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UNIVERSITY OF CAPE TOWN

UNIVERSITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

**REDUCING RESOURCE DEPENDENCE ON GOVERNMENT
FUNDING: THE CASE OF PUBLIC UNIVERSITIES IN KENYA
AND SOUTH AFRICA**

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DEDICATION

To the memory of *papa* Anthony Ouma, 1946 – 1992: *yababula ewe...*

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ABSTRACT

This study explores the question of how public universities seek to reduce their financial dependence on government funding. Globally, the neo-liberal economic order, among other factors, has privileged the reduction of state funding of public higher education. Given the obvious instability consequent upon the (drastic) reduction of government funding, public universities have to re-gain stability by, inter alia, generating income from non-government sources, hence reducing their dependence on the fiscus. To address this evolving shift of resource dependence from public sources to non-government sources, this study examines how public universities in Kenya and South Africa (SA) have attempted to seek economic self-determination. The study first explores the funding frameworks and policies that guide the state funding of public higher education in the two countries. This is then followed by a time series analysis of state funding of higher education in the two countries and then an analysis of revenue streams of five Kenyan and six South African public universities. Finally, the actual strategies that public universities in the two countries have utilised to generate non-government revenue are discussed.

The higher education funding frameworks in the two countries have been changing over time mainly because of political and economic reasons. And in Kenya's case, the coercive influence of the World Bank and the International Monetary Fund (IMF) has been particularly significant. Currently, both countries pursue a cost sharing policy. Whereas the cost (tuition fees) borne by students in SA is determined by individual institutions and is differentiated by study programmes, Kenya pursues a policy of undifferentiated cost-sharing, where government-subsidised students pay a flat (uniform) fee, determined by the government. The same applies to the government subsidy, where the Kenyan government allocates the same amount of subsidy to all study programmes. In SA, the government allocates a subsidy which is guided by a goal-oriented and performance-related funding formula. The current higher education funding formula in SA could be described as a managerialist tool for steering higher education. It rewards universities that produce more graduates and publications.

Universities in the two countries have reduced dependence on government funding to various extents. Some have been more successful than others. Rather than relying on a narrow set of resource providers or just one, public universities, especially South African ones, have buffered themselves by securing several sources of revenue. Most Kenyan universities are still highly dependent on government funding. Diversification of revenue sources for Kenyan universities is largely limited to tuition revenue (especially revenue from parallel programmes). Overall, in both countries, not many of the sources of non-government revenue make significant contributions to the overall financial stability of the universities. Consequently, it is argued that diversification of sources of revenue can only guarantee universities continued financial stability if the various sources accrue significant amounts such that any unforeseen underperformance by one source does not financially destabilise the institution. The reason for mitigating any form of resource dependence should be to guarantee financial health and sustainability, irrespective of volatilities that may negatively impact some sources or markets.

The strategies that public universities in the two countries have employed to generate non-government revenue could be classified as forms of marketisation. These are tuition fees, whose levying, especially in SA, has been manipulated to guarantee utmost cost-recovery and revenue maximisation. In Kenya, tuition revenue has been optimised by changing admission policies to favour students who can pay and maximising enrolments of fee-paying students. The other income-earning strategies are: proprietary activities, ranging from petty trade on campus to the selling of intellectual products; collaborative alliances or inter-organisational dependencies, research, and donations and gifts. These strategies have been employed by the various universities to various degrees of success.

Overall, it is concluded that for public universities to survive as effective organisations, they must seek economic self-determination. The waning of public financial support vis-à-vis the survival imperative is steadily transfiguring public universities into entities where the generation of non-government revenue is paramount. This transfiguration plus the processes involved have several implications for higher education and its practice. These include the 'publicness' of public universities, knowledge production and ownership, equity and access, and quality.

LIST OF ACRONYMS

BEUP:	Business Enterprises at University of Pretoria (Pty) Limited
CBS:	Central Bureau of Statistics
CEUP:	Continuing Education at University of Pretoria (Pty) Limited
CHE:	Commission for Higher Education
CoR:	Certificate of Registration
CPI:	Consumer Price Index
DoE:	Department of Education
DST:	Department of Science and Technology
EU:	Egerton University
FTE:	Full Time Equivalent
GDP:	Gross Domestic Product
GEAR:	Growth, Employment and Redistribution
HAUs:	Historically Advantaged Universities
HBUs:	Historically Black Universities
HDUs:	Historically Disadvantaged Universities
HEMIS:	Higher Education Management Information Systems
HWUs:	Historically White Universities
IAPO:	International Academic Programmes Office
IFIs:	International Financial Institutions
IMF:	International Monetary Fund
JAB:	Joint Admissions Board
JKUAT:	Jomo Kenyatta University of Agriculture and Technology
KCSE:	Kenya Certificate of Secondary Education

Kshs:	Kenya Shillings (Kenya's currency).
KU:	Kenyatta University
LIA:	Letter of Interim Authority
LLB:	Bachelor of Laws
Maseno:	Maseno University
MoE:	Ministry of Education
MRC:	Medical Research Council
MU:	Moi University
MUH:	Moi University Holdings
NCHE:	National Commission on Higher Education
NPHE:	National Plan for Higher Education
NRF:	National Research Foundation
NSFAS:	National Student Financial Aid Scheme
OECD:	Organisation for Economic Cooperation and Development
PER:	Public Expenditure Review
RDP:	Reconstruction and Development Programme
RMIT:	Royal Melbourne Institute of Technology
RoK:	Republic of Kenya
SA:	South Africa
SADC:	Southern African Development Community
SAPs:	Structural Adjustment Programmes
SAPSE:	South African Post Secondary Education
SAUVCA:	South African Universities Vice-Chancellors' Association
SU:	Stellenbosch University
TFHES:	Task Force on Higher Education and Society

UCT :	University of Cape Town
UDSM:	University of Dar es Salaam
UEM:	Eduardo Mondlane University
UFH:	University of Fort Hare
UGH:	Unistel Group Holdings (Pty) Limited
UNES:	University of Nairobi Enterprises and Services
UNESCO:	United Nations Educational, Social and Cultural Organisation
UoN:	University of Nairobi
UP:	University of Pretoria
USA:	United States of America
UWC:	University of the Western Cape
Wits:	University of the Witwatersrand
WMU:	Western Michigan University
WRC:	Water Research Commission
WUCST:	Western University College of Science and Technology
ZAR:	South African Rand (South Africa's currency).

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Funding Higher Education: A Global Perspective

Globally, but with some exceptions,¹ the proportion of public or governmental funding in the overall budgets of universities (in real terms) continues to drop (Amaral & Magalhaes, 2003; Butare, 2004; Cai, 2004; Clark, 1998; Johnstone, et al. 1998; Johnstone, 2001; King, 2004; Marginson & Considine, 2000; Rizzo, 2004; Sporn, 1999; Slaughter & Leslie, 1997; Tilak, 2005; Williams, 1992, 2003; Ziderman & Albrecht, 1995). What is remarkable about this drop in public higher education financial support is that the trend is similar across “countries with dissimilar political-economic systems and higher education traditions, and at extremely dissimilar stages of industrial and technological development” (Johnstone et al. 1998:1). Universities across the globe are thus faced by what Johnstone (2001:2) describes as “creeping austerity:² a slow but unrelenting worsening of the financial condition of most universities and other institutions of higher education, particularly as they are dependent on governmental, or tax-generated revenue.”

Cutbacks in state funding are among the many pressures and factors causing institutional vulnerability; and eliciting from public universities, responses for adaptation. The others include, inter alia, new technologies, shifting demographics, the changing role of the state and relationship with institutions of higher education, restructuring of the economy and globalisation (Cloete et al. 2002; Jonsen, 1984; Marginson & Considine, 2000; Ntshoe, 2004a, b; Sporn, 1999; Vaira, 2004). These changes present public universities with external environments which they must adapt³ if they have to survive or remain successful.

Already, these environmental demands have triggered a wide array of adaptive responses from universities, some of which are interrogated in this study. The broad context of this

study is the issue of how public universities respond to restrained financial support from government. As already observed above, cutbacks in state funding threaten the survival of institutions of higher learning; hence prompting them to undertake various adaptive responses that will guarantee them continued survival. As Sporn points out, “given pressing problems of resource supply, institutions of higher education need to find adequate strategies to meet the needs for this new situation” (1999: 68).

The inability by most governments to continue large-scale funding of universities, as aforementioned, is a global phenomenon. Even in countries where allocations have so far remained steady or even increased, expansion requirements (galloping enrolments) and other demands are quite overwhelming (Varghese, 2001), forcing universities to learn the art of financial survival - through the acquisition of resources from alternative sources and also by implementing cost containment measures, among other related changes.

Before focusing on the two countries where the study was conducted (Kenya and South Africa), an international context of the decline in the public expenditure on higher education is provided. This context provides comparative information on (plummeting)

-
- ¹ Although declining state financial support for public universities is in vogue internationally, it does not apply to all countries. Referring to data from UNESCO and World Bank, Varghese (2001) points out that some countries have actually increased budgetary support for higher education. For example, between 1985 and 1995, Finland, Sweden and Norway significantly increased financial allocations to higher education, 18.7%-28.8%, 13.1%-27.7%, and 13.5%-27.15 respectively. Even though, in some instances, declining per-student expenditure persisted even when the growth rate of higher educational expenditure was positive (See Varghese (2001) for a detailed discussion).
 - ² Austerity is a function of costs outrunning available revenue - counting as *costs* both per-student, or unit costs as well as total costs driven by the accommodation of enrollment and degree expansion, and including as *revenue* both public, or tax-generated, revenue as well as tuition and fees from parents and/or students (Johnstone, 2001: 2).
 - ³ Adaptation is used in this study to refer to modifications and alterations in public universities or their components in order to adjust to changes in the external environment. Its purpose is to restore equilibrium to an unbalanced condition. Adaptation generally refers to a process, not an event, whereby changes are instituted in organisations. Adaptation does not necessarily imply reactivity on the part of an organisation (i.e. adaptation is not just waiting for the environmental change and then reacting to it) because proactive or anticipatory adaptation is possible as well. But the emphasis is definitely on responding to some discontinuity or lack of it that arises between the organisation and its environment (Cameron, 1984: 123).

levels of expenditure on higher education; and tracks some of the changes in the financing of higher education that have taken place across several regions of the world.

A good place to start is Eastern Europe where after the demise of communism (and collapse of the Soviet Union); universities (in affected countries) were obliged to transform instantaneously from full funded state organisations into entrepreneurial-type public education institutions (Beliakov et al. 1998). Russia provides an ideal example of declining public support for higher education in Eastern Europe. Higher education expenditures, adjusted for inflation, declined from an index value of 100 in 1992 to 27.9 in 1998. Yet during this same period, enrolments increased by 21 percent (Morgan, 2002). Russia currently spends only 0.5 percent of its Gross Domestic Product (GDP) on higher education (Kolesnikov et al. 2005).

As a response, Russian public universities are now seeking private income, in the main, by shifting the costs of higher education to students and their families, and have effected cuts in non-wage items of their budgets (Beliakov et al. 1998; Westerheijden & Sorensen, 1999). Changes in the former communist countries offer a good example of how shifts in universities' exogenous environment trigger adaptive institutional reforms and new institutional cultures.

In continental Europe, Jongbloed (2004) argues that while most European universities are overcrowded and under funded, they cannot expect to get any substantial financial relief from the state. A recent communication from the European Commission (2003) indicates that public expenditure on education has not kept pace with increases in GDP and has declined as a proportion of GDP over the last decade. In addition, total expenditure on higher education has not increased in proportion with the growth in the number of students in any member state over recent years. The Organisation for Economic Cooperation and Development (OECD) (2004) reports that in England, higher education funding per student reduced by 36 percent in real terms between 1989 and 1997, and although this trend had been reversed, planned funding for 2003-04 was still 33 percent below the 1989 level in real terms. In Sweden, the revenue per student fell by 17 percent in real terms, if compared with the central government consumption index, between 1994

and 2001. In Ireland, the cash value of average state funding per student increased by less than 4 percent between 1989/90 and 1999/2000 – a significant decrease in real terms. The European Commission (2003), while recognising the worsening under-funding of European universities as a threat to their capacity to keep and attract the best talent and, to strengthen the excellence of their research and teaching activities, also acknowledges that increasing public funding alone cannot make up for the shortfall, hence the need for ways to be found to increase and diversify universities' income.

In North America, Rizzo (2004) illustrates the dramatic decline in state funding of higher education in the United States of America (USA). He shows that federal and state agencies have consistently decreased higher education funding over the last quarter century. For instance, he shows that the share of public education expenditures allocated to public higher education has fallen by six percentage points since 1977. In addition, the share of public higher education dollars appropriated to institutions (as opposed to directly to students) has fallen by four percentage points. Together the declines translate into real institutional appropriation losses of US\$ 2, 800 per student in an "average" state – significantly more than the US\$ 1, 700 increase in real average public four-year instate tuition rates since 1977 (Rizzo, 2004). Further, it is argued that state funding for higher education in the USA, in the year 2000, adjusted for inflation, was US\$ 23.4 billion below the peak reached in 1979. Due to the loss in public funding, the cost of higher education, adjusted for inflation nearly doubled during the past two decades (Finken, 2004).

In Asia, most countries (Philippines, Thailand, China, Vietnam, Malaysia, India, Nepal, Pakistan, etc.) are experiencing a dramatic increase in demand for higher levels of education at a time of severe public budget constraints (Kitaev et al. 2003; Shen & Li, 2003; Ziderman, 2003). Between 1985 and 1995, a number of these countries reduced appropriations to higher education, viz., India (15.3 - 13.7 percent), Nepal (33.4 - 17.3 percent), Pakistan (18.2 - 13.2 percent), (Varghese, 2001). In China, public allocations to higher education have been reducing since 1993: from 91.8 percent of the total expenditure on higher education to 67.24 percent in 1999 (Shen & Li, 2003). Steep increases in tuition fees are another illustration of the increasing role of non-government

resources in Chinese higher education. Between 1996 and 1997, tuition fees increased at a rate of 40 percent (Tilak, 2005). In Japan, where the government funds approximately half of the universities' current expenditure as a block grant, a decision has been made to reduce the amount of block grant by one percent every year for the next few years. Each institution must therefore spend less and earn more (Maruyama, 2005).

The Arab states region (including North Africa, the Gulf States and the Middle East) is also experiencing changing patterns of financing higher education. Sanyal (1998) reports a decrease in the share of allocations to higher education in the total budget for education in this region. In addition to general economic reasons, the higher education system in the Arab states region faces financial shortfalls mainly due to a higher demand than the governments can cope with financially (Sanyal, 1998). Countries in this region are responding variedly. For instance, "Jordan collects university tax on each sale affected [sic] in the country to reduce direct government subsidy to higher education" (Varghese, 2001: 14), and "Egypt has introduced a system of mobilising resources by providing admissions to less qualified candidates and charging them very high rates of fees" (Varghese, 2001: 14). Tunisia is one of the exceptions in this region. In the last two decades, the Tunisian government has devoted an average of 1.2 percent of her Gross National Product (GNP) and 5 percent of its budget to this sector. This share of the budget increased in the last few years, following a decrease in the 1980s. Today, with some two percent of the share of the GNP devoted to higher education, this figure is arguably one of the highest in Africa (Zaiem, 2005). The encouraging fiscal effort for higher education by the Tunisian government notwithstanding, it is acknowledged that even with the continuation of strong economic growth in real terms and a continued commitment of the state to finance higher education; public resources will not be enough to meet the needs for funding in the higher education sub-sector (Zaiem, 2005).

In sub-Saharan Africa where public resources constitute the main source of higher education funding, reductions in state appropriations to public higher education have been significant. For instance, between 1985 and 1995, Burundi's higher education expenditure as a share of the education budget reduced from 19.8 percent to 15.6 percent, Malawi's from 23.3 percent to 20.5 percent and 34.4 percent to 28.0 percent for the

Republic of Congo (Varghese, 2001). In Uganda, between 1998 and 2003, an average of 10 percent of the total education budget went to the higher education sub-sector compared to the early nineties when 19 percent of total recurrent education budget went to higher education (Bidemi, 2005). Varghese explains these changes in funding higher education in sub-Saharan Africa as having resulted, primarily, from changes in intra-sectoral allocations, with the primary education sub-sector being favoured. The primary education sub-sector benefited more so because providers of external funding support for the education sector re-directed their focus on primary education (cf. literature review). Other than a shift in inter-sectoral allocations, many sub-Saharan countries have since the late 1970s been experiencing plummeting economic performance, incapable of matching the rising social demand for higher education. Overall, with regard to per-student expenditure as a ratio of GNP per capita, the sub-Saharan African region recorded a decline from 802 to 422 between 1980 and 1995 (Varghese, 2001).

From the foregoing preview of the international financial crisis in higher education, several observations can be made: there is an intensified demand for higher education, rising tertiary enrolments and reduced government capacity to finance higher education expansion. Public universities are generally facing limited financial support from government. Even in cases where the absolute amount of resources to higher education did not decline, allocations were still inadequate in respect of the expansion of and (enrolment) demands on the sub-sector, the escalating costs of higher education which far outstrip inflation, and demands for research and services provided by higher education (Benjamin & Carroll, 1998).

The following discussion focuses on the two countries (Kenya and South Africa) that are the main focus of this study. As already established above, diminishing financial support for the higher education sector is a global trend; and as will be shown below, Kenya and South Africa (SA) are no exceptions.

Modes of funding public higher education in Kenya and SA are not significantly different from the dominant approach evident elsewhere in the world. In both countries, the

funding of university education is always vulnerable to shifts in the social, political and economic environment, external to the university. These shifts have in the main, produced financial self-sufficiency as a critical mission to be pursued by public universities.

Public higher education in Kenya was historically free, with the public purse covering both tuition and living allowances. A convergence of factors has since changed this trend, first resulting in the reduction of the recurrent budget allocated to higher education, and almost the halting of development expenditure allocations and the introduction of user charges. Also, partly as a result of fiscal constraints, the allocation of grants to universities for recurrent expenditure has increasingly relied on a line item approach, with the grant for a year being arrived at largely on the basis of what was allocated the previous year rather than on projections of actual needs of the universities (RoK, 1998).

Even though higher education has suffered budgetary cuts, for some time, public expenditure on university education grew faster than the total budgetary allocation to education. In 1980/81, while public universities absorbed 11.2 percent of the education budget, by 1988/89, this proportion had risen to 16.4 percent, peaked at 21 percent in 1990/91, before declining slightly to 19.4 percent in 1993/94. Between 1990/91 and 1993/94 the allocation to the university sub-sector grew at an annual rate of 16.7 percent as compared to 11.8 percent for the total education budget (RoK, 1998). The relatively generous allocations to the higher education sub-sector could not hold longer, and between 1995 and 1998 the share of universities in the education budget drastically declined from about 16 percent to about eight percent (RoK, 2001).

An analysis by Riechi (2003) shows that the funding of Kenya's public higher education in real terms since 1986/87 through 1996/97 has been increasingly inadequate. From a high real per capita expenditure of 3.7 in 1986/87, the allocations continuously plummeted, reaching a depressing low of 0.10 in 1993/94 (Riechi, 2003).

South Africa's public higher education is also confronted with financial constraints. The government of South Africa acknowledges that the transformation of the higher

education system to meet growth, equity and quality objectives of the post-apartheid state will involve additional costs (DoE, 1997), which then leads to the important question: “How are these costs to be met when significant real increases in public expenditure on higher education are unlikely to greatly exceed the real rate of economic growth?” (DoE, 1997: 39).

Government expenditure on higher education as a percentage of GDP has declined from 0.82 percent in 1996 to 0.74 percent in 2005. Also, the real rand value of state allocations per Full Time Equivalent (FTE) enrolled student fell by an annual average of 1.7 percent between 1996 and 2004 (DoE, 2005). According to Bunting (2002a), by early 1990s the South African government could not meet the level of formula funding which student growth had generated. For instance, comparing government allocations to higher education in 1986 and 1994, the growth in real rands was only 3 percent in 1994 compared with 1986. The 3 percent increase was much lower than the growth which had occurred in student enrolment. Over the 1986-1994 period, “[t]he proportion which government appropriations constituted of the income of the historically white universities fell from 54 percent in 1986 to 47 percent in 1994, and the proportion for the historically black universities [...], fell from 73 percent in 1986 to 49 percent in 1994” (Bunting, 2002a: 125). Between 1995 and 2001, the average increase in government allocations to higher education was 2 percent. Again, the government was not able to increase in real terms its appropriations per higher education student (Bunting, 2002a).

The decline, coupled with the rapidly declining student enrolments for historically disadvantaged universities (HDUs), has impacted on institutional operational budgets (declining enrolments means that affected institutions receive less enrolment-based government subsidies).

The figures above provide a glimpse into the higher education funding scenario in SA and Kenya. A more detailed analysis of the funding of public higher education in the two countries is offered in chapters four and five. A common challenge faced by the two countries (and many others in the world) is the inability to maintain high public expenditure on higher education. In Kenya, the government is steadily ‘giving up’ and

allocations to public higher education are on a steady downward trend. South Africa is also following suit, for as observed in the Education White Paper No. 3, “it is unlikely that the recent trend of public expenditure growth rates in this sector can be sustained ... given other pressing social needs” (DoE, 1997: 39).

Revenue generation has thus become an inescapable reality for public universities keen on mitigating declining funding from national governments. It is no longer possible or sustainable for governments to fully finance the ever-expanding higher education enterprise. Public funding, as Court (1999) has argued, can support high quality tertiary education only when the system is relatively small, which is no longer the case in Africa and the world over. Mass education at the tertiary level requires significant private supplementation. For many African countries, providing good quality higher education to large numbers, equitably but without undue dependence on public resources, has been a standing policy conundrum (Court, 1999).

It is not foreseeable that governments may reverse the macro-economic policies that currently make it difficult for public universities to depend on government funding on a large scale. Not surprisingly, in the face of declining levels of public subsidies, some institutions have embarked on a range of adaptive, innovative and entrepreneurial activities to tap new sources of income for financial stability and overall institutional survival (Badat, 2004; Clark, 1998, 2003; Musisi & Muwanga, 2003; Nafukho, 2004; Sporn, 1999; Teferra & Altbach, 2004).

1.2 Statement of the Problem and Research Questions

A convergence of factors militates against continued large-scale funding of university education by national governments. Key among them is the continued underperformance of many national economies, soaring demand for higher education, inter-sectoral competition for resources (always disfavours higher education) and the emergence of the neo-liberal economic logic, which seems to encourage economic reform policies that favour a reduction of government expenditure on social services such as public university education (Aseka, 2005; Bundy, 2004, 2005; King, 2004; Nafukho, 2004; Ntshoe, 2004a,

b; Tilak, 2004; Vaira, 2004). Many countries have thus exacted serious cuts in public budgets for university education. Consequently, deprived of critical revenues, but still expected to meet their cherished missions, public universities have had to assume a new institutional positioning and reconfiguration, encompassing entrepreneurialism and diversification of sources of revenue, to ensure both financial and institutional survival. The changes in university revenue streams, arising from pressures of resource stringency, are driving shifts in university behaviour. New modes of earning revenue are being implemented to reduce resource dependence on governments.

The ongoing evolution of public universities into sites where generation of own income, market value (of programmes) and reduction of costs are key features, constitutes new institutional behaviour for public universities. Understandably, this transformation has triggered an animated debate where the emerging adaptive responses are considered either pernicious or virtuous, or both.

Kenyan and South African public universities, like many others in the world, have not been spared the thinning of public financial support. To overcome the vulnerability resulting from diminishing public financial support, these universities have to seek economic self-determination. They must seek to reduce resource dependence on (inadequate) government funding by acquiring financial resources from non-government sources.

Therefore, the general question motivating this study is as follows:

How are public universities in Kenya and South Africa reducing resource dependence on government funding?

This is a study of institutional adaptation to financial austerity. The purpose of the study is thus to understand how public universities in the two countries seek to achieve economic self-determination by winning non-government revenue.

Arising from the main research question, this study attempted to answer the following sub-questions:

1. What funding frameworks and policies guide the state funding of public higher education in Kenya and South Africa?
2. What are the trends in state allocation of funds to public universities in Kenya and South Africa?
3. What sources of non-government revenue have public universities in the two countries exploited to mitigate plummeting state support, and what is the contribution of various sources of revenue in the overall income of public universities in Kenya and South Africa?
4. What strategies have public universities in the two countries employed to generate non-government revenue?

1.3 Rationale

As has been pointed out, radical changes are taking place in the financing of public higher education, from being exclusively funded by the state (as in the case of Kenya), to reduced public subventions and now to raising own income. The burden of financial sustainability or survival, to a great extent, now rests on individual universities. For most public universities accustomed to the traditional mission of teaching, research and community (public) service, income generation is not a task with which they are familiar. But with governments becoming unreliable patrons, occasioned by a mix of social, political and economic factors, locally and globally located, public universities are left with only one, challenging option: to raise their own income and reduce dependence on government funding.

As already mentioned above, a paradigm shift in the funding of public university education in Africa and the world over, is steadily taking place. The need to survive has prompted public universities to respond to diminishing governmental support by resorting to, inter alia, business-like approaches for raising income, restructuring of staff and other efficiency and cost containment measures. Attending this transformation has been a serious debate, both scholarly and by the general public, where various issues of concern

have been raised (Altbach, 2002; Nafukho, 2004; Obong, 2004; Sawyerr, 2002a; Scott, 2003; Slaughter & Leslie, 1997; Walker & Nixon, 2004; Wangenge-Ouma, 2004, 2006; Williams, 1992, 2003). Understandably, transforming from a system entirely (or largely) funded by the state, to one that raises its own income is a task that is fraught with challenges and wider implications on higher education and society. This is the primary context that motivated the study.

It was not the objective of this study just to be a part of the debate on institutional adaptation to resource scarcity, but to critically engage with knotty aspects of the emerging adaptive responses and provide an empirical footing and impetus for the formulation, where possible, of policies and other requisite changes that could positively guide the trajectory of the ongoing reforms or adaptations. This is even more important, considering that the way public universities respond to exogenous financial pressures affects their organisation, performance and outcomes, hence the need to critically interrogate the emerging modes of reducing resource dependence on public sources.

The other rationale was the idea of exploring these developments in cross-national contexts. The literature review (Chapter Two) did not come across any systematic higher educational cross-national comparative studies in Africa, hence the need to contribute towards filling this paucity. The motivation was to find out how public universities in two sub-Saharan African countries were addressing the common problem of resource decline from the public purse. The idea was to generate new knowledge and advance the understanding of how public universities have tried to reduce resource dependence on government funding in two country contexts. The assertion by Antal et al. (1996) regarding cross-national comparative research strengthens the rationale of this study. Antal et al. (1996: 10) assert that:

Comparative research can fill important gaps in knowledge about how other countries deal with similar situations, about the background and [...] alternative strategies for solving common problems. Structured comparisons provide a framework for determining those aspects of a situation which are due to unique circumstances, and those that are more generally applicable [...]. Comparative research can aid in the specification of the conditions under which one [institution] can learn from another. In short, comparison can put our judgements about policy processes and outcomes into a broader and more refined perspective.

1.4 Scope and Limitations of the Study

The subject of this study is a very broad field. Covering all the aspects of the field from a comparative perspective was obviously beyond the scope of this study. Based on the primary question of the study – how public universities in Kenya and South Africa are reducing resource dependence on government funding - the study confined itself to institutional strategies for winning non-government revenue.

The study did not seek to empirically interrogate other major issues (e.g. implications for quality, equity and access, productivity and diversity, etc.) that are likely to be blamed on the emerging adaptations to resource scarcity. This is because it would not have been possible to critically treat them within the scope of the present study. Such issues will, therefore, be left for future studies.

Considering that this was a cross-national comparative study, methodological limitations were bound to arise. One such limitation was the lack of comparable data for some years. For example, whereas the analysis for Kenyan public universities was for the period 2001 – 2005, that for South African universities was for the period 2000 – 2004. Data for 2000 was missing for Kenya's Kenyatta University, while data for 2005 for South African universities was not available from the Department of Education (DoE). Ascertaining the validity of financial data was yet another limitation this study had to contend with. This is because the data on financing could only be obtained from official financial documents of the concerned institutions or national higher education management information systems. Authenticating these data from other sources was difficult. In most cases, other sources obtained the data from the same official documents.

1.5 Outline of the Study

In Chapter Two, literature on higher education and higher education funding is reviewed. The review sets off by teasing out the many challenges facing African higher education, followed by a review of the significant shifts that have recently taken place in attitudes of

governments, international agencies, and donors toward the financing of African higher education. Particular emphasis is put on literature emanating from the World Bank and scholars associated with it. This is then followed by an interrogation of related studies. The focus is on the experiences of other institutions' adaptive responses to anorexic financial allocations by the state. The reviewed studies show how public universities manage to survive by acquiring new resources and implementing other reforms. The chapter concludes by discussing the theory used to guide this study i.e. the resource dependence theory. The resource dependence theory is utilised to explain the responses of public universities to conditions of resource decline. This theory is discussed in the context of globalisation, whose forces, flows and ideals are presented as responsible for the diminishing capitulation of public universities by governments.

Chapter Three discusses the study design and methodology. The rationale for selecting Kenya and South Africa, and the procedure for selecting the public universities used in the study is given. Also discussed in this chapter are the sources of data, processes of data collection and the methods used for analysing data.

In Chapter Four, the higher education systems of Kenya and SA are discussed. The shape and size of the two countries' higher education systems are reviewed. More importantly, the chapter critically looks at higher education funding policies and funding mechanisms used in the two countries. Overall, the chapter shows that the changes in the two countries' funding frameworks are circumscribed by two dissimilar political, social and economic contexts, which invariably influence government policies with regard to funding.

Chapter Five looks at trends in public spending on higher education in the two countries. It attempts to provide a comprehensive picture of state funding of public higher education in Kenya and SA in the ten year period 1996 to 2005. In a nutshell, this chapter interrogates the two countries' fiscal efforts in and for public higher education. It shows a reduction of state funding of public higher education in the two countries.

Chapter Six presents analyses of income from various sources for public universities in the two countries. It shows how public universities in the two countries have distributed their resource dependence on various sources. The chapter examines and compares the importance of the various sources of income. It shows that whereas the universities in the two countries have been able to win revenue from multiple sources, the respective share of these sources in the overall income of the institutions is varied.

In Chapter Seven, an analysis of the actual strategies that universities in the two countries have implemented to enhance their acquisition of external revenue is undertaken. This chapter shows that whereas some strategies are common across the two countries, some are unique to, and others more prevalent in, one of the countries e.g. parallel programmes in Kenya and research and partnerships with industry in SA. Overall, this chapter concludes that the income earning strategies are the pathways through which the public universities reduce resource dependence on government funding.

Chapter Eight concludes the study. It presents a summary of the findings of this study and conclusions, and provides recommendations for future research. It is concluded that the economic forces buffeting higher education institutions are global, complex and on-going. These forces have found their way into higher education funding policies in Kenya and SA, with the effect of making economic autonomy an important ideal to be pursued by public universities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Shrinking public budgets for university education has made the financing of higher education a major debate across the globe. Higher education in many countries has suffered drastic cuts in public expenditure thus necessitating a search for alternative ways of funding it. To locate this study in context, three sets of relevant literature have been reviewed. These are:

- (a) The state of African universities, which provides an insight into the difficulties facing most African universities. A critical understanding of the crises facing higher education in Africa (diminishing capititation is just one of the many problems facing African higher education) is important in situating where these institutions are coming from as they seek to overcome financial stress. Have African universities been precipitately exposed to financial difficulty?
- (b) The debate on financing African higher education. This part of the review teases out significant shifts that have recently taken place in attitudes of governments, international agencies, and donors toward the financing of African higher education. Particular emphasis is put on literature emanating from the World Bank and scholars associated with it. This is primarily because of the singular influence the World Bank has had on financing policies of African higher education. This section will provide a historical background to the conundrum that financing African higher education has become.
- (c) Mitigating resource dependence: experiences from elsewhere. This section interrogates existing related (empirical) studies on the subject. The focus is on the experiences of other institutions' adaptive responses to dwindling resources.

2.2 The State of African Universities

The conditions of decline [facing public universities] do not dictate what organisations must do, but they create a situation where some response is necessary (Cameron, 1983: 359).

Even though this study is primarily concerned with institutional adaptive responses to declining capitation from the state, it is important that we locate ongoing transformations within the larger picture obtaining in African universities. It is argued that a clear understanding of the situation in African universities, mainly the difficulties and challenges African universities are grappling with will allow a lucid and holistic analysis of this study's concern. The challenges facing African universities are considered change drivers, some of them responsible for the financial reforms being carried out.

To varying degrees, African universities face the following key challenges:

- (a) Enrolments are often increasing faster than the capacity to plan for and finance this growth. According to Saint (1992) the university student population on the continent grew by 61 percent between 1980 and 1990. These large increases in student numbers without corresponding increase in faculty members or without any improvement of conditions of service and expansion of infrastructure, meant that university administrators, managers and faculty had to cope with, and manage classrooms and laboratories overflowing with students who nevertheless expected to be well taught, even if by demoralized, overworked and underpaid faculty (Ajayi et al. 1996; Mensah, 2001; Wagaw, 1993; Ziderman & Albrecht, 1995). Another key issue related to enrolments is equity. Access to higher education in Africa has invariably been described as inequitable, mainly because students from higher socio-economic backgrounds dominate in participation profiles. This inequity is further enhanced by the heavy government subsidisation of the sub-sector; hence favouring the already advantaged, who are more capable than the poor of meeting the full costs of university education (Banya & Elu, 2001; Johnstone, 2002; Nafukho, 2004; Saint, 1992, 1994; Teferra & Altbach, 2004; World Bank, 1986, 1988, 1994).

(b) Claims have also been made about serious deficiencies in quality. Declining educational quality has been blamed on, inter alia, increased enrolments, reduced funding, intellectual dissolution of academia, stagnation and deterioration of physical resources, and institutional disintegration of the universities. This decline (in quality) is manifested in falling student examination scores, reduced rigour in staff recruitment and promotion criteria, diminished research output, and complaints by employers regarding the ability of university graduates to perform (external inefficiency) (AAU & World Bank, 1997; Aina, 1997; Ajayi et al. 1996; Banya & Elu, 2001; Jansen, 2003; Mاريو et al. 2003; Obong, 2004; Saint, 1992; Wagaw, 1993; Wangenge-Ouma, 2006). The World Bank (1988: 5) laments:

Higher education is producing relatively too many graduates of programmes of dubious quality and relevance and generating too little new knowledge and direct development support. ...the quality of these outputs shows unmistakable signs in many countries of having deteriorated so much that the fundamental effectiveness of the institutions is also in doubt.

Closely related to quality is the issue of relevance. There seems to be a mismatch between the quality of graduates and skills favoured by the labour market. Not infrequently, African universities have been castigated for apparently failing to adjust their curricula in response to the needs of industry, business and the professions (Aina, 1997; Ajayi et al. 1996; Neave, 2003; Tarpeh, 1994; Wangenge-Ouma & Gravenir, 2005).

(c) Weak university management made worse by state control and interference. Commenting on South African higher education, Jansen (2003: 10) laments: "persons were appointed [to university management] because of their political credentials [...], because of ethnic loyalties in others, and because of sheer corrupt practices in a few." The result: "a brand of mediocre managers" (Jansen, 2003: 10). The problem of weak university management is not peculiarly South African. Abagi (2001); Ajayi et al. (1996); Banya & Elu, (2001); Cloete et al (2002); Mkude et al. (2003); Musisi (2001); Musisi & Muwanga (2003); Saint, (1992); TFHES (2000), among others, have identified weak management as an overarching malaise afflicting African higher education. The problem of poor

management of public universities in Africa has acquired more urgency considering that the success of any form of reforms is largely incumbent upon proper management and leadership.

- (d) Financial instability is perhaps the greatest of the challenges facing African higher education. From the literature, almost all public universities in Africa suffer financial problems of varied degrees. Not a single commentary on African higher education ends without bewailing the inimical financial state of public universities. Two main features are common in these commentaries, first, is the acknowledgement that the shaky financial base undermines the very reason why these institutions were established and, secondly, a prescription of solutions for the financial malaise (Ajayi, et al. 1996; Ford Foundation, 2003; Hinchliffe, 1985; Nafukho, 2004, 1996; Oketch, 2003; Teferra & Altbach, 2004; TFHES, 2000; World Bank, 1994, 1988, 1986). A very popular piece of advice for these universities has been that they should diversify their sources of income. Seemingly, public universities have taken the 'advice' and are now trying to alleviate resource dependence difficulties by winning external finances.

The challenges discussed above simultaneously afflict many African universities. They constitute what Cameron (1983) describes as conditions of decline. These "conditions of decline are severe enough to threaten the survival of many [universities]" (Cameron, 1983:373). These conditions also "create a situation where some response is necessary" (Cameron, 1983: 359), if only to arrest the decline. The severity of these challenges is varied, with countries in sub-Saharan Africa being the most affected. It appears all the challenges have a relationship with finance, directly or indirectly. Finances are not always adequate for the effective pursuit of the universities' missions.

The magnitude of these challenges is likely to determine the change or response trajectory institutions are likely to pursue. Institutions that are deeply scarred by these challenges are likely to face a daunting task with respect to the success of their preferred adaptive responses to resource scarcity. For instance, institutions with limited research

capacity are not likely to attract external funding for research, just as those whose programmes are perceived to be of low quality are likely to find it difficult to attract fee-paying students. Conversely, the less institutions are affected by the above challenges, the wider the choices they will have for institutional adaptive responses. By and large, as Cameron (1983) points out, conditions of decline faced by public universities are important in determining the effectiveness of adaptive strategies. The challenges facing individual universities will constrain their capacities to mount diverse and successful adaptive responses to resource scarcity.

The next section sheds light on the major debates on the financing of public higher education in Africa. It is intended to show the central role the World Bank has played in influencing the financing of public higher education, the shifting policy positions and ultimately show how policies on financing African higher education are, to a critical extent tethered to global forces. This debate on financing higher education brings to the fore the various pressures that have been brought to bear on financing policies of African higher education vis-à-vis responses that have been prescribed.

2.3 The Debate on Financing African Higher Education

Significant shifts have recently taken place in attitudes of governments, international agencies, and donors toward the financing of higher education in Africa. Optimism and growth in the 1960s and 1970s when budget allocations for education tended to rise, driven both by rising social demand and by belief in the economic benefits of investment in human capital, gave way in the 1980s to stagnant or declining budgets, as governments in many parts of the world grappled with political and economic crises, structural adjustment, and widespread poverty and unemployment (Nafukho, 1996; Woodhall, 2001). At the same time, many donors switched priorities and emphasis away from higher to primary education, partly as a result of arguments that primary education was a more profitable social investment than higher education (Woodhall, 2001; World Bank, 1986; 1988; 1990).

