiency of the one-party state focusing their campaign on UNIP's poor economic record, soaring inflation, massive unemployment and under-employment (Alexander, 1997, p. 333).

The unity of purpose exhibited by all MMD members and the vigorous pre-election campaigning that followed were rewarded with very impressive election results.

Following amendments to the constitution, Presidential and General Elections were held in October 1991 in which the MMD adopted presidential candidate, Fredrick Chiluba, overwhelmingly defeated the ruling President, Kaunda of UNIP, after almost three decades of uninterrupted rule, by 75 percent of the vote. In the parliamentary elections, the MMD overwhelmed UNIP by taking 125 seats of the 150 in the National Assembly.

Loss of elections by UNIP marked the end of two decades one-party autocratic rule. To the general public, it marked the beginning of a new era; an era in which they looked forward with great expectation and excitement. The nation at last had returned to democracy. There was a general feeling, fuelled by extravagant political promises that, within a few years to come, Zambia would be an example for all Africa, of what democracy can achieve. But it was to be discovered sooner than later that the real issue was not political change per se. As one commentator put it: "It did not take long for people to discover that democracy was not edible" (Post, October 26, 1995). The MMD government immediately proceeded with the implementation of its election campaign promises. Promises that were marked by unwavering trust in the 'free market' ideology.

It is now almost ten years since multiparty politics dawned in Zambia. But already there is some general feeling of betrayal among the people because of the hardships associated with free market policies, such as rise in unemployment and increasing poverty levels. In 2001 the nation will be going to the polls. This will also mark the end of term-of-office of the MMD founding president. As political parties prepare for elections, once again the subject of the economy and the social welfare of ordinary Zambians will become hot issues. Numerous promises will be made to the electorate, but much of these promises will be mere politicking. Whichever political party will form the next government, it is doubtful whether it will be in a position to make any new meaningful changes beyond what is taking place now, considering the vulnerable position that Zambia is in because of her heavy external indebtedness.

Social Sector

The impact of a poorly performing economy and harsh IMF/WB-sponsored structural adjustment programme on the Zambian society has been immense and diverse: The general standard of living has declined, the gap between urban and rural areas is widening, while unemployment is on the increase. In a survey conducted in 1991 by the Social Dimension of Adjustment (SDA) to monitor and evaluate poverty levels it was estimated that 69.7 percent of Zambia's population of nearly eight million people were poor.

Out of these, 58.2 percent were in the extremely poor category. The extent of rural poverty was greater, at 88.0 percent, than urban poverty, at 48.6 percent. In the rural areas, 89.9 percent of small-scale farmers were poor and 83.2 percent of them fell in the extremely poor category. In urban areas, 55.5 percent of persons living in low cost areas, which are usually of a high-density nature, were poor (Ministry of Finance and Economic Development, 2000: 9).

By 1998 poverty levels in Zambia had risen to 73 percent (See Table 3.V).

Poverty manifests in many forms. Among the rural population it includes a lack of food, money, assets and access to social services. In urban areas poverty is strongly associated with unemployment and increased vulnerability to diseases due to poor nutrition and living conditions. "With most urban poor living in unplanned squatter settlements on the periphery of urban centres, access to water and sanitation has been poor with resultant vulnerability to disease" (Ministry of Finance and Economic Development, 2000: 14).

Several factors can be attributed to increase in poverty levels in Zambia. In rural areas where the main source of livelihood is agriculture, stagnation in agriculture due to persistent droughts and expensive and untimely delivery of agricultural inputs have all been significant contributing factors, especially among small-scale farmers. In urban areas, "As a result of the stronger contact of urban dwellers to the market economy, they have tended to bear the brunt

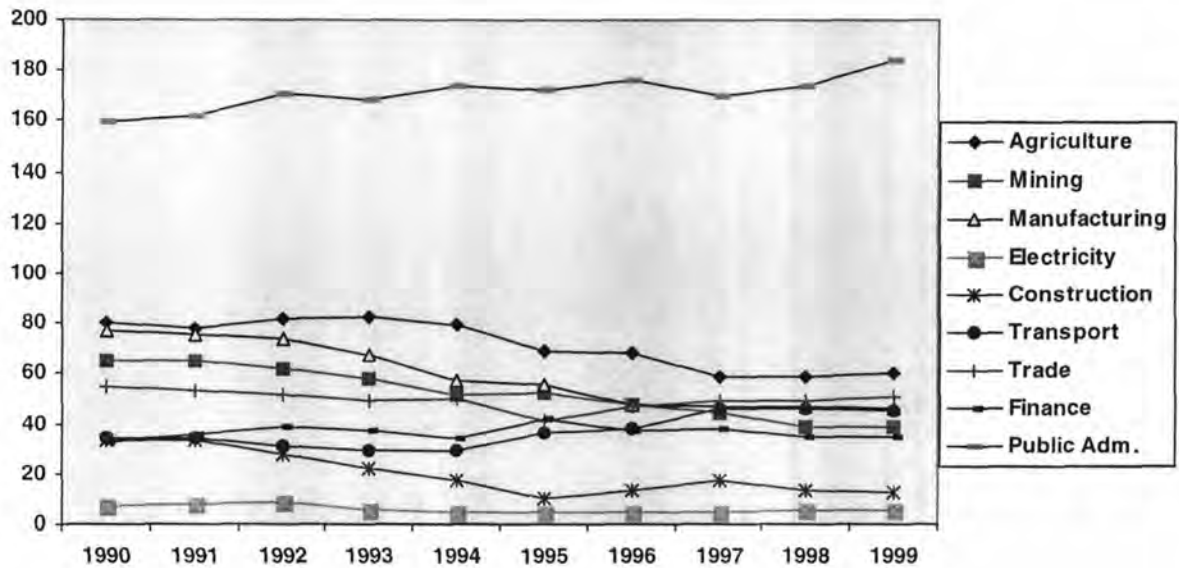
of the recent structural changes like growing unemployment” (Ministry of Finance and Economic Development, 2000: 14). Privatization and liquidation of SOEs and public sector restructuring have, inevitably, meant massive job losses—with the mining, manufacturing and construction industries being among the most severely affected sectors (Figure 3.III). Most of the unemployed enter the informal sector, engaging mainly in petty trading. But under the prevailing competitive environment, brought about by a liberalized market, the informal sector does not offer much hope.

Table 3.V. Zambia: Incidence of Poverty (in percent of population), 1996 and 1998

	Incidence of Poverty (In % Pop.)		Incidence of Extreme Poverty		Incidence of Moderate Poverty		Non-Poor	
	1996	1998	1996	1998	1996	1998	1996	1998
Whole population	69.2	72.9	53.2	57.9	16	15	30.8	27.1
Rural/Urban								
Rural	82.8	83.1	68.4	70.9	14.4	12.2	17.2	16.9
Urban	46	56	27.3	36.2	18.7	19.8	54.0	44.0
Stratum								
Small Scale Farmers	84.4	84.0	70.5	72.1	13.9	12.0	15.6	16.0
Medium Scale Farmers	65.1	71.9	49.7	56.4	15.4	15.5	34.9	28.1
Large Scale Farmers	34.9	15.6	15.0	13.3	19.9	12.3	65.1	84.4
Non-Agricultural House Holds	72.0	79.3	52.1	66.6	19.9	12.7	27.9	20.7
Low Cost Areas	51.1	61.2	31.4	40.8	19.7	20.4	48.9	38.8
Medium Cost Areas	32.4	49.4	15.7	27.7	16.8	21.8	67.6	50.6
High Cost Areas	23.8	33.5	10.8	19.4	13.0	14.2	76.2	66.2

Source: Ministry of Finance and Economic Development: Interim Poverty Reduction Strategy Paper.

Figure 3.III. Zambia: Formal Employment Trends by Sector, 1990-99 (In thousands)



Sources: IMF: Zambia—Statistical Appendix (1999),

ZIC: Zambia's Basic Economic Indicators (1999)

Increased poverty levels and introduction of various user fees have meant that few people are accessing public social facilities including education and health care. The situation is especially grave among highly vulnerable groups such as small scale farmers, single-parent-households headed by women and children who have lost both parents due to the AIDS pandemic. In terms of education an increasing number of children are missing the opportunity of getting some education. There are two possible reasons for this: firstly, the cost of education has become an unbearable burden on an average family. Secondly, since education in the past was associated with formal employment, that is, high educational attainment guaranteed one of formal employment, diminishing employment opportunities and very high unemployment levels have led to a situation where most parents no longer see the value of

investing in the education of their children who, in any case, will remain unemployed even after acquiring formal qualifications.

The 'Economic Recovery' Reforms

The first attempt at addressing Zambia's unfolding economic crisis dates as far back as 1973 when government entered into a one-year stand-by-agreement with the IMF. By 1981 the country had entered a three-year Extended Fund Facility (EFF) with the IMF. But a year later the IMF plan was cancelled due to failure by the Zambian government to meet the Fund objectives. This was the first scuffle between the Zambian government and the donor agencies because of unfavourable terms attached to funding. This marked the beginning of a pattern in which government would seek a donor aid-package only to abandon it half way through because of unfavourable conditionalities. No sooner had an aid package been abandoned than government returned to the negotiating-table with the donor community because of the severe strangle on the economy in the absence of outside funding.

Zambia did not embrace strict market policies until 1985 when, under the influence of international agencies, government introduced a 'more liberal economic regime' (Bates and Collier, 1994). The core of the reform effort consisted of auctioning off the local currency (the Kwacha) in allocating foreign exchange. Auctioning had an immediate impact on the Kwacha, which immediately depreciated from K2.2 per U.S. dollar to around K6 per dollar. From that time the Kwacha continued to depreciate and today stands at more than K3000 per dollar. Other measures included the suspension of price controls on consumer goods and increases in charges for transport and communication services, and housing and public utilities.

With the abolition of price control and the depreciating local currency, the price of consumer goods sky-rocketed beyond the reach of many people. Although opinions vary as to what really caused sudden price increases (See, for example, Bates and Collier, 1994), to the

ordinary Zambian what was of immediate concern was that the cost of living had become unbearable. The reaction of the public to these increases was unpredictable; in 1986 Zambia, for the first time, experienced violent food riots. The riots were to occur again—on an even larger scale, with some loss of lives—in 1990. Government found itself torn between two forces and with only two options: either to go along with the economic reforms as prescribed by the donor community and risk becoming unpopular among the electorate, or to go along with the demands of the people and risk losing donor support. With elections just around the corner in 1988, the latter was found to be the more logical political option, and in May 1987 the IMF-engineered economic reforms were suspended.

The reaction of the donor community was as expected: IMF, WB and most donor countries suspended the credit facility to Zambia. The consequences were devastating. Zambia was plunged into perpetual shortages of all manner of essential commodities. People found themselves spending more time in queues for basic consumer goods than they did in productive work. The severity of the situation forced government to rescind its decision, and in 1989 it switched back to IMF and WB programmes. But by this time immeasurable damage had occurred in the general infrastructure, including schools and roads. The harsh realities of the reform effort and the visible damage on the physical infrastructure all worked to drive a wedge between the people and those in power. The general feeling was that political leaders had overstayed and run-out of ideas on how to manage the country and the solution was to remove them from power. Pressure for political change began to mount and eventually led to a change of government in October 1991.

On assuming power, the new political leaders embraced IMF and WB driven structural programmes with more vigour. The focus was on restructuring of the public sector to make it more efficient; freeing the economy from government control; promotion of private sector

participation and to attract Foreign Direct Investment (FDI). The actions and thinking of the new government is best illustrated in the following statement:

The poor performance of the economy in the 1980s, together with political transition in the early 1990s, led to recognition of the need to minimize the role of government in the economy and to promote policies that seek to create a private sector led economy. (ZIC, 1999).

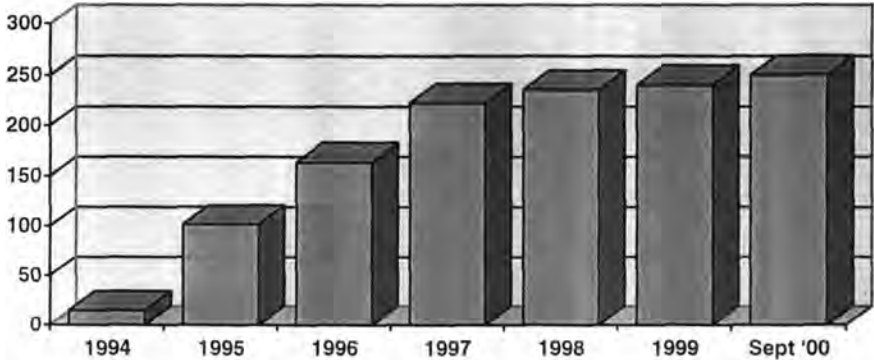
Government went about achieving this overall objective by putting in place a legal framework and institutions intended to support and implement the restructuring effort. The overall economic reform thrust included the following: adoption of free market oriented reforms; establishment of independent government agencies assigned with the task of supervising and promoting liberalization; and enactment of legislation aimed at protecting and promoting private investment. The aim of the policies was to attract FDI by creating an 'investor-friendly climate'. Two government agencies that have particularly been significant in spearheading this reform effort are the Zambia Investment Centre (ZIC), and the Zambia Privatization Agency (ZPA).

ZIC was established in 1992 by an Act of Parliament. Its responsibilities include the promotion, implementation, coordination and facilitation of investment programmes and policies. It also offers various support services to potential investors (ZIC, 1999). While various Acts—including the Investment Act (1993); and the Securities Act (1993)—regulate investment and guarantee protection of private investors against unwarranted government action, such as compulsory acquisition, under this legislation no investment can be expropriated unless Parliament has passed an Act relating to the compulsory acquisition of that property. In the event of expropriation, the Investment Act guarantees full compensation at market value and free transfer of the funds in the currency in which the investment was made. (ZIC, 1999). The Act further allows an investor to repatriate profits, dividends and

capital without any restrictions. This is facilitated by the removal of all restrictions on foreign exchange. The deregulation of exchange control, prices and interest rates has turned Zambia into one of the most liberalized countries in the region.

But the most ambitious and highly prioritized government policy area has been the privatization of state-owned enterprises (SOEs). In 1993 the Zambia Privatization Agency (ZPA) was established by an Act of parliament (Privatization Act, 1992) to plan, implement and control the privatization of SOEs. The rationale behind the privatization agenda being that “Privatization of state enterprises is key to the government’s effort to raise efficiency, promote private sector development, and bolster economic growth” (IMF, 1999, 14). The programme started in earnest with a list of about 138 companies to be sold off or liquidated. In 1994 the number of privatized companies stood at 15, but by September 2000 the cumulative number of companies privatized reached 251 (Figure 3.IV), with only 12 SOEs remaining to be privatized.

Figure 3.IV. Cumulative Number of Companies Privatized: 1994-2000



Sources: IMF: Zambia Statistical Appendix (1997),

ZPA: Summary of Privatization Status Report (2000)

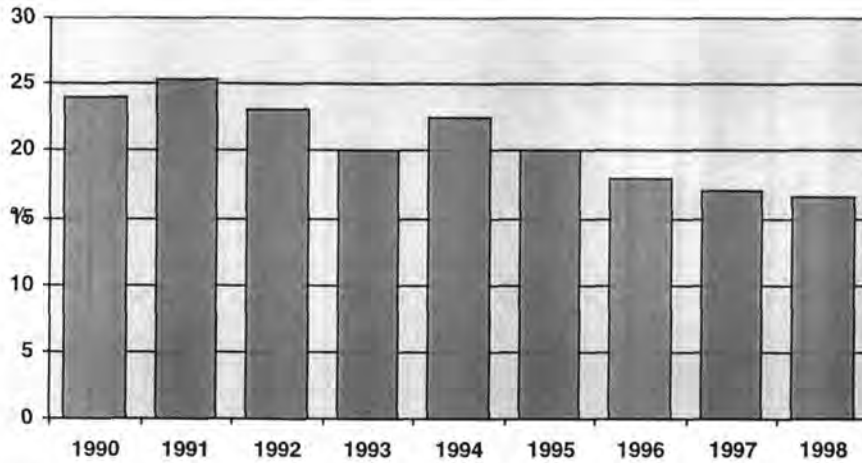
The privatization program is one area that has attracted a lot of political interest and attention. This is because it has included the mining conglomerate—the Zambia Consolidated Copper Mines (ZCCM)—which, for long time, has been the ‘hen that laid the golden egg’ for Zambia. The decision to privatize ZCCM was arrived at in 1996. The process involved unbundling of the huge parastatal company into 11 packages. Nine of these packages were offered by international tender, while two were offered separately (IMF, 1997). Government, through ZCCM, has retained minority shareholding and a golden share in order to ensure retention of a ‘strategic interest in the various mines’ (ZIC, 1999).

The privatization programme has managed to attract a number of multinational companies into the Zambian market. While this is one of the objectives of the reform programme (that is, promotion of FDI) there has not, nevertheless, been any new investment brought by these companies, apart from taking over what government is abandoning. It is also clear that although it has been government policy to empower Zambians through participation in private sector investment, lack of resources has, in essence, excluded most Zambians from any meaningful participation in existing business opportunities. This, inevitably, leading to a situation where the economy of the country is slowly going into the hands of the few—the multinational companies and the rich few private citizens—a situation which, sooner or later, is likely to breed discontentment. It is also a fact that multinational companies do not always have the interest of local nationals at heart. Zambia also stands to lose out as a result of siphoning off of its resources by multinationals as they repatriate their profits out of the country.

Despite the vigorous economic reforms, Zambia has continued to experience a progressive decline in relative public spending, as measured by public expenditure divided by GDP, since the 1990s. Although before 1986 decline in total public spending, relative to GDP, was discontinuous, from 1990 the decline became more sustained and predictable, with public

spending, relative to GDP, progressively declining from 22 percent, in 1994, to 17 percent in 1998 (Figure 3.V). In practice this meant that public spending on social services also progressively declined.

**Figure 3.V. Zambia: Total Public Expenditure
in relation to GDP, 1990-98
(In percentage of GDP)**



Source: IMF: Zambia Statistical Appendix (1999).

In addition to declining public spending in the 1990s, Zambia's domestic budget reflects increasing pressure arising from the need to honour external debt servicing obligations. This is reflected in the proportion of the domestic budget devoted to external debt servicing. Each year government has had the task of honouring its external debt servicing obligations in order to qualify for further assistance from the international community. From 1990 onwards, strict adherence to external debt servicing became a common feature of national budgets. This was in line with the MMD government's policy of maintaining good relations with the donor community by being current in debt servicing commitments even if this meant failing to meet local demands.

Strict adherence to IMF/WB conditionalities of 'free-market' and 'liberalization' has not, so far, produced any tangible benefits to ordinary Zambians. If anything these measures

have only exacerbated the already appalling human and social conditions. The introduction of various user fees in education and health care and the abolition of subsidies have led to reduced access to social facilities and a drastic drop in the standard of living of many Zambians. The privatization, liquidation and restructuring of companies by new owners, which has in most cases meant trimming down on excess workforce, have all led to massive job losses. It is difficult to see just how free market policies will ultimately lead to rejuvenation of Zambia's erring economy, how long this will take and at what cost.

New Zealand's Economic and Public Sector Reforms

In 1984 New Zealand embarked on extensive radical economic and social reforms of a magnitude incomparable to any other country in the OECD. Several factors were responsible for this dramatic change. These included a poorly performing economy; a determined political leadership; and novel ideas (Schick, 1996). Although, on average, New Zealand's economic performance had always been below most OECD countries since the 1960s, it was not until the mid-1980s, that the decline in the performance of the economy reached alarming levels requiring immediate attention. However, the National leadership, which was in power then, seemed reluctant to effect major changes in order to arrest, and possibly reverse, the decline.

The way the National leadership handled the economic decline led to general discontentment among the electorate and subsequently cost the National Party the 1984 elections. At the same time the general discontentment with the way the economy had been handled by the previous government acted as a catalyst that spurred the incoming Labour Government to embark on radical economic and social sector reforms based on free market principles.

The Economic Environment

New Zealand's economic performance, over a prolonged period time, had always been below most OECD countries. The economy began to decline as far back as the 1960s (Massey, 1995; Schick, 1996). But it was not until the early 1970s and mid-1980s that the problem assumed unmanageable proportions needing urgent attention. A number of factors (both local and external) were responsible for this progressive decline. Among the local factors were: government interventionist policies in the management of the economy, which led to distortions on the supply side; and bloated government expenditure on the social sector, coupled with inefficiencies in the overall government machinery. The external factors included external shocks arising from changes in the agricultural commodity market leading to sharp falls in terms-of-trade; and the oil shocks of 1973 and 1979.

In comparison with other OECD countries New Zealand's economic performance has been, on average, below most other OECD countries. From 1960 all economic indicators began to gradually decline. But it was not until the 1970s that there was marked deterioration in economic performance. After 1973 growth in real GDP slowed down considerably; inflation accelerated sharply; balance of payments soared; and unemployment grew (Table 1). Failure by government in the 1970s to stimulate sustainable growth led to a steady build-up in public debt and began to pose real problems for economic development.

During the 1960s GDP grew at an annual rate of about 3 per cent. It rose to over 5 per cent between the 1968-73 period. But during the 1973-84 period it declined to just slightly over 1 per cent. Slow growth was accompanied by acceleration in inflation, increasing deficit in balance of payment and rising unemployment.

Inflation—as measured by GDP deflator—rose from 2.3 per cent in the 1960s to almost 13 per cent by the mid 1970s and early 1980s. The average balance-of-payment deficit was

just over 1 per cent in the 1960s, but it rose to an equivalent of 6 per cent of GDP during the 1973-84 period.

Table 3.VI: New Zealand: Economic Performance, 1980- 99

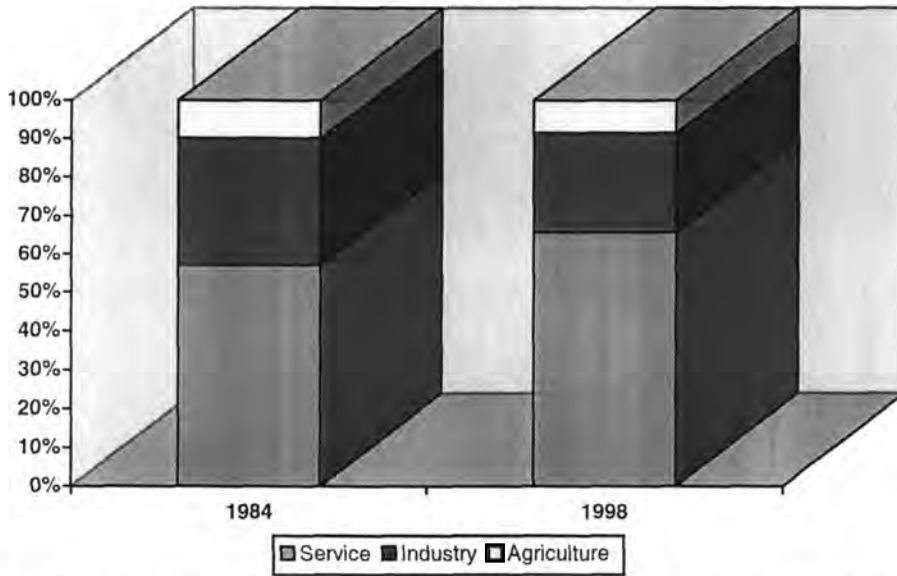
	1980	1985	1990	1995	1996	1997	1998	1999
GDP (NZ\$ million)	20 966	40 397	70 773	86 556	91 461	94 940	98 025	98 913
Balance of Payments on Current Account (In % of GDP)	-4.2	-4.7	-5.5	-6.3	-5.6	-5.8
Exports (In % of GDP)	24.6	28.0	27.1	31.4	30.0	29.0	29.0	30.7
Imports (In % of GDP)	24.7	30.9	26.8	29.0	28.6	28.2	28.4	30.0
Total External Debt (In % of GDP)	17.0	30.7	29.1	15.1	10.7	6.7	8.2	7.2

Sources: New Zealand Official Yearbook (1990; 1992; 1994; 1995; 1996; 1997; 1998; 2000).

External Factors

For a long time New Zealand's economy has largely been dependent on primary commodities, with agricultural products being the main export earners for the country. Although export earnings from agriculture have progressively dropped since the 1960s, in 1984 agriculture accounted for about 10 percent of GDP, but by 1998 its contribution had dropped to only 6 percent. The service sector, on the other hand, has been increasing in significance, with its relative contribution to GDP increasing from about 57 percent in 1984 to slightly over 60 percent in 1998 (Figure 3.V).

Figure 3.V. New Zealand: Composition of GDP by Production Sector, 1984 & 1998



Sources: Statistics New Zealand: New Zealand Official Yearbook (1985; 2000).

The dismal performance of the agriculture sector in the 1970s and mid-1980s attributed to changes that took place in overseas markets. In January 1973 the United Kingdom, the traditional market for New Zealand agricultural products, joined the European Community (EC). Accession of UK to EC restricted New Zealand's access to the main traditional partner. At the same time, the first oil-crisis of 1973 set in, posing further challenges to New Zealand's declining economy. The second oil-crisis in 1979 coincided with a rejection by major economies to support measures aimed at 'short-term demand management' (Massey, 1995).

Deterioration in the external environment could not, however, fully account for New Zealand's dismal performance considering the fact that other OECD countries faced with similar problems performed much better. There is a widely held view that the heart of the problem lay with the government's inability to adjust to external shocks more adequately (Massey, 1995). Rather than facing the problem head-on, government adopted a more protective stance. This induced, over time, poor use of resources, low productivity and low growth.

Local Factors

Although external factors accounted for the sharp deterioration in New Zealand's economic performance, there is a general feeling that external shocks only helped to expose the weakness that already existed in the management of the country's economy (Massey, 1995; Schick, 1996). Consequently New Zealand's economic performance was worse than most OECD countries although they all experienced similar external shocks. Three local factors are particularly significant in having contributed to the progressive decline of the country's economy. These are government involvement in various economic enterprises; interventionist policies intended to shield the local market from unfavourable external competition; and huge public sector spending.

State Involvement in the Economy

From a very early stage in the country's history the New Zealand government took a more active role in the economy than was the case in most Western governments. The state was instrumental in establishing and 'nurturing' key enterprises in various sectors of the economy. In the finance sector government's involvement was massive: Government established and owned the first life insurance Company in 1869; government owned the largest motor vehicle insurance company, and the largest farm mortgage and residential lending institutions, and was actively involved in Bank of New Zealand since the 1930s. It also controlled the board of the biggest insurance and superannuation companies.

In air transport, government acquired the entire shareholding in the former Tasman Empire Airlines in 1961 and renamed it 'Air New Zealand'. Other government owned economic infrastructures included postal and telecommunication services, a steel mill, a shipping company, production forests, electric power supply companies and a large highway

construction business. But, with the passage of time, most of these enterprises started to run at a loss and became a burden on public coffers.

