# THE EXPERIENCE OF THE PRIVATELY SPONSORED STUDENTSHIP AND OTHER INCOME GENERATING ACTIVITIES AT THE UNIVERSITY OF NAIROBI

by

Crispus Kiamba

Vice Chancellor
University of Nairobi
Kenya

A case study prepared for a Regional Training Conference on
*Improving Tertiary Education in Sub-Saharan Africa: Things That Work!*

Accra, September 23-25, 2003

Financial and material support for this training activity were generously provided by the ADEA Working Group on Higher Education, the Association of African Universities, the Agence Universitaire de la Francophonie, the Carnegie Corporation of New York, the Ghana National Council for Tertiary Education, the Government of the Netherlands, the International Network for the Availability of Scientific Publications, the Norwegian Education Trust Fund, and the World Bank.

# THE EXPERIENCE OF THE PRIVATELY SPONSORED STUDENTSHIP AND OTHER INCOME GENERATING ACTIVITIES AT THE UNIVERSITY OF NAIROBI

Crispus M. Kiamba

## INTRODUCTION

Cost-sharing, referring to a shift of at least some the higher educational cost burden from government, or taxpayers, to parents or students, either in the form of tuition to cover part of the costs of instruction, or of "user charges" to cover the costs of governmentally- or institutionally-provided accommodation, has been a contentious issue (Johnstone, 2002: 72). The issue is even much more so where contemporaneously with the stream of students who are going through this system, is a stream or group students who pay full tuition fees to the universities. This category of students, in addition, are not normally provided with accommodation facilities by the universities; even if this was to be done, it would be at market prices as opposed to the first category of students who receive substantially subsidised accommodation.

In Kenya, this category of students who have been paying the full tuition fees has been referred variously, including "parallel students", "Module Two Students", "Privately Sponsored Students", etc., as opposed to the category of students who are either fully or partially supported (through some form of cost-sharing) by the government and who have been referred to as "Regular Students" or "Module One Students". The phenomenon of the new category of a student who is paying full fees was part of the greater idea of direct income generation by public universities in Kenya with a view to supplementing decreasing government support (at least in real terms) to public universities.

This paper examines this new phenomenon of financing of public universities in Kenya with special reference to the experience of the University of Nairobi in the conceptualisation and implementation of the category of a full fee paying or fully self-supporting student.

## THE GENESIS OF THE PHENOMENON

Over the past decade or so public universities in Kenya have continued to receive less financial allocations from the Government than the estimated expenditure, a trend which is expected to persist. Consequently, the cost of staff, learning and research materials, catering and accommodation services, coupled with inflationary pressures made it difficult to sustain the operations of these universities. The implications of such a scenario was the increasing debt burden that threatened to compromise the very essence of the objects and functions of the universities. The Government indeed made it quite clear that it would no longer be able to fully finance public universities. A notable observation in the Kenyan 1994-98 Development Plan was that:

> "…the central thrust of the new policies is to rely on market forces to mobilise resources for growth and development with the role of the Government increasingly confined to providing an effective regulatory framework and essential public infrastructure and social services. The Government will limit direct participation in many sectors and instead promote private sector activity".

As a consequence, during the 1994/95 financial year, the Government reduced the education budget from 37% of its total annual recurrent budget to about 30% with the argument that higher allocations were not sustainable. In these circumstances public universities were called upon to explore ways and means of financing university programmes partly with funds generated from sources other than the Exchequer. The need for public universities to diversify their activities to include income generation was a major part of the speech of the Chancellor and President of the country during the University of Nairobi 1994 Graduation Ceremony. The evolving Government policy in this regard was further emphasised by the Minister for Education by asserting:

> "This is a turning point in the development of our public universities, where they are being called upon to adopt business-like financial management styles. It is also a point in time when universities have to plan well ahead about resources expected to be forthcoming from sources other than the Exchequer… Time has come to seriously take account of the universities potential to generate income internally. It is an open secret that some of our universities are capable of generating substantial amounts of money from the resources at their disposal… Income from such sources should be exploited and treated as definite sources of university revenue"[1]

Further, an academic staff industrial action about the poor terms and conditions of service during 1993/1994 deepened the financial crisis facing public universities in Kenya, literally grounding university functions and thereby creating an impetus for a quick solution to the crisis. The unrest, which initially was occasioned by the refusal of the Government to register a Universities Academic Staff Union which was championing the cause of staff, lasted for about six months. As the "mother" of the university system in Kenya, the University of Nairobi was the epicentre the staff unrest. Faced with this crisis, the University moved quickly to explore ways to generate if not diversify its financial or revenue base by using to the fullest advantage all the resources at its disposal.

## A BUSINESS MODEL RESPONSE AND THE NEW INSTITUTIONAL STRUCTURES

Against the above background, in 1994, the University set up a Committee "to look into income generation activities in the University and make recommendations thereof"[2]. The Committee noted that the role of income generation by universities had been captured by the concept of "entrepreneurial university" which was a significant evolution from the traditional model of a university since a "business model" was adopted in conjunction with the conventional mission of the university. In this regard, due emphasis would be placed on the identification of the university resources and their commercial exploitation. The model also assumes that universities have to market more vigorously what they know best, namely, teaching, research and service. This can only be achieved through a careful analysis of the existing market opportunities, followed by a deliberate attempt to create new demands and new markets for their tradable goods and services. It was further noted that there is increasing evidence to show that any university, given its reservoir of expertise in the development and transmission of knowledge, could become adaptive and entrepreneurial simply through an innovative use of the existing conventional structures, but with appropriate change in delivery systems, personnel and organizational structures.

