Financing University Education in Kenya: Challenges and Opportunities, Ndenyele Wilson Omalenge, University of Mombasa, Kenya

Abstract

This article discusses university education in Kenya with emphasis on patterns of financing and how this has affected overall operations of the universities. Reforms that have been implemented to reduce government grants to the public universities in an attempt to make them self-sustaining are assessed. Public universities are discussed in the context of how they differ from private universities in financing higher education. Problems facing the public universities are outlined. Measures being put in place by the universities to cope with reduced funding are evaluated.

Keywords: higher education, financing higher education, reforms in HE

Introduction

"If you do not have well-established funding sources for the education business, it is possible that you would have to be shut down or downsized," a Thai-language business newspaper, October 2017

The above statement depicts global phenomenon of financing higher education in the world, and Kenya is no exception. In order to understand the higher education system in Kenya, it is imperative that we understand the definition as well as what constitute a higher education system and its dynamics. The term 'higher education' may be considered to be an all-encompassing one, and its definition varies depending on the systemic issues in different countries. In Kenya, the term is generally used with reference to universities; thus, first, public universities established through Acts of Parliament; second private universities established through charters by the Commission for Higher Education (now Commission for University Education); third post-secondary school institutions authorized by the Commission for Higher Education/Commission for University Education to offer degree programmes in collaboration with local universities (Commission for Higher Education, 2008; Government of Kenya, 2012).

Importance of this Article

This paper attempts to discuss the challenges and opportunities of financing higher education in Kenya. This article is significant to higher education sector in Kenya. It also would be of value and interest to various stakeholders in the provision of higher education.

Research Framework and Methods

Higher education is key pillar in the development of human resources. However, in Kenya and other countries it remains under-financed. Indeed, various articles and reports point to the fact that there are signs of further reduction of financing higher education in Kenya. The focus of this study is to look at the challenges and opportunities in financing higher education in Kenya in the recent past.

The data and the information for this study were gathered through review of existing literature on higher education in Kenya and elsewhere. Secondary data that were gathered for this study included journals, newspaper reports and online relevant materials on higher education.

Financing Higher Education in Kenya

The cost of higher education is increasing rapidly and continuously throughout the world (Johnstone, 2009). Financing Higher Education in Kenya is and will remain significant in the government of Kenya's budgetary allocation in the foreseeable future. The total development expenditure for the education sector increased from KShs 11.0 billion ($1.1million) in 2007/08 to KShs 193.3 billion ($1.93billion) in 2010/11(ROK, 2009). The recurrent expenditure for the universities increased from 9.7 million ($.97 million) in 2004/05 to 14.1 million ($1.4 million) in 2006/07 and dropped to 11.8 million ($1.1) in 2008/09. Despite the increase in budgetary figures, financing challenges remain and especially per student cost. The cost per student has been diminishing with the rising demand for higher education (GOK, 2005).

Indeed, in Kenya financing of education has been a shared (silent) partnership between the government and other development partners. Development partners have had on –and –off-budget with the highest funding coming from Global Education Fund (formally Fast Track Initiative (FTI)) (40.6 %), and Department for International Development (DFID) (23.7%). Parents have had their share of financing especially in the higher education. With the declining government financing, most parents have had to enroll their children in private universities. The demand for private universities has been very high in Kenya. Since 2005, the Kenyan government has tried to address the financing equity issues in the university education by introducing several measures; establishing new universities, expanding existing ones and upgrading certain middle – level colleges to universities; strengthening quality assurances mechanisms in all universities; and providing scholarships based on national economy needs, targeted bursaries and loans to the needy, taking into account gender parity (GOK, 2012).

The country's Cabinet Secretary for Education, Amina Mohamed said that the government can no longer afford to increase funding to state universities and institutions which should come up with long-term plans for bridge financing. This is a blow to a sector reeling from a financial crisis. University administrators have said the most practical response will be to increase fees. Hence, this study is an attempt to contribute to the debate on financing higher education in Kenya and other countries.

Approaches to Higher Education Financing

"Most universities will be severely crippled if the government stops remitting cash to them under the capitation mode. So, there is a need to ensure they are stable and stop relying on government funding," Former Cabinet Secretary of Education.

Higher education expenditure (financing) is defined as the total amount of money or funds allocated from public and private sector budgets for higher education (Duran, 1987). There are four different methods to finance higher education in developed and developing countries. In the first method, higher education is financed by using public resources. In the second method, it is financed by tuition fees. The third method to finance higher education is using private resources, and finally university-industry collaboration to finance higher education (Soyler & Karatas, 2011). In all African countries, financing of higher education is mainly from the public funds (Psacharopoulos, 1982; World Bank, 1988).