Interventionist Policies

Prior to 1984 comprehensive controls and a highly sheltered private sector characterized the New Zealand economy. Government actively intervened in the operation of the local market through various regulations. The level of government intervention in the economy was incomparable with any other OECD countries (Massey, 1995). The financial sector, internal transport, communication, agricultural marketing and the labour market were all heavily regulated. Various government subsidies, particularly to agricultural producers, and incentives, including export and a variety of other tax incentives, were introduced in order to counteract the negative impact of protectionist policies on the export sector. Interest rates were maintained below their real market values and currency devaluations were carried out on a regular basis. The labour market was heavily regulated and unemployment was kept at very low levels in comparison with other Western economies.

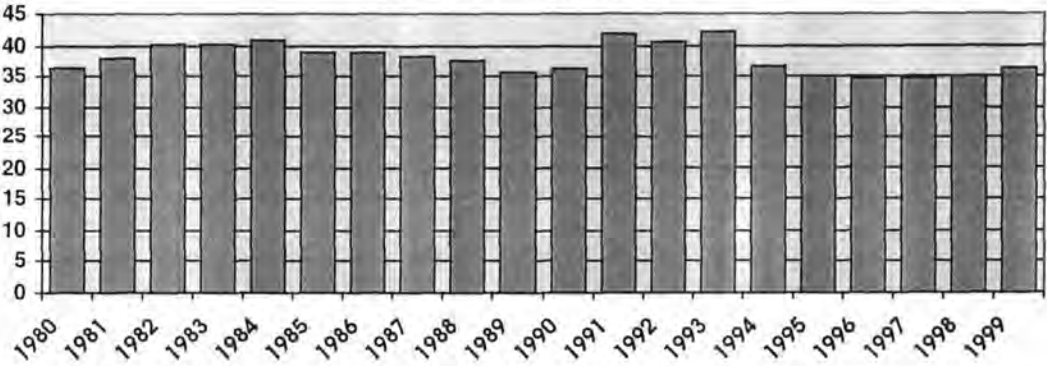
The existence of high levels of protection and regulations are seen as having led to distortions on the supply side of the economy. It is argued that strict interventionist policies stifled innovation. Therefore, in the face of adverse external shocks, the country was ill equipped to make appropriate adjustments.

Public Sector Spending

In New Zealand expenditure on the public sector began to increase from the 1960s onwards. There are two probable causes for this progressive increase in spending. The first was unprecedented expansion in the public sector. Second was the existence of a 'generous' welfare scheme (Massey, 1995; Schick, 1996).

Like in many other OECD countries the size of New Zealand, the public sector began to expand steadily from the 1960s onwards. In 1970 public sector spending accounted for 27 per cent of GDP. By 1985 it had risen to 44 per cent (Figure 3.VI). At the same time government expenditure began to exceed revenue each year. However the size of the deficit did not emerge as a major problem until from the mid-1970s when government was forced to resort to borrowing in order to curb annual increases in fiscal deficit. Over time this led to build up in public debt. Increase in public sector spending arose not only because of a bloated public sector, but also because of the burden posed by an extensive social welfare scheme. In New Zealand government always strove to meet all its social sector obligations in spite of diminishing revenue.

Figure 3.VI: New Zealand Public Expenditure in Relation to GDP, 1980-98 (In Percent of GDP)



Sources: New Zealand Official Yearbook (1990; 1992; 1994; 1995; 1996; 1997; 1998; 2000).

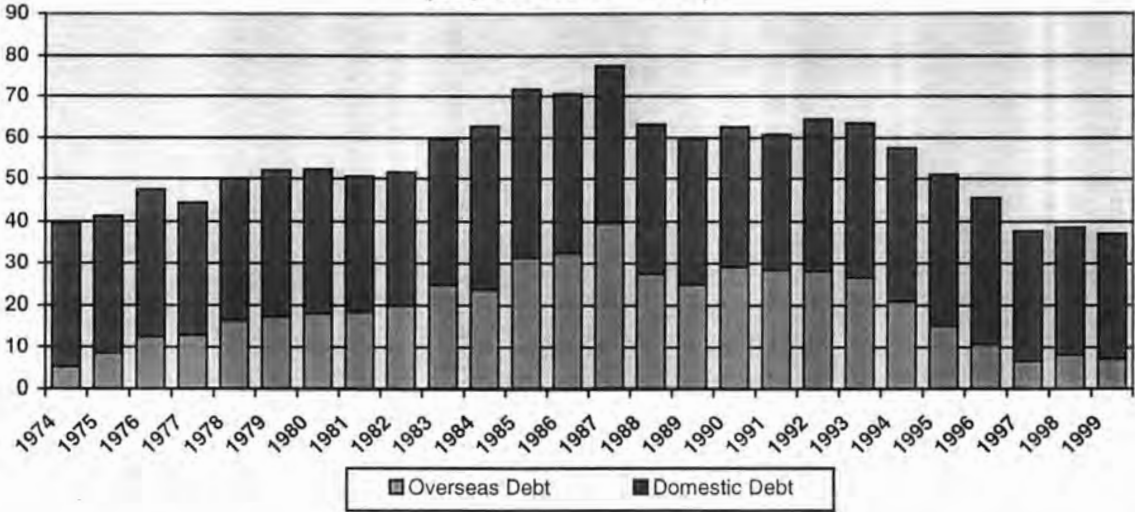
The economic crisis reached a climax in 1984 as a result of the build up of a decade of worsening trade balances, high levels of government deficit and accumulating public debt. The problem was made worse when the change of government led to extensive speculations about an impending drop in the value of the New Zealand dollar in anticipation of a major devaluation. This led to a near exhaustion of the country’s foreign reserves and, for the first time, the country was in real danger of defaulting on its overseas borrowing. All these factors

put together necessitated some immediate action in order to save the country from slipping into a severe economic crisis.

Public Debt

In 1974 New Zealand’s public debt was slightly over 3.6 billion, with overseas debt accounting for about 13 percent of the total debt. In 1984 total public debt rose to over \$21 billion. This was an increase of more than 20 percent of GDP, from slightly under 40 percent in 1974 to over 60 percent of GDP in 1984. By 1987 total public debt was over 77 percent of GDP, with overseas debt accounting for 51 percent (Figure 3VII). After the 1988 reforms, however, public debt was brought under control. By 1999 public debt was only 37 percent of GDP, while overseas debt accounted for only 19 percent of the total debt.

Figure 3.VII: New Zealand Public Debt in Relation to GDP, 1974-99 (In percent of GDP)



Source: Statistics New Zealand: New Zealand Official Yearbook (2000); New Zealand Debt Management Office website: www.nzdmo.govt.nz.

Political Environment

Much of the economic ills that had befallen the country were seen as a direct consequence of government's interventionist policies and the reluctance of government to embrace more market-oriented policies. The interventionist policies of the National Party Government, under the leadership of Muldoon, were particularly singled out as having been responsible for the severe decline in the mid-1970s, and consequently contributed to the downfall of the National Party in the 1984's elections. As Massey has noted:

The economy's poor performance particularly, since the mid-1970s, meant that there was a widespread disillusionment with the interventionist policies of the Muldoon era and a desire for change. Many saw the country as being at something of a crossroads with the choice being between a shift to a more market oriented system or continued deterioration.

(Massey, 1995, p.)

That disillusionment led to the coming to power of the Labour Party and helped to spur the new government to adopt radical reforms and at a pace that would not have been thought possible before.

While poor economic performance acted as a catalyst for change, the nature and magnitude of the reforms required, to a large extent, an enthusiastic and determined political leadership to take the bold steps that were required to turn the economy around. The Labour Government—with Sir Roger Douglas (Minister of Finance, 1984 to 1988) as the arch-architect of the reforms—offered such a political leadership. In addition to a determined political leadership, the political arrangement that existed at the time reduced the risk of government seeking the support of the opposition in implementing the reforms, a situation that would have, otherwise, slowed down the process of change. Schick (1996) observes that, “With the first-past-the-post electoral arrangements then in effect, one party typically had a

majority in Parliament and did not have to dilute its programmes to gain coalition support.” Because of this it was possible for political and bureaucratic leaders to move with swiftness and to prescribe new practices that had never been tried out before.

These institutional arrangements also made it possible for Labour to effect changes through legislation rather than through adjustments in the administrative machinery of government. Legislation had the advantage of backing up policy changes with statutory prescription rather than depending on mere ‘political exhortation and administrative regulation’ which can easily be subjected to bureaucratic manipulation leading to distortions and failure of achieving the intended objective.

Social Factors

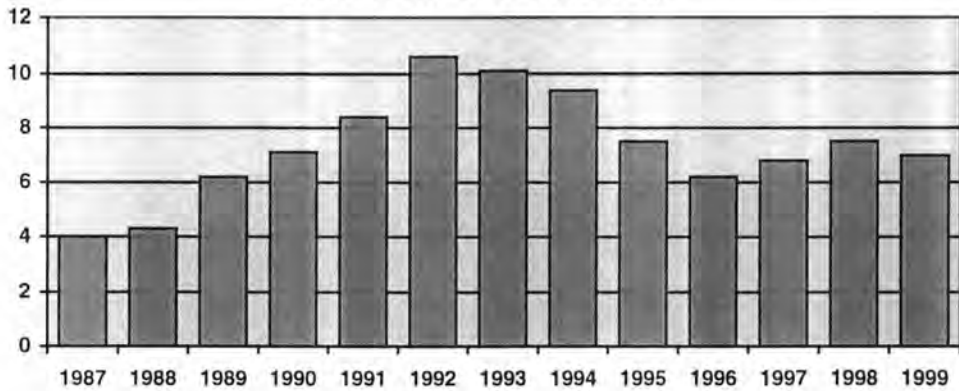
Social policies pursued by New Zealand played some role in the overall decline of the economy. At the same time social indicators such as unemployment and employment trends highlighted the extent of the economic decline. It has been noted that ongoing fiscal deficit and progressive increase in debt was due in part to government pursuing policies of increased social sector spending (Massey, 1995).

New Zealand has, for a long time, been considered to be the social welfare capital of the world. It was the first country in the world to introduce a universal old-age pension scheme in 1898; and it established a comprehensive welfare system in the 1930s when in other OECD countries such moves were delayed until after the Second World War. In 1938 the state introduced an extensive medical care system which included free public health care and pharmaceutical services. Other social benefits included free education up to university level, unemployment benefits, subsidized housing and other social transfer payments. In the face of external shocks in the mid-1970s, government adopted measures aimed at maintaining unemployment at very low levels. But all these factors only contributed to poor use of

resources, decline in productivity and low growth, which are basic ingredients in economic decline.

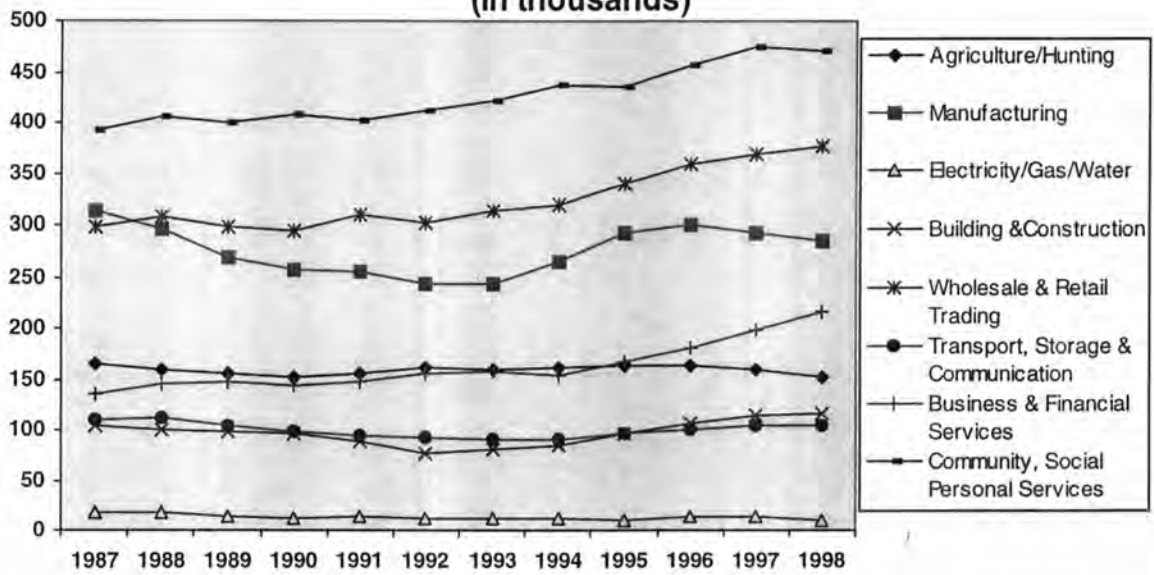
For a long time New Zealand had not known unemployment. But by the mid-1970s unemployment began to rise sharply. In 1960-68 period registered unemployment stood at 0.2 per cent of the workforce, and the figures remained well below 1 per cent until the mid-1970s when it exceeded 2 per cent of the workforce. By the early 1990s the figures were in double digits (See Figure 3.VII). These figures were well below the average unemployment rate in other OECD countries. But for a country that had not known unemployment the impact was more serious. At the same time, although overall employment has been rising, sectors such as agriculture; manufacturing; electricity, gas and water; transport, storage and communication; and business and financial services registered a decline in labour force (Figure 3.VIII).

**Figure 3.VII: New Zealand Unemployment, 1987-98
(In percent of Workforce)**



Sources: Statistics New Zealand: Labour Market Statistics (1997, 1998); Statistics New Zealand website: www.stats.govt.nz: Quick Facts: Economy (21 February 2001).

Figure 3.VIII: New Zealand Employment Trends by Industry, 1987-98
(In thousands)



Sources: Statistics New Zealand: Labour Market Statistics (1997, 1998).

The Economic and Social Sector Reforms

The economic and social reforms that have taken place in New Zealand since 1984 have been so extensive and with far reaching consequences that they continue to attract both local and international attention even today (Bale and Dale, 1998; Bollard, 1992; Boston, Martin, Pallot, and Warsh, 1991; Duncan and Bollard, 1992; Massey, 1995; Schick, 1996; Scott, Gorringer, 1989). Under the threat of an impending economic crisis, the newly elected Labour Government moved swiftly and initiated the most radical market liberalization programme ever implemented in any other OECD member country. Three factors worked in favour of these reforms: deterioration in economic performance, conducive political arrangements and ‘cutting edge’ theories (Schick, 1996). As Schick has observed: “Convergence of economic stress, perceived failure in government performance, new political capacity and exciting theories was unique to New Zealand, which is why it alone has transformed the state sector so boldly and comprehensively” (Schick, 1996).

Poor performance of the economy, which became worse in the mid-1970s, meant that there was greater need than before for wide ranging restructuring of the economy when the fourth Labour Government administration assumed office in 1984.

To deregulate the economy planners were guided by mainstream economic theories and ideas borrowed from other countries. To reform the public sector planners applied novel economic theories and management concepts and drew some lessons from other countries, particularly the United Kingdom and Australia. The successful application of economic theories in managing the public sector is a reform feature that has been unique only to New Zealand and is perhaps one of the reasons why the New Zealand reforms have attracted such wide world attention.

The New Zealand reforms progressed in a logical sequence beginning with the application of wide ranging economic initiatives aimed at freeing the economy from excessive government intervention. The underlying assumption being that market liberalization would lead to elimination of distortions in the economy and lead to overall improvement in the performance of the economy. Economic liberalization was then followed up with restructuring of government commercial enterprises and the public sector reform.

Economic Initiatives

On assuming power the new Labour Government embarked on a macroeconomic stabilization programme aimed at curbing inflation (Massey, 1995). This programme was backed by the legislation: the Reserve Bank Act, 1989. The core of the programme consisted of a return to the 'free play' of the market. The macroeconomic reform package included the following: removal of all price, wage and income controls and foreign exchange controls; elimination of controls on foreign investment; removal of subsidies on agriculture and industry; gradual reduction of tariffs; removal of a wide range of regulations in non-trade

sectors, such as transport and energy; establishment of a more independent central bank; and radical tax reforms (Massey, 1995).

But gains from the macroeconomic programme were being frustrated by a huge public expenditure. Government expenditure accounted for about 40 percent of GDP and government departments were viewed as bloated, inefficient and poorly managed (Bale and Dale, 1998). This threatened to limit the performance of the economy as a whole. Government, therefore, undertook extensive structural reforms which involved firstly, the reforming of government commercial activities and secondly, an extensive restructuring of the public sector. It is New Zealand's public sector reform that has particularly stood out as a test case to policy planners around the world.

Public sector restructuring paid off with public spending dropping to below 40 percent of GDP and remained below 40 percent from 1985 to 1990. Between 1991 and 1993 public expenditure rose again to above 40 percent of GDP. But this was only a momentary set back. From 1994 public expenditure was once again brought under 40 percent and has remained below 40 percent until 1999 when it was slightly above 40 percent (See Figure 3.VI above).

Public Sector Reforms

In 1984 the government was in control and owned a number of economic enterprises. Nearly all of these enterprises ran at a loss and needed constant government funding in order for them to continue operating. In order to cut down on the drain on public coffers, the Labour Government embarked on microeconomic reforms, the aim of which was to increase efficiency in the use of resources, improve accountability and to create a competitive environment. Measures introduced included: the separation of commercial and non-commercial activities, with commercial activities being turned into public corporations, operating along strictly commercial lines; and the privatization of many public corporations.

Corporatization involved allowing public enterprises to operate along private commercial company lines in a competitive environment. This entailed creating a neutral policy environment; allowing managers more flexibility and authority over decision making; and creating mechanisms for monitoring performance and accountability. But, as Bale and Dale (1998) have noted, corporatization of public enterprises suffered from a number of setbacks. These included the tying up of capital that should have gone to repaying of public debt; failure to instill strict market discipline; and the “large amounts of public funding needed to develop these businesses came at the expense of government investments in social infrastructure.” This led to the privatization of a number of public companies (see Duncan and Bollard, 1992, for details on the privatization programme), while the remaining public sector underwent extensive radical reforms that have continued to attract world attention.

New Zealand’s restructuring of the public sector has been founded on what Schick (1996) has described as ‘novel’ economic and management theories. These are: public choice theory, principle-agent theory, transaction-cost theory and the new management literature (see Appendix for a brief explanation of these theories). The core of the reforms involved the introduction of a contract-type of arrangement between the Ministers (as the principles) and chief executives of government departments (as the agents). “The reforms were intended to replicate, as closely as possible, the types of incentive structures for performance that might be found in a well-functioning private-sector concern” (Bale and Dale, 1998, pp. 105-6).

The main features of the public sector reforms were: the establishment of clear lines of accountability between government ministers and their departments; defining of performance in an unambiguous and measurable way; delegation of authority to chief executives; establishing of incentives that rewarded or punished results relative to the agreed outcome; and reporting and monitoring of performance. These measures were backed up by legislation: the State Sector Act of 1988 and the Public Finance Act of 1989.

But among the measures that were introduced, that particularly affected the social sector in general and education in particular, was an increased emphasis on the 'user pays' and full cost recovery for services provided by the public sector. The contract-like arrangement between the Minister and government departments also removed any distinction between private and public entities in that in principal the Minister was free to contract out services from anyone including the private sector. In the provision of tertiary education, funding now followed the student regardless of whether that student was attending a private or public educational institution. This marked the culmination of total adherence to the free-market ideology, where market forces framed both choice and allocation of resources under a competitive environment.

Overview

Economic considerations have been the main catalyst in adopting 'free-market' principles in many countries. However, other factors, including, political, social and external influences, have also played some significant role in initiating and maintaining the pace and course free-market policies in both economic and social sectors. In New Zealand the local environment played a significant role in the formulation and implementation of market policies. In Zambia, however, high level of external debt has been a significant determining factor. The high level of indebtedness has led to a situation whereby the country has to bow to external pressure to adopt free-market policies as a pre-condition to qualify for multilateral and bilateral donor support. That is, Zambia's 'free-market' policies are deeply rooted in and dominated by the thinking and ideologies of multilateral donor agencies, who are also the main sponsors of these programmes.

Many parallels can be drawn between Zambia and New Zealand in the general environment and conditions that prevailed prior to embarking on vigorous free-market policies

(That is, 1984 in New Zealand and 1990 in Zambia). Table 3. Gives a comparative summary of some of the major economic and social indicators at the time of inception of free-market policies, in 1984 and 1992 respectively, and in 1998.

Some of the similarities in the general environment include the following:

- Over-dependence on a single commodity for export-earnings. This, inevitably, made both countries highly vulnerable to external shocks. A drop in the demand and price of copper on the world market led to severe loss of export earnings for Zambia, while accession of Britain to the European Community led to loss of market for New Zealand's agricultural exports.
- Prior to the reform governments of both countries pursued highly interventionist policies in running the economies of their respective countries. These policies ranged from actual state involvement in enterprises to regulations that sought to protect the local market from external competition. In Zambia the state was the major player in every economic sphere, including mining, trading, banking and transport and telecommunication. While in the social sector government provided both health care and education free of charge. This was in addition to several subsidies imposed on a number of goods and services. A similar situation prevailed in New Zealand, although actual government involvement in economic enterprises was not as extensive as was the case with Zambia.
- In both countries a combination of poor economic performance; a general feeling that government's interventionist policies had contributed to damaging of the economy; and a change in government led to major shifts in economic and social policies. In Zambia the return to multiparty politics which led to the removal of UNIP from power by the MMD, brought with it dramatic changes in both economic and social policies. In New Zealand, although the change in government was not

something special in itself, the ascendance of the Labour Party—which had not been in power for a long time—was followed by radical changes at a scale never imagined before.

- In the policies of both countries there is unwavering belief in the free-market ideology. The market has become the main organizing principle in both the allocation of resources and in framing choice.

However, some significant differences exist between the two countries. The first is that the extent of damage to Zambia's economic and social infrastructure, due to many years of neglect, has meant that whatever benefits have accrued from the reforms have been very slow in coming and have not reached the majority of the people. If anything the reforms seem to have made life even more difficult for the ordinary Zambian. This has rendered economic restructuring a contentious political issue. On the other hand, because no major damage had really occurred to New Zealand's economic and social infrastructure, it was possible to reverse, or at least to bring within manageable levels, the economic decline.

The greatest difference between the policy reforms of the two countries, in my opinion, lies in the origin of these policies. There is something unique about the reforms that New Zealand embarked on in 1984. The whole reform agenda was a brainchild of the New Zealanders themselves. Although the guiding theories behind the reforms might have been borrowed from elsewhere, the actual substance of the reforms were conceived and refined within New Zealand. Because the reform agenda was conceived locally it is likely to be more responsive to local needs and to allow room for flexibility where ideas seem not to be working. This is what has made the New Zealand case unique and to attract world attention.

The economic restructuring that has been taking place in Zambia, on the other hand, is not something new. In fact the restructuring that took place in the 1990s was just an

acceleration of what began much earlier as a result of government turning to the IMF and World Bank for support when the economy began to decline. The only difference is the level of commitment and the pace at which the restructuring programme is being implemented. The high level of Zambia's external debt has left the country in a highly vulnerable position. As a consequence the thrust of Zambia's reform agenda, like in many other highly indebted countries, is prescribed and imposed by the donor community whose main aim is to recover what they lent out with some interest. These reforms, therefore, lack flexibility and are not responsive to local needs.

Table 3.IX. Basic Economic Indicators: Zambia and New Zealand

	New Zealand		Zambia	
	1987	1999	1992	1999
Gross Domestic Product (In US\$ Million)	...	52 000	2 240.7	2 360.4
GDP per capita (US\$)	...	13 487.0	397.0	305
Public Expenditure (In % of GDP)	38.3	36.2	23.1	(1998) 16.6
Public External Debt (In % of GDP)	39.7	7.2	213.7	...
Exports (In % of GDP)	...	30.7	34.0	22.9
Imports (In % GDP)	...	30.0	40.9	26.1
Total Labour Force (000)		(1998) 1 865	...	4 635
Unemployment Rate (In % of Workforce)	4.0	7.0	...	(1998) 25
Balance of Payment (In % of GDP)		-5.8	-10.6	-7.8

CHAPTER 4

The Educational Environment: tertiary education in Zambia and New Zealand

Background

Education is an investment in human skills. It can thus help to foster economic growth and enhance productivity, contribute to personal and social development, and reduce inequality. ... A well-educated population has become a defining characteristic of a modern society. Education is seen as a mechanism for instilling democratic values, as well as a means for developing the productive and social capacity of the individual. (OECD, 2000, pp. 41, 121).

The association of education with economic development and democratic values is a reverberating theme of most contemporary education policy documents. Education, especially tertiary education, has come to be defined narrowly in terms of economic benefits that it ought to accrue, first to an individual and second to the nation at large. The underlying assumption here seems to be that in order for any nation to achieve sustainable economic growth the starting point should be reforming of the national education system. In this reformation education is supposed to respond to and function along economic principles of 'free market' with its celebration of competition and 'hands-off' approach in the running of public institutions by national governments.

The 'hands-off' approach in the running of public institutions has often been accompanied by a progressive decline in financial support to educational institutions and mounting pressure on education institutions to be more accountable and more responsive to expectations of the economy. Decline in funding to institutions has, undoubtedly, arisen as a consequence of the general decline in national economies. Thus education institutions are

expected to deliver more with less. It is this paradigm shift, in which basic tenets of the economy have become the guiding principles in education policy, that has led many education policy commentators to argue that contemporary education policy has nothing to do with education per se but is predicated on and permeated by economic discourses.

Casting education narrowly in the 'free market' mould unfortunately leads to a distorted picture of both the vision and function of education. This is because in the process of re-defining education along free-market lines prevailing conditions in the educational environment have either been deliberately ignored or not seriously taken into account by policy formulators. The result is an 'educational market' that neither responds to nor is capable of meeting national needs. The picture is more gloomy for developing economies where the structure of national education systems and prevailing national economies are incapable of supporting education institutions to function along free-market lines.

In this chapter I have explored the prevailing educational environment in Zambia and New Zealand, looking particularly at the development, provision, access and participation, and funding of tertiary education. In looking at development and provision of tertiary education, I have outlined some brief background information on the development of tertiary education and the range and capacity of tertiary infrastructure. This information helps to give a general picture of the ability of current provision of tertiary education to function along 'free-market' principles in addressing national educational needs.

In an ideal free-market situation there is usually a delicate balance between supply and demand. If educational systems have to operate along free-market principles there must be a balance between supply and demand of educational resources. Information on access and participation in tertiary education gives a picture of the structure of the education system. Due to limitations posed by limited data on Zambia in discussing access to and participation in tertiary education I have looked only at gross enrollment rates and total enrollments at various

levels of the Zambian education system. This, unfortunately, has meant that more revealing indicators such as expected years in tertiary education and distribution of students in tertiary education by mode of enrollment and type of institution have been left untouched.