In order therefore to achieve the goals and purpose of an entrepreneurial university, there is need for a differentiated organizational structure between the conventional academic programmes and those of income generation. In this regard it was observed that whereas the organizational structure of academic departments and faculties was suitable for the facilitation of conventional academic and research

[1] Speech of the Minister for Education during a Workshop for Vice-Chancellors, Egerton University, Njoro 1994.

[2] The author of this paper was a member of this Committee.

Programmes in a reasonably efficient and effective manner, they are less effective in an entrepreneurial undertaking. Other alternative or complementary organizational arrangements, for example, private companies, industrial science parks, dedicate research institutes, etc, had proved more efficient and effective. In this connection a business-oriented model, in where the university would act as a "parent" or "holding" company with decentralized centers or organs acting as the entrepreneurial centers or "cost" or "profit" centers with the expectation that they attain self-sufficiency from a number of financial sources. The heads of such centers would be expected to be managers, rather than the traditional heads of an academic department.

In its Report[3], the Committee therefore noted that the University should separate the management of the income generating activities from the public-sector oriented mainstream educational and research functions of the University while ensuring that the income from these activities serves the learning, research and staffing objects and functions of the University, hence the adoption of business-like income-generation and financial management strategies. The Committee recommended that in order to ensure the observance of sound business practices in the running of income-generating activities, a limited liability company wholly owned by the University should coordinate such activities.

**THE UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED (UNES)**

Against the above background, a wholly University-owned company, known as the University of Nairobi Enterprises and Services Limited (UNES)[4], was incorporated ion May 1996 with its main functions as the promotion, management and co-ordination of income generating activities and consultancies. The University through UNES intended, therefore, to: (a) identify the resources within the University of Nairobi that can profitably be used for commercial activities; (b) apply those resources in the development of commercial ventures where competitive advantage can be gained; (c) contribute in other ways that may help the University of Nairobi to achieve its mission; (d) formulate and popularise strategies that will allow the development of a high degree of productivity among the University Community; and (d) help, create, encourage and offer support for group initiatives in competence areas of the University that focus on the broader objectives of the Company.

The following objectives were formulated as a mechanism for achieving the foregoing goals: (a) to harness the resources of the University of Nairobi with a view to enhancing the University's teaching and research capabilities; (b) to promote, coordinate, or provide managerial services for income generating activities within the University of Nairobi; (c) to undertake consultancy work, research, production and other income generating activities; and (d) to provide managerial services for consultancies, research, production and other income generating activities undertaken by Faculties, Departments, or other organs of the University of Nairobi.

UNES is managed by a Board of Directors who represent the broad spectrum of the University's stakeholders. Representing the University as the "parent company" are the Chairman of the University Council who is the Chairman of the Company, the Vice-Chancellor, the Deputy Vice-Chancellor responsible for administration and finance, and the Deputy Vice-Chancellor responsible for academic matters. The Government as the sponsor of the University is represented by the Permanent Secretary of Ministry of Education, Science and Technology and the Permanent Secretary for Ministry of Finance.

[3] University of Nairobi (1994): "Report of the Committee on the Income Generating Activities in the University", Nairobi.

[4] See University of Nairobi Enterprises and Services Limited (UNES) (1996): "Memorandum and \articles of Association", Nairobi. This was pursuant to a resolution of the University of Nairobi Council at its meeting held on 24th November 1994 and in accordance with Part II Section 3(2) (d) of the *University of Nairobi Act*.

The Private Sector is represented by two persons from the private sector nominated by the University Council (currently occupied by the Managing Director of Barclays Bank and a person who when he was nominated was the managing Director of the Housing Company of Kenya Limited), Governor of the Central Bank of Kenya, and one Member of the University Council nominated by the Council (presently occupied by a leading private sector personality). University Staff/Senate is represented in the Board by two persons nominated by the Council on the recommendation of the Senate (currently occupied by the Principals of the Colleges of Humanities and Social Sciences and College of education and External Studies, two of the most active Colleges in the new academic programmes) and two other persons from the income generating Units in the University nominated by the Council on the recommendation of the Income Generating units (the two slots are currently occupied by the Deans of the Faculties of Law and Medicine, some the most active faculties in the Parallel academic programmes). The presence in the UNES Board of the Deanship positions of the University, which are not only the only elected positions in the University (and therefore largely representing academic staff interests), but also the main movers of academic programmes in the University facilitates an injection of the perspective of academic staff and also academic departments in the decision making process of the new organisational set-up.

The day-to-day administration of the Company is undertaken by a Managing Director competitively appointed by the Board of Directors and assisted by a team of support staff comprising administrators and finance staff and a Company Secretary. The technical inputs in the relevant areas of competence is provided by the members of academic staff who UNES contracts for specific duties and responsibilities. In turn, the UNES Managing Director (UNES-MD) sits in attendance in the University Management Board (UMB) and the Senate (both of which are chaired by the Vice-Chancellor). Further, the UNES-MD furnishes the University Council, the UMB and the College Academic Boards with regular reports on the financial matters on the new programmes. These interactions between the traditional University structures (the Council, UMB, Senate and CABs) and the new organizational innovation (UNES) allow for interpenetration of ideas and decisions and relative involvement of stakeholders in the decision-making processes of the new environment.

