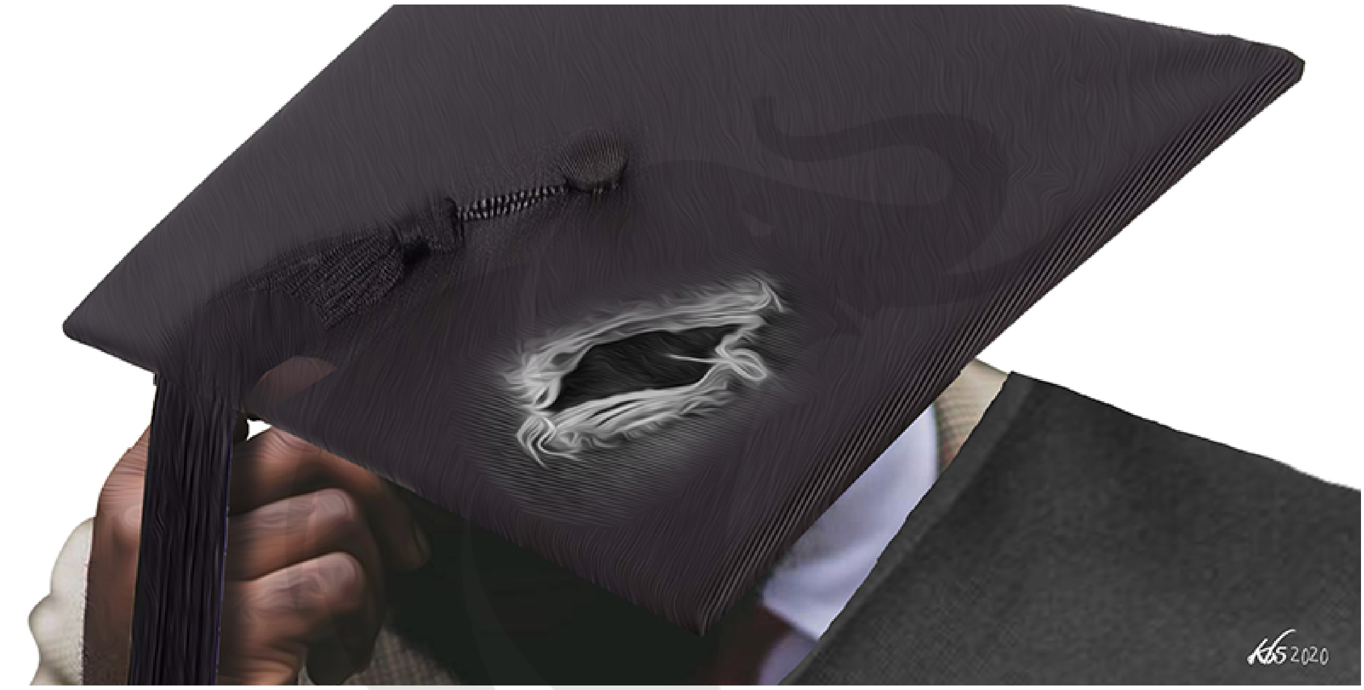
The Crisis Facing Higher Education and What Can Be Done About It

By Paul Tiyambe Zeleza



In a wide-ranging presentation at a conference held in Nairobi on May 6, 2019, and convened by the World Bank and Kenya's Ministry of Education, Dr. Jamil Salmi reminded his audience that there are five major funding sources for universities: government subventions, tuition fees, institutional income generation activities, donations, and loans. He noted that effective resource mobilisation requires promoting efficiency, responsiveness and innovation. This entails adhering to several key principles, such as alignment to national priorities, performance orientation, equity, objectivity and transparency, multiplicity of instruments, institutional autonomy and accountability.

Building on Salmi's observations, a World Bank report, *Improving Higher Education Performance in Kenya: A Policy Report,* published in August 2019, argues these principles can be realised by the Kenyan government through the introduction of "a combination of performance-based budget allocation mechanisms that would provide financial incentives for improved institutional results and better alignment with national policy goals. Policy makers may consider the following three types of innovative allocation mechanisms, separately or combined, to achieve this purpose: (a) funding formula, (b) performance contracts, and (c) competitive grants."