In discussing funding of tertiary education I have taken three indicators into account: public funding of education institutions in relation to gross domestic product (GDP); funding of education in relation to total public expenditure; and the distribution of resources within the educational sector. Education expenditure expressed as a percentage of GDP helps to show the proportion of national wealth devoted to education. Public expenditure on education as a percentage of total public expenditure indicates the value of education relative to that of other public investments (Education at a Glance OECD Indicators, 2000, P. 41). In both Zambia and New Zealand there has been substantial investment in education. However distribution of resources within the education sector in recent years has not been in favour of tertiary education.

I have argued that New Zealand, with its long history of tertiary education, a diverse and well-developed tertiary education system and high level of commitment on the part of government to the provision of tertiary education, is in a better position to pursue policy-orientation based on free-market principles. While the Zambian education system, with a tertiary education sector that has only been in existence for slightly over three decades and a general education system with limited capacity at all levels, is incapable of operating along strict free-market lines.

Education in Zambia

Contemporary developments in resourcing of education in Zambia reflect the dilemma that government faces in balancing competing public demands with available resources. When a national economy declines, as is the case with Zambia, usually the social sector is among the

first areas that face drastic cuts in public resourcing. However, in spite of the drastic decline in the national economy, education has remained a high priority area. Since 1964 the educational sector has received a relatively high apportionment of public expenditure. Because of the high priority attached to education there were remarkable achievements scored in the sector during the first decade of independence. These included extensive expansions at all levels of the education sector and the establishment of a university in 1966.

The economic decline of the 1970s, however, led to a reversal to earlier gains: access to and participation at all levels of education started to decline; the general educational infrastructure deteriorated to deplorable levels; and funding to the sector declined. This led government to seek realistic ways of meeting public expectations within available resources. Under a declining economy the burden placed on government in meeting the social sector demands grew heavy. Besides fulfilling local expectations, government had the added burden of fulfilling debt-servicing obligations as demanded by bilateral and multilateral donors in order to ensure continued flow of donor support.

Historical Context

Major developments in tertiary education in Zambia date back to the first decade after independence. At independence in 1964 Zambia's educational sector was completely underdeveloped. This fact is best illustrated by the educational attainment of the indigenous Africans at independence: It is estimated that there were only 110 200 Africans with six years of primary schooling; 32 000 with full primary schooling of eight years; 4 420 with junior secondary (form 2) education; 961 with school (form 5) certificates; and only 107 with university qualifications (UN/ECA/FAO, in Kelly, 1996). At independence, therefore, the development of education became a high priority area.

Two other factors mediated in favour of developing education at an early stage in independent Zambia: Firstly, although the country was richly endowed with material and financial resources, the lack of an educated human resource threatened to derail future developments with the departure of qualified colonial labour force. Therefore, it became a matter of urgency to meet the country's demand for an educated labour force. Secondly, the existence of a buoyant economy made it possible for government to carry out rapid expansion, not only in the educational sector, but also in several other key areas that had previously been neglected (Kelly, 1996).

Most of the developments that took place in education occurred in the first decade of independence, that is, between 1964 and 1974. This was also the decade when the country enjoyed comparative prosperity. During the first half of this decade government focused on the development of secondary schools and the university, while in the second half the development of technical education became a priority (Kelly, 1996).

Among the major achievements in the education sector that deserve to be mentioned was the establishment of a university. This is because, with the establishment of the university, the pace of developing and meeting an adequate indigenous professional human resource was accelerated. But perhaps of equal importance is what the university came to symbolize; and that is what an independent people—independent in the widest context of not only political but also economical—with a clear vision and one accord, can achieve in a short time. It came to symbolize Zambia's determination as a young and independent nation to forge ahead with self-actualization in spite of the many obstacles lying in its way.

Development of University Education

Zambia's position with regard to higher education was even more disturbing. There were only 107 graduates at independence and the country did not have an established university.

Although recommendations to establish a university in Lusaka date back to the early 1950s, it was not until four years after independence that the first university opened its doors to the public. Suggestions to establish a university, in the then Northern Rhodesia, were first made by a commission appointed by the Central African Council in the early 1950s. The commission strongly recommended the establishment of a university college in Lusaka catering equally for all races. But with the establishment of the Federation of Rhodesia and Nyasaland in 1953, these suggestions were not pursued any further. Instead the University College of Rhodesia and Nyasaland was established in Salisbury (now Harare) in Southern Rhodesia (Zimbabwe).

Significant developments towards the development of a university in Northern Rhodesia took place towards the end of the federation when the UNESCO Commission report of 1962, among other things, gave highest priority to the establishment of a university. This idea was developed in greater detail by a commission appointed in 1963, chaired by Sir John Lockwood, a former vice-chancellor of the University of London. The Lockwood Commission unanimously recommended that a university be established in Lusaka without delay. It gave further suggestions that the university should be responsive to the country's real needs, autonomous from the outset and be an institution that would win the recognition and respect of the academic world on merit.

The nationalist government that came into power in January 1964 received the recommendations of the Lockwood Commission with great zeal and immediately took steps to put all the recommendations into practice. The first step taken was to constitute a Provisional Council of the University, a body that was then charged with the task of supervising the establishment of the university. From then on the pace of events accelerated: in July 1965, Dr D. G. Anglin of Carleton University, Canada, was appointed Vice-Chancellor; in October 1965, the President of the Republic of Zambia assented to Act number 66 of 1965, which gave

legal backing to the university; on 17 March 1966 the university opened its doors to the first intake of 312 students; and on 12 July 1966 the President of the Republic of Zambia was installed as Chancellor of the University.

The University began with three schools: Education; Humanities and Social Sciences; and Natural Sciences. But with the urgent need to meet the country's professional manpower requirements, as the university infrastructure progressively expanded new schools were added. These included: Law, 1967; Engineering, 1969; Medicine, 1970; Agricultural Sciences, 1971; Mines, 1973; Business and Industrial Studies, 1978, at Ndola Campus; Environmental Studies, 1981, at Ndola Campus; and Veterinary Medicine, 1983.

The University of Zambia started off with an enrollment of 312 students. By 1980 the total number of students enrolled stood at over 4 000. Because it was anticipated that student numbers would eventually outstrip existing facilities, it was decided in 1975 to develop the university on a federal basis comprising of three constituent institutions in Lusaka, Ndola, in the Copper-belt Province, and Solwezi, in the North-Western Province. Based on this arrangement, in July 1978 the School of Business and Industrial Studies was opened at Ndola Campus, in the Copper-belt. The new University of Zambia Act that provided for a federal structure came into operation in 1979.

In 1987, however, the federal structure was abandoned following the passing of two Acts that led to the establishment of two autonomous universities: the University of Zambia, in Lusaka; and the Copperbelt University. The advent of multiparty politics in November 1991 led to further changes in the governance of the two universities. The University Act of 1992 now provided for titular chancellors appointed from distinguished persons, for the two universities.

Provision of Tertiary Education

There is a diversity of tertiary education institutions in Zambia designed to meet manpower requirements of various sectors of the economy. Although government is the largest provider of tertiary education, there are a number of semi-public and private institutions run by parastatal companies, banks and religious organizations. Semi-public and private establishments include management institutes, accountancy colleges, correspondence colleges, major seminaries and bible colleges. Apart from the two universities and one or two bible colleges, all tertiary institutions in Zambia offer non-degree programmes at certificate and diploma levels only.

Public tertiary institutions in Zambia fall under different ministries and offer programmes that correspond closely to the manpower requirements of the particular ministry. Among the ministries with the highest number of institutions are Education; Science, Technology and Vocational Training; and Health (Table 1). The ministries of Agriculture, Environment and Defense and Cabinet Office also have training institutions under them. While the Ministry of Community Development and Social Services offers formal skills training to youths with disabilities and correctional rehabilitation programmes to juvenile offenders; and non-formal education that provides basic and functional literacy, as well as life-skills, to out-of-school children, youths and adults.

Although tertiary institutions are scattered throughout the country, major institutions, including the two universities, are all located in urban areas. The remaining institutions are located mainly in provincial capitals. To attend these institutions, therefore, a majority of students require boarding facilities. With rising cost of education, including boarding fees, this is posing an extra burden on students, especially on those from remote parts of the country, who also happen to be the less-financially-able students. At the same time most institutions

are forced to limit the number of students they can enroll based on available catering and boarding facilities.

Table 4.I: Tertiary Education Provision in Zambia

Ministry	Type of Institution	Number of Institutions	Level of Programmes Provided	
Education	Universities	2	Degrees, Diplomas and Certificates.	
	Secondary Teachers' Colleges	3	Diplomas	
	Primary Teachers' Colleges	12**	Certificates	
	Science, Technology and Vocational Training	Technical Colleges	2	Diplomas
		Applied Arts and Science College (including teacher training in art and music; paramedical training in radiology, medical laboratory, etc.)	1	Diplomas and Certificates
		Technical and Vocational Teachers' College (teacher training in commercial subjects, industrial arts, technical teaching, etc.).	1	Diplomas and Certificates
	Vocational and Entrepreneurship Trades Training Institutes	12#**	Certificates	

Health	Registered Nursing Schools (including midwifery schools)	3	Diplomas
	Enrolled Nursing Schools (including 7 midwifery schools)	15**	Certificates
	College of Health Sciences (paramedical training, including mental health nursing)	1	Diplomas and Certificates
	Dental School (Dental Technology and Therapists training)	1	Diplomas
	Medical Laboratory Schools	2**	Certificates

Exact number not certain.

** Includes institutions operated in partnership with church organizations.

Sources: Ministry of Education (1996, p. 92); Ministry of Health (1998, p. 16); Ministry of Science, Technology and Vocational Training, (1996).

Some of the problems posed by having a multiplicity of public education providers include a lack of coordination in recruitment of students, a lack of central statistical data on tertiary education and rigidity in the transfer of credits between institutions. The advantages and disadvantages of such a system have been summed up as follows:

The strengths of these various forms of provision include their flexibility which enables them to respond quickly to identified needs, their use of a variety of approaches, and the popular participation that the majority of them involve. Weaknesses are the absence of coordination and the

lack of good information on the numbers being served and the needs that are being met (Republic of Zambia Education Sector, 1996, p. 12).

Rigidity in the transfer of credits is particularly notable at the two universities where entry to first degree programmes is based mainly on performance in secondary School (O-Level) examinations with little attention being paid to any prior learning or experience. For example, a graduate from a secondary teachers' college entering the University of Zambia for an undergraduate degree programme in education would be required to meet the basic entry requirements and, at the same time, do the full length of the programme without any credit transfers, even though secondary teachers' colleges are affiliated to the University of Zambia. This makes it difficult for individuals to acquire more advanced qualifications.

Although the actual number of tertiary institutions may seem reasonable on the surface, when the number of students leaving the education system at the primary and secondary levels is taken into account it becomes obvious that the number and capacity tertiary institutions is far too low to meet national demand. In 1995, for example, there were 4 000 primary schools with an enrollment of 1 808 560, and 591 secondary schools with an enrollment of 253 0000. In the same year over 150 000 students dropped out of the formal educational system at different stages of their educational ladder. Yet tertiary institutions had capacity for less than 5 000 new entrants.

Organizing tertiary education under different ministries poses further problems in that it is not always easy to collect accurate data on the various institutions. Data pertaining to funding of tertiary education institutions, particularly those falling under the Ministry of Health, are difficult to obtain. This is because most Ministry of Health tertiary education institutions operate under hospitals. Each month the Ministry gives a grant directly to the hospital concerned and it is up to the hospital management to decide how much should go to the training school.

Access and Participation in Tertiary Education

The most glaring disparity in the educational sector is that demand outstrips supply at all levels of the education system. Several factors have led to this, but the most obvious one is that population growth has not been matched by corresponding expansion in the provision of social services. Economic stagnation and decline experienced from the mid-1970s onwards has further compounded the problem by leading to a situation where existing infrastructure has been allowed to deteriorate to deplorable levels requiring extensive repair. This further diminishes resources that would, otherwise, have gone into expansion of existing facilities. The prevailing situation is a complete reversal to the expansion that took place during the first decade of independence (1964-1974).

Immediately after independence Zambia registered rapid expansion in the primary and secondary school sectors. At the primary school level, it was government's ambition to: provide sufficient places to every child up to at least the fourth grade; attain 100 percent in urban and 75 percent in rural enrollment in lower level primary schools; and to provide sufficient new places to keep pace with population growth. At the secondary school level there was rapid expansion, with an average annual growth rate of over 27 percent. Secondary school intake jumping from 4 700 in 1964 to 15 700 in 1969. This expansion was made possible by a deliberate government policy of building at least one secondary school in every town around the country. While in the larger towns and cities a secondary school was built for every moderately large suburb.

In carrying out all these initiatives, government assumed total responsibility in the running of all public institutions. This was in line with its earlier promises of free social services to all after independence. The concept of free education, although politically a logical decision at that time, was to prove to be a heavy burden on government, especially when the economy took a downward plunge. Kelly has observed that,

By giving the widest possible meaning to the concept of free education, the government assumed an increasing burden in meeting many of the students' personal costs at all levels of education. These 'transfer payments were a new factor within the government budget for education...; one that proved burdensome and that limited the funds that might have been available for other more directly educational purposes (Kelly, 1996, p. 15).

Kelly's words stood true especially in the late-1980s and early 1990s when much of the educational infrastructure stood in a state of disrepair and teaching resources, including books, were not readily available. This made teaching a highly daunting and frustrating career. The introduction of various user fees in the early 1990s when poverty and unemployment levels were also rising, proved to be an equally daunting and highly contentious issue as it brought government legitimacy into question.

Access to Education

In spite of the rapid expansion in the number of schools after independence the number of available places in secondary schools were never sufficient to accommodate every child completing primary education. One possible explanation for this state of affairs is that expansions at all levels of the educational sector have never kept pace with demographic changes. Zambia's population growth rate of between 2.7 and 3.1 per annum is among the highest in the sub-Saharan region.

Because the education system can not accommodate everyone, progression from one educational level to the next is through highly competitive 'elimination' examinations. To proceed from primary to secondary schools students have to sit for 'Grade 7 leaving examinations'. Once they qualify for secondary education they are again subjected to further examinations at the end of grade 9 in order to proceed to senior secondary. Competition for

places is even stiffer at the end of secondary education in order to secure entry to tertiary institutions. Whereas in the 1960s and 1970s an individual with junior secondary education could hope to be admitted at some select tertiary institutions offering certificate level qualifications, from the 1980s only those with full secondary education—and with extremely good results—could ever hope to secure a place at a tertiary institution. This means that not every child in Zambia has an equal chance of fully participating in education. Although at the entry level a relatively large number of children (89 percent in 1995) have access to education, only a very small percentage (about 3 percent of the core age group) ever make it to tertiary institutions.

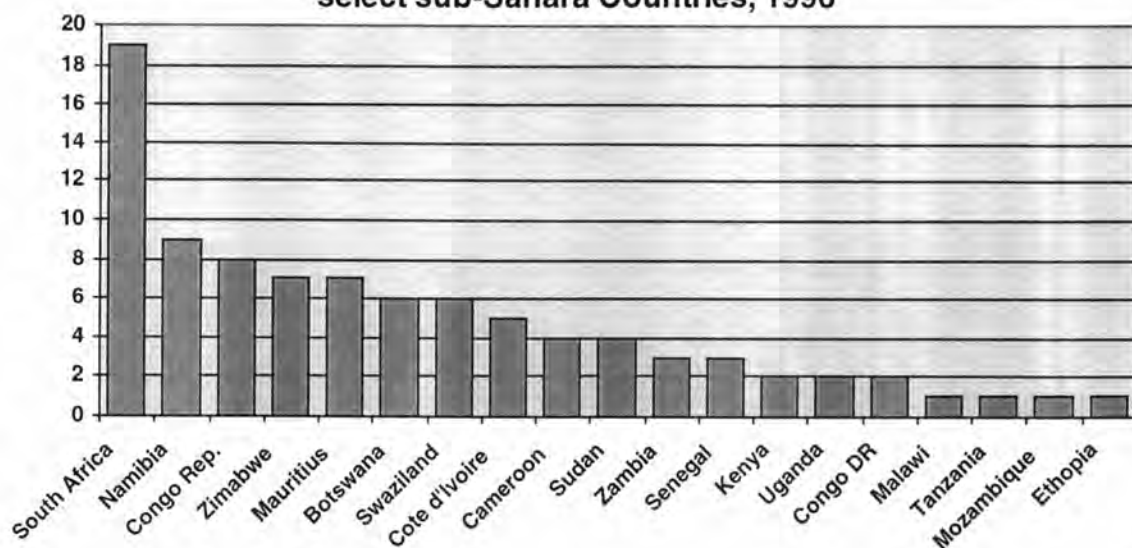
Participation

Participation in education Zambia is characterized progressively declining participation rates, with relatively higher participation rates at the primary and the least at the tertiary levels. Although the 1970s and early 1980s was marked by substantial quantitative expansion at all levels of the education sector, in the late 1980s and throughout the 1990s the country experienced a reversal to earlier gains—with participation rates progressively declining at all education levels.

At the primary and secondary levels the period 1975-85 was characterized by substantial quantitative expansion. Total primary school enrollment rose from 90.0 percent in 1975 to 95.5 percent in 1985. This increase occurred despite an increase of more than 45 percent in the school-age population (Kelly, 1996). This growth in enrollments was made possible by physical developments, allowing excessively large classes in urban schools, and widespread use of double and triple sessions, especially at the lower primary level (Ministry of Education, 1996). The gross enrollment rate, however, fell to 89 percent in 1995.

At the secondary level the picture was even worse. In 1994 there was a total enrollment of 130 775 at the junior secondary level (Grades 8-9), representing an enrollment rate of slightly over one-third of the eligible age group (14-15 year-olds). Each year less than one-third of those in junior- proceed to senior-secondary (Grades 10-12). In 1995 the total gross enrollment for secondary education was only 27 percent of the eligible age group. The proportion of those proceeding to tertiary education institutions is even lower. In 1994 about 25 000 completed the full secondary education, but in the same year fewer than 7 500 were admitted in tertiary institutions (Education Sector, 1996). In 1996 the gross enrollment rate in tertiary institutions was only 3 percent. This places Zambia among the third group of countries in sub-Saharan Africa with lowest tertiary participation rates (Figure 4.I).

Figure 4.I. Gross Enrollment Rates in Tertiary Education in select sub-Sahara Countries, 1996



Sou

Source: International Bank for Reconstruction and Development, (1999). Annex 4: Education Indicators by Region and by Country (Tables).

The low progression rates mean that each year a large number of young people drop out of school. In 1995 over 120 000 'dropped out' of school at the end of grade 7; 40 000 at the

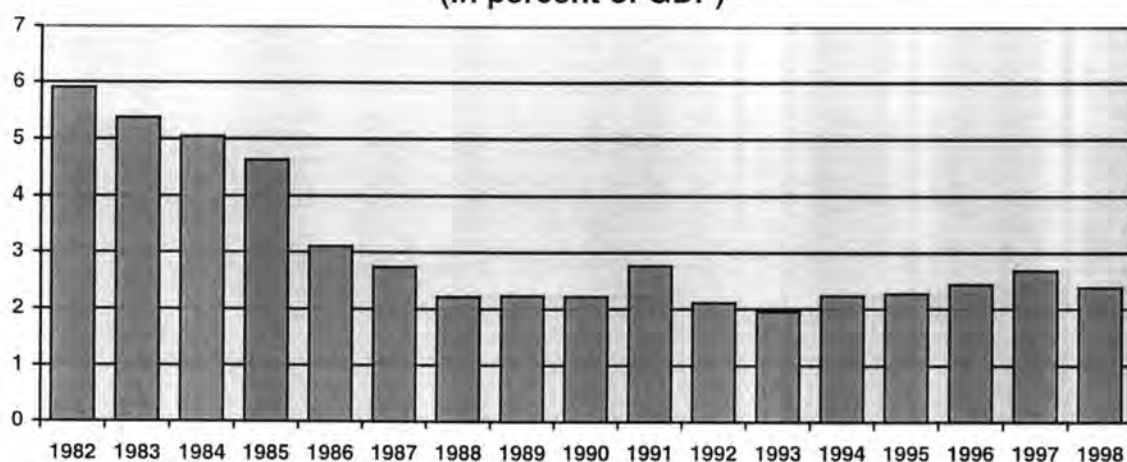
end of grade 9; and only 25 000 left school after completing the full secondary education. The high dropout rate at the different stages of the education system highlights the inadequacy of the Zambian education system. All those ejected from education institutions prematurely have virtually no chance of leading productive adult lives.

Funding of Education

In Zambia public education institutions, including tertiary institutions, derive almost all their funding from government. However, since the mid-1970s Zambia has experienced a decline in overall public sector spending. This has had devastating effects on social services such as education and health. Although the relative size of Zambia's public budget is small and declining, the proportion devoted to education has, however, remained relatively high in comparison with other public sectors. This reflects the importance attached to education by the Zambian government (Kelly, 1996).

In spite of the significance attached to education, funding to the sector has progressively declined since 1975. During the 1975-85 period average funding to the sector, in relation to GDP, remained relatively high (5.5 percent) and compared favourably with most countries. In 1986, however, there was a dramatic drop in funding from 4.6, in 1985, to 3.1 percent. Apart from the isolated increase 1991, allocation continued to decline and reached an all-time low of 1.95 percent in 1993 (Figure 4.II). From 1993 there were some slight improvements in allocation, but these intermittent increases in public spending on education have never matched the pre-1985 period and fall far below what is allocated to the same sector by developed countries, which on average is about 5.9 percent of GDP (Education at a Glance OECD Indicators, 1998, p. 69).

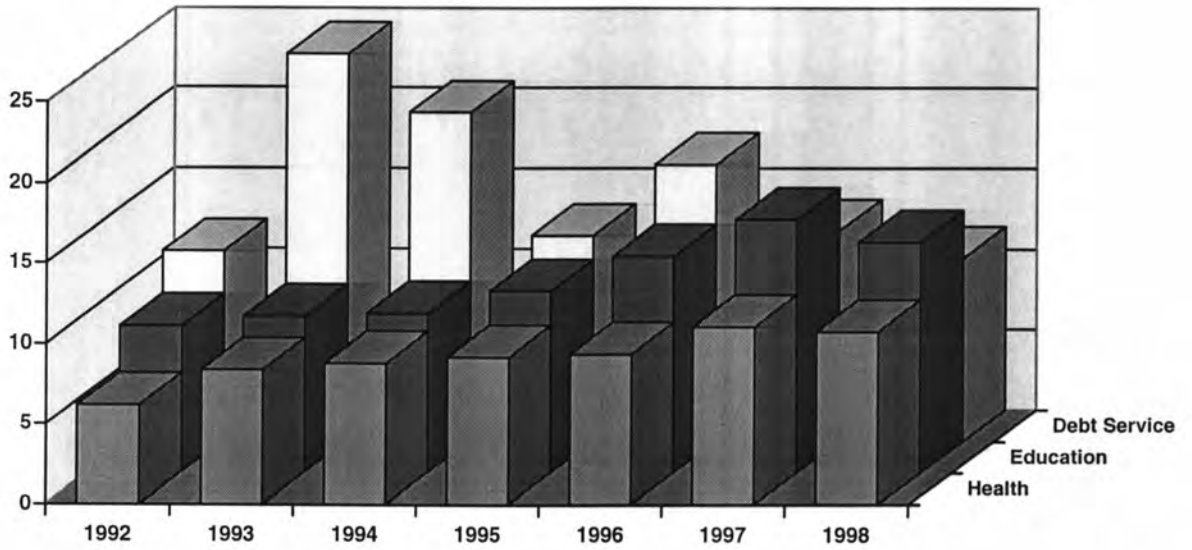
**Figure 4.II. Zambia: Expenditure on Education in Relation to GDP, 1982-98
(In percent of GDP)**



Sources: IMF: Zambia—Selected issues and Statistical Appendix (1997); IMF: Zambia Statistical Appendix (1999); Kelly (1996).

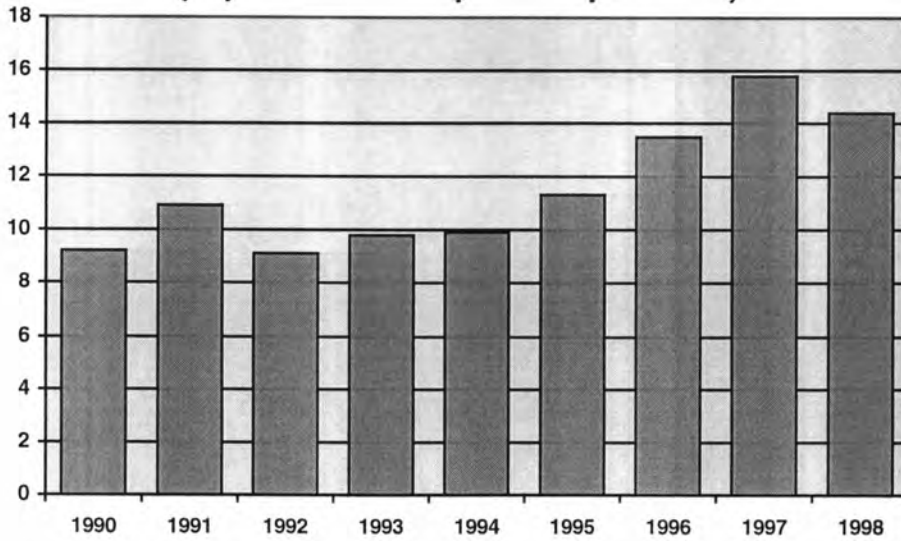
While the general decline in funding to education can, in general terms, be attributed to the general decline in the economy, the decline in funding from 1992 following some slight gain the previous year, can not wholly be explained in terms of the general trends in the economy. The most plausible explanation is that because of mounting pressure on government to honour its external debt obligations, government was forced to channel much of its resources to debt servicing. In meeting this added burden government was forced to cut down on public spending in order to remain current on debt servicing. From 1992 onwards a relatively large proportion of public expenditure went to debt serving. In 1993 and 1994 debt servicing alone accounted for more than the combined public allocation to the ministries of education and health (Figure 4.III). Cuts in public spending meant that even less public funds were now available to meet pressing local demands.

Figure 4.III. Zambia: Public Expenditure on Education, Health and Debt Servicing, 1992-98
(In percent of public expenditure)



Source: IMF: Zambia Statistical Appendix (1999).

Figure 4.IV. Zambia: Public expenditure on education, 1990-98.
(In percent of total public expenditure)



Source: IMF: Zambia Statistical Appendix (1999).