**EDUCATION AS THE CORE COMPETENCE OF THE UNIVERSITY: "ADDING VALUE TO KNOWLEDGE"**

As indicated earlier, it was clear that the University's competitive advantage in income-generation lay in the knowledge-driven areas; hence the Company motto became "Adding Value to Knowledge". The sectors of the economy that are knowledge-driven were seen not only the areas of core competences of the University, but that they were also the new sectors of the economy recording growth and breaking new frontiers. In so doing the University would also be doing more than just good business: it would be providing the much-needed impetus for a national knowledge economy. It was also clear from the national point of view that new educational opportunities created by the new environment would save the nation money that would otherwise have been spent abroad and therefore saving the country foreign exchange.

Given the available human and non-human resources of the University, establishment of continuing education programmes was regarded as a top priority area for implementation. Using the available slack capacity in the University (evenings and weekends), this has enabled the University to open strategic windows of educational opportunities to the many Kenyans who meet the University admission requirements, but who do not secure admission due to the limited capacity for the regular programmes. This has been made possible because the University did not offer accommodation to students registered in these programmes. These opportunities are also available to those whose full-time jobs and other personal commitments which would otherwise not allow them to pursue further studies on a full-time basis. These educational programmes have enabled the University to generate revenue (to supplement Exchequers support) to finance its functions.

## THE MODULE II ACADEMIC PROGRAMMES

During the early part of 1998, the University resolved to get engaged in activities where it has core competence, or comparative advantage, and in particular those areas that are knowledge-driven, hence the introduction of academic programmes for privately- sponsored students or Module II programmes. This started with the Master of Business Administration (MBA) in the Faculty of Commerce and soon followed by introduction of Bachelor of Laws Programme in the Faculty of Law, Bachelor of Commerce in the Faculty of Commerce and Bachelor of Education in the Faculty of Education. By the end of 1998, similar programmes were introduced in the Faculties of Medicine, Pharmacy, Dental Sciences, Engineering and the Institute of Computer Science.

The beginning of an academic course under the Module II Programme was determined by a number of interrelated factors, the main of which were the demand that existed for the programme, the presence of "champions" in the departments and the lack of resistance by staff. In this connection, the largely professional programmes like Commerce and Business Administration, Law and Medicine became the trail blazers. The experience learned from these programmes was quickly utilised to launch programmes on the other faculties and departments. Further, the financial benefits from these "champion" programmes were spread to the total University and to some extent jolting the "doubting Thomases" to also embark on the development of Module II programmes in their departments.

Currently, there are Module II Programmes in almost all Faculties of the University with total of about 14,880 registered students compared with about 13,000 students in the Module I Programmes. Tables 1, 2 and 3 capture the latest year 2002/2003 status of registration of students and compares students numbers in the Module I and Module II Programmes. It is clear that within a period of six years, the new programmes have not only equalled but surpassed the traditional student-supported programmes.

## MANAGEMENT OF RESISTANCE TO THE NEW PROGRAMMES

Early on, there was some resistance to the introduction of the new parallel programmes especially by students; the University had to be closed for a month following demonstrations against the introduction of the new programmes. The justification for the programmes was however so solid that the University Management decided there was no going back. It was also realised that other than the setting up of the Committee and consideration of the Committee's Report, the University Management had perhaps not carried out adequate consultations with and involved students and staff in the novel idea; hence ownership of the new policy by the total university community was initially problematic. For example, the aforementioned Income Generating Committee was a University Management Committee rather a Committee set up by the Senate. There was therefore an impression that the new policy was "top down" rather than "bottom up", which did not obviously lend itself to easy acceptability by the stakeholders.

In view of this, consultations and workshops to sensitise, train and identify new opportunities for all academic units were aggressively embarked upon by the University. This process was largely managed by the University Management Board together with the Committee that it had appointed to study potential for income generation in the University.

