



Sustainable Strategies for overcoming financing crisis in Kenya Universities

by

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Stylized facts

31 public universities and 7 private universities

- Reduced govt allocation to public universities in 2018-2019 budget
- Decline in the number of self-sponsored students
- Failure by some universities to remit statutory and loan deductions (Auditor-General reports)
- Funding based on numbers of students/ courses offered
- Series of strikes by lecturers for issues related with salaries in 2018
- Revocation of an operating license of a church-based university
- Two private universities given one-year ultimatum to streamline their financial operations
- Eleven public universities are technically insolvent

A crisis....not really

The challenge is not unique to Kenya

- 16 out of 26 South African universities are facing a financial crisis -The Citizen - 2016
- Depleted institutional/Physical infrastructure in most African universities

Good debate should be about

“Sustainable Strategies for financing University Education in Kenya”

Issues.....

- Where does university education fit, in context of Kenya national development goals?
- Evolution of education reforms in Kenya
- Who finances University Education?
 - Models
 - Comparative Analysis
- University financing in Kenya...situational analysis
- Financing options-Where do we go from here?
 - Best practices
 - Government reform agenda
 - Available financing strategies for Individual university

University education Role -NDGs

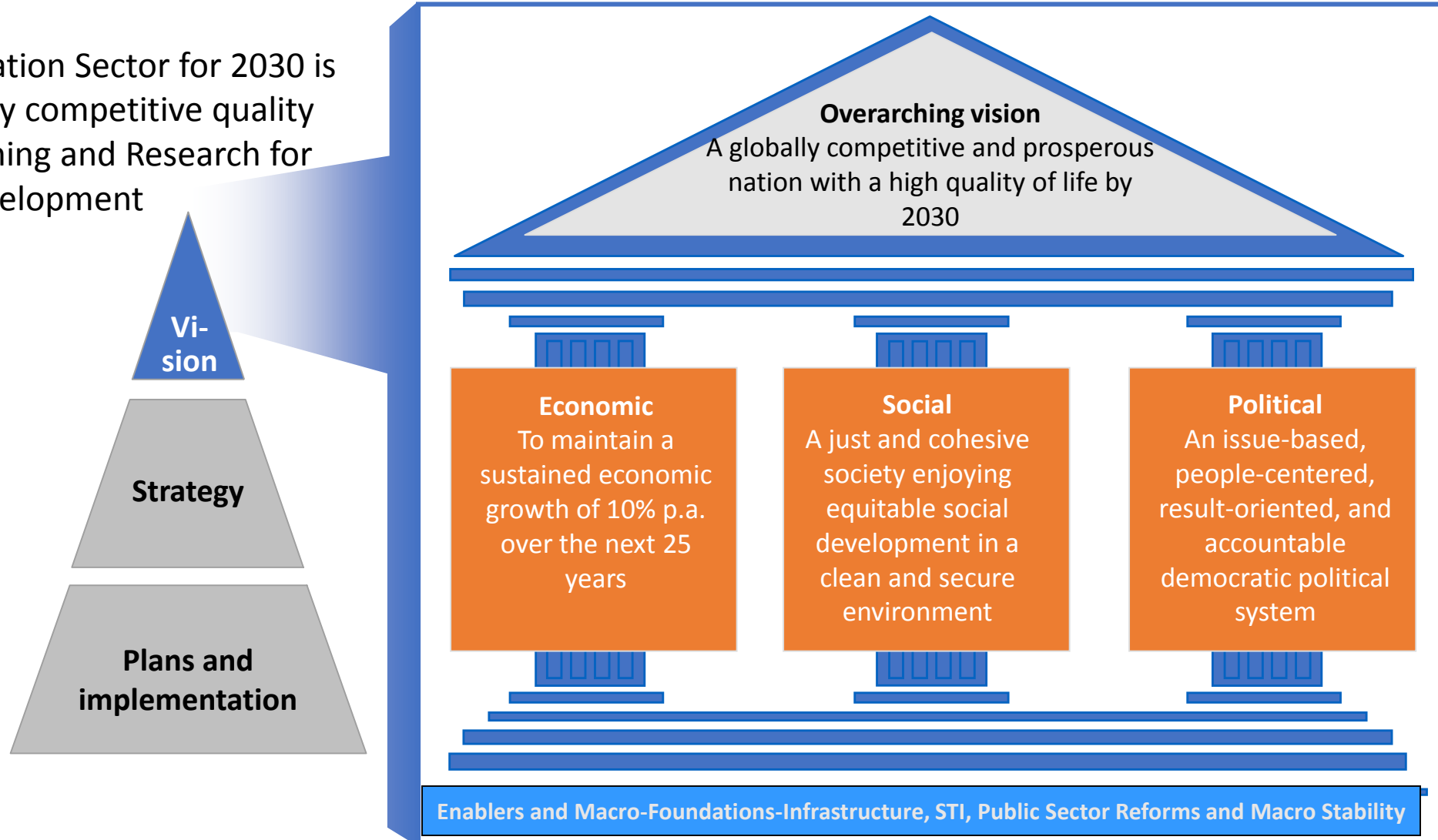
- Universities -training qualified -implementing new technologies and using innovative methods to establish more efficient enterprises and institutions (WB 2010)
- Various constituents of society benefits from university education (Tewarie 2011) :
 - ✓ *Students* – personal development
 - ✓ *Graduates* –competence, skills, higher income, improved labour market prospects
 - ✓ *Families and households* – higher income earner, leader, more enlightened households
 - ✓ *Private/ Public sector* – competent, skilled worker
 - ✓ *Community* – participant, contributor, leader, organizer
 - ✓ *Nation* – increased human capital -economy, democracy, and health