Table 4.II. Distribution of Education Expenditure by Sector, 1990-98**(In million of kwacha)**

	Primary	Secondary	Tertiary	Other	Total Education Exp.	Total Public Exp.	GDP	Educ. Exp. (% of GDP)
1990	718	424	530	827	2 499	27 008	113 000	2.21
1991	2 317	833	1 247	1 623	6 020	55 372	218 000	2.76
1992	4 020	1 795	2 943	3 232	11 980	131 719	570 000	2.10
1993	11 059	3 009	8 284	6 563	28 915	296 645	1 482 000	1.95
1994	23 317	7 129	10 118	9 338	49 902	503 842	2 241 000	2.23
1995	24 720	8 154	18 711	16 536	68 121	603 469	2 998 000	2.27
1996	43 000	9 950	21 199	21 776	95 925	709 460	3 945 000	2.43
1997	71 378	21 591	13 187	32 352	138 508	876 294	5 169 000	2.68
1998	62 652	21 433	25 715	38 949	148 744	1 035 389	6 241 000	2.38

Distribution of Education Expenditure: in percent of total public expenditure

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Primary	2.66	4.18	3.04	3.73	4.63	4.10	6.06	8.14	6.05
Secondary	1.57	1.50	1.36	1.01	1.41	1.35	1.40	2.46	2.07
Tertiary	1.96	2.25	2.23	2.79	2.01	3.10	2.99	1.50	2.48
Other	3.06	2.93	2.45	2.21	1.85	2.74	3.07	3.69	3.76
Total	9.25	10.87	9.10	9.75	9.90	11.29	13.52	15.80	14.37

Source: IMF: Zambia Statistical Appendix (1999, pp. 3, 16).

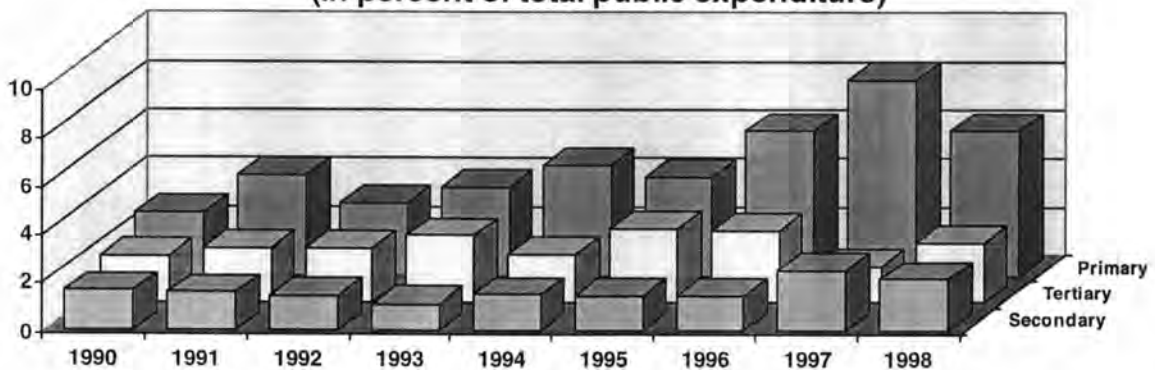
In spite of competing demands on limited national resources the proportion of the national budget devoted to education has remained relatively high. However, in terms of government's discretionary budget (that is, the total budget less debt repayments) allocation to

education is much higher. But in spite of the favourable funding arrangements that the sector has continued to enjoy in real terms funding has been too low to adequately meet national education and training needs (Education Sector, 1996).

Although overall allocation to the educational sector declined, the secondary sector has experienced the most severe decline: a decline of 7.7 percent between 1986 and 1996 in contrast to tertiary and primary education, with a decline of 5.4 and 4 percent respectively (IMF: Zambia Selected Issues, 1997). The period 1990-98 was generally characterized by intermittent fluctuations in allocation, with the primary school sector enjoying the largest share of public funding, followed by tertiary education (Figure 4.V).

The high priority given to primary education partly reflects the general thinking and policy orientations of multilateral agencies, who hold the position that primary education has higher rates of return in low-income countries (24.3 in sub-Sahara Africa) compared with high income countries (14.4 in OECD countries). It is also argued that investment in higher education is less efficient in countries that have not yet achieved universal primary and

**Figure 4.V. Distribution of Education Expenditure by Sector:
primary, secondary and Tertiary education, 1990-98
(In percent of total public expenditure)**



secondary education (IMF: Zambia Selected Issues, 1997, Box 2).

Source: IMF: Zambia Statistical Appendix (1999).

Primary education is also the largest and most widely spread education sector in Zambia requiring huge public investment. It caters for even the most remote parts of the country. In the new political dispensation of multi-party politics where winning of future elections depends as much on the actual popularity and campaign tactics of contesting parties as on the ability of these parties to show past achievement to as wide an electorate as possible, investing heavily in primary education is a politically more rewarding option.

Education in New Zealand

Like most developed countries, New Zealand has a well-organized, better-funded and diverse tertiary education system. The country has experienced tremendous growth in enrollments in the past two decades; with participation rising from 101 621, in 1981, to 253 773, in 1999, an increase of over 100 percent, while participation of previously under-represented groups (the Maori and Pacific Islanders) has also improved tremendously. These achievements have not occurred by accident, but have been a result of deliberate policies aimed at increasing participation of all members of the New Zealand society.

Growth in participation has been made possible not only through expansion within the traditional formal sector, but also through training programmes outside of tertiary education institutions. The elimination of any distinction between public and private in government funding policies of education institutions has led to rapid growth in and increased contribution of the private sector. Because of the diversity, size and government policy of funding even the private sector, public expenditure on education is among the highest in OECD countries, accounting for over 16 percent of total government expenditure during the 1998/99 period.

In spite of the numerous achievements in education, the sector has not been spared from the general reform processes that have swept the country in the social and economic sectors

since 1984. It may, however, be difficult to tell with certainty just to what extent gains scored in education in recent years, including improvement in the participation of previously under-represented groups such as the Maori and Pacific Islanders, are as a result of the reform processes or the natural consequence of the existence of a robust education system.

Historical Context

Outside of Britain, New Zealand is one of the few Commonwealth countries with long histories of tertiary education. Its university education system dates back to the late 19th century and it was the first country in the Commonwealth to award a degree to a woman. Although the development of university education took place at a much earlier stage in the country's history, the non-university sector evolved much later, with the first polytechnic being established in the early 1960s.

University Education

The founding of university education in New Zealand dates back to 1869, when the first university, the University of Otago, was established. University institutions were organized along a federal structure with the establishment of the University of New Zealand by an Act of Parliament in 1870. The University of New Zealand was composed of constituent colleges scattered in several locations across the country. The university colleges were affiliated to the federal structure at different stages of the University of New Zealand's history as they were established. For example, Victoria University College was created by an Act of Parliament in 1894, but it was not until 1899 that it was affiliated to the University of New Zealand.

The federal arrangement came to an end on 1st January, 1961 following the dissolution of the University of New Zealand on the recommendations of the Hughes Parry Committee in *The Report of the Committee on New Zealand Universities* (1959). After 1961 each university

college became an autonomous state university. Today New Zealand has seven public universities operating in different locations across the country.

National Polytechnics

New Zealand's non-university sector (NUS) did not develop at the same time as the university sector. While the first university was founded in the late 1860s, it was not until 1961 that the first polytechnic was established. Following the end of the Second-World-War, development of secondary industry, shortage of a trained and skilled workforce particularly of qualified trades-persons and the post-war 'baby boom' exerted pressure on existing social and economic infrastructures (Department of Education, 1987). In response to this some secondary schools were designated as technical colleges between 1945 and the late 1950s. Technical colleges provided day and evening classes for apprentices, while the national Technical Correspondence School, which later became the New Zealand Technical Correspondence Institute, offered distance education.

Increased demand for a skilled and educated workforce in the 1950s and failure of technical colleges to offer new courses at advanced level led to restructuring of senior technical education. In the early 1960s technical colleges at four main centres were re-designated as technical institutes and later became known as polytechnics.

The early polytechnics had a strictly vocational bias, offering trades and technician training for the construction, engineering, secretarial, and business sectors. By 1973, however, specialist polytechnics were established, offering courses in health-related sciences, engineering, computing and tourism. In the 1980s polytechnics continued to expand. In 1987 there were 20 polytechnics, by 1999 they had increased to 25.

The development of tertiary education in New Zealand has not been restricted to universities and polytechnics only. While these two sectors remain the major players, public

tertiary institutions have also included colleges of education and Wanangas—the Maori higher education system, with the latter coming to prominence in the 1990s.

Provision of Tertiary Education

Tertiary education in New Zealand is characterized by an array of providers, including public tertiary education institutions (TEIs), government training establishments (GTEs), private training establishments (PTEs), and others, providing tertiary education to over 300 000 each year. By definition TEIs include universities, polytechnics, colleges of education, and wanangas. The definition and procedure for establishing, governance and funding of TEIs are set out in the Education Act 1989.

In New Zealand TEIs have remained the largest providers of tertiary education, accounting for more than 85 percent of the total enrollment in 1999, although the actual number of institutions is relatively small in comparison to PTEs. In 1998, there were a total of 39 TEIs comprising of seven universities, 25 polytechnics, four colleges of education, and three wanangas. Universities primarily offer advanced learning and research, with programmes offered ranging from undergraduate certificates to doctoral degrees. The university is the largest sector among TEIs, contributing slightly over 48 percent of the total student enrollment in 1999.

In terms of student-numbers the university sector is followed by polytechnics, which contributed slightly over 45 percent of the total enrollment in TEIs. Polytechnics provide a wide range of academic, vocational and professional courses, including vocational training. They offer programmes ranging from certificate to degree levels. They also promote applied and technological research.

Colleges of education and wanangas are the smallest among TEIs, contributing about six and less than one percent respectively of the total TEI enrollment in 1999. Colleges of

education specialize in teacher education, offering teacher training and research related to early childhood, primary and secondary education. Wanangas, on the other hand, are teaching and research institutions of Maori traditions and customs. Both Colleges of education and wanangas offer training programmes at under- and post-graduate levels.

Table 4.III. Provision of Tertiary Education in New Zealand: number of tertiary education providers (TEPs) averages number of formal students per provider type and level of programme, 1998.

Provider Type	Number of TEPs	Average Number of students per TEP	Level of Programmes
Universities	7	15 420	PG, Degree, Diploma, Certificate
Polytechnics	25	3 813	PG*, Degree, Diploma, Certificate
Colleges of Education	4	2 467	PG*, Degree, Diploma
Wananga	3	409	PG*, Degree, Diploma, Certificate
Private Training Establishments	501	67	PG*, Degree, Diploma, Certificate

PG- Postgraduate

* PG programmes by non-university institutions is limited to masters, diploma and certificate programmes, while Ph.D. programmes are offered only by universities.

Source: Ministry of Education: Education Statistics (1999).

Private participation in tertiary education is limited in New Zealand. Although in terms of numbers PTEs are the most numerous (Table 4.III), their total contribution to student

enrollment is low (13 percent of total tertiary enrollment). This is mainly because PTEs tend to be small institutions, with the average number of students being less than at the smallest TEI. The range and level programmes offered by PTEs is also relatively limited. Prior to 1990 regulatory and government policy framework restricted the PTE sector. Since 1990, however, PTEs have been given more freedom and this has enabled them to compete with public institutions both for students and government funding for targeted training programmes such as Training Opportunities Programmes (TOP) and Skill Enhancement.

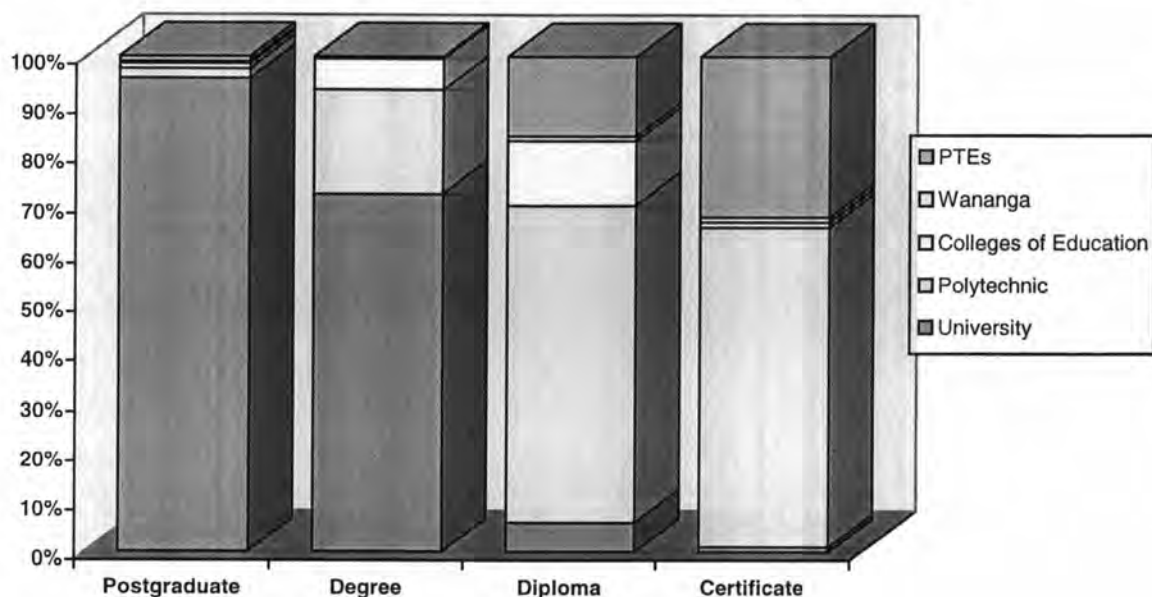
A majority of students attending formal tertiary education in New Zealand are enrolled in undergraduate degree programmes. In 1999 undergraduate degree programmes accounted for 43 percent of the total enrollment in formal programmes of study. This was followed by undergraduate certificate courses, which accounted for about a third of the total student-enrollment. Undergraduate degree programmes were offered mainly by universities (72 percent of undergraduate degree students), followed by polytechnics (21 percent). While certificate programmes were mainly offered by polytechnics and PTEs, which in 1999 accounted for 64 and 32 percent of all certificate enrollments.

Before 1989 degrees were a preserve of universities. In the 1990s, however, other types of institutions started to offer programmes at degree level as long as they met the standards and obtained the New Zealand Qualifications Authority (NZQA) approval. In 1999 over 70 percent of undergraduate degree students and 95 percent of postgraduate students were enrolled at a university. Polytechnics have also grown in significance at this level, accounting for 21 and 2 percent of undergraduate degree- and postgraduate-enrollments in 1999. On the other hand colleges of education and wanangas are small sectors, with a relatively small contribution at all programme levels (See Figure 4.VI).

The diversity in the number of institutions and programmes offered at these institutions means that students have a wide choice from which to choose what they want to do. The large

number of tertiary institutions, almost evenly spread throughout the country, also means that a student can study close to home. This helps to cut down on costs related to boarding and lodging. At the same time it makes it possible for those in full-time employment to engage in part-time study. Part-time study becomes impossible where institutions are located far from where the potential student lives.

Figure 4.VI. Level of Programmes by Sector, July 1999
(In percent of number of formal students per programme)



Source: Education Statistics of New Zealand (1999)

Access and Participation

It has been the policy of successive New Zealand governments to promote 'access to tertiary education for all who want it' (Department of Education, 1987). In practice this policy has been translated into 'open door' admission to tertiary institutions. This means that access to tertiary institutions in New Zealand is not restricted to school leavers only, but is extended to the mature-age group (25 years and above). As a result of unrestricted access to tertiary education, there has been an increase in demand for and participation in tertiary education,

especially in the 1980s and early 1990s. Growth in demand has been most dramatic among the mature age group who, in 1999, accounted for about 49 percent of total enrollments.

Apart from favourable admission policies several other factors have been identified as having contributed to the growing demand for tertiary education by both the core- (17-24 years old) and the mature- (above 25 years) age groups. These include: recognition of the value of tertiary education, in terms of relative greater employment prospects and improved salary earnings over time; diverse avenues of study open to individuals; changing expectations of employers of the value of education which has, directly or indirectly, led to large proportion of the adult population to seek higher qualifications or new career paths; and rapid increase in unemployment leading to improved levels of participation in full secondary level education and a relative increase in the number of school-leavers proceeding to tertiary education (Department of Education, 1987; Ministry of Education, 1998; New Zealand Vice Chancellors' Committee, 1987).

Access to Education

Like many other developed countries, New Zealand has a well-developed and diverse education system spanning from early childhood to universities. In 1999 there were 7 374 educational institutions comprising of 4 147 early child institutions, 2 747 schools, 39 TEIs and 441 PTEs, with a total enrollment of 1 158 780 students among them. For a country with a population of only 3.8 million this is an enormous achievement. The high rate of participation can be explained partly by the extent of the educational system and partly by the existence of supportive government policy.

With a large number of educational institutions, with total capacity of over 723 000 students—excluding correspondence schools—at the compulsory level (based on the 1999 enrollment figures), it means that there are a sufficient number of places to cater for every

child of school-going age. In addition to that, in New Zealand education is compulsory from the ages of 6 to 16 years and in 1999 it was among developed countries that registered 100 percent participation rates for ages 6 to 12 years. Although from year 13 to 16 a small proportion of students drops out of school, overall in 1999 New Zealand had participation rates of above 90 percent for each of these age groups. But it must be pointed out that the number of students dropping out of school at the compulsory sector is not due to insufficient places, as is the case in developing countries, but may be due to reasons lying outside the education system.

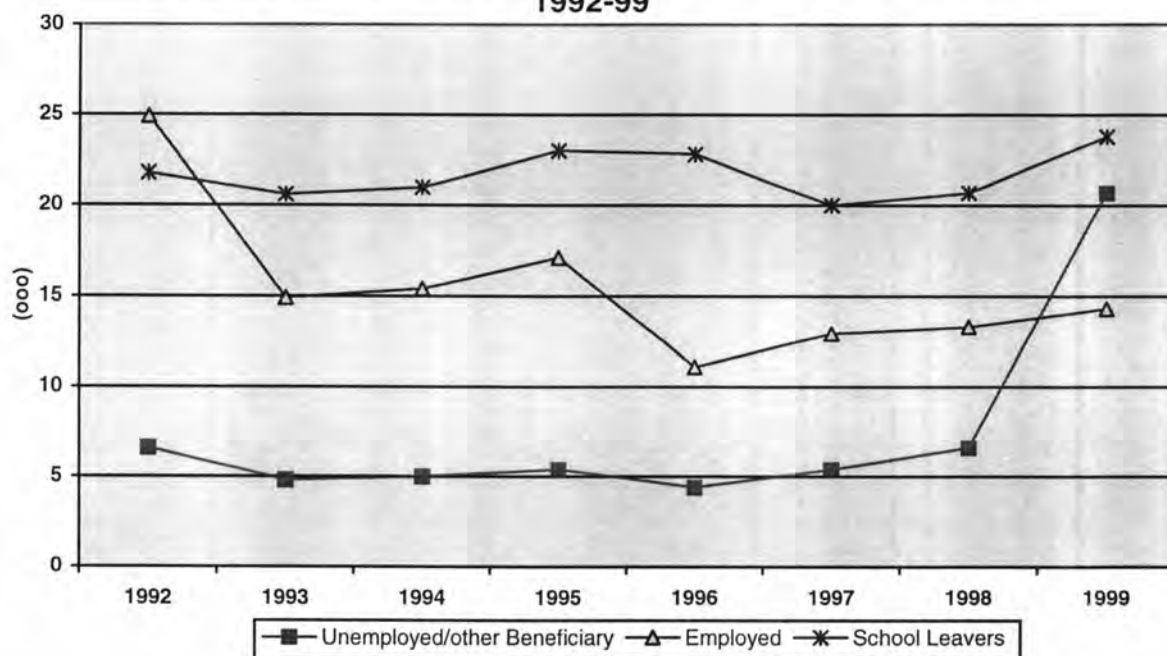
The tertiary sector in New Zealand has enough capacity to accommodate all those completing compulsory education. In July 1998 a total of 51 078 students were enrolled in their first year of formal tertiary education (Education Statistics News Sheet, 1998). Of these around 41 percent (a total of 20 737 students) enrolled directly in a tertiary institution after leaving school. In the same year 51 866 students left secondary education—including those with no formal qualification. This gives a progression rate, secondary to tertiary, of about 40 percent. The existence of more than 51 000 places at the point of entry in tertiary institutions theoretically means that all students leaving compulsory education can be absorbed into tertiary institutions without having a break in their studies. In practice, however, this is not the case.

To qualify for admission to tertiary education institutions in New Zealand, school leavers take national examinations at the end of 5th and 6th forms to obtain national certificates, while those wishing to proceed to university level tertiary institutions sit for bursaries examinations at the end of the 7th form. However, the existence of 'liberal access policies' to tertiary institutions—including university education—means that even those students who do not meet the basic entry qualifications in the national examinations, as prescribed by various institutions, have an equal chance of having access to tertiary education

at a later stage in their lives. An open access policy also helps to take off the heat at the point of entry for those direct from secondary schools. This assertion is supported by recent trends in entry rates to tertiary institutions.

An analysis of the distribution of first year students by prior activity indicates that, while there was some increase in the actual number of school leavers entering tertiary institutions between 1990 and 1999, greater increase was with non-school leavers. In 1999 non-school leavers, comprising of unemployed and other beneficiary, wage or salary workers, self-employed, house persons or retired and other categories, constituted 65 percent of first year entrants to tertiary institutions, with the largest contribution coming from the unemployed and other beneficiaries (See Figure 4.VII). Although different interpretations can be offered to explain high participation of non-traditional category tertiary students, it also goes to show how easily accessible New Zealand tertiary institutions are.

Figure 4.VII. Formal First-year Students by prior activity, 1992-99



Source: Education Statistics of New Zealand, (1992-99).

With such easy access to tertiary education individuals completing secondary education may not be in a hurry to proceed to tertiary institutions. Instead it may be attractive, for various reasons including monetary considerations, to take time off and engage in some paid-employment or just loaf around before seeking admission in tertiary institutions a year or two later. While for those who are already working or retired, easy access means that individuals can seek re-entry to tertiary education to acquire higher qualifications or to chart new career paths depending on their circumstances.

In comparison with other OECD countries, New Zealand's performance in accessibility to tertiary education is above average. In 1996 New Zealand's net entry rates into university and non-university level education (39 and 20 percent respectively) were above the OECD average of 34 and 19 percent respectively (Figure 4.VIIIa & b).

Figure 4.VIIIa. Net Entry Rates for University-level Education in OECD Countries, 1996

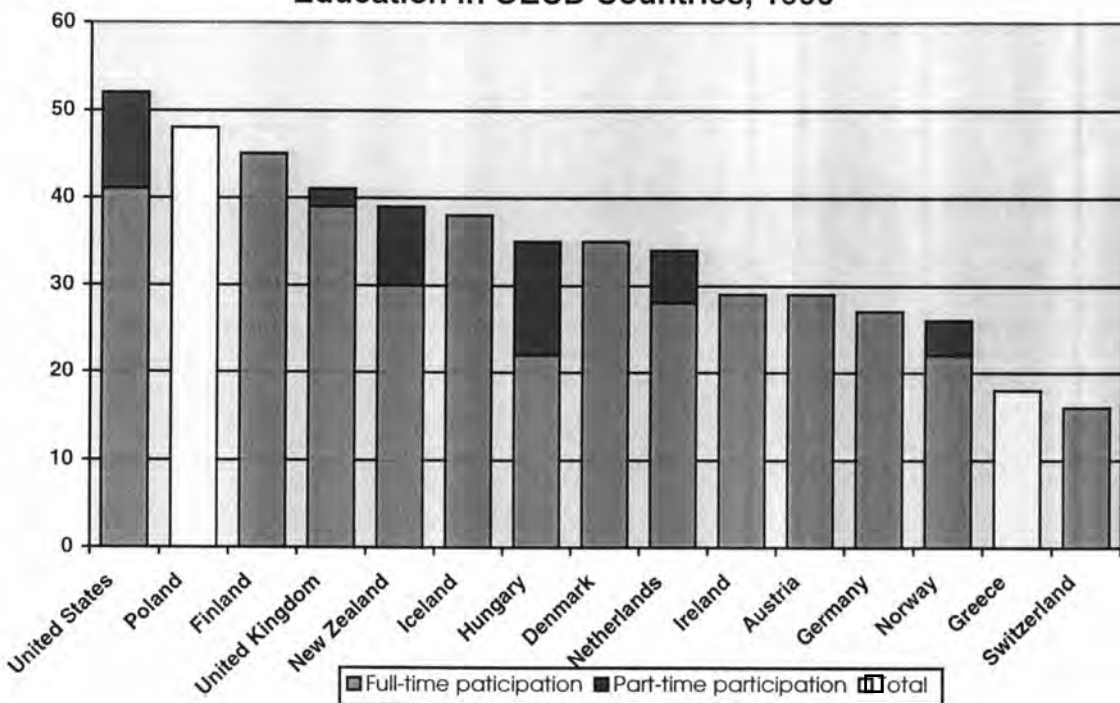
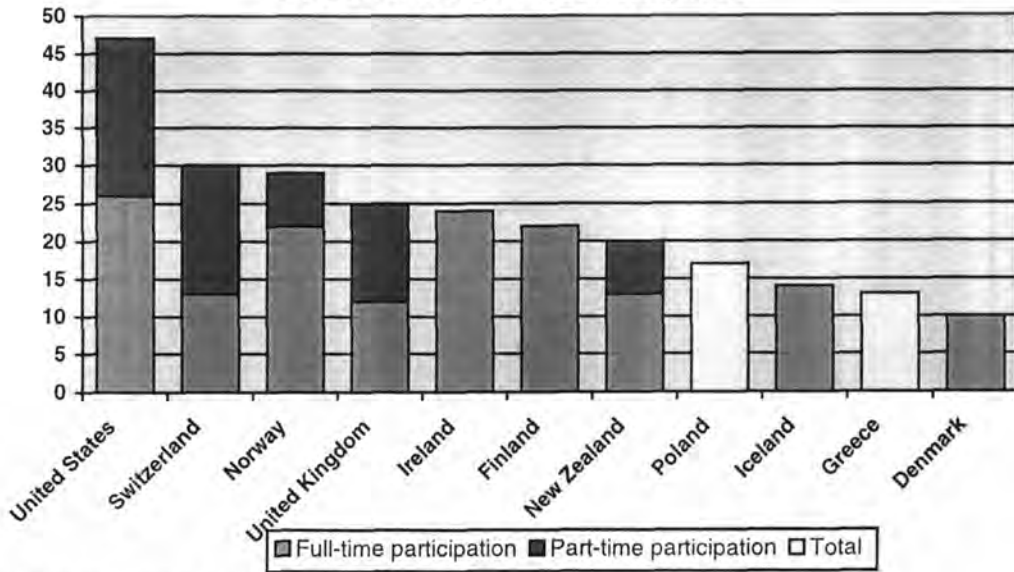


Figure 4.VIIIb. Net Entry Rates to Non-university Tertiary Education in OECD Countries, 1996



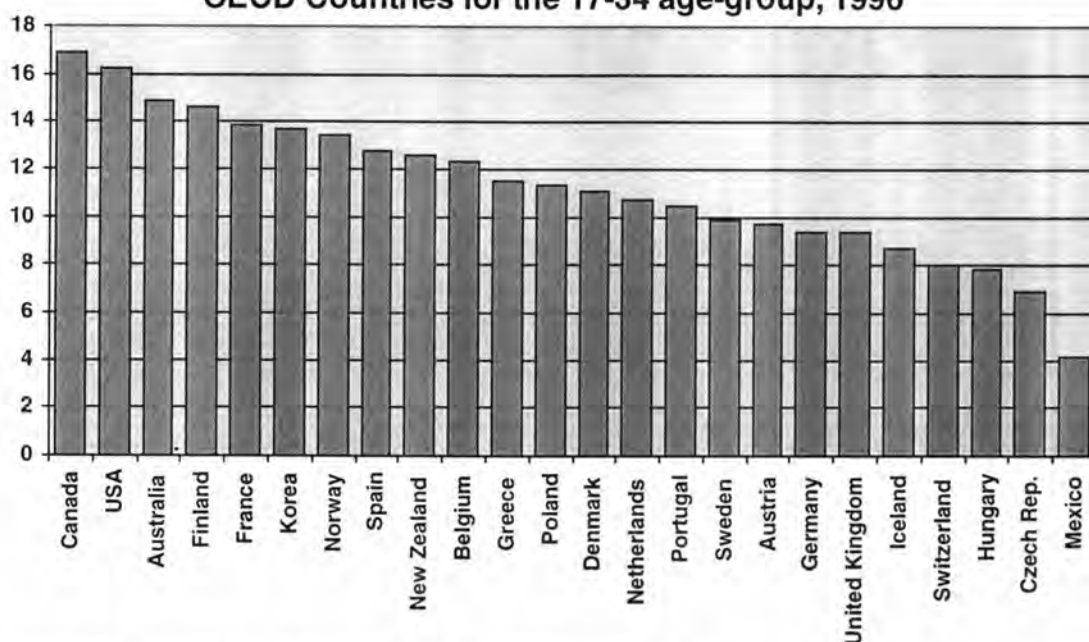
Source: Education at a Glance: OECD Indicators (1998).