*Table 1.* Student Population (Undergraduate) 2002/03 Academic Year

| **FACULTY/DEPARTMENT/ACADEMIC PROGRAMME** | **MODULE I** | **MODULE II** | **TOTAL** |
|---|---|---|---|
| AGRICULTURE | | | |
| B.Sc. Agriculture | 426 | 0 | 426 |
| B.Sc. Food Science & Technology | 114 | 6 | 120 |
| B.Sc. Range Management | 107 | 0 | 107 |
| AFRICAN STUDIES | | | |
| B.A. Anthropology | 367 | 6 | 473 |
| ARCHITECTURE, DESIGN & DEVELOMENT | | | |
| B. Architecture | 162 | 31 | 193 |
| B.A. Building Economics & Management | 122 | 9 | 131 |
| B.A. Design | 106 | 61 | 166 |
| B.A. Land Economics | 119 | 21 | 140 |
| B.A. Planning | 17 | 0 | 17 |
| ARTS | | | |
| B. Arts | 2,328 | 743 | 3,071 |
| COMMERCE | | | |
| B. Commerce | 1,075 | 1,345 | 2,420 |
| COMPUTER SCIENCE (COMPUTING & INFORM.) | | | |
| B.Sc. Computing Science | 157 | 85 | 242 |
| DENTAL SCIENCES | | | |
| B. Dental Science | 84 | 43 | 127 |
| EDUCATION | | | |
| B. Education (Arts) | 1,312 | 1,187 | 2,499 |
| B. Education (Science) | 51 | 45 | 96 |
| ENGINEERING | | | |
| B.Sc. Agricultural (Environmental & Biosystems) | 156 | 1 | 157 |
| B.Sc. Civil | 314 | 44 | 358 |
| B.Sc. Electrical & Electronics | 327 | 133 | 460 |
| B.Sc. Mechanical | 276 | 52 | 328 |
| B.Sc. Surveying | 134 | 3 | 137 |
| EXTERNAL STUDIES | | | |
| B. Education (Arts) (Distance) | 0 | 5,064 | 5,064 |
| LAW | | | |
| B. Laws | 485 | 610 | 1,095 |
| MEDICINE | | | |
| MB.Ch.B | 777 | 503 | 1,280 |
| B.Sc. Nursing | 140 | 49 | 189 |
| B.Sc. Biochemistry | 0 | 29 | |
| PHARMACY | | | |
| B. Pharmacy | 160 | 136 | 296 |
| SCIENCE | | | |
| B.Sc. (General) | 1,266 | 23 | 1,289 |
| B.Sc. Actuarial Science | 51 | 100 | 151 |
| B.Sc. Biology | 36 | 20 | 56 |
| B.Sc. Industrial Chemistry | 40 | 70 | 110 |
| B.Sc. Industrial Mathematics & Informatics | 0 | 5 | 5 |
| B.Sc. Mathematics | 34 | 9 | 43 |
| B.Sc. Meteorology | 0 | 10 | 10 |
| B.Sc. Micro-processor Technology | 0 | 42 | 42 |
| B.Sc. Statistics | 60 | 5 | 65 |
| SOCIAL SCIENCES | | | |
| B. Psychology | 0 | 288 | 288 |
| VETERINARY MEDICINE | | | |
| B. Veterinary Medicine | 287 | 12 | 299 |
| B. Biomedical Lab. Technology | 0 | 73 | 73 |
| B. Wildlife Management | 0 | 37 | 37 |
| **GRAND TOTAL** | **11,090** | **10,902** | **21,992** |

*Table 2.* Student Population (Diploma) 2002/03 Academic Year

| FACULTY/DEPARTMENT/ACADEMIC PROGRAMME | MODULE I | MODULE II |
|---|---|---|
| AGRICULTURE | | |
| Dip. Crop Protection | 0 | 16 |
| ARCHITECTURE, DESIGN & DEVELOMENT | | |
| Dip. Real Estate Agency & Property Management | o | 5 |
| ARTS | | |
| Various Diploma Programmes | 0 | 145 |
| EXTERNAL STUDIES | | |
| Dip. Early Childhood Education | 0 | 60 |
| Dip. Business Management | 0 | 600 |
| Dip. Sales & Marketing | 0 | 163 |
| Dip. Public Relations | 0 | 131 |
| Dip. Human Resource Management | 0 | 100 |
| **TOTAL** | **0** | **1,220** |

*Table 3.* Student Population (Post-Graduate) 2002/03 Academic Year

| FACULTY/DEPARTMENT/ACADEMIC PROGRAMME | MODULE I | MODULE II | TOTAL |
|---|---|---|---|
| Agriculture | 182 | 10 | 192 |
| Architecture, Design & Development | 71 | 16 | 16 |
| Arts | 493 | 626 | 1,119 |
| Commerce | 263 | 1329 | 1592 |
| Dental Sciences | 16 | 0 | 16 |
| Education | 105 | 346 | 451 |
| Engineering | 29 | 0 | 29 |
| External Studies | 0 | 146 | 146 |
| Housing & Building Research | 5 | 2 | 7 |
| Law | 33 | 0 | 33 |
| Medicine | 386 | 10 | 396 |
| Nuclear Science | 4 | 0 | 4 |
| Pharmacy | 5 | 0 | 0 |
| Population Studies and Research Institute | 49 | 9 | 58 |
| Science | 178 | 263 | 441 |
| Veterinary Medicine | 56 | 4 | 60 |
| TOTAL | 1,866 | **2,761** | **4,627** |

Official Government statements in the print media and in the National Parliament[5] explaining and supporting the programmes by the Government and also support-statements during public universities graduation ceremonies were important in the demonstration of official support, and acceptability, for the new policy directions in the higher education sector. It is important to realise that by the time parallel programmes were started in the late 1990s, the concept of cost-sharing and student loans was already an accepted reality in public universities, having been instituted during the 1980s. To some extent, therefore, the parallel programmes seemed like a logical route of the large continuum of strategies of the financing of university education. This obviously played some role in the acceptability of the new programmes by the University community and other stakeholders. The utilisation of the funds generated from new academic programmes in visible and credible projects (especially Government initiated capital/development projects in the University that had stalled for many years), including an element of fairness in the benefits-sharing by most stakeholders was also important in enhancing the acceptability of the new programmes.