According to Barr, the nature of financing higher education policies is characterized in terms of two models, namely, Anglo-American and Scandinavian (Barr, 2004). In the 'Anglo-American' model, policy sees higher education as heterogeneous, and encourages diversity, varied forms of provisions, and quality comparisons between them. For the 'Scandinavian model', policy is based on the assumption that institutions are homogeneous, and therefore treats them equally and regards all programs as equals. Barr argues that the Scandinavian model would be one characterized by very high taxes, a strong Research &Development commitment, substantial public spending in higher education, and large enrolment figures, while the Anglo-American model should instead be attached to much lower taxes, strong Research &Development commitment, substantial private spending in higher education and large enrolment figures. The funding of higher education in Kenya has been done through capitation model. Capitation model can be described as a 'hybrid' that borrows some elements in between the two models. It is worth noting that as per the low funds and resources of the university may be derived from tuition, fees and other charges; income from the university's auxiliary enterprises and investments; endowments, gifts, trusts, and bequests; and such other sources as the university may identify from time to time (University Act, 210B pg. 167, 2012). However there is no much emphasis on research and development which seems to be the driving force of Scandinavian and Anglo-American models of higher education.

Rogers argues that throughout the world, higher education is offered to many students at highly subsidized rates such as endowments, private contributions, low or no interest loan, government grants, scholarships, fellowship, and bursaries. Rogers further claims that subsidization of HE is probably more practiced in Less Developing Countries (LDCs) of the world than in the developed countries (Rogers, 1971).

In the Kenyan context, since the year 1995, the Kenyan government has shifted the burden of higher education costs from being borne predominantly by government, or taxpayers, to being shared with parents, students and the private sector (ROK, 2010). This cost sharing policy has implications on university enrollment. Hence, enrollment has shifted from a heavily subsidized public sector to a much less subsidized, tuition dependent – private sector (Johnston 2003).

Currently, the government of Kenya spends about 27% of its budget on education with US$1.03 billion going to university education, compared to the US$2 billion that is spent on basic education. For example, the government has allocated US$982 million to Kenyan public universities for the current financial year. University administrators have, however, said the allocation is over US$200 million lower than the amount they had requested for the period. Because of budgetary constraints, capitation to public universities as a percentage of total revenue has been on a declining trend, dropping from 62.4% in 2012-13 to 44.9% in 2015-16.

The contribution of capitation to expenditures of the public universities declined from 67.4% in 2012 to 45.4% in 2018. During the period, staff costs have increased and funds disbursed to universities were not adequate to fund salaries (University Word News, 2019).

Reforms in Financing Higher Education in Kenya

The cost of higher education is increasing rapidly and continuously throughout the world (Johnstone, 2009). All over the world, countries go to great strength in committing public funds to the education sector (UNESCO, 2012). The achievement of universal educational goals increases the overall need for human capital investment. In recent past, push to scale up education expenditure to achieve Sustainable Development Goals (SDGs), an off-shot of Millennium Development Goals (MDGs) and Education for All (EFA) by 2015 (UNESCO, 2012; Al- Samarrai, 2006).

In Kenya, demand for higher education has increased tremendously over the last two decades driven by inadequate funding for public universities to absorb most qualified candidates (ROK 2011). The Gross Enrollment Rate (GER) at university level is estimated to be 9.8 % (KNHDR, 2009). The Net Enrollment Rate (NER) is always appropriate to use but universities have continued to attract mature students as continuing students (ROK, 2009). Several sustained efforts have been made to improve university enrolment and retention in Kenya since the attainment of independence. The other two key interventions with the largest national coverage are financing through Higher Education Loans Board (HELB) and provision of targeted bursaries. According to various government documents, HELB was started to facilitate higher education of Kenyans (UNDP, 2012). As a credit funding institution, it has financed over 300,000 students since its inception in 1995. The funding targets are both government and privately sponsored students in recognized public and private universities within the East African Community. Currently, those who graduated between 1974/75 and 1994/95 academic years repay their loans at an interest rate of 2 percent. Those who took loans from 1995/96 academic year to date are repaying their loan with an interest rate of 4%. HELB can vary the interest rate anytime without referring to the loanee (ibid).The body also targets other students, categorized as continuing university students, but at competitive interest of 12 percent. The targeted bursaries are not automatic. The student must apply with proved evidence. The existing types of bursaries are HELB, Constituency development fund and local authority transfer fund. In all these cases competition is very high and sometimes politics takes center stage as the Member of Parliament is the patron of the identification and distribution committee. Students are never awarded more than the cost of financing and in most cases there is always a minimum amount to be awarded. Distribution is done across the board leaving deserving cases getting less than they would require as a safety for access and participation. Despite budgetary financial efforts by the government, higher education access and participation of rural population and socially/economically disadvantaged groups are still a critical concern. Recent education financing policy changes in Kenya often favor to divert resources from higher education to primary level of education (UNDP, 2010). The policy favors for full cost recovery from students in higher education. Cost recovery methods are likely to have diversifying inequality in maintaining higher educational accessibility and participation, especially for the poor, minority, rural, and other traditionally underserved populations (Otieno, 2007). Most universities in Kenya have established income generating programs (since 1999) to secure more funds from 'private students', and this has helped universities to meet their operational costs. This policy is based on filling admission quotas reserved for qualified students who would not meet the admission cut-off points but are able and willing to pay the full cost of their training. This has inherent flaws especially because not all students can afford. Issues of affordability and equity have negative implications to fee system. The distribution of education subsidies is notably skewed towards the rich minority (ROK, 1999) thus making financing of education retrogressive and inequitable. As public financing dwindles, innovative methods of bridging financial gaps must be diversified and parents must expand their financial sources to increase and motivate their children to pursue higher education.