Participation

Participation in tertiary education increased in the 1980s and early 1990s. In the last half of the 1990s growth slowed down. Slow growth in participation in the late 1990s was attributed to decrease in participation of part-time students rather than overall decline in actual participation. Participation in full-time study continued to increase. This helped to maintain the tempo of overall increasing participation.

An interesting development in the general trend in participation in tertiary education in New Zealand has been the rapid growth in the participation of the mature age group (25 years and above). Between 1990 and 1999 participation of the population aged 17-24 increased by 38 percent, while for the population aged 25 and above the increase was by 60 percent. When compared with other OECD countries, New Zealand's participation levels in tertiary education—as reflected in net enrollments—is relatively high. In 1996 a higher proportion of New Zealanders participated in tertiary education (12.6 percent) compared to 11.2 percent OECD country mean (see Figure 4.IX).

Figure 4.IX: Net Enrollment in Tertiary Education in OECD Countries for the 17-34 age-group, 1996



Source: Education at a Glance OECD Indicators (1998).

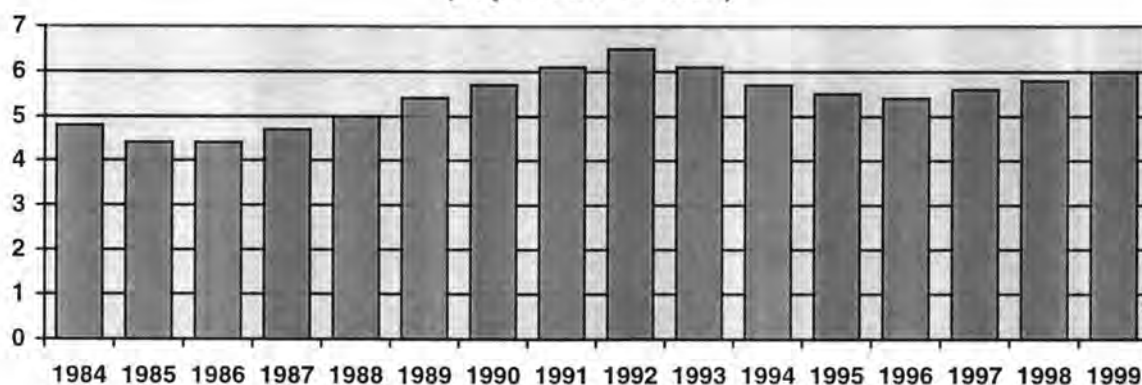
Many reasons can be advanced to account for the increase in participation of the various participants in tertiary education. Among these is the existence of a prolific tertiary education system; the availability of various student-financial-support schemes, including student loans and other incentives aimed at encouraging students to take up tertiary study (See next chapter for more detailed discussion); changing profile of the workplace requiring employees to retrain or chart new career paths; and improvement in the aspirations of the students themselves.

Funding of Education

Education in New Zealand has always attracted high public support as is reflected in expenditure on education in relation to GDP. Even when the economy was not doing well in the mid-1980s government expenditure on education never fell below 4 percent of GDP. Government is the main source of funding for public education institutions. However, in an effort to promote competition between TEIs and PTEs, government implemented radical

funding policies in which funding to educational institutions is based on 'equivalent-full time students' (EFTS). In this funding formula there has been an elimination of any distinction between public and private institutions in the allocation of resources to educational institutions. Another feature of funding policies in New Zealand is that funding to educational institutions extends from early childhood to tertiary institutions. This has, inevitably, introduced competition for public funding at two levels: among institutions within the same sector; and among the three different educational sectors, that is early childhood, schools and tertiary institutions. In comparison with other public sectors, education has always enjoyed high priority in terms of public funding. Since 1989 funding to the sector has always been in excess 5 percent of GDP. Between 1984 and 1988 public funding to education was below 5 percent. From 1986 to 1992 there was a steady rise in funding, reaching a peak of more than 6 percent of GDP in 1992 before registering some slight decline again in the mid-1990s. From 1996 funding to education started to rise again, reaching about 6 percent in 1999 (Figure 4.X).

**Figure 4.X: New Zealand: Education Expenditure in relation to GDP, 1984-99.
(In percent of GDP)**

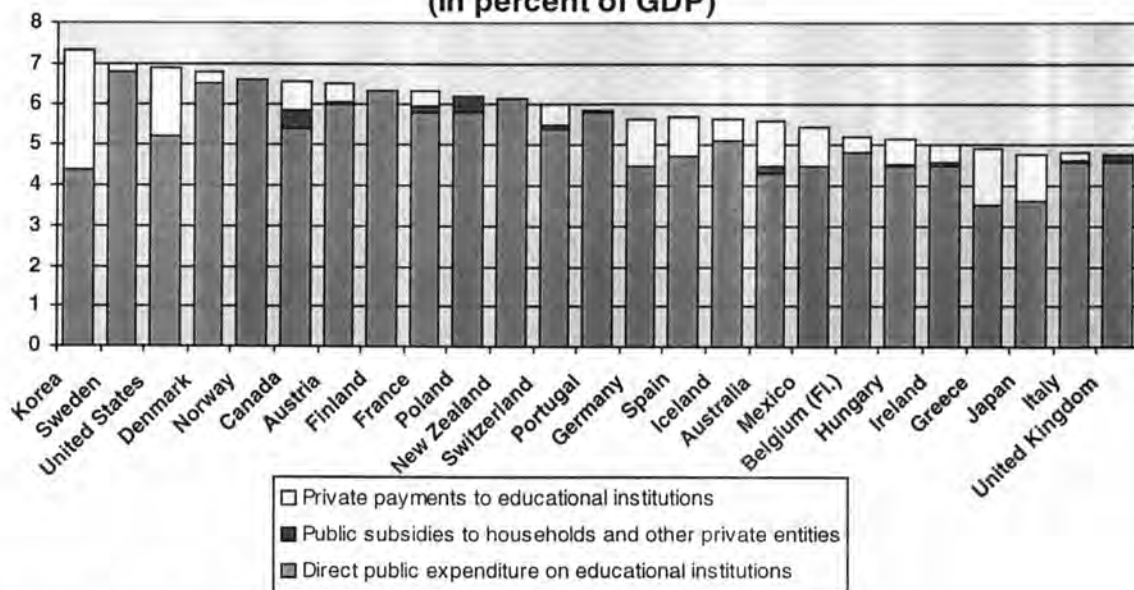


Source: New Zealand Official Yearbook (1990; 1992; 1993; 1994; 1995; 1998; 2000).

Throughout the 1990s public spending devoted to education in New Zealand was more than 5 percent of GDP. Compared with other OECD countries, New Zealand's total

expenditure on education in 1997 was just on a par with the OECD mean of 6.1 percent. However investment in education in most OECD countries includes both public and private sources. New Zealand, however, is among few OECD countries where funding of education is dependent entirely on public resources, with very minimal or no input from private sources. If only direct public investment on education institutions is taken into account, at 6.1 percent of GDP New Zealand's public investment in education is above most OECD countries (mean 5.1 percent) and is only surpassed by four other countries: Norway, Sweden, Denmark and Finland, in the level of public support to education (OECD Indicators, 2000, pp. 54) (see also Figure 4.XI). This clearly demonstrates the high level of commitment, both in principle and in practice that the New Zealand society attaches to education.

**Figure 4.XI. Expenditure on educational institutions by Source, 1997
(In percent of GDP)**



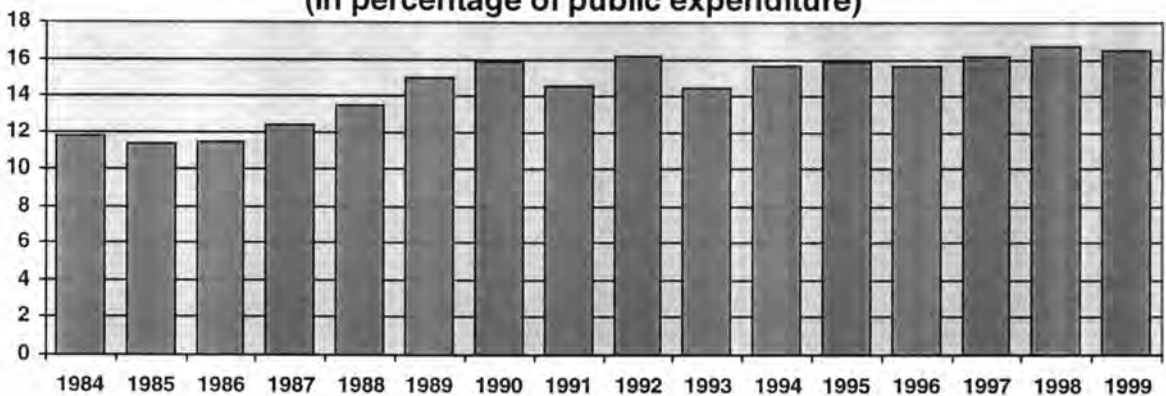
Source: Education at a Glance: OECD Indicators (2000)

The level of public commitment to education is further demonstrated by examining public appropriation to various sectors. In New Zealand education has always been among the

few public sectors that have attracted huge public spending. In 1999 public expenditure on education, amounting to \$5 899 million, was the third highest, being surpassed only by social security and welfare, and health which had \$12 906 million and \$6 573 million respectively (New Zealand Official Yearbook, 2000).

Although the level of funding devoted to education between 1984 and 1999 gives somehow a mixed picture, in general terms it has been rising. Before 1987 public allocation to education was less than 12 percent of the total public expenditure. From 1987 funding to the sector progressively increased and amounted to almost 16 percent of total public spending in 1990. In the 1990s, apart from the intermittent drop in 1991 and 1993 to 14.5 and 14.4 percent, the educational share of public funding remained relatively stable at more than 15.5 percent of total public expenditure. In the late 1990s the level of funding had risen above 16 percent of total public expenditure (Figure 4.XII). In comparison with other OECD countries, the level of funding devoted to education in New Zealand in 1997 was above the OECD country mean (13.0 percent), making New Zealand the third country with highest public spending on education after Poland (20.6 percent) and Korea (16.7 percent) (OECD Indicators, 2000, Table B1.3).

Figure 4.XII. Public Expenditure on Education, 1984-99
(In percentage of public expenditure)



Source: New Zealand Official Yearbook (1984, 1986, 1990-98; 2000)

Although education is among the most highly funded social institutions in the country, distribution of these funds across the various educational sub-sectors has not always been even. In New Zealand the education system is broadly divided into early childhood, schools and tertiary education. Each of these sub-sectors attracts separate funding from the educational sector allotment generally referred to as 'vote education'. In addition to the three sub-sectors, vote education includes funding for Ministry of Education administration, policy advice and other services.

Among the three sub-sectors, schools have attracted the largest share of vote education—accounting for about 50 percent of the total funding to education. Tertiary education gets about a quarter of the total allocation, while early childhood gets around 5 percent of the allocation (see Table 4.IV).

Table 4.IV. Education Expenditure by sector, 1993-99.

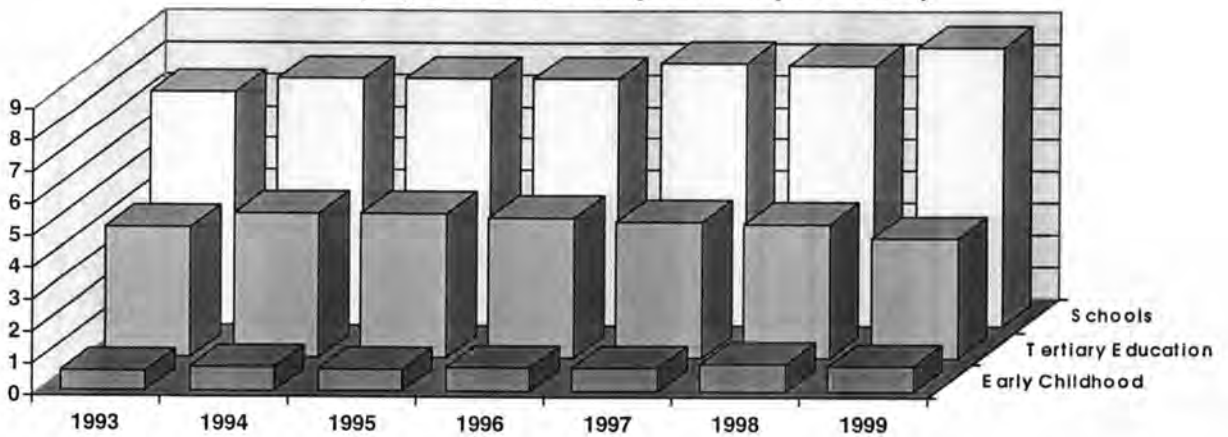
(In NZ \$ million)

	Early Childhood	Schools	Tertiary Education	Total Education Expenditure	Total Public Expenditure
1993	196	2 293	1 285	4 539	31 429
1994	212	2 291	1 346	4 627	29 639
1995	212	2 356	1 372	4 803	30 400
1996	227	2 471	1 406	4 949	31 743
1997	251	2 713	1 415	5 335	32 953
1998	290	2 809	1 438	5 714	34 211
1999	294	3 146	1 357	5 899	35 825

Source: New Zealand Official Yearbook (1994; 1995; 1996; 1997; 1998; 2000)

As I alluded to earlier, government appropriation for education has been increasing. But these increases have not been distributed evenly across the three sub-sectors. For the period, 1993-99, for which I managed to secure some data, schools registered some appreciable increase in funding from 7.3 percent of the total public funding, in 1993, to 8.8 in 1999. During the same period tertiary education experienced some decline in funding. In 1994 funding to tertiary education was 4.5 percent of the total public expenditure. In 1999 it had dropped to 3.8 percent. Early childhood education showed a mixed picture with slight fluctuations in funding. On the whole funding to the sector, when expressed, as a percent of total public expenditure was fairly constant between 1990 and 1999 with some slight tendency towards increased funding (Figure 4.XIII).

Figure 4.XIII. Distribution of Education Expenditure by Sector, 1993-99
(In percent of total public expenditure)



Source: New Zealand Official Yearbook (1994; 1995; 1996; 1997; 1998; 2000)

Within tertiary education government funding can further be broken down into funds going directly to tertiary education and training institutions (tertiary education and training subsidies); student support, including tertiary scholarships, student loans and tertiary allowances; and Ministry of Education administrative and management costs. One of the key

features of tertiary education funding arrangements in New Zealand is the clear divide between educational suppliers (tertiary education and training institutions) and consumers (the students and their parents). This means that tertiary institutions in New Zealand have to compete for public funding not only with early childhood and schools, but also among themselves and with other Ministry of Education agencies. This, inevitably, places tertiary education institutions at a competitive disadvantage.

Overview

A long history of higher education, commitment to the development of education by successive New Zealand governments and a diverse and well-developed education sector are among some features of the New Zealand education system that have made it more responsive to national need. The Zambian education system, in contrast, is characterized by insufficient number of places at all educational levels; a tertiary education sector with very limited capacity; and funding levels that do not adequately address institutional requirements. A declining economy and the burden of external debt servicing are additional factors that continue to bog-down the provision of education in Zambia.

Among some of the similarities in the general educational environment prevailing in Zambia and New Zealand are:

- The high level of commitment to the development of education by governments of both countries. This is reflected in the proportion of national resources invested in education in comparison with other public sectors. Both countries invest substantial amounts of their national resources in education.
- In both countries a larger proportion of public expenditure on education goes to schools (primary education in the case of Zambia, and compulsory education—consisting of both primary and secondary education—in the case of New Zealand).

- Although in both countries public funding to education had been increasing since 1993, the proportion allocated to tertiary education has, in real terms, declined, while the school sector continued to enjoy overall increased funding.
- In both Zambia and New Zealand tertiary education students are expected to contribute towards the cost of tuition (10 and 25 percent respectively).

Some of the differences between the Zambian and New Zealander education systems are:

- Very low participation rates at all levels of the Zambian education system, while New Zealand has participation rates in excess of 90 percent at the compulsory sector and more than 50 percent at the tertiary level (Table 5).
- High level of participation of non-school leavers and mature-age groups in tertiary education in New Zealand. In Zambia participation of non-school leavers and mature-age in tertiary education (apart from post-service and postgraduate study) is very limited owing to restriction in admissions.
- Because of the small number of degree-granting institutions in Zambia the number of available programmes is also very limited. In New Zealand both the number of institutions and programmes offered is diverse. This offers a potential student a wide choice.
- Although the proportion of national resources devoted to education in Zambia is relatively high in comparison with other public sectors the actual allocation is far too low to meet national educational and training needs.
- In Zambia the relative expenditure on education, expressed as a percentage of GDP, is less than half that of New Zealand.
- At present there is an absence of any loan scheme to students to enable them meet the cost of education in Zambia. This raises the question of equity of opportunity

and accessibility to tertiary education, especially for students from poor families. New Zealand operates both a loan scheme and scholarships targeted at specific vulnerable groups.

There are two main conclusions that can be drawn from what I have discussed above: Firstly, the concept of 'free-markets' or in this case 'educational markets' has the underlying assumption of the existence of an educational system that is diverse, in terms of the number of institutions and programmes on offer, in order for competition, both for funding and students, to take place on level ground. It is my opinion, therefore, that Zambia's education system is not in a position to operate under strict free-market principles. On the other hand, the New Zealand education system, with its diverse number of education institutions and programmes, is better placed to operate under free-market principles. However, this does not mean that this is best policy option although it has become the most popular among some policy makers and commentators.

Secondly, since the general thrust in managing national economies has shifted towards what is being referred to as the 'knowledge economy' where countries that are better placed in high skilled manpower are in a better position to compete in international markets, it simply means that countries like Zambia, with education systems and level of development at the periphery of technological development, will be relegated to the position of mere spectators in the unfolding developments. This may further add to their disadvantaged position in the global market.

Table 4.V. Basic Education Indicators: Zambia and New Zealand

	Zambia	New Zealand
Provision of Education	(1995)	(1999)
• total number of primary schools	4 000	2 202
• total number of public secondary schools	591	320
• total number of degree-granting public tertiary institutions	2	39
Access to and participation in Education		
• Total enrollment in primary schools	1 808 560	489 537
• Total enrollment in secondary schools (including composite)	253 000	277 560
• Total enrollment in tertiary institutions (including non-degree programmes)	less than 15 000	220 709
• Net entry rate to university level education	less than 1%	39% (1996)
Funding of Education	(1998)	(1998)
• Education expenditure in percent of GDP	2.38%	5.8%
• Education expenditure in percent of total public expenditure	14.37%	16.7%
• Expenditure on tertiary education in percent of total public expenditure	2.48%	4.2%

CHAPTER 5

Market Mechanisms in Tertiary Education Policy of Zambia and New Zealand: a comparative perspective

Background

The past 15 years have been characterised by dramatic shifts in social sector policy. During this period the competitive market model has increasingly become the main guiding principle in economic and public sector reforms. Both developed and developing countries have embraced elements of the competitive market in their reforms to varying degrees. It would seem that the driving force behind these ambitious reform efforts in most developed countries is the need to maintain a competitive edge in the 'knowledge economy'. (See, for example, Dearing, 1997; Tertiary Education Review, 1998). In developing countries the link between education and the economy, poverty reduction and democracy reverberates throughout major policy documents. In both cases education has been identified as a central ingredient in the realization of the economic dream. Consequently education institutions, especially tertiary education, have come under increasing pressure to respond to and to operate under competitive market conditions.

Many features of the competitive market model have been expressed in policy documents and applied to varying degrees in different countries. However the most popular method through which market mechanisms have been imposed on education institutions has been through funding mechanisms. Demand-driven funding policies have successfully been used as an incentive or bait for enticing educational institutions into responding to and behaving like business entities. The funding debate, inevitably, continues to attract a lot of attention (See, for example, Boston, 1990; Patterson, 1991; Riggs, 1999; Stephen, 1993;

Stephen and Boston, 1994). However it is not my intention to engage in any more debate on the subject than merely show how these policies have successfully been applied to induce the market ideology in tertiary education.

Although funding arrangements remains the most successful method through which market mechanisms have been introduced and enforced in the tertiary education sector other tenets of the competitive market model have been expressed, overtly or covertly, and, sometimes, equally successfully implemented as national education policy directions. These include freedom of choice consumers, both for educational institutions and programmes within these institutions based upon the existence of perfect knowledge; diversity of educational suppliers; competition for funding and students; self-determination, that is the ability of institutions to chart their own course in the educational market without undue interference from outside; and the freedom of entry and exit by education providers.

In education policy documents of Zambia and New Zealand the link between the economy and education is spelled out and given prominence. This is then followed by reference to various free market variables and how market mechanisms would be employed to achieve an education system that is both responsive to the needs of the economy and to achieving personal aspirations. In this chapter I have compared contemporary education policy orientation of Zambia and New Zealand by exploring various ways through which market mechanisms manifest in tertiary education. I intend to show to what extent the two countries have embraced market mechanisms in tertiary education.

Tertiary Education Policy in Zambia

One characteristic feature of public tertiary education in Zambia is the multiplicity of providers, with each government ministry being responsible for meeting its own manpower requirements. This, in practice, has meant that most government ministries run their own

tertiary education institutions and are responsible for the formulation and implementation of their own training policies. Under such an arrangement it would be expected that tertiary education policy would be uncoordinated and not always in agreement with government ideals. While this may be true to some extent, in the area of general policy similarities abound. Harmonization of tertiary education policy has further been achieved by entrusting the Ministry of Education with the responsibility of general policy development for the two universities and by assuming the advisory role in other government ministries. Further attempts at harmonization were made through the coming together of government ministries that are involved in different ways with the training of youths. These are Ministries of Education; Science Technology and Vocational Training; Community Development and Social Services; and Sport, Youth and Child Development. The result of this alliance was the production of a policy document in 1996 called *Investing in Our People: integrated Education Sector Investment Programme (ESIP)*.

One noticeable feature of Zambia's education policy is the avoidance of direct reference to the 'competitive market' as the guiding principle informing education policy. Instead more commonly used and, perhaps, more appealing terms such as 'liberalization of education provision', 'decentralization', 'equality and equity', 'partnerships' and 'accountability' have been used. But terms such as 'liberalization', 'decentralization' and 'partnerships' nevertheless embody in them ideals of the competitive market. It is also interesting to note that these terms have found wide usage in Zambia's economic and social sector reform documents in which the concept of 'competitive markets' remains the central dogma. It is not surprising, therefore, that the association between education and the economy is established and repeatedly referred to throughout the document. At the same time various tenets of free markets are alluded to under broad descriptive terms such as 'liberalization',

'decentralization' and 'partnerships'. Thus, although it is not openly admitted, Zambia's education policy is premised on and guided by the 'free market' ideology.

Education and the Economy

The role of education in the national economy is acknowledged early on in Zambia's education policy document: *Investing in Our Future*. At the same time the significance of education in helping to nurture and uphold democratic principles is strongly emphasized as is reflected in the following words:

Zambia is a liberal democratic society. Hence, it is the value of liberal democracy that must guide the formulation of educational policies and their implementation. The core values of rational and moral autonomy, equality, fairness and liberty underpin the concept of a liberal democracy. In this system, the people are expected to participate fully and rationally in the affairs of their country... In a liberal society, therefore, the state is obliged to protect and promote fundamental human and civil rights, to propound educational policies and aims which focus on nurturing the holistic development of individuals, and to promote the social and economic welfare of society through the provision and renewal of the skills, knowledge and competencies necessary for the development of society and the economy (Ministry of Education, 1996, p. 1). (Emphasis mine).

That the general theme of 'democratic principles' resonates throughout the document and, indeed, in many other official documents is not surprising given Zambia's past experiences under one-party rule. At the same time the notion of 'participation' continues to be a favoured and commonly used ploy, by both politicians and policy makers alike, to appeal to the general public when confronted with what is conceived to be unpopular decisions or policies. However, it is the economic appeal that gives the final flavour, sense of urgency and platform upon which market mechanisms in education in Zambia are founded. In a country that has

suffered from economic deprivation for over two decades this seems to be the most logical way to present an otherwise not so favoured, policy to the public.

Market Mechanisms in Tertiary Education

There is no direct reference to free market principles in the framing of Zambia's education policy. However the choice of words and the general policy direction attest to the fact that policy-makers had the market model in mind. Rather than talk openly of an education policy-orientation grounded in the prevailing competitive market model, the policy-makers have circumvented the issue and hidden behind the use of such tangy words as 'community-participation' and 'liberalization of education' to describe the general trend in which students, as consumers, are expected to pay for their education, and the opening up of education to private sector participation and, inevitably, competition.