As already mentioned elsewhere in this dissertation, financing of public higher education in Africa has largely remained a victim of macroeconomic adjustments. Economic difficulties for most African countries started becoming severe in the late 1970s and accelerated after 1980, leaving most African economies in serious disarray (World Bank, 1986; 1988). Other than the poor performing economies, the explosion in population growth added more pressure on the education sector. This external environment created a situation of resource insufficiency for the education sector. Against this backdrop, the World Bank published a policy paper (World Bank, 1988), which had major implications on the entire education sector, in sub-Saharan Africa (excluding South Africa). This particular policy paper departed from the perspective that education in sub-Saharan Africa was in crisis hence the need for major reforms. The point is made that governments cannot be expected to increase substantially the resources they devote to higher education. The paper further condemns the cost of higher education in sub-Saharan Africa as being needlessly high (World Bank, 1988, 1994). Many other scholars, most of them associated with the World Bank (Abagi, 1999; Court, 1999; Johnstone et al. 1998; Johnstone, 2002; Saint, 1992; Psacharopoulos, 1993; Psacharoplous, 1994; Psacharoplous & Woodhall, 1985; Woodhall, 2001) have subsequently echoed this particular thinking.

Cost sharing (cost recovery) is the most important policy recommendation (prescription) made by this policy paper. African governments were called upon to “relieve the burden on public sources of financing by increasing the participation of beneficiaries and their families” (World Bank, 1988: 77). The paper also decried the ‘high levels’ of government subsidisation for higher education. To remedy this situation, the paper recommended the expansion of access for part time, fee-paying students. African governments were also advised to “introduce fees in public [universities], initially for non-instructional services such as food and lodging and then as tuition for instruction” (World Bank, 1988:79). The paper, however, acknowledged that savings arising from adjustment measures will not be sufficient in most countries to cover the substantial resources needed to revitalise and build African (higher) education to the extent essential for future development (World Bank, 1988). This particular argument provides grounds for the development of other

sources of income beyond cost sharing. Even though the paper sees international aid as important in helping to cover the deficit (not covered by cost sharing), its unreliability and conditional nature obviates any meaningful dependence on it.

Overall, the paper sets the stage for adjustments in public university education in sub-Saharan Africa. According to this paper, a period of adjustment to changed economic circumstances was a pre-requisite for improving higher education. Among the institutional adjustments the report recommended is the amalgamation of some tertiary institutions, individual campuses, academic departments and teaching programmes, into units of economically viable size. Further, personnel reductions, especially of non-teaching staff are urged (World Bank, 1988).

Predictably, this paper's recommendations heralded major changes in the financing of higher education in sub-Saharan Africa. Not only was cost sharing introduced, but also, albeit on a small case, a range of income-generating activities (Kihara, 2003; Nafukho, 1994, 1996, 2004). Budgetary allocations to higher education were significantly slashed in favour of basic education. Implementation of the recommendations of the report came at a time when many Sub-Saharan countries were already grappling with structural adjustment programmes (SAPs).

Most of the World Bank (1988) policy recommendations seem to have been motivated by earlier studies (Hinchliffe, 1985 and World Bank, 1986). Both studies explored the issue of financing education in Africa, with Hinchliffe (1985) focusing specifically on higher education. Both studies argue that the then financing arrangements resulted in the misallocation of public spending on education. Using rate of return analyses, the two studies (Hinchliffe, 1985 and World Bank, 1986) argued for more investment in primary education. The agitation for more investment in primary education was ostensibly triggered by 'evidence' that the average dollar invested in primary education returned twice as much as the one invested in higher education (Psacharopoulos & Woodhall, 1985; World Bank, 1988). It was thus claimed that primary education was the most profitable form of educational investment, followed by secondary education and, finally,

by higher education (Psacharopoulos & Woodhall, 1985; World Bank, 1986). Investment in higher education was 'found' to be less socially efficient, a situation the two reports blamed on the high subsidisation of higher education.

On account of the slow rates of economic growth, Hinchliffe (1985) correctly predicted that pressures to increase public expenditures (especially on higher education) would for some time be resisted. What is clear in both Hinchliffe (1985) and World Bank (1986) is that for as long as the economic environment remained depressing, pressures will be mounted for a reduction in public expenditures. Concerning higher education, Hinchliffe (1985:17) argues that considering "the criticisms being directed against the sector, its position ... does not appear to be strong in terms of receiving substantial additional public funds."

As part of the World Bank technical paper series, Saint (1992) writes about a number of major issues affecting African higher education. Concerning finance, Saint's study lays emphasis on diversification. Like the other studies before his (World Bank, 1986, 1988; Hinchliffe, 1985), Saint (1992) also blames the financial hardship facing public universities in Africa on declining economic output in the continent, and subsequently, a drop in national capacities to finance the sub-sector. Having suffered sizeable budget reductions, continued dependence on governments was no longer feasible. Already, the quality of outputs from many African universities was questionable, mainly because of under capitation. This, according to Saint (1992), made the need for diversification of university funding urgent.

As if to reinforce the 'prescriptions' of the 1988 policy paper, the World Bank produced another policy paper, World Bank (1994), which focused on the "main dimensions of the higher education crisis in developing countries" (World Bank, 1994:viii). Consistent with the bank's earlier unfavourable inclination towards public investment in higher education in Africa, the paper makes the point that "...the extent of government involvement in higher education [in Africa] has far exceeded what is economically efficient" (World Bank, 1994: 9). According to this paper, higher education is a burden to public finance,

and universities should adapt to a competitive market situation. Even though this paper recognizes that higher education investments are important for economic growth, the Bank still insists that investments in higher education have lower social rates of return than those in primary and secondary education. The paper finally declares that the main priority of the Bank will continue to be basic education (World Bank, 1994). Countries were thus called upon to adopt policy reforms that would lower public costs of higher education.

The foregoing review of the debate on financing higher education shows the shifts that have occurred in the financing of higher education in Africa. Because of declining economies, inter-sectoral competition for resources, arguments in favour of primary education and the coercive influence of the World Bank, among other factors, many African governments effected major reductions in the budgets of public universities (Saint, 1992).

A recent study by a task force convened by the World Bank and UNESCO (TFHES, 2000) questions previous notions on the financing of higher education, motivated by rate-of-return analyses. It is on the basis of rate of return analyses that the World Bank (1988) policy document prescribed more funding for basic education, arguing that it had higher social rates of return. Higher education, which was 'found' as having lower social rates of return, was recommended for budget reductions, implying that it was a less important investment opportunity. In this report (TFHES, 2000), "rate-of-return analysis has been de-emphasised" (Post et al. 2004: 1). TFHES (2000) argues that developing countries needed to prioritise higher education more than would be indicated by rate-of-return analyses alone. Further, the report argues that lending agencies require a deeper appreciation for the contribution higher education makes to society, and that these contributions go beyond an impact on individual wages (Post et al. 2004; TFHES, 2000).

Overall, the debate on the financing of higher education in Africa is one that has been marked by policy shifts over time. At the time of political independence, higher education in Africa was one of the most critical projects of the new post-colonies. The

need to develop person power to replace departing colonial administrators and guarantee equity of access was mainly responsible for the high state subsidisation of higher education in Africa. Subsequently, the collapse of many national economies and the accompanying destabilisation of social structures threw institutions of higher education into a prolonged crisis. There has been a struggle by public universities to survive and find new directions in rapidly deteriorating conditions (Sawyer, 2002a).

The influence of the World Bank on the financing policies of higher education in most of the economically developing world is evidence of how globalisation (cf. theoretical framework) is impacting on higher education. The World Bank, the International Monetary Fund (IMF) and other supra-national agencies like United Nations Educational, Social and Cultural Organisation (UNESCO) and the Organisation for Economic Cooperation and Development (OECD), acting as institutional carriers, have been pivotal in developing

[...] a general and common framework defining the new context, imperatives, ends and means in which higher education institutions have to operate nowadays. In other [words], they define the appropriate (effective and efficient) and legitimate form for higher education in the global age [...]. [They have] a major role in defining and promulgating particular strategies, recipes, [and] archetypes for higher education policy, organisation and curricular structures" (Vaira, 2004: 488-489).

The World Bank and the IMF have succeeded, through both coercive and normative pressures, to push (relatively poor) governments to adopt policies that favour shrinking of public expenditures and funding, a wider confidence in market regulative and allocative capabilities and the trend toward a more entrepreneurial and managerialist pattern of higher education organisational change (Vaira, 2004).

The next section is a review of various studies on institutional adaptive responses to resource scarcity in the context of globalisation. The review examines studies that cover Western Europe, America, Australia and Africa. The review adopts a narrative approach where an exposition of individual institutional responses is given. National and local institutional contexts come out as key influences in patterning institutional responses.

Broadly, the review shows a marked similarity in the way universities located in broadly similar political economies adaptively respond to resource scarcity. These broad similarities do not however exclude institutional peculiarities.

2.4 Mitigating Resource Deficiencies: Experiences from Elsewhere

In this section, several studies related to the present one are reviewed. The focus is on various institutions' adaptive responses to financial constraints. As will be shown in the review, institutions have been forced to engage in self-financing (as the preferred adaptive response) by almost similar conditions; principal among them is vulnerability resulting from the globalisation of the political economy, and the attendant reductions in government funding. This review will help link the present study to existing research on self-financing strategies by public universities and organisational adaptation.

Severe financial constraints facing universities have undoubtedly threatened the survival of these institutions. In a bid to adapt to the changing financial circumstances, institutions, formerly dependent on large-scale government funding, are now responding by seeking their own income. Clark (1998) empirically and conceptually explored how five universities in five European countries successfully embraced entrepreneurialism as a response to dwindling financial support from their respective governments. From his study, Clark (1998) developed five "entrepreneurial pathways of university transformation" (p.5), which he uses to frame the case study accounts. These entrepreneurial pathways, which Vaira (2004: 503) describes as a "recognisable pattern of organisational restructuring...to cope with the changed institutional and task environment" are: a strengthened steering core; an expanded developmental periphery; a diversified funding base; a stimulated academic heartland, and an integrated entrepreneurial culture.

Clark's study shows how, over time, Warwick, Twente, Strathclyde, Chalmers and Joensuu successfully responded to declining governmental financial support by developing an earned-income portfolio. All the five universities registered entrepreneurial

success in patterns that followed the five pathways of transformation. They all reoriented their management structures to accommodate entrepreneurialism and diversified their sources of revenue. From Clark's study, it is clear not all departments are able to generate substantial revenue from external sources. In all the universities, departments (science, engineering and business) closer to the market raised the highest revenue. Earned income has provided the funds for cross subsidy to academic departments and subjects that bring in little or no extra money but viewed as institutionally worthy of continuing support and enhancement.

Methodologically, Clark's (1998) study could be described as a comparative descriptive survey involving interviews with faculty, administrators and students (even though their contribution to the study is not quite explicit), document review, and observations. He uses the experiences of individual institutions to show how certain elements of transformation (adaptive responses) continuously recur. Each institution's setting and historic character is seen as necessary for understanding whatever transformation has taken place or is in process. Each account includes what is significantly unique and peculiar and the role played by particular individuals.

In a study that covered USA, Canada, Australia and the United Kingdom, Slaughter & Leslie (1997), show how universities confront and adapt to the forces of economic globalisation, how the global economy meets and fundamentally changes the academy. Slaughter & Leslie's (1997) study explains how the receding flow of public money to higher education motivated restructuring in universities. Their study demonstrates that public universities increasingly court corporate money to offset the loss of government block grants. This has occasioned a major change in the way public universities operate. Faculty, in Slaughter & Leslie's (1997) view, are no longer able to occupy the tenuous space between capital and labour, which they have held since the Industrial Revolution. Instead they are increasingly becoming direct participants in the market in order to fund their research. As a result, a new breed of academic players has been bred, "academic capitalists" or "state-subsidised entrepreneurs" who "act as capitalists from within the

public sector" (Slaughter & Leslie, 1997: 9). They must compete in the public sector in order to make their areas of research or individual departments viable financial entities. The potential commercial value of a faculty member's academic specialization will increasingly influence the academic value placed upon that work and, by implication, on that faculty member (Slaughter & Leslie, 1997). One's relation to capital increasingly determines intellectual merit, as much as the worth of one's research or publications. As Slaughter and Leslie underscore, "[t]his change in financial structure and relation to industry is radically altering the nature of academic labour: changes in what academics do, how they allocate their time" (1997: 60). The increasing use of adjunct and graduate student labour is a crucial ripple effect of the growth of academic capitalism since it saves down-sizing universities millions and allows tenured and tenure-track faculty more time to pursue their research. Spiralling class sizes are yet another way to cut costs and elevate the needs of university administrators and industry-more research hours or networking time for faculty-over those of students.

Despite the obvious statistical unrepresentativeness of Slaughter & Leslie's study, they prefer to discuss their findings in broad and encompassing terms, e.g. "As our Australian findings indicate..." (Slaughter & Leslie, 1997: 223). Considering the heterogeneity of public universities, especially with regards to their resource seeking behaviour, data from the present study is interpreted as pertaining to the institution in question before comparisons with other institutions are made. Another methodological weakness in this study (Slaughter & Leslie, 1997) is that a number of observations are generalised on the basis of faculty interviews at Australian universities. No interviews are conducted with faculty at universities in the other three countries.

Another study that focused on institutional adaptive responses to resource scarcity is the one conducted by Williams (1992). Williams' study focused on the shifts in the financing of higher education in Britain from a state dependent binary system to a market oriented unitary system. A key objective of Williams' study was to assess the effects of funding changes, in particular, the withdrawal of indiscriminate subsidy for students from overseas, and various government initiatives to encourage increases in funding from

private sources. He reports on the effects of new funding sources and mechanisms on organisational behaviour and academic activities of universities, polytechnics and colleges.

To optimise institutional responses to opportunities for income generation, Williams (1992) reports how British institutions of higher learning established offices charged with income generation and also effected changes in administrative functions. Changes in the internal resource allocation procedures were also carried out. They ranged from central control to control by operating units (departments).

Based on an empirical study of diverse adaptation mechanisms of six universities in America, Italy, Switzerland and Austria, Sporn (1999) developed several propositions for a theory of higher education adaptation. She focused on how the universities employed governance, management and leadership to adapt to different circumstances; declining public revenues being the main issue for the three American universities involved in the study, namely New York University, University of Michigan and University of California at Berkeley. Sporn argues that diversified funding is critical in enhancing adaptation to conditions of financial vulnerability. A diversified funding base “decreases the vulnerability of institutions. Universities being totally dependent on one source of income are less able to adapt proactively to environmental demands” (Sporn, 1999: 271).

Based on review of literature, Fairweather (1988) reports on university-industry linkages in USA, motivated by financial need on the part of universities. An important observation made by him is that the stature of academic institutions greatly contributes towards the formation of partnerships with industries and that industries put their money in areas of interest to them, especially technical fields. The converse side of this thesis is that less prestigious universities and those with greater emphasis on arts and humanities are not likely to attract support from industry. Further, even within prestigious universities, departments without direct relevance to industry are not likely to attract industry’s funding (cf. Clark, 1998; Slaughter & Leslie, 1997).

In Africa, self-financing by public universities as a response to reduced state funding is a relatively new phenomenon. Other than general commentaries on the subject, few empirical studies that critically unpack the phenomenon have been conducted.

In a study that focused on issues confronting higher education in Mozambique, Mário et al. (2003) reported, *inter alia*, on the financial difficulties public universities in Mozambique were experiencing. The financial difficulty notwithstanding, Mário et al.'s (2003) study found no evidence of significant income generation or other adaptive responses by the public universities. Only the Eduardo Mondlane University (UEM) was found to be involved in some form of income generation. As a proportion of the total revenues, income generation by UEM in 1997, 1998 and 1999 was estimated at 2.7, 1.8 and 3.1 percent respectively. Public universities in Mozambique still heavily rely on the government and donors for funding (Mário et al. 2003).

In Tanzania, the major reforms that have taken place in the country's higher education sub-sector are captured in a study by Mkude et al. (2003). The main focus of this study is the institutional reforms that have taken place at the University of Dar es Salaam (UDSM). An important development reported in this study is financial reform. Financial reform is reported as being concerned mainly with income generation through fee-paying students, commercialising service units, an income generation unit, and a university consultancy bureau. The Income Generation Unit promotes and coordinates income-generating activities for the university, mainly by attracting third parties for the commercial management of university assets (including land, office accommodation, hostels, conference, catering and secretarial services), (Mkude et al. 2003).

Mkude et al.'s study reveals the emergence of several practices that so far characterise the university's responses to dwindling financial support from government. These include, *inter alia*, the establishment of limited liability companies and the emergence of departments and/or faculties developing closer ties with industry and therefore bringing in more money than others. Another emerging practice is the 'competition' for external

resources by individual lecturers. Unfortunately for UDSM, due to lack of appropriate structures, many consultancies go unreported to the university. The implications for this are that the university does not receive its entitled overheads (Mkude et al. 2003).

Another important observation reported in this study is that engagement in entrepreneurial activities by lectures may reduce the time spent on teaching and course preparation, to the detriment of students. Against the background of poor salaries in many African universities, it is anticipated that lecturers will more likely engage in income generation at the expense of teaching and research. A question that arises from this scenario is whether academic faculty can engage in academic capitalism, *a la* Slaughter & Leslie (1997), without necessarily impacting negatively on teaching and research. Mkude et al's study only briefly discusses UDSM's resource seeking behaviour and is lacking in detail, i.e. on the subject of income generation. The few stated implications of income generation are explained in a speculative and generic manner.

Makerere University (Uganda) has been lauded for its apparent success in income generation (Court, 1999; Mayanja, 2001; Musisi, 2001; TFHES, 2000). A study by Musisi & Muwanga (2003) teases out the financial reforms that have taken place at Makerere between 1993 and 2003. This study is arguably one of the most comprehensive on university entrepreneurship in Africa. Musisi & Muwanga (2003) locate the financial reforms at Makerere in the broader national policies of liberalisation, privatisation and decentralisation in Uganda. Until 1991, Makerere University relied totally on government funding. A government shift of emphasis on primary education, since 1992, remarkably reduced government remittances to Makerere. The University had to look elsewhere for money and by 1999 over 60 percent of Makerere's capital budget came from sources other than the government (Musisi & Muwanga, 2003).

Musisi & Muwanga (2003) report that Makerere raises her income through:

- Admission of full fee-paying students. By 2000, Makerere's student population had expanded four fold. This is, so far, Makerere's preferred mode of raising income. It accounts for more than half of the university's total revenue;

- Commercial units/business enterprises. Institutional transformation at the university has encouraged the development of commercial and business enterprises through contracting formerly university-run enterprises to private management;
- Consultancy services;
- Donor funding.

The study cites greater autonomy, leadership and the emergence of a new management and governance style, and the adoption of a market orientation as the pillars of Makerere's success. The study also reports a number of effects the preferred mode of generating income (full fee-paying students) plus the generated income have on Makerere. These include:

- Over-commercialisation;
- Decline in standards, quality and equity;
- Reduction in staff time available for research and publication.

The university has introduced many new programmes in a bid to attract many full fee-paying students, and is now struggling to cope with the resultant galloping enrolments. Many students do not attend lectures because of lack of seats and poor audibility in the lecture halls. Tutorials have been abolished, course work has been reduced and multiple-choice examinations introduced (Musisi & Muwanga, 2003). Unlike universities in Europe and USA (Clark, 1998; Fairweather, 1988; Slaughter & Leslie, 1997; Williams, 1992) where science departments raise more money than the others, Makerere earns more external revenue from the humanities. This is because there are absolute limits on the number of students that the sciences can accommodate. They do not have the facilities to expand student enrolment or mount evening courses in order to increase income generation (Musisi & Muwanga, 2003).

As earlier noted, Makerere's experiment with income generation has generally received wide acclaim. A divergent view is that of Obong (2004) who considers the experiment pernicious, an intrusion of money at Makerere, which has subsequently presented the

academic staff with a set of dilemmas. He laments that the new paradigm has nurtured the growth of a 'money culture' among the university staff. In his view, this money culture is characterised by the desire to make more money at any cost.

Whereas Musisi and Muwanga (2003) are guarded about the emerging institutional behaviour, especially negative ones, Obong (2004) confronts the issue more explicitly. What the Makerere case makes clear is that self-financing goes hand in hand with new practices, encourages certain behaviour and offers new challenges. Mamdani (2007) and Bidemi (2006) have also reported on the negative implications of the Makerere reforms.

Riechi's (2003) doctoral study on revenue diversification in Kenya's public universities is yet another endeavour to explicate the attempts by public universities to attain economic stability. Riechi's (2003) study, a descriptive survey, provides a broad snapshot of the various activities Kenyan public universities engage in to win private income. His central focus is however on the income earning activities employed by the University of Nairobi (UoN). The actual amounts generated from these activities are not given. Further, Riechi (2003) attempts to make a comparison between the income earning activities of UoN and those of Makerere University in Uganda. Unfortunately, this is limited to full fee-paying programmes and is also lacking in detail.

A major weakness of Riechi's (2003) study is the theoretical framework. The human capital theory, which the study employs, does not provide clear and robust conceptual tools for understanding revenue diversification initiatives but rather why students and families are willing to pay high fees for university education. In this study (Riechi's), therefore, the human capital theory is rather tangential, and does not directly speak to the what, how and why of revenue generation by public universities. The lack of a robust theoretical framework in Riechi's (2003) study is neither unique nor surprising. The subject of revenue diversification by institutions of higher learning is under theorised. Many studies on the subject (Gornitzka, 1999; Marginson and Considine, 2000; Slaughter & Leslie, 1997; Sporn, 1999), have borrowed theoretical tools from various disciplines viz., organisational science, economics, political science, etc.

In summary, the reviewed studies reveal that income generation as a response to declining capitation of public universities from public sources is in vogue globally. Comparing the preferred modes of income generation between universities in America and Europe, and African ones, a dichotomy emerges: whereas universities in Europe and America prefer private enterprise and linkage with industry for income generation, the admission of full fee-paying students is so far the preferred mode for African universities. Within the individual universities, depending on certain circumstances, some departments are able to raise more money than others leading to uneven revenue generation across departments and faculties. Another important commonality is that the new paradigm has tremendously affected the life of academics. Other than teaching and research, individual academics have systematically become entrepreneurs whose stature and relevance are somehow determined by the amounts of revenue they are able to raise.

An important observation, with respect to some preferred responses to resource scarcity, is that the notion of 'public' is being eroded, reconfigured. The distinction between public and private universities, as Sporn (1999) correctly observes, is based on their major source of funds. Public institutions are largely sponsored by government appropriations while private universities are mainly financed through tuition and fees. From all the reviewed studies, admission of full fee-paying students is so far one major way of earning external revenue. Makerere University even has more 'private' students than 'public' ones. With the new paradigm, the distinction between public and private universities is fading away and only remains legalistic (Wangenge-Ouma, 2004). A major challenge public universities are likely to face is how to negotiate between their being public and the private neo-liberal character that arises from their entrepreneurial activities.

The various responses show how organisations interpret and adjust (adapt) to potentially inimical exogenous changes. A diversified funding base invariably features as the best way to mitigate resource dependence on any one source. Most public universities suffer financial crisis mainly due to their over-reliance on the exchequer; hence becoming vulnerable to shifts in the financial priorities of governments, especially in periods of

budget constraints and economic hardship. A diversified funding base, therefore, creates more discretion and less vulnerability for universities. Also, all the studies are located in the globalisation paradigm vis-à-vis the worldwide proliferation of neo-liberal policies, which emphasise reduction of state subsidisation of higher education, shifting costs to “the market” and consumers (Marginson & Rhoades, 2002; Aina, et al. 2004; Toress & Schugurensky, 2002).

In short, the reviewed studies show how public universities manage to survive by acquiring new resources and implementing other reforms. From the reviewed studies, adaptation comes in the form of making strategic choices to cope with external pressure. The reviewed literature helps link this study to research on organisational adaptation; provides a language for discussing institutions’ adaptive resource seeking behaviour and also offers methodological and conceptual insights, which are useful to the present study. The reviewed literature also reveals a dearth of studies on resource seeking by public universities and emergent institutional behaviour, especially in African universities. The few studies on African universities are also lacking in theoretical depth. The present study will, hopefully, help make good this paucity.

2.5 Theoretical Framework

Throughout its many years of existence, the university has managed to survive by “adapting as needs must to political, economic, cultural, social and ... technological changes” (Williams, 2003:5). As part of a larger societal environment, the relationship between universities and their environment has been changing depending on the trends and developments in society. These broad societal trends translate into a changing institutional environment for academic institutions with shifting demands (Sporn, 1999: 281). Consequently, universities have, as of necessity, to “actively, purposively and creatively relate themselves with the institutional environment and pressures” (Vaira, 2004: 496).

For many universities today, the need for adaptation has emerged, and urgently so, out of pressures related to resource constraints and the overall competitive context within which they operate. The proportion of public or governmental funding in the overall budgets of many universities continues to drop at a time when higher education is experiencing galloping enrolments (Altbach & Johnstone, 1993; Bundy, 2004; Hinchliffe, 1985; King, 2004; Musisi & Muwanga, 2003; Peters, 2004; Saint, 1992; Slaughter & Leslie, 1997; Sporn, 1999; TFHES, 2000; Williams, 1992; Ziderman & Albrecht, 1995), and, ironically, at a time when it (higher education) is considered critical for the advancement of a post-modern global society (Carnoy, 2001; Castells, 1998a; Marginson & Considine, 2000), and in some cases, even when national economies are performing superbly (Rizzo, 2004). For African universities, this decline is also occurring at a time when Africa's political leadership expects them to play a leading role in the continent's renaissance (Mbeki, 2005).

Olsen (cited in Maasen and Cloete, 2002) posits that the traditional pact between society and higher education has become problematic. The signs of this are, first, that public support for higher education is decreasing, both politically and financially. The result has been an imbalance that disadvantages public universities, hence the need for these institutions to respond in such a way that they "reach compliance with [these] external constraints" (Sporn, 1999: 46).

It has been argued that higher education is undergoing "an epochal shift: the move from Keynesian economics to neo-liberalism; the rolling back of the welfare state, and shrinking public sector provision in favour of a market-driven private sector" (Bundy, 2004: 163; Henry et al. 2001). It is incontestable that public institutions of higher learning are experiencing resource scarcity, resource constraints, albeit, of varying magnitudes. Expectedly, shrinking public revenue for universities has far reaching reverberations, especially for institutions that are (were) largely dependent on the public purse.

Many national governments have made it clear that it will no longer be possible for public universities to rely solely on the state for funding. Consequently, universities have been challenged (directed) to generate their own funds - earn their own income.

Considering that financial resources are critical to universities' stability, and yet budgetary support from these institutions' principal benefactors (governments) is steadily declining, theories that explain institutional or organisational responses or adaptation to the resultant imbalance are necessary. The reflections expressed in this section will form the basis of our further analysis of the responses of public universities to diminishing fiscal effort by governments.

2.5.1 The Resource Dependence Theory

For a long time, national governments have been the single source of funding public higher education in many countries. This trend is now changing and public universities are now partly dependent on other parties for their financial resources. The risk of solely depending on the public purse has driven universities into increasingly focusing on their external environments – the market (away from the state), to seek critical resources. To understand this emerging shift in resource dependence by universities, from the government to other sources of revenue, I utilise Pfeffer & Salancik's (1978) resource dependence theory. The resource dependence theory's fundamental argument is that organisations survive to the extent that they are effective in acquiring and maintaining resources (Pfeffer & Salancik, 1978). Consequently, organisations deprived of critical revenues will seek new resources. Johnson (1995: 1) emphasises Pfeffer & Salancik's initial argument that “[r]esource dependence theory is a theory of organisation(s) that seeks to explain organisational [...] behaviour in terms of those critical resources which an organisation must have in order to survive and function”. Two central assumptions made by the resource dependence theory are that, various external pressures and demands limit organisational choice and action, and the organisation must be responsive in order to survive (Gornitzka, 1999; Maasen & Gornitzka, 1999; Pfeffer & Salancik, 1978). When environments change, organizations can either change their activities or face the real prospect of not surviving (Pfeffer & Salancik, 1978).

In many African countries, resources for higher education have steadily declined through the years. According to Teferra & Altbach, “[t]he central reality for all African higher education systems at the beginning of the twenty-first century is severe financial crisis”

(2004: 26). This crisis has invariably been ascribed to, *inter alia*, inflation, devaluation of the currency exchange rate, huge external debts, economic and political turmoil, inter-sectoral competition for public funds and the World Bank and IMF's macro-economic principles of budget deficit reduction and restricted social spending (Banya & Elu, 2001; Carnoy, 2000; Currie, 2003; Johnstone, 2001; Nafukho, 1994; Teferra & Altbach, 2004; World Bank, 1994). Even in African countries experiencing fewer of the above problems, their expenditure on higher education remains "depressingly small" (Teferra & Altbach, 2004: 27). Consequently, many African universities have perpetually suffered serious resource constraints.

Economic difficulties for most African countries first became critical in the late 1970s and accelerated after 1980, leaving most African economies in serious disarray (World Bank, 1986; 1988). Other than the poor performing economies, the explosion in population growth leading to "a dramatic and continuing growth in student numbers" (Ziderman & Albrecht 1995:1), added more pressure on the education sector. This external environment made it difficult for many African governments to continue large-scale funding of university education. The macroeconomic environment has since worsened (Mingat & Tan, 1986; Saint, 1994; World Bank, 1988), throwing many (higher) education systems into a state of shock, such that unless institutions of higher learning move away from heavy dependence on public funds, their own survival is threatened.

Like all living organisms, organisations seek homeostasis or stability. They abhor disequilibrium or destabilisation (Pfeffer & Salancik, 1978). Unstable environments result in organisational turbulence. When resources are in a state of major flux organisational stability is threatened. Organisational vulnerability occurs. Under such circumstances organisational efforts are directed at regaining stability, at removing the source of the threat to the organisation. As put by Pfeffer & Salancik (1978: 2), "[t]he key to organisational survival is the ability to acquire and maintain resources". The overriding long-term organisational goal is autonomy: removing dependence upon resource providers to assure continuing stability and equilibrium (Pfeffer & Salancik, 1978: 261).

To achieve its goal of survival, a given organisation can take a number of actions to reduce its dependence on others for resources. For the university, a common strategy has been the diversification of sources of income, away from the exchequer. Other actions taken to reduce dependence on 'others' by universities entail

[...] substantive organisational change and associated changes in internal resource allocations (reduction or closure of departments, expansion or creation of other departments, establishment of interdisciplinary units); substantive change in the division of academic labour with regard to research and teaching; the establishment of new organisational forms (such as arm's-length companies and research parks); and the organisation of new administrative structures or the streamlining or redesign of old ones (Leslie & Slaughter, 1997: 11).

The resource dependence theory further postulates that there is a link between resource dependence and opportunity identification; that organisations deprived of critical resources will identify opportunities for remedying the situation (Pfeffer & Salancik, 1978). From this argument, the degree of state funding will influence the magnitude and direction of universities' income generating activities and other reforms directed at reducing dependence or mitigating plummeting state support. Individual universities will come up with competitive strategies in pursuit of optimal returns. Organisations will look for opportunities which they can exploit. It is expected that these opportunities will arise from the institution's established competencies, which must be of value to those with the resources the university is in need of. Conversely, opportunities for income generation are likely to induce the introduction of programmes that will tap into those resources. For instance, if, say, there was a high demand for law programmes, a university not offering this programme may consider introducing it. In a nutshell, opportunity identification also has to do with being responsive to market demands.

Another important aspect of the resource dependence theory that is critical for understanding institutional adaptive responses to declining resources is the question of institutional capacity. Navarro & Gallardo (2003), point out that the survival of the organisation and its ability to compete for its future rely upon its capacity to maintain a sustainable competitive advantage. Capacity is the very essence of strategy (Navarro & Gallardo, 2003). Navarro & Gallardo further argue that "[w]hen the environment is...

undergoing rapid changes, the organisation must have corresponding capabilities to survive ...” (2003: 204-205).

Cloete & Maasen (2002) give the example of White Afrikaans-medium universities in South Africa, to illustrate how some universities successfully respond to environmental changes that threaten critical resource relationships because of their capabilities. The White Afrikaans-medium universities are reported to have perceived redress as a resource threat. They were reportedly incentivised by the threat of subsidy reduction to become much more enterprising than they had been in the apartheid era:

[...] they set about enhancing their resource base through a variety of enterprising strategies which were remarkably successful in increasing student numbers, enlarging their product range, securing research and consultancy money, and introducing strict cost-cutting measures (Cloete & Maasen, 2002: 467).

Cloete & Maasen describe the response by these universities as an archetypal resource-dependency response, “where the university adapts its prevailing repertoire of exchange relationships in order to ensure a continuous flow of resources strongly aided by a cultural tradition that permitted [...] quick response adaptability” (2002: 467). From this illustration, institutional capacities strongly emerge as important determinants of institutional responses. Cloete & Maasen (2002); Muller (2001) identify two types of institutional responsive capacity, that underlie the different institutional responses to dwindling government subsidies. These are academic capacity and management capacity. Academic capacity goes beyond hiring academics with higher qualifications but also the ability to restructure programmes, to attract students, to engage business, communities and government in research and contract work, to be part of international academic networks, and have effective relationships with funding agencies (Cloete & Maasen, 2002).

Academic capacity thus enables an institution to establish extensive links with the larger society, with the possibility of increasing and diversifying its financial resources whenever necessary. In higher education the basic resources are not only financial and human, but also reputational, with finance following reputation, not necessarily the other way round. (Cloete & Maasen, 2002: 472).

Management capacity entails both individual management skills of the institutions’ leaders, processes of decision-making and existing management structures. Good

management capacity drives universities “to reconfigure their missions and (re)position themselves so that they are more responsive to a rapidly changing external environment” (Kulati & Moja, 2002: 236). Management capacity enables an institution to diversify their income streams, exploit opportunities, be efficient – doing more with less, address crises and forge useful networks with society and industry.

Differences between institutions’ capacities with respect to adaptive responses to financial stress therefore largely determine the manner in which institutions choose to mediate conditions of resource decline. South Africa’s apartheid policy ascribed upon universities different capacities-both managerial and academic. Even though it is now over twelve years since the demise of apartheid in South Africa, these differences are still visible (see Cloete et al. 2002) such that these institutions are likely to respond differently to the same phenomenon. Different institutional capacities do not however preclude similar responses to the same phenomenon, but they do impact on achievement. Kenyan public universities could also be said to be having differences in their capacities, though, broadly; these universities have more or less similar capacities. What this means is that the Kenyan cases are likely to show similar or mimetic responses than their South African counterparts.

Therefore, depending on the capacities institutions already have; they may respond to financial stress from positions of weakness or strength (Cloete & Maasen, 2002; Muller, 2001). Responding from a position of weakness is regarded “as a precarious strategy because here applied research or relevant curricula are sought in advance of consolidated disciplinary capacity. It is a strategy that is not sustainable in the long term” (Cloete & Maasen, 2002: 473). Institutional differences in respect of these critical capacities (as part of the repertoires institutions have) could be used to account for different strategies institutions employ as a response to dwindling financial support from government.

Overall, the resource dependence approach to higher education adaptation is helpful for this study as it explains institutional responses issuing from increased financial stress. Even though the resource dependence theory frames its premises in terms of environmental influences on institutions, it is important to emphasise that from this theory’s standpoint, organisations are not passive recipients of environmental forces, and

will make strategic decisions about adapting to the environment. These decisions are made within the internal political organisational context of the organisation as part of the attempts of the organisation to manipulate the environment to its own advantage (Gornitzka, 1999; Maasen et al. 1999; Pfeffer & Salancik, 1978).

Prevailing 'environmental' conditions seem to suggest that making strategic decisions about adapting to the environment will almost become a way of life for public universities. Slaughter & Leslie (1997) predict that with greater globalisation of the political economy, state funding of university education will continue to decline, and, if the situation is not mitigated, it will cause acute institutional destabilisation in higher education systems. The resource dependence theory's emphasis "on responding to some discontinuity or lack of fit that arises between the organisation and its environment"⁴ (Cameron, 1984: 123), makes it necessary that this 'environment', to which the need for universities to overcome resource dependence on public sources is ascribable be explored. To do that, I locate this study in the globalisation discourse, which allows a macro-contextualisation of the critical 'environmental' pressures responsible for the destabilisation that has led to the adaptive responses being witnessed in public universities.

4 According to the resource dependence theory, organisations must engage in an exchange with the environment to acquire resources. This exchange cannot be understood without analysing the context in which organisations are located and operate. "Organisational activities and outcomes are accounted for by the context in which the organisation is embedded" (Pfeffer & Salancik, 1978: 39). Context is important for understanding organisational behaviour. For this study, that context (environment) is globalisation. It is this environment of globalisation that presents public universities with threats and opportunities to which they must seek adaptive responses.

2.5.2 Globalisation

Globalisation is a contested phenomenon; one that does not lend itself easily to any single definition or characterisation. It has many faces, and is usually discussed in economic, political, social, cultural, and technological terms (Aina, 1997; Appadurai, 1996; McGrew, 1992; Muller et al. 2001; Stromquist & Monkman, 2000; Vaira, 2004), in the context of interconnectedness and supraterritoriality (deterritorialisation) (Scholte, 1997, 2000); characterised by interdependence, flows and exchanges, the role of new technologies, the integration of markets and the shrinking of time and space (Aina, 1997; Appadurai, 1996; Castells, 1996; Held, 1991; Scholte, 2000; Marginson & Rhoades, 2002).

Altbach's (2004:5) definition of 'globalisation' relates the phenomenon to higher education: "globalisation is ... the broad economic, technological, and scientific trends that directly affect higher education and are largely inevitable". Globalisation is thus a dynamic of various processes operating on a planetary scale, which, as Altbach (2004) pointed out, impact on higher education.

The various dimensions of globalisation, always operating simultaneously, have serious implications for, and influences on higher education. For this study, the question is: how are the forces driving the (financial) restructuring of higher education being driven by processes of globalisation? Further, how does the localisation of global forces or pressures manifest in national policies, which then trigger 'survival' responses from universities? A clear conceptualisation of the processes of globalisation will thus locate this study in context (processes of globalisation speak to the conditions universities are trying to adapt to) and provide us with lenses through which to interrogate the main research question.