Impacts of Lack of Finances on Higher Education

According to an article '*how government funding gap is killing university education',* there is a huge gap between the money the government allocates to universities per student and the amount it actually costs to successfully take one through training. The article notes on average, the cost of education in Kenyan universities for one academic year per student ranges from Sh600,000 for the dentistry program, Sh576,000($5,700) for medicine, Sh432,000($4,300) for pharmacy, Sh180,000($1,800) for applied humanities, Sh144,000($1,500) for the arts. However, the State has funded university education at a fixed rate of Sh70, 000($700) per student per academic year, regardless of program of study, for the last 26 years. What this means is that for a dentistry student, State funding leaves a gap of Sh530,000($5,230) per academic year. For the entire five-year training program then, the funding gap per student stands at Sh2.65 million($26,156) (Amadi, 2019). Hence, the article concludes that by extension then, for a dentistry program class of 30 students, the funding gap passed on by the State to that university becomes Sh79.5 million ($ 784, 645million) every graduation cycle of five years. To give an even clearer picture then, we have taken the average funding gap per academic program over a four-tosix-year duration of Sh54.55 million ($538,394). This is multiplied by the number of university graduates every academic year (estimated at Sh49, 050($484.11) in 2015, to get the overall university funding gap per graduation cycle of more than Sh3 trillion ($29,609,250,000). Looking at the same picture from a different angle, the State is accepting responsibility for less than 19 per cent of the university education burden, passing on the remaining 81 per cent to universities. Amadi claims that, if the issue of funding is not urgently addressed, then university education in Kenya is on its deathbed. The financial shortfall also explains why some universities take as much as three years to pay their part-time lecturers.

Despite the financing challenges outlined above, private universities have seized the opportunity and experienced tremendous growth within the last few years. There are 35 private universities out of the 72 universities in Kenya. It has been a great opportunity for private universities to expand, because they offer smaller classes, pay special attention and respond quickly to students' needs. The slow-paced release of funds by the government to universities too has also contributed to dilapidation and deterioration of infrastructure, thus poor learning environments in public universities. This has, in turn, led to low morale of faculty and staff in these universities. All these challenges have continued to impact negatively on students who go through public universities and who find transition to job markets difficult.

In a proposal presented by vice-chancellors to parliament, students could pay up to three times more for annual fees from 2019. All state-sponsored students will be expected to pay US$600 annually as tuition fees, up from the current US$265, in a plan that is expected to be rolled out in annual phases. This could earn public universities at least US$450 million annually which is expected to fund their operations and development expenditures. The proposal is a major reprieve coming at a time when they are facing a financial crunch over budget constraints and increased enrolments.

As such the steady increase in university enrollment and without corresponding increase in budgetary allocation and investment in facilities has arguably pushed the universities to seek strategy of increasing revenues (Owour, 2012).

Measures of Funding Higher Education in Kenya

Instead of funding research at universities where professors reside with expertise in different disciplines, the State instead establishes and funds special purpose pastorals to undertake research. A disproportionately high number of private sector companies are multi-nationals who undertake all their research in their home countries because there is no requirement of them to work with and to support local universities through research funding.

Today, government funding for Kenya’s 33 public universities continues to decline. The average per capita expenditure per student has also fallen tremendously. This funding crunch obviously has a detrimental effect on quality, which manifests in poorly trained academic staff, inadequate libraries, overcrowded classrooms – there are sometimes as many as 400 students in a single class – and low-quality graduates.

Universities are expected to raise extra revenue through tuition fees, cost-recovery measures and by commercializing their activities. Some have taken an entrepreneurial route to raise more money: they’ve set up shopping malls, funeral homes, industrial parks, rented-out property or ventured into catering. These are obviously unrelated to academic programs; they generate very little money and put universities’ finances and reputations at risk.

Recommendations

The State should treat the role of university education in the country's socio-economic agenda with the seriousness it deserves. Instead of sentencing universities to death by strangulation through giving them a funding deficit of 81 per cent, per academic year, it should use that money to provide 100 per cent funding to a handful of qualified university students (Amadi, 2019).

Change is needed on the money front, too. The state must change its funding model. Its current “one-size-fits-all” approach is not working, and instead programs should be financed according to how expensive they are to prepare and teach. Cheaper programs must get less money (University Word News, 2019).

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