Zambia's education policy documents on closer scrutiny reveal the presence of expressions and concepts that are in common use in general economic reforms. Such terms as; 'liberalization of education', with the underlying assumption of freedom of entry and exit; competition and diversity of provision; choice; and decentralization or self-determination in the operation of educational institutions, are all concepts that are borrowed and derive their meaning from the competitive market model in economics. It is, for example, explicitly pointed out that; "Under a liberalized education system, the right of private organizations, individuals, religious bodies, and local communities to establish and control their own schools and other institutions is recognized and welcome" (Ministry of Education, 1996, p. 3). The intention being to open up the 'educational enterprise' to private sector participation, which under the one-party rule had become the exclusive monopoly of government. It is further assumed that liberalization of education-provision will ultimately lead to increased educational opportunities and, hopefully, reduced pressure on government.

Choice in Tertiary Education

Choice, as it relates to an individual's freedom or ability to choose between alternatives, has limited application in Zambia's tertiary education. Because of limited opportunities most students are forced to apply to several institutions in order to maximize chances of being offered a place at an institution. The introduction of tuition fees has imposed further restrictions on the options available to individuals, because now they have to take into account their ability to pay when applying for admission at tertiary institutions. It may follow, therefore, that since most university programmes are generally expensive, with specific programmes such as engineering, natural sciences and medicine being particularly more expensive, most students in future may be denied the chance of pursuing studies of their own choice purely on the grounds of their inability to pay. Because of these obvious restrictions it is not surprising that tertiary education policy in Zambia is silent on how choice, an important tenet of free markets, will be encouraged.

Diversity of supply

Although a wide range of non-university tertiary institutions, offering a variety of programmes at non-degree level, operates in Zambia, these institutions have a very limited capacity and do not adequately meet the demand. At the university level, the existence of only two universities with a total capacity of less than 6 000 undergraduate-degree students between them means that diversity at this level is even more limited. The need for diversity has been acknowledged in tertiary education policy. Recognition of the multiplicity of purposes that tertiary education institutions are expected to fulfill has made government admit that;

...No single higher education institution can effectively carry out all tasks that society and individuals expect at this level... It is for this reason that Zambia has a diversity of higher

education institutions, each with its own distinct aims and objectives and performing its distinctive tasks... (Ministry of Education, 1996, p. 92).

However, apart from allowing for establishment private tertiary institutions, including private universities, no specific mechanisms and incentives for promoting diversification have been put in place or spelled out. In the absence of any clear policy directions as to how diversity will be promoted, diversity, as a policy area, will, for a long time, remain only an expression of policy intent with little hope of attaining any tangible results.

Competition among Education Providers

Competition that leads to innovation and creativity on the supply side of the free market does not exist in tertiary education in Zambia. This is because, as already alluded to, demand overwhelms supply at all levels of education. The situation is particularly acute at the tertiary level. This has led to a situation whereby stiff competition (for places) occurs on the demand side and not vice versa. Consequently government policy is silent on competition. The only reference to competition has been made in relation to consultancy and research work that, from time to time, government awards to private firms. The absence of any reference to competition in tertiary education policy can be explained on account of a limited tertiary education sector. For competition to be encouraged among tertiary education providers the problem of inadequacy in provision will have to be addressed. It is only when the capacity of tertiary institutions is raised to reasonable levels that competition will lead to innovation and creativity be promoted. Until that time it may be inconceivable to even talk of competition.

Self-determination/Institutional Autonomy

Within higher education policy the Ministry of Education guarantees autonomy of tertiary education institutions in carrying out their functions. "The Ministry will respect the

autonomy of the institutions to determine how exactly they will fulfill their particular roles” (Ministry of Education, 1996, p. 92). In practice this has been achieved by delegating the function of governing public universities to independent University Councils composed of members drawn from a wide section of the community. Likewise, independent Boards govern lower tertiary education institutions. However the appointing authority of members of the University Council and Management Boards of teachers’ colleges is the Minister of Education.

Before the passing of the 1999 University Act, University Councils consisted of 27 members who included five academic staff and two student representatives. Under the new Act University councils will comprise of only 17 members, with academic staff and student representation reduced to three and one respectively. The reasons for reducing the composition of the councils are not clear. But the reduction in student and academic representation will definitely have some implications on how forceful these two groups are in matters pertaining to universities in Zambia.

Autonomy of tertiary institutions is not absolute as would be expected under an ideal competitive market environment. Although tertiary institutions are autonomous they are expected to operate within the framework set up by the Ministry of Education. In this framework the Minister of Education wields wide-ranging control over both public and private tertiary institutions. Section 47. (3), of the University Act, 1999, states that: “ where in the opinion of the Minister, it is necessary to do so, the Minister may take such steps as the Minister considers to be in the best interest of the university.” These steps may include dissolution of the Council or closure of a public university in the event of ‘threats to public security’. The fact that the Minister is the appointing authority of members of the University Council may lead critics to suggest that it is government that ultimately wields control over public institutions by ensuring that only members of the public who are sympathetic to

government policies get appointed to Councils and Management Boards of non-university institutions. Notable also is the reduction in the size and composition of the university Councils. Council membership was reduced from a maximum of 27 to 15. Both academic staff and student representation on the Councils have been reduced by almost half (See University Act, 1992 and University Act, 1999). This measure can be construed as a deliberate attempt at stifling staff and students voice on matters pertaining to management of these institutions.

Even private tertiary institutions are not totally free from government control. Under the University Act, 1999, the Minister of Education has power to cancel registration of a private university if it is deemed that it "...is being managed in a manner detrimental to the interest of peace, order or good management or to the physical, mental or moral welfare of the persons receiving instruction at the university;" (Section 40, sub-section (1) [b]). This seems to go contrary to the true spirit of institutional autonomy that the government claims to guarantee.

These measures may seem to suggest government's lack of commitment to the spirit of institutional autonomy. However, this also reflects government's concern about the risks of allowing institutions to operate independently outside of government control. There is also the genuine concern on the part of government to protect public interest by ensuring that management of these institutions does not go contrary to established government policies. Furthermore, government's apprehension about the running of tertiary institutions may stem from the fact that the world over university academics and students always tend to be highly critical of governments. In developing countries student agitation has not only been a constant source of worry to governments, in some cases students have also been known to be instrumental in removing governments from power. At the same time opposition political leaders and dissidents have usually found universities to be a conducive power base from which to launch attacks on the party in power. Therefore, for young and fledging democracies

such as Zambia, it is not surprising that government would want to exercise some form of control over tertiary institutions, especially universities, as a safety-net and in order to ensure political stability and harmonious operations of these institutions.

Freedom of Entry and Exit

Within the spirit of 'partnership in education provision' government policy supports establishing of private tertiary education institutions by organizations or individuals. Although for a long time private tertiary institutions have existed and operated alongside public ones, these have been non-university institutions offering non-degree programmes to a limited number of students. However, the University Act, 1999, provides for establishment of private universities.

Although anyone is free to establish a tertiary institution in Zambia, entry and exist to the 'tertiary education enterprise' is not automatic. Government through the Ministries of Education; and Science, Technology and Vocational Training plays the role of gate-keeping, that is, screening those wishing to establish private universities and non-university institutions respectively. Part III of the University Act stipulates the conditions to be met by an individual or individuals wishing to establish a university. Under this Act the Minister of Education has the final say on who can and can not be allowed to establish a private university. Section 38, sub-section (3) (d) states that:

The Minister shall register a private university in the register of private universities and shall issue the proprietor with a certificate of registration where the Minister is satisfied that—the proprietor of the university is a fit and proper person or body of persons. (University Act, 1999).

In the absence of a clear definition of what constitutes a 'fit and proper person' government may refuse to grant registration of a private university on political or other flimsy grounds by simply citing the above sub-section.

It is also true that while it may be easy for some individuals, under prevailing economic conditions in Zambia, to establish non-university tertiary institution, it may prove to be an economically unviable proposition to establish a private university. Hence it may take a long time before a private university is established in Zambia. Therefore, although freedom of entry and exit in the tertiary education market exists in principle, in practice the process may be highly cumbersome and therefore likely to be a disincentive.

Funding Policy

Of all the elements of the 'free-market' ideology in tertiary education policy it is the funding arrangements that have found wide application in reinforcing market mechanisms in Zambia's tertiary education sector. Both providers and beneficiaries of public tertiary education are expected to play a role in meeting the costs of running tertiary institutions. Government acknowledges the importance of public support in ensuring the smooth operations of higher education institutions. At the same time government is also quick to draw attention to the heavy burden imposed on the national budget by the ever-increasing cost of education. Hence the need to involve all stakeholders in the financing of tertiary education. It has been pointed out that:

The government acknowledges that public support remains essential to ensure the educational, social and institutional mission of higher education. It further recognizes that although it is a substantial charge on the national budget, higher education is equally a national investment for enhancing economic performance, cultural development, and social cohesiveness. For these reasons, it [the government] will continue to provide generous support for this level of education. It

wishes to do so, however, within the framework of rational and logical arrangements that include multiple sources of support and funding for the activities of the institutions. The greater part of the funding for higher education may still continue to come from the Government, but arrangements need to be in place that will ensure adequate and ample revenues from the institutions' own activities and from cost-sharing schemes. (Ministry of Education, 1996. P. 103).

Government proposes to broaden the financial base of tertiary education institutions by encouraging institutions to raise their own revenue by engaging in productive ventures and from contributions from beneficiaries of tertiary education, including student fees and donations from the business and industrial communities.

Among the proposals through which institutions can generate their own revenue is the mobilization of non-government resources. These resources include charging full economic costs for services, which include teaching, research, consultancies, and the use of facilities; engaging in commercial enterprises such as farming; and actively seeking support from commerce and industry. But by shifting part of the responsibility of resourcing tertiary education to institutions themselves government has also tactfully shifted the blame arising from inadequacies in funding directly on tertiary institutions.

It has been pointed out that, although government is the major beneficiary from education provided at university level, every sector of the economy ultimately benefits. It is, therefore, argued that commerce and industry must also play their part in supporting tertiary education institutions through student support, the endowment of chairs, assistance in the procurement of educational materials and equipment, and contributions towards development projects (Ministry of Education, 1996). However, it is argued that to benefit from such support the institutions themselves must take the initiative of soliciting for help: "In the climate of economic liberalization, higher level institutions also need a greater spirit of competitiveness and better awareness of the importance of marketing themselves more aggressively,"

(Ministry of Education, 1996, p. 102). The government further seeks to promote the spirit of entrepreneurship among universities through a system of matching grants to revenue generated from research.

Government's approach to supporting students has also radically changed. Since the early 1990s students were expected to contribute ten percent towards the total cost of tuition, while government paid 90 percent of tuition fees and full accommodation costs. Although 10 percent of tuition may seem to be a reasonable figure, for university programmes this translates into a substantial amount which a majority of students, especially those from low-income families, cannot afford to pay. The absence of any comprehensive student aid schemes aggravates the problem further and raises serious questions about government's commitment towards promoting equal opportunities in education. On the part of government the immediate concern seems to be that of relieving itself of the pressure arising from a bloated public expenditure on tertiary education. With so many competing demands, from equally deserving sectors such as debt servicing, health, and poverty alleviation, placed on already over stretched public resources, the need to cut down on public spending on tertiary education may be justifiable.

Government proposes to reduce further the burden of meeting student costs by converting student grants into loans. "To relieve the pressure, it is government policy that henceforth much of the support for students will no longer be a grant but will be in the form of a loan that will be recovered from students during the early years of their working life, after completion of studies," (Ministry of Education, 1996,p. 104). In awarding loans government intends to give priority to areas with critical human resource problems, such as education and health; students from poor socio-economic backgrounds; and gender equality. A limited number of scholarships will also be available for students with high academic attainment in various fields. But the burden posed by tuition and boarding costs on students, in a country

without an elaborate student loan scheme or any other student aid package, is enormous to say the least.

Tertiary education policy in Zambia reflects government's desire to increase opportunities in tertiary education and to reduce or minimize funding demands placed on government by public education institutions while continuing to exercise control over tertiary education institutions. Government proposes to achieve this by encouraging private sector participation in the provision of tertiary education (by opening up private universities and non-university institutions); by allowing public tertiary institutions to assume greater responsibilities in meeting their own funding requirements; and by requiring beneficiaries of tertiary education to contribute towards the cost of their education. But, at the same time Government seeks to maintain its control over tertiary education through legislative arrangements that give the Ministry of Education greater control over tertiary education institutions. This, in a way, contradicts free market principles, which dictate that institutions be given greater autonomy for them to be more competitive, and reflects a selective application of market mechanisms.

Tertiary Education Policy in New Zealand

Formulation and implementation of education policy in New Zealand falls under one ministry: the Ministry of education. However before effecting any major policy changes the Ministry engages in extensive consultations and employs the services of independent bodies such as the Tertiary Education Advisory Commission. An illustration of this consultative effort by government are such documents as: *Funding Growth in Tertiary Education and Training* (1994); *Tertiary Education Review Green Paper* (1997), which were both forerunners to the final government policy document, *Tertiary Education in New Zealand*

White Paper (1998). However, whether or not and how much of the views and opinions of those consulted get incorporated into the final policy document is another issue altogether.

Education policy in New Zealand has not completely been divorced from the main stream ideological shifts that have occurred in the economic and social spheres in the last decade. In these ideological shifts economic principles of the market have become the guiding principle informing both formulation and implementation of education policy. The general thrust in these policies has been to develop a high performing tertiary education sector that is capable of responding to rapid technological changes; preparing its citizens to participate fully in the global economy and to prepare New Zealand to move towards a knowledge-based society (Tertiary Education Advisory Commission, 2000). Achieving and sustaining economy growth becomes one of the missions of tertiary education, while market mechanisms become the guiding principles upon which tertiary education policy is founded. This has rendered tertiary education to be subservient to the economy.

Education and the Economy

The centrality of the economy in informing the form and general direction of tertiary education policy is captured in such phrases as ‘creative’, ‘innovative’ and ‘knowledge society’, which all, in a nutshell, refer to the economy and the need for New Zealand to maintain a competitive edge in the global economy. It has been pointed out that;

Education provided by tertiary education providers, businesses, and community groups is vitally important to New Zealand in building a true knowledge society and achieving the economic benefits for such a society. The quality of our knowledge and skill base will determine New Zealand's future success in the global economy and as a cohesive society (Tertiary Education Advisory Commission, 2000, p. 3).

Although other functions of tertiary education such as social cohesiveness and the benefits accrued to the individual who acquires tertiary qualifications are not totally lost, it is, nevertheless, the economic rationale that attracts increasing attention, while these other functions have, somewhat, been trivialized.

A well-performing tertiary education sector will play a key role in securing New Zealand's future.

It will improve New Zealand's competitive edge, economic growth, employment opportunities, and social cohesion (Ministry of Education, 1998, p.3).

The contribution of tertiary education to making New Zealand a 'world-leading knowledge society' capable of attaining and maintaining a competitive edge on the global market has been recognized by government. To achieve this objective it is assumed that the sector must undergo radical transformation. This transformation began in the early 1990s. Since then market mechanisms have found expression and continue to be the 'ideological' foundation upon which tertiary education policy is built.

Market Mechanisms in Tertiary Education

Market mechanisms have found expression and practical application in various ways in New Zealand's tertiary education policy. These mechanisms range from organizing public tertiary institutions along corporate lines, to funding mechanisms that reinforce the perception of students as 'customers'. New Zealand's general policy directions embrace market mechanisms to a far wider extent. This has been made possible by the existence of an already highly prolific education system. Establishment of institutional structures such as the New Zealand Qualification Authority (NZQA), and legislation that spells out the legal framework, have given further support to the education system to operate along market lines. The enactment of the Education Amendment Act of 1990 is a significant landmark.

But perhaps the most successful method through which government has been able to introduce market mechanisms in tertiary institutions with minimum resistance has been through funding policies that have tended to reinforce the idea of demand and supply. While the existence of a highly proliferated education system has meant that issues pertaining to choice and diversity in tertiary education are already taken care of, on the supply side it is the funding arrangements, more than anything else, that has made institutions readily accept and engage in competitive-market-like behaviour. Specific market elements of 'choice', 'diversity', 'competition', 'autonomy', 'freedom of entry and exit', and 'funding' as they relate to New Zealand's tertiary education, are discussed further below.

Freedom of Choice

Choice, as an essential component of competitive markets, is well-articulated in New Zealand's tertiary education policy. As already mentioned the existence of a wide range of both public and private tertiary institutions means that students in New Zealand have a wide choice of institutions and programmes at their disposal. But it has also been recognized that making wise choices depends on a number of other factors. These factors include 'quality information'. It is the view of government that;

Students need to be able to make wise decisions about the type of course they should take and about the best place to study. Wise decisions are important because education is a significant investment for individual students and the Government. Students not only invest their money and time, but they also receive taxpayer support for their education. To make good choices, students need to have easy access to accurate and comprehensive information on such matters as course cost, quality, and eligibility for student loans and allowances (Ministry of Education, 1998, p. 36).

That a student in New Zealand has an array of sources of information about tertiary institutions and course offerings at his or her finger tips is of no doubt. In an environment

where tertiary institutions are expected to actively market themselves in order to attract students to their campuses, the range and method of conveying such information is vast. These include hosting of attractive websites by individual institutions; advertising in professional journals, daily newspapers and on television; and 'open-days'. Efforts by institutions to reach out to students is further supplemented by government through the establishment of such Internet information platforms as the KiwiCareers (www.careers.co.nz) and the Ministry of Education website, (www.minedu.co.nz). Both sites offer a wide range of information and links to other useful sites. With all this information around to assume that students lack information about institutions or courses is, therefore, out of the question. Perhaps the question to pose is whether students today are making better-informed choices than was the case before.

Diversity of Supply

By nature the tertiary education system in New Zealand has always been diverse. The tertiary education sector consists of public tertiary education institutions (TEIs), which comprise of universities, polytechnics, colleges of education, and wanangas; and private training establishments (PTEs) consisting of not less than 700 institutions. As I have pointed out in the previous chapter, the existence of an already diverse and prolific tertiary education sector has been one of the contributing factors in effecting market-oriented policies in tertiary education.

At present there is no established private university in New Zealand. All PTEs are non-university institutions. However, current tertiary education policy allows for the establishment of private universities and other non-university institutions. At the same time expansion and establishing of new TEIs are encouraged. The cost of expansion in TEIs is expected to be met

from the institutions' own resources which, in turn, are partly dependent on the institutions' ability to attract students. Government proposes that;

From 1990, TEIs have been required to plan the use of their funding streams in such a way that the servicing costs of any capital expansion, including additional investment on an existing site, new facilities on another site, institutions brought into the TEI system (or indeed the establishment of a completely new institution had that occurred), are met from the institutions' resources. ...the decision under the Universal Tertiary Tuition Allowance to subsidise all student places will enable institutions to expand as they attract more students (Tertiary Education Review, 1998, p. 43).

Whether current policy on capital injections will lead to further expansion and diversification in existing institutions and establishment of new institutions, remains to be seen. But perhaps one important factor to consider is whether, for a country the size of New Zealand, with a relatively small population, further establishment of new tertiary institutions is really necessary. The logical thing to do would be improve upon existing public institutions by increasing their funding.

Competition among Education Providers

Competition among tertiary education providers in New Zealand has been introduced mainly through two mechanisms: relaxing restrictions on the range and level of programmes that tertiary institutions provide; and through demand-driven funding mechanisms that do not discriminate between university and non-university institutions or between TEIs and PTEs.

Before 1990 universities enjoyed a monopoly in granting degree qualifications, while non-university institutions such as polytechnics and colleges of education were restricted to diploma and certificate courses. With the passing of the 1990 Education Amendment Act there has been an increased involvement of non-university institutions, including PTEs, in awarding of degrees. Proliferation of degree granting institutions has opened up universities to

competition with non-university institutions in the sector, while at the same time increasing the range of options available to students. One of the consequences of increased competition has been the blurring of any distinction between the different types tertiary education providers. Whether this has had negative ramifications for institutions, especially universities, is open to debate. However, Government's main concern has been to ensure that institutions are providing quality education throughout the country. "The key public policy goal for the Government is to have a rational network of quality public institutions that can meet the needs of students and communities throughout New Zealand," (Tertiary Education Review, 1998, p. 10).

Competition has further been enhanced in tertiary institutions by a funding mechanism that directly relates the level of funding to the number of students that an institution attracts. Another important development has been in the area of government subsidising of tertiary students enrolled in approved courses regardless of whether they are attending public or private institutions. Both processes have had the effect of inducing competition for students among tertiary providers. By removing any discrimination in funding, public funds are also being transferred to the private sector.

Institutional Autonomy/ Self-determination

Institutional autonomy or self-determination in New Zealand's tertiary education institutions is guaranteed by an Act of parliament. Part XIV, Section 160 of the Education Amendment Act 1990 gives freedom to institutions to make their own academic, operational and management decisions as long as these decisions are "consistent with the nature of the services they provide, the efficient use of national resources, the national interest, and the demands of accountability" (Education Amendment Act 1990, Section 160). Section 161, Sub-section 1 of the same Act further states that: "It is declared to be the intention of

Parliament in enacting the provision of this Act relating to institutions that academic freedom and the autonomy of institutions are to be preserved and enhanced.” This autonomy therefore goes beyond institutions being free to regulate themselves, but also includes the freedom of individual members within these institutions to function freely without interference in pursuit of knowledge.

In New Zealand autonomy of public tertiary education institutions is further enhanced by having self-managing institutions. Councils are the governing bodies at public tertiary institutions. Membership of the Council consists of between 12 to 20 members drawn from a cross section of the community, including four appointees by the Minister of Education, academic staff, general staff, students of the institution, professional representative (optional), and the chief executive of the institution. Among some of the stipulated functions of Councils are: preparing of charters; setting strategic directions based on the charter; appointing of the chief executive officer (CEO); and ensuring responsiveness to the needs of stakeholders. It is also the responsibility of Councils to “ensure that the TEI remains financially healthy and viable over the long term...” (Tertiary Education Review, 1998, p. 38).

It is the opinion of government that the current size of Councils of between 12 and 20 members is bloated and inefficient. It has therefore been proposed that in future the size of Councils be cut down from a maximum of 20 members to 12, and from a minimum of 12 to 7, in order to augment efficiency. It is argued that, “Smaller Councils will be more efficient and clearly focused while still enabling the workload of Councils of larger TEIs to be adequately spread among members,” (Tertiary Education Review, 1998, p. 39). Further proposed changes include the composition of members. It is Government’s view that current representational nature of Council membership leads to members putting their interests first instead of the short- and long-term best interests of the institution. It has been pointed out that “Councils need to focus on the overall best interests of the institution” (p. 38). To achieve this objective

Government has suggested that Council membership be based on expertise and skill rather than on representation. While agreeing that student and academic staff presence on the Councils continue, it is felt that the majority of members must not be directly involved in the institution in any staff or student capacity.

Councils need to focus on the overall best interests of the institution... To support this focus of Councils, their members will be based on expertise and skill rather than on representation. The composition of Councils will need to reflect the skills, knowledge, and experience essential for effective governance of tertiary institutions. These include skills in business management, finance, and strategic planning, and knowledge of the education and research sectors. Academics and educators will continue to be an essential role on Councils for their knowledge of the core educational and research function of a TEI. (Tertiary Education Review, 1998, p. 38, 39).

But the position of Government on both the size and composition of Councils is highly contestable. While it is the duty of Government to protect public interest, excessive involvement in matters of Councils can be interpreted as an infringement on the independence of Councils. Further, cutting down the presence of students and academic staff tertiary institutions governing bodies can be construed as an attempt by Government to stifle the voices of these groups. This is contrary to the principles of academic freedom and institutional autonomy.

Freedom of Entry and Exit

Public tertiary institutions in New Zealand can only be established by an Order in Council made by the Governor-General on the written recommendations of the Minister of Education. This process involves extensive consultation with various stakeholders including staff in established institutions, professional bodies and the general public. After extensive consultations the Minister of Education tables the proposed recommendations before

Parliament. It is only after parliamentary scrutiny that the Minister passes the recommendations to the Governor-General for final assent. Similarly, only the Governor-General has power to disestablish a public tertiary education institution. For a university to be disestablished Parliament would have to pass a resolution approving the move. Clearly, it would seem a lot easier to establish than to disestablish a public tertiary institution, especially if that would mean an institution closing down completely. Under a system of extensive consultation and parliamentary scrutiny, it would be equally difficult for newcomers to establish, for example, a new university, especially if that move is perceived as a threat to already established institutions. However, establishment and disestablishment of institutions includes mergers or amalgamations in which usually a smaller institution gets absorbed into and starts to operate under the name of a larger institution, for example a polytechnic becoming part of an established university, e.g. The Wellington Polytechnic/Massey University merger.

A private tertiary institution, on the other hand, may be registered and eligible to provide approved courses of study or training on application to the New Zealand Qualifications Authority (NZQA). Before registration can be granted the board of governors of a proposed institution have to meet all the registration requirements as stipulated under Part XVIII of the Education Amendment Act. Under this Act use of the terms 'university', 'college of education' or 'polytechnic' to describe an educational establishment can only be authorized by NZQA. The terms 'degree' (including 'bachelor', 'master', and 'doctor'), 'New Zealand' and 'national' as used in connection with granting of awards by educational institutions, are also protected terms (Tertiary Education Review, 1998).

It is not enough that an institution is established. For that institution to attract public funding it would have to ensure that the courses or programmes it offers meet the quality requirements currently set by NZQA. "A key requirement for public policy is to ensure the

quality of New Zealand tertiary education,” (Tertiary Education Review, 1998, p. 7). Since government is the main source of funding for tertiary education, strict quality assurance requirements may act as a deterrent to newcomers, especially if the financial base of such an institution is not assured in the absence of government subsidies.

Although by law both public and private tertiary education institutions can be established or disestablished in New Zealand, there have not been any newcomers in the sector nor have any institutions closed down in the past decade. However some mergers among TEIs have taken place of which the merger in 1999 between Wellington Polytechnic and Massey University is the most recent and probably the most notable. It is also probable that some small PTEs may have been established. What this seems to suggest is that, although freedom of entry and exit exists in principle, few are exercising it in practice. This is because of the presence of strict government regulations and controls that restrict the entry of newcomers and the exit of already established providers. These controls may not be aimed at restricting participation in the educational market but rather to protect the ‘public interest’.

Funding Policy

Funding policy of tertiary institutions, in my opinion, has been one of the most significant determinants of the pace and nature of market mechanisms imposed on tertiary education institutions. There are three notable ways through which this has been carried out. Firstly, Government instituted a demand-driven funding strategy in which institutions were funded based on the number of students they attracted to their campuses. This, inevitably, led to institutions engaging in vigorous marketing campaigns comparable to what goes on in business enterprises. Secondly, in funding of institutions Government eliminated any distinctions between TEIs and PTEs, and between university and non-university institutions. Institutions offering similar courses attracted similar funding from Government. This

effectively opened up tertiary institutions to competition. Thirdly, students were now expected to contribute towards the cost of education and consequently tertiary education providers were allowed to pass on the short fall in their funding requirements to students by charging tuition and other related course fees.