## CATEGORIES OF INCOME GENERATING ACTIVITIES AND REVENUE DISTRIBUTION POLICY

A policy has evolved, and indeed continues to evolve, of the distribution or apportionment of income or benefits from the different income generating activities or projects to the various stakeholders or organs of the University. Such distribution has not necessarily been uniform due to the varying contributions from the participants and the University. At present the following major categories of income generating activities have been recognised based on the value of respective input by the participants (members of staff) and the University:

a) **Pure consultancies (PC)**: In this category the investment is greater on the part of the participants than it is on the part of the University due to the high intellectual input from the participants.

b) **Specialist-Based Production Units (SBPU)**: This category includes production units whose survival requires specialized or technical human resources at the teaching departments. It is assumed that the initial and any subsequent physical and material investments have been or are to be provided by the University. Examples of this category are the body embalming facility at the Department of Human Anatomy, the diagnostic services facility at the Department of Diagnostic Radiology in the Faculty of Medicine, and the computer assembly facility at the Institute of Nuclear Science.

c) **General Production Units (GPU)**: This category includes income generating activities which are artisan-based without heavy dependence on specialized human resources of a professional nature. Ideally the cost of employment is met as part of production cost. There is need to provide the workers with incentives in form of bonus payments based on the surplus income that is realised from the units. Examples are the farms at the College of Agriculture and Veterinary Sciences and timber and metal production workshops at the Estates Department, College of Architecture and Engineering and College of Biological and Physical Sciences .

d) **Module II Programmes (MIIP)**: These programmes, also referred to as “Parallel Programmes”, refer to the academic programmes in which the registered students are privately sponsored and therefore paying full tuition fees as distinct from the “Regular” or “Module I” Programmes in which students are sponsored by the Government under a some cost-sharing arrangement in where about 80% of the tuition fees is paid by the Government. It was dear early in the initiation of the

[5] Ministerial Response by the Minister for Education, Science and Technology to a Parliamentary Question by Honourable Otieno Kanjwang, Member of Parliament for Mbita, on the University of Nairobi Enterprises and Services Limited, 21st November 2000.

programmes that there was need to consider this as a special category in the distribution formula largely because the Service Providers (those members of staff directly teaching the academic programmes) involved spread across the entire University.

**e) Seminars, Workshops and Short Courses (SWSC)**: This category includes Workshops and Seminars conducted by the various units and/or individuals in which the corporate name of the University is used. Also included in this category are short certificate courses whose duration does not exceed three months.

Table 4 below (next page) shows in detail the current formula for the distribution of the revenue earned from the various categories of income-generating activities to the respective stakeholders as approved by the University Council for implementation with effect from 1st January, 2001. The generation of the policy on the distribution was as a result of intensive discussions at many levels of the University, including Faculties, Colleges, the Management Board, UNES Board and finally the approval by the University Council. The process of collecting the views that were important in the structuring of the revenue distribution formula was managed by a University Management Board Committee and the formula has literally been revised annually, the latest of which is shown in Table 4. The Committee is about to release the latest version which will have incorporated the most recent implementation experience.

## REVENUE GENERATED AND ITS APPLICATION

### *Actual revenue Generated*

The Table 5 shows the income earned by the University through the income generating projects managed under UNES, especially the Module II Academic Programmes since the incorporation of UNES and the commencement of new programmes in 1997. To a large extent, the University has been able to achieve the objectives of its financial projections as stated in the *UNES Corporate Strategic Plans* for 1998-2001 and 2002-2007.

*Table 5.* Income Earned from the Various Income-Generating Activities through UNES, 1997-2002 (kshs.)[6]

| YEAR | MODULE II PROGRAMMES | OTHER PROJECTS | TOTAL |
|---|---|---|---|
| 1997/1998 | 12,964,110 | 66,696,046 | **79,660,156** |
| 1998/1999 | 233,153,499 | 82,001,499 | **315,155,101** |
| 1999/2000 | 377,144,631 | 84,160,615 | **461,305,246** |
| 2000/2001 | 602,836,675 | 78,166,941 | **681,003,616** |
| 2001/2002 | 944,096,451 | 73,359,334 | **1,017,455,785** |
| 2002/2003 | 1,209,512,592 | 106,877,915 | **1,316,390,507** |
| **GRAND TOTAL** | | | **3,870,970,411** |

*Note: 1 US $ = 76 KSh.*

[6] University of Nairobi: 'Rationalisation of Income Generating Activities, June 30, 2003".

*Table 4.* Revenue Distribution Formula[7]

