Cost and Equity: Decoding University Financing Reforms in Kenya

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Abstract
Recent university financing reforms in Kenya seek to mitigate the effects of neoliberalism on the financial health of public universities. The reforms introduce a new approach to public funding for universities, initiate an academic program price discrimination model, and propose a four-category student financial aid scheme. The reforms' silence on government budgetary support for universities, implementation challenges, and institutional restructurings invite questions about long-term sustainability for the funding of public universities.

The recent reforms in higher education financing in Kenya are a response to the funding crises that have plagued the sector since 2010. Not only do they seek to address the challenges of systemwide growth, surge in student enrollment, and education quality, but they also endeavor to address equity concerns in student financing and institutional financial viability. More importantly, the reforms also signify the failure of the marketplace as a viable alternative to state funding of universities as was envisaged in the reforms of the mid-1990s. While the current reforms herald a paradigm shift in the funding of university education, they fail to address important issues related to the sustainability of higher education funding in the neoliberal context.

African countries have been confronted with the outcomes of neoliberalism in higher education introduced in the 1990s to address critical shortfalls in state funding and epitomized by massification, marketization, and privatization of universities. The model adopted by many countries has been a combination of private resources, marketplace revenues, and government subsidies trying to sustain and stimulate systemwide expansion. Thus, students and their families had to pay the costs themselves partially or in full, universities were expected to generate revenues, and the governments offered subsidies for the disadvantaged students. However, the Kenyan experience discussed herewith provides vital lessons on the limits of markets and privatization as the basis for funding universities, and the challenges of addressing university funding and equity outcomes while preserving neoliberal policies. This discussion concerning Kenya is significant not only for the African context but globally because finding balance between government funding, private cost-share, marketplace revenues, and quality is as relevant as ever.

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Mid-1990s Reforms

Informed by neoliberal tenets, Kenya's reforms ushered in the transformation of state universities into state-owned, largely privately funded institutions in response to the World Bank and IMF-mandated structural adjustment programs for Africa. The government introduced cost-sharing measures, with students paying a highly subsidized, modest tuition fee of USD 106 per year and a bursary scheme for those unable to pay. In addition, students would pay for their living expenses on campus. However, a loan scheme administered by the Higher Education Loans Board (HELB) would provide financial support for vulnerable students to cover accommodation costs. These measures applied to government-sponsored students only—those qualified for government scholarships based on their high school results. HELB is a state corporation fully funded by the government to provide higher education financing to individual students.

These reforms ushered privatization and marketization in higher education. State universities were permitted to admit privately sponsored students (known as 'module II') who paid the full cost of their university programs, thereby generating additional revenues for universities. They were also required to engage in entrepreneurial activities to supplement state funding. Furthermore, private universities were authorized in a move designed to expand higher education opportunities. These interventions resulted in substantial systemwide growth. There were 18 universities in 2000 (six public, 12 private), 60 in 2010 (22 public, 38 private), and 69 in 2023 (39 public, 30 private). In terms of enrollment, there were 45,412 students (38,413 public, 6,999 private) in 2000 vs

182,253 in 2010 (150,926 public, 31,327 private). The current enrollment stands at 563,000 (426,965 public, 85,946 private).

These neoliberal policies have had undesirable consequences for public universities financing. The anticipated revenue growth from entrepreneurial activities did not materialize, and while the initial growth in privately sponsored students was impressive at the beginning, it later plummeted, leaving the public universities in financial distress. Furthermore, to safeguard the quality of university education, in 2015 the state outlawed satellite campuses at public universities and merged government-sponsored students with privately sponsored ones to ensure consistency of course offerings—measures that further restricted avenues for additional revenue-generating module II enrollments. Moreover, in funding public universities and students, the government priced academic programs the same, irrespective of the cost of delivery. Prior to the current reforms, public universities' total debt surpassed USD 110 million, negatively impacting their operations. Government support continued to decline; in the 2019–2020 financial year, for instance, state funding was slashed by USD 300 million.

New Higher Education Funding

Under this model, public universities are no longer funded directly by the government but receive funding from the recently established University Fund, a public trustee that develops institutional funding criteria and appropriations, and disburses all government funding. The fund also prices academic programs relative to perceived delivery costs, which also determines loans available as financial support for students. For student funding, means-testing will be used to divide students into four categories with differentiated levels of financial support, including government scholarships, loans, and household contributions. These categories are: vulnerable (82 percent scholarship, 18 percent loan), extremely needy (70 percent scholarship, 30 percent loan), needy (53 percent scholarship, 40 percent loan, and 7 percent family contribution), and less needy (38 percent scholarship, 55 percent loan & 7 percent family contribution). The financial support will be availed through HELB. There are now two funding avenues for higher education in Kenya: University Fund avails funding to public universities, while HELB funds individual students, including those in private universities.

These reforms invite serious apprehension. They are silent on strengthening government funding to meet the capitation needs of public universities, which is the major source of their current financial challenges. Determining which category to place a student into remains a challenge in a country where most households struggle to make a living and work in the informal sector, where income may not be easy to capture. How then do you determine the vulnerable, extremely needy, needy, and less needy? Price discrimination through differential tuition based on program cost fails to recognize that the cost of offering a program could differ on account of institutional location. Noteworthy, private universities in the same location have different pricing models for similar programs, thereby providing choices unavailable at public institutions. Indeed, the issue of government-sponsored students enrolling in private universities is not adequately addressed.

Concluding Remarks

Restructuring higher education funding by only targeting student equity and price discrimination to reflect program costs is insufficient to address university funding challenges created by neoliberalism. Holistic reforms that would also address government funding, institutional budget and staff rationalization, sustainable systemwide expansion devoid of political expediency, quality control, and the scope of private resources promise to provide a viable solution to the problem. ◢

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