The need for economic self-sufficiency for many African universities is mainly a consequence of the shifting relationship between the university and the state and society, in the context of globalisation (Maasen & Cloete, 2002). This changing relationship has not only affected the financing of universities, but also the philosophy and governance of

higher education. The traditional mission of universities: teaching, research and community service has not been spared either. The public good orientation of higher education is steadily shifting towards emphasis on private benefit. These changes are not peculiar to African universities; they are happening on a planetary scale. The only peculiarity is perhaps the manner in which these changes are being appropriated and the degree of success or failure of the triggered responses.

Some important drivers of the changes being witnessed in higher education include, inter alia, (Bundy, 2004; Cai, 2004; Clark, 1998; Marginson & Considine, 2000; Slaughter & Leslie, 1997; TFHES, 2000; van Damme, 2001; Ziderman & Albrecht, 1995):

- rapid expansion (massification) of the higher education system;
- a sharp fall in real public funding per student. Universities have had to cope with expansion and at the same time to adapt to resource scarcity. For most public universities in Africa, resource scarcity is a product of restricted budgets imposed by structural adjustment programmes, which are outputs of neo-liberalism. These programmes, Aseka (2005: 77) observes, “have had a long lasting effect on the role of the state in African economies as they have affected the levels of state expenditure and revenue. Poor expenditure patterns have **badly battered higher education** [added emphasis]”;
- higher education has become increasingly subject to the logic of the market, consumerism and the profit motive;
- growing centrality of techno-science and fields closely involved with markets.

Not infrequently, these changes have been blamed on the phenomenon of globalisation; which casts the changes as products of worldwide structural adjustments which higher education must respond to. With globalisation, universities are now confronted with new pressures, identities, values, conditions and needs that have placed them on a compulsory transformative trajectory whose success makes institutional restructuring paramount. Globalisation does not operate in a vacuum. Its impact on universities can only be understood by looking at how universities adapt to the interaction between the pressures

of globalisation and local contextual realities within the societies in which they are located.

From the outset, it is important to emphasise that the processes and flows of globalisation are not evenly distributed and experienced. These processes and flows favour and disfavour actors depending on where they are located vis-à-vis their share of economic, technological and even political advantage or disadvantage. McGrew correctly observes: “[s]ome regions of the globe are more deeply implicated in global processes than others, and some are more integrated into the global order than others” (1992:76).

With regard to Africa, Aseka (2005) rightly argues that the continent, generally, constitutes of dominated economies, enmeshed in the wider global order in a peripheral manner. He points out that “the African condition is characterised by growing marginalisation. It is a marginalisation wrought in conditions of dependence. This means that Africa is being integrated in the global economy in a subordinate [and dependent] capacity” Aseka (2005: 211). This inferior status effectively allocates the continent a victim status in the globalisation matrix and a “baneful existence in the world economy” (Aseka, 2005: 119).

According to Castells (1998b) Africa epitomises the rise of the fourth world, characterised by polarisation, poverty, inequality and marginalisation from capitalism. He argues that the rise of “global capitalism has coincided with the collapse of Africa’s economies, the disintegration of many of its states, and the breakdown of most of its societies” (Castells, 1998b:83). Castells further argues that

In the past two decades, while a dynamic, global economy has been constituted in much of the world, sub-Saharan Africa has experienced a substantial deterioration in its relative position in trade, investment, production, and consumption vis-à-vis all other areas of the world ... (1998b: 83).

Castells’ analysis of Africa’s economic situation points to the continent’s inability to compete in the new global economy, the result being “small domestic markets that do not provide the basis for endogenous capital accumulation” (Castells, 1998b: 90).

Because of Africa's victim status in the global economy, institutions in (especially sub-Saharan) Africa experience the pressures and conditions of globalisation from a position of acute disadvantage. These institutions are located in political economies that occupy a peripheral position in all the key aspects of globalisation: political, economic and technological. This position of disadvantage raises the question of readiness for meaningful engagement with the pressures and flows of globalisation. For instance, are public universities in Africa ready for economic self-determination? If not, are their governments able to shield them from the hard knocks of globalisation? Further, doesn't unprepared 'compliance' worsen the very conditions ostensibly being mitigated? A common fear is that African universities have been precipitately exposed to 'harsh' conditions and pressures of globalisation.

Given the deprived nature of many African economies, the state can no longer effectively shield public universities from the materialist effects of global neo-liberal economics. The deprived economies in which most African universities are located present them with a double challenge regarding financing. First, the poor economies make it difficult for the state to generously fund higher education; and, secondly, deprived economies are usually deficient of meaningful opportunities for capital acquisition and accumulation. Thus, many African universities may not have many viable income earning opportunities within their national economies. What this means is that public universities in Africa are seeking economic self-determination in a space that is economically deficient. The tangential integration of many African countries in the global economy further hamstrings the potential of their institutions to generate resources from global markets.

The interaction between globalisation, the state, society and universities has been well articulated by Cloete et al. (2002). Cloete and his colleagues have generated what they called an 'analytic triangle', a re-interpretation of Burton Clark's triangle of coordination, which locates the changes occurring in higher education within a complex interaction between the state and society in the context of globalisation. The analytic triangle enables a "structural understanding of how systems change in the course of complex interactions between state, institutions and society" (Cloete et al. 2002: 5). The triangle helps keep focus on the different components and their interactions.

Cloete et al's (2002) situating of changes in higher education in the broader context of globalisation is in tandem with the general trend in educational thinking in the 21st century. Educational policy makers and theorists alike have sought to understand both the ways in which global processes affect higher education and the manner in which it (higher education) is responding (Henry, et al. 2001). Globalisation has thus become a key concept with which to interpret the enormous economic, political and cultural changes that characterise human society at the beginning of the 21st century (Henry et al. 2001: 19).

The reform agenda of the late 21st century, extending into the third millennium, is oriented to the market rather than to public ownership or to governmental planning and regulation. Underlying the market orientation of tertiary education is the ascendance, almost worldwide, of market capitalism and the principles of neo-liberal economics (Aseka, 2005; Johnstone et al. 1998; van der Walt et al. 2002), which stress fiscal austerity, implying that "funding allocations for the sector [public higher education] will be contained within a highly deflationary budget" (van der Walt et al. 2002: 6). For much of Africa, 1991 onwards commenced the era of liberalization and privatization spawned by the Washington based international financial institutions: the World Bank and the IMF. The launching of neo-liberal economic reforms impacted heavily on many African economies, causing in the main, the undermining of the African state and its capacity for social provisioning (Aina, 2004).

The imposition of neo-liberal economic reforms on Africa, lead Aina (2004) to lament that the continent's encounter with globalisation has been the undermining of the African state and the erosion of its capacity to provide basic and other forms of services. Aina (2004) further argues that the imposition of the neo-liberal market fundamentalist doctrine on Africa went hand in hand with the ceding of many African countries of their responsibility for social and economic development management, to international financial institutions (IFIs). Policy formation, thus, became de-localised as this role was largely appropriated by the IFIs. The decision to diminish funding for public higher education is a case in point of a de-localised policy decision. Reduced funding for public higher education in much of Africa was an ingredient of the World Bank and IMF

determined neo-liberal economic reforms, whose immiserating effects have necessitated a search for alternative methods of funding the sub-sector.

Globalisation is thus accompanied by an ideology (neo-liberalism) that makes financial austerity, with regard to social services, a condition of economic progress. Explaining the pecuniary constraints confronting higher education, Carnoy (2000) argues that:

... globalisation enters the education sector on an ideological horse, and its effects on education are largely a product of that financially driven, free-market ideology.... Brought in as a financial, free-market ideology, globalisation does have major effects on [higher] education. In the 1980s, many ... African countries, saddled with high interest debt and forced to undergo major financial restructuring, accepted structural adjustment packages from the IMF and World Bank. These required the reduction of public spending, including spending on education (p.50).

Abagi's (1999) call to universities to operate as private, commercial profit-oriented entities resonates well with the ongoing deliberate attempt at restructuring and engineering of public universities, undergirded by the neo-liberal model of the entrepreneurial self - a shift characterised as moving from a 'culture of dependency' to one of 'self-reliance' (Peters, 2001). Consequently, there has occurred an ascendance of market orientations and solutions, and the search for non-government revenues. These market solutions include privatisation, deregulation and decentralisation of functions still considered 'public' (Johnstone et al. 1998).

The linkage between globalisation and educational restructuring is better understood by first disaggregating the various components of globalisation, followed by their application on higher education. Ultimately, a combination of the disaggregated components allows a holistic grasp of the profundity of the phenomenon of globalisation on higher education. Among the defining elements of globalisation germane to this study, one of the most important is the reconstitution of the nation state. For universities, it is the "flowback between globalisation and the reconstitution [read undermining] of the nation-state and its policy producing structures in education" (Henry et al. 2001: 20) that is of greatest impact. The re-constitution of the nation-state is a consequence of the

“enhanced globalisation of the economy; the related extra-territorial character of global capital; the post Cold War context; and the ... global dominance of neo-liberal ideologies” (Henry et al. 2001: 21). Maasen & Cloete put it in a different way:

[forces of globalisation] have created a specific global context for national reform in higher education. It is radically different from the contexts of different decades. [...] the global context, shaped by globalisation, influences national policy-makers in such a way that they emphasise in national policy processes and reforms issues that ‘fit’ the globalisation discourse, such as efficiency, effectiveness, and competition (2002: 32).

In light of the changes that have transformed the global economy and the nation state; the public university as a member of this ‘transformed’ nation state has of necessity, to also transform itself so as to fit in. Public universities are now confronted with a new human capital framing of educational policies, marketisation and a new managerialism, which are profoundly affecting institutional life. The new human capital approach views higher education as accruing more benefits to the individual and hence the need for market-rate user charges.

A major paradox of globalisation is that though higher education is now deemed more important than ever for the competitive advantage of nations (Castells, 1998a), the commitment and capacity of governments to fund it have weakened considerably (Henry et al. 2001). Maasen & Cloete (2002: 30) expound:

[a] tension that globalisation poses, particularly for developing countries, is that on the one hand, the nation state is expected to create the conditions for economic and social development within the framework of trade liberalisation, predominantly through producing more and better qualified citizens and increasing knowledge production, which is a prized commodity in the global economy. On the other hand, globalisation introduces pressures to reduce the role and contribution of central government in education....The double-edged challenge is to produce more graduates with high-level-knowledge skills, but with less direct government support per graduate.

This can be viewed as a typical case of policy inconsistency or incoherence both at national and global level: On one hand, society expects universities to steer it to posterity yet at the same time, the same society has prescribed reduced public expenditure policies

for higher education – often with debilitating results. This policy inconsistency has consequently behoved universities to espouse a business-like orientation, that to some, is inimical to the achievement of the prevailing expectations, as many universities are struggling to attain economic self-determination.

As already observed, globalisation is accompanied by a rather contentious ideology that privileges financial austerity as a condition of economic progress. Higher education has particularly been targeted by policies of financial austerity. These policies have imposed upon universities, income generation as a central university mission. The need to survive has become inevitable; the university now has to live by its own devices. It is anticipated that the new funding regime will require appropriate institutional and system-wide changes and new relationships with the state and society.

In conclusion, both resource dependence theory and globalisation broadly address the issue of institutional responses to changing conditions in universities' task environments. The resource dependence approach is constructed on the basis of the fundamental assumption that all organisational action is principally directed at securing survival for the organisation. For survival, organisations need resources. What the resource dependence theory does is to link micro-level individual (institutional) action and macro-level social phenomena, which in our case, is influenced by globalisation. Overall, the resource dependence theory considers a more diversified funding base as the ideal way of mitigating resource constraints. The globalisation perspective emphasises the shifting relationship between the university and the state and society. Higher education institutions are experiencing a deep institutional change in their task environment, triggered by globalisation. Less dependence on government for financial support is presented as the appropriate way for universities to run, meaning they have to seek their own revenues, if only to survive. For many African universities, they have to seek these revenues from a position of disadvantage: a disadvantage inherited from the wobbly position their countries occupy in the new world order.

The foregoing discussion has brought up several variables that are important in the understanding of the resource seeking behaviour of public universities. These features include shifting resource dependence from an unstable source to (a) more stable source/s, and the processes responsible for the resource starvation many public universities are encountering. The other important variable is the context in which the organisation seeking resources is located. The context is both local and global. A framework for analysis that accounts for the interaction of these variables vis-à-vis the trajectory of organisations' responses (in this case public universities) is necessary. Such a framework is organisational allomorphism, which this study employs.

2.5.4 Organisational Allomorphism: A Framework for Analysis

Massimiliano Vaira has recently developed a framework for analysis of higher education organizational change in a globalised and globalising age (Vaira, 2004). He identifies two theses that have been used to explain how universities respond to the pressures of globalisation:

1. the convergence thesis, that emphasizes the homogenisation process, i.e. isomorphism; and,
2. the divergence thesis, that on the contrary, emphasizes different, pluralistic and localized responses to globalisation processes (Vaira, 2004: 283).

Vaira argues that the two theses tend to offer mutually exclusive explanations of responses to wider institutional processes and pressures. He integrates these perspectives into one, based on the concept of organizational allomorphism:

In organizational terms, this concept points out that, although organizations adapt or translate institutional patterns in the face of their formal structure and arrangements, as well as their social context, it is possible to identify a common set of institutionalized patterns, or institutional archetypes, which structure the organizational arrangements and behaviours (Vaira, 2004: 283).

Vaira postulates that the concept of institutional allomorphism can synthesise and blend the isomorphic pressures produced by globalisation processes and the local and pluralistic responses to them, blunting the mutual exclusivity of both. Vaira's concept of

institutional allomorphism is inspired mainly by three theoretical sources (Vaira, 2004: 485-486):

- (a) Early new institutionalist formulations characterised by a tendential institutional determinism which blurs both institutional contexts and actors' action within them. This means that (i) it is necessary to overcome the vision of organisations as institutionally determined entities, and (ii) it is necessary to account not only the pressures toward isomorphism, but also those which produce some degree and kind of organisational heterogeneity.
- (b) The interaction between the global, national and local. The relationship between higher education changing processes and globalisation must acknowledge the co-presence of the three levels of embeddedness in which higher education change takes place (these levels are: global, national, local-organisational). This embeddedness accounts for both isomorphic and heterogeneous idiosyncratic institutional responses to various pressures associated with globalisation. This particular theoretical source is borrowed from Marginson & Rhoades' glonacal agency heuristic (2002).
- (c) Middle range theory that explains various institutional responses as a dynamic consisting of both isomorphic and divergent features.

The convergence thesis "is founded on a linear, top-down and sometimes deterministic causal explanations" (Vaira, 2004: 485). Higher education, according to this thesis, responds to pressures of globalisation along a common pattern spreading increasingly worldwide. The convergence thesis lays "emphasis on top-down and macro-processes explanations - the so called "globalisation from above perspective, neglecting or underestimating the local responses to these macro-processes" (Vaira, 2004: 493). The convergence approach, which casts globalisation as macro forces weighing down on universities, seems to encourage "the simplistic depiction of universities as passive and helpless instrumentalities whose fate is determined by irresistible external demands" (Clark, 2001: 10).

The divergence thesis postulates that globalisation outcomes are far from exerting homogenisation effects on national political, economic and cultural structures. Vaira explains:

In this perspective, national and local politics, economic and culture metabolise, translate and reshape the global trend in the face of their cultures, histories, needs, practices and institutional structures. [...]. Hence on the one hand the local has regained relevance and explanatory centrality to account how globalisation processes actually occur. On the other, this entailed that globalisation processes and outcomes are ambiguous, open to manipulation and to some extent unpredictable. [...]. Once created the global culture it is [sic] by definition there for all and therefore, it is subjected to particularistic processes of translation enacted by human agency (2004:493).

The divergence thesis acknowledges the central role that local specificities play in the translation of the various pressures of globalisation. It acknowledges that even though national systems of higher education are confronted by seemingly convergent global pressures, specific national or local contexts determine somewhat distinct responses (Cai, 2004; Marginson & Rhoades, 2002). The divergence approach

emphasises the centrality of agency and hence the different responses and outcomes it produces in organisational behaviour... and pathways to change. Thus, even if organisations share and face the same institutional environment and pressures, they respond to them in different ways, of which isomorphic response is only one of the possibilities (Vaira, 2004: 495).

The divergence approach thus helps explain differences in the way organisations respond to similar pressures and conditions. That even though globalisation may produce isomorphic pressures,

those pressures, their content, reach, [and] pervasiveness are heavily conditioned by the way organisations and organisational actors receive, select, make sense of, interpret, combine, re-construct, use [and] translate them in the face of their organisational...context of action and purposes (Vaira, 2004: 495).

Overall, the divergence thesis acknowledges that the local dimension can make a difference to how universities respond to global forces, because local conditions affect the extent to which institutions respond to conditions of resource decline, issuing from global challenges. Clark (2001) describes the focus on both the global and the local as holistic and integrative.

Vaira's theory provides a framework for analysing various institutional responses to pressures of globalisation. Institutional adaptive responses issue from both macro-institutional processes and pressures, and local institutional translation or interpretation of those pressures. The macro-structural forces and pressures provide "actors with a framework to make sense of what is going on, to orient their action and to adopt certain kinds of organisational arrangements" (Vaira, 2004:496). In summary, whereas the convergence thesis:

...overshadows human agency and sense making, as well as the fact that organisations are institutional environments too, with their settled histories, culture, structure and so on [...], the strategic and translation approaches address their attention to the way the individual organisations and actors actively, purposively and creatively relate themselves with the institutional environment and pressures. This approach lessens the deterministic flaw of new institutionalist perspective and accounts for the particular ways undertaken by organisations to respond to institutional demands and pressures (Vaira, 2004:496).

For this study, the focus is on how individual institutions respond to pressures of resource scarcity in the context of their wider organisational environment and dynamics. Both macro-institutional processes vis-à-vis individual institutional agency are considered important in determining institutional responses. Vaira links the two using the concept of organisational allomorphism, which entails broadly similar (recognisable pattern) but constitutively different responses to a similar phenomenon depending on the context and human and institutional agency. The literature on how universities respond to conditions of resource scarcity vindicates Vaira's concept of institutional allomorphism. The plurality of responses so far recorded show a recognisable pattern: tuition fees, restructuring of staff, shifts in control of resources and power, entrepreneurial activities and cost containment measures among others (Clark, 1998; Mkude et al. 2003; Musisi & Muwanga, 2003; Slaughter & Leslie, 1997; Sporn, 1999). These responses have occurred against specific institutional and contingent contexts. They are allomorphic declensions of the same form. As such, the way public universities respond to pressures and conditions of resource scarcity, is better understood and analysed within the constitutive framework of wider institutional structure and dynamics. The institutional structure defines and provides the institutional imperatives and archetypes to which organisations refer themselves to undertake a process of change; and, with regard to how these

institutions translate macro pressures vis-à-vis 'legitimated' archetypical responses in ways that are congruent with local and organisational contexts giving rise to allomorphic institutional responses (Vaira, 2004:499-450).

According to organisational allomorphism, therefore, public universities respond to resource scarcity in neither strictly homogeneous and isomorphic ways, nor in a highly differentiated and polymorphic way. Their responses are conceived as local variants (not different forms) of the same institutional archetype:

Nation-states, because of institutional and competitive pressures, incorporate and translate in their higher education policies the global institutional imperatives and archetypes, exerting their coercive pressures on higher education sector and institutions. This in turn, entails a more articulated and specified allomorphic structure at the local-nation level. [...]. [This] allomorphic change occurs also at the local-organisational level, by incorporation, adaptation and translation, in the face of their settled organisational arrangements and culture, new policy frameworks bearing the new institutional imperatives and archetypes (Vaira, 2004: 503).

Vaira's arguments provide this study with a framework for analysis, given its comparative nature, locally and trans-locally. The resource seeking university is presented as the most ideal, the archetype, for coping with the pressures of globalisation. This adaptive response is analysed in the context of "allomorphic organisational change, where peculiarities and isomorphic facets are co-present, blended and combined" (Vaira, 2004: 503).

In summary organisational allomorphism, constructed in the context of globalisation, offers an analytical heuristic for explaining or discussing institutional adaptive responses to resource scarcity by emphasising the simultaneous significance of global, national and local (institutional) dimensions and forces. Thus, organisational allomorphism explains the distinctiveness of institutional adaptive responses to resource scarcity within a broadly recognisable pattern. The distinctiveness of these responses is accounted for by local contextual peculiarities and organisational histories, orientations, tradition and capacities that determine the direction and character of responses.

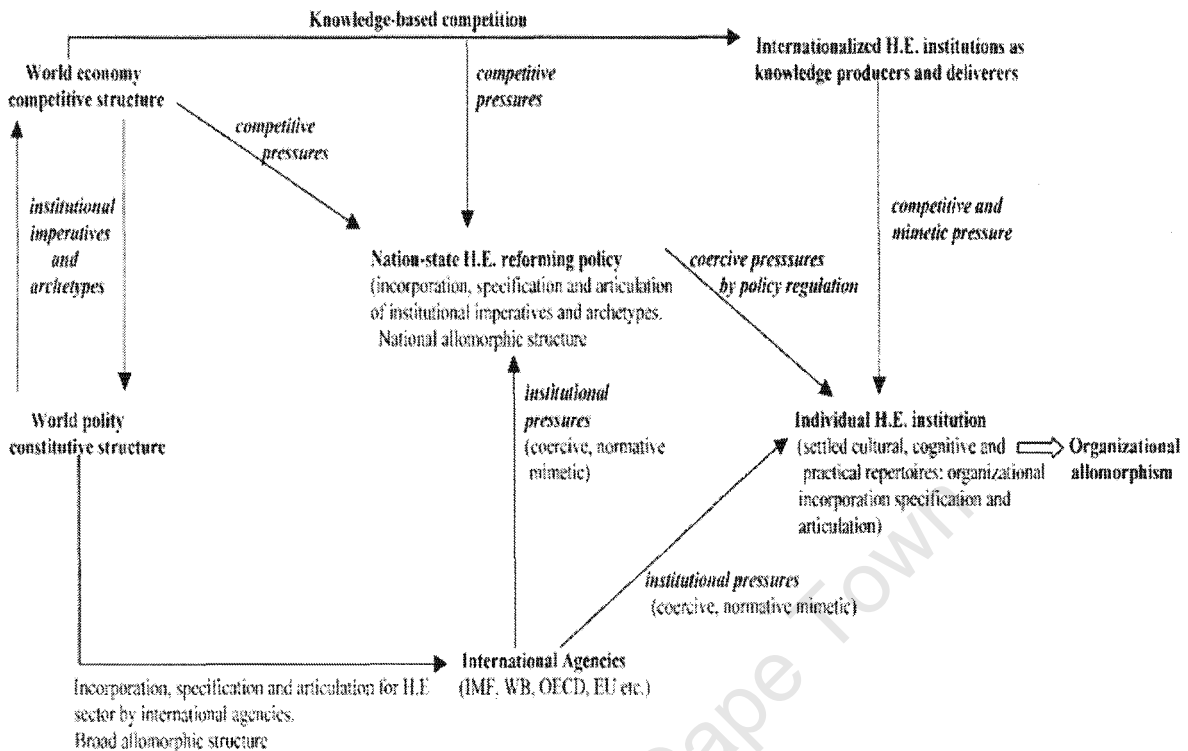
Organisational allomorphism as a framework for analysis of higher education change in the global age overcomes “the weaknesses and ... flaws both of macro-structural approach (namely, new institutionalism and isomorphic change) and of micro-analytic approaches (like strategic choice, translation theory and polymorphic change (Vaira, 2004: 505). This framework also accounts,

neither deterministically, nor voluntaristically how organisational change occurs in the face of macro-structural constitutiveness and pressures and of local (national and organisational) capabilities to adapt and adjust the global imperatives and archetypes (Vaira, 2004: 505-506).

Applied to the present study, although both Kenya and South Africa experience similar globalisation related pressures, the two countries are differently implicated in the pressures and flows of globalisation; they have different political economies, policy frameworks, among others. Accordingly, public universities in these two countries are responding in ways that are nationally and locally patterned. The national and local or institutional patterning of responses, according to our analytic framework, leads to declensions to archetypes produced by the various imperatives of globalisation.

Figure 2.1 below shows a synoptic scheme of the process of organisational allomorphism

Process of allomorphic change: a synoptic scheme



Source: Vaira (2004).

Figure 2.1: Process of allomorphic change

Key:

H.E-Higher Education; **IMF**-International Monetary Fund; **WB**-World Bank; **OECD**-Organisation for Economic Cooperation and Development; **EU**-European Union

Although Vaira partly utilised elements of Marginson & Rhoades' (2002) 'glonacal agency heuristic' to construct the framework for analysis adopted for this study, Marginson & Rhoades' heuristic offers this study more conceptual insights. Other than emphasising the global, national and local (glonacal) embeddedness of universities, their heuristic lays more emphasis on agency; they do not see global phenomena as universalistic or determinist. They define agency as the institution or organisation that has some power to adopt policies "in the sense of an entity or organisation that could exist at global, national and local level" (Marginson & Rhoades: 2002:288). According to

Vaira's (2004) organisational allomorphism, organisations have agency to select and adapt global pressures, thus creating variation, or allomorphs of global archetypes.

Glonacal agency heuristic is particularly useful to analyse "intersections, interactions and mutual determinations of these levels and domains" that operate on a simultaneous basis and to show that "national and local entities ... can challenge and define alternatives to global patterns; they can also shape the configuration of global flows" (Marginson & Rhoades, 2002:288). It is thus individual agency vis-à-vis the context in which institutions (organisations) are located that produces constitutive differences in the manner in which they adapt to pressures of globalisation. Public universities are thus able to define their own strategies, depending on their capacities, to cope with the challenges of globalisation. Globalisation, as structural factors, may only condition action; it does not necessarily determine it.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study focuses on the declining public financial support experienced by public universities in Kenya and SA, and the various non-government sources of revenue public universities in the two countries have utilised to reduce resource dependence on government funding. The purpose of the study is thus to understand how public universities in the two countries seek to reduce resource dependence on government funding by winning non-government revenue. It determines and attempts to explain the variability and similarities observed from two national samples within and between the two countries.

This chapter explains how the study was conducted so as to attain the intended objectives. Broadly, the chapter discusses the design of the study, the ways used to collect data, and the methods used to analyse and interpret the collected data.

3.2 Design of the Study

This study utilised the cross-national comparative study design. Hantrais & Mangen (1996:1-2) explain that

a study can be said to be cross-national and comparative if one or more units in two or more societies, cultures or countries are compared in respect of the same concepts and concerning the systematic analysis of phenomena, usually with the intention of explaining them [...]. The expectation is that the researchers gather data about the object of study within different contexts and, by making comparisons, gain a greater awareness and a deeper understanding of [the phenomenon being studied].

A cross-national comparative study therefore involves the systematic study of phenomena in different units. It is concerned with cross-societal differences and similarities (Ragin, 1987; Hantrais, 1999). To be able to tease out cross-societal differences and similarities,

comparable data is paramount. Thus, as suggested by Armer, cited in Goedegebuure & Van Vught (1996), comparative studies can also be defined as studies using comparable data from two societies.

Another characteristic of a cross-national comparative study is its multilevel character. According to Przeworski, cited in Ragin (1987), Przeworski & Teune, cited in Goedegebuure & Van Vught (1996), comparative research proceeds at two levels simultaneously – at the level of systems (or macro-social level) and at the within-system level. For this study, the macro-social level constitutes the nation state while the within-system level is made up of individual institutions of higher learning as constituent parts of higher education systems.

Ragin (1987), Goedegebuure & Van Vught (1996) argue that neither a data category, nor a multi-level approach should be used to define comparative studies because these definitions are too restrictive. Goedegebuure & Van Vught (1996) concur with Ragin's (1987: 5) observation that "what distinguishes comparative social science is its use of attributes of macro-social units in explanatory statements." This study's design encompasses all the above notions of cross-comparative research, viz., the interrogation of a similar phenomenon in two dissimilar macro-social units, the use of comparable data and the use of macro-social units as explanatory variables.

As shown in this study's framework for analysis, institutional responses to financial scarcity are patterned by both national and local institutional factors or contexts. Consequently, these contexts must be explored in order to understand why the institutions are responding in the manner they are doing. Emphasis on context is considered one of the important hallmarks of cross-national comparisons (Hantrais, 1999; Goedegebuure & van Vught, 1996; Neave, 1996). Hantrais (1999) argues that an in-depth understanding of the contexts circumscribing social phenomena is a precondition for successful cross-national comparative research. The total context, national and institutional, as Hantrais & Mangen (1996) posit, enable a holistic understanding of the issues germane to this study.

It facilitates a clear understanding of why the institutions being studied behave the way they do and therefore, draw comparisons that are cognizant of the two country contexts and the various institutional ones. The two countries' national contexts are defined by two main aspects. These are policy frameworks, especially those concerned with higher education funding; and the basic features of higher education systems in the two countries. These contexts serve as important explanatory variables (Goedegebuure & Van Vught, 1996; Hantrais, 1999; Ragin, 1987).

The income earning behaviour of universities in the two countries is understood at two main levels: at state level and at the level of individual universities. Although the studied universities, from each country, are not treated as homogeneous entities, the generality of patterns exhibited by universities from one country is taken as evidence of national patterns. This applies more so for Kenya where all the public universities but two (one, at the time of the study) were used in the study. Although there is emphasis on the national level and individual universities, the global patterning of national policies and institutional behaviour is not ignored. As has been explicated in the literature review (Chapter Two), higher education funding policies in many sub-Saharan African countries are mainly a product of coercive and normative global influences. Thus, this study recognises the simultaneous significance of global, national and local (institutional) dimensions in understanding the economic situation of, and income earning strategies employed by, public universities in Kenya and SA.

Determining the unit of analysis in cross-national comparative studies is not without problems. Ragin observes that "the fact that the term *unit of analysis* has been used in reference to both data categories and theoretical categories has created a great deal of confusion in the field of comparative social science" (1987:7). This confusion is further enhanced by the multi-level nature of cross-national comparative studies, especially with regard to using data categories to determine the unit of analysis. For this study, since data was collected both at country level and at the level of individual universities, one may easily conclude that both the country and individual universities constitute the study's units of analysis. But, considering that country level data only served to explain the

economic situation and income-earning behaviour of individual universities, it may be argued that the main unit of analysis is individual universities. Using Ragin's (1987) concept of observational unit, which refers to the unit used in data collection and analysis, and explanatory unit, which is used to account for the results obtained, individual universities make up the observational units while the two countries constitute the explanatory units. Since the study concerns itself mainly with the (economic) survival of public universities by weakening dependence on government funding, having both the nation state and individual public universities as the unit of analysis is appropriate.

3.2.1 Study Sample

As Mangen & Hantrais (1996) have pointed out, for a study to be cross national and comparative it should involve the systematic analysis of one or more units in two or more countries. As already mentioned, the countries involved in this study are two sub-Saharan African countries: Kenya and SA. Beyond the need to limit the study to a few countries due to empirical constraints, and to cover the dearth in comparative studies in African higher education, a number of other reasons influenced the choice of these two countries. Kenya and SA provide two diverse national contexts against which public universities are responding to broadly similar conditions of resource decline. Whereas Kenya could be classified as a 'typical' African post-colony, South Africa does not easily fit into this classification. For instance, whereas in most African post-colonies (Kenya included), higher education was historically free, with the government meeting almost all the costs, the practice of shared costs is the tradition in South Africa. Also, at independence, most African post-colonies had either just one university or a constituent university college attached to either a regional university or a university in the colonial power. Such was the case with Kenya where, at independence in 1963, the University College of Nairobi was a constituent college of the University of East Africa. For South Africa, if 1994 were to be regarded as her year of 'independence', the country already had thirty-six institutions of higher learning.

South Africa's apartheid past also makes it an interesting site for a comparative study. Even though it is now more than ten years since the demise of apartheid, the historical privilege enjoyed by the historically white universities and disadvantage suffered by the historically black universities (e.g. in terms of resourcing, research capacity, etc.) are still visible and greatly determine the various institutions' responses to different phenomena (see Cloete et al. 2002; Stumpf, 2001). Kenya does not have a history of racial privilege or disadvantage in higher education. Government policies have all along applied equally to all public universities. However, this does not mean that some universities may not be more advantaged than others. For instance, the University of Nairobi may be considered more advantaged than others primarily because it was the first to be established - at a time when universities were well resourced, and over time, has established capacities, and accumulated diverse resources that the more recently established universities may be lacking.

Regarding higher education financing, both countries have reduced subventions to their public universities (cf. Chapter Five). The difference however is that Kenyan universities have suffered reductions of a bigger magnitude than their South African counterparts. The other difference is that for Kenyan universities, financial reductions were effected against an already existing context of resource inadequacy and a poor performing economy. Further, whereas the policies of reduced state capitation for Kenyan universities were a primary consequence of the World Bank and IMF imposed structural adjustment policies, SA has "pursued its own education agendas, albeit within the confines of economic austerity and self-imposed restrictions on spending" (Tikly, 2001: 165). Tikly explains that South Africa's apparent ability to 'run its own show' has been enabled by "its relatively strong economic and political position compared to other African states" (2001: 165). As such, Kenya and SA are two sub-Saharan countries that are differently implicated in the pressures and conditions of globalisation but with their institutions of higher learning responding to almost similar policies of restrained expenditure on social services, including higher education.

Therefore, the two countries offer an interesting context against which to compare institutional responses to a common phenomenon. As explained in the theoretical framework, national and institutional factors pattern the behaviour of universities regarding adaptation to conditions of resource decline. Beyond the recognition that universities in these two countries possess different capacities, they are also located in two different political economies, hence the expectation of diverse responses - similar or different, within and across the two countries.

Since the focus of the study is higher education funding, it was imperative that universities be included in the study, which made it necessary that cases from the two countries be selected. Ebbinghaus (2005), Goedegebuure & Van Vught (1996), Mills et al. (2006), Ragin (2006), among other scholars of comparative research methodology have acknowledged that sampling is one of the most critical problems in comparative research. Mills et al. (2006:622) posit that “the choice lies between a small and a relatively large sample size, which each pose specific problems.” They explain that, whereas choosing a large sample size with only scant, comparative variables could lead to producing superficial results, selecting a small sample size with numerous variables risks generating too many variables and too few cases to effectively test causal models (Mills et al. 2006). It is not the objective of this study to establish any causality; hence the sampling of cases is mainly for the purpose of ensuring country representativeness.

A total of eleven public universities; five from Kenya and six from SA were purposively selected. For Kenya, the initial intention was to have all of the country's then six public universities selected for the study (WEUCO, a constituent college of Moi University became a fully – fledged university in December 2006. It was renamed Masinde Muliro University of Science and Technology, becoming Kenya's seventh public university). Data were actually collected from the then six public universities, viz., University of Nairobi, Kenyatta University, Moi University, Egerton University, Jomo Kenyatta University of Agriculture and Technology and Maseno University. Egerton University had to be dropped from the study after it became difficult to confirm the reliability and validity of data collected from the institution.

For SA, six public universities out of the country's 22 were selected for the study. The six universities represent 27.27 percent of the country's public universities. The six public universities representing SA are the University of Cape Town (UCT), the University of Witwatersrand (Wits), Stellenbosch University (SU), the University of Pretoria (UP), the University of Fort Hare (UFH) and the University of the Western Cape (UWC). The six South African universities were purposively selected because of several criteria. The first criterion was the dichotomy of historical advantage and disadvantage against which South African universities are usually classified (cf. Chapter Four). The Historically Advantaged Universities (HAUs), which are universities that were formerly designated for White students during the apartheid era, are further disaggregated into two: former English-medium universities, represented by UCT and Wits, and former Afrikaans-medium universities, represented by SU and UP.

Historically Disadvantaged Universities (HDUs) are further disaggregated into three: those formerly designated for African students, represented by UFH; those formerly designated for Coloured students, represented by UWC (UWC was the only university designated for Coloured students), and those formerly designated for Indian students. The only university that was previously set aside for Indian students, the University of Durban Westville has since been merged with the University of Natal to form the University of KwaZulu Natal.

Following the recently completed mergers and incorporations, which reduced South African institutions of higher learning from 36 to 22, the identity of the affected institutions has been significantly altered. Since the merged institutions are still trying to become 'one', selecting them for this study would have lead to the difficult question of whose 'story' the study was telling. Further, the institutions resulting from the mergers may be considered as 'new' and 'young', some of them barely a year old. The six selected universities were not significantly affected by the mergers and incorporations and have largely retained their identities.

The last criterion that was used for selecting South African Universities was availability of data. This criterion was used to exclude universities that had data missing in the 2000 – 2004 period for which data was available from the Department of Education (DoE). Overall, the six South African universities were selected because they met the following criteria: they are representative of the historical construction of the South African higher education landscape; they have not been significantly affected by the recently concluded mergers and incorporations; and, data for these universities were available for the 2000 – 2004 period.

3.3 Data Collection

To be able to answer this study's research question, it was necessary that data be collected both at national level and at institutional level. Higher education financial data were the most critical for this study. The importance of financial data to a study of this type is aptly captured by Slaughter & Leslie (1997), who posit that; "If universities are shifting their efforts to maximizing external funding ... we should be able to see this in higher education financial data" (p. 65). Other data that were important for this study were the higher education funding policies in the two countries.

Data were collected from various sources and through various means. Document review was the main method through which data were collected. Data was also collected through limited key informant interviews and Electronic Mail (E-Mail) communications. The literature shows that these methods of data collection, especially document review and interviews, have been utilised in studies related to the present one (Clark, 1998; Marginson & Considine, 2000; Mkude et al. 2003; Musisi & Muwanga, 2003; Slaughter & Leslie, 1997; Sporn; 1999).

Documentary information was obtained from administrative documents e.g. financial reports, strategic plans, and research reports. Document review also involved an analysis of relevant policy texts on higher education. These included national policy documents, white papers and legislation from the two countries, which pertain to higher education.

The purpose was to establish policy contexts within which the universities' efforts to reduce dependence on government funding was occurring. Specifically, the analysis of policy documents sought to establish the linkage between:

- Macroeconomic reforms and financial transformational innovations in public universities and,
- National policies on higher education and institutional reforms in public universities.

Information obtained from the various documents was also helpful in establishing how the two countries have encountered the various forces of globalisation, especially with regard to macro-economic policy construction.