| Unit/Organ | Resource/Cost Element | MII P % | PC % | SBPU % | SWC % | *GPU % | AF % | MF % | RF % | EF % | ID % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| IGU Staff | Direct Service Providers | 35.0 | 65 | 35 | 57 | **12 | 0 | 0 | 0 | 0 | 0 |
| Department | Consumables | 3.0 | 1.5 | 18 | 3.0 | 12 | 5.0 | 0 | 5.0 | 2.5 | 0 |
| | Telecommunications | 1.0 | 0.5 | 0.5 | 0.5 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| | Transport | 0.75 | 0.25 | 0.5 | 0.3 | 1.0 | 0 | | 0 | 0 | 0 |
| | Management and other Support Services | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 0 | 0 | 3.0 | 0 |
| | Marketing | 0 | 0.5 | 1.0 | 4.0 | 1.0 | 15 | 0 | 0 | 0 | 0 |
| | Equipment & Furniture | 2.5 | 1.0 | 2.5 | 2.5 | 2.5 | 0 | 0 | 0 | 0 | 0 |
| Faculty | Consumables | 1.0 | 0.5 | 1.0 | 0.5 | 2.8 | 5.0 | 0 | 10.0 | 20 | 0 |
| | Telecommunications | 1.0 | 0.5 | 1.0 | 0.5 | 1.0 | 0 | 0 | 0 | 0 | 0 |
| | Transport | 0.75 | 0.25 | 0.5 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 |
| | Management and other Support Services | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 10 | 0 | 5.0 | 10 | 0 |
| | Equipment & Furniture | 0.5 | 0.25 | 0.5 | 0.20 | 1.0 | 10 | 0 | 0 | 0 | 0 |
| College | Management/Other Services & Security | 2.2 | 1.0 | 1.0 | 2.0 | 2.2 | 0 | 0 | 3.0 | 10 | 0 |
| | Physical Space & Safety | 0.5 | 0.25 | 0.25 | 0.25 | 1.5 | 0 | 0 | 0 | 0 | 0 |
| | Utilities | 2.5 | 2.0 | 2.5 | 2.0 | 7.5 | 0 | 0 | 0 | 20 | 0 |
| | Transport | 0.5 | 0.25 | 0.5 | 0.25 | 1.5 | 0 | 0 | 0 | 0 | 0 |
| Library | Management and other Support Services | 0.75 | 0.25 | 0.75 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 |
| | Consumables | 0.25 | 0.25 | 0.25 | 0.25 | 0.75 | 0 | 0 | 0 | 0 | 0 |
| Central Admin. | Management and other Support Services | 2.0 | 1.0 | 2.0 | 2.0 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| | Meetings | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 |
| | Public Relations/Alumni Affairs | 0.25 | 0.25 | 1.0 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 |
| | Physical Space, Safety & Insurance | 0.5 | 0.25 | 0.25 | 0.25 | 5.0 | 0 | 0 | 0 | 0 | 0 |
| | Rates and Ground Rent | 0.5 | 0.25 | 3.0 | 0.25 | 5.0 | 0 | 0 | 0 | 0 | 0 |
| | Records, Certification & Equipment | 0.25 | 0.25 | 0.20 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 |
| | Debt Reduction - General | 1.0 | 0.7 | 1.0 | 1.0 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| | Debt Reduction – Pension | 2.0 | 1.0 | 1.0 | 1.0 | 3.0 | 0 | 0 | 0 | 0 | 0 |
| | Utilities (including telecommunications) | 9.8 | 2.0 | 2.5 | 2.5 | 10.0 | 0 | 0 | 0 | 0 | 0 |
| | University wide admin. Responsibilities | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0 | 0 | 0 | 0 | 0 |
| | University wide Service providers | 4.0 | 1.0 | 1.0 | 1.0 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| Academic Div. & BPS | Management & Support Services | 1.0 | 0 | 0 | 0 | 0 | 12 | 0 | 27 | 12 | 35 |
| | Adverts, Admissions & Exams | 0 | 0 | 0 | 0 | 0 | 40 | 0 | 50 | 22.5 | 65 |
| UHS | Management & Support Services | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 0 | 0 | 0 |
| | Out Patient Student Health | 0 | 0 | 0 | 0 | 0 | 0 | 65 | 0 | 0 | 0 |
| UNES | Management Services | 7.25 | 3.0 | 7.25 | 2.0 | *** | 0 | 0 | 0 | 0 | 0 |
| Development Fund | Physical Development | 4.0 | 3.3 | 2.3 | 3.0 | 6.0 | 0 | 0 | 0 | 0 | 0 |
| | Staff Training and Development | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0 | 0 | 0 | 0 | 0 |
| | Library Collections and Equipment | 3.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0 | 0 | 0 | 0 | 0 |
| | Research Grants | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| | Research and Development (R &D) | 0.5 | 0.5 | 0.5 | 0.5 | 2.0 | 0 | 0 | 0 | 0 | 0 |
| Staff Welfare | Staff Health Support Fund | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0 | 0 | 0 | 0 | 0 |
| | Staff Education Support Fund | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 0 | 0 | 0 | 0 | 0 |
| Stud. Welfare | Student Activities support fund | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[7] Categories of Income Generating Activities are abbreviated in the Table as follows: MIIP = Module II (Parallel) Programmes; PC = Pure Consultancies; SBPU = Specialist-Based Production Units; GPU = General production Units; SWSC = Seminars, Workshops and Short Courses; AF = Application Fees; MF = Medical Fees; RF = Registration Fees; EF = Examination Fees; UHS = University Health Services; ID = Identity Card. The * represents: *– Distribution under this category is based on surplus funds (Gross Revenue less Production Costs; **– A bonus payment to staff in these units calculated as a percentage of the surplus; ***– UNES is paid 7.25% management fee as part of the Production Cost. Where Departments/Faculties jointly conduct programmes or income-generating activities, they share allocations on the basis of their respective inputs.

### *Application of the Funds Generated*

Table 6 illustrates the areas where funds have been applied and in accordance with the distribution formula as shown in Table 4. From the table, the expenditure on staff emoluments and related welfare areas was the largest taking about 45% of the total revenue. In view of the poor terms and conditions of employment of staff which was a important reason for the starting of the new income generation ventures by the University, a substantial proportion of the new income has been allocated to the improvement of staff emoluments and welfare. Rough indications are that the extra compensation has gone some way to make the University attract, motivate and retain competent staff and stave off the hitherto spiralling brain drain. Expenditure on academic materials and equipment, including teaching materials, library acquisitions, etc., in order to improve the learning environment amounted to about 28%; this has obviously led to the improvement of the quality of teaching and research which had hitherto suffered a great deal. Expenditure on utilities amounted to about 8%. Expenditure on capital projects, especially on stalled projects that the Government has started during the late 1980s was also given priority because of the need for expansion of space for teaching the expanded student numbers. Renovation and maintenance of property of the University has also been given a lot of attention. The physical deterioration of the University estate has largely been checked.

