

Higher Education Finance and Cost-Sharing in Kenya

I. Brief Description of the Higher Education System in Kenya

Following its independence from Great Britain in 1963, Kenya was a multiparty democracy, though one political party, the Kenya African National Union (KANU) was dominant. In 1982, the country became a de jure one party state until the reinstatement of multi party rule in 1992. Even after 1992, none of the opposition parties were regarded as viable threats to the ruling party until the victory of the Rainbow Coalition's presidential candidate Mwai Kibaki in 2003. The total population of Kenya is approximately 33.5 million. World Bank data indicates that the GNI, GNI Per Capita and GDP of the country in US\$ stand at 16.06 billion, 480, and 16.8 billion respectively. The data further indicates an annual percentage of 4 percent GDP growth in Kenya (World Bank, 2006).

Representing a significant share of central government expenditure - for example, almost 30 percent of total government expenditure in 2004 (UNESCO Global Education Statistics, 2006) - education is historically among the most important sectors of the government. After independence, the educational system in Kenya was structured after the British 7-4-2-3 model, with seven years of primary schooling, four years of secondary education and two years of advanced secondary education to be eligible for the 3-year university bachelors degree program. Since the 1980s, however, there has been a shift to follow the 8-4-4 model of the American system with eight years of primary schooling followed by four years of secondary education and a four-year bachelors degree program (International Higher Education, 1991).

University education in Kenya began in 1963 with just 571 students enrolled in Nairobi University College (Weidman, 1995). Since then, the system has undergone some considerable expansion, and as of 2006, there were a total of six public universities and one university college and over 18 private universities with varying levels of accreditation. In total, the country currently has 91,541 students (almost 90 percent of whom are in public universities) (UNESCO 2006). With the establishment of the 8-4-4-system, university education takes a period of four years to complete, however there are schools such as medicine and law that take an additional year or two. In addition to the 24 universities and their constituent campuses, higher education in Kenya also includes polytechnics, institutions of science and technology and diploma level teacher training colleges.

Notwithstanding the expansion in the past several years, the capacity of the higher education sector in Kenya is still limited. Between 1990 and 2000, it was reported that 180,000 of the students who attained the minimum entry qualification failed to gain admission to public universities (Kigotho, 2000). The Ministry of Education indicates that an average of 150,000 students take the Kenya Certificate of Secondary Education each year (Ngome, 2003). Among these students, 20,000 are absorbed into public universities under the regular and parallel programs while over 6,000 students enroll in private universities (Oketch, 2003). About 60,000 students also enroll in post secondary mid-level colleges, which offer certificate, diploma and higher diploma courses. Access into university institutions is highly competitive and also influenced by the availability of finances. In 2006 alone, a total of 58,000 students failed to get admission in the public universities out of the 68,000 that qualified.¹

¹ Qualification is pegged on attaining the minimum cut off point (COP) of C+ with a relevant subject cluster achievement (meaning that for a student to enroll in Law, for instance, that student must pass a given group of subjects), though this has been raised on a yearly basis.

Financing Higher Education

Like most African countries, higher education in Kenya was historically free, with the public purse covering both tuition and living expenses (Weidman, 1995). The rationale for free higher education in Kenya was based, among other things, on the country's desire to create highly trained manpower that could replace the departing colonial administrators. In return, graduates were bound to work in the public sector for a minimum of three years. Economic difficulties, and the alarming increase in population, coupled with rising oil prices of 1973 (Cutter, 2001) changed this trend and resulted in the reduction of the recurrent budget allocated to higher education, and eventually the introduction of user charges in higher education in Kenya.

While government investment in primary education has increased dramatically in the last several years jumping from Kenya Shillings (KES) 741 million in 2001/02 to KES 3,321 million in 2002/03 and KES 5,966 million in 2003/04, higher education still enjoys relatively generous funding compared to other levels of education receiving 7,483 million shillings in recurrent government expenditure in 2003/04. More significant are development expenditures that have seen significant increases in spending on primary education (796 million shillings in 2002/2003 to 5,812 million shillings the following year) and decreased expenditures on higher education (falling from 1,128 million shillings in 2002/03 to 632 million in 2003/04)². In all, tertiary education receives about 13 percent of total educational expenditure (UNESCO 2006).