Role of university education cont.....

- University Education is paramount for two reasons:
 - Increased social demand for university education
 - A country must participate in knowledge economy
- Universities are meant to be centres for knowledge creation and dissemination through-
 - ✓ Training
 - ✓ -Research
 - ✓ -Outreach

VISION 2030 FOR KENYA'S DEVELOPMENT

Vision for Education Sector for 2030 is to have “globally competitive quality Education, Training and Research for sustainable development



Series of reforms in the education sector

- **The Ominde Report, 1964.** - reform the colonial education system and make it more responsive to the needs of independent Kenya.
- **The Gachathi Report, 1976.**- support for Harambee schools and the establishment of the National Centre for Childhood Education (NACECE).
- **The Mackay Report, 1981.** 8.4.4 system of education and the Commission of Higher Education (CHE); a university of technology -Moi University
- **The Kamunge Report, 1988.** improving education financing, quality and relevance. It led to the policy of cost sharing.
- **The Koech Report, 2000.** Totally Integrated Quality Education and Training (TIQET).
- **Alignment of education sector to vision 2030 and the Kenyan Constitution:** led to enactment of the Acts of Parliament for the wider education sector legal reforms in 2012 to 2014

Kenya Education Framework

Education/Training level	Legal framework	Curriculum devpt/evaluation	Quality Assurance	Staffing	Exchequer Agent
Basic Education	Basic Education Act 2012	KICD/KNEC	ESQAC	TSC	Ministry of Education/State Department of EL & BE
Technical and Vocational Education and Training	TVET Act 2013	TVET CDACC	TVET Authority	Councils (NPs) BoG (TVCs)	TVET Funding Board/HELB
University Education	University Act 2012	Senate	CUE	Councils	University Funding Board/HELB