A few key informant interviews were also conducted. The interviews were conducted mainly to provide more insights about information obtained from document analyses. The interviewees were purposively selected based on their knowledge of funding matters affecting their institutions. The interviews involved the Executive Director of Finance at UCT and one dean of faculty, also at UCT. In Kenya, the interviews involved the Vice-Chancellor of KU and a Deputy Finance Officer, at JKUAT. The Deputy Finance Officer was recommended by the institution's Deputy Vice-Chancellor in charge of Administration, Planning and Development. The interviews consisted of open-ended questions, and assumed a conversational style. All the interviewees but one gave permission for the voice recording of the interviews. In the one case where permission to voice record the interview was declined, notes were taken in the course of the interview and after. With the permission of one of the interviewees, further conversations regarding clarifications or additional information were conducted via E-Mail communications.

E-Mail communications were utilised both to seek additional data and clarifications from university officials and other key informants such as DoE officials, and the officer in charge of public finance at Kenya's Central Bureau of Statistics. Assurance was given to all the key informants that the information they gave would only be used for purposes of the study.

The data gathering procedure in the two countries proceeded as follows: In Kenya, the data gathering process was preceded by a formal request for authorisation to conduct the study from the Ministry of Education. Once the authorisation was granted, I contacted finance officers of three public universities who advised that I write to the respective vice-chancellors for authority to get the data. In one university authority was sought from the Deputy Vice-Chancellor in charge of Administration, Planning and Development. This permission was important in accessing other relevant university documents, such as strategic plans and other reports. In the other two universities, authority to access data was directly sought from the vice-chancellors and in the other one from the finance officer. In summary, authority to access university financial data was granted by vice-chancellors in four universities, a deputy vice-chancellor in one, and a finance officer in another.

Authorisation was granted in two forms: In one university, a deputy vice-chancellor wrote a letter giving the authorisation. In the other universities, the vice-chancellors would comment on my letter, instructing the relevant university officials to release the requested information to me. In the case of the university where authority was granted by a finance officer, there was no written authorisation. The finance officer walked me to the office of one of his juniors and verbally instructed him to release to me the information I wanted.

Other sites that were visited to collect data are: the Ministry of Education, Commission of Higher Education, Central Bureau of Statistics and the Kenya National Archives. No formal authorisation was required to collect data from these institutions as the information requested is in the public domain.

The documents from which data was obtained in Kenya include:

- (a) Annual reports and accounts of respective universities: All public universities are required by law to prepare annual reports and statements which give a true and fair view of the financial state of affairs of the universities as at the end of the financial year and of its surplus or deficit for that year. University councils are

required to ensure that universities maintain proper accounting records, which disclose with reasonable accuracy, the financial position of the universities.

- (b) Public expenditure review reports: These are prepared by individual universities. The reports analyse and evaluate the income and expenditure for four years (preceding); highlight the universities' activities for the previous four years and put forward the universities' priority projects for medium term expenditure framework period and justify the need for budget enhancement
- (c) Economic surveys: Economic surveys are published annually by the Ministry of Planning and National Development. They provide a summary and analysis of the country's economy.
- (d) Statistical abstracts: Statistical abstracts are published annually by the Ministry of Planning and National Development. They provide statistical coverage of the important fields of economic, financial and social activity in Kenya. The statistical abstract is a single source of statistics covering a series of years, usually five. It enables one to get complete time series data of the Kenyan economy from a single official source.
- (e) Development plans: The national development plan is a statutory policy document that outlines the development policies and strategies to be pursued by the government and other development agencies over the medium term. Its implementation period has previously been five (5) years though the most recent one has a seven (7) year implementation period i.e. 2002 – 2008.
- (f) Annual government estimates: This document shows government budget disaggregated in terms of ministries, parastatals and other public financed institutions. It gives a summary of the expenditure estimates of all votes in the Government of Kenya.

In South Africa, all the data on funding was obtained from the DoE. South African universities are required by law to submit annual financial reports to the DoE. The Department of Education has formulated a Higher Education Management Information System (HEMIS) which universities are required to follow when presenting their financial reports. The data on higher education funding are posted on the DoE website,

<http://www.education.gov.za/>, thus, they are in the public domain. Therefore, unlike in the Kenyan case where data had to be sought from individual institutions, in SA, it was downloaded from the DoE website. However, the financial data on the DoE website does not go beyond 2003, i.e. at the time of conducting the study. The data for 2004 was therefore obtained from a DoE official through E – Mail communication.

Other than data on higher education funding, the DoE website also has policy documents which were important for this study. These documents include:

- (a) Ministerial statement on higher education funding – 2005/06 to 2007/08: This statement explains how the new funding formula (cf. Chapter Four) is going to be implemented between 2005/06 and 2007/08.
- (b) Education White Paper 3: A Programme for the Transformation of the Higher Education System: The White Paper outlines the framework for changing the South African higher Education system, that is, the higher education system must be planned, governed and funded as a single national co-coordinated system.
- (c) National Plan on Higher Education, February 2001. The National Plan on Higher Education gives effect to the vision for the transformation of the higher education system outlined in Education White Paper No. 3: A Programme for the Transformation of the Higher Education System. It provides an implementation framework and identifies the strategic interventions and levers necessary for the transformation of the South African higher education system.
- (d) Department of Education annual reports: These reports serve as instruments of accountability where the DoE explains how funds approved by parliament have been used. These reports also highlight the department's achievements and also constraints which are faced.

Statistical data from the above documents were extracted with the help of a coding spreadsheet. Two coding spreadsheets were created, one for each country. This was necessary as data across the two countries were entered under different categories. The two coding spreadsheets were therefore the main instruments of data collection.

3.4 Reliability and Validity of Data

Reliability and validity of data are very important for a study's findings to be considered accurate or meaningfully representative of the concepts being investigated. Data must therefore be examined closely prior to its use in systematic analysis.

Establishing reliability and validity in a study that relies heavily on documentary sources, such as this study, is no easy task (Hughes, 2000). With the knowledge that documentary sources can be subject to problems of inaccuracy, or incompleteness, thus impacting negatively on reliability and validity, several measures were undertaken to ensure that the data from the documents, especially statistical data, were reasonably accurate.

The first measure taken to ensure the reliability and validity of data was to establish the authenticity and credibility of the documents. Thus, only official documents and records i.e. government publications and official university documents, were utilised. Regarding financial data; only the audited accounts of the universities were used, i.e. in the Kenyan case. These documents were primary sources of data. The reliability and validity of the financial data from Kenyan universities was further strengthened by the fact that the financial data had gone through multiple processes of auditing: internally by the universities, and externally by the Auditor-General.

In the South African case, the HEMIS data obtained from DoE are compiled from submissions made by individual universities. The submissions by universities are usually obtained from audited accounts, which have been approved by the respective university councils. Thus, since the financial data was obtained from audited accounts, it was assumed to be reasonably accurate and complete.

Regarding financial data on public expenditure on higher education, again, only official government documents were used. Unlike university financial data where it was possible to access the audited accounts, it was not possible to do the same for national funding data. In the Kenyan case, it was not uncommon to come across various official (government) publications (statistical abstracts, development plans, economic surveys,

annual government estimates, etc.) that reported on similar issues, in this regard; allocations to the Ministry of Education, public universities and the total national budget.

To ensure reliability of the data, the triangulation strategy was employed. Data from various official sources were compared for accuracy and consistency. Unfortunately, data from the statistical abstracts, economic surveys, development plans and annual government estimates did not tally in some cases. The reason why this was the case is that in some sources (economic surveys) data were not disaggregated in terms of recurrent or development allocations or in terms of source (whether from government, non-government or other sources e.g. Government of Japan, which has previously heavily funded JKUAT), while in others, data were shown as either approved estimates, estimates or projected estimates. Since the study was concerned with actual allocations, the estimates were not used. Data from some sources lacked specificity. Some terms were either not defined or were used to refer to a broader meaning - beyond the study's scope. Such a term was 'higher education'. This term is not consistently used to refer to universities or university education. At one point 'higher education' in Kenya referred to secondary education and post-secondary training including universities, teacher training colleges, polytechnics, nursing colleges, polytechnics, etc. Currently, the term is generally used to refer to any form of post-secondary training.

Due to the variations in the various sources, triangulation could only be used to some extent. At times, all the sources showed different data for some years hence making it difficult to decide which source to use. It therefore became important to establish which source was more reliable. To do this, the Central Bureau of Statistics (CBS), which publishes most of the reports with the desired data was consulted. The CBS, through the officer in charge of the Public Finance Division then provided all the desired data, which was extracted from final editions of statistical abstracts. These data were assumed to be reliable and valid, and are the ones used in this study. Triangulation in this case served to tease out the inconsistencies in the various sources of data and arrive at a source with a satisfactory degree of reliability and validity.

In the South African case, reliability and validity of data on public funding of universities was determined mainly through triangulation. The data from DoE was compared to data from other sources, especially the study on funding South African higher education by Steyn & de Villiers (2006), South African Universities Vice-Chancellors' Association's (SAUVCA) report to the Parliamentary Committee on Education (SAUVCA, 2004), and National Commission on Higher Education's report (NCHE): *South Africa in the First Decade of Democracy* (2004). The data in the various documents tallied.

The triangulation employed to establish the reliability and validity of the research instruments in this study was a variation to the traditional way of triangulating where several data sources are utilised (Cohen & Manion, 1994; Yin, 1994). Given the nature of this study, which relied heavily on documentary evidence, triangulation involved the use of multiple documentary sources, and not different data sources other than documents. It entailed cross-checking various documentary sources to verify information.

Other than making sure that data were obtained from credible sources and triangulation, reliability and validity were also ascertained by checking for completeness, which entailed making sure that data for all the years had all the fields or variables; accuracy, which entailed making sure that all the summations were correct. There were few cases of faulty summations. These were appropriately corrected. Completeness and accuracy were further ensured by cross-checking the data in the spreadsheets created to capture data, with the original data as contained in the source documents. Efforts were made to make sure that the data as used in this study reflected the data entered at the source. However, for purposes of analysis, some data were lumped together, as in the category 'other income' (cf. Chapter Six), and do not therefore reflect data as entered at the source. Appropriate explanations are given. Finally, the data as obtained from the sources were not tampered with in any way.

3.5 Data Analysis

Data analysis basically entails making sense out of the data that have been collected. It consists of examining, categorising, tabulating or recombining the evidence to address

the objectives of the study (Yin, 1984). Data analysis in this study generally adopted the comparative method. Rust (2003) suggests three modes of data analysis in comparative research. The first one involves an analysis of likenesses and differences of the phenomenon being studied, between regions of the world, or between two or more nations. The other two modes of analysis are associated with single-country studies, but they are comparative in special ways. In one case the researcher may study one country and compare the findings to similar studies done elsewhere. The other type of single-country comparative analysis involves testing of theories to determine whether a certain postulated relationship between variables exists in that specific case.

Rust's (2003) first suggested mode of comparative analysis is close to the type that was employed in this study. Broadly, the comparative multi-level analysis approach was utilised, i.e. analyses were carried out at country level and institutional level. Before comparisons were drawn between the two countries and the various institutions, a detailed descriptive and interpretive analysis of country and institutional data was undertaken. The comparisons were undertaken thematically in line with the study's objectives. Thematic comparisons (nationally and institutionally) followed a systematic presentation of evidence, common data, which permitted common questions about the two countries' higher education funding characteristics to be answered, hence establishing regularities and differences regarding the higher education funding patterns in the two countries. The themes around which data were organised and comparatively analysed are: higher education funding policies and mechanisms, public funding of higher education, revenue from non-government sources and strategies for earning non-government income.

Cross-national comparisons were mainly conducted in terms of the two countries' higher education funding policies and the changes in the public funding of higher education. Also, income earning strategies that were particular to universities in either country formed a basis for cross-national comparisons. An example is parallel programmes in Kenya (cf. 6.2.3) and annual increase of tuition fees in SA. Also, because tuition fees revenue was generally the highest source of non-government revenue (cf. Chapter Seven)

for almost all the universities in the two countries, it was possible to make a cross-country conclusion, i.e. public universities in Kenya and SA have generally weakened resource dependence on government funding by gaining high tuition fees revenue.

Cross-institutional comparisons were mainly conducted at intra-country level. These comparisons entailed, in the main, a comparison of the quantum of revenue generated from the various revenue sources viz., 'state appropriations', 'tuition fees', 'parallel programmes', 'research grants', 'trust and endowment grants' and 'other income', for Kenya, and 'state appropriations', 'tuition and other fees', 'research', 'sales (goods and services)', 'private gifts and grants', 'investment income' and 'other income' for SA. The comparisons were undertaken by considering changes in indicator revenue categories for individual universities e.g. 'state appropriations' 'tuition fees', 'parallel programmes', 'research', 'gifts and grants', etc. By examining the income patterns of the various universities, it was possible to establish the extent to which the respective institutions were weakening resource dependence on government funding.

It was not possible to conduct cross-institutional comparisons across all the income categories for Kenyan universities. Kenyan universities did not follow a uniform format for recording their financial data. The above income categories for Kenyan universities are actually those of UoN. The other universities did not show in their records 'trust and endowment grants' and only Maseno, other than UoN, indicated research as a source of revenue. Limited cross-institutional comparisons were conducted across the two countries. The few such comparisons focused on features such as fiscal strength and revenue volatility. Cross-national and cross-institutional comparisons were thus preceded by country and intra-country institutional analyses. The comparisons searched for convergence and divergence cross-nationally and cross-institutionally. They also searched for peculiarities.

The main frame of reference for the comparative analysis was the extent to which public universities in the two countries have reduced resource dependence on government funding. The analysis was thus geared mainly at establishing the extent to which the

universities have shifted their resource dependence from government to non-government sources. Overall, the multi-level comparative analysis approach was utilised to analyse and make clear the distinctive features emerging in each setting as well as any continuities operating across the sites. Comparisons were made with regards to similarities and differences in terms of winning non-government revenue. Interpretations were made against the particularities of context as defined by the higher education policies and practices in each country, traditions, and in some cases, history of individual institutions, especially for South African universities.

For statistical data, various indicators were used to carry out the comparisons. The analysis of public funding of higher education i.e. at country level (Chapter Five) used the following indicators: total public expenditure on higher education, per student expenditures, public higher education expenditure's share in relation to total government budget expenditure, public higher education expenditure's share of the overall education budget, and public higher education expenditure as a percentage of Gross Domestic Product (GDP). The analysis of individual institution's sources of income mainly utilised descriptive statistics viz., summations, percentage ratios and averages. The most used were percentage ratios viz.:

- (a) Percentage ratio of government allocations to total income;
- (b) Percentage ratio of tuition fees to total income;
- (c) Percentage ratio of income from parallel programmes to total income;
- (d) Percentage ratio of income from research to total income;
- (e) Percentage ratio of non-government income to total income; etc.

Almost all the statistical analyses were carried out using the Microsoft Excel 2003 computer spreadsheet programme. All the data analysed using this computer programme are presented mainly using tables and graphs.

The various documents from which data (non-statistical) were extracted were analysed using the comparative document analysis method. Comparative document analysis focused mainly on an examination of major government policies and reforms regarding

higher education development and funding. An attempt was made to link the various policies (their construction and objectives) to forces of globalisation, especially in Kenya's case where most of the policies regarding higher education are a product of the coercive influence of supra-national institutional carriers, viz., the World Bank and IMF. The different ways in which the two countries have encountered globalisation vis-à-vis their different local contexts were important in conducting comparative policy analyses.

Generally, the analysis of policies sought to establish how, why, and to what effect the governments of Kenya and SA pursued particular courses of action regarding higher education reform generally, and financing in particular. The reviewed policies are interpreted in the context of the historical, social, economic and political realities in the two countries. The policies are also understood in the context of international trends, especially the rise of neo-liberalism as the dominant policy logic of the late twentieth century and the twenty-first century.

3.6 Conclusion

In this chapter the logic informing the cross-national comparative study design employed in the study is laid out. Also, the rationale for selecting Kenya and SA, and the various public universities is provided in detail. Further, issues of reliability and validity that are usually raised in connection with the kind of data sources used in the study, and the measures that were taken to address these issues are laid out. Also discussed in detail is the process of data collection, sources of data and methods of data analysis. Broadly, this chapter has discussed how the study was conducted.

CHAPTER FOUR

HIGHER EDUCATION IN KENYA AND SOUTH AFRICA: CONTEXT, FUNDING POLICIES AND MECHANISMS

4.1 Introduction: Higher Education in Kenya and South Africa

This chapter outlines the broad context of the study. It commences by providing an exposition of the higher education systems in Kenya and South Africa, identifying the ways in which the two systems are similar as well as how they differ. This is followed by a discussion of the two countries' higher education funding approaches, the mechanisms used and the underlying assumptions. An attempt is made to situate the two countries' higher education funding approaches in a historical, political and economic context. It will be noticed that whereas Kenya's higher education funding mechanism is typical of most African post-colonies, where recent policy shifts are usually coercively or normatively influenced by external pressures issuing from international financial agencies (especially the World Bank and the International Monetary Fund) and their pursuit of neo-liberalism as the reigning economic policy framework; South Africa's is both different and unique, at least in the African context. The country's apartheid past and its post apartheid transformation agenda play a huge role in both the understanding and construction of higher education funding mechanisms. Accordingly, the locus for policy change in South Africa is predominantly local.

4.1.1 Higher education in Kenya: System Description

Kenya's experience with higher education is a fairly recent phenomenon. It dates back to the colonial period, when the Royal Technical College of East Africa, the first Kenyan higher educational institution, was opened in Nairobi in 1956. In 1961, the Royal Technical College was renamed the Royal College of Nairobi and turned into a university college. In 1963, when Kenya attained her independence, the Royal College became the University College of Nairobi. In 1970, the University College of Nairobi, ceased to be a constituent college of the University of East Africa and became the University of Nairobi

UoN). (www.bc.edu/bc_org/avp/soe/cihe/inhea/profiles/Kenya.htm, accessed 15 April 2006).

Six other public universities have since been established. These are Moi University (1984), Kenyatta University (1985), Egerton University (1987),⁵ Jomo Kenyatta University of Agriculture and Technology (JKUAT) (1994), Maseno University (2001) and Masinde Muliro University of Science and Technology (MMUST) (2006). Other than Moi University (MU) which was established as a fully-fledged university from the beginning, all the other institutions initially evolved as constituent colleges of accredited universities. Before obtaining its own charter, the UoN was a constituent college of the University of East Africa. Kenyatta and Egerton Universities started as constituent colleges of the UoN, and JKUAT as a constituent college of Kenyatta. Maseno University and MMUST started as constituent colleges of Moi University. All public universities are subsidised by the government.

Kenya is also home to numerous non-public higher education institutions. According to Wesonga et al. (2003), Kenya has about twenty-one private universities including branch campuses of foreign universities. The Commission for Higher Education (CHE) recognises only sixteen private institutions with the authority to offer university level education (CHE, 2003). Of the sixteen only six are fully accredited by the commission. The rest are at various stages of the accreditation process. One of the private universities is exclusively for women (Kiriri Women's University), and two of them are trans-local (United States International University and Aga Khan University). A major defining aspect of almost all the private universities is their theological orientation. They also have limited course offerings and a small student population.

While public universities are established by Acts of Parliament; those that are private receive authority to offer university education by way of a charter, Certificate of Registration (CoR) or a Letter of Interim Authority (LIA). Chartered universities have been fully accredited by the Commission for Higher Education and are currently five in number. Registered universities are those which were offering degrees before the

establishment of the Commission for Higher Education in 1985 and were issued with Certificates of Registration after fulfilling the requirements set out in the Universities Rules, 1989. There are currently six, such institutions. All of them are small theological colleges.

According to the CHE, “(t)he issuance of the Certificate of Registration (CoR) is a statement of the existence of the institutions and should in no way be construed to imply accreditation” (<http://che.or.ke/accreditation.html> accessed 15 April 2006). Universities operating under LIA are those that applied to the CHE for their establishment and fulfilled requirements as stipulated in the Universities Rules, 1989 and were issued with LIA by the CHE. So far, six institutions have been granted LIA.

Other than the public and private universities, the CHE is another key component of Kenya’s higher education system. The Commission for Higher Education is a corporate body established in 1985 by an act of parliament (The Universities Act, Cap 210B) to regulate growth and access to higher education. The commission is responsible for the accreditation of private universities and the overall coordination of quality higher education in Kenya (visit <http://www.che.or.ke/functions.html>, (Accessed 15 April 2006) for a detailed exposition of the functions of the CHE).

Apart from universities, there are a number of post-secondary institutions offering training at diploma and certificate levels. In the field of teacher training, these include diploma colleges for the training of non-graduate secondary school teachers, and teacher training colleges for primary school teachers. For technical education they include national polytechnics, institutes of technology and technical training institutes. In addition to these, a number of government ministries also offer three years’ professional training at diploma level for their middle-level manpower requirements.

Admission into Kenya’s seven public universities is both centrally conducted by the Joint Admissions Board (JAB),⁶ and directly by individual universities. Admission through the JAB guarantees an applicant an automatic government subsidy on tuition fees, lodging

charges and a loan to defray most of the other costs from the Higher Education Loans Board. Owing to structural adjustment programmes that included the restructuring of university education, cost sharing and limiting the expansion of enrolments, university intake was fixed to about 10,000 government-sponsored students in 1991/92 (Nafukho, 1994; RoK, 1994: 33). The capping of enrolments was one of the conditionalities insisted upon by the World Bank when it granted Kenya an emergency grant of US\$55 million for financing public universities which were facing a financial crisis (Wandiga, 1997). The enrolment cap (10,000 students), has remained unchanged to date.

The average grade for admission into public universities is a C+. However, for a long time, no candidate with a C+ has been admitted into public universities through the JAB. On average only about 26 percent of qualified candidates receive admission through the JAB. In the 2001/2002 academic year, only 11, 147 (27.5 percent) out of 40, 496 qualified candidates were admitted. In the 2002/2003 academic year, only 10, 966 (26 percent) out of 42, 158 qualified candidates were admitted, and in the 2003/2004 academic year, out of the 42, 721 qualified candidates, only 10,947 (25.6 percent) were admitted; and out of 58, 239 candidates who qualified in 2004/2005, only 10, 274 (17.64 percent) joined public universities on state subsidy (CHE, 2003; Makabila, 2005). One trend is clear: whereas the number of qualified candidates is increasing, that of candidates gaining admission continues to decrease. Those not admitted in the public universities through the JAB have the option of enrolling in private universities, joining overseas universities, or seeking admission in public universities as full fee-paying students, seeking admission in polytechnics, medical training colleges, teacher training institutions, among others.

⁵ Egerton has the oldest history among all the public universities in Kenya. The University's history dates back to 1939 when it started as a farm school. In 1950 the school was upgraded to an Agricultural College. It was not until 1987 that the institution attained full university status.

⁶ The JAB is an inter-universities forum, mainly comprising of vice-chancellors of public universities. Through the JAB public universities share Kenya Certificate of Secondary Education (KCSE) candidates for admission into various degree programmes available in each university (CHE, 2003). Kenya Certificate of Secondary Education (KCSE) is the secondary school leaving examination used to determine entry into university and other post secondary training institutions.

For quite some time now, the JAB has been adjusting the cut-off mark by one point in favour of female students (affirmative action). It is argued that by so doing, the gender gap between the number of male and female students will be narrowed. The affirmative action has seen a number of female students scoring less than the cut-off point but still gaining admission into public universities on government subsidy. In 2001/2002 academic year; 391 female students benefited, 462 in 2002/2003 and 371 in the 2003/2004 academic year (CHE, 2003).

Public universities also admit students directly into their programmes. This practice began in 1998 when UoN opened its doors to students who paid full fees, i.e. students who did not receive any government subsidy. This move by UoN effectively ushered in the phenomenon of the private student – or the ‘parallel’ student in Kenya’s public universities (The phenomenon of private studentship in Kenya’s public universities is discussed in detail in Chapter Six).

4.2 Funding Kenya’s Public Higher Education

Since Kenya’s attainment of political independence in 1963, there have been three higher education funding policies. Even though these policies overlap, for purposes of analysis, I locate them in three distinct eras. These eras represent policy shifts. They are: the era of free higher education, the era of cost-sharing and finally, the era of privatisation.

These policy shifts do not however dramatically change the dominant thinking regarding public funding of state universities. The state still overwhelmingly subsidises higher education and regulates the fees charged. The relationship between the state and higher education, with regard to fees, is that of state control.

4.2.1 The Era of Free Public Higher Education

Public higher education in Kenya was historically free, with the public purse covering both tuition and living allowances. The rationale for state subsidisation of higher

education (as in many other African post colonies) was based, among other things, on the country's desire to create highly trained person power that could replace the departing colonial administrators, and also to ensure equity of access. In the welfare-dominated post-colonial period, it was argued that unless the state subsidised the highly expensive higher education, many students would be unable to benefit from it (Sanyal, 1998; Weidman, 1995), and that person power development would be compromised. Free provision was therefore seen as the surest way for the state to guarantee equality of opportunity.

The university was also seen as the epicentre of the social and economic development which the newly independent state so much desired and aspired to. To achieve its role of spurring social and economic development it was argued that generous funding be provided. By offering highly subsidised education, free of any direct charges, the government hoped to stimulate enrolments (access) in university education.

In the first post-independence development plan (RoK, 1964); education was rated together with agricultural development as the highest priority. The policy objectives set out for education required high funding: These included:

- to ensure enough places at the secondary and higher levels to educate those with recognised abilities; and,
- to organise the education system to meet the person power needs of the country.

The contribution of education to the development of skilled and educated person power was particularly critical at that time. There was the problem of replacing departing expatriates.

Interestingly, during the same plan period (1964-70), the government also acknowledged the need to involve students in meeting higher education costs. It was stated that

It will be Government policy to move increasingly towards loans as a method of financing students in secondary and higher education. [...]. The provision of a revolving loan fund would in time reduce the recurrent expenditure of the

Government on bursaries and thus shift this burden from the general tax payer to the segment of society which benefits more directly (RoK, 1964: 105).

At this point, it seems as though it was not clear whether funding would be predicated on the need to rapidly replenish the stock of person power and develop more, for the 'good' of the country, as initially argued or whether the cost was to be borne by students i.e. "the segment of society which benefits more directly" (RoK, 1964: 105). One could argue that both the social benefit and private benefit arguments in determining how to fund higher education were at this point persuasive to the then young government.

The question of establishing a student loan scheme was again revisited in the subsequent development plan (1970 – 74). In this plan, the government proposed to withdraw the grants allocated to students at university in favour of a loans scheme. This proposal was made good in the 1974/75 academic year when a student loan scheme was introduced. This loan was however only meant to cover the cost of personal expenses such as accommodation, meals, textbooks and stationery, travelling and other effects, leaving the burden of tuition and capitation for the government to meet. Getting this loan was automatic. It did not matter whether one was from a well to do background or otherwise. Consequently, the loan only covered extra academic expenses; university education remained tuition free. The development plan that proposed the introduction of the loan scheme made it clear that "[t]he **principle of free tuition will be maintained** [added emphasis]. The loan system will apply to accommodation and personal allowances" (RoK, 1973:72). Consequently the idea of making the beneficiaries of education to pay did not make sense (Eshiwani, 1993). In effect higher education remained free.

Thus, from independence in 1963 to 1974, the financing of university education was almost entirely the responsibility of the state. Higher education was financed through annual grants to meet capital development and re-current expenditures. In addition, the government met tuition fees and provided other allowances to keep the students 'comfortable'.

It is not clear why the government maintained tuition-free higher education while most of the reasons it advanced for introducing the loan scheme were sufficient for introducing some form of tuition fees. When introducing the loan scheme, the government (RoK, 1973) argued that:

- (a) the income-earning prospects of university graduates were far better than those of people whose education has not reached this level. “Yet university students at present pay nothing for their education, while lower down the system fees are paid. In other words the benefits derived from education are inversely related to the costs to the individual...” (RoK, 1973:72);
- (b) the loan scheme would encourage students to spend part of their time living out, since accommodation costs would eventually have to be paid by students. This, the government reasoned, would reduce the pressure for more government built student accommodation;
- (c) the scheme would give students greater responsibility for their own financial affairs;
- (d) it would eventually reduce the costs of university education borne by the government; and,
- (e) it will discourage students from entering over-subscribed courses since they would no longer be able to live free at the government’s expense.

It appears that charging fees was not politically feasible. Higher education was viewed as a public service and universities were considered as having a social function whose attainment would be compromised if fees were to be introduced. Externally, the idea of the university as a focus for socio-economic development received financial support from international organisations notably the World Bank and OECD countries. The government could therefore afford to offer free higher education.

It was however not long before it became impossible to carry on with free higher education. In the subsequent years after Kenya attained political independence, the social demand for higher education started soaring. Unfortunately, this soaring demand was taking place at a time when the county’s economic performance was plummeting,

worsened by the world economic recession of the 1980s that was occasioned by the 1973 “oil shocks”, and falling prices of agricultural products (e.g. coffee) on the world market (RoK, 1990; 2001). It was no longer possible to provide free higher education in the face of shrinking resources. Consequently, cost-sharing and cost-recovery measures were introduced.

In summary, provision of free higher education was a popular policy soon after independence for most African post-colonies. In Kenya, the orientation of education shifted towards the training of Africans to fill high-level positions. For this to be actualised; higher education had to be opened up and government funding provided. It was believed that levying fees would obviate the attainment of the high priority goal of person power development. Free university education was hence underpinned by the country’s urgent need for skilled and educated person power; and the need to replace the large number of (departing) expatriates.

4.2.2 The Era of Cost-sharing

Significant changes in the financing of university education in Kenya draw their genesis from the 1988 World Bank prescribed reforms in the financing of higher education. Against the backdrop of resource insufficiency for the education sector, the World Bank published an influential policy paper: *Education in Sub-Saharan Africa: Policies for Adjustment, Revitalization, and Expansion* (World Bank, 1988), which had major implications for the entire education sector in sub-Saharan Africa (excluding SA).

This particular policy paper departed from the perspective that education in sub-Saharan Africa was in crisis and therefore the need for major reforms. The point is made that governments cannot be expected to increase the resources they devote to higher education substantially. The paper further condemned the cost of higher education in sub-Saharan Africa as being ‘needlessly’ high, and called upon African governments to “relieve the burden on public sources of financing by increasing the participation of beneficiaries and their families” (World Bank, 1988: 77). The paper also decried the ‘high’ levels of

government subsidisation for higher education. Many African governments were effectively directed to “introduce fees in public [universities], initially for non-instructional services such as food and lodging and then as tuition for instruction” (p.79).

Besides financial and institutional reforms, ostensibly to enhance the quality, efficiency and effectiveness of universities’ programmes, the World Bank argued that beneficiaries of higher education needed to make significant monetary contributions to their education since they stood to gain more from the system (World Bank, 1988). In Kenya, the World Bank pushed through these policies in the early 1990s following the granting of an emergency loan of US\$ 55 million to finance public universities. As it is characteristic of World Bank loans to poor countries, strings were attached. These included, inter alia, the institution of new financing strategies for higher education, which actually referred to cost-sharing (Kiamba, 2005; Nafukho, 2004; Wandiga, 1997). In effect, the Bank prescribed reduced funding by government to the higher education sub-sector and the introduction of cost-sharing.

As a result of the loan conditionalities, and a convergence of other factors, such as the dismally performing economy, soaring demand, and implementation of structural adjustment programmes (SAPs), the Kenyan government was forced to adjust its education financing and so came to reduce its expenditure on higher education. The government departed from the previous form of cost sharing, which did not include payment of university fees and introduced direct payment of university fees as part of the cost-sharing strategy, starting 1991/1992 academic year. In addition, the direct payment of food by students (dubbed ‘Pay as You Eat’ cafeteria system) was introduced (Nafukho, 1996). A book allowance that used to be given directly to university students was sent to the university bookstores where students could now directly collect their supplies (Kiamba, 2005). Cost sharing required students or their parents to cover both tuition and the cost of maintenance. The introduction of cost-sharing also saw the abolition of all pocket allowances which university students had hitherto been enjoying.

Prior to the 'demands' by the World Bank for the introduction of cost-sharing; the Kenyan government had in 1988 contemplated introducing cost-sharing via *Sessional Paper No. 6* (RoK, 1988). Before this sessional paper, the Kenyan government had in 1986 released another sessional paper (Sessional Paper No. 1 of 1986) on economic management (RoK, 1986), which talked of the need to "put tight limit on ministry expenditures, which will grow by less than 2 percent a year net of inflation through 1988/89" (RoK, 1986:30). The sessional paper specifically picked out the ministries of education and health for reduced recurrent expenditures: "each will be reduced gradually as a share of total recurrent expenditures ..." (RoK, 1986, p.30).

Free higher education had to come to a halt. The rapid growth of university enrolments coincided with rising constraints in the public budget, resulting in the state's inability to adequately cater for social services such as (higher) education. The Kenyan government argued that "the combination of increased enrolments and budget constraints ... **distorted** [added emphasis] public budget allocations to the various education and training sub-sectors" (RoK, 1998: 96). It was further argued that there was clear evidence that rapid expansion of enrolments led to a rapid rise in public expenditure on university education than the rise in the total budgetary allocation to the entire education sector (RoK, 1998).

The circumstances that faced Kenya from the mid 1980s were very different from those it faced at independence. At independence (1963) up to about a decade later (1973), Kenya had a blossoming economy; inflation was low and the economy grew by an impressive average of 6.5 percent per annum (RoK, 1973; 2003). The period of 1980 through 1985 was one of low GDP growth averaging about 2.5 percent per annum with some years experiencing negative growth rates. This was then followed by the period of structural adjustment programmes (1986-1989). The 1990s were the worst for Kenya. During this period the economy was characterized by sluggish growth. The problem was caused partly by a decline in external resources flow as a result of a standoff between the government and major donors. During this period, the country witnessed very high inflation rates (RoK, 2001; 2003).

Continued large-scale state funding of universities was hence made impossible by: high inflation, competing pressures for government expenditure, SAPs, and the rising level of diverse demands from a growing population. University resources were overstretched and the student to staff ratios rose. Concerns started surfacing about the quality of Kenya's higher education. The phrase 'half-baked graduates' quickly gained currency. The university system, having expanded considerably was under immense pressure to do more with less. The government was quickly becoming an unreliable patron. The combination of budgetary constraints and rising enrolments brought to the fore the issue of who should pay for university education.

Cost-sharing, however, went hand in hand with heavy subsidisation of the system and low level cost-recovery. Heavy subsidisation, which still applies to date, covers all students admitted through the JAB, irrespective of their ability or inability to pay. This policy, which treats all the students the same, irrespective of their socio-economic backgrounds, does not take into consideration the fact that some families are able to meet the cost of their children's university education.

An undifferentiated unit-cost mode of financing higher education was adopted later. Universities were allocated Kshs 120,000 (ZAR 12,000) for every student. This unit cost was arrived at in 1991 (and was implemented as from 1995) and remains the assumed unit cost of university education to date. From the Kshs 120,000, only Kshs 86,000 (ZAR 8,600) is paid as tuition fees with the government expectedly contributing Kshs 70,000 (ZAR 7,000).⁷ Each student is expected to pay Kshs 16,000 (ZAR 1,600). The rest is distributed as follows: accommodation, Kshs. 7,000 (ZAR 700); book allowance, Kshs 9,000 (ZAR 900); and food allowance, Kshs 18,000 (ZAR 1,800).

The undifferentiated unit cost of Kshs 120,000 used to allocate funds to universities is a historical figure, and does not represent an accurate picture of the average cost of educating a student at this level. The Kshs 120,000 (Kshs 86,000)⁸ is grossly inadequate, especially, for institutions that have a large number of science programmes (Kihara, 2003; Ngome, 2003). Further, the value of Kshs 120,000 in real terms has drastically

gone down since 1991. In 2005, the real value of Kshs 120,000 was Kshs 66,445. Consequently, the government-determined and unchanging unit cost can be described as a major cause of austerity for Kenya's public universities. Unit costs in higher education are usually high because of the high input of relatively costly labour, costly equipment, especially scientific equipment, computing, and library materials. Unit costs in higher education are also said to increase much faster than the increases of other costs in the economy (Johnstone, 2001; Uliana, 2005).

Kihara (2003) cites a study carried out in 1997 which showed that after the introduction of the unit-based method of financing universities, the institutions were under-funded to the extent of between 10 percent and 35 percent, depending on the nature of academic programmes. The University of Nairobi, which offers a wide range of technical, pure science and medical related programmes, was the most affected. The survey is said to have showed that the institutions required about Kshs 130,000 (ZAR 13,000) annually for every student in social sciences, Kshs 175,000 (ZAR 17,500) for pure and natural sciences and Kshs 256,000 (ZAR 25,600) for those in medical related courses. This does not include about Kshs 44,000 (ZAR 4,400) that a student needs for accommodation and subsistence (Kihara, 2003).

The inadequacy of the undifferentiated unit cost of Kshs 120,000 was also acknowledged in the report of the Commission of Inquiry into the Education System of Kenya (RoK, 2001). The Commission recommended an input-based funding formula, arguing it was a more appropriate approach for adequately allocating resources to higher education. In view of the resource constraints occasioned by the undifferentiated unit cost, the Commission recommended the following differentiated unit cost funding of public higher education.

Table 4.1: Apportionment of Differentiated Unit Cost (Kshs), 2001

Cluster	2 Total Tuition (3+4)	3 Tuition 80% Government	4 Tuition 20% Student	5 Student Welfare	6 Total Student Contribution (4+5)	7 Total Unit Cost
C1-Social Sciences	127,000	101,600	25,400	43,500	68,900	170,500
C2-Arts & Humanities	135,000	108,800	27,000	43,500	70,500	178,500
C3-Pure/Natural Sciences	176,000	140,800	35,200	43,500	78,700	219,500
C4-Applied Sciences	188,000	150,400	37,600	43,500	81,100	231,500
C5-Medical Related Courses	256,000	204,800	51,200	43,500	94,700	299,500

Source: RoK (2001)

The recommendation for differentiated unit cost funding of higher education is among the many recommendations of the 558 made by the Commission that the government has not implemented.

The shift from free higher education to cost sharing did not herald any major financial responsibilities on the part of students and their parents. For a long time, government subsidised students have paid a paltry Kshs 16,000 (ZAR 1,600) as tuition fees. This amount is far less than the fees paid in secondary schools and even in some primary schools. It is clear that the introduction of cost-sharing did not dissipate the state's desire to over-subsidise higher education. One may argue that the country's higher education funding policy was still guided by welfarist thinking. The public good orientation still held sway. The welfare approach is a continuation of the post-independence free

⁷ Considering the manner in which the government allocates funds to universities (as block grants, in a line budget fashion), it is not easy to determine whether or not indeed government contributes the Kshs 70,000 per student. The funding does not use any funding formula.