The report proposes that the performance contracts and competitive funds should be open to both public and private universities. "Rather than continuing to allocate annual budgets to the public universities on the basis of history…[p]ositive experience in countries as diverse as Chile, China, Egypt, Indonesia, and Tunisia has shown the ability of competitive funds to help improve quality and relevance, promote pedagogical innovations, and foster better management, objectives that are difficult to achieve through funding formulas."

Africa Economic Outlook 2020, an African Development Bank report, makes similar recommendations. Improving learning outcomes and skills development entails increasing spending per student across Africa, which remains the lowest in the world. Governments are encouraged to adopt performance-based financing and to improve aid targeting. Also, they should facilitate philanthropic financing of private education, develop the student loan market, and effective cost-sharing mechanisms. Further, they ought to promote education-linked conditional cash transfers to girls and poor families, and explore innovative finance options to channel more international private capital into education.

The report notes that the private sector underinvests in skills and urges it to complement government funding in promoting high quality education and reduce the skills gaps they bemoan so much about. It urges the development of public-private partnerships that "enable the government and the private sector to join in providing education infrastructure, products, and services and in sharing costs and resources."

The report also challenges African schools and universities to "mobilise funds through alumni associations. Dues and donations can be used to improve the school's facilities and curriculum and provide financial support to members of disadvantaged groups. Alumni associations could also be deployed to lobby governments for more effective education policies."

Public support for higher education has been declining in many countries around the world. In my book, *The Transformation of Global Higher Education, 1945-2015*, I note in a chapter on university financing around the world that "out of the 122 countries that had data on government expenditure on education in general as a share of GDP between 2000 and 2013, it rose in 83 countries and fell in 39 others…In terms of expenditure on tertiary education as a percentage of total government expenditure, between 2000 and 2013, it rose in 58 countries and fell in 34."

Digging deeper into the global data on expenditure on higher education, I show that "out of the 95 countries for which data was available covering the 2000–2013 period, government expenditure on tertiary education as a percentage of its expenditure on education rose in 62 and fell in 33…Europe claimed the largest number of countries that experienced a rise (19), and Africa those that fell (12)…The patterns in Asia and Latin America and the Caribbean fell in between those in the African and European regions."

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Declines in public funding led to the development of cost-sharing. In my book, I identify five forms of cost-sharing: i) he introduction or imposition of sharp increases in tuition fees; ii) the establishment of dual-track tuition fees for different groups of students; iii) the imposition of user charges for services that were previously free or heavily subsidised; iv) the reduction in the value of student loans, grants, and other stipends; and v) the diminution in the size of the public sector and official encouragement of the expansion of tuition-dependent private institutions, both non-profit and forprofit."

Dual-track tuition fees were widely adopted in East Africa, and pioneered by Makerere University. This is what came to be called parallel programmes in Kenya, in which government-sponsored students were charged lower tuition fees and self-sponsored students paid much higher rates. In effect, the latter subsidised the former. This model collapsed from 2016 as the number of qualifying students in the KCSE examinations fell drastically and the market for self-sponsored students evaporated overnight. This is at the heart of the financial crisis that has engulfed Kenyan public universities since then.

Declining numbers

Kenyan private universities have always been dependent on tuition, but in 2016 most of them opted to offset the declining numbers of students by accepting government-sponsored students when this option was made available to them for the first time. But it inadvertently ended up reinforcing their financial challenges, as the government student subventions barely covered a third of instructional costs per student, and sometimes even less. Thus, they, too fell into a spiral of severe financial instability. In fact, for some of them the situation became even worse than for public universities: none of their costs for employee salaries and capital expenditures were covered by the public exchequer.

Compounding the challenges of many students and universities is the absence of well-targeted and well-managed financial aid programs at the national and institutional levels. The World Bank report mentioned earlier notes that student support from public funds needs to be better targeted to those who most need it. It shows that the disparity ratio in Kenya between households in the highest and lowest consumption quintiles is 49, "meaning that a young Kenyan from the richest income group is 49 times more likely to access higher education than one from the lowest income group." In this context, "It is safe to assume, based on the experience of other countries with similar characteristics as Kenya, that a larger share of government subsidies goes to students from the richer family groups than from the lowest socio-economic groups and that financing may still be a significant barrier for many needy students. The Kenyan situation is consistent with the extensive international literature showing that the cost of higher education is a deterrent for young people from low-income groups."