It is generally believed that while the investment the government has made in the higher education sector hitherto seems to be quite commendable, the trend will not continue (Ogot and Weidman, 1993). The ever increasing pressure for structural adjustment by the World Bank and other donors aside, the tertiary education sector itself is being questioned internally for its limited capacity to provide access to most eligible Kenyans. Worse, this limited participation in higher education is compounded by gender (for example, in 2004 only 37 percent of students enrolled in tertiary education were women, with public higher education being the most gender inequitable), socio economic status, and regional disparities. Added together, the performance of higher education in Kenya is contestable both on equity and efficiency grounds. Austerity in the public budget for higher education, coupled with the poor performance of the sector in promoting access and equity, has lead the government of Kenya to introduce a mechanism for cost-sharing and user charges in higher education.

In 1994, the government of Kenya decreased the education budget from 37 percent of its total annual recurrent budget to about 30 percent stating that it was not possible to allocate additional funding to higher education (Kiamba, 2004). This shortfall in the public budget for higher education brought about the impetus for institutions to look for alternative income generating sources, in effect, reducing their overdependence on the government budget. To this effect, several strategies for revenue diversification, as well as cost containment that are being adopted, include:

Costs saving measures:

- Raising student-staff ratios. Kenyan public universities are eliminating more than 3,500 non-teaching jobs.
- Improving utilization of facilities
- Reducing expenditure on student welfare (such forgoing free board and lodging).

² In 2006/07 for instance while public expenditure on basic education increased by 9.8 percent, that for higher education decreased by 9.4 percent.

Revenue Diversification measures:

- Establishing units for income generating. These include training and consultancy, university press and other units such as farms and even petrol stations (Kigotho, 2000). The University of Nairobi is exemplary in this regard.
- Instituting overhead charges: In some universities, individual professors with external research contacts must surrender 15 percent of the contract to the university.
- The introduction of the Module II (parallel track) programs in 1998 has enabled the public universities to generate finances that supplement the decreasing governmental funding.

As a result of these and many other measures, the revenue coming from non-government sources has been increasing. The income generated by the module II programs at the University of Nairobi grew from 4 percent of total income in 1998-99 to one-third in 2002-03. Nevertheless, the revenue diversification measures being taken offset only a fraction of the huge financial austerity facing public universities in Kenya today.

Cost Sharing and User Charges

Cost sharing in Kenyan higher education was introduced in 1991 as a response to the ever-declining state budget, which did not keep pace with high student intake when the first cohort of the 8-4-4 of students entered the university (Sanyal and Martin, 1998). Under this new premise of cost sharing, students and/or their parents were required to cover both tuition and the cost of maintenance. A student loan program was also established to enable the needy students to access higher education institutions³. At the inception of the loan scheme, admission to higher education was enough to ascertain eligibility for the loan. But spurred by high default rates, which reached 81 percent in 1987 (Economic Review, 1995), and other similar concerns, the scheme was reorganized resulting in the establishment of the Higher Education Loan Board (HELB) in 1995. Due to the fact that there were inadequate funds for all students applying for the loan, the Higher Education Loan Board (HELB) opted to use means testing to identify and target only the needy students. Through means testing, HELB aims to increase equity and efficiency. To increase access HELB also targets students who are orphaned as a result of HIV/AIDS and those who come from semi-arid and arid geographical areas such as Samburu, Turkana, West Pokot and other districts in Eastern and North Eastern provinces. The Kenyan government has classified these areas as disadvantaged regions.

Other functions of the Loans Board include loan recovery, establishing a revolving fund, and seeking additional funds from the private sector and donors (Otieno, 2004). The interest rate for the student loan is currently set at 4 percent per year.

The undergraduate student loan scheme covers about three quarters of the yearly higher education costs that must be born by the student and family and is limited to students in the module I programs and in private universities. When the student loan program was introduced in 1995 students received a maximum amount of KES. 42,000. This amount was increased in the 2005/06 financial year to a maximum loan amount for the very poorest student of KES. 55,000 (US\$ 733) and a minimum of KES. 35,000 (US\$ 460). Once HELB determines that a student should be

³ It should be noted that a student loan program (the Higher Education Loans Fund) existed even before independence. The Fund was shelved upon independence and reintroduced in 1974. However, it remained more or less a grants scheme, as no effort was made to recover the loans. The program was reformed and reintroduced for the third time in 1995 as the Higher Education Loans Board.

awarded a loan, the Loans Board pays KES 8,000 directly to the university towards the student's tuition costs. The remaining loan funds are paid to the student through his/her bank account for food and lodging costs and other living expenses.