⁸ Kshs 86,000 is the actual amount presumably paid as tuition fees. The other amounts largely constitute the expenses of student living – which are not, strictly speaking, costs of higher education, i.e. to the university.

provision of university education. In this case, the so called government subsidised students are charged nominal or low levels of tuition fees and other charges including heavily subsidised food and accommodation. It has been argued that increasing fees for the government subsidised students would be politically explosive. Suggestions that the fees paid by government–subsidised students be increased have always been resisted, sometimes violently, by the students, always leading to the shelving of such plans. In situations like the Kenyan one, policies for funding higher education are usually a delicate juggle between political considerations and economic logic. Invariably, political considerations carry the day.

As it would be expected, the fixed nominal fees charged to the government-subsidised students and the fixed subsidy from the government, which applies to all students regardless of their area of study, cannot meet the universities' financial obligations. To ward off the universities' persistent demands for increased capitation, the government directed public universities to turn to other sources to be able to meet their staff costs, learning and research materials and even capital development expenditure. It is this 'directive' that ushered in the third era.

4.2.3 The Era of Income Generation: Privatisation and Commercialisation

This era can be linked to the discrediting of the public model of financing higher education, aided by the establishment of neo-liberalism or free market economics as the dominant economic mode of this century. Nafukho (2004) refers to this era as the market model of financing higher education in Kenya. Higher education is now being largely viewed as a private commodity and much less as a public good. Consequently, as observed by Altbach (2002), a revolution is taking place in higher education: It is becoming a traded commodity to be purchased by a consumer, a product to be bought and sold by academic institutions that have transmogrified themselves into 'businesses'. Neo-liberalism has thus privileged market-driven provision and has argued against the treatment of higher education as a public good (see Barr, 2004; Johnstone et al. 1998) to be supported by state coffers.

Buffeted by social and economic conditions that obviated the government from continued generous funding of higher education, the Kenyan government began to withdraw from taking an active and direct role in defining the response to the fiscal crisis of higher education. The government, through pronouncements at graduation ceremonies of public universities and other forums, exhorted public universities to increase their funding by diversifying their sources of revenue (see Kiamba, 2004; Nafukho, 2004). Public universities were thus discouraged from relying solely on the public purse and the fixed nominal fees charged to government-subsidised students. The government thus effectively sought to change its role in higher education financing by devolving financial responsibilities to higher education institutions.

In response to the government's challenge and their own need for survival; public universities responded by introducing a measure of self-financing. The universities embraced both privatisation and commercialisation. Commercialisation involves engagement in ventures such as consultancies, commercial farming, restaurants and cafeterias, among others. Privatisation refers to the admission of privately sponsored fee-paying students over and above the quota of students that come in with government subsidy. These are the students admitted through the JAB. Privatisation is the epitome of the self-financing effort by Kenya's public universities, and is carried out through courses, invariably referred to as parallel programmes.

As aforementioned, students in the parallel programmes bear the full cost of their studies. These programmes, though opening up access, have been mounted primarily for the purpose of raising income (Kiamba, 2004) and ensuring institutional survival in the prevailing austere conditions. Commercialisation and privatisation as a higher education funding policy was thus the default result of the government's inability to sustain large scale funding of the higher education enterprise, and its unwillingness to allow public universities to charge fees to the JAB admitted students at market rates.

The emerging trends in policy and financing of public university education in Kenya assumes what could be described as a mixture of both welfare and market approaches.

The welfare approach is a continuation of the post-independence free provision of university education. In the market approach, which is emerging as a response to diminishing capitation from the state, students are charged high levels of fees and commercial (generation of revenue) considerations underlie the introduction of market or demand driven programmes (Nafukho, 2004). New campuses for fee paying-students are being established to enhance the universities' market share. All other charges for self-sponsored students are pegged at market rates. Thus, from the perspective of funding; there is a section of students in Kenya's public universities whose education is treated as a 'public good' hence highly subsidised by government; and one whose education is treated as a 'private good', and who, hence pay market rate fees.

It can be concluded that, given the higher education funding policies prevailing in Kenya, those public universities with a majority of state-subsidised students are more highly dependent on state capitation than those with a significant population of privately sponsored students. Consequently, universities with more state-subsidised students are likely to be experiencing more financial hardship than their counterparts with more self-sponsored students.

4.3 Mechanisms Used to Allocate Funds to Public Universities in Kenya

The mechanisms through which governments transfer funds to higher education institutions have an important effect on the way in which these funds are used (Ziderman & Albrecht, 1995). In a number of countries, governments use specific funding formulae or mechanisms for allocating public funds to universities. In Kenya, although it is officially claimed that a unit-cost system is used to allocate funds to public universities, it is apparent the Kenyan government employs a sector-wide strategy. Therefore, the country's higher education funding mechanism must be understood in the context of the financing of the whole education sector.

The most important feature of the process of allocating funds to public universities in Kenya is that there are no set formulae shaping allocations within the sub-sector. All

public universities are required to submit a budget to the Ministry of Education; however, the submitted budgets do not appear to influence the allocations approved by the Ministry in any significant way (see figures 6.1 and 6.2). Instead, allocations take into account, but in no consistent manner, the size of the institution, its needs, and its historical allocations. The allocations are thus not based on projections of actual needs of the universities (RoK, 1998). Comprehensive needs-based criteria for planning university budgets have not been fully developed. In some cases, Vice-Chancellors lobby for enhanced allocations (Ziderman & Albrecht, 1995).

Allocations are made using a line item budget i.e. in the form of block grants (lump sums). Although this affords universities some discretion on how they allocate these funds, the line item approach is unsatisfactory as it fails to take into account the varying needs of different programmes (RoK, 1998). Also, the approved funds are usually released one month in arrears, resulting in what some public universities have described as serious effects on cash flow, a hindrance to efficient administration of finances and running of programmes (UoN, 2004, 2005b; EU, 2004, 2005; JKUAT, 2004, 2005). In the public expenditure review (PER) reports which universities submit annually to the Ministry of Education, universities have argued for the release of government grants on quarterly basis (EU, 2004, 2005; JKUAT, 2004, 2005; UoN, 2004, 2005b). The PER reports, prepared by all public universities usually show how government grants plus funds generated by the universities are spent, support budget proposals and make a case for government funding based on the figures (estimates) provided.

Although there exists a unit cost for higher education that supposedly guides the funding of public universities, the manner in which grants are allocated makes it impossible to determine how the unit cost is applied. The one line budget used to allocate funds to public universities does not show how much government allocates per student. The historical figure of Kshs 120,000 arrived at in 1991 does not seem to apply any more. Assuming the block grant is the summation of the total cost of educating all students admitted through the JAB, then with the nominal rise in government subventions, one may as well argue that the unit cost has gone up, albeit, nominally. For instance in the

2004/05 financial year, the government funded the University of Nairobi at the level of Kshs 2,675,862,503. For the 15,000 students the university had, it meant the average funding per student was approximately Kshs 180,000 (UoN, 2005a).

Government allocations to universities are divided into recurrent and development expenditure. Funds for recurrent expenditure, as the word suggests, are meant for costs which recur continually or very frequently. In the Kenyan case, these funds are usually used for personal emoluments (salaries). Conversely, funds for development expenditure are meant to meet capital developments, mainly construction and repair of the physical plant.

By and large, the approach employed by the Kenyan government to allocate funds to public universities could be described as negotiated funding. It is an approach that neither considers the cost of higher education nor the outputs of the higher education system. In this funding approach, “individual allocations are usually based on those of the previous year, perhaps augmented by across-the-board incremental increases” (Ziderman & Albrecht, 1995: 108).

4.4 Higher Education in South Africa: System Description.

South Africa has one of the oldest experiences with higher education in Africa. It is an experience that dates back to 1829 following the establishment of the South African College, a boys' school which also provided some tertiary education. The University of Cape Town (UCT), which sprouted from the South African College and was formally established as a university in 1918, is the oldest university in South Africa (<http://www.uct.ac.za/>, accessed 18 April 2006).

Through the years, South Africa's higher education has witnessed numerous changes. Today, South Africa's higher education system consists of public universities⁹ and a college sub-sector which includes colleges of education, nursing and agriculture. South Africa also has a number of registered private institutions of higher learning. Many other

private institutions are in the process of registering in terms of the provisions of the Higher Education Act (December 1997). The Higher Education Act stipulates the legal conditions for the registration of private higher education institutions and imposes various obligations. Accordingly, private providers are required to register with the DoE:

to ensure acceptable academic standards; to ensure the keeping of records and regular audits; and to provide access to audit reports. Specifically, private providers of higher education must submit their programmes for accreditation via the Higher Education Quality Committee as a condition of registration (NCHE, 2004:181).

The regulatory framework is meant to ensure that only those private institutions with the necessary infrastructure and resources to provide and sustain quality higher education are registered (Badat, 2004).

The private higher education sub-sector has recently experienced some growth epitomized by the rapid proliferation of both local and international providers and suppliers, mainly from the United Kingdom, the United States, and Australia (Subotzky, 2003). Subotzky observes that “[w]hile some of the providers are long-established and reputable local and foreign institutions, a number of local “fly-by-night” institutions recently came to light ...” (2003: 551). South Africa is also home to various satellite campuses for foreign universities. The growth of private higher education is a recent phenomenon. Apartheid SA had a very small private higher education sub-sector (NCHE, 2004). Other than the many universities offering contact instruction; SA also has distance learning institutions. Distance learning has for a long time been the forte of the University of South Africa: one of the oldest distance learning universities in the world.

Public universities are autonomous¹⁰ institutions and are subsidised by the government to various extents. The Higher Education Act of 1997, which provides the legislative basis and framework for SA’s higher education, stipulates that higher education at public universities and colleges comes directly under the responsibility of the national government, whilst further education colleges report to the nine provincial governments. In apartheid SA, the universities and technikons were administered by different government departments i.e. eight different government departments in all (NCHE, 2004,

Bunting, 2002b).

Before the demise of apartheid in 1994, SA's higher education 'system' was characterised by institutions which were differentiated along the lines of race and ethnicity. These institutions, usually referred to as historically white universities (HWUs) and historically black universities (HBUs) - were profoundly shaped by apartheid planning and by the respective functions assigned to them in relation to the reproduction of the apartheid social order (Badat, 2004, NCHE, 2004). Both sets of institutions were inextricably linked to the apartheid project. In terms of this differentiation, HWUs were advantaged relative to HBUs, with regards to financial resources that were made available to each institution (Badat, 2004; Bunting, 2002b; Van der Walt et al. 2002,). These universities were thus products of the geo-political imagination of apartheid planners (Badat, 2000; DoE, 1999).

Other than the difference in terms of race and ethnicity; South African universities are also differentiated along the lines of resource advantage and disadvantage. Because of the generous funding and resource support HWUs received during the apartheid era, they are usually referred to as historically advantaged universities (HAUs) and their counterparts, the HBUs, historically disadvantaged universities (HDUs). During the apartheid era, HWUs constituted four which used English as the main medium of instruction and

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- 9 Public universities in South Africa are divided into three types: traditional universities, which offer theoretically-oriented university degrees (e.g. University of Cape Town, University of Fort Hare, and Rhodes University); universities of technology, which offer practically-oriented diplomas and degrees in technical fields (e.g. Cape Peninsula University of Technology, Tshwane University of Technology and Central University of Technology); and comprehensive universities, which offer a combination of both types of qualification (e.g. e.g. University of Johannesburg, Nelson Mandela Metropolitan University and University of Zululand). For more details and more examples of universities in the respective categories, visit:
http://en.wikipedia.org/wiki/List_of_universities_in_South_Africa#Traditional_universities, accessed 18 April 2006).
- 10 Institutional autonomy has recently become a moot issue in South African higher education. A number of policies by the post-apartheid state (especially those contained in the 2001 National Plan for Higher Education in South Africa), which have created new demands on universities, have been regarded in some quarters as an affront on institutional autonomy. The government has in turn argued that institutional autonomy was never meant to be absolute and that universities have to exercise accountability in the context of public accountability.

communication (e.g. the University of Cape Town and (the former) University of Natal) and six that used Afrikaans as the main medium of instruction and communication (e.g. Stellenbosch University and the University of Pretoria). The HBUs (ten) were separated into three: for coloured students (the University of the Western Cape), for Indian students (the former University of Durban Westville) and for African students (the University of the North, University of Zululand, etc.), (Bunting, 2002b). The historical disadvantage suffered by HBUs continues to cause difficulties for them. Badat draws a causal relationship between the apartheid era disadvantage suffered by HBUs and their current capacities to “pursue excellence and provide quality experiences and outcomes and to contribute to economic and social reconstruction and development” (2004: 3).

Since 1994 (and especially in 2004 and 2005), the shape and size of South Africa’s higher education has undergone tremendous transformations. The higher education system has since shifted from being a binary one, characterised by two mutually exclusive types of institutions: universities and technikons, administered by disparate authorities to a single, co-ordinated higher education system composed of universities. The unitary system has resulted from mergers and incorporations recommended in a report of a national working group. The report: *Restructuring of the Higher Education System in South Africa* (MoE, 2001), recommended the reduction of higher education institutions (universities and technikons) from 36 to 21 by way of mergers and incorporations.

After about ten mergers and several incorporations, the public higher education landscape in SA now consists of 22 universities. Some of the mergers include: the University of KwaZulu–Natal (2004), a combination of the former universities of Durban-Westville and Natal; Tshwane University of Technology (2004), which includes the former Technikons Pretoria, North West and Northern Gauteng; the University of South Africa (UNISA) which now includes UNISA and Technikon South Africa (2004); the Cape Peninsula University of Technology (2005), which includes the former Cape and Peninsula Technikons; the University of Limpopo (2005), which includes the former University of the North and Medical University of South Africa (MEDUNSA); Nelson

Mandela Metropolitan University (2005), which includes the former University of Port Elizabeth and Technikon Port Elizabeth, etc. With the mergers and incorporations, the apartheid higher education landscape has been permanently altered.

The South African National Council on Higher Education (NCHE), established in 1998 is another key element of SA's higher education. The Council, established in terms of the Higher Education Act, No 101 of 1997, advises the Minister of Education on all matters related to higher education policy issues, performs quality assurance functions, and disseminates information on higher education (<http://www.che.ac.za/>, accessed 18 April 2006). Since 2004, the Council has conducted quality assurance audits on about nine public and private higher education institutions.

Overall, "[t]he national Ministry and Department of Education regulate the provision of higher education and attempt to steer higher education to contribute to national policy goals through the instruments of national planning and public funding" (<http://www.che.ac.za/>, accessed 18 April 2006).

Regarding the admission of students, as already noted, prior to the demise of apartheid, admission into institutions of higher learning was primarily determined by one's race. Institutions were restricted to serving only one race group. However, beyond the racial discrimination; individual universities had their own criteria for admission. The only time a central body was involved in the admission process was when institutions sought permission to admit students outside the university's race allocation. After the demise of apartheid, racial discrimination was prohibited and all institutions of higher learning were declared accessible to qualified students of all races.

South African universities have continued to individually admit students. Each university has its own criteria and different faculties have different requirements. To remedy the ills of apartheid, which limited the access of blacks to universities, especially the well resourced, former white only universities, the African National Congress government promulgated several policies geared towards improving the participation of formerly

excluded communities in public higher education. Equity of access is one of the main undertakings required of institutions' transformation efforts. South African institutions of higher education are required to transcend the legacy of apartheid by, inter alia, mainstreaming transformation issues in their missions. Attaining equitable student demographics is one of the key areas of transformation. A key goal of a transformed South African higher education system articulated in the 1997 Education White Paper 3 is to promote equity and redress in order to bring about equal opportunity for individuals and institutions (DoE, 1997).

Although individual universities directly admit students into their programmes and have their own criteria, generally, for admission to be granted, a student must hold a senior certificate with a matriculation endorsement or qualify for a certificate of exemption. Exemptions are usually granted on several grounds. These include exemption on grounds of mature age; exemption on grounds of a completed three or four year diploma; and other forms of conditional exemptions.

At one point, the South African Ministry of Education contemplated introducing a central admissions system. In the envisaged system, "all first-entry students – local and foreign, contact and distance – wishing to study at undergraduate level at any public Higher Education Institution [would] apply only through the National Higher Education Information and Applications Service" (NCHE, 2004:52). According to this plan, higher education institutions would have maintained their right to set the criteria for admissions, but then delegated to the central service the administrative application of the criteria to the pool of applicants. Institutions of higher learning supported the idea of establishing a central body that facilitated a single application procedure for applicants, but felt this should not preclude applicants from applying directly to their institutions of choice (NCHE, 2004). The higher education sector argued that a central applications and admissions service was premature, and that it would compromise the institutions' autonomy.

By and large, individual universities have minimum criteria for automatic admission into different academic programmes and also selection processes that determine the suitability of applicants who do not meet the minimum criteria for automatic admission. Universities are also required to set up measures that will facilitate the signing up of more Black students, especially in historically advantaged universities. The recent introduction of enrolment caps has put a limit as to how many students individual universities may enrol. In April 2004, the Minister of Education announced enrolment caps, to forestall an existing situation where growth in enrolments exceeded real growth in the government's funding of the higher education system. In a ministerial statement, the minister announced that system-wide student enrolment plans had to be affordable and sustainable within the context of the government's medium term expenditure framework (DoE, 2005).

From the foregoing, it is clear that the Kenyan and South African higher education systems and landscapes are quite different. Further, whereas SA's higher education is bigger and differentiated, Kenya's is relatively small and undifferentiated. The two countries' higher education systems are a product of different political processes. South Africa's apartheid past makes the country's higher education system different, in many respects, compared to other higher education systems in Africa, if not globally. Kenya's higher education is typical of most African post-colonies. A common trait in the two countries' higher education systems is that public universities are significantly subsidised by government to various extents.¹¹

¹¹ Although the share of state appropriations in the total earnings of public universities in the two countries is generally big, it varies between the universities. As is shown in Chapter Six, some universities in the two countries have been able to earn more revenue from private sources than from state appropriations. It is however incontestable that government funding of higher education in the two countries is significant.

4.5 Financing South Africa's Higher Education

Unlike Kenya where higher education is largely considered a public service, and whose funding has historically been predicated on the social returns argument on investment in higher education, SA is the opposite. The funding of higher education in SA has always, to a large extent, been predicated on the private returns argument on investment in higher education. Returns to higher education constitute both monetary and non-monetary benefits to society and students. Looked at from the perspective of cost-benefit analysis, higher education in SA is considered as accruing immense benefits to its consumers (students), hence the case for private investments in higher education. Van Harte (2002) notes that SA, even before it became a republic, charged tuition fees at those post-secondary institutions that over time fully evolved into the modern universities of today. However, there were provisions made for some students to attend for free at the discretion of the governor (Cape of Good Hope Ordinance 11 of 1837, cited in Van Harte, 2002). In 1922, Van Harte (2002) reports, an amendment was passed that set into motion a system that continues today in which charging tuition fees is acceptable, and in which government signals its support of public higher education by providing financial support to it. Thus, the overriding principle in public higher education funding is that costs must be shared between government as the recipient of public benefits and students as the recipients of private benefits; and that government must subsidise only those higher education activities which generate substantial public benefits (Bunting, 2002a).

During apartheid, government did fully fund both the tuition and living costs of students studying for careers deemed to be for the public benefit, e.g. police officers, nurses and teachers, through direct government allocations or through bursaries directly to the students (Van Harte, 2002). All the programmes in this category were offered in the college sector. So, though the dominant thinking regarding higher education funding was that which emphasized private investment, in some cases, where public benefit was deemed to surpass private benefit, government met all the costs of higher education training.

Since universities (and technikons) hardly offer programmes that attract full funding from government, cost-sharing thus remains the hall mark of financing SA's university education.

4.5.1 Funding Policies and Mechanisms

Government funding of higher education has recently shifted from the apartheid era formula that primarily used enrolment-driven calculations to produce an institutional funding amount to a new formula that is intended to address the country's new policy goals of equity and redress.

4.5.1.1 Funding Higher Education During the Apartheid Era

Bunting (2002a) has discussed the manner in which government funded higher education during the apartheid era. He identifies two broad types of government funding that were in place. These were that of negotiated budgets (similar to the current higher education funding mechanism in Kenya) that was associated with HBUs and technikons and that of formula funding, associated initially with HWUs. The funding systems were instruments used in the implementation of the government's so-called 'separate but equal' policy. Whereas HWUs enjoyed considerable autonomy in the manner in which they spent government subventions, and decisions regarding what their tuition fees should be, HBUs did not have similar autonomy and freedom. Their tuition fees and the details of their expenditure had to be approved by the government (Bunting, 2002a).

The system of negotiated budgets involved the university or technikon concerned submitting a 'needs' budget for expenditure and partial income to its controlling government department. The income side was the amount the institution expected to collect from student fees. The final amount which the institution was permitted to spend in that financial year would have been a net amount of approved expenditure less student fees (Bunting, 2002a; NCHE, 2004). The expenditure budgets finally approved were not determined by the student enrolments of the institution concerned but on assessments of current needs in the context of historical expenditure patterns. In many cases "this

amounted to adding a percentage to the allocation for the previous year, and did not overcome disparities with the more advantaged institutions or ensure adequate library, laboratory and computer facilities” (Bunting, 2002a: 118). Expenditure by the institutions had to be strictly managed in terms of this budget, and any unspent balances on a negotiated budget would have to be returned to the national treasury. Further, institutions were not permitted to transfer these amounts to reserves under their control hence leading to two consequences: unrestricted spending at the end of every year to discharge accumulated funds and no build-up of a reserve fund (Bunting, 2002a; NCHE, 2004).

In 1982 the apartheid government started allocating subsidies and other financial resources to universities and technikons through the South African Post-Secondary Education (SAPSE) base formula funding (Bunting, 2002a; Ishengoma, 2002). This formula was initially developed for HWUs. The overall amounts available for higher education were allocated to institutions in terms of a formula which contained as input variables full-time equivalent (FTE) student enrolments and as output variables student success rates and research publications (NCHE, 2004). Unlike for HBUs and technikons, these amounts could be spent at the discretion of the council of the higher education institution, and unspent balances could be retained.

By using the base formula, higher education institutions received a subsidy from the government on the basis of the number of subsidy students multiplied by various cost units differentiated by levels and field of study (Bunting, 2002a; Merisotis & Gilleland, 2000). The weighting for level of study was based on two generic categories: natural sciences, which included the life, physical and mathematical sciences, health sciences, engineering, computer science, agriculture, architecture and building sciences; and humanities, which included all other disciplines. Overall, the net subsidy payment by government to an institution was determined by its gross formula income total less the amount which had to be raised from students or their families as well as from other private sources. The amount to be raised from private sources was dependent on the size of the institution, and in the early years ranged from 18 percent to 22 percent of the HWUs (Bunting, 2002a).

Soon after introducing this funding framework, the government found that the total of net subsidies exceeded its budget for the HWUs. Consequently, it introduced a final adjustment factor, called the a-factor, to bring the subsidies paid to the universities in line with the national budget (Bunting, 2002a). The a-factor consequently reduced by a percentage government contribution factor that determined the subsidy entitlement for each institution.

Although the funding formula was originally intended for HWUs, by 1988, the formula was applied to all universities and technikons. Even though the continued use of the funding formula was later on blamed for HBUs poor financial health (Bunting, 2002a; Cloete, 2002) at inception through the years preceding the collapse of apartheid in 1994, this formula served HBUs quite well. The funding of the HBUs was generally on a higher level than that of the HWUs: this is confirmed by the ‘adjustment factor’ values given, for instance, in 1986 (1.2 for HBUs and 0.83 for HWUs) (NCHE, 2004). However, on the whole the formula had the effect of generating and perpetuating institutional inequities such that larger amounts of subsidy were available to HWUs because they “had larger numbers of natural science enrolments, produced better student success rates, had more postgraduate students, produced more research outputs, had better management capacities, and so on” (NCHE, 2004: 190).

One analysis argues that the SAPSE funding formula satisfied several principles of higher education funding: the principles of effectiveness, efficiency, and sustainability and the principle of shared costs (Bunting, 2002a). The analysis further contends that the formula directed government funding of higher education at ensuring that the system achieved its pre-determined goals at the lowest possible cost; that through the a-factors, the funding mechanism made sure that the system was affordable. The formula also maintained the tradition of shared costs in SA’s higher education (Bunting, 2002a). An analysis by NCHE puts it differently:

the formula encouraged growth which was not financially sustainable – especially as student enrolments increased from the mid-1980s – and which was not linked to issues of quality. [...], the a-factors introduced to contain the effects of growth

created a climate of financial uncertainty for HEIs [Higher Education Institutions], acting as disincentives to creative planning at institutional level and as incentives to expanding cash reserves, or devising strategies of cross-subsidisation, including distance learning activities. Finally, the formula encouraged larger numbers of cheaper enrolments in humanities, rather than in the more costly natural sciences (2004: 190).

One issue on which the various analyses of the SAPSE funding formula converge is the question of equity and redress. Bunting, perhaps captures the general consensus when he argues that the SAPSE funding formula “explicitly rejected the principles of equity and redress, holding that it was not the business of the higher education system to deal with social inequalities which affected either individuals or institutions” (2004a: 132). Following the regime shift in 1994, a change in the manner in which higher education was funded became a priority and was inevitable. The SAPSE funding framework was regarded as essentially an apartheid funding framework that could not be used in a transformed higher education system or to transform the higher education system. There was need to realign the funding framework with the new government’s policies of equity, redress and development.

4.5.1.2 Changes to Funding Policies in the Post-apartheid Era.

The apartheid era formula funding, adopted by all HBUs and technikons by 1988, remained in use up to 2003 (NCHE, 2004). The continued use of the funding formula, which was principally FTE driven occasioned financial difficulty to a number of HBUs (Cloete, 2002; Bunting, 2002a). After 1994, many black students enrolled in HWUs occasioning a decline in enrolments in the HBUs. Head count enrolments in the HBUs fell from a peak of 111,000 in 1995 to 83,000 in 2000. This combined with a range of other factors such as growing student debt, governance and management failures and general instability - resulting in the rapid erosion of the sustainability of a number of the HBUs (Cloete, 2002; MoE, 2001; NCHE, 2004).

The new post-apartheid regime did not however wait until a new funding framework was in place to address issues of social transformation (individual redress) i.e. enhancing the

participation of disadvantaged students in higher education. In 1996, the National Student Financial Aid Scheme was established (NSFAS). The scheme's main goal is to assist academically able students who are financially challenged to pursue higher education studies. Although the government's contribution has been increasing annually, the NSFAS appears to be inadequate to meet the needs of students from poor communities. Just about 20 percent of students benefit from the NSFAS. Furthermore, there has only been a marginal increase in the number of awards made (MoE, 2001).

Both the Education White Paper 3: A Programme for the Transformation of Higher Education, 1997 (DoE, 1997); and the 2001 National Plan for Higher Education in SA (MoE, 2001) emphasised the need for a new higher education funding framework that could serve as an effective steering mechanism for the attainment of transformation goals of the post-apartheid state. And in 2003, vide the Government Gazette of 9 December 2003 (Vol. 462, no 25824), a new funding framework was published (DoE, 2005).

A basic feature of the new framework is that it links the awarding of government higher education grants to national and institutional planning. This funding/planning link makes the new framework essentially a goal-oriented mechanism for the distribution of government grants to individual institutions, in accordance (a) with national planning and policy priorities, (b) with the quantum of funds made available in the national higher education budget, and (c) the approved plans of individual institutions (MoE, 2004). The new funding framework is, accordingly, a major steering mechanism, employed by the government to guide higher education towards achieving certain goals.

The planning process of the new framework entails the following aspects (MoE, 2004: 3):

- The Ministry begins the process by analysing each institution's actual student enrolment data across a four to five year time period. It also analyses each institution's student output performance in the context of approved national benchmarks. The Ministry also takes account of any recent plans (e.g. three-year rolling plans, equity plans and operational plans) which institutions were required to submit to it.

- After completing these analyses, the Ministry gives each higher education institution a preliminary indication what its funded student enrolment size and shape is likely to be for the next cycle of funding years. The ministry gives institutions an opportunity to react to these preliminary proposals, and to submit alternative or amended proposals to it. These are then discussed with the institutions concerned.
- At the end of this interactive process, the ministry sets rolling student enrolment planning and rolling totals of funded FTE student places for each institution for a specified planning period. The individually approved institutional plans are consolidated by the ministry into system-wide totals of FTE student places to be funded by government during this planning period.
- The approved institutional enrolment plans are rolling ones in the sense that each is subject to review each year, to take account of changing external circumstances or changing institutional performances.

The key steps in the integrated planning and funding processes are these (MoE, 2004: 4):

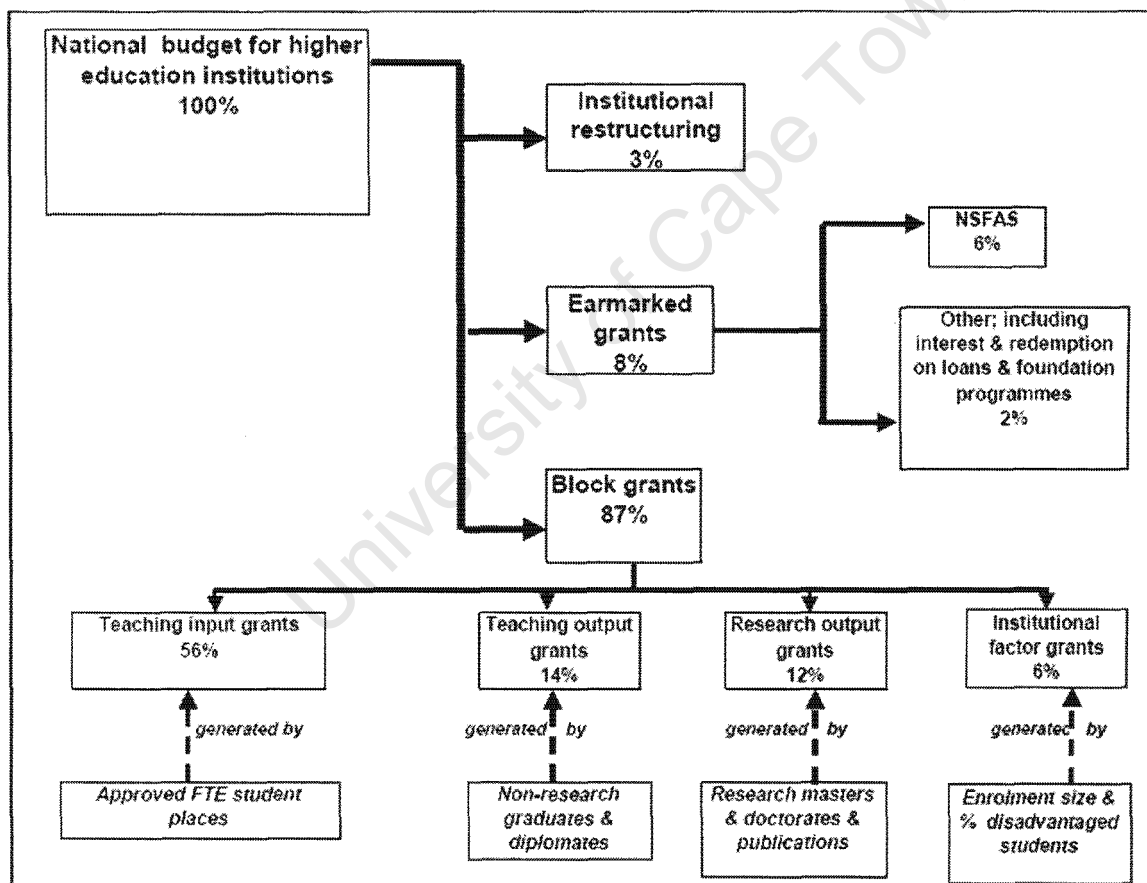
- The Ministry of Education, on the basis of its readings of the national higher education environment and its interactions with institutional planning processes, submits Medium Term Expenditure Framework budget proposals, as well as proposals for the final budget for the next year, to the national treasury.
- The national treasury approves provisional three-year rolling budgets for the higher education system. It also finalises the higher education budget for the next financial year.
- The Minister of Education approves the allocation of grants to institutions for a specific funding year, taking account (a) of the total amounts allocated to higher education by the National Treasury and (b) of the enrolment plans approved for each institution.

The national budget for higher education institutions is divided into three components. These are block grants (87 percent), earmarked funds (8 percent) and institutional restructuring funds (3 percent). Block grants consist of four components. These are:

teaching input grants (56 percent), teaching output grants (14 percent), research output grants (12 percent), and institutional factor grants (6 percent). Institutional restructuring grants are special earmarked amounts used to assist institutions which merged in either 2004 or 2005.

Most earmarked grants are set aside for funds for the NSFAS (6 percent). A small proportion of earmarked funds (2 percent) is available for other specific purposes, such as interest and redemptions payments on approved government loans. Figure 4.1 below shows the division of government budget between grant categories in the 2004/05 to 2006/07 three year rolling plan period.

Figure 4.1: How Government Grants are Allocated to Public Higher Education Institutions



Source: MoE (2004: 5)

Block grants, which constitute 87 percent of total allocations to universities (cf. Figure 4.1) comprise of a teaching input grant generated through a formula which considers

approved FTE student places weighted against predetermined teaching input indicators or criteria (course material, course level, and instruction-delivery mode); teaching output grant which is dependent on the institution's actual number of non-research graduates and diplomates and a normative total of non-research graduates and diplomates which it should have produced in terms of national benchmarks. These totals produce different grants for an institution. Other components of the block grant are research output and institutional factor grants.

An institution's research output grant is dependent on actual totals of research graduates and research publication units and a normative total which the institution should have produced in terms of national benchmarks. Institutional factor grants are for institutions with a large proportion of disadvantaged students. For the purposes of this grant, disadvantaged students are deemed to be African and coloured students who are South African citizens. The institutional factor operates by adding an amount to the teaching input grants of institutions, depending on what their proportions are of disadvantaged students (MoE, 2004). Actual allocations for the various grants are arrived at after an elaborate process involving a series of calculations. And as aforementioned, the various indicators or criteria for the various grant allocations are weighted differently. Tables 4.2 and 4.3 show which approved subject categories have been included in each funding group for the period 2004/05 to 2006/07, and give weightings by instruction-delivery mode, by funding group and by course level, respectively.

Table 4.2: Funding Groups by Educational Subject Matter Categories, 2004/05 to 2006/07

Funding Group	Educational Subject Matter Categories
1	07 education, 13 law, 14 librarianship, 20 psychology, 21 social services/public administration
2	04 business/commerce, 05 communication, 06 computer science, 12 languages, 18 philosophy/religion, 22 social sciences
3	02 architecture/planning, 08 engineering, 10 home economics, 11 industrial arts, 16 mathematical sciences, 19 physical education
4	01 agriculture, 03 fine and performing arts, 09 health sciences, 15 life and physical sciences

Source: MoE (2004:7)

Table 4.3: Weighting Factors for Teaching Inputs by Funding Group and Course Level, 2004/05 to 2006/07

Funding Group	Undergraduate & equivalent		Honours & equivalent		Masters & equivalent		Doctoral & equivalent	
	Contact	Distance	Contact	Distance	Contact	Distance	Contact	Distance
1	1.0	0.5	2.0	1.0	3.0	3.0	4.0	4.0
2	1.5	0.75	3.0	1.5	4.5	4.5	6.0	6.0
3	2.5	1.25	5.0	2.5	7.5	7.5	10.0	10.0
4	3.5	1.75	7.0	3.5	10.5	10.5	14.0	14.0

Source: MoE (2004:7)

The 2004/05 funding year was the first in which the new funding framework was implemented.

To guarantee stability to the funding framework, the Minister of Education is required to issue an annual statement, which provides (MoE, 2005: 2): a forecast of the grant totals likely to be available for distribution to the public higher education system during the next triennium, a forecast of the public higher education system's likely totals of outputs and of planned student inputs for this triennium, details of how the data required for input, output and institutional factor calculations will be determined, details of the input and output weightings, and of the various benchmarks to be employed in the calculation of block grants, details of how unallocated proportions of output block grants will be redistributed, details of how institutional factor grants will be calculated, and an account of the implementation of the framework, and of the steps taken to ensure that the public higher education system is not destabilised. And before major changes are made to the framework, the Minister of Education must consult the higher education sector and the Council on Higher Education. Such changes would be announced in an annual ministerial statement and would be implemented at the earliest in the final year of the triennium following that covered in the statement (MoE, 2005).

4.6 Conclusion

This chapter has broadly teased out the various aspects of higher education in Kenya and SA. As was shown in the discussion, both countries have a public higher education sub-sector with a private one running concurrently. The size and shape of higher education in the two countries is dissimilar: Kenya has seven medium-size and small public universities while SA has 22 large (mostly resulting from mergers), medium-size and small universities. South Africa's current shape and size of higher education is a culmination of the government's efforts to reform the higher education sub-sector, away from its apartheid foundations and accoutrements. South Africa's higher education is arguably one of the fastest changing in the world today.

Regarding public funding of higher education; the approaches and mechanisms employed by the two countries are hoisted on two different philosophies. In Kenya's case, higher education has for a long time been treated as a public service, in the spirit of Keynesianism. Since the country's independence in 1963 to date, three funding approaches can be identified: these are free provision, (nominal) cost-sharing, and privatisation - where public universities now admit students who are not subsidised by the state, and charge them fees at market or near market rates. The changes in Kenya's higher education funding are a product of both local factors and also external forces (de-localised factors). The shift from free provision to cost-sharing can be attributed to a financial crisis in education (starting from the 1970s) characterised by high rates of inflation, shrinking public budgets for education along with increased student numbers, declining per student expenditures, distortions in inter-sectoral and intra-sectoral allocation of resources, among others. External forces entail, in the main, a global shift in development paradigm i.e. the transition from a development paradigm that was predominantly based on Keynesianism to a neo-liberal paradigm that has occasioned a shift in the relationship between the state and public institutions. This shift (to a neo-liberal ideology) has had "materialist consequences for [public] universities" (Currie, 2003: 16).