Between 1990 and 1999 government funded tertiary institutions through bulk grants determined by a funding formula based on equivalent full-time student (EFTS). EFTS was defined as the student workload that would normally be carried out by a full-time student in a single academic year. Based on the EFTS bulk funding formula every public tertiary institution received a base grant of \$1000 per EFTS, up to a maximum of \$250 000 and attracted further funding according to the number students enrolled by broad course category (Learning For Life One and Two, 1989). Government determined the number of EFTS places that were funded and available for distribution each year. The process of funding of tertiary institutions based on EFTS formula was phased out in 1999 because it was perceived to be unfair, inequitable and discriminatory against PTEs. It has been argued that;

Base grants were introduced, in part, to support the provision of educational services by smaller public tertiary institutions. However, a question mark has been raised over the future of base grants in a funding environment that focuses on funding students for their qualifications fairly and equitably. Base grants, as currently structured, run against this general policy because private training establishments are not eligible for this funding. Their students are therefore disadvantaged in the sense that they receive less taxpayer support per student than those at public institutions (Tertiary Education Review, 1998, p. 18).

Base grants and the EFTS funding formula were phased out and replaced by the 'universal tertiary tuition allowance' (UTTA) (See Ministry of Education, Media Release, 18 November 1998). One characteristic feature of this new funding formula is the removal of any distinction between public and private or between university and non-university tertiary institutions.

Under the UTTA funding formula all students studying NZQA approved courses attract government funding on an equal basis regardless of which institutions they attend (Tertiary Education Review, 1998). This means that all institutions, provided they offer similar courses, are funded according to the number of students they attract.

The introducing of a uniform funding regime for all tertiary education providers has led to the erosion of the dividing line between public and private and between university and non-university institutions. It is Government's intention to extend the UTTA subsidy to overseas tertiary education providers operating in New Zealand. "This subsidy will also apply to courses run in New Zealand by overseas providers as long as they are physically located in New Zealand and meet quality assurance and other criteria required of New Zealand providers (Tertiary Education Review, 1998, p. 15). This policy approach has been justified on the basis that it will lead to innovation and diversity, and it is "fairer to all students because they will be subsidised in the same way wherever they enrol" (p. 16). It is further argued that many PTEs operating in New Zealand focus on serving educationally disadvantaged groups, therefore, having an equitable resourcing system will benefit students attending these institutions. "These students will benefit from equitable resourcing because they will now be subsidised on the same basis as students attending TEIs" (p. 16).

One of the direct consequences of a non-discriminatory funding policy is that it has led to increased competition among tertiary education providers. But whether any meaningful innovation and diversity has occurred as a direct consequence of increased competition is debatable. It may also be true that as a result of indiscriminate funding policies substantial amounts of public funds are being gradually transferred to the private sector leaving public institutions at a competitive disadvantage in that private institutions already have some source of funding which, unfortunately, public institutions can not access.

Public subsidy to tertiary education institutions is not meant to cover the full cost of tuition. Rather it is meant to cover only part of the total cost of course expenses. At the same time, between 1990 and 1999, two forms of government subsidies on tuition were available to students on a targeted basis. The two forms of subsidies discriminated on the basis of age and were known as the 'Study Right subsidy differential.' Students entering tertiary education below the age of 25 years (the 'study right' category) enjoyed higher government subsidy, while those above the age of 25 years (the non-study right category) attracted a lower subsidy. Education providers were obliged to recover the difference between what government actually paid for each student and the actual cost of running the course from the students by charging students tuition and other related course fees as deemed appropriate. This policy was meant to promote increased participation of school leavers.

The categorization of students into Study Right and non-Study Right was abolished in 1999 and replaced with the UTTA funding formula. Government now subsidized equally for all domestic tertiary students (Tertiary Education Review, 1998; White Paper, 1998). This shift in policy was partly based on the argument that only a few education providers passed on the benefits of 'study right' to the target group. At the same time it was noted that school leavers no longer dominated participation in tertiary education.

The introduction of and subsequent increases in fees for the first time in 1990 for all students pursuing tertiary education in New Zealand tertiary institutions, was a radical move for a country that has prided itself in being the international capital of social welfare. The introduction of fees meant that students and their parents were now expected to bear an increasing burden of the cost of education. This could have had negative consequences on access and participation in tertiary education had it not been for the introduction of comprehensive student aid packages. These packages have included a government-operated student loan scheme; tertiary scholarships for Maori and Pacific Island tertiary students;

student allowances to assist students with living costs; and other training benefits and incentive allowances operated through Work and Income New Zealand. The existence of various student-aid packages has helped to minimize the impact of what would have, otherwise, been a major barrier to participation in tertiary education. Although the student loan scheme continues to attract a lot of criticism, because of its long term negative impact on individuals, the introduction of fees in the absence of any such arrangement would have made tertiary education inaccessible to many students.

Overview

Market mechanisms have been expressed in various ways and applied to varying degrees in education policy of various countries. In this chapter I have explored some ways in which market mechanisms manifest themselves in tertiary education policy of Zambia and New Zealand. I have based my exploration on six market variables that are a common feature of competitive markets. Table I summarizes the form and level to which each of the six variables exists. The two countries are shown in a comparative perspective, depending on whether each of the variables has merely been implied in government policy; or has been clearly stated as policy but not necessarily implemented; or has been partly or fully implemented. In addition, pluses, minuses and question marks have been used to indicate the direction in which the variable is moving: that is, increasing (+), decreasing (-), undetermined (?) or no change (0), relative to perfect competitive market conditions. For example, a (+) under freedom of choice implies movements towards increased choice as a characteristic feature of tertiary education, that is, a tendency towards competitive market conditions.

Generally both countries have made attempts aimed at embracing facets of the free market model in tertiary education policy. This is at least true in as far as these tenets of the market exist as mere policy pronouncements or expressions of intent only. However, in New

Zealand most of the market variables go beyond mere policy pronouncements and have become an integral part of tertiary education. This is especially true with regard to choice, competition and funding policies. In Zambia, on the other hand, limitations arising from both the general and education environments have meant that most of these market-oriented policies exist only on paper as policy or have only been referred to in passing.

As one of the key features of a competitive market, choice attracts attention in the policy documents of both countries. However, it is only in the case of New Zealand where choice has found application to appreciable levels. The removal of any discrimination in funding of tertiary institutions; and by ensuring that quality information is available to all players in the education market can be seen as practical attempts by Government to enhance opportunities for choice among students. In contrast, as a policy issue, choice in Zambia has only been referred to in passing. The possible explanation for this apparent 'omission' is that for choice to be exercised to the fullest extent there would need to be an underlying assumption of the existence of alternatives. The restricted nature of tertiary education in Zambia would dictate that before any meaningful policy on choice could be undertaken the capacity of tertiary institutions would have to be brought to levels where they could adequately respond to demands.

Diversity of supply as a policy issue exists merely as a statement of intent in the case of Zambia. Inability to open up new tertiary institutions and failure to improve and expand on existing facilities, especially at the university level, mean that both the capacity and range of institutions participating in tertiary education in Zambia will remain limited for long time to come. New Zealand, on the other hand, actively pursues and has created incentives directed at promoting diversification of both tertiary institutions and programmes offered by these institutions. The existence of a well-established tertiary education infrastructure in New Zealand has further helped to ensure diversity in the range of institutions and programmes of

study. Favourable public funding policies have also acted as an incentive and may have led to increased participation of the private sector in tertiary education. The high number of PTEs may be proof of this.

Competition, both for students and public funding, is a common phenomenon in New Zealand tertiary institutions. Government policy has been instrumental in promoting competition among tertiary education providers. Two factors have particularly played a significant role in promoting competition among education providers. First is the presence of a multiplicity of education providers, with a total capacity slightly in excess of the number of students completing secondary education. This is coupled with favourable admission policies. As a result there is no pressure on students at the point of entry. Instead the onus is on institutions to attract sufficient numbers of students. Secondly, a public funding policy that is based on student numbers and which does not discriminate between public or private institutions has led to open competition among tertiary education providers. In Zambia government policy is silent on competition as it relates to education providers. This may be so because demand for education at this level overwhelms supply. Consequently stiff competition (for places) exists on the demand side of the education market. Failure to increase the capacity of tertiary institution may mean that competition, as it operates in an ideal competitive-market environment, may never be a feature of tertiary education in Zambia.

Autonomy of tertiary education institutions is guaranteed in both Zambia and New Zealand. There is commitment on both governments to uphold the autonomy of tertiary institutions. This has been translated into practice by allowing public tertiary institutions to be governed by independent Councils (or Boards of Management in the case of non-university institutions in Zambia). However, institutional autonomy is not absolute. Governments regulate the functions of and decide on the composition and size of Councils. The general trend in recent years in both countries has been to reduce the size of Councils in order 'to

make them more efficient'. In New Zealand there was a suggestion to reduce from a maximum of 20 and a minimum of 12 to a maximum of 12 and a minimum of 7 members, while in Zambia the reduction has been from 27 to only 17 members. Unfortunately this has meant reduction in academic staff and student representation on these Councils. This raises serious questions about the Governments' true intentions. Although it may be argued that these measures have been put in place in order to protect public interest, it can also be argued that by imposing restrictions on the Council membership government indirectly seeks to impose its will and control over Councils. This is not the type of autonomy that is envisaged in a competitive-market environment.

Freedom of newcomers to establish and operate new tertiary institutions, and for established institutions to disestablish themselves, only exists in theory in both Zambia and New Zealand. In both countries government policy allows for establishment of tertiary institutions, including private universities. However, lack of incentives, such as public subsidies to privately run tertiary institutions, may mean that the probability of having a private university being established in Zambia in the near future is remote. In addition to that numerous government controls, including possibilities of government closures or takeover, makes operating a private university purely for profit a highly risky business and therefore likely to scare away potential investors. Similarly in New Zealand, although it is Government policy to encourage participation of the private sector in the provision of tertiary education and although there is potential for establishing a private university, considerations of the size of the education market (including population of potential students and the level of fees that students would be expected to pay) and direct opposition from established public universities, may all act as a disincentives. There is also the question of massive capital injections before an institution befitting a modern university and capable of competing favourably with established public institutions, can be established. This may mean, therefore, that

amalgamations and mergers is the form in which freedom of entry and exit will continue to be exercised in New Zealand's tertiary education sector for some time to come.

Funding policies form the backbone on which market mechanisms in tertiary education hinge. I have made this assertion based on the observation that the construction of education providers as suppliers, and their subsequent engagement in competitive-market-like behaviour, and the construction of students as consumers in competitive educational markets, is premised on and has been enforced by funding policies. Thus demand-driven funding regimens and various user-fees leads to repositioning of the relationship between 'education suppliers' and 'education consumers'. Such policies are best illustrated in New Zealand where demand-driven funding arrangements, that do not discriminate between public and private education providers, have led to competition between university and non-university institutions and between public and private education providers. Unlike New Zealand, in Zambia there is no transfer of public funds to private education institutions. Neither is there open competition among public institutions for funding because each institution receives a predetermined grant. However, some form of demand-driven funding exists through student-grants that government sponsored students bring to the institutions they attend. These grants are paid to institutions directly and may act as an incentive for institutions to increase their enrolments, even against odds such as limited boarding and lodging facilities, in order to attract more funding.

The introduction of various user-fees gives new meaning to the position of the student in the educational market. Because s/he has to pay for education the student becomes truly the 'consumer' or 'customer' out to purchase some education. Even the role of student loans takes on a whole new dimension. Loans become some form of mortgage that an individual has to take out in order to invest in education with the hope of reaping some benefits in future. In both Zambia and New Zealand students are expected to pay for part of the cost of their

education (10 and 25 percent of the cost of tuition respectively). In order to facilitate access to education for those students who can not meet the cost of education in New Zealand various student schemes are in place. These include income-related subsidies, scholarships targeted at specific groups and student loans. In Zambia, however, such a comprehensive student-aid package does not yet exist. Even student loans exist only on paper and it may take some time before the scheme gets implemented.

Under an environment where students are being called upon to meet an increasing cost of their education, knowledge ceases to be social good and becomes a capital investment in which an individual engages based on the promise of future financial rewards. It may not come as a surprise, therefore, that in future individuals will increasingly base their choice of careers on the promise of future financial rewards, not only in order to be able to pay back loans they will have accrued during their student days, but also in order to maximize their 'returns on investment'.

Table 5.I. Summary of the six market variables

Variable	Form in which the variable is expressed:		
	Merely implied (not directly stated)	Stated as policy but not implemented	Partly or Fully Implemented
Freedom of students to exercise choice	Zambia (-)		New Zealand (+)
Diversity of Supply	Zambia (?)		New Zealand (?)
Competition among providers for funding and students	Zambia (-)		New Zealand (+)
Autonomy of institutions to operate under a competitive environment			Zambia (?) New Zealand (?)
Freedom of entry and exit by tertiary education providers		Zambia (?) New Zealand (?)	
Funding policy:			
• Demand-driven public subsidies to institutions	Zambia (-)		New Zealand (+)
• Student contribution towards cost of education			New Zealand (+) Zambia (+)
• Student support (loans)		Zambia (0)	New Zealand (+)

CHAPTER 6

Summary, Conclusion and Suggestions

Summary

In the second chapter I considered the significance of Eastonian Systems Model in conceptualizing the influence of various elements during policy formulation and implementation. When policy output is viewed as the end product in a complex process in which various parts interact, then it is possible to offer plausible explanations for the observed policy orientation. In this sense policy ceases to be a random event but a product of the environment. In my analysis I have conceived of education policy as a function of both the general and the specific (or educational) environments. Inputs or factors arising from the total environment are brought to bear upon a political system causing it to produce a particular policy output. For the purpose of clarity, I have divided the total environment into general and specific. Under the general environment economic, political, social and external factors have been considered. Under the specific or educational environment I have taken into account such variables as educational infrastructure, funding levels, participation rates, development of the education system, etc.

Although it is factors arising from the general environment which have been responsible for the genesis and popularization of free markets, it the specific (educational) environment that has been significant in finally determining how far each of the two countries has gone in implementing market mechanisms in its education policies. At the level of policy output I have taken into account choice; diversity of tertiary education; competition; institutional autonomy; freedom of entry and exit; and funding policies as significant factors in comparing the relative positions the two countries occupy on the 'public monopoly-free market'

continuum. Figure 6.I gives a diagrammatic summary of the components of the Systems Model that have been considered in this study.

In this study I have not made any attempt at covering all aspects of Easton's Model, rather I have confined myself to only those components of the model that I deemed most appropriate for my study. This may not seem the most appropriate way to use the model, but it must be remembered that the purpose of using the model in the first place was in order to carry out a systematic comparative study.

The General Environment

In considering the general environment I have particularly identified economic, social, political and external factors as important elements in the genesis and subsequent popularization of market policies. That is, the success (or assumed success) of free market policies in the economic sphere had the flow-over effect to social sector policies. For example, market-oriented policies in tertiary education in New Zealand were instituted barely six years after embarking on radical economic reforms in 1984. In Zambia similar policies in tertiary education came into place three years after embarking on an extensive liberalization programme in 1991.

Economic Factors

The economy has been the most significant factor in the initiation of market-oriented policies in both Zambia and New Zealand. The decline in the performance of the economy that began in the 1970s necessitated radical reforms in order to arrest the situation. Because of the general belief that the monopolistic tendency of the state in the running of the economy was partly to blame for the continued poor performance of the economy, liberal reforms based on the free market principles became popular. Economic theories of the market not only

provided the theoretical foundation upon which economic restructuring was based, but principles of the free-market ended up being the foundation upon which all social sector reforms, including tertiary education, were premised. That is, the genesis and popularity of the market in economic and social sector reforms in Zambia and New Zealand had its roots in the respective economic decline in each country.

The centrality of the 'economy' to tertiary education policy does not end at providing the theoretical foundation upon which free markets are premised. Both the pace and the extent to which market mechanisms have been incorporated in tertiary education policy, to a large extent, is determined by the economy. Thus, in New Zealand where the economy is more vibrant even the pace at which market mechanisms have been embraced in education has been much faster. In Zambia, on the contrary, continued poor performance of the economy means that market mechanisms can only be introduced at a more cautious pace and even then this entails immense hardships for the majority of the people.

The economic factor has also been central in determining just how far a country can go in its marketization programme. Consequently, because New Zealand is more economically developed she can afford to embrace more of the free market elements in tertiary education policy but with minimal negative consequences on the larger society. In contrast, the erring economy in Zambia means that even the few market elements that have been introduced in tertiary education policy entail untold hardships for many students.

The attraction of the market as policy option seems to lie in its justification of the transfer of part of the cost of running social institutions, such as education and health care facilities, directly to beneficiaries and institutions themselves. Prior to the 1980s the education systems in both Zambia and New Zealand were largely public monopolies and free, or nearly free, at all levels. However, increasing demand for education and the rising cost of running education institutions at a time when the economy was also not performing well posed a major

challenge on government. The need to reduce the burden posed by increasing appropriation to education under declining economies made the free market ideology an attractive policy option in tertiary education.

Political Factors

Radical policy changes in both Zambia and New Zealand took place following major change in government. In Zambia this change took place in 1991 following the defeat of UNIP by the MMD in the first multiparty elections in nearly 20 years. Although even under UNIP market-oriented policies had already taken off, adherence to these policies was half-hearted. Ascendance of the MMD to power also marked the beginning of strict adherence to the free market policies. Similarly, in New Zealand, the coming to power of the Labour Party in 1984, after nearly nine years of National rule under Muldoon, triggered major reforms.

In Zambia change in government had another dimension. The coming to power of the MMD marked a major turning point in the country's political history: it marked the return to multiparty politics. But success or failure of the newly founded democracy was going to be judged on how well the policies embarked on by the new government benefited the majority of the people. Although one of the features of free market policies is the requirement for beneficiaries of social services to pay for these services, within the education sector this requirement is more strictly enforced at the tertiary than primary and secondary levels. The most probable explanation is that it is more politically rewarding to show special concern for primary and secondary sectors because these sectors cater for the widest possible electorate. Although beneficiaries of tertiary education are also among the most outspoken, in terms of numbers, they only constitute a small percentage of the electorate and, therefore, do not pose a major threat to the stability of the political system. In New Zealand where the tertiary sector constitutes a formidable proportion of the electorate, the sector continues to attract political

attention, especially during an election period. The need to maintain political support may therefore be acting as some form of control against a too indiscriminate application of free market policies.

Social Factors

One of the consequences of economic decline has been the rise in unemployment. In New Zealand the rise in unemployment meant that it was no longer attractive to leave school prematurely, leading to improved retention rates at the compulsory sector and increased participation in post-compulsory education. Favourable admission policies in tertiary education institutions have meant that an increasing proportion of the adult population is returning to education in order to improve on their skills or to chart new career paths in the hope of improving prospects for employment. Increase in participation in tertiary education inevitably means increase in public appropriation to the sector. But the common trend has been static or even reduced public funding. The introduction of market mechanisms in education has, therefore, acted as a safety valve taking off the pressure from government by shifting part of the burden of funding tertiary education directly to beneficiaries.

Increase in unemployment has had the opposite effect on tertiary education in Zambia. Unwavering adherence to free market principles has led to massive job losses. But introduction of various user fees at a time when most people are out of employment and therefore can barely make ends meet means that very few people can manage to pay for education. Reduced prospects for formal employment even for those with tertiary education qualifications means that fewer parents see it worthwhile to invest in the education of their children. Participation and equality of opportunity in tertiary education are therefore serious issues in Zambia and may require that government proceed with caution in its implementation of market-oriented policies.

External Factors

External influence can not totally be ruled out in policy formulation. In developed countries this takes place through exchange of information that takes place during professional gatherings, study tours and membership of regional organizations such as OECD. The exchange of ideas that takes place during these forums is mutual and the final form of the policies that a country chooses to pursue depends on the local context. New Zealand membership of such international organizations as the OECD and the free flow of information that goes on between New Zealand and other developed countries, may have played some significant role in shaping the type of policies that have been pursued in tertiary education. In turn New Zealand may have influenced the policies of other countries through similar exchanges.

External influence in developing countries goes beyond mere learning from each other. In fact the heavy debt burden has been the most significant factor in adopting free market policies in these countries. In Zambia the imposition and subsequent popularization of market-oriented policies is not entirely the brainchild of the Zambian Government, but came about as a pre-condition to qualify for support from multilateral and bilateral donor agencies such as the World Bank. High indebtedness and the need for external support have pushed the Zambian governments to adopt policies that are proving to be injurious to the local communities. The introduction of free market policies in schools is proving to be a hindrance to equity of opportunity and participation at all levels of education.

The Educational Environment

In analyzing tertiary education policy the specific (educational) environment has been significant in defining the limits and in determining the pace at which market mechanisms are applied in education. It is my opinion that no matter how ambitious a given programme might

be, ignoring prevailing conditions within the education sector can only lead to failure. In considering the educational environment five variables were taken into account. These are level of development of the tertiary education sector; access and participation rates; level of funding to education relative to other public sectors; and distribution of funding within the education sector.

Development of Tertiary Education

The level of development of tertiary education is an important consideration under a competitive market environment. Since education providers constitute the supply side of the market, to speak of competition on the supply side of the market there is an underlying assumption that the education system has evolved to a certain level that would allow for fair competition to take place. If the education system is underdeveloped there can be no competition to talk about. New Zealand offers a good example of a well-developed education system. It has seven universities some of them with a history that dates back to the late 19th century, and numerous non-university public institutions which include polytechnics and colleges of education, and several private institutions with a total enrollment among them of over 250 000 students. For a country of less than 4 million people New Zealand is in a better position to organize its education system along competitive-market lines. In contrast, the extremely low capacity of Zambia's tertiary education sector raises serious questions about the suitability of the market model in organizing tertiary education institutions.

Access and Participation

Access and participation in education gives a crude picture of the conditions on both the supply and demand side of the market. Improved access and high participation rates would suggest market conditions that are favourable to the consumer. Low access and participation

rates may indicate that the supply side is not adequately meeting demand or that the demand-side no longer values or does not have the means of accessing what is being offered. Access and participation in tertiary education in New Zealand are very high, reflecting the robustness of the tertiary education sector. The presence of diverse tertiary education providers has helped to ensure that demand at this level of education is adequately met. The presence of various student support packages has further helped to ensure that financial factors do not become a hindrance to education. The reverse is true about Zambia. Both access and participation rates are very low, reflecting the existing imbalance between supply and demand. Current admission levels of tertiary institutions of less than one fifth of those completing secondary education suggest an extreme case of demand outstripping supply to unmanageable levels.

Level of Funding to Education

In both Zambia and New Zealand education attracts relatively high levels of public funding in comparison to other sectors of the economy. This shows the importance attached to education by government in the two countries. In the 1990s there was an overall net increase in appropriation to the education sector. However, these increases were far from being adequate to meet the rising cost and increased demand for education. This was also the time when beneficiaries of tertiary education were expected to contribute towards the cost of education. In Zambia students in tertiary institutions started paying 10 percent of tuition fees. In New Zealand student contribution towards tuition was initially pegged at 10 percent but later progressively increased to 25 percent for all students by 1999. The introduction of fees, in my opinion, gave the final meaning to educational markets by turning students into consumers who were out to purchase some 'education'.

Distribution of funding within the Educational Sector

Although the level of public funding that is channeled to education is relatively high in both Zambia and New Zealand, the distribution of funds within the sector has not been even. In New Zealand schools (compulsory education) get the largest share of the education allocation, followed by tertiary education, while early childhood gets the least. In Zambia primary schools (basic education) attract the highest level of funding, followed by tertiary institutions, while secondary schools experience the lowest funding levels. In both Zambia and New Zealand funding levels to tertiary education have either remained static or slightly declined during the 1990s. In New Zealand tertiary education providers are subjected to competition against each other for public funding. The net transfer of funds from public tertiary institutions to the private through the UTTA funding formula in New Zealand may mean that individual public institutions, especially universities, may be getting much lower funding levels than they previously did. This means that public tertiary institutions are under increasing pressure to operate effectively and efficiently under shrinking budgets. This may not be the best way to create a robust tertiary education sector capable of realizing the overall dream of building a 'knowledge economy' capable of competing in the world economy.

Education Policy-Orientation

Before the 1980s provision of education in Zambia and New Zealand was predominantly a public monopoly. In both countries education was relatively free at all levels and funding of public education institutions was entirely met from public funds. At the tertiary level students enjoyed additional public support in the form of student allowances. The introduction of market mechanisms in education in the 1990s marked the end of free tertiary education, as it had previously been known. Today both Zambia and New Zealand embrace free market principles in their education policies to varying levels.

Free market policies in tertiary education have been expressed in various ways. In this study six variables were identified and used to compare the level of marketization between Zambia and New Zealand. These are opportunities for choice in tertiary education; diversity of supply; level of competition among tertiary education providers; institutional autonomy; freedom of entry and exit by education providers; and funding policies. Although each of these variables existed to a limited extent in the two countries, funding policies is by far the area where the two countries share the most in common. In both countries students are now expected to contribute towards the cost of education and student loans are seen as the best way to extend support to students who may be in need of financial support to pursue their studies.

Funding, as a policy area, has been significant in another sense. It has been the most important factor in determining just how far market mechanisms can be pushed in education. In New Zealand, which has a more vibrant economy, almost all the six variables have been expressed in tertiary education policy in one way or the other. Funding has also been instrumental in effecting competition. In New Zealand competition among tertiary education providers has been successfully stimulated by the introduction of demand-driven funding policies, leading to educational providers perceiving each other as competitors in the education market. In Zambia, where the national economy can not adequately support social services, the level to which market mechanisms have been implemented in education is far more limited.

From a comparative point of view New Zealand approximates the ideal competitive market conditions in its education policies much closer than Zambia. The existence of the right environment in New Zealand has made it possible to implement market mechanisms in tertiary education without very serious consequences for access and participation rates. The restructuring of the Ministry of Education and the creation of institutional structures, such as NZQA, also helped to ensure smooth implementation of the new policies. In Zambia the state

of disrepair to the physical educational infrastructure, low capacity of education institutions, relatively low funding going to education, and the absence of any supporting structures, requires that before government can meaningfully engage in any re-organization of the education sector, these areas must first be addressed.

If the two countries are assumed to be lying on a continuum created by two cones, with each cone representing public monopoly and free markets respectively, and the intersection between the two representing a mixture of elements from both poles, both Zambia and New Zealand lie in the intersection. However, when the policy-orientations of the two countries are compared relative to each other New Zealand approaches the ideal competitive market condition more closely than Zambia (Figure 6.I). In practice this simply means that New Zealand embraces more elements of the free market in its tertiary education policy than Zambia does.