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The report advises Kenya to consolidate existing bursary schemes under one single agency, to reform the tuition fee policy, and to strengthen the design and operation of the Higher Education Loans Board (HELB). A more effective tuition fee policy would entail "eliminating the present parallel fee system and move instead to a TFT [Targeted Free Tuition] scheme, following the example of South Africa. This would require shifting from a system of fee exemptions that benefit the most qualified students from an academic viewpoint to a system where the neediest students who qualify for higher education studies would not pay tuition fees."

For its part, HELB could be strengthened on "three fronts: (a) better targeting, (b) resource mobilisation, and (c) improved loan recovery…HELB could revisit the weights assigned to each indicator to refine the instrument and give priority to low-income students. It would also be important to discriminate more in terms of giving larger sums to the neediest students compared to middle-class students. With regard to resource mobilisation…HELB should focus on seeking alternate sources of funding by delegating fund management to local governments and private companies."

As for loan collection, "no matter what type of student loan system operates in a country, it is doomed unless its collection mechanism is designed and operates in an effective manner…In the past few years, the Board has invested a lot to boost loan recovery, notably by tracing loan beneficiaries through employers and statutory bodies such as the KRA, the National Hospital Insurance Fund (NHIF), and the National Social Security Fund (NSSF). To further strengthen loan recovery, HELB could work on improving awareness among loan beneficiaries and their families, introduce a system of moral guarantors, and invest in reliable ICT mechanisms to track graduates."

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The report also advises that it is critical to build an income-contingent provision in loan repayment schemes. It states, "International experience shows that income-contingent loans, designed after the Australian and New Zealand model, tend to have higher repayment rates. Not only are they more efficient in terms of loan recovery through the national tax system, but they are also more equitable since graduates pay a fixed proportion of their income and are exempted from repaying whenever they are unemployed, or their income is below a predetermined ceiling." Besides government subventions through student aid, it is also important for institutions to build student aid capacities from their own resources.

Student aid

At American universities, this often takes the form of differential pricing, in which well-resourced students pay the full listed price, and more needy students pay a

discounted price. The discount rate can be as much as 50%, although a discount rate of more than 35% can result in financial difficulties if not backed by extensive additional institutional resources. For example, the College Scorecard produced by the U.S. Department of Education that lists some key data on individual American colleges and universities shows that the average tuition for such leading ivies such as Harvard, Yale, and Princeton is $14,000, $19,000, and $10,000, respectively. In reality, in 2018-2019, the cost of attending Harvard for tuition, fees, room, and board was $67,340. Students from families earning below $65,000 pay no tuition, those from families with incomes up to $150,000 pay 0-10%, and there are proportional expectations from families with incomes above $150,000.

Similar schemes are available at Yale, Princeton, and many rich American universities. These universities are, of course, able to do that because of their huge endowments, which in 2018 stood at $39.2 billion for Harvard ($1.7 million per student), $29.4 billion for Yale ($2.3 million per student), and $25.9 billion for Princeton ($3.2 million per student). These endowments are simply unimaginable in Africa. The University of Cape Town, Africa's leading university, has an endowment of 11.8 billion rands, equivalent to $786.5 million, which would not even put it in the top 100 universities in the United States in terms of the size of endowments.

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At my university, which is a notable exception in some ways, we have a fairly sizable student aid programme covered by the university operational budget that caters for hundreds of students every year. A feature of our student aid is a work-study programme. A few years ago, a group of students set up a scholarship fund called Educate Your Own that currently supports several dozen students. Our internal efforts are supplemented by scholarships from external partners as well as loan schemes with various lending organizations.

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But these initiatives are not enough to meet the financial needs of all students from low- income backgrounds. This is evident by the fact that some students who undertake

deferred payment plans are unable to fulfill their obligations and it takes the university years trying to recover the funds. Many others end up dropping out, which is a huge loss to them, their families, communities and society at large, as well as to the university itself.