The philosophy of shared costs has all along informed higher education funding in SA. Although this has been a constant feature in SA's higher education, the mechanisms for allocating public funds to institutions of higher learning have been changing. In the apartheid era there were different funding mechanisms for HWUs and HBUs and technikons. Although the same funding mechanism was adopted by all institutions of higher learning by 1988, this mechanism disfavoured HBUs and technikons. A new mechanism, introduced in 2004 retains the two main components of the SAPSE framework: block grants and earmarked funding for specific purposes. However, it differs from the SAPSE model in its policy underpinnings. The new funding framework does not make provision for institutional set-up, as the old formula did. However, it does make provision for addressing historical institutional disadvantage by means of two factors applicable to institutions with large proportions of (formerly) disadvantaged students (African and Coloured students). Disadvantage and advantage is largely a function of race in SA. At the moment, these grants are not available to institutions that may have a 'large' proportion of economically challenged white students. Further, there isn't an instrument to determine which African or Coloured students are disadvantaged: all of them are treated as disadvantaged by virtue of their race classification.

The setting aside of funds for institutions with large proportions of disadvantaged students is in line with one of the priorities set by the National Plan for Higher Education (NPHE); that of increasing "the participation, success and graduation rates of black students in general and African and coloured students in particular" (MoE, 2001: 35). Therefore since 2004, a new goal-oriented, performance-related funding framework was implemented. The new funding framework is one of the main steering mechanisms the South African government is using to shape institutional behaviour; to make them congruent with post-apartheid national policy goals.

Overall, the changes in the two countries' funding frameworks are circumscribed by two dissimilar political, social and economic contexts. These contexts invariably influence government policies with regard to funding. The loci of these processes are both local and global or external, especially for Kenya and mainly local for SA. In Kenya's case, the

changes (especially the shift to cost-sharing), were primarily as a result of the World Bank and IMF's coercive and normative influence. The new policy was part of the two institution's neo-liberal project (and the SAPs) imposed on many debtor countries). To the contrary, changes in SA have been driven in the first instance rather by local and political considerations than by neo-liberal economic policies of the World Bank and IMF. The local dimension is, thus, very important in SA's case. On the whole the changes in the two countries' funding mechanisms are a consequence of what Marginson and Rhoades (2002) have described as the "simultaneous significance of global, national and local dimensions and forces" (p.281).

CHAPTER FIVE

TRENDS IN PUBLIC SPENDING ON HIGHER EDUCATION: A TIME SERIES ANALYSIS

...the risks [universities] face in terms of inadequate resources [are] too disastrous to contemplate... (SAUVCA, 2004:1).

5.1 Introduction

Public allocations to higher education institutions vary across countries, and signal governments' level of support to the sub-sector. In the previous chapter, higher education funding policies and the mechanisms used to allocate public funds to state universities in Kenya and SA were discussed. As was shown, both the funding policies and the mechanisms used to disburse funds are important to the higher education enterprise, especially with regards to the institutions' financial health. This chapter is a sequel to that discussion. It attempts to show how much of the two countries' available resources have, over time, been allocated to public higher education. In a nutshell, this chapter interrogates the two countries' fiscal efforts for public higher education.

5.2 Higher Education Funding Indicators

Allocations to the higher education sub-sector are usually discussed in terms of total public expenditure on higher education, per student expenditures, public higher education expenditure's share in relation to total government budget expenditure, public higher education expenditure's share of the overall education budget, and public higher education expenditure as a percentage of Gross Domestic Product (GDP).

The percentage of total public expenditure that is devoted to higher education can be viewed as a rough indicator of the relative importance accorded to public higher education among a nation's public sector activities. A high relative share on this measure may reflect generous public funding of higher education. Conversely, a low relative share

on this measure may reflect either low public funding of higher education or a large role for private financing in higher education. In countries where private financing of higher education is significant, variations in the educational share of total public spending may also reflect differences among nations in the division of responsibility for financing higher education between the public and private sectors. Countries that require students to pay tuition fees or their own living expenses are likely to devote smaller percentages of public expenditure to higher education than countries that provide "free" higher education or subsidize student living expenses with public funds (<http://nces.ed.gov/pubs/esn/n00d6.asp>, accessed 5 July 2006).

Public expenditure per student is a measure of public investment adjusted for the number of students in the higher education system. It is the part of higher education expenditure that is financed from public sources divided by the number of full-time-equivalent students enrolled in the higher education sub-sector. It reflects the general purchasing power (or standard of living) given up (through public sources) to support the education of each university student. Variations in per student expenditure result from differences in national spending priorities, the cost of local educational resources relative to other goods, the size of the corresponding private education sector, and the wealth of a country (<http://nces.ed.gov/pubs/esn/n00d6.asp>, accessed 5 July 2006).

Gross domestic product (GDP) is an aggregate measure of the monetary value of goods and services produced in a country in a given year. The percentage of GDP spent on higher education from public sources corresponds to the share of a country's wealth that the public sector invests in higher education. Variations in this measure across countries may reflect differences in national priorities or preferences. However, the percentage of GDP spent on education is not as useful for comparing countries that are vastly different in their stage of development or wealth per capita. Furthermore, fiscal effort measures, such as this one, convey little information about the absolute quantity of resources that a country devotes to each student's education. This measure can also be heavily influenced by a country's size of the public higher education enterprise and the proportion of the

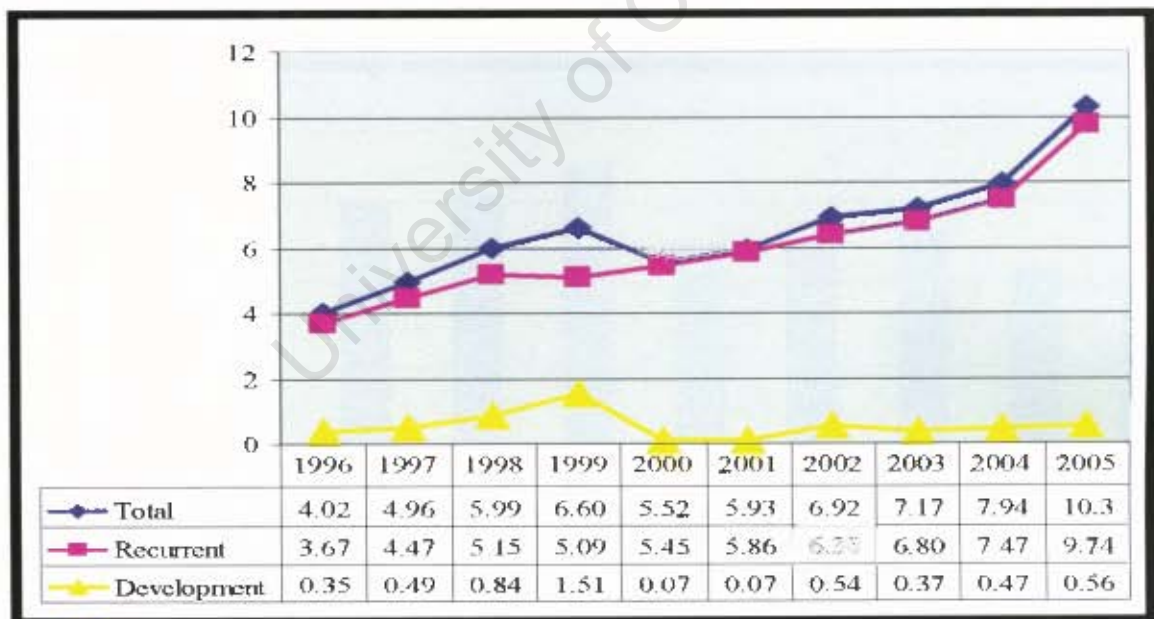
population in public universities (<http://nces.ed.gov/pubs/esn/n00d6.asp>, accessed 5 July 2006).

The distribution of public expenditure between the primary through secondary level and the higher education level reflects national education goals and strategies regarding the priority given to each education level (<http://nces.ed.gov/pubs/esn/n00d6.asp>, accessed 5 July 2006).

5.3 State Appropriations for Public Higher Education: Kenya

Kenya's higher education funding policies discussed in the previous chapter showed that the state plays a significant role in the funding of public universities. The data presented here captures government funding during a period of (nominal) cost-sharing and privatisation.

Figure 5.1: Summary of State Funding of Kenya's Higher Education, 1996-2005 (Ksh Billions)



Data Source: Statistical Abstracts, various years.

Figure 5.2: Annual Increase in State Funding of Higher Education (1997 – 2005) in Nominal and Real Terms

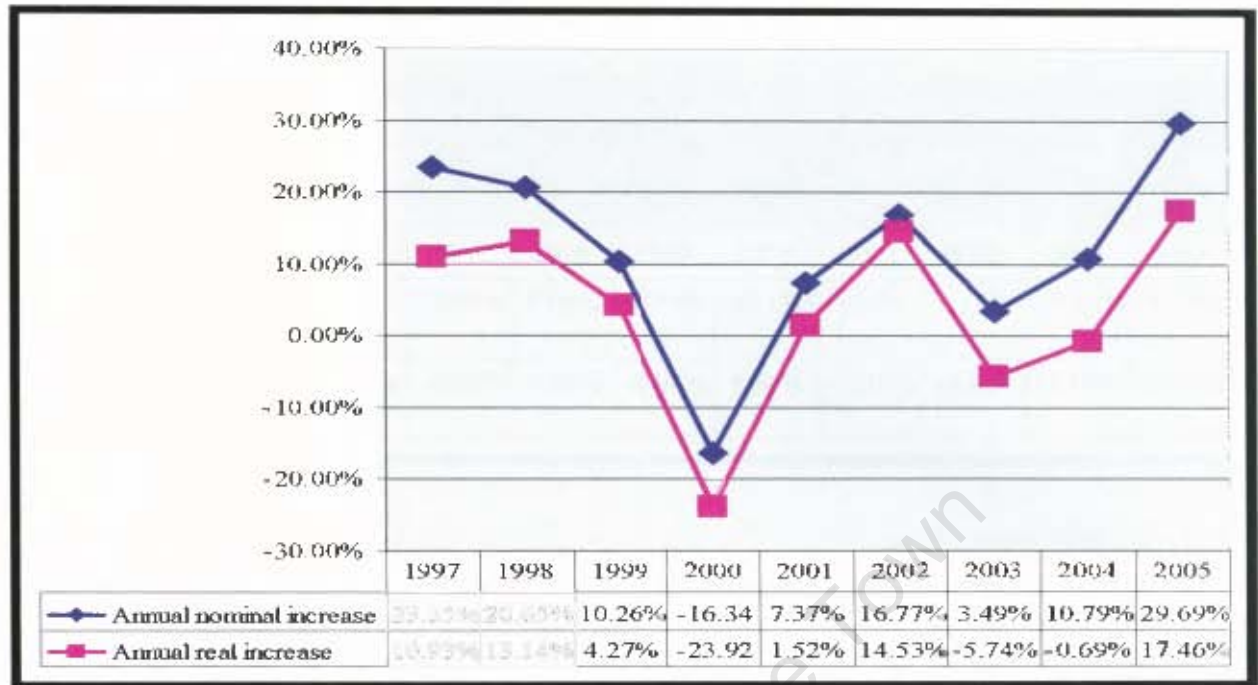
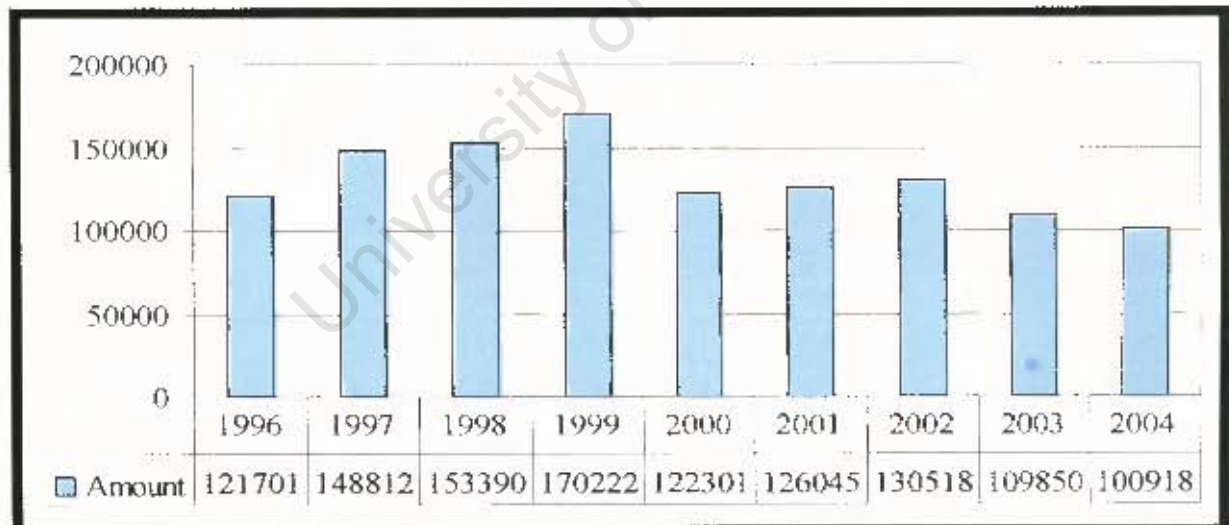


Figure 5.3: Total state funds per student in real shillings, 1996 -2004



Data Source: Statistical Abstracts, various years.

NB: It was not possible to compute total state funding per student for 2005 due to unavailability of data on student numbers.

Figure 5.4: Comparison of Kenya's Real Annual Increase in Higher Education Funding and Increase in Student Population, 1997 – 2004

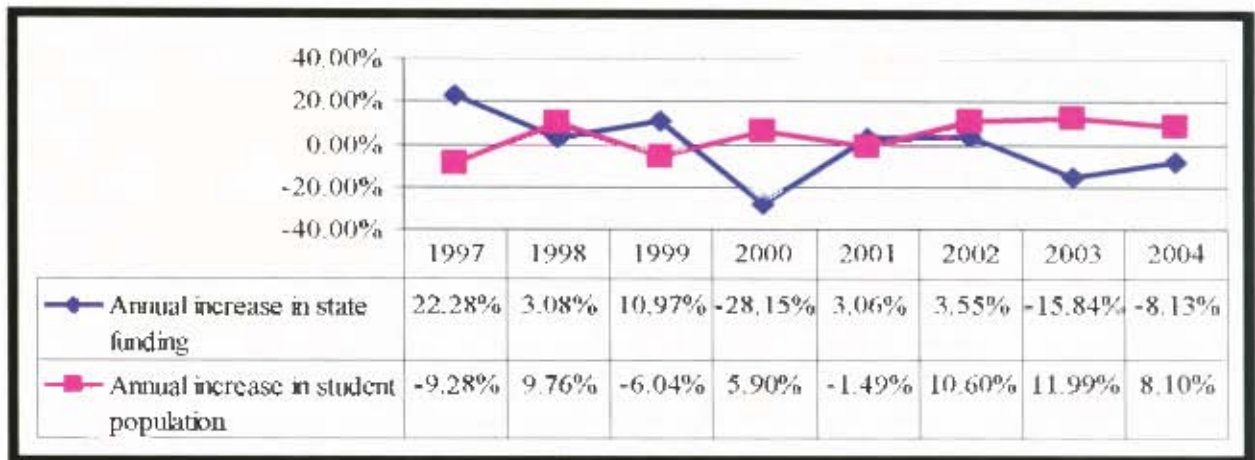
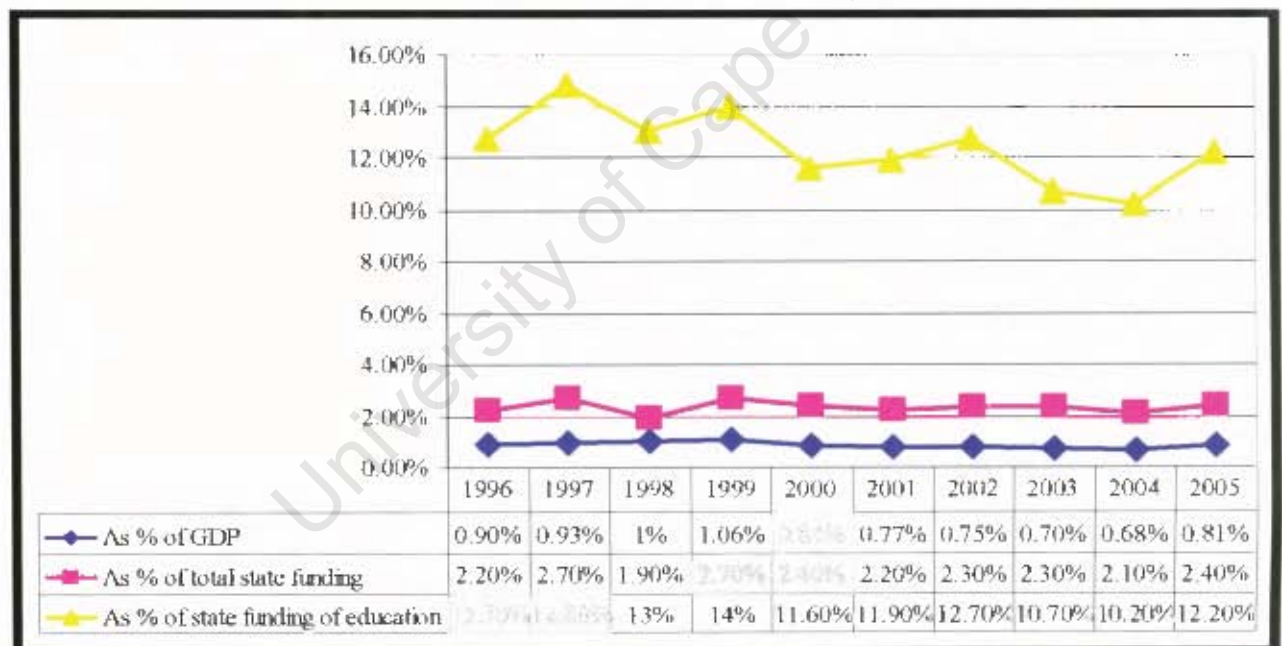


Figure 5.5: State Funding of Kenya's Higher Education as a Percentage of GDP, Total State Funding and Total State Funding of Education, 1996-2005



Data Source: Statistical abstracts and economic surveys, various years.

Figures 5.1 through 5.5 show the Kenyan government's funding of public higher education as from 1996 through 2005 under various indicators. Figure 5.1 shows the quantum of state allocations to higher education disaggregated against recurrent and development allocations. As can be seen in the graph, public funds set aside for higher

education have more than doubled in the ten year period 1996 to 2005, i.e. from Ksh 4.02 billion to Ksh. 10.3 billion. The yearly rise in funding has however not been steady (see Figure 5.2). The year on year analysis showed in Figure 5.2 shows real declines in state funding of higher education in 1999, 2000, 2003 and 2004 and a minimal increase in 2001. Generally, both nominal and real annual increases show a plummeting trend, or decline in state funding up to 2005¹² when a significant and also the highest real increase was registered. With a real decline of 23.92 percent, 2000 represents the year with the highest decline in state funding of higher education (see also Figure 5.4). The allocations as from 2001 do not seem to compensate for the drastic reduction in 2000. Overall, from 1997 – 2005, the average real annual increase in state funding was 3.49 percent.

Another important feature of funding over this period (shown in Figure 5.1) is the negligible allocations for development expenditure, the worst being in 2001 when development expenditure accounted for only 0.07 percent of the total government expenditure on higher education. Allocations for development expenditure have generally suffered diminishing allocations. After a gradual rise in allocations peaking in 1999 when Kshs 1.51 billion was allocated, from 2000 through 2005, allocations for development expenditure consistently plummeted, i.e. in comparison to the 1999 allocations. The subsequent allocations following the acute decline in 2000 (the 2000 allocations were 95.36 percent less than the 1999 allocations) never rose beyond 40 percent of the 1999 allocations.

Figure 5.3 again captures the fluctuating manner of the Kenyan government's funding of higher education. The trend is almost a replica of the trend illustrated in Figure 5.1 with 2000 again marking the greatest decrease in allocations (28.15 percent). The highest

¹² The sharp increase registered in 2005 does not suggest a change towards increased funding by the government. The steep rise was as a result of a government approved increase of salaries and house allowances to academic staff. Even though the government provided extra funds to meet the expanded wage bill, the additions were far below the required quantum (EU, 2005; UoN 2005b; JKUAT, 2005). This plunged the universities further into deeper financial difficulty. For instance, following the salary increase, the additional financial requirements for EU were Kshs. 585,904,206 while the government only gave Kshs. 376,946,898 resulting into a deficit of Kshs. 208,957,308 (EU, 2005).

funding per student was recorded in 1999 (Ksh. 191,756) an increase of 17.3 percent on the 1998 per student funding. This increase is explained by the reduction in the population of students in 1999 (34,438) compared to 36,652 in 1998, a reduction of 5.9 percent. Figure 5.4 reinforces the trend shown in Figure 5.3. Although Figure 5.4 shows fluctuations in both the annual increase in state funding and that of the student population, the general trend is that the increase in state funding has not consistently kept pace with the increase in the number of students. Whereas the average annual increase in the population of students was 4.22 percent, that of state funding was negative, viz., 1.31 percent. This means that whereas the number of students has generally been increasing, the state's fiscal effort for higher education has been declining. The data presented in Figure 5.3 and Figure 5.4 do not however show the actual total state funding per student. The funding shown does not, for instance, include subsidies in kind such as reduced cost or subsidies on accommodation, tuition fees, food, etc. However, some of these subsidies, like accommodation, are not enjoyed by all students, especially those who choose to live off campus.

Figure 5.5 presents three very important sets of data, i.e. higher education funding as a percentage of GDP, higher education funding as a percentage of total state expenditure and higher education funding as a percentage of the state's expenditure on education. This figure clearly shows that the Kenyan government's tax effort for higher education has diminished in the ten year period, 1996 to 2005. As can be seen in the graph, the country spent more on higher education as a percentage of GDP in 1996 (0.9 percent) than it did in 2005 (0.81 percent). From 1996 to 2000 higher education funding as a percentage of GDP averaged 0.94 percent and reduced in the period 2001 to 2005 when it averaged 0.74 percent.

As a percentage of total state funding, the fluctuations that characterise the funding of Kenya's higher education are again recorded. The same (fluctuations) applies to higher education appropriations as a percentage of state funding of education.

From the statistical analyses above, the only consistent pattern in the public funding of Kenya's higher education is the sharp fluctuations: one year the funding goes up (in both nominal and real shillings), the next year it goes down. These fluctuations obviously make institutions of higher learning financially vulnerable, as government funding does not seem to be reliable. Another feature is that reductions in funding are not followed by concomitant increases in subsequent years, leading to acute under funding. Using the three most important indicators, i.e. higher education as a percentage of GDP, as a percentage of total state expenditure and as a percentage of state funding of education, it follows that Kenya's fiscal effort for higher education is unreliable and has been diminishing through the years.

The fluctuations in government funding of higher education, though an indication of the state's diminishing tax effort for higher education; they are also a reflection of the fluctuations in overall government expenditure. For instance in 1997, the government's total expenditure rose by only 0.1 percent and then in 1998 it drastically went up by 71.5 percent followed by a negative growth of 23 and 6.8 percent in 1999 and 2000 respectively. In some years, the percentage increase in state funding of higher education was actually higher than the overall increase in total state expenditure e.g. in 1997 education funding increased in nominal shillings by a high of 23.4 percent while total state expenditure rose by only 0.1 percent. In 1999, 2002 and 2005 higher education funding rose by 10.3, 16.8 and 29.7 percent respectively, compared to a growth of negative 23, negative 14.6 and 12.5 percent in total state expenditure in the same years.

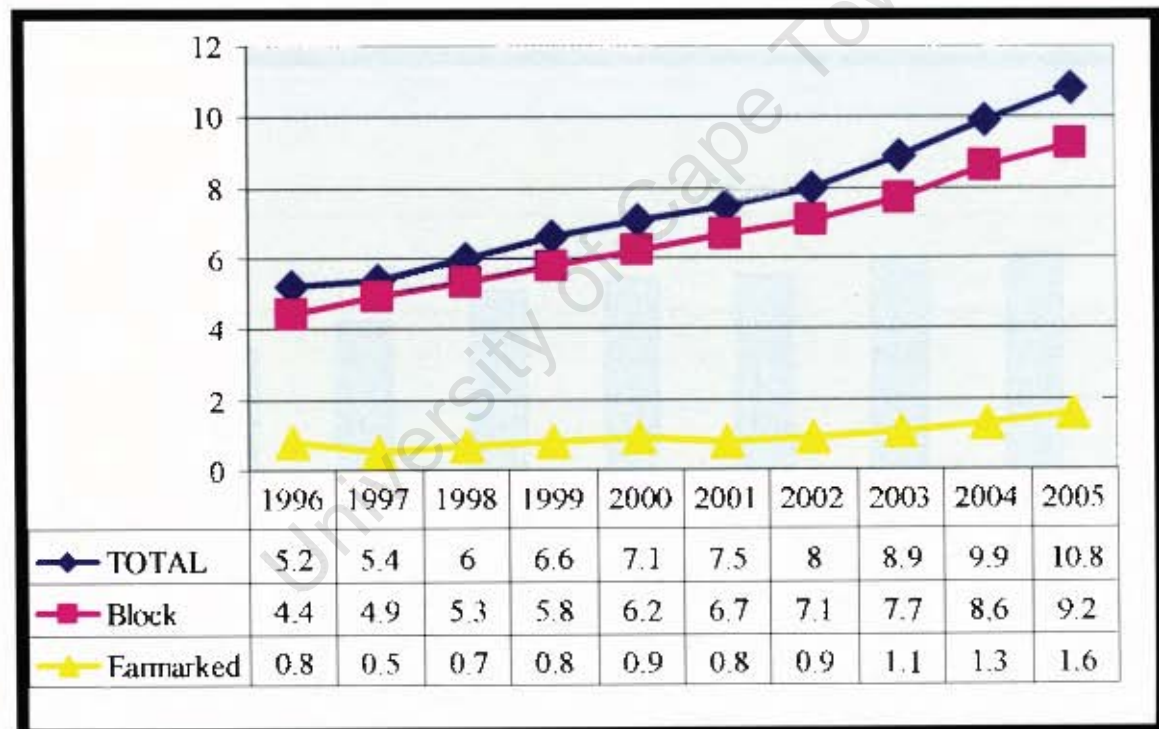
5.4 State Appropriations for Public Higher Education: South Africa

Public universities in SA receive financial support from many sources, the single most important of which is the government. The government has historically provided the core support for these institutions' operating and capital expenses. The degree of dependence on state funds by individual universities differs. On average, public universities get 50 percent of their total revenues from the exchequer (MoE, 2004).

The data used in this analysis were obtained from DoE (2005), MoE (2004) and Bunting (2002a). These data allow us to present a ten year pattern of state allocations to public higher education (1996 – 2005). The data presented are:

- Total state allocations to public universities and technikons;
- Disaggregated allocations to universities and technikons;
- Total state allocations per FTE student;
- Average Annual Increases in State Funding in nominal and real terms; and,
- Proportions of state allocations for higher education as a percentage of total state funds, GDP, and allocations for education.

Figure 5.6: Summary of State Funding of South African Higher Education, 1996-2005 (Rands Billions)

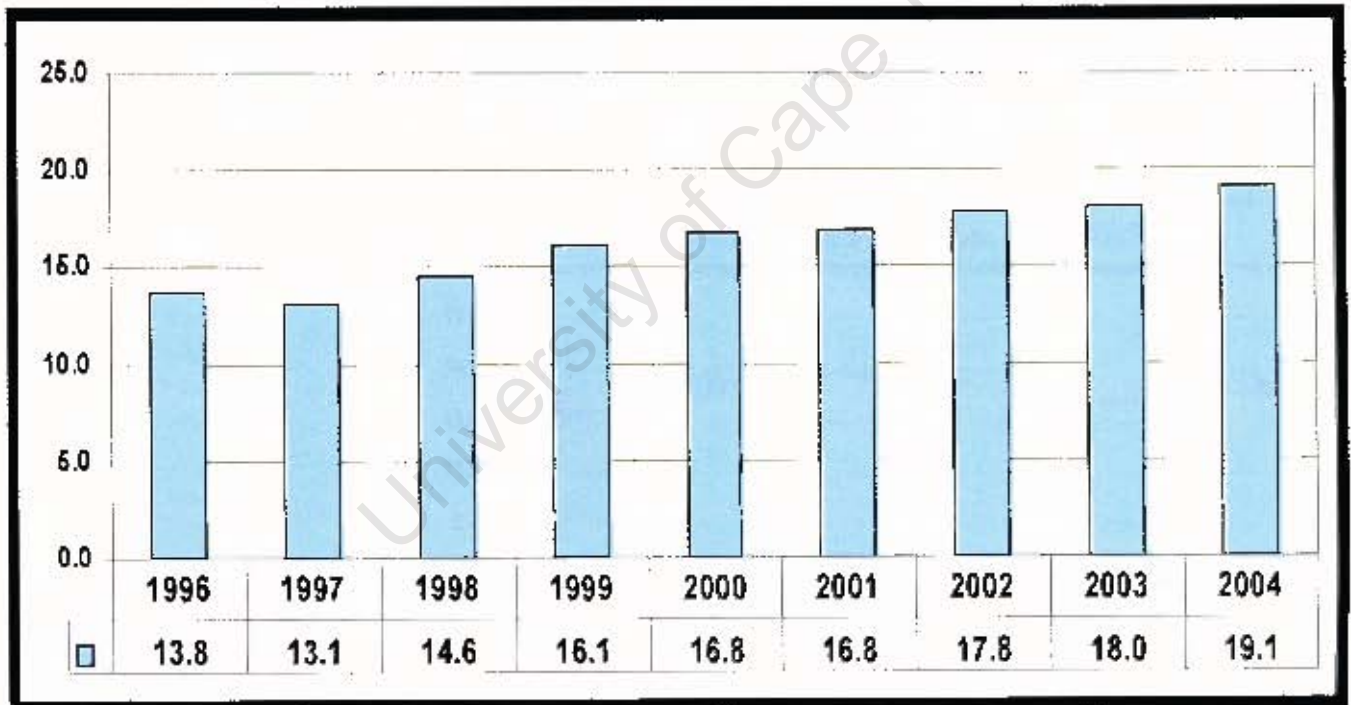


Source: DoE (2005) Data on Higher Education Funding

Table 5.1: Disaggregated Allocations to Universities and Technikons ('000 Million Rands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Block/subsidy grants	4397	4887	5309	5804	6204	6717	7123	7818	8568	9145
Earmarked allocations:										
NSFAS	300	200	300	390	444	430	500	545	578	864
Capital Projects	153	0	13	13	13	13	13	13	0	0
Interest and redemption on government loans	240	227	231	222	205	192	173	104	146	130
Municipal rates	68	72	84	86	94	92	100	104	0	0
Institutional restructuring	0	0	0	0	58	43	85	214	502	550
Other	50	46	66	95	54	44	26	127	85	91
Total	5208	5432	6003	6610	7072	7531	8020	8925	9879	10780

Source: DoE (2005) Data on Higher Education Funding

Figure 5.7: Total State Funds Per FTE Student, 1996 - 2004 (Rands '000)

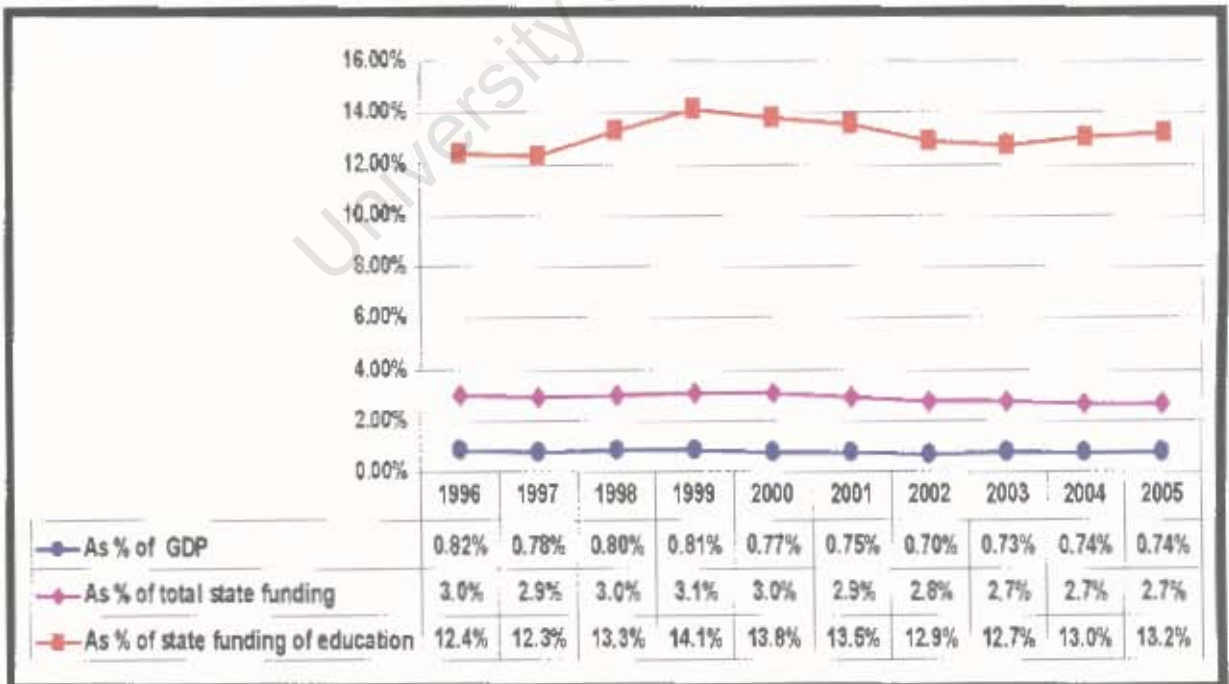
Source: DoE (2005) Data on Higher Education Funding

Figure 5.8: Average Annual Increases in State Funding of Higher Education in Nominal and Real Terms (Rands of 1996)



Source: DoF (2005) Data on Higher Education Funding

Figure 5.9: State Funding of South African Higher Education, as a Percentage of GDP, Total State Funding and Total State Funding of Education, 1996-2005



Source: DoF (2005) Data on Higher Education Funding

The preceding statistical analyses provide a summary of state funding to universities and technikons from 1995 to 2005. Figure 5.6 and Table 5.1 show a gradual rise in nominal rand allocations to SA' public higher education. In the ten-year period, 1996-2005, total state funding of the higher education system doubled: from R5, 200 million in 1996 to R10, 800 million in 2005. This rise is mainly because of block grants. The rise in earmarked funds was negligible. From 1996 to 2000, the quantum of earmarked funds either fell or remained constant, only to improve marginally in 2000. In the next half, 2001-2005, earmarked funds improved by between ZAR 0.1 billion and ZAR 0.3 billion annually. But even though block grant allocations doubled over the ten year period, annual increases were not quite dramatic. Annual increases ranged from ZAR 0.2 billion to ZAR 1 billion. The last four years of the second half (2002 - 2005) were the most remarkable: block grant allocations improved by between ZAR 0.9 billion and ZAR 1 billion. As a percentage, block grants registered annual improvement of 8.5 percent and earmarked funds 8.4 percent.

Looking at the disaggregated allocations in Table 5.1, a number of deductions can be drawn. The most important deduction is that not all expenditure items received equal financial support, i.e. with regards to earmarked allocations. Expenditure items that were most disfavoured all through the ten-year period were capital projects and institutional restructuring. Expenditure on capital projects declined following the South African government's decision to terminate allocations for purposes of erecting new buildings at institutions as from the 1997/98 financial year (Steyn & de Villiers, 2006; SAUVCA, 2004). Steyn & de Villiers (2006) observe that the general decline in earmarked funding is not in accordance with the Education White Paper No. 3, which stated that, earmarked funding as a percentage of total state funding of universities and technikons should increase to the level of almost 16 percent. The total earmarked funding for higher education as a percentage of total state funding of universities and technikons decreased from 15.6 percent in 1996 to 10 percent in 1997. Although there was some increase in the allocation of earmarked funding from 1998 through 2001, it declined gradually to 10.3 percent in 2003 (Steyn & de Villiers, 2006).

Figure 5.7 shows total state funds per FTE student. The manner in which these allocations increase is almost similar to that of total allocations to the sub-sector i.e. a small annual increment. The real value of these increases (on total allocations and per FTE student) is captured in Figure 5.8. While both increase nominally, i.e. 8.3 percent and 4.1 percent respectively; adjustment for inflation shows that allocations per FTE students actually declined by 1.7 percent. Even for total allocations the 2.2 percent increase in real terms cannot be described as a significant real (i.e. above inflation) increase in funding for the sub-sector as a whole.

Figure 5.9 presents three important sets of data. It shows what proportions state allocations for higher education had of GDP, total state allocations, and allocations for education for the 10-year period 1996-2005. As shown in the graph, state higher education funds as a percentage of GDP averaged 0.80 percent for the five-year period 1996-2000, but fell to an average of 0.73 percent for the next five years, 2001-2005. Regarding the percentage of state higher education allocations as a percentage of total state expenditure, between 1996 and 2000 it averaged 3.0 percent but fell to an average of 2.7 percent between 2001 and 2005. As a percentage of state funding of education, a reduction was also registered. In the five-year period 1996 – 2000, state allocations to higher education averaged 13.18 percent of the total education budget and then reduced to 13.06 percent in 2001-2005. Using these three indicators, one may conclude that in the ten-year period 1996 to 2005 state allocations to universities and technikons declined slightly, especially in the period 2001 to 2005.

These statistical indicators on their own do not provide a holistic picture regarding, especially, the adequacy of state funding for the higher education sub-sector. This then necessitates that other data or information, especially regarding enrolment and actual costs of higher education provision be provided.

Regarding enrolments, an analysis by Bunting (2002c) has shown that growth in real rands which occurred in government appropriations for the system between 1995 and 2001 was matched by growth in student enrolments. This meant that although the South

African government was not able to increase in real terms its appropriations per student, overall government appropriations per subsidy student remained constant. Growth in enrolments during this period (1995 – 2001) was quite diminutive. Data by Bunting (2002c) shows that from 1995 to 2000, 320,000 fewer matriculants were produced by the school system than had been predicted by NCHE. Also, during this period, actual enrolment declines in HBUs and dedicated distance learning institutions were registered. Considering that during this period government funds were allocated on the basis of a formula based mainly on student enrolments, the limited growth in government allocations could be argued to be a reflection of the reductions in enrolments (in HBUs) and the overall limited student enrolment growth in the sub-sector.

Recent occurrences however seem to suggest that student enrolments in the sub-sector exerted unsustainable pressure on the fiscus. The South African government can no longer cope with recent enrolment growths in the sub-sector. In 2004, the government introduced enrolment caps thus limiting the quantum of students individual institutions could sign up. In introducing the caps, the government argued that

... the [South African] higher education system has grown more rapidly than the *available resources*. The resultant short-fall in funding has put severe pressure on institutional infrastructure and personnel, thus compromising the ability of higher education institutions to discharge their teaching and research mandate (DoE, 2004: 3).