*Table 6.* Summary of Total Expenditure and Commitments (1997- Dec 31, 2002)[8]

| **EXPENDITURE ITEMS** | | **KSHS** | **PERCENTAGE** |
|---|---|---|---|
| 1 | Capital Development Projects | 392,298,125 | 10 |
| 2 | Teaching Materials | 324,951,349 | 8 |
| 3 | Office and Teaching Equipment | 126,466,877 | 3 |
| 4 | Purchase of Books and Journals | 109,483,156 | 3 |
| 5 | Raw Materials | 191,027,953 | 5 |
| 6 | Utilities | 337,745,953 | 9 |
| 7 | Colleges &University-wide Expenses | 344,701,308 | 9 |
| 8 | Staff Welfare | 103,317,687 | 3 |
| 9 | Research Grants | 49,616,687 | 1 |
| 10 | Service Providers | 1,604,355,208 | 41 |
| 11 | UNES Management Fees | 269,483,649 | 7 |
| 12 | Refundable Caution Money | 17,522,433 | 1 |
| **TOTAL** | | **3,106,676,592** | **100** |

[8] University of Nairobi: 'Rationalisation of Income Generating Activities", June 30, 2003.

*Table 7.* Sources Of Total University Funding, 1992-2002

| Year | Bursary (Government/ HELB[9]) | Loan (HELB) | Direct Fees (Module I) | Government Aallocation/ Grant | Grants/ Donor Support | Fees (Module II) | Other | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **92/93** | 15,256,840 | | 130,443,6000 | 648,435,600 | 86,265,900 | | 171,502,300 | **1,051,904,240** |
| **93/94** | 11,915,350 | | 127,202,120 | 780,447,460 | 122,580,180 | | 186,148,980 | **1,228,294,090** |
| **94/95** | | | 131,701,680 | 943,108,220 | 130,961,020 | | 151,631,200 | **1,357,402,120** |
| **95/96** | 19,812,099 | 84,816,000 | 91,379,821 | 1,109,897,220 | 138,296,120 | | 140,788,300 | **1,584,989,560** |
| **96/97** | 21,062,650 | 79,952,000 | 137,814,590 | 1,078,320,000 | 135,588,240 | | 138,065,820 | **1,590,703,300** |
| **97/98** | 21,802,000 | 69,512,000 | 303,910,945 | 1,305,564,580 | 148,692,850 | 79,014,955 | 144,572,301 | **2,073,069,631** |
| **98/99** | 23,414,000 | 71,464,000 | 175,212,979 | 1,377,787,160 | 114,958,414 | 305,158,167 | 130,323,388 | **2,198,318,108** |
| **99/00** | 22,418,000 | 73,304,000 | 198,821,213 | 1,480,440,764 | 202,660,698 | 524,332,347 | 178,259,276 | **2,680,236,298** |
| **00/01** | 25,913,000 | 70,656,000 | 166,190,480 | 1,589,748,454 | 216,556,264 | 681,682,389 | 178,259,276 | **2,929,005,863** |
| **01/02** | 24,957,000 | 71,072,000 | 158,648,135 | 1,625,717,154 | 404,996,193 | 1,015,998,465 | 182,397,849 | **3,483,786,796** |
| **02/03** | 25,780,000 | 74,032,000 | 158,648,135 | 1,791,438,854 | 221,193,358 | 1,209,512,592 | 182,580,247 | **3,663,185,186** |

Table 7 presents the total funding environment of the University over the last ten years, which illustrates the increasing importance of the new efforts at income generation by the University, especially through the new Module II programmes. The contribution of Module II income to the total University income is seen dramatically rising from about 3.8% in 1997/98, 14% in 1988/99, 19.6% in 1999/2000, 23% in 2000/01, 29% in 2001/02, and to 33% in 2002/03. Within a period of 6 years, therefore, income from Module II rises from zero to contribute to about one-third of total University income. As a proportion of the total Government allocation to the University, Module II was about 6% in 1997/98 and rises within 6 years to about 68% in 2002/03. By the end of the 2002/2003 financial year, income form students/parents (a combination of Module I and Module II fees) contributed to almost 40% of total University income and over 76% of total Government allocation to the University during that year. The total Government allocation is seen dropping from a contribution of about 70% of total University income in 1995/96 to below about 49% in 2002/03.

In summary, the contribution of direct income generation, especially income from the new Module II programmes to University financing is seen as a significant phenomena by the end of the 2002/2003 financial year. Given the strategic thinking of the University in income generation, as reflected by the *UNES Corporate Strategic Plan 2001-2005*, especially planned consolidation and expansion of current business areas and at the same time diversification into new areas that the University has competitive advantages, the significance of income generation will even become more important to the financing of the University.