Fundraising

As noted above, the third source of funding for universities comprises income-generating activities. To quote the World Bank report again, "While the potential for resource mobilisation is much more limited in developing countries than in OECD nations, Kenyan universities could actively seek additional resources through donations, contract research, consultancies, continuing education, and other fundraising activities, as some of them have already done since the government started reducing university budgets in the mid-1990s."

But the report warns, "Not all sources of income have the same potential. Contrary to what is commonly assumed, technology transfer is not, on average, a highly beneficial activity from an income generation viewpoint. Even in the United States, which has a favorable policy framework for innovation and technology transfer, very few institutions hit the jackpot with path-breaking innovations that can be successfully commercialized and bring in millions as revenue.

At Harvard University, income from technology transfer licences is equivalent to only 1 per cent of annual fundraising receipts. "More important is undertaking productive activities. But all too often some of these activities may have little bearing on the university's core focus and expertise. Renting out facilities is popular; some universities have even established petrol stations and mortuaries! More lucrative are grants and contracts from consultancies that bring faculty expertise to bear. Above all, in the United States and other parts of the world with robust institutional fundraising cultures, alumni and corporations provide the most important income generation sources.

Needless to say, fundraising is grossly underdeveloped in most Kenyan and other African universities. As I noted in a keynote address on advancement in African universities at a forum of Vice-Chancellors in Gaborone, Botswana in May 2019, effective fundraising requires developing institutional capacities, cultures, and commitments. Fundraising is a collective institutional enterprise that requires full commitment and participation of management, governing bodies, and faculty. African universities that are serious about advancement or fundraising must make the necessary investments in building their capacities in terms of databases, human capital, marketing and communications, mobilising and managing donors, and ability to run different types of activities, including annual giving, major gifts, and capital campaigns, etc. They also need to establish reward systems to incentivise those who attract philanthropic donations.

Typically, sophisticated fundraising operations require dozens and even hundreds of highly paid and specialised professionals, depending on the size of the institution. Institutional investment can range up to a quarter of funds generated through fundraising. Fundraising professionals are sorely lacking in African universities. Advancement is a long-term project and process that takes many years and even decades to begin bearing fruit. This is often not well understood among leaders and governing boards at many African universities. It is quite common at universities with successful fundraising operations for the governing boards to take leadership in working with the university management in the mobilisation of donors, and in their own personal philanthropy through give or get. In capital campaigns, up to a third can be generated by the governing board. Philanthropy in African universities is also affected by weak national cultures of institutional philanthropy.

Cultures for institutional advancement are also weak even among alumni, the source of up to 70% of external funds to universities in the United States and other countries with rich fundraising traditions. It is not unusual to hear alumni ask, why give when they already paid tuition when they were students? While the culture of giving is strong in many African societies, it tends to be limited to families and kinship networks. Public giving is largely confined to religious organisations.

When it comes to education. the tradition of giving has traditionally been stronger for lower levels—primary and secondary schools (encompassing the construction and maintenance of schools in colonial and postcolonial Africa)—than higher education because the latter was for so long dominated by the state. For higher education, giving is often confined to scholarships for family and relatives.

Some writers identify three types of philanthropy. One is horizontal philanthropy, which is largely peer-to-peer, focused on day-to-day subsistence and based on notions and expectations of solidarity, mutuality and reciprocity. It doesn’t necessarily increase assets, although it can mutate into community foundations. The other is vertical philanthropy in which the rich give to the poor and needy. This encompasses organisations that depend on resources from members or raised from other sources and which disburse funds to others. Finally, there are modern foundations, which first emerged in the USA in the early 20th century. These are often established by wealthy individuals, families, and corporations.

Philanthropy in Africa has been dominated by American and other Western foundations. According to the report by the Council of Foundations, *The State of Global Giving by U.S. Foundations 2011-2015*, international giving by American foundations rose from $7.2 billion in 2011 to $9.3 billion in 2015, and the average grant rose from $200,900 to $604,500. Health claimed the bulk (52.5%), and education received only 7.9% of the funds. US foundations giving to Africa between 2002 and 2012 almost doubled from 135 to 248. In dollar terms, the funding rose from $289 million in 2002 to $1.46 billion in 2012, given to 36 of the 54

African countries. Between 2011-2015 sub-Saharan Africa led with $9 billion (25.4% of the total disbursed globally), followed by Asia and Pacific $6.6 billion (18.7%), Latin America and Mexico $2.7 billion (7.7%), Western Europe $2 billion (5.6%), Middle East and North Africa $1.7 billion (4.7%), and Eastern Europe, Central Asia and Russia $570.2 million (1.6%).