The introduction of enrolment caps as a way of limiting rapid growth of student enrolments is a clear indication that government funds available for higher education are not infinite. It further shows that due to fiscal constraints the South African government may not expedite its agenda of massifying higher education for previously disadvantaged individuals and communities. Finite financial resources seem to have led the government to shift from a policy of massification (promotion of access) of higher education adopted immediately after transition to democracy in 1994 to one of affordable and sustainable student enrolments.

Other than enrolments, an understanding of the nature of costs of higher education provision is critical in determining whether or not state allocations were sufficient. An

analysis by SAUVCA (2004) has suggested that an apparent constancy of real subsidy per FTE student may be misleading in the light of a complex of factors. SAUVCA (2004) argues that higher education costs tend generally to outpace the rate of inflation because higher education depends on highly qualified academic staff, imported research equipment and expensive academic information material (also Johnstone, 2001; Uliana, 2005). This means that the cost of higher education tends to get more expensive relative to the average increase in the cost of goods and services generally. Also, enrolments in natural sciences reportedly grew faster than in social sciences in the period 1993–2001. Since Science programmes are more expensive to provide than the social sciences, SAUVCA (2004) argues that government allocations were not significantly improved to meet the costs of providing these programmes.

The general conclusion of the situation of government funding of higher education in SA is that from 1996-2005, public expenditure on higher education increased in nominal terms, while remaining fairly constant as a percentage of state budget, of education budget, and of GDP, and in terms of the subsidy value per student. However, despite this relative consistency, a noticeable decline in expenditure (in real terms) has been evident in recent years especially when patterns of inflation in higher education and enrolment shifts by field of study (as reported by SAUVCA, 2004) are considered. Further, government funding of capital projects has been unfavourable. This has meant that the construction of new buildings (to accommodate rising student numbers), renovations and repairs were hamstrung.

Finally, public funding does not usually cover all the financial requirements of universities, and it varies from one university to another. On average, government appropriations to universities account for 50 percent of the institutions' revenue as a whole, and differ across institutions viz., as low as 35 percent if an institution is able to raise large amounts of private funds and as high as 65 percent in the case of institutions which are not able to generate substantial amounts of private income (DoE, 2004). Therefore to the extent that public funding will not cover all the funding required by

universities, the need to derive additional and alternative funding income cannot be over emphasised.

5.5 Comparative Analysis of State Funding of Higher Education in Kenya and South Africa

A comparative analysis (see Figure 5.10 – 5.12) of the higher education funding patterns in the two countries in the ten year period 1996 – 2005 shows trends that are both similar and different. The statistical analyses show that in both countries, funding was higher in the 1996 – 2000 period than it was in the 2001 – 2005 period. Another similarity is that from 2000 through 2005, the two countries expenditure on public higher education as a percentage of GDP was almost the same. On average, both countries made the highest fiscal effort for higher education in the ten year period in 1999. Another common trait in the funding of higher education in the two countries is the detrimental allocations for capital expenditure. According to SAUVCA (2004), since the 1997/98 financial year, no allocations have been made to South African universities for new capital projects despite the large growth in the FTE student numbers. The limited appropriations for capital expenditure imply that not enough resources have been made available for construction of new structures to accommodate increasing student numbers and maintenance of the physical plant.

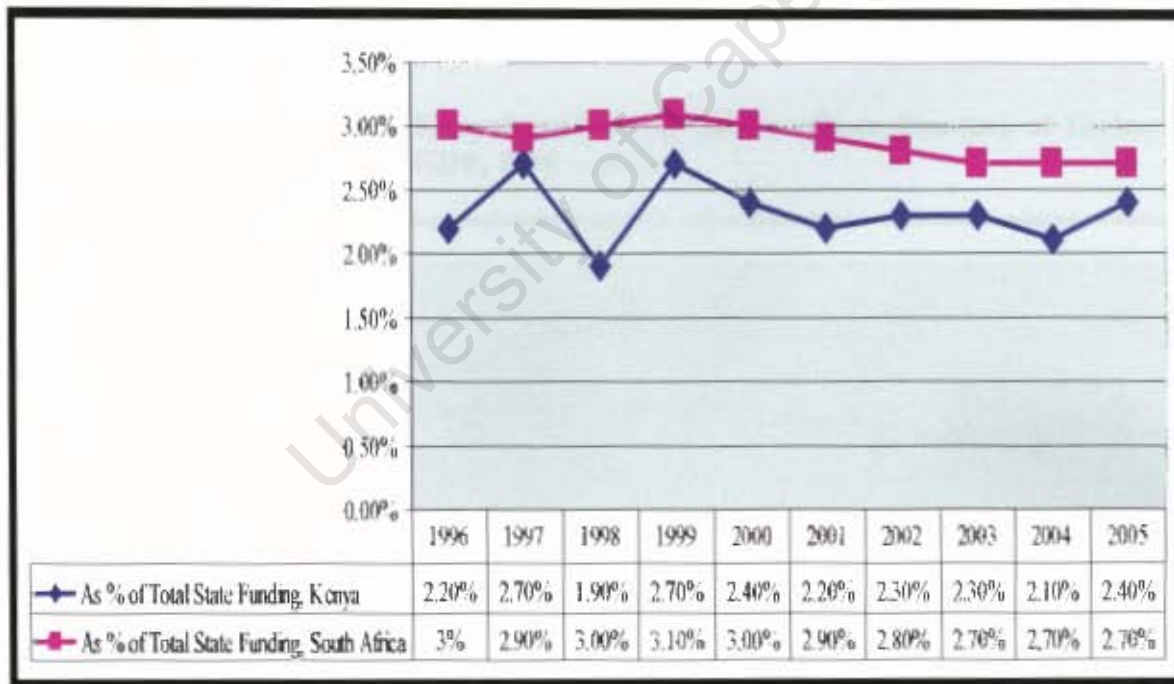
One major difference characterises the two countries' funding of higher education: While Kenya's funding is marked by drastic fluctuations, including significant reductions in both real and nominal shillings; SA's is fairly stable, marked by small and moderate actual increases. But looking at the funding for higher education for the two countries as a percentage of total state funding, state funding of education and GDP, both countries recorded declining fiscal support for the sub-sector from 1999 onwards.

The problem of higher education funding in the two countries is therefore one of drastic reductions in real terms for Kenya; and steady but not very significant increases in real terms for SA. Thus the financial problem facing higher education in SA is one of the sub-

sector's demands outstretching the government's fiscal support, while in Kenya the problem seems to be that of institutions of higher learning having to put up with drastic reductions and unpredictable financial support from the public purse. Considering that large-scale dependence on the public purse by higher education institutions is not feasible, these institutions have to shift out their financial dependence away from the state in order to effectively execute their mandate.

According to SAUVCA (2004), the average corresponding percentages for 18 representative countries in the world from all continents, are 3.3 percent (of state budget), 22.1 percent (of education budget) and 1.1 percent (of GDP), seeming to indicate a relative under-funding of higher education in both South Africa¹³ and Kenya.

Figure 5.10: Comparison of Kenya's and South Africa's Funding of Higher Education as a Percentage of Total State Funding, 1996 – 2005.



¹³ SAUVCA neither indicates which the 18 corresponding countries are, nor the year or years the given figures represent.

Figure 5.11: Comparison of Kenya's and South Africa's Funding of Higher Education as a Percentage of State Funding of Education

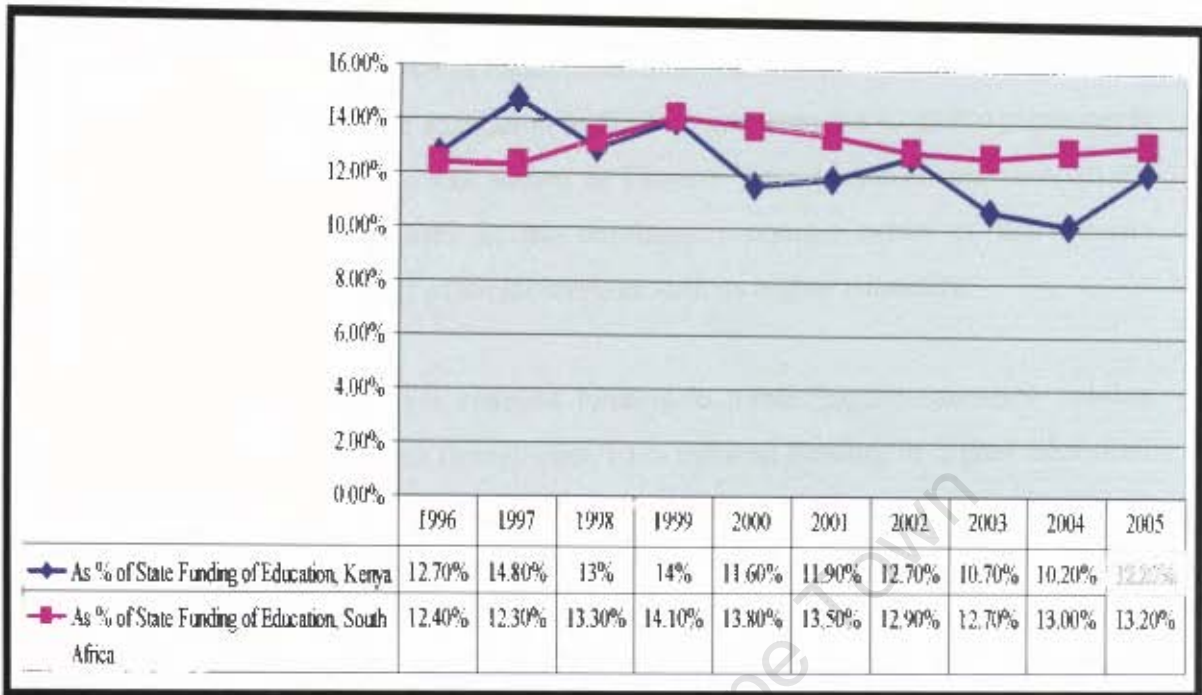
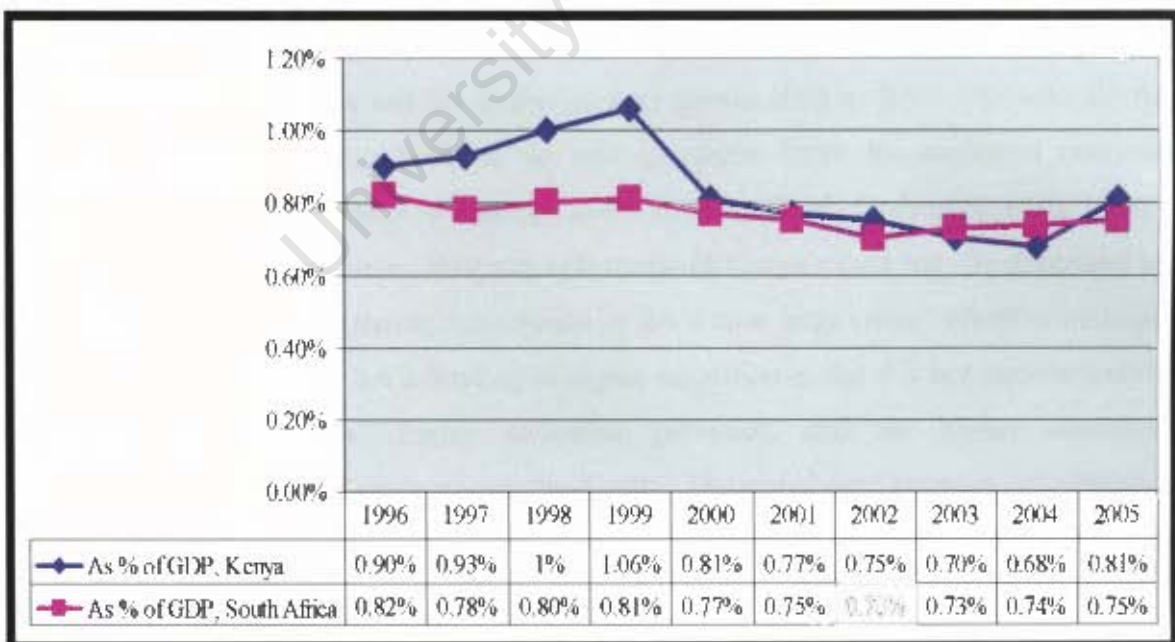


Figure 5.12: Comparison of Kenya's and South Africa's State Funding of Higher Education as a Percentage of GDP, 1996 – 2005.



The diminishing funding of higher education in Kenya and SA mirrors the global pattern identified in the literature. Kenya and SA are therefore among the many countries in the world that have subjected higher education to reduced funding. From the perspective of globalisation theory, the reduction in higher education funding by the two countries could be interpreted as evidence of an adaptation by the two governments to global pressures to cut funding to universities. As was shown in Chapter Two, globalisation, through the hegemonic rise of neo-liberalism as the dominant economic mode of this century disfavours the generous funding of social services such as higher education.

The way the two countries have reduced funding to public higher education exhibits elements of allomorphism. Even though both have reduced funding to higher education, which has become globally fashionable, the reductions in Kenya's case are quite drastic and seem to issue primarily from the coercive influence of the World Bank (cf. Chapter Two and Three). In SA, the reductions are less drastic, and are influenced primarily by locally determined neo-liberal macroeconomic constraints rather than by external forces as in Kenya's case (Barchiesi et al. 1997).

5.6 Conclusion

This chapter has attempted to provide a comprehensive picture of state funding of public higher education in Kenya and SA in the ten year period 1996 to 2005. The data allows for instructive comparisons between the two countries. From the statistical analyses presented in this chapter, there is a perceptible reduction of state funding of public higher education in the two countries. Whereas reductions in Kenya's case may be described as drastic; SA's is not as extreme. Allocations in SA's case keep rising, albeit in nominal Rands. The problem with SA's funding of higher education is that it is not commensurate with the rising costs of higher education provision, and the higher education transformative agenda of the post-apartheid state. The imbalance between the financial needs of South African universities and financial support from the government could thus be said to be a consequence of what Clark (1998: 131) describes as "demand overload". Though contributions by the state are significant, they can hardly meet the universities' institutional costs, leaving them with no option but to seek extra revenue from elsewhere.

Enrico Uliana, UCT's Executive Director of Finance, describes state allocations to UCT thus:

State appropriations; while it's a big number, a very welcome number, and it has been growing ... it is not growing fast enough to sustain the development we need to do... (Personal Interview, August, 2005).

Trends in the allocation of financial resources to higher education cannot be interpreted adequately in isolation of the economic and social contexts in which higher education is located. As was shown in Chapter Four, the 1990s were an economic nightmare for Kenya. Economic growth was sluggish and inflation rates were very high. Even though Kenya's economy slightly improved in the 2000s; reduced funding of public higher education had been made fashionable by the World Bank's neo-liberal stance with regards to funding of social services including higher education. Two other factors also seem to have encouraged diminished funding of the sub-sector. These are the introduction of free primary education in January 2002 which saw a bigger percentage of the education budget going to primary education; and the apparent success of public universities in winning revenue from market sources (especially parallel programmes). In SA's case, the collapse of apartheid presented the new government with the formidable challenge of dismantling the then apartheid set up of higher education. Massification of higher education, which meant providing higher education opportunities to previously excluded and oppressed communities, became a top priority. This required that larger sums of money be set aside for higher education; which partly explains the higher expenditure on higher education in the years immediately after the collapse of apartheid in 1994. The new government's policy of massification was not going to be sustainable in the long run, and from 2001 onwards, state allocations to higher education started dipping. The massification agenda was effectively discarded in 2004 when the government imposed enrolment caps citing financial constraints as the reason.

From the perspective of public finance, government commitment to a particular budget item is discerned from that item's budget share. Accordingly, declining budget share would represent a state's falling commitment to public higher education and vice versa. Other than the erosion in the public financial support for higher education, the analysis in

this chapter also captures the cyclic nature of the financial resources available to the higher education sub-sector (especially for Kenya) and the unwillingness by governments to make significant improvements in the funding of public higher education (epitomised by South Africa). In such a context of uncertainty (as regards government financial support) and diminishing appropriations vis-à-vis increasing cost of higher education provision; it behoves public universities to generate independent revenue in order to 'survive' and effectively prosecute their mandate.

University of Cape Town

CHAPTER SIX

SHIFTING RESOURCE DEPENDENCE FROM THE STATE TO THE MARKET

“...a workable [twenty first] century definition of institutional autonomy [is] the absence of dependence upon a single or narrow base of support.” (Babbidge & Rosenzweig, 1962: 158, cited in Clark, 1998: 7).

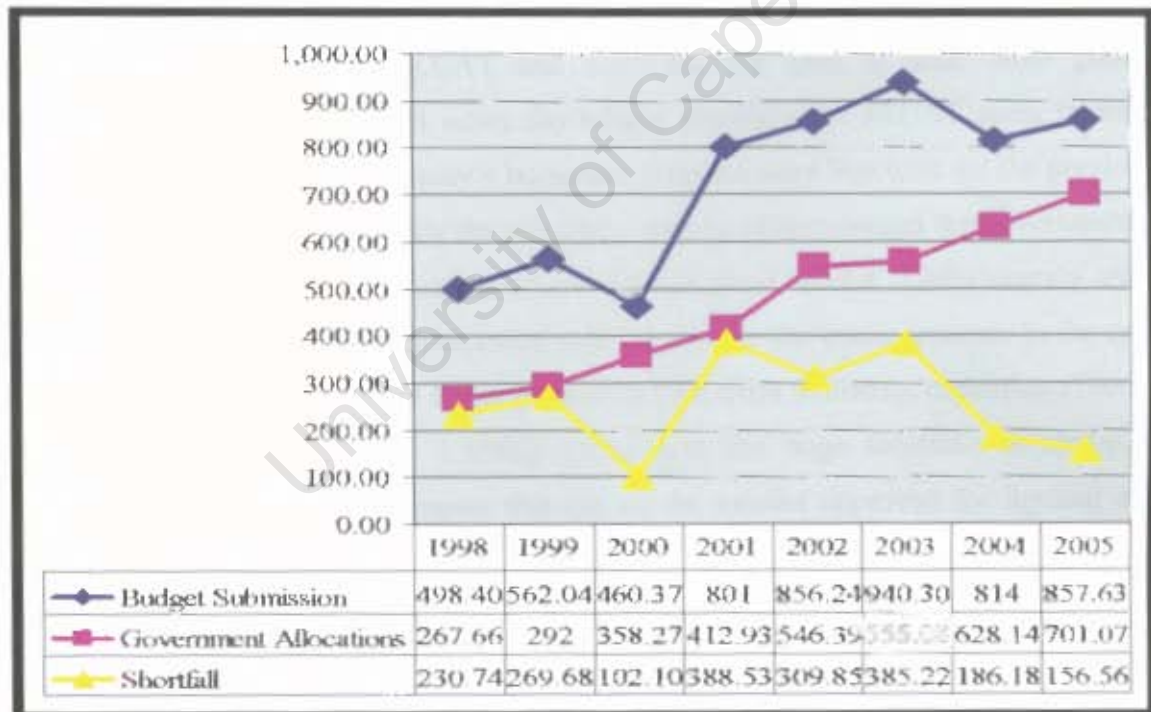
6.1 Introduction

The quest for financial sustainability is a fundamental imperative for university managers. It is only by securing a strong financial base for their institutions that university managers can devote their attention to the core task of fulfilling their institutions' mission of effective teaching, research and public service. As university funding has become at once more competitive and complex, the important work of building a sound financial base has taken on greater urgency. One of the most prominent and broadly accepted ideas about how universities can manage their finances effectively rests on the idea of revenue diversification (Frumkin & Keating, 2002). Revenue diversification is seen as the most ideal response available to universities in respect of plummeting public support. According to Ziderman & Albrecht (1995), revenue diversification entails cost recovery, which includes charging of tuition fees, and income generation from newer, non traditional activities such as applied contracts for industry, consultancy services and provision of *ad hoc* short vocationally oriented courses.

Chapters four and five have shown that it is no longer possible for public universities to depend on the state for their resource needs on a large scale. It is evident from the data in the previous chapter that there is a relative decrease in the state funding of public universities in both Kenya and SA. To minimise deficits in public financial support, it has been argued that higher education institutions need to generate more income themselves by establishing and maintaining multiple streams of funding. Consequently, institutions that avoid excessive dependence on any single revenue source, stabilize their financial positions, and thereby reduce the risk of financial crises or interruptions in funding

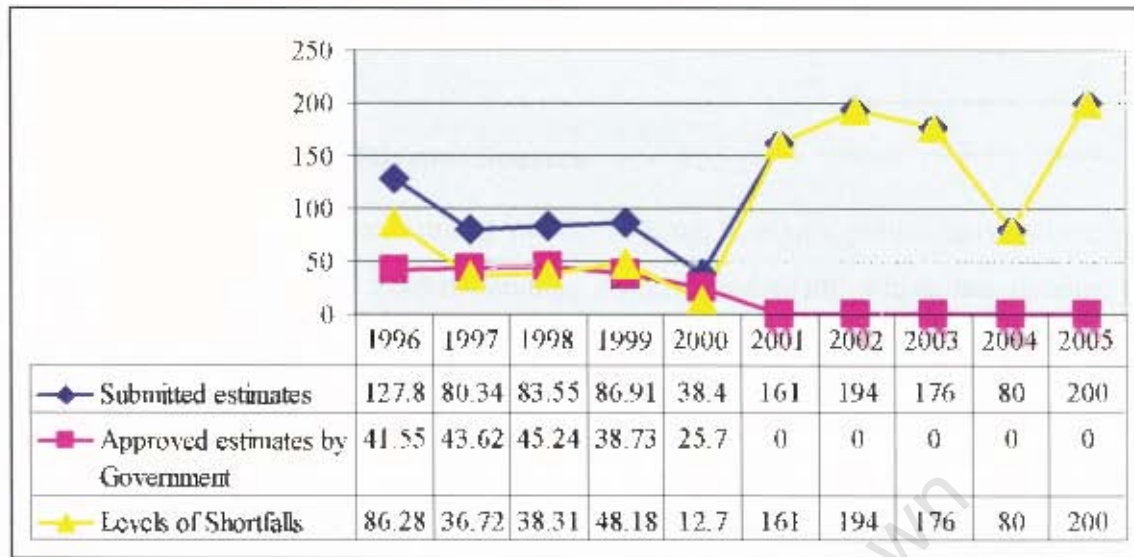
problems. Subsequent annual reports also indicate that the university was experiencing financial difficulties (JKU/AT, 1999; 2000; 2001; 2003; 2004). The University of Nairobi had been running huge deficits until 2004 when it first began to register some surplus (UoN, 1998; 1999; 2000; 2001; 2002; 2003; 2004). As at 31 May 2005 the university was running a debt of Kshs. 1,626,007,778.55 accumulated over the years (Magoha, 2005). In the 2004/2005 financial year, Kenyatta University (KU) experienced a deficit to the tune of Kshs. 200 million (KU, 2005, Standa, 2005). Insufficient funding from the government has invariably been blamed by the universities for their poor state of financial health. The government's inability to meet the budget requirements of public universities (see Figure 6.1 and Table 6.1 below) is the surest indication that the state cannot be relied upon to meet the entire financial requirements of public universities.

Figure 6.1: Jomo Kenyatta University of Agriculture and Technology's Budget Submissions, Government Allocations and Shortfalls, 1998 – 2005 (Million Kshs)



Source: JKUAT (1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005)

Figure 6.2: Government Capital Funding to University of Nairobi, 1996 - 2005 (Million Kshs)



Data Source: UoN, Finance Department

As is shown in figures 6.1 and 6.2, the Kenyan government has not been able to meet the budgetary requirements of JKUAT and UoN (as the case is with other public universities). In 2004 and 2005 when the budget shortfalls for JKUAT seem to have reduced, it is because the university's budgetary requests were less than for the previous years (2002 and 2003). It appears the university, having acknowledged the government's unreliable patronage, chose to request what the fiscus could 'afford'. Unfortunately, even with the reduction, the government could still not provide the entire amount. In the case of the UoN, the trend in capital funding shows a shift from minimum capitation (1996 – 2000) to zero funding (2001 – 2005). Other than the huge shortfalls in approved allocations, Chacha (2002) suggests that not all the monies approved for funding are, after all, remitted.

The financial difficulty that faced Kenya's public universities before they diversified their sources of income led one analyst to remark that "if [Kenya's] public universities were business concerns, they would have been put into receivership many years ago" (Ngome, 2003: 370). The plummeting state appropriations to public universities is not only evidence of the inability of the state to fund public universities on a large-scale, but

also a call to these institutions to shift their resource dependence to other sources, to diversify their resource base. Like other organisations seeking to survive, Kenya's public universities have had to adapt by procuring and maintaining needed external resources.

6.2.1 Diversification of Revenue Sources

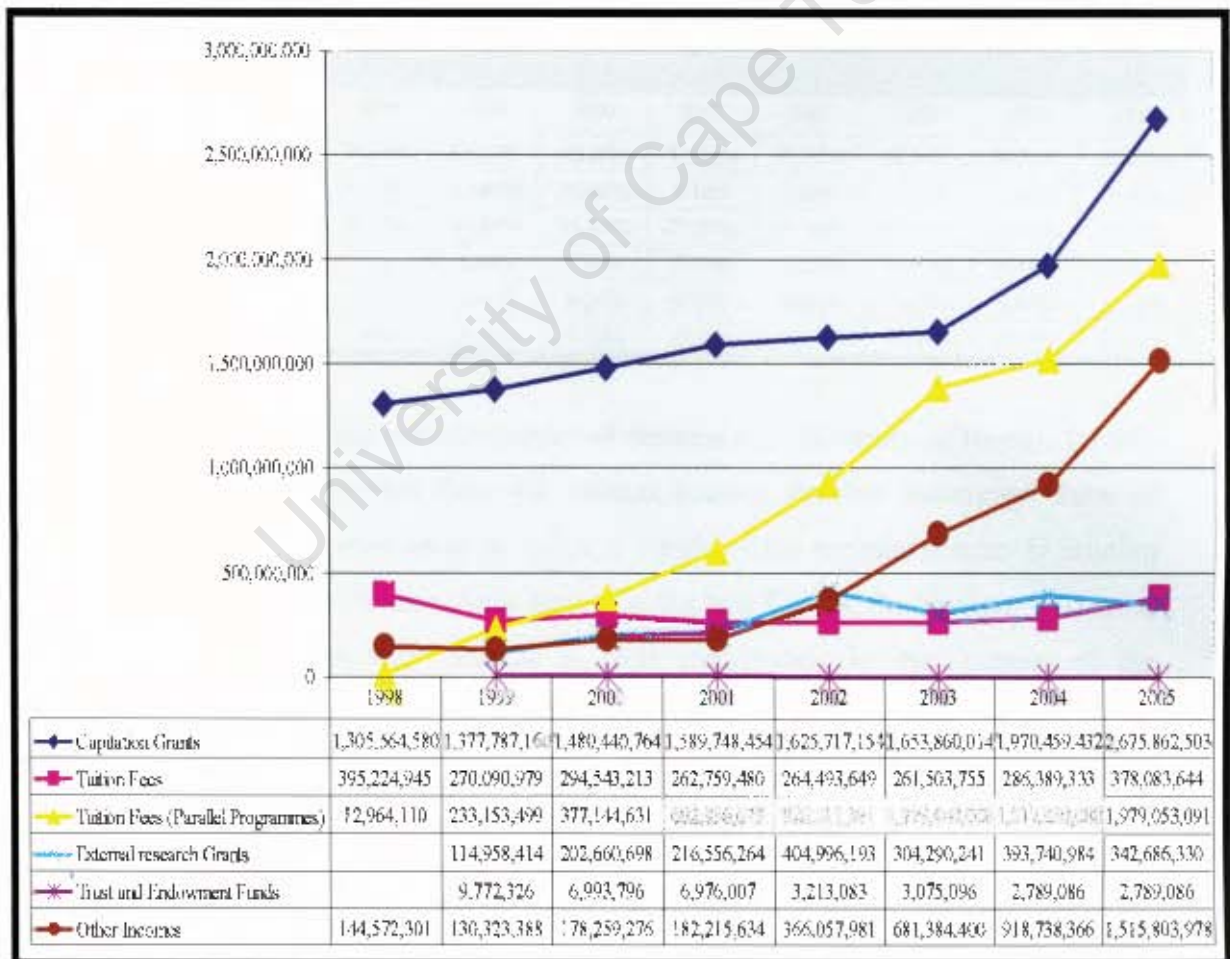
In order to compensate for reduced public funding, Kenya's public universities have resorted to some form of marketisation or entrepreneurialism, which has entailed the generation of non-government revenue. In this section, data profiling the distribution of resource dependence on various sources by Kenya's public universities is presented and then analysed. The first set of data shows the amounts generated by universities in each category, and the second set shows the percentage distribution of income from the various sources. The percentage distribution of income from the various sources connotes the relative weight of each revenue source in relation to the total organisational income, which is important in gaining an understanding of the revenue strategies undertaken by the various universities.

Unavailability of data for certain years makes it impossible to present comparable data for all the universities since 1998 when Kenya's public universities started engaging in active generation of private revenues. Although these data gaps may obviate comparative analysis across all the years, the presented data is adequate enough to show a trend, which is the main focus of this analysis. It was also not possible to present data on Egerton University owing to the unreliability of the data collected. The data collected from various sources (official sources) showed wide variations which undermined the data's validity and reliability.

The way in which the data presented below has been grouped or categorised is not exactly how this exercise is managed by the universities. Although it is mandatory for every Kenyan public university to provide data on its finances, there is not a uniform way in which the data is presented i.e. in terms of grouping or categorising the various financial data. Individual universities group their financial data in their own way.

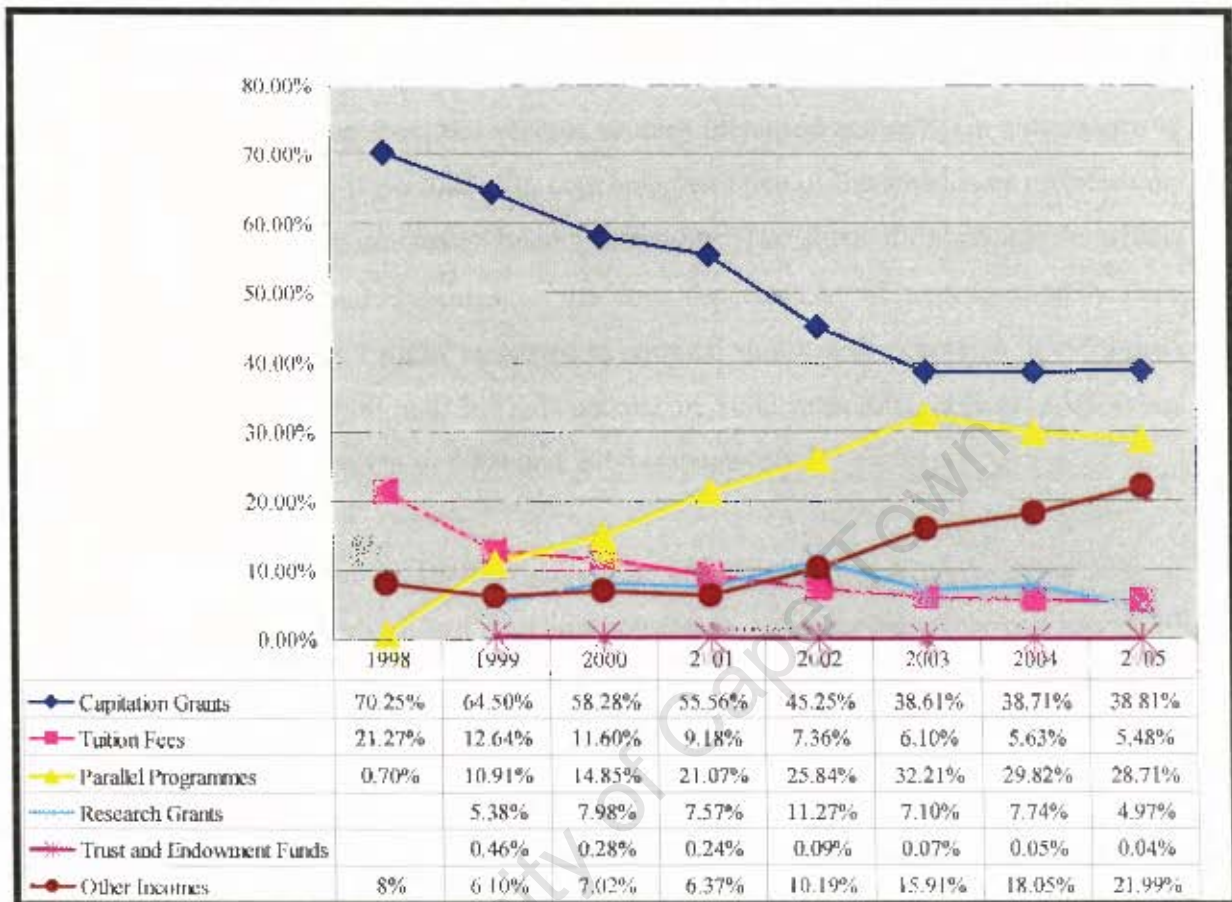
However, all the universities have ‘capitation grant’ and ‘tuition fees’ as distinct categories. ‘Capitation grant’ refers to appropriations from the government, and ‘tuition fees’, the fees paid by state-sponsored students (also called regular students). Revenue from parallel programmes refers to all revenues generated from programmes targeted at full fee-paying students i.e. those that are not subsidised by the government. For instance, at JKUAT, parallel programmes refer to programmes for full fee-paying students offered by the university and those offered by the university’s franchises. The category of ‘other income’ is composed of various sources of revenue – varied across the universities. It includes income from bank interest, income from catering and accommodation services, bookshops, rental income, restaurants, stocks, commercial investments (farms and hotels), health services, printing and photocopying, college based income, etc.

Figure 6.3: Income by Source for University of Nairobi, 1998 – 2005 (Kshs)



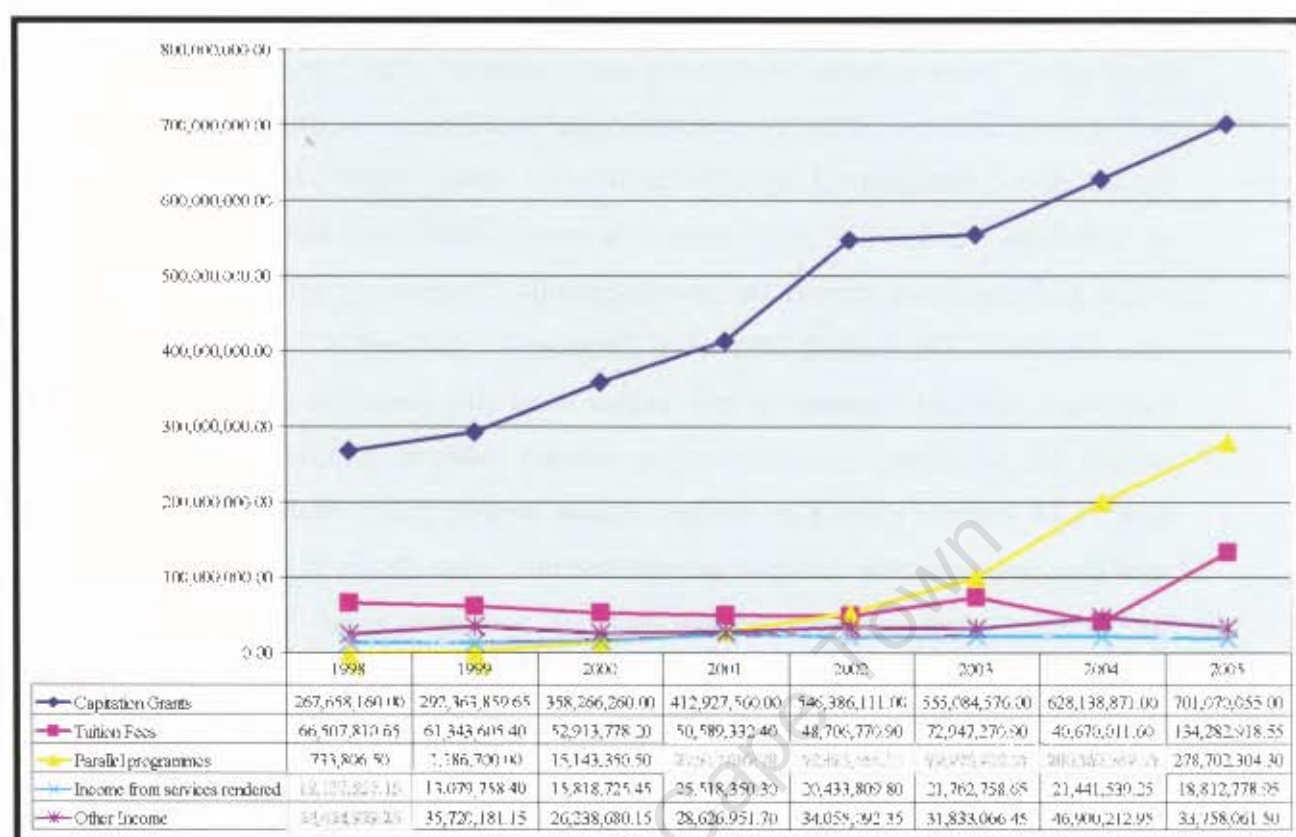
Data Source: University of Nairobi Annual Reports and Accounts, 1998 – 2005

Figure 6.4: Income by Source as a Percentage of Total Income, University of Nairobi (1998 – 2005)



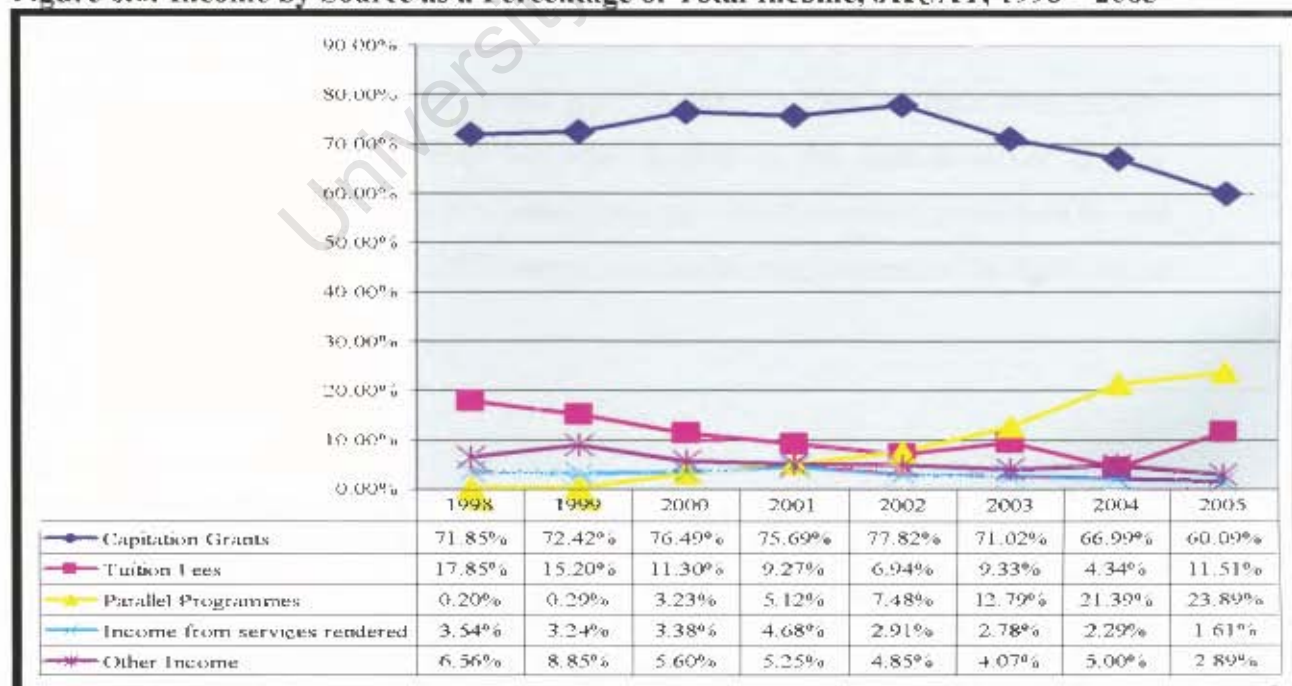
Figures 6.3 and 6.4 show the various sources of revenue for University of Nairobi (UoN), the amounts of revenue earned from the various sources and the percentage share of revenue from the various sources or the relative weight of the revenue sources in relation to the total organisational income. As is shown in the two figures, the amounts generated from the various sources vary, and so is their contribution to the finances of the university. Appropriations from the government make the highest contribution to the university's finances in the entire eight year period (1998 – 2005). However, the share of government appropriations in the total income of the university consistently declined (Figure 6.4) through the years, from 70.25 percent in 1998 to 38.81 percent in 2005, mainly because of the phenomenal rise in the revenue generated from parallel programmes, and a generally modest annual increase of funding from the government.