In addition to the loans, needy students also receive bursaries. The Ministry of Education disburses about 82 million each financial year to HELB (Ngolovoi, 2006). HELB identifies needy students through means testing and awards bursaries according to each student's level of need (Ngolovoi, 2006). Funds are paid directly to the universities towards tuition costs (Ngolovoi, 2006). The maximum amount that a student can receive in the form of bursaries is KES.8,000 (US\$ 107). It is important to note however that students in private universities do not receive bursaries from HELB and instead apply to the Ministry of Education for funds (Ngolovoi, 2006).

Students in both private and public universities can also apply for grants or bursaries from the Constituency Development Fund (CDF) (Ngolovoi, 2006). The CDF was created through an Act of Parliament in 2003 to finance community-based projects with the overall goal of poverty alleviation (GoK, 2006). Needy students from various constituencies can apply for the bursaries, which account for 10 percent of the total CDF (GoK, 2006).

Dual Track Tuition Policy

While very modest tuition fees were introduced in public universities in Kenya in 1991, the generated resources were insufficient given the severely limited number of students. Therefore, a dual track tuition policy was introduced in 1998 via the self-sponsored, or Module II, programs. Dual track tuition policies are characterized by a highly restricted, "merit-based" entry to free or, as in the case of Kenya, very low cost higher education, with other applicants not so admitted permitted entry on a fee-paying basis.

In Kenya, the assumed average cost of each degree program is KES 120,000 (US\$1,5344) per year of which the government covers Ksh 70,000 (US\$895) for the sponsored students (module I) leaving the remaining KES 50,000 (US\$639) to the student to raise from the Kenyan Higher Education Loan board (HELB) or private sources. Students under the module I program are entitled to a means-tested HELB loan, while students in the module II programs have to source for funds from their families, savings, employment and commercial banks. It is also important to note that although the syllabus for both the module I and module II programs is the same the costs for the latter are extremely high.

Students who attain the prescribed cut off point (COP) are admitted into the regular state supported programs by the Joints Admissions Board (JAB), a non-statutory body made up of the Vice Chancellors, Deputy Vice Chancellors, Principals and Deans of the six public universities and representatives from the Ministry of Education. In principle, Kenya Certificate of Secondary Education (KCSE) holders with C+ and above qualify for public university admission; however, this cut off point depends on the total public university student capacity of about 10,000 students. Therefore, the JAB sets the entry cut off for government-sponsored students from year to year. If a greater proportion of the students have high passes in a particular year, the cut off will be higher and vice versa. For example, the cut off for admission in 2005 admission was 64 points higher than in 2004 (Marcucci, Johnstone and Ngolovoi, 2006).

⁵ The effectiveness of student aid programs in these universities is still contestable given that for one to be eligible, one must have enrolled and completed at least one year of study. Currently, USIU has the most pronounced student aid program; yet, it is the most expensive private university, with fees being on average about KES 276,000 (\$3,834) per annum. An ordinary Kenyan family would not be able to afford that amount for education. In the end, those who benefit from such programs are in most cases sons and daughters of university employees.

Non-JAB students who are admitted on a self-paying basis gain entry to universities on the basis of different criteria that vary from university to university. At the very initial stages of the module II programs, candidates had to be *Form Four* school leavers who met the minimum entry requirement of C+ but could not meet the entry cut off point for government sponsorship. In an attempt to increase the number of self-sponsored students, various institutions made admission conditions more flexible and accepted students from different academic backgrounds including holders of A level certificates, Kenya Advanced Certificate of Education (KACE) from the old 7-4-2-3 system, P1 holders, diploma holders, and certificate holders from other governmentally-recognized institutions (Otieno, 2004).