## CONCLUSIONS

The introduction of direct income generation, under the idea of an entrepreneurial university, has obviously been very challenging and has had an important impact on the financial environment of the University of Nairobi. This is especially so because of the new category of the full-fee paying students (and the related Module II or Parallel academic programmes). Once the decision was taken to start the process, the University proceeded rather professionally in, first, undertaking a thorough exercise in the identification of the potentially viable areas for income generation (and by the same token the viable

[9] HELB stands for Higher Education Loans Board, the body that manages loans to University students.

Module II academic programmes) and, second, adopting a theoretically justifiable organisation re-structuring to ensure the management issues were addressed very early during the process; hence the creation of a University wholly-owned subsidiary company to manage the financial matters of the new income. New if novel interactions between the traditional organisational set up and the new environment have been put in place, and indeed the experiment continues to evolve. The process has stood the University in good stead because it has provided an expanded income-base and related innovative organisational, especially financial management arrangements. Initially, however, the new efforts were not without problems and indeed problems do still continue in certain areas. Early considerable resistance threatened the new phenomenon staking root, but following an aggressive campaign of ensuring that both staff and students were involved and owned the process, the University was able to begin a process that greatly enhanced its financial base and capacity to realise its objects and functions. The manner of sharing or distribution of the revenue from the new activities has gone through several revisions and improvements to ensure that internal income generation is fully supportive of the critical University business. Increased access to university education and saving of valuable foreign exchange have also been nationally important results of the new phenomenon.

The above not withstanding, if public universities like the University of Nairobi will continue to play their role as significant social institutions, they will still require enormous financial injection by their governments. As has been recognised, beyond the traditional mission of creating and transmitting knowledge to students, the public university is also viewed as a primary mechanism for distributing knowledge to society and still essential to most basic research. While creating greater resilience and capacity to weather financial storms, the incorporation of a market-driven and entrepreneurial culture is, however, not without criticism. As seen in the case of University of Nairobi, those academic programmes such as commerce and business administration, law and medicine with strong market and resource opportunities have the tendency to be the winners. Others, such as the arts and other technical areas (especially because of the relatively high costs), with less market opportunities, can become impoverished backwaters and risking nationally important and strategic academic and developmental disciplines. In short, there will the need for appropriate mix of activities and programmes in order to cater for the strategic needs of the community in question.

## THE AUTHOR

*Crispus Kiamba* is presently the Vice-Chancellor (since March 2002) of the University of Nairobi, Kenya. He has previously and at different times been the Deputy Vice-Chancellor (Administration and Finance), Principal of the College of Architecture and Engineering, Dean of the Faculty of Architecture, Design and Development, and Chairman of the Department of Land Development of the same University. He holds a B.A. in Land Economics from the University of Nairobi, an M.Sc. from the University of Reading, and a Ph.D. from the University of Cambridge.

## REFERENCES

Bargh, C. *et al.* (2000): *University Leadership: The Role of the Chief Executive*, Open University Press: Buckingham.

Johnstone, B. (2002):"The Finance and Politics of Cost Sharing in Higher Education", in *Financing of Higher Education in Eastern and Southern Africa – Diversifying Revenue and Expanding Accessibility*, Mwamila, B.L.M. *et al.* (ed.) (Proceedings of International Conference on Financing of Higher Education, held at Dar-es-Salaam, 24-26,2002).

Luhanga, M.L. & Mbwette, T.S.A.: "Implementation of Management and Financial Reforms at the University of Dar-es-Salaam", in *Financing of Higher Education in Eastern and Southern Africa – Diversifying Revenue and Expanding Accessibility*, Mwamila, B.L.M. *et al.* (ed.) (Proceedings of International Conference on Financing of Higher Education, held at Dar-es-Salaam, 24-26,2002).

Kiamba, C.M. (2002): "Challenges and Opportunities in the Management of the University of Nairobi", Keynote Speech given during Seminar of the University of Nairobi Senate, held at Nairobi on 23rd August 2002.

Marginson, S. & Considine, M. (2000): The Enterprise University: Power, Governance and Re-invention, Cambridge University Press: New York.

Ssebuwufu, P.J.M. "University financing and Management Reforms – The Experience of Makerere University" in *Financing of Higher Education in Eastern and Southern Africa – Diversifying Revenue and Expanding Accessibility*, Mwamila, B.L.M. *et al.* (ed.) (Proceedings of International Conference on Financing of Higher Education, held at Dar-es-Salaam, 24-26,2002).

Ogot, B.O. (2002): "The Enterprise University: Real or Pseodo?", Paper presented during the Seminar Presentation on the Occasion of the First Exhibition by Kenyan Universities, 23rd-25th May, 2002, Nairobi.

University of Nairobi (UoN) (2002): "Rationalization of Income Generating Activities".

University of Nairobi (UoN) (1999): "Report on Rationalization of Functions and Staff Rightsizing".

University of Nairobi Enterprises and Services Limited (UNES) (1996): "Memorandum and Articles of Association", Nairobi.

University of Nairobi Enterprises and Services Limited (UNES) (1997): *Corporate Strategic Plan 1997-2001*, Nairobi.

University of Nairobi Enterprises and Services Limited (UNES) (2001): *Corporate Strategic Plan 2001-2005*, Nairobi.

University of Nairobi Enterprises and Services Limited (UNES) (1996):

Ziderman, A. & Albrecht, D. (1995): *Financing Universities in Developing Countries*, The Falmer Press: Washington, D.C.