Figure 6.5: Income by Source for JKUAT, 1998 – 2005 (Kshs)



Data Source: JKUAT's Annual Reports and Accounts, 1998 - 2005

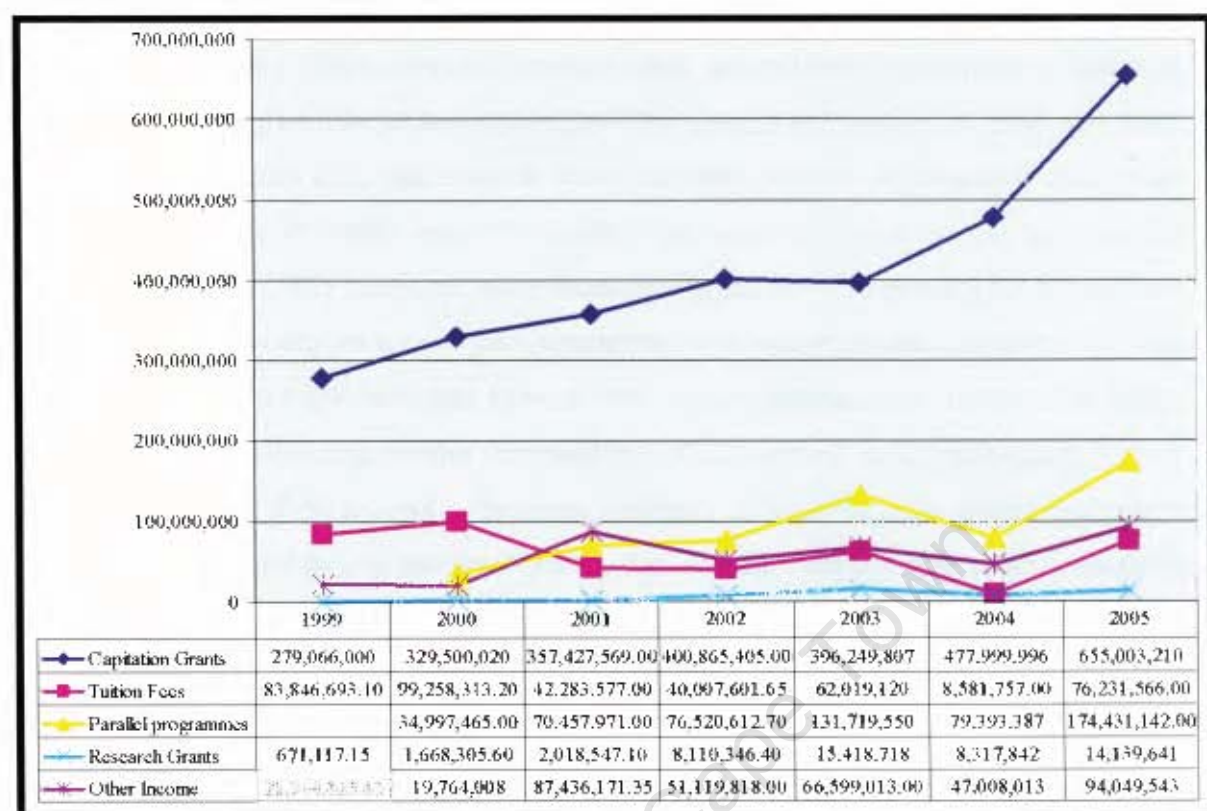
Figure 6.6: Income by Source as a Percentage of Total Income, JKUAT, 1998 – 2005



Like UoN, Jomo Kenyatta University of Agriculture and Technology (JKUAT) also has several sources of revenue, which contribute variedly to the total income of the university. In quantum terms, revenue from government appropriations is the most significant (Figure 6.6), contributing an annual average of 71.55 percent (Figure 6.7) in the eight year period (1998 – 2005), in nominal shillings. Consequently, even though JKUAT has diversified into other sources of revenue, it is still heavily dependent on appropriations from the government. Although the annual average contribution of tuition revenue is the second highest (10.72 percent), from 2002 through 2005, revenue from parallel programmes surpassed that from tuition fees to become the most significant earner of non-government revenue. Parallel programmes also registered the highest annual average increase (234.2 percent, mainly because of a sharp increase of 1176.09 percent in 2000), and it was the only source of revenue, together with appropriations from the government that never registered negative growth. Revenue from ‘tuition fees’ registered the highest number of negative growths (five times), making it the most unreliable source of non-government revenue for JKUAT.

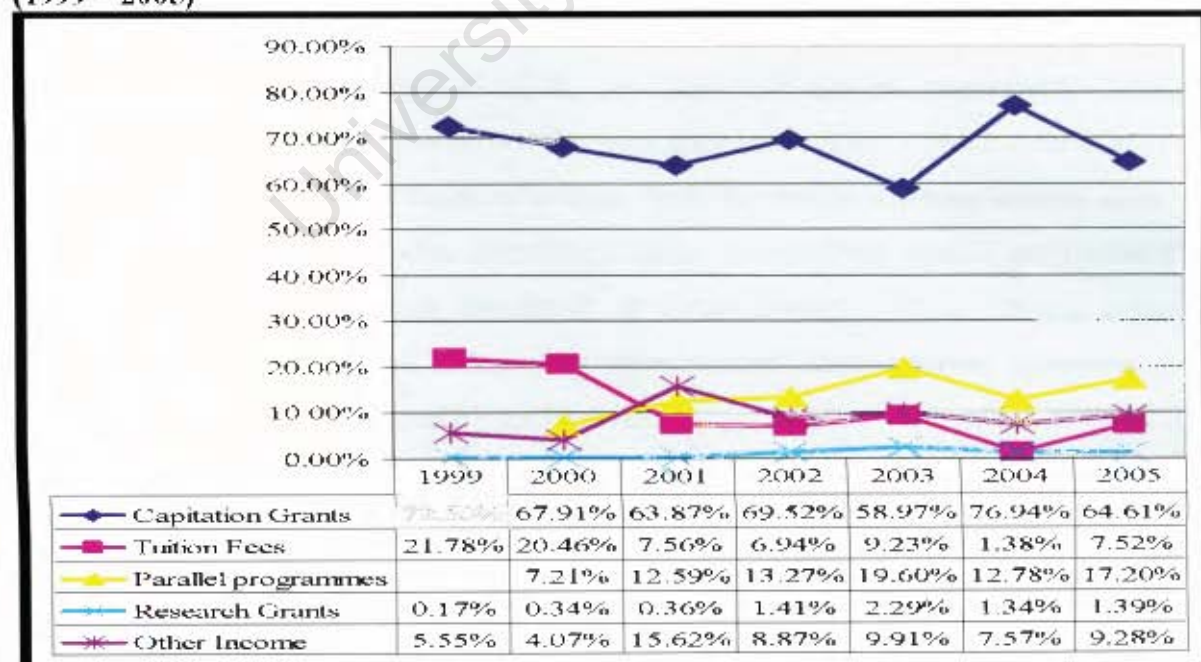
Regarding the total revenue from non-government sources; between 1998 and 2001, revenue from tuition fees constituted the biggest share of non-government revenue, contributing an annual average of 51.18 percent. During this same period, revenue from parallel programmes only contributed an annual average of 9.14 percent of total non-government revenue. But in the second half, i.e. 2002 – 2005, revenue from parallel programmes superseded that from the other sources as the highest earner of non-government revenue, contributing an annual average of 50.63 percent. It can then be said that as from 2002 onwards, JKUAT resorted to parallel programmes as the main source of non-government revenue.

Figure 6.7: Income by Source for Maseno University, 1999 – 2005 (Kshs)



Data Source: Maseno University's Annual Reports and Accounts, 1999 - 2005

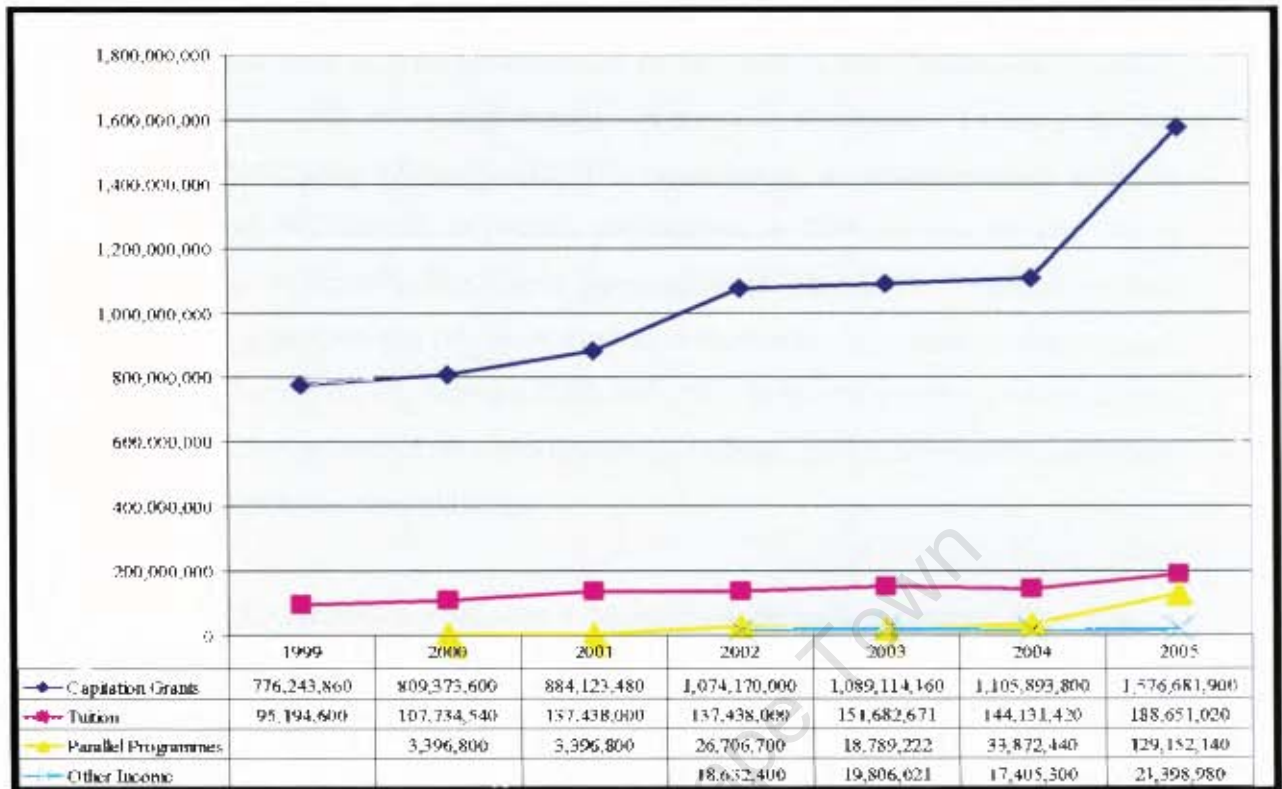
Figure 6.8: Income by Source as a Percentage of Total Income, Maseno University (1999 – 2005)



One main characteristic of the revenue that accrues from the various sources to Maseno University (Maseno) is what could be described as volatility, i.e. fluctuations and swings in revenue receipts. Other than the revenue from government appropriations and that from parallel programmes which experienced fluctuations only once, i.e. 2003 and 2004 respectively, (Figure 6.8), the revenue from the other sources experienced multi-year fluctuations, some of which were of modest size (negative 1 percent for government appropriations in 2003) but some, quite dramatic (negative 86.16 percent for tuition fees in 2004). The fluctuations are not just experienced with regard to actual declines but also the pattern in which the revenues from all the sources increase. For instance, in 2001, revenue from parallel programmes increased by 101.32 percent. In the subsequent year, it increased by only 8.60 percent. Revenue volatility is likely to have severe budgetary consequences. Considering that for Maseno, this volatility mainly affects revenue from non-government sources, hence making these sources unreliable, the university's quest to minimise dependence on the fiscus could be hampered.

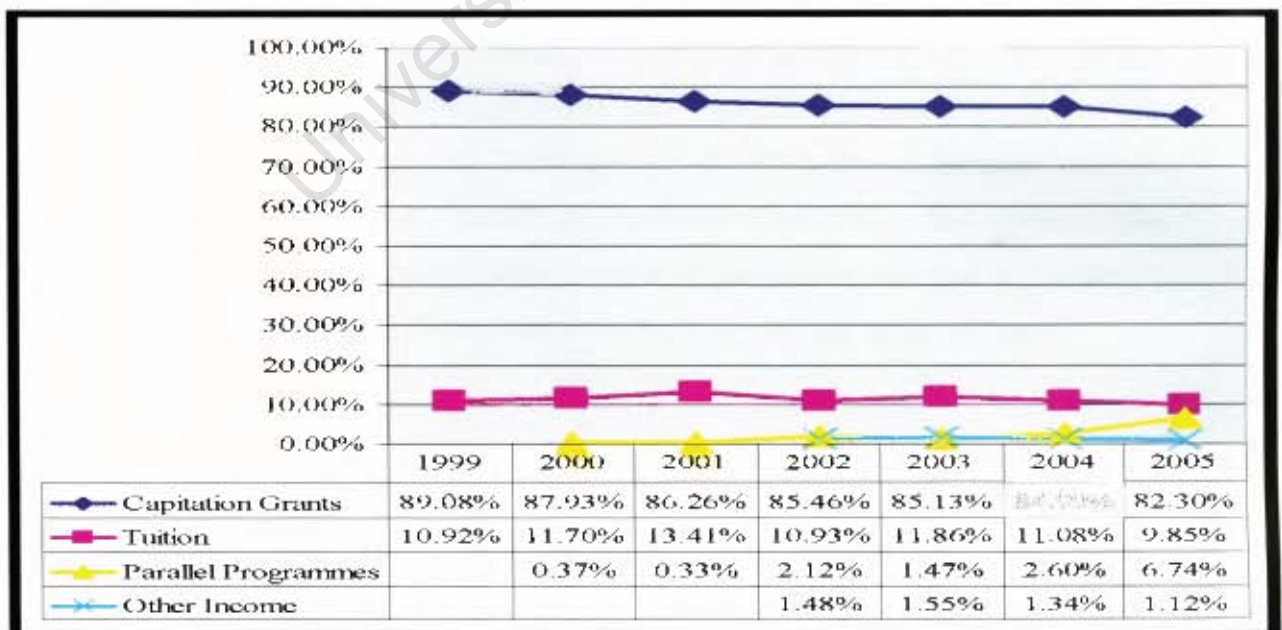
In the entire seven year period, 1999 to 2005, government appropriations have remained the university's major source of revenue, contributing an annual average of 67.76 percent. In the six years during which the university earned revenue from parallel programmes (1999 – 2005), its share of the institution's total income averaged 13.78 percent. The other sources, viz., 'tuition fees', 'research grants' and 'other income' contributed an annual average of 10.70, 1.04, and 8.70 percent respectively. Thus, revenue from parallel programmes was the most significant. This is made clearer when one considers the respective shares of revenue from the non-government sources alone. Between 2000 (1999 is excluded since there was no revenue from parallel programmes) and 2005, parallel programmes contributed an annual average of 42.12 percent of the total non-government revenue, followed by 'other income', 28.03 percent, 'tuition fees', 26.19 percent and finally 'research', 3.67 percent.

Figure 6.9: Income by Source for Moi University, 1999 – 2005 (Kshs)



Data Source: Moi University Finance Office

Figure 6.10: Income by Source as a Percentage of Total Income, Moi University (1999-2005)



Figures 6.9 and 6.10 show a high dependence by Moi University (MU) on government appropriations. In terms of shifting resource dependence on non-government sources, MU could be described as less successful, as its reliance on state funding in the seven year period, 1999 – 2005, was a high annual average of 85.88 percent. 'Tuition fees' was the second highest earner of revenue for MU, contributing an annual average of 11.39 percent. Although MU introduced parallel programmes in 1998, it was only possible to get data on revenue accruing from these programmes as from 2000. Although revenue from parallel programmes was relatively modest, it registered the highest average annual increase (203.63 percent), i.e. between 2000 and 2006. In the same period, revenue from state appropriations registered an average annual increase of 15.25 percent and tuition fees, 12.77 percent in nominal shillings.

From Figure 6.10, one sees a trend where the share of the various sources of revenue in the overall finances of the university declines. This is more pronounced as from 2003 save for the share of revenue from parallel programmes which increased. Although MU was still heavily dependent on state appropriations, there has been a consistent, though modest, decline of the share of state appropriations in the overall finances of the university, i.e. from 89.08 percent in 1999 to 82.30 percent in 2005.

Unlike UoN, JKUAT and Maseno, where revenue from parallel programmes was the highest earner of non-government revenue, revenue from 'tuition fees' was MU's highest earner of non-government revenue. Between 2000 and 2005 revenue from tuition fees contributed an annual average of 79.80 percent of MU's non-government revenue, compared to 14.23 percent by parallel programmes. Considering that revenue from parallel programmes is essentially tuition revenue, it can then be said that MU is slowly attempting to minimise resource dependence on the state through tuition revenue.

Table 6.1: Income by Source for Kenyatta University, 1998 – 2005 (Kshs)

	1998	1999	2000	2001
Capitation Grants	742,871,000	772,584,600	n/a	848,007,000
Tuition Fees	199,487,466	239,329,977	n/a	204,870,640
Parallel	29,810,227	120,699,707	n/a	76,018,246
Other income	123,351,672	129,222,885	n/a	52,280,055
TOTAL INCOME	1,095,520,365	1,261,837,169	n/a	1,181,175,941
	2002	2003	2004	2005
Capitation Grants	849,776,100	863,304,531	876,600,828	1,266,227,049
Tuition Fees	257,596,991	328,854,500	444,723,651	211,897,331
Parallel	99,479,095	237,361,305	183,808,304	602,155,000
Other income	117,898,635	85,201,240	73,511,369	86,194,048
TOTAL INCOME	1,324,750,821	1,514,721,576	1,578,644,152	2,166,473,428

Data Source: Kenyatta University's Annual Reports and Accounts, 1999 - 2005

NB: Data for 2000 was not available.

Table 6.2: Income by Source as a Percentage of Total Income, Kenyatta University (1998 – 2005)

	1998	1999	2000	2001	2002	2003	2004	2005
State appropriations	67.81%	61.23%	n/a	71.79%	64.15%	56.99%	55.53%	58.45%
Tuition fees	18.21%	18.97%	n/a	17.34%	19.44%	21.71%	28.17%	9.78%
Parallel programmes	2.72%	9.57%	n/a	6.44%	7.51%	15.67%	11.64%	27.79%
Other income	11.26%	10.24%	n/a	4.43%	8.90%	5.62%	4.66%	3.98%

n/a: Data not available.

The main source of funding for Kenyatta University (KU) as shown in Table 6.1 and Table 6.2 was the government, which contributed an annual average of 61.38 percent of the university's total revenue, i.e. between 2001 and 2005. This was followed by 'tuition fees' whose annual average contribution in the period 2001 – 2005 was 19.29 percent. Parallel programmes contributed an annual average of 13.81 percent and 'other revenue' 5.52 percent. Regarding annual increases or declines in revenues from the various sources, one trend is discernible: For almost all the revenue sources 2005 marked either a drastic rise (state appropriations, 48 percent and parallel programmes, 228 percent) or a

drastic decline (tuition fees, negative 52 percent). These drastic increases or decreases are preceded by a period of rather limited annual increases, e.g. state appropriations which increased by 0.21, 2, and 2 percent in 2002, 2003, 2004 respectively; and fluctuations where negative growth was registered e.g. revenue from 'other sources' which rose by 126 percent in 2002 followed by a decline of negative 28 and negative 14 percent in 2003 and 2004 respectively.

In the 2001 to 2005 period, revenue from parallel programmes registered the highest annual average growth (75 percent), mainly because of the overwhelming increase in 2005 (225 percent), and the equally high increase of 139 percent in 2003. Regarding the contribution of the various sources in KU's non-government income, contributions from 'tuition fees', i.e. from government sponsored students were the most significant, contributing an annual average of 50.62 percent, followed by revenue from parallel programmes, which accounted for an annual average of 34.65 percent. In the entire five year period (2001 – 2005) revenue from parallel programmes was the most significant source of non-government revenue only once, i.e. in 2005 when it accounted for 66.89 percent of the overall revenue from non-government sources.

6.2.2 Analysis of the Revenue Streams of Kenyan Universities

The data presented in 6.2.1 above capture the distribution of revenue of five of Kenya's seven public universities. As it has been indicated already, it was not possible to present data for Egerton University because of the unreliability of the gathered data. The various sources of data for Egerton University showed very wide variations, which made it impossible to use the data for analysis.

Looking at the data above, it is clear that Kenyan universities are operating in a context where there is inherent diversity in fiscal strength between individual institutions. For instance, between 2001 and 2005, MU, which had the smallest proportion of private revenue, earned on average only 8 percent of the revenue of the university with the largest revenue, UoN. Over the same period KU earned 23.8 percent, Maseno 9.7

percent, and JKUAT 9.6 percent, of the private revenue (i.e. excluding appropriations from the government) earned by UoN. Therefore, looking at financial stability in terms of the quantum of private revenue, then the UoN can be described as the most stable followed by KU, Maseno, JKUAT and lastly MU.

The revenue earned by Kenyan universities accrued from different sources. These sources include 'state appropriations', 'tuition fees', 'parallel programmes', 'research grants', 'trust and endowment grants' and 'other income'. Only four sources are common across all the universities; these are 'state appropriations', 'tuition fees', 'parallel programmes', and 'other income'. Only UoN has a trust and endowment fund. From the respective universities' records, only two indicated research as a source of revenue; these are UoN and Maseno.

As can be seen in the figures and tables above, the various sources of revenue contributed differently to the overall financial stability of the institutions. Looking at the contributions of the various sources of revenue outside the government across all the universities, two trends emerge: some sources constituted a larger contribution than others and in some years, there were swings in the contributions of various revenue sources. Maseno University typifies the swings in the contributions of various sources of revenue. These swings could be said to signify the volatility of the various market sources of revenue.

In almost all the universities, the percentage contribution of state appropriations has declined over the years. In UoN, KU and JKUAT (especially as from 2002) the decline in the percentage contribution of state appropriations was drastic, with Nairobi being the most drastic, i.e. from a high of 70.25 percent in 1998 to a mere 38.81 percent in 2005. In MU the decline was gradual, from 89.08 percent in 1999 to 82.03 percent in 2005. The contribution of state appropriations in the overall income of Maseno, just like the other sources, shows a swinging character but with a general tendency towards declining. State appropriations comprised 72.50 percent of Maseno's total revenue in 1999 and declined to 63.87 percent in 2001 before increasing to 69.52 percent in 2002. In the subsequent

years, state appropriations keep falling and rising year after year. The drastic rise in state appropriations recorded in 2005 has already been explained in Chapter Five. It is unlikely that such sharp increases are going to be witnessed in future.

Although it may be too early to conclude that many Kenyan universities have managed to significantly reduce resource dependence on the state, the above analysis indicates a trend in that direction. But, although there is a trend towards reduced resource dependence on the state by all the universities, almost all of them are still highly dependent on state appropriations. In the five year period 2001 – 2005, the state contributed, on average, 84.94 percent of MU's total income, making it the most dependent on state funding. Jomo Kenyatta University of Agriculture and Technology (JKUAT) had 69.58 percent; Maseno 66.62 percent; KU 60.57 percent and UoN 43.53 percent of state funding over the same time period. The University of Nairobi is thus the least dependent on state funding.

The reduction in the percentage contribution or relative weight of state appropriations in the total income of these universities obviously suggests a rise in the contribution of private sources. The various private sources, as can be seen in Figure 6.3 through 6.10 and tables 6.1 and 6.2, contribute differently to the institutions' total revenue. An interesting observation in almost all the universities is the increasing reduction in the contribution of tuition fees (i.e. fees paid by state-subsidised students). As already explained in Chapter Four, Kenya's state-subsidised university students pay what could be described as fixed nominal fees of Kshs 16,000 which was arrived at in 1995. Further, the state regulates the number of students it sponsors, which has stood at about 10,000 since the 1991/92 academic year. Although these two factors may explain the plummeting contribution of tuition fees as a percentage of the universities' total revenues, they cannot account for the reduction in the actual amounts generated from tuition fees. The University of Nairobi generated Kshs. 395,224,945 from tuition fees in 1998, which drastically plummeted through the years, worsening in 2003 when the university raised only Kshs. 261,503,755 before rising again slightly. Looking at reductions in the income from tuition fees across all the universities on a year by year basis, between 2003 and

2004, Maseno registered the highest percentage reduction in tuition fee revenue, i.e. from 62,019,120 in 2003 to 8,581,757, a percentage reduction of 86.12. Other drastic reductions include: 52.35 percent between 2004 and 2005 for KU, 44.09 percent for JKUAT between 2003 and 2004, and 31.66 percent for UoN between 1998 and 1999.

Even though tuition revenue has generally been plummeting, it remains one of the most important sources of non-government revenue for some of the universities. Since 2001 through 2005, tuition revenue has been the most significant source of non-government revenue for MU, contributing an annual average of 76.37 percent of the university's total non-government revenue. Before 2005, tuition revenue was the highest contributor of non-government revenue for KU. In the five year period 2001 – 2005, tuition revenue's share of KU's total non-government income was 50.62 percent. At JKUAT, it was not until 2002 that parallel programmes overtook tuition fees as the most important contributor of non-government revenue.

The main problem responsible for the plummeting growth of revenue from 'tuition fees', is the issue of student debts. Reports of the Auditor-General on the accounts of public universities have pointed out outstanding fee balances as one of the problems universities have to deal with. The Auditor-General's reports on the accounts of UoN show that in 1999 student debtors owed the university Kshs. 235,843,955. This amount increased to Kshs. 332,094,000 in 2000 and Kshs. 377,187,851 in 2002 (UoN, 1999; 2000; 2002). What these figures show is that if public universities were to effect 100 percent fees collection, then the share of tuition fees in their incomes would be much higher and the universities' financial health would improve. The fixed fees policy, which is obviously a hindrance to the optimal utilisation of tuition fees as a source of non-government revenue can only be mitigated by a policy shift pertaining to state-subsidised students. This shift has since been realised with regard to parallel programmes.

As has already been mentioned in Chapter Four, Kenya's public universities also admit students who pay full fees, i.e. students who do not receive any government subsidy. The decision to admit students who paid full fees introduced the phenomenon of the private

student or the 'parallel' student, in Kenya's public universities. The third revenue source, 'parallel programmes', thus refers to tuition and other fees paid by 'parallel' students. These programmes, as has been shown in the foregoing analysis, constitute the mainstay of Kenyan public universities' non-government revenue.

Parallel programmes have steadily grown to become the most significant source of non-government revenue for all the Kenyan universities but MU. The University of Nairobi, which has the broadest experience with these programmes, leads the other universities with regards to revenue from these programmes. Unlike the other universities where revenue from parallel programmes has been swinging and fluctuating over the years, UoN has so far registered a steady growth. The university registered the most phenomenal growth in the revenue from parallel programmes between 1998 and 1999 when the revenue increased by 1,698 percent. In the subsequent years, i.e. from 2000 to 2003, revenue from these programmes increased by 56 percent annually on average. This reduced to 10 percent in 2004. Had the high growth rate been maintained, then by 2004, revenue from parallel programmes would have surpassed that from state appropriations (see Figure 6.3), becoming the highest source of revenue for the university. Income from parallel programmes surpassed that from tuition fees (from government-sponsored students) in 2000, almost immediately after the programmes were started.

From 2001 - 2005, the revenue raised by UoN from parallel programmes was more than the total revenue of Maseno and JKUAT, including state appropriations. It actually surpassed Maseno's total income by 7.72, 61.03, 105.33, 144.30, and 95.20 percent respectively and JKUAT's by 10.49, 32.25, 76.54, 61.86, and 69.64 percent respectively.

Although parallel programmes seem to be the source of non-government income of choice for Kenyan public universities, and the principal response to plummeting public support, as this analysis has shown, not all the universities have been successful in generating significant amounts of revenue from this source, especially MU. Moi University (Figure 6.9), the third largest university in Kenya, after UoN and KU, only managed to register significant turnover from this source in 2005 when it generated Kshs.

129,152,140. The previous five years were marked with disappointing returns, swings and inconsistencies.

Two important sources of revenue that the Kenyan universities have least explored are 'research' and 'trust and endowment funds'. As previously noted, only UoN and Maseno showed in their financial statements the revenue generated from research, and only UoN had trust and endowment funds. The amounts shown for 'research', and 'trust and endowment funds' do not necessarily reflect receipts in the respective years but new receipts plus unspent balances from the previous financial year/s. This then means that actual receipts were actually lower than the reflected figures. Regarding research funds, it is important to note that the Kenyan government only recently set aside a research fund for universities. In 2005, the Kenyan government set aside Kshs. 20 million (R2 million) and in 2006, Kshs. 65 million (ZAR 6.5 million) to assist universities to undertake research on national development (Odhiambo, 2006).

The amounts set aside for university research by the Kenyan government are obviously inadequate, meaning that public universities have not significantly benefited from direct transfers of state funds for research. Looking at the sources of research funds for universities; almost all the research funds earned by universities shown in the preceding figures accrued from external sources, most of which are international foundations and organisations. For instance, in the case of UoN, other than the National Council for Science and Technology, all the other donors of research funds are international organisations, viz., Ford Foundation, Rockefeller Foundation, World Trade Organisation, World Health Organisation, among others. It can then be concluded that Kenyan public universities either lack a vibrant local support source for research or have not been able to attract research funding from local organisations, industry and other local institutions.

Regarding actual earnings from research, trust and endowment funds, it is apparent that these sources are the least exploited by Kenyan universities. For Maseno, the contribution of research grants in the total earnings of the university averaged only 1.04 percent for the period 1999 – 2005. A similar dismal contribution was registered with regard to trust

and endowment funds at the University of Nairobi, whose contribution averaged a meagre 0.18 percent for the period 1999 – 2005. Over the seven year period (1999 – 2005), the university's trust and endowment funds consistently plummeted very sharply; from a high of Kshs. 9,772,326 in 1999 to a depressing low of Kshs. 2,789,086 in 2005.

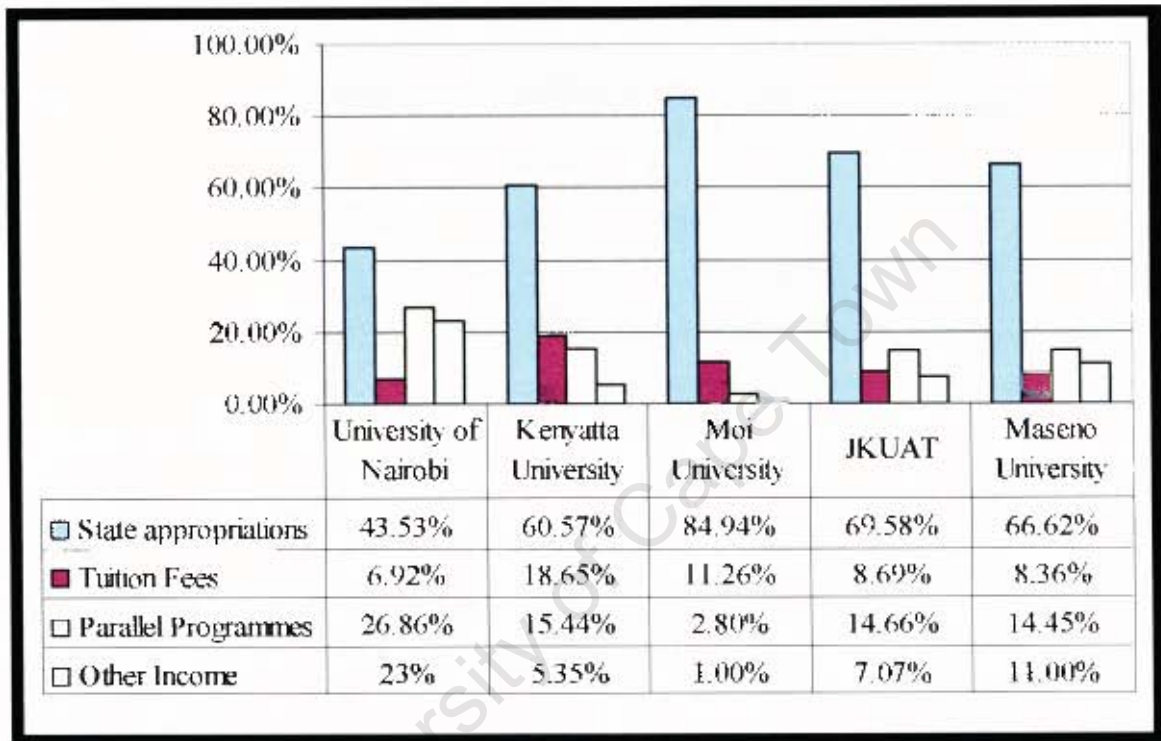
From the foregoing analysis, it is noticeable that the various sources of revenue make differential contributions to the institutions' total revenue. Whereas some sources contribute significantly (government allocations, tuition fees and parallel programmes), the contributions of other sources are almost negligible (e.g. trust and endowment funds). Overall, no matter what sources contribute more significantly, it is certain that mitigating resource deficiency will ultimately depend at least in fair measure on achieving some kind of mix or balance between these sources. Consequently, Kenya's public universities will need to increase income generated from the diverse sources of independent income, especially research, trust and endowment funds, and for some, parallel programmes.

By maintaining multiple streams of funding through a combination of earned income (from various sources) only the UoN has managed to reduce excessive dependence on the public purse. The other Kenyan universities are, unfortunately, still overly dependent on single sources of funding, mostly government allocations. Parallel programmes are emerging as the main source of non-government revenue for almost all the universities. By all of them plunging into the student market as the primary response to resource dependence, these institutions could be said to be employing mimetic isomorphic actions, which then makes them vulnerable to changes in the conditions of the Kenyan student market. The need, therefore, to develop and penetrate new markets for a sustained flow of independent income cannot be overemphasised.

Figure 6.11 below summarises the overall percentage share of revenue from various sources in the total income of the five Kenyan universities. It captures the revenue earned between 2001 and 2005. 2001 to 2005 is the only five year period where data was available for all the five universities. Because all the universities did not have uniform categories of revenue sources, it was only possible to show revenue earned from state

appropriations, tuition fees and parallel programmes as distinct sources since they are the only ones that cut across all the universities. The 'other income' category refers to revenue from all the other sources, excluding the three, i.e. state appropriations, tuition fees and parallel programmes.

Figure 6.11: Percentage Share of Revenue from Various Sources in the Total Income of Kenyan Universities, 2001 to 2005



JKUAT: Jomo Kenyatta University of Agriculture and Technology

6.3 Parallel Programmes

As has already been alluded to, parallel programmes were primarily introduced for purposes of generating critical additional revenue for public universities, to mitigate anorexic allocations from the Kenyan fiscus. The University of Nairobi was the first one to introduce these programmes in 1998. Kiamba (2004) provides one of the most detailed narratives on the birth of parallel programmes in Kenya. He correctly locates their introduction against the background of a biting fiscal hardship UoN was experiencing coupled with the government's declared inability to continue large-scale funding of the

University introduced parallel programmes and two new campuses (Ruiru and Parklands Campuses) were quickly established to host parallel students.

All public universities have since started parallel programmes. It is reasonable to conclude that the opening up of admissions, as an adaptation to austerity arose from mimicry of other universities that had successfully applied the strategy, in similar environments, pressures and constraints. This form of organisational adaptation is known as mimetic isomorphism (organizations model themselves on similar organisations in their field that they perceive to be successful). The partial privatisation of public universities and the implementation of other neo-liberal reforms as a response to financial stress (in East Africa) were first implemented by Makerere University in Uganda followed by University of Dar es Salaam in Tanzania. The 'success' of