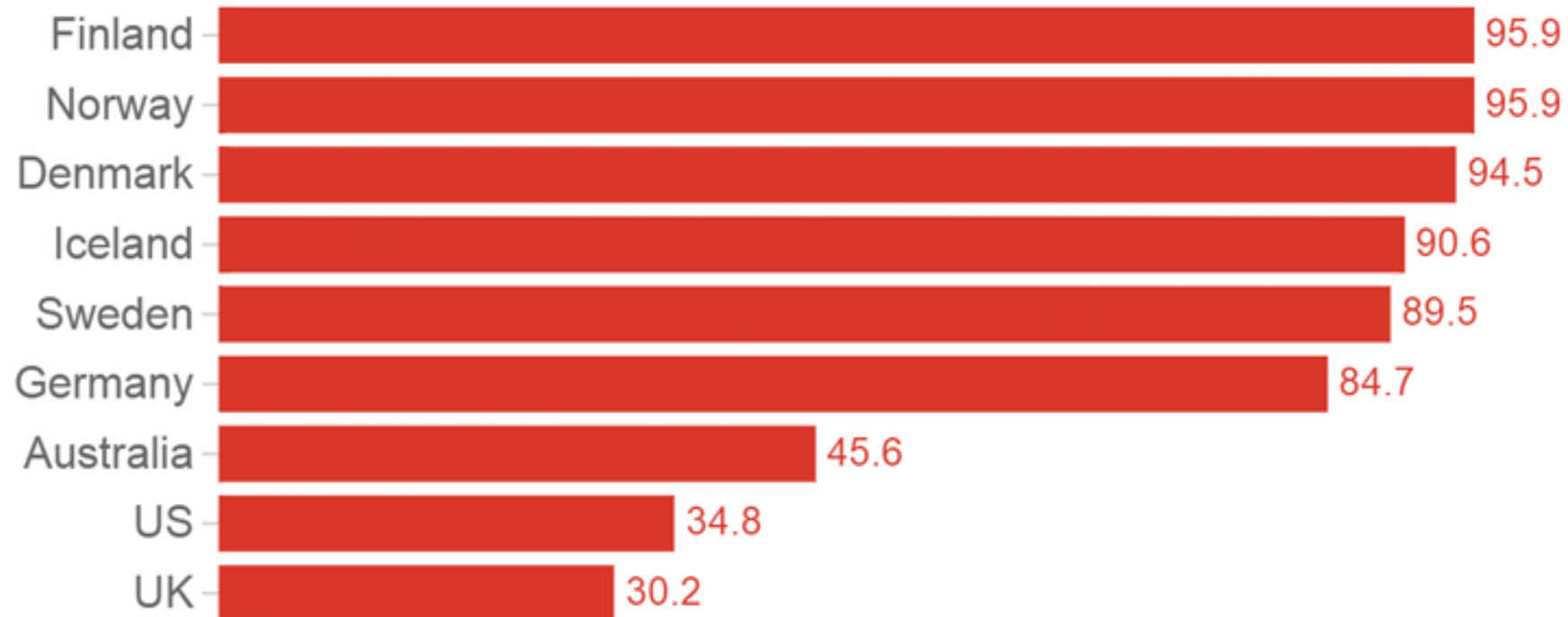
Financing university education: models (Biruté, 2010)

- Bureaucratic model- full assignation of tertiary institutions' budgets from state resources
- Market model- corporate-driven and responding to mkt dynamics but obliged provide enough information about its activities
- Collegial model- the individual universities have autonomy in terms programmes and activities including attracting private funds but also get subsidized by the govt

Who finances University Education? A Comparative Analysis

Proportion of university funding from public expenditure

% public investment in tertiary institutions, 2011



Comparative analysis cont.. What explains the difference?

- Country's societal goals and social dynamics of higher education (Välilmaa, 2015)
 - Nordic university education systems is almost entirely publicly funded ... associated with their strong tradition of equality
- What about the case of Kenya?
 - Aggressive and extremely vocal lobbying elements involving, civil societies, faculty and students which can mobilize citizenly against policy changes
- But....
 - Predictable government financing depends on strength of dominating sectors in an economy

University financing in Kenya...situational analysis

Overall allocation to education sector is Kshs 444.1 billion with universities allocated about Ksh 91 billion

Annex Table 4: Summary of Expenditure by Programmes, 2018/19 - 2020/21 (Ksh Million) ..Contd

Sector/ Vote/Programme Details	2018/19 Ceiling			2019/20 Projection			2020/21 Projection		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
1065 State Department for University Education	90,350.7	12,782.1	103,132.7	95,350.8	13,350.1	108,700.8	96,996.0	13,588.2	110,584.2
0504000 University Education	87,355.6	12,487.6	99,843.2	91,660.8	13,038.5	104,699.4	93,516.5	13,269.6	106,786.1
0506000 Research, Science, Technology & Innovation	2,634.3	294.4	2,928.7	3,207.7	311.5	3,519.2	3,282.8	318.7	3,601.5
0508000 General Admin., Planning & Support Services	360.7	-	360.7	482.2	-	482.2	196.6	-	196.6

Financing options-Where do we go from here?