An encouraging development in Africa in recent years has been the growth of African foundations. Often patterned on Western foundations, they have been established by some of the continent's wealthiest individuals and largest companies. Thus, the exponential growth of high net worth individuals (HNWIs), those with net assets of more than $1 million, has provide propitious grounds for the expansion of African institutional philanthropy.

According to the *World Wealth Report 2018*, in 2017 the size of HNWIs in Africa reached 169,970 with a combined wealth of US$1.7 trillion (0.9% out of the 18.1 million HNWIs globally and 2.4% out of $70.2 trillion global HNWI wealth). The leading HNWI regions were Asia-Pacific (34.1% and 30.1%, North America 31.3% and 28.2%, and Europe 7.3% and 7.8%, respectively). Predictably, African foundations are heavily concentrated in South Africa, Nigeria, and Egypt, Africa's three largest economies. Their current aggregate giving is $2 billion, typically in the $20,000-$25,000 range. They mostly focus on service delivery, poverty reduction, and infrastructure support. Education is low on their list of priorities, and higher education hardly features.

The World Bank report referred to above notes, "With a few exceptions, fund raising has not been a major priority in all Kenyan public universities until now, on the assumption that resources are limited throughout the economy and that philanthropy is not part of the national culture. However, international experience shows that, even in resource-constrained countries, universities can find a few rich companies and individuals— locally and among members of the diaspora—that can be convinced to make financial contributions to universities if they are approached and presented with good reasons to support the universities."

Until recently, fundraising among European universities was also underdeveloped. The World Bank report continues, "Even though the economic conditions may be substantially different from those prevailing in Kenya, the fact that European universities are new to fund raising makes their experience relevant. The most important lesson is that success in fund raising is influenced by (a) the prestige and reputation of universities as proxies of their quality, (b) the existence of continuous relationships with different types of donors in the context of a solid fundraising strategy, and (c) the geopolitical context of the institution."

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Clearly, there is need for creating enabling conditions at the national level in terms of policy and legislation. As African governments increasingly recognise the important role philanthropy can play in fostering development, they are passing non-profit laws that affect the philanthropic sector. In Kenya, this includes legislation applicable to public benefit organisations (PBOs), non-governmental organisations (NGOs), companies limited by guarantee, including non-profit organisations (NPOs), societies, and trusts. Tax laws make provisions for tax exemptions for PBOs and NPOs, deductibility of charitable donations and value-added taxes.

But according to a Kenyan expert on the subject, "The legal status of philanthropic institutions is imprecise and there are very few incentives for either corporate or individual giving…Of particular concern is the fact that there is no legislative mechanism to distinguish between philanthropic institutions and other civil society organisations, or to distinguish among different kinds of philanthropic institutions…For instance, corporate foundations and community foundations are in the same legal category despite their significant differences in goals, operations, and governance. The process of claiming tax exemption deductions in Kenya is rigorous, burdensome, and timeconsuming for the donor."

The financial and other challenges facing contemporary higher education around the world require universities to become more nimble, adaptable, and entrepreneurial by carefully balancing the enduring mission of higher education and the emerging demands and disruptions. They have to constantly review their value proposition, and the organisation and delivery of their core functions of teaching and learning, research and scholarship, and public service and engagement, as well as in the provision of ancillary and essential operations and services.

Disruption and change

In the 2019 *Almanac of Higher Education* published by the Chronicle of Higher Education, there is a sponsored essay that notes, "The pace of change in the world and workplace is accelerating, and every industry, including higher education, is being disrupted. Disruption and change create new opportunities for entrepreneurship. Colleges and universities that cultivate a multidimensional entrepreneurial ecosystem can position themselves to thrive in a challenging and changing marketplace….Entrepreneurial leaders are nimble, opportunity-driven, innovative, problem-solvers, and growth-oriented."