Loan Recovery

One of the reasons why the initial student loan program (University Students Loans Schemes - USLS) failed was because of its inability to recover loans. However, with the inception of HELB, loan recovery has been increasing over the years. This increase is a result of efficient record keeping, obligating employers through the use of the law to ensure repayment and also by cultivating a culture of repayment among loan recipients (Otieno, 2004). In addition, HELB works together with the Kenya Revenue Authority (KRA) and the National Health Insurance Fund (NHIF) to recover loans by identifying loan recipients who are working in both the private and public sector and mandating them to repay funds owed (Ngolovoi, 2006). Unemployment and emigration are some of the major obstacles to loan recovery.

The Private Sector

Although the 1980s and 90s saw the emergence of some private institutions, the provision of university education continues to be monopolized by the public sector and the contribution of private institutions in expanding access to higher education is still minimal. As of 2006, the private sector claims only 12.3 percent of the overall undergraduate enrollment.

With the exception of some institutions, such as the United States International University (USIU), most private universities in Kenya are religious. The majority of these institutions are also limited in capacity with annual admission ranging between 500 in the smallest institutions to 2000 in the largest. The curriculum of most of these institutions is also largely geared towards the arts and commercial courses.

Private institutions in Kenya depend for their revenue on the tuition fees they generate from their students. Such heavy dependence on tuition coupled with lack of alternative income sources have made these institutions expensive and thus unaffordable for most Kenyans, in effect, limiting their services to the children of high socio economic status. Although many private universities have allocated funds for work-study programs and scholarships with the aim of increasing access, only a limited number of needy students benefit from institutional financial aid⁵.

In addition, even after some of the needy students from these institutions receive the student loan from HELB, the maximum amount that can be disbursed is KES. 55,000 (US\$733) leaving them with a significant shortfall that is often unattainable.

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II. Estimated Expenses of Higher Education

Table 2
Kenya Higher Education Expenses Borne by Parents and Students
 First Degree, Academic Year 2004-05

[National currency converted to \$US by 2004 purchasing power parity estimate \$1 = 35 KES]

		Public		Private
		<i>Low Public</i>	<i>High Public</i>	
	*Special “One-Time” or “Up Front” Fees	KES 1,750 (\$US50)	KES 1,750 (\$US50)	KES 7,550 (\$US 216)
Instructional Expenses	Tuition	KES16,000 (\$US 457)	KES 100,000 (\$US2,857)	KES 201,348 (\$US 5,753)
	**Other Fees	KES 3,500 (\$ US 100)	KES 3,500 (\$US 100)	KES7850 (\$ 224)
	Books & Other Educational Expenses	KES 8,000 (\$ US228)	KES 5,000 (\$US142)	KES4,000 (\$114)
	Subtotal Expenses of Instruction	KES 29,250 (\$US 835)	KES 110,250 (\$US 3,150)	KES220,748 (\$US6,307)
Student Living Expenses	Lodging	KES 7,000 (\$US 200)	KES 20,000 (\$US 570)	KES 47,110 (\$1,346)
	Food	KES 18,000 (\$US 514)	KES 25,000 (\$US 714)	
	***Transportation	KES 1,000 (\$US 28)	KES 30,000 (\$US 857)	KES 2700 (\$US 77)
	Medical & Other Personal Expenses	KES 7,000 (\$US 200)	KES 10,000 (\$US 285)	KES 6000 (\$US 171)
	Subtotal Expenses of Student Living	KES 33,000 (\$US 942)	KES 85,000 (\$US 2,428)	KES 55,810 (\$US1,594)
	Total Cost to Parent & Student	KES 62,250 (\$US 1,778)	KES 195,250 (\$US 5,578)	KES276,558 (\$US7,901)

Source: university websites and conversations with Kenyan individuals.

Low Public: module I student, living in dorm.

High Public: module II student paying full tuition, living “independent adult.”

Private: low private tuition, living in dormitory.

*Charges related to registration fees, caution money, student ID card, and university student union membership

**Refers to library fee and examination fee

***Most students in private and public universities stay in institutional hostels but those who stay out spend approximately \$153 on transportation per year.

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This country profile was originally prepared in 2002 by Wycliffe Otieno and updated in 2006 by Mary Ngolovoi. Websites for the following public and private higher education institutions were consulted: University of Nairobi; Kenyatta University; University of Eastern Africa, Baraton; Moi University; Daystar University and United States International University.Recent statistics were provided by Wycliffe Otieno.