Conclusion

The concept of 'free-markets' in education policy is a relatively new phenomenon in both New Zealand and Zambia. However, free-market principles have been a common feature of operating businesses under capitalist economies. It is not surprising, therefore, that free-market principles had some special appeal to New Zealand and Zambia at the time when economic decline had reached the peak in the mid-1980s and early-1990s respectively. In both countries there was a general feeling that the decline was partly due to the government's monopolistic tendencies in the management of the economy. The general feeling of discontentment with the way the economy was run became one of the major factors that led to firstly, change of government and, secondly, it gave the impetus to the new government to pursue free market policies at a pace that would have been inconceivable before. Under free

market policies the role of government was reduced from that of the chief player in the economy to that of a facilitator.

Popularity of the market did not, however, end at revitalizing of the economy. Rather, economic theories of free markets have been extended to social sector reforms. While it is true that conditions in the general environment were instrumental in the genesis and subsequent popularization of the market as a policy-orientation in education, it is specific educational factors that have been the main determinants of both the pace and the extent to which market mechanisms could meaningfully be applied in education. Consequently New Zealand, which already had a well-developed education system, has embraced elements of competitive free markets in its education policy more extensively than Zambia.

In the application of free market principles in education policy, specific facets of free markets have not been applied to the same level. Instead those elements of the market which seem to give support to government's reduced role in appropriation to tertiary education and which, therefore, help to reduce the pressure on an already over-stretched public budget, seem to have been emphasized. The funding policies of tertiary education can be seen in this context. Under prevailing economic conditions selective application of tenets of the market has proved to be an important tool at the disposal of government in its efforts to find ways of lessening the burden posed by increased demand for and increasing cost of tertiary education under declining national economies.

What then is the vision for tertiary education under free market policies as reflected in current tertiary education policy of Zambia and New Zealand?

It is a vision in which the primary function of tertiary education becomes that of fulfilling the economic and democratic aspirations of government. Put differently, it is a vision in which education is subservient to the economy. In the realization of the economic and democratic dreams tertiary education becomes only a tool to be used at minimum or no extra

cost to government. Consequently the education institutions must transform themselves into income generating machines capable of supporting themselves from their own resources. At the same time the 'product' of the educational machinery—the student—assumes a significant role in the resource generating capability of education institutions by: first, being the main determining factor in just how much public funding institutions attract and, secondly, by directly contributing towards educational coffers through the payment of various educational fees. As Gordon and Pearce (1993) have argued, this vision is not about education *per se*. It is about the economy. More specifically, it is about using tertiary education as a tool for acquiring all the economic and democratic benefits at minimum or no cost to government. In this vision of tertiary education there are likely to be casualties. Unless some aspects of market mechanisms are revisited, public tertiary education institutions, especially universities, and students, particularly those from low social economic groups, will become the casualties.

Suggestions

If the wind of change that has swept through the countries of the world in relation to free market policies is anything to go by it is obvious that free market principles in education are here to stay. It is also true that not everything about free-markets is bad. Therefore, to make the best use of free-markets only those elements that best serve the interest of everyone involved in tertiary education should be selectively applied, while those that put individuals and institutions at a disadvantage should be discarded. To ensure that market principles work for the benefit of everyone the following should be considered:

- Observe caution in the application of free-market principles to avoid exacerbation of social stratification. Introduction of tuition fees without accompanying measures to assist needy students, as is currently the practice in Zambia, calls for some immediate attention.

- Carry out research to determine possible consequences of such aspects of education policies as student loans and student indebtedness.
- Investigate ways in which such rising problems as student indebtedness can be addressed in order to avoid the debt-trap that threatens many students today. Although the problem of student debt is a recent phenomenon, the debt crisis faced by most developing countries can offer some valuable lessons on the ramifications of indebtedness on the lives of individuals if allowed to grow to unmanageable levels.
- Explore ways in which parents can be encouraged to invest in the future education of their children long before these children reach tertiary education since tuition fees and other educational expenses have become permanent features of tertiary education. This can help to eliminate the risk of students falling into the debt-trap during their tertiary education days. Some form of insurance schemes where parents can contribute a small sum every week or every month can be a good starting point.
- Investigate the relationship that exist between tertiary institutions (that is, between universities and non-university and between public and private tertiary institutions) as a result of inter-institutional competition, and explore ways in which tertiary education providers can be made to work together for the good of the students and the country.
- Consider funding institutions according to their level of standing and contribution to society instead of the current indiscriminate funding policies done under the guise of promoting innovation and creativity. That is, universities should attract extra funding to make them more competitive not just locally but internationally. This can be the only sure way of encouraging innovation and creativity in these institutions. In the absence of proper funding the possibility of creating a 'knowledge economy' will forever remain only a distant dream for countries that are not willing to invest heavily in education.

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APPENDIX A

Country Profile

New Zealand

Zambia

Geography

Location:	South Pacific Ocean	Southern Africa
Geographical coordinates:	41 00 S, 174 00 E	15 00 S, 30 00 E
Map reference:	Oceania	Africa
Area:		
Total:	268 680 sq km	752 614 sq km
Land	268 670 sq km	740 724 sq km
Water:	10 sq km	11 890 sq km
Land boundaries:	0 km	5 664 km
Coastline:	15 134 sq km	0 km (landlocked)

People (1999*)

Population (million):	3.8	9.9
Urban population (% of total population)	86	44
Population growth rate (annual %):	0.8	2.2
Birth rate (births/1000 population):	14.2	41.9

Fertility rate (total births per woman)	2.0	5.6
Poverty (% of pop. below national poverty line)	...	73
Life expectancy at birth (in years)	77	43
Death rate (deaths/1000 population)	7	22
Infant mortality rate (deaths/1000 live births)	5	114
Access to improved water source (% of pop.)	87	43
Total labour force (000)	1 865 (1998)	4 635
Unemployment (% of labour force)	7.0	25 (1998)

Economy

GDP (US\$ billion)	53.6	3.1
GDP (average annual growth %)	2.7	2.4
GDP per capita (US\$)	13 487	305
GDP (% composition by sector, 1998):		
Agriculture	8	21.2
Industry	23	29.1
Service	69	49.7
GNP, Atlas method (current US\$ billion)	52.7	3.2
GNP per capita, Atlas method (current US\$)	13 780	330
GNP per capita (average annual growth %)	1.9	2.2
Inflation, GDP deflator (annual %)	1.3	27.4
Implicit GDP deflator (% change)	-0.1	21.7

Trade and Finance

Total Exports (% of GDP)	30.7	22.9
Total imports (% of GDP)	30.0	26.1
Balance payments (US\$ million):		
Export of goods and services	16 915	842
Import of goods and services	17 599	1 169
Resource balance	-684	-327
Net income	-3 894	-156
Net current transfers	244	-16
Current account balance	-4 334	-499
External debt (US\$ million):		
Total external debt outstanding and disbursed	...	6 518
Total debt service		331
External debt (% of GDP)	7.2	167 (1998)
US\$ exchange rate	1.9307	2 484

Education

Illiteracy rate (% of population age 15+)	...	22
Gross primary enrollment (% of school age)	101	89
Number of primary schools	2 202	4 000 (1995)
Number of public secondary schools	320	591 (1995)
Number of public universities	7	2

Total enrollment in primary schools	489 537	1 808 560 (1995)
Total enrollment in secondary schools	277 560	253 000 (1995)
Net entry rate to university-level education	39%	>1%
Funding of Education:		
Public expenditure on education (% of GDP)	5.8	2.4
Education expenditure (% of public exp.)	16.7	14.4
Tertiary education exp. (% of public Exp.)	4.2	2.5

* Unless where indicated all figures are for 1999.

Sources: The World Factbook 2000: Country Listing; World Bank Group: Country Data Profile; World Bank: World Development Indicators database, July 2000; ZIC: Zambia Basic Economic Indicators; Statistics New Zealand: Quick Facts: Economy; New Zealand Debt Management Office Web-page.

APPENDIX B

The Theoretical Underpinning of the New Zealand

Reforms

New Zealand's reform programme was influenced by theoretical concepts that included public choice theory, principle-agent theory, transaction-cost theory, and new public managerialism.

Public Choice Theory

Closely associated with the work of Buchanan and Tullock (1962), Tullock (1965), Olsen (195, and Niskanen (1971), this theory seeks to explain how voters, politicians, bureaucrats, and lobbyists will behave in different institutional settings with different incentive rules. It is based on the idea that human behaviour is dominated by self-interest. Thus, government officials will attempt to enlarge their department budgets without regard to the overall government budget. Similarly, public and private groups will undertake rent-seeking activities to the disadvantage of the broader society, and politicians may pursue their own objectives at the expense of many of their constituents. As a result powerful interest groups may capture a disproportionate share of national income, and politicians may misuse their power. Democracy is thus undermined.

Principal-Agent Theory

At the core of this theory is the idea that interchange between parties can be characterized as a series of contracts where one party, the principal, enters into agreements with another party, the agent, who agrees to perform tasks on behalf of the principal in return for compensation. Moe (quoted in Bale and Dale, 1998, p. 118) notes that politics can be seen

as a series of principal-agent relationships from citizen to politician to senior bureaucrat to subordinate bureaucrat to service providers.

Agent theory assumes rational, utility-maximizing behaviour by individuals. Hence conflicts will arise between principals and agents as their self-interests differ. Add to this asymmetric or incomplete information, the difficulty of observing and monitoring agents' behaviour, and the imperfect mapping of agents' outputs and the outcomes desired by the principal, and an even larger ground for conflict will exist. Principal-agent theory is concerned with the best way to construct and monitor contracts so that these kinds of conflicts are minimized. The theory is useful in analyzing the selection of agents, designing incentives and pay systems, and choosing between in-house or outside contractors.

Transaction-Cost Theory

This approach compares the cost of planning, adapting, and monitoring under alternative governance structures. Decision-makers wish to minimize their aggregate costs of production and transaction. But like agency theory, this approach assumes that principals and agents will act in their own self-interest and thus may be unreliable parties to a contract.

The literature on transaction costs indicate that some transactions are better suited to market-like arrangements, while others are better suited to hierarchical or rule-driven organizations. For example, contracting out is likely to be desirable where the supply of a good is contestable, quality and quantity can be easily measured and specified, and suppliers are numerous. In-house provision is likely to be more efficient when the opposite conditions exist. When transactions occur frequently, are associated with uncertainty, and involve specific assets or skills, hierarchical organization tends to be more efficient.

Where the supply is competitive and transaction costs are 'average,' the preferred organization is less clear. But generally, in-house provision is likely to be more efficient

where there is a high risk of self-interest, conflicts of interest, substantial uncertainty, and recurrent, complex transactions. According to Williamson (quoted in Bale and Dale, 1998, p. 119), these factors explain the concentration of production in some sectors in a few large firms. Thus direct provision may be preferable when maintaining quality is critical and opportunism poses a serious threat.

The New Public Management

This approach centers on the presumption that a distinct activity called 'management' can be applied to public and private businesses alike, and that it includes the following elements: a move away from input controls, rules, and procedures towards output measurement and performance targets—the 'accountability' framework; the devolution of management control with improved reporting and monitoring mechanisms; a preference for private ownership, contestable provision, and contracting-out of publicly funded services; the adoption of private-sector management practices in the public sector, such as short-term labour contracts, performance-linked remuneration schemes, the development of a mission statement, greater concern with corporate image, and the development of a corporate strategy and action plan; an emphasis on efficiency, often referred to as 'value for money' (Hood and Jackson, 1991, in Bale and Dale, 1998).

Source: Bale and Dale (1998, pp. 117-119).

APPENDIX C.

Education Policy in Zambia

Mission Statement:

The mission of the Ministry of Education is to guide the provision of education for all Zambians so that they are able to pursue knowledge and skills, manifest excellence in performance and moral uprightness, defend democratic ideals, and accept and value other persons on the basis of their personal worth and dignity, irrespective of gender, religious, ethnic origin, or any other discriminatory characteristics.

Goals of the Education System in Zambia

In the light of what has been said, the Ministry of Education has set for itself the goals of:

- a) producing a learner capable of
 - being animated by a personally held set of civic, moral and spiritual values;
 - developing an analytical, innovative, creative and constructive mind;
 - appreciating the relationship between scientific thought, action and technology on one hand, and sustenance of the quality of life on the other;
 - demonstrating free expression of one's own ideas and exercising tolerance for other people's views;
 - cherishing and safeguarding individual liberties and human rights;
 - appreciate Zambia's ethnic cultures, customs and traditions, and upholding national pride, sovereignty, peace, freedom and independence;

- participating in the preservation of the ecosystems in one's immediate and distant environments;
 - maintaining and observing discipline and hard work as the cornerstones of personal and national development
- b) increasing access to education and life skills training
 - c) building capacity for the provision of quality education
 - d) creating conditions for effective coordination of policies, plans and programmes
 - e) rationalizing resources mobilization and utilization.

These goals will inform the education policies and practices of all partners in educational provision and they will also be the basis for teaching and learning in schools and colleges.

Zambia's Higher Education Policy

1. The Ministry of Education will promote the coordination and harmonization of higher education and policy.
2. The Ministry's policy framework for publicly funded universities is that
 - their teaching and research programmes be responsive to the real needs of society;
 - their teaching, research and service be of such high standard that, on merit, they win the respect of the university world;
 - they establish suitable quality assurance and public accountability systems.

3. The financing of higher education will be on a shared basis between the Government, the institutions themselves, and the students.
4. Higher education institutions will develop strategies for widening their resource base and diversifying their sources of revenue.
5. Government support for students in higher education institutions will be in the form of loans that will be recovered during the students' subsequent working life
6. Higher education institutions will be given equal opportunity of access to government consultancies for which they will compete on an equal footing with other applicants.

Strategies

1. The Ministry of Education will facilitate the establishment of a Higher Education Authority which will be responsible for coordinating and harmonizing policy and practice in the higher education sector.
2. In the immediate future, the arrangements for the financing of higher education will be as follows:
 - the Government, through the Ministry of Education, will be responsible for staff costs, staff and capital development, programme development, and research, all within the agreed limits and to the extent justified by national needs;
 - students, at the universities and teacher colleges, will meet a proportion of their tuition and maintenance costs;

- institutions will meet general running costs and overheads through tuition fees and income-generating activities.
3. In the longer-term, the Higher Education Authority, working in collaboration with the Government and higher education institutions, will develop arrangements for the form that public support for higher education will take.
 4. In order to promote the development of a culture of revenue-generation in higher education, part of the government subvention for an institution will be in the form of grants that, within agreed parameters, match revenue generated by the institution.
 5. Publicly funded universities will submit to the Ministry of on a regular basis their policies, strategic plans, progress reports of quality audit systems, and financial reports.
 6. The Ministry will encourage professional collaboration between government ministries and the universities, and between the universities and other higher institutions within Zambia and abroad.
 7. In mobilizing resources within and outside the country, the Ministry will pay special attention to the needs of the universities.
 8. The Ministry will vigorously support the universities' budgetary submissions that are based on their policies and strategic plans and that accord with agreed arrangements for financing.

9. Government support for students in higher education will be directed principally to agreed areas of national need. In addition, the Government will provide a limited number of scholarships to reward superior academic performance and will provide special support to facilitate the participation in higher education of women, the poor, and those with disabilities or impairments.

10. The Ministry will support the initiatives of private organizations and individuals in establishment of private universities.

Source: Zambia Ministry of Education (1996, pp. 3-6 and 105-6).

APPENDIX D.

Chronology of Political and Economic Events in Zambia and New Zealand, 1964-99

	Zambia	New Zealand
1964	<ul style="list-style-type: none">• First Republic of Zambia inaugurated.• UNIP forms government of independent Zambia, led by Kenneth Kaunda.	<ul style="list-style-type: none">• Marsden Point oil refinery opens at Whangarei.• Auckland's population reaches half a million
1965	<ul style="list-style-type: none">• Unilateral declaration of independence in Rhodesia leads to border closure and disruption of road and rail link to the south.	<ul style="list-style-type: none">• NAFTA agreement negotiated with Australia.• Cook Islands become self-governing.
1966	<ul style="list-style-type: none">• United Party (UP) formed.	<ul style="list-style-type: none">• International airport officially opens at Auckland.• New Zealand labour force reaches one million.
1967		<ul style="list-style-type: none">• Decimal currency introduced.• Lord Arthur Porritt becomes first New Zealand-born Governor-General.

- 1968
 - Presidential and parliamentary elections.

- 1969
 - Economic reforms. Government purchases 51% controlling share of mining corporations.
 - Vote extended to 20-year-olds.
 - National Government wins fourth election in a row.

- 1970
 - Natural gas from Kapuni supplied to Auckland.

- 1971
 - United Progressive Party (UPP) formed.
 - New Zealand secures continued access of butter and cheese to the United Kingdom.

- 1972
 - UPP banned and 122 party members detained.
 - One Party Participatory Democracy constitution enacted.
 - Labour Government led by Kirk elected.
 - Equal Pay Act passed.

- 1973
 - Second Republic (one-party state) inaugurated.
 - First presidential and parliamentary election in the Second Republic.
 - One-year stand-by-agreement with IMF.
 - Great Britain becomes a member of the EEC.
 - New Zealand's population reaches three million.
 - Oil price hikes means worst terms of trade in 30 years.

- 1974
 - Beginning of copper price fall.
 - Prime Minister Norman Kirk dies.
 - Commonwealth Games held in Christchurch.

- 1975
 - Robert Muldoon becomes Prime Minister

- after National election victory.
 - Maori-land march protests against land loss.
 - Waitangi Tribunal is established.
- 1976

 - One-year stand-by-agreement with IMF.
 - EEC import quotas for New Zealand butter set until 1980.
 - Introduction of metric system of weights and measures.
- 1977

 - Kaunda addresses emergency meeting of the National Assembly on the state of the economy.
 - National Superannuation scheme begins.
 - New Zealand signs the Gleneagles Agreement
 - The 200-exclusive economic zone is established.
- 1978

 - Austerity budget introduced.
 - Presidential and parliamentary elections.
 - Two-year stand-by-agreement with IMF.
 - Registered unemployment reaches 25 000.
 - National Government re-elected.
- 1979

 - Carless days introduced to reduce petrol consumption.
- 1980

 - Coup attempt involving business and labour.
 - Saturday trading partially legalised.
- 1981

 - Detention of labour leaders followed by strikes.
 - South Africa rugby team's tour brings widespread disruptions.
 - Three-year Extended Fund Facility (EFF) with IMF.

- 1982
- IMF plan abandoned
 - Yearlong wage, price and rent freeze imposed – lasts until 1984.
- 1983
- Presidential and Parliamentary elections.
 - Return to IMF after failure to find alternative source of funds.
 - One-year stand-by-agreement.
 - Visit by nuclear-powered United States Navy frigate *Texas* sparks protests.
 - Official Information Act replaces Official Secrecy Act.
- 1984
- UNIP's Third National Convention: The restructuring of the economy and the announcement of an 'Economic Crusade'.
 - Paris Club agreement on debt rescheduling.
 - Twenty-one-month stand-by-agreement.
 - Labour Party wins snap General Election.
 - Finance Minister Roger Douglas begins deregulating the economy.
 - New Zealand ratifies the United Nations Convention on the Elimination of all Forms of Discrimination Against Women.
 - Government devalues New Zealand dollar by 20 percent.
- 1985
- Government announces foreign exchange auction and import liberalization.
 - IMF agreement suspended for non-compliance.
 - Anti-nuclear policy leads to refusal of a visit by the American warship, the *USS Buchanan*.
 - Greenpeace vessel *Rainbow Warrior* bombed and sunk by French agents in Auckland harbour.
 - Waitangi Tribunal given power to hear grievances arising since 1840.
- 1986
- Paris Club agreement on debt rescheduling.
 - Copperbelt food riots.
 - Royal Commission reports in favour of MMP electoral system.
 - Jim Bolger becomes National Party

- Labour unrest.
 - IMF and the World Bank programmes suspended and introduction of New Economic Recovery Programme (NERP).
 - Share prices plummet by 59 percent in four months.
 - Labour wins General elections.
 - Maori Language Act passed making Maori an official language.
 - Anti-nuclear legislation enacted.
- 1987
- Presidential and parliamentary elections.
 - Informal talks with IMF and World Bank.
 - Number of unemployed exceeds 100 000.
 - Royal Commission on Social Policy issues April Report.
 - Gibbs Report on hospital services and Picot Report on education published.
 - State Sector Act passed.
 - New Zealand Post closes 432 post offices.
- 1988
- Agreement between the Government and IMF/World Bank on Policy Framework Paper involving devaluation of the Kwacha and the removal of price controls.
 - Prime Minister David Lange suggests formal withdrawal from ANZUS.
 - Lange resigns and Geoffrey Palmer becomes Prime Minister.
 - First annual balance of payments surplus since 1973.
 - Reserve Bank Act sets Bank's role as one of maintaining price stability.
 - First school board elections under
- 1989

1990

- Zambia reaches preliminary agreement with the IMF and World Bank.
- Food riots in Lusaka and Kitwe following price increases on staple food, maize. 27 people killed.
- Coup attempt.
- Movement for Multiparty Democracy, an opposition alliance, formed.
- Article 4 of the 1973 constitution, which banned formation of opposition parties, suspended.
- Tomorrow's Schools reforms.
- Sunday trading begins.
- New Zealand celebrates its sesquicentennial.
- Dame Catherine Tizard becomes first woman Governor-General.
- Geoffrey Palmer resigns as Prime Minister and is replaced by Mike Moore.
- National Party has landslide victory. Jim Bolger becomes Prime Minister.
- One and two cents coins no longer legal tender.
- Commonwealth Games are held in Auckland.
- Telecom sold for \$4.25 billion.
- Welfare payments cut.

1991

- The IMF and World Bank suspend agreement in response to Zambia's failure to make payment.
- Multiparty presidential and parliamentary elections held.
- MMD comes into power with a clear majority.
- Inauguration of the Third Republic under the Presidency of Frederick Chiluba.
- Priority programme to rehabilitate infrastructure commences.
- Welfare payments further reduced.
- Employment and Contracts Act passed
- Consumer Price Index has lowest quarterly increase in 25 years.
- Number of unemployed exceeds 200 000 for the first time.

1992

- Subsidies on the staple food (maize meal) removed.
- Subsidies, loans and loan guarantees eliminated for all parastatals, except Zambia Airways and ZCCM.
- Import preferences revoked.
- Zambia's arrears to the World Bank cleared.
- An agreement is reached between the Zambian government, the IMF and the World Bank on a Policy Framework Paper 1992-1994, focusing on subsidy removals, privatization of parastatal enterprises and liberalization of markets.
- Controls on all prices eased, most eliminated.
- Privatization Bill passed in Parliament. Zambia Privatization Agency (ZPA) established.
- The IMF approves of a restructured Rights Accumulation Programme (RAP) enabling the clearance of Zambia's arrears to the IMF.
- Kaunda announces retirement from active politics.
- Rescheduling and debt cancellation reduces Zambia's external debt by US\$ 1.5 billion.
- First 19 State-owned companies offered
- Public health system reforms.
- State housing commercialised.
- New Zealand gets seat on United Nations Security Council.

for sale.

1993

- Cash budget introduced.
- Import and export licenses eliminated.
- Formal establishment of the Lusaka Stock Exchange (LUSE).
- Pastoral letter issued by the Catholic Churches criticising the social consequences of the government's economic policies
- Commencement of Public Sector Reform Programme (PSRF).
- National Party wins elections without majority – Opposition MP Peter Tapsell becomes Speaker of the House, thus giving the Government a majority.
- Referendum favours MMP electoral system.

1994

- Exchange controls removed.
- Mineral Tax revoked and replaced by Mineral Royalty Tax Act
- Kenneth Kaunda announces his return to active politics, citing opposition to the MMD economic policies as the main reason for ending his retirement.
- Zambia Airways and United Bus Company of Zambia (UBZ) put under receivership.
- The Zambia Congress of Trade Unions (ZCTU) accuses MMD of having failed the workers more than UNIP ever did.
- Government proposes \$1 billion cap in plan for final settlement of Treaty of Waitangi claims.
- Share-market reaches highest level since 1987 crash

1995

- Mwanakatwe Constitutional Review Commission releases its report.
- Value-added tax (VAT) introduced, sales
- Commonwealth Heads of Government Meeting in Auckland; Nelson Mandela visits.

tax repealed.

- Cash budget moved from daily observance to monthly observance.
- Government issues a White Paper on the procedure for adopting the new draft constitution.
- The IMF recognises Zambia's successful completion of the Rights Accumulation Programme (RAP) and approves of a three-year Enhanced Structural Adjustment Facility (ESAF).

1996

- Bilateral donors partial withdrawal of aid citing governance situation as main reason.
- The Government White Paper on the new Constitution is ratified by the National Assembly and signed into Law by the President
- Plan and timetable for privatization of Zambia Consolidated Copper Mines (ZCCM) approved.
- 8 opposition party leaders arrested and charged with treason after a spate of bombings in Lusaka and the Copperbelt.
- MMD wins second-term Parliamentary and Presidential elections.
- Imported pests – Mediterranean fruit flies and white-spotted tussock moths – cause disruption to export trade and to Aucklanders.
- First MMP election brings National/New Zealand First coalition government.

1997

- Zambia passes IMF's mid-term review of ESAF. The 1996 Paris Club agreement on
- Jim Bolger resigns as Prime Minister after a National Party coup while he is

debt rescheduling on Naples terms formalised.

- Donors promise US\$ 150 million in Balance-of-payment support and US\$ 285 million for general financing conditional on governance reform.
- State of emergency declared following an attempted military coup by junior officers.
- Government turns down Kafue Consortium bid for major ZCCM units.

1998

- New and lower bid for ZCCM by Kafue Consortium again rejected by the government.
- Consultative Group Meeting, Donors pledge US\$ 530 million for balance-of-payment support contingent upon the sale of ZCCM and governance issues.
- Most bilateral balance-of-payment support held back.
- Auckland city businesses are hit by a power cut which continues for over a month and results in an inquiry into Mercury Energy.
- Mortgage rates and the New Zealand dollar both take a slide, leaving the NZ\$1 below US50c mark for the first time in 12 years.
- The coalition Government is dissolved, leaving Prime Minister Jenny Shipley's National Party as a minority government.
- The Hiko of Hope marches to Parliament calling for more support for the poor.

1999

- Consultative Group Meeting. Most bilateral donors express willingness to disburse balance-of-payment support.
- Auckland hosts the APEC world leaders' conference provoking anti-free trade protests.
- Minority National Government defeated in elections.

- Labour leader Helen Clark becomes first elected woman Prime Minister, in a coalition with the Alliance Party and with the support of the Green Party.

Sources: New Zealand Official Yearbook (2000 pp.25- 27);

IMF: Press Release Index (1995-2001); Zambia Investment Centre (ZIC) web-page;

Zambia Privatization Agency (ZPA) web-page.