Five ways are suggested to develop an entrepreneurial university ecosystem. First, embracing experimentation and not being afraid to fail and learning from failure in a continuously iterative and action-oriented process. Second, creating a culture of inquisitiveness, innovative and critical thinking at all levels, and normalising transformational thinking by rewarding entrepreneurial managers, employees, and administrators. Third, encouraging collaboration internally by breaking silos and through strategic partnerships externally. Fourth, creating powerful lifelong connections and a strong entrepreneurial ecosystem that will sustain institutions, stakeholders and society. Finally, developing the propensity to recognise opportunities by paying keen attention to market changes and demands for new forms of learning and skills in the economy and society.

Financing higher education is of grave concern to well-meaning governments and political leaders, and university administrators and managers: how to provide high quality teaching and learning and student support services in an era of tight and even declining resources, in addition to promoting the two other traditional missions of higher education, namely, research and scholarship, and public service and engagement.

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And now there is a fourth mission that is increasingly emphasised—universities as hubs of innovation and entrepreneurship. Higher education institutions also have to increasingly navigate the digital disruptions of the 4th Industrial Revolution, changing student demographics, escalating national, regional and global competition, growing demands for accountability, and questions about the value proposition of university education from accreditation agencies, the general public, the students themselves and their parents. There are also governance challenges with the expansion and pluralisation of internal and external stakeholders in university affairs.

All these pressures are an integral part of the financial and structural crises facing universities. They demand clear and collective understanding, smart and strategic interventions, as well as creativity and imagination to turn the constellation of challenges to the flip side of opportunities. Universities are notoriously conservative institutions. Woodrow Wilson, who served as President of Princeton before becoming President of the United States, reportedly said, “It is easier to change the location of a cemetery, than to change the school curriculum.”

In other words, resistance to change in academia is deeply rooted. It is often bolstered by alumni for whom their college years are often imbued with wistfulness for their long receded youth. Nostalgia is a powerful human emotion, especially in times of rapid and frightful changes, but it’s no substitute for clarity of vision if universities are to survive let alone succeed in the 21st century with its massive and unforgiving technological, economic, political, social, cultural, and environmental disruptions and demands.

In short, the university of 2020 cannot be the university of 2010 or 2000, let alone earlier decades. It must be a university prepared for 2030, 2040 and beyond, duly mindful and prepared for the unpredictability of the future. We must create institutional cultures and mindsets of nimbleness, creativity, continuous learning and improvement, and data driven decision making.

Thus, lifelong learning is not simply an imperative for the successful students and graduates of the 21st century, but for the institutions of higher education themselves. Otherwise some universities, especially the weaker ones and those in poorer countries, will join the long trail of historical dinosaurs and relics. Remember Blockbuster, the video giant that didn’t see streaming services coming and was cast to the historical dustbin by Netflix? And Kodak, whose glorious supremacy in the photographic film market was upended by digital photography? Bookstores and other stores in city centers and malls were mauled by Amazon, and taxi and hotel businesses are being destabilised by online platforms. Higher education cannot be an exception. Indeed, as I noted in a plenary address entitled “The Challenges and Opportunities of the Fourth Industrial Revolution for African Universities,” delivered at the First National Higher Education Conference by Universities South Africa, in October 2019, the disruptions for higher education are already underway. This is evident in the emergence of new modes of delivery for teaching, learning and assessment. Also, universities are losing their monopoly over credentialing.

In a digitised economy, where continuous reskilling will become a constant, the college degree will cease to be a one-off certification of competence, and a convenient screening mechanism for employers. The unbundling of the degree is already underway with the rise of micro degrees, stackable credentials, joint undergraduate and graduate degrees, and the imperatives of interdisciplinary and inter-professional teaching and learning and qualifications.

Employers will increasingly come to use predictive analytics to identify and hire talent. They will demand life-wide and lifelong portfolios combining the 4Cs of contemporary education: the curriculum (class learning), campus (co-curricular activities), community (experiential learning and engagement), and commerce (skills and mindset for employability).

Financial resources and effective financial management are essential to navigate these challenges, seize the opportunities, and ensure institutional sustainability in a highly complex, competitive, and unpredictable world. The question is: How prepared are African and Kenyan universities and their numerous stakeholders for the brave new world of 21st century higher education?

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