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Kenya: Experts Want Universities to Increase Tuition Fees

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A World Bank-backed consultancy has crafted a new financing model that will nearly double university fees and significantly increase interest payable on tuition loans from government.

The team of technocrats, hired by the government and the World Bank to look into the financing of higher education, proposes that students pay more fees and the Higher Education Loans Board levies higher interest on its tuition loans to give universities access to money they need to stop ongoing degeneration in the quality of learning as well as increase the pool of funds available to students in need of financial assistance.

If adopted, the proposals that were made public on Monday could set in motion a wave of university fees increments and raise the loans repayment burden for current and past beneficiaries of Helb funding.

It is proposed that the plan, meant to address growing constraints in Treasury funding of public universities, comes into effect beginning next year to help shore up the revenue base of public universities, broaden access to university education while improving quality.

Besides the fee increment, the team also proposes that universities be allowed to tap additional funds from the bonds market, sell key assets such as land, and borrow from the World Bank and Africa Development Bank.

It, however, cautions against internal borrowing such as tapping a pension trust fund that could be construed as an unacceptable risk to the public.

The team warns that Kenya is sitting on an education financing time bomb, which could soon blow up, throwing the higher education sub-sector into disarray.

University administrators said expansion of facilities tops the agenda of most colleges, lending to urgency in the search for new financing sources in the marketplace.

The experts said their proposals are aimed at weaning the universities of their heavy reliance on short-term borrowing that has left them with yawning budget gaps and ramped up the cost of higher education.

Kenyan universities bear the dubious distinction of being the most expensive in East Africa, a development blamed on the financing model.

Public universities have traditionally been financed through government allocations and took in at least Sh19 billion from the national budget in the current financial year.

More recently, however, as Treasury became overburdened by the increasingly public expenditure needs, the varsities have come to rely more on money from income-generating activities such as the popular parallel degree programmes.

Heavy reliance on fees as a revenue stream has in turn tipped the scales in favour of upward adjustments that have blocked thousands of prospective students from university education.

It costs at least Sh1 million to complete a Bachelors degree programme under the parallel system.

"In the face of serious financial constraints, innovative approaches that will allow universities to do more with what they have will have to be sought including adjusting fees," said Kilemi Mwiria, the Higher Education assistant minister.

In the study dubbed Financing University Education in Kenya: A report to the Ministry of Higher Education Science and Technology, the experts say upwards fees adjustments would affect both regular and parallel programmes.

Students will additionally be expected to pay more for accommodation and food which will no longer be subsidised.

The experts are proposing a model that will see students charged fees and Helb loan interest depending on the courses they take.

Other factors to be considered include the market demand of the degree which they are enrolled, meaning those taking Finance, Business and Computer Science -- courses that seen highly marketable -- will be charged relatively higher fees compared to those taking for example Archeology, Social Work and Asian Languages.

The argument is that those taking highly marketable courses have better pay prospects once they graduate and therefore higher ability to service their loans.

But the fees increment will be offset by loans taken from Helb that are disbursed on a semester basis, ranging from Sh35,000 to Sh60,000.

But the loans -- currently issued at four per cent for regular students -- could come at triple the cost, with the experts proposing they be based on the Government borrowing rate presently between seven and 12 per cent or the prevailing market rate which averages 14 per cent.

"This will discourage unnecessary borrowing from the kitty meaning only needy students will access the loans though it should not be to the point no student takes the loan," say the experts who include Benjamin Cheboi, the chief executive officer at Helb, Gituro Wainaina of the Vision 2030 secretariat and Francis Aduol, the principal at Kenya Polytechnic.

International experts included Pamela Marcucci and Bruce Johnstone from the State University of New York at Buffalo, and Pundy Pillay, a freelance economist.

"Any increase in fees and lending rates should not happen without a corresponding cushion for vulnerable students," said Mr Cheboi.

"This will be by increasing the lending base for Helb to cater for needy students."

By increasing interest rates, demand for the loans is set to reduce with only those students who need the money borrowing.

Michael Mills, the Lead Economist and Human Development Coordinator at the World Bank (Kenya), said the shift in the financing model was long overdue, but its success will depend on how well it is executed to ensure it spares students too much financial pain.

"Fees is a central issue and we have to ask whether the existing models are sustainable and efficient," he said.

But Helb will also have to look for additional sources of financing and re-think its fund-raising strategies to meet an annual loan demand of Sh15 billion in the next four years as enrolment soars.

Helb has mainly relied on hand-outs from Treasury and recoveries from past borrowers to finance its operations.

Mr Cheboi said Helb plans to upscale its investments in government securities and fixed deposits -- the only vehicles it has been tapping into as well as float an education bond.

This would see it become a big player in the financial markets where it could tap into the billions of shillings held by high net worth investors and turn into an investment platform.

Demand for education services and the subsequent need for expansion by institutions is fuelled by thousands of working Kenyans seeking additional qualifications that can cushion them against a changing labour market.

Educationists say failure to push through new financing solutions that could help the universities develop new teaching facilities promises to throw the sub-sector into an admission crisis.