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Promoting Private Sector Participation in Provision of Higher Education in Kenya

The demand for higher education[1] in Kenya exceeds the supply, as manifested in the large amount of money spent by Kenyan students pursuing higher education abroad, and the inability of local higher education institutions to absorb all qualified candidates. Demand for higher education is expected to increase further as a result of the Free Primary Education programme implemented in 2002, and which has led to increased enrolment in primary schools. Government allocations to higher education in Kenya are not sufficient to meet the increased demand for quality higher education. There is urgent need, therefore, to promote private sector participation in the provision of higher education in Kenya.

Currently, public higher institutions of learning in Kenya absorb only about 22 percent of Form four leavers annually, with public universities admitting only 15 percent of those who qualify. This is largely due to low absorption capacity by the public institutions of higher learning and the high cost of higher education. This situation has led to low transition from secondary to higher education. The proportion of total commercial colleges established after the year 2000 was about 49 percent while enrolment in private tertiary institutions grew by 52 percent between 1999 and 2003. Although enrolment in private higher education institutions in Kenya has been increasing over time, it is still low (at below 10 percent in 2003) compared to other countries with similar levels of educational development.

About 16 percent of the total Kenyan students in universities are enrolled in foreign universities. It is estimated that Kenyan students spent approximately Ksh 25 billion in the fiscal year 2002/2003 to pursue mainly higher education and training abroad. It is possible for private local investment to tap some of these resources through provision of diversified, flexible, quality, relevant and affordable education and training programmes.

The main reasons why many students are seeking for higher education abroad include the perceived high quality and low cost of foreign education, the hope to get employment while on study, non-availability of some study programmes at home, the relatively shorter duration of study abroad, higher programme flexibility in foreign universities, amongotherreasons.

Challenges of Private Sector Participation in the Provision of Higher Education

Investment in education is an expensive undertaking that requires private sector participation to complement government efforts. The education sector in Kenya, as in many other developing countries, competes for public resources with other sectors of the economy and any constraints in the national resources affect the provision of quality and effective public higher education. The increasing pressure on the budget makes it necessary to diversify the sources of financing for higher education in Kenya. Government support to higher education should be to the extent of providing the necessary legal and regulatory framework, and incentives for private sector participation. The Economic Recovery Strategy for Wealth and Employment Creation recognizes public-private partnership as key to economic development.

In view of this, there is need to focus on the role of the private sector in the provision of higher education.

This policy brief is based on a KIPPRA Special Report No. 7 on Private Sector Investment in Education and Training: A Case of Tertiary Education in Kenya. The report assesses the current level of private sector participation in education investment through a survey conducted among 137 private tertiary education institutions in 2003/4, and through discussions with key informants comprising senior managers and principals of private institutions of higher learning

	Public	Private	Foreign	Total
…/96	39,902	4,784	2,903	47,5…
…/97	39,428	5,964	4,318	49,7…
…7/98	38,526	4,970	4,835	48,3…
…8/99	40,570	6,991	5,337	52,8…
…99/00	41,268	8,085	5,108	54,46…
…00/01	42,508	8,212	5,123	55,84…
…01/02	48,436	8,887	N/A	57,3…
…2/03	59,593	9,129	N/A	68,7…
…3/04	58,017	9,541	N/A	67,5…
…/05	81,491	10,050	N/A	91,5…
…/06	79,735	10,244	N/A	[illegible]

N/A: Data not available

Private sector participation in higher education has been on the increase since the 1990s and its role is crucial in helping the government achieve its educational goals. Private sector participation in the provision of education would help absorb the excess demand by increasing admission capacity and improving the necessary facilities. However, private sector participation is hindered by various factors such as the unfavourable legal and regulatory environment, and lack of strong incentives for private sector investment in education. Nevertheless, there is still much more scope for private sector participation in higher education if these issues are addressed.

Legal and Regulatory Environment

The current effort by the Government of Kenya to embrace partnerships in the provision of education is a step in the right direction. However, there is little information on the involvement of the private sector in the provision of higher education in Kenya. Furthermore, an appropriate policy framework to guide this involvement has not been developed.

Private sector participation in the provision of higher education requires a comprehensive regulatory framework with clear set standards on quality of education and calibre of human resource to be deployed. The Government can deliberately encourage private sector participation in the provision of higher education by explicitly recognising, through legislation, the role of this sector. Such legislation is not yet in place in Kenya.

Higher education in Kenya is governed through various Acts of Parliament, including the Education Act (Cap 211), University Act (Cap 210B) and the Public Health Act (Cap 242). This legal edifice has served the system of education as a governance and administrative tool. However, it has also resulted to fragmentation in the registration process for higher education institutions, with institutions registering under various ministries. A major problem in the registration process is the time taken to complete the registration process. The procedures for acquiring licence and operating permits from different authorities are long, cumbersome and sometimes marred by irregularities. If registration under various ministries were to be coordinated and/or harmonized, it would increase efficiency and reduce time lost during the registration.

The Commission for Higher Education (CHE) is largely responsible for overseeing the registration of private institutions of higher learning. However, most stakeholders are concerned that the Commission for Higher Education does not effectively address most of their concerns. Representation of the private sector in education and training policy formulation and implementation is weak, largely due to lack of a framework to guide such participation.