Reality check

- Kenya government is debt-laden and reduced government funding is not a short-term phenomenon

Kenya Budget Financing Kshs 2.556 Trillion	Ksh Billion	Government Revenue Allocation Kshs 2.551 Trillion	Ksh Billion
Tax Revenue	1949.2	CG Development Expenditure	625
Grants	48.5	CG Recurrent Expenditure	1550
Deficit Financing	558.9	County Allocation	376
		Debt Servicing	
		Debt Servicing to take up 686 billion of Recurrent Expenditure	370 – principal 318- Interest

- University education is not a priority for the current govt.

Financing options cont..... Best practices?

Successful models adopted by hugely successful universities such as Harvard, Massachusetts and Yale

- Significant percentage of funds generated internally, mainly from research
- Strong linkages with the corporate world -innovative products for an edge in the competitive marketplace
- Endowment funds- Revenue from research, consultancy, innovations and investment instruments

Best practices?.....cont ...University of the West Indies

- 2004- St. Augustine Campus in Trinidad -Business Development Office to seek knowledge intensive business opportunities and opportunities for research grant funding
- 2005- bought a successful tertiary institution (Roytec) which developed into Institute of Technology and Applied Business Studies
- 2006-used bank loans to transform a clinical medical facility in Barbados into a full medical school which is now self-financing
- On all campuses- dormitories, bookstores, guesthouses and other commercial enterprises are run on a cost-recovery basis and generate surplus

Financing options cont Government reform agenda

- Facilitate bringing on board private funding into university education
 - creating matching grants scheme
 - Can learn from:
 - ✓ Hong Kong-since 2002 – (i) providing matching grants on a ratio of 1 to 1 (ii) tax exemptions to corporates to encourage private donations to higher education (iii) providing seed money to institutions to improve fund-raising capacity
 - ✓ Singapore – since 1991- (i) providing matching grants on a ratio of 1 to 3 (ii) Private donations eligible for double tax deductions

Government reforms...cont

- Rationalized Budget allocations- more selective and performance-based allocation of public funds for teaching and research
- Realistic cost-sharing model through fees and income-contingent taxation with equity considerations catered for by fee deductions for disadvantaged Groups and need-based scholarships
- Constitute a more transparent funding formula for public resource allocation- to be based on sectoral priorities
- Explore giving more autonomy to some public universities – to be managed like a corporation and subject to external audits
- Protect financing reforms from political interference by strengthening the regulatory framework and institutional structure

Financing options cont ... Individual institutions

- Developing commercial-orientated ventures related to their core business of training, research and community service
- ✓ Seku- a premier institution in dryland agriculture?- demonstration projects [water harvesting, animal husbandry, Bee keeping, micro-irrigation schemes], Collaborative training institute?
- Expanding and upgrading infrastructure to support market-driven courses - premium to costly but necessary areas, such as in science and technology due to positive externality created by these areas in terms of promoting innovation
- ✓ Seku- currently aggressive in developing programmes...motive?

Individual institutions.. financing options cont....

- Creating institutional infrastructure to attract bilateral and multilateral support
 - ✓ Seku...where are we on this? ACBF, AERC...?
- Promote investment incentives to private firms by identifying feasible profitable areas - housing, restaurant facilities, farming
 - ✓ Seku- (i) private-public ventures -for staff houses, (ii) from guesthouse to first class hotel
- Leveraging regional and international partnerships
 - ✓ Seku- what is our comparative advantage...location, age, people, speciality or what? collaborative partnership.... What are the new frontiers for Seku?

Individual institutions.. financing options cont....

- Individual public university must continue to rationalize and reduce costs, ensure prudence in expenditure (more effective and efficient activities)



The End

*Thanks for your
attention*