

Third Stream Income: The Case of the Ethiopian Graduate School of Theology

DESTA HELISO

ETHIOPIAN GRADUATE SCHOOL OF THEOLOGY (ADDIS ABABA, ETHIOPIA)

The Challenge

When the Ethiopian Graduate School of Theology (EGST) was established in 1997 as the first and only graduate theological institution in the Horn of Africa, the founders did not plan for it to have its own campus, faculty, and full-time staff. The plan was for all teaching activities to take place at the two undergraduate theological institutions, the Mekane Yesus Seminary (MYS) and the Evangelical Theological College (ETC). In a way, EGST was established as the graduate programme of ETC and MYS.

Although the founders — the Ethiopian Evangelical Church Mekane Yesus (EECMY), the Ethiopian Kale Heywet Church (EKHC), and the Evangelical Churches Fellowship of Ethiopia (ECFE) — decided to make annual owners' contributions from the outset, they did not anticipate huge salary burdens, utility costs, and the like. For one, EGST originally had only two staff members, one of whom was a missionary who did not cost EGST anything! For another, the entire EGST faculty came from ETC and MYS: 80% were missionaries and the remaining Ethiopian faculty received salaries from their respective undergraduate college. But it quickly became clear that this was not sustainable. Not only did the EGST Board and Administration add more Ethiopian staff, but they also decided that EGST should have its own campus. Despite its mere 17 years, EGST's student body of fifteen has grown to 230, twelve graduates have become 387, one programme has multiplied into five, one small rented facility has been superseded by a 9,207m² campus, and lone full-time Ethiopian staff member is not part of a 47-member cohort of faculty and support staff. As a result, EGST faces the challenge of sustaining itself through viable financial income streams, challenges that face many schools as outlined by Smith (2015).

Ethiopia is a low-income nation, EGST charges very low tuition fees, the owners' contributions are very small, and theology is not the chosen academic path for the vast majority. Thus, the establishment and development of EGST to date has required significant dependence on external partners, both academically and financially. Given the economic and educational landscape of Ethiopia, no other beginning would have been possible. Although EGST will always be grateful to all who have invested in and sustained the institution over the years to make EGST what it is today, the school's leadership has always recognised that theirs is not a sound long-term model that would move EGST towards growth, stability, and sustainability.

By sustainability, I mean neither self-sustainability nor self-sufficiency, but rather long-term viability that is underpinned by continuity of ownership, enduring purpose and mission, and dependable financial resources that can cover at least the core EGST activities. It seems that in order to fund even part of EGST's core activities, students should be charged higher tuition fees (e.g., \$100 per credit hour rather than the current \$30). However, that would prevent most good students from joining EGST. Providing full scholarships through funds raised mainly from overseas could be proposed as an option, but this could endanger the future of the institution. If or when donor support reduces or stops due to changes in policy, the financial situation of donors, or global financial crises, EGST would have very few or no students, and would not be able to cover salaries and other costs. The most desirable approach would be to obtain regular subsidies from churches and individuals within Ethiopia, but the majority of church members are poor and church leaders generally lack interest in sending students for higher theological education. Also, giving towards theological education does not seem to be a priority for many wealthy individuals. These and other reasons would not enable us to secure regular subsidies from churches and individuals.

Without substantial support from churches and individuals within Ethiopia, long-term overseas donations that cover full scholarships, or reasonable tuition fees and sufficient owners' contributions, EGST's future would be in jeopardy. Furthermore, EGST owners are often connected to multiple theological colleges, and when it comes to making financial commitments, they give priority to institutions that are directly owned by them, rather than to the jointly-owned EGST. In order for EGST to achieve its future goal of growth, stability and sustainability, the Board and Administration needed to come up with a new vision: the Campus Development Project.

The Campus Development Project

The purpose of the Campus Development Project is to ensure that EGST would have quality facilities and a sustainable source of funding through renting

its buildings. The income would contribute towards the *growth, stability, and sustainability* of EGST. The simple logic is that the growth of EGST would correspond to schemes that ensure its stability and sustainability.

Growth

EGST's aim to become an academic institution of international standing includes strategic objectives to Ethiopianise faculty, increase student numbers, continually review and add programmes relevant to the changing needs of the church and society, increase library holdings to 40,000 titles by 2022, open centres for academic research and development, and facilitate and host community and church engagement programmes, which include projects, workshops, and lecture series. The Campus Development Project would ensure that EGST has quality facilities for the future to further these ends.

Stability

Developed in 2007, the Faculty Development Plan (FDP) is the core of EGST's strategy for academic stability. Historically, EGST has been up to 80% dependent on expatriate faculty. 2008 was a critical year for EGST when nine expatriate faculty, from both ETC and MYS as well as EGST, left Ethiopia in the same year. Picking up afresh the vision conceived at the founding of EGST, the leadership of EGST recognised the importance of having a predominantly Ethiopian faculty to support the academic development and stability of EGST. To this end, EGST created the Faculty Development Plan with the objective of recruiting a faculty that would be 70% Ethiopian. This goal will be fully realised in 2018 or 2019 when the last three of the ten candidates sent overseas since 2009 to undertake doctoral studies return. But academic stability cannot be achieved only through having well-qualified Ethiopian faculty who have committed to living in Ethiopia and working at EGST for at least 15 years. As will be discussed below, the faculty will also have to be fully supported. Academic and institutional stability, therefore, depends on stable and dependable financial resources, which the Campus Development Project aims to supply.

Sustainability

As indicated above, sustainability has to do with long-term viability undergirded by continuity of ownership, enduring mission, and dependable resources. Institutional growth and stability require all three ingredients. EGST's ownership arrangement is exemplary, but ensuring that the original arrangement continues to be workable and sustainable is somewhat of a challenge. The sustainability of the current mission of equipping Christ-like women and men through theological and related studies, and stimulating research for the service of church and society

in Ethiopia and beyond must also be assessed continually. In all this, the financial resources must be dependable. Sustainability is broader than self-sustainability or self-sufficiency since both concepts imply exclusion of partnership, interdependence, and support; yet, one has to accept that in a country like Ethiopia, institutional sustainability requires increasing financial *self-sustainability*.

Ethiopia is a poor country. As aforementioned, tuition fees need to be kept low in order to ensure a strong student body from across the country. Suppose, for example, that EGST is a fee-driven institution. Low tuition fees would mean low income. If EGST cannot afford to cover its costs, then, God forbid, it would have to terminate its services. Even if tuition fees were higher, sufficient income for maintaining the faculty and staff could never be generated from tuition fees alone.

Moreover, Addis Ababa, where EGST is located, is also home to the Headquarters of the African Union (AU), as well as more NGOs and UN organisations than in Washington DC. This means that personnel attraction and retention requires competitive salaries and benefits. Of course, EGST cannot offer comfortable salaries and benefits. Nor can it attract and retain its faculty by offering only tolerable salaries and benefits. EGST must be able to offer liveable salaries and benefits to its faculty. Since EGST cannot depend fully on local or external financial partner support, or higher tuition fees for salaries and administrative costs, the Campus Development Project must bring significant additional income and ensure that EGST has greater financial self-sustainability for the future.

Building Income

In 2013, EGST finished constructing a 9,207m² five-floor single-winged and seven-floor double-winged complex. The anticipated additional income will come from the anterior *business building* (2,384m²), which has been rented out in its entirety. That means that much of what is now happening in the rear *academic building* (6,823m²) depends on income from the business building. In addition, most of the facilities within the academic building — the auditorium, seminar rooms, meeting hall, dormitories, and faculty flats — can be rented out when not required by the school. The cafeteria, run by EGST or outsourced, can generate some income as well.

Fortunately, EGST is situated in a prime location and has therefore become hugely attractive to businesses and various organisations seeking a venue for important meetings and workshops. In addition, EGST has purchased a 450m² property located less than a mile away. The owner has very generously allowed EGST to make the payment over a period of four years. Half of the amount has already been paid using income from rentals. Currently, there is a villa with service quarters on

the property. One of the EGST faculty and his family is renting it at a discounted rate. If this property is developed, then its potential for income generation would be enormous, as it is located in a very expensive part of the city.

What is clear from all this is that if the existing facilities are well-managed, then EGST should have no problem keeping the business building fully rented out at market value and receiving reasonable income from renting facilities in the academic building. If the new property is developed, it would boost income even more. These combined income streams would enable EGST to carry the heavy salary burden it is now facing due to increased numbers of Ethiopian teaching staff, along with inevitable rising costs of running an enlarged campus.

Reversing the Trend

With the business building fully rented out since 2014, the rental income currently covers 30% of EGST's operational budget. Once the plan to also rent out facilities within the academic building is fully operational, an additional 10% is anticipated. Then EGST would be able to cover 40% of its operational costs through internally generated income. Another 40% of EGST's income would come from fees, owners' contributions, grants, and incidental incomes. 30% of this income is estimated to come from scholarships. This means that EGST would be 50% dependent on partner funding.

Five years ago, EGST was 80% dependent on partner funding for its operational budget. EGST now has a real chance to reverse this trend if it continues to work at reducing further its dependence on partner funding. In order to achieve this, the following actions, among others, would need to be taken: revising the existing level of owners' contributions, developing diverse strategies and methods for generating income from churches and individuals within Ethiopia, increasing student numbers, revising fee structures, increasing rent based on inflation and rising market value, maintaining good relations with existing donors and attracting new donors, developing viable project proposals, working with donors to secure endowment funds, strengthening the fundraising office, developing viable short- and long-term investment schemes and strengthening existing ones, and developing the property recently purchased.

“The Main Thing is that the Main Thing is the Main Thing!”

EGST has a clear purpose. It is an academic institution, not a property management company. Its academic work and development must be the main focus. The property management and income-generation activities are only a means to this end. Nevertheless, EGST must ensure that it reaps full value from its property rentals. To ensure that the academic priority is maintained and the commercial benefits maximised, EGST has recruited a Property Management Officer and is planning to recruit an Events and Cafeteria Manager.

This “third stream income” model is now the financial backbone supporting the *growth, stability, and sustainability* of EGST into the future. It has great potential. But equally, it could also be EGST’s Achilles’ heel. First, EGST’s academic growth, stability, and ability to carry out its purpose are now inextricably linked to the success of this third stream income. If it fails, then EGST too stands to fail. Thus, EGST will need to work harder at diversifying income streams. Second, the level of facilities management required to ensure the necessary success could distract EGST from its mission. The EGST Administration must make sure that all income-generating activities undertaken serve the mission and vision of EGST, rather than the other way around.

Therefore, along with EGST, any theological educational institution that may be thinking about following this third stream income model must mitigate these potential threats in order to maximise the opportunities.

Concluding Thoughts

It would not be an overstatement to say that running a theological institution in a Third World country is a very difficult, if not impossible, task particularly if the institution, like EGST, is indigenous, interdenominational, and exclusively graduate-level. Therefore, the theological educators and leaders of such institutions should be completely faithful to their callings, and passionate about the mission and vision of their institutions. In my own experience, although the challenges of financing EGST are multiple, the rewards of serving at such an institution are equally great. In order to reap the rewards, however, one must be painfully aware of the limitations of being a biblical scholar or theologian, as opposed to a business expert. Thus, a theological educator who assumes a position of leadership must have clear vision coupled with strong self-understanding.

References

Smith, Larry A. “Olive Oil, Theological Education, and Economics.” *InSights Journal for Global Theological Education* 1 no. 1 (October 2015): 31-33.



Dr. Desta Heliso

Dr. Desta Heliso studied at the London School of Theology and King’s College in London, UK. He has worked at the Ethiopian Graduate School of Theology since 2003, serving as lecturer, Dean of Studies, and, since 2008, Director. He finishes his term as Director this year, and will return to teaching and research at EGST.