In 2004, the Commission for Higher Education gazetted rules and regulations (under the University Act 210B) aimed at regulating the industry. Higher education institutions intending to collaborate with other institutions of higher learning are expected to apply for an authority to collaborate. The aim is not to stifle expansion of private institutions but to ensure that quality and standard education and training is being provided, in addition to safeguarding public interest. This is a step towards monitoring the provision of education and training in institutions of higher learning. There is, however, need to build capacity for the Commission for Higher Education to inspect and supervise higher educational programmes.

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Incentives

Incentives play a key role in attracting potential private sector investors in the provision of higher education. Incentives would include tax exemptions to private investment in education, probably in return of guarantees for lowering fees.

Further, favourable resource allocation policies would encourage private sector participation in education. In the Gambia, for instance, the government provides free land, as well as tax and customs exemptions to private education institutions. Senegal subsidizes recognized providers of education while Côte d'Ivoire provides both subsidies to recognized providers, and sponsors "public" students to attend private education institutions. Such an enabling policy environment is lacking in Kenya.

Education being a long-term investment requires several years for monetary benefits to start accruing. Given that fee default rates are sometimes as high as 80 percent of the enrolment, especially in institutions that do not serve middle and upper social classes, government support to such institutions is critical. Such support would constitute, for example, tax exemptions especially in the acquisition of critical learning and teaching resources, and tax exemptions on land and buildings. Public provision of services, and especially infrastructure and social amenities, would also encourage private investors to locate in areas hitherto avoided.

The move in the 2006/07 fiscal budget to exempt from stamp duty land purchased for expansion and development of schools, and the industrial building allowance to hostels and buildings used for education purposes is a move in the right direction. However, the budget should have made a provision for lower fees in return of tax exemptions. In future, areas for consideration for tax exemptions should include reading and learning materials. This should be aimed at reducing the cost of education in order to increase access to private education institutions.

Financing

To minimize fees default rate and raise enrolments, there is need to increase access to higher education loans among students enrolled in private institutions. In the long term, the Higher Education Loans Board (HELB) could consider not only those students enrolled and or admitted to university but also potential students to enable them seek admission.

While there are attempts by private institutions of higher learning to offer competitive prices, fee is still high relative to the purchasing power of ordinary Kenyans. Although the Higher Education Loans Board, for example, has been extending loans to students in private universities, only less than 4 percent of students have benefitted. While it is important to maintain fees at rational levels, there is need to increase credit to students wishing to join private higher education institutions.

There is currently no specific credit scheme designed for higher education provision in Kenya. Consequently, prospective higher education investors are subjected to market interest loans, which may not be appropriate for this form of investment. Many potential investors resort to internal sources of financing (such as school fees and direct savings), which finally translates into an increased direct cost burden on households, and limits the expansion of physical infrastructure.

Infrastructure

Private sector participation in education is a long-term and expensive venture that requires heavy investment on properties such as land. Unfortunately, only about 18 percent of private tertiary institutions have invested on land. Majority of those institutions that own land have less than one acre.

Given the considerations made for the location of a private higher education institution, the situation dictates that private institutions will locate near urban centers where infrastructure is available, but where land is expensive. In some West African countries, the government gives free land for the development of educational institutions, while in other instances, such land is given a tax exemption.

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Such pro-investment policies encourage private sector participation in education.

To encourage private participation in rural areas, institutions of higher education require improvement in rural infrastructure, improved and sustained rural economy, awareness among rural folk on the importance of education, and improved security. These infrastructural needs revolve around creating an enabling investment climate as well as creating demand for education.

Policy Recommendations

The Government of Kenya and the private sector should work together to determine the country's human capital needs and design effective higher education programmes. The private sector could concentrate on low-cost investment education programmes such as humanity-related programmes while the Government focuses on the more expensive engineering and technical education programmes.

Secondly, there is need for more private sector participation in higher education decision-making. This can be achieved through a representative national authority coordinating and monitoring quality and development of higher education and training in Kenya. While the Commission for Higher Education could perform this role effectively, the capacity and mandate of the Commission should be widened and strengthened to be in line with various individual University Acts.

Thirdly, regulation and enforcement procedures should be made more explicit in law with a view to encouraging private higher education institutions to operate fairly and efficiently within a facilitating regulatory environment and ensure robustness to counter excesses. A one-stop licensing shop should be established to provide the much needed facilitating environment. Self-regulation should be encouraged especially through the formation of professional associations of private higher education and training providers. Such associations should be required to aggressively market Kenya's higher education abroad with a view to attracting students from other countries.

The regulatory environment should include explicit higher education services standards developed by stakeholders in the spirit of public-private partnership, and enforced by the regulating authority.

Finally, the government should award more tax exemptions to private investors in education as an investment incentive in return of guarantees for lower fees. However, such exemptions should also be subject to the government tax revenue collection targets. A public-private partnership revolving fund where institutions could access cheap credit are some of the strategies that are likely to increase private sector participation in higher education in Kenya. In addition, this calls for fast-tracking the public-private partnership initiative.

Notes

[1] Higher education includes all institutions that offer recognized education and training courses leading to a diploma certificate, first degree and or advanced degree. Tertiary education mainly includes middle level colleges offering diplomas, though some provide other undergraduate courses.

About KIPPRA Policy Briefs

KIPPRA Policy Briefs are aimed at a wide dissemination of the institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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For More Information Contact:

Kenya Institute for Public Policy Research and Analysis
Bishops Road, Bishops Garden Towers
P.O. Box 56445-00200, Tel: 2719933/4, Nairobi
Email:admin@kippra.or.ke
Website: http://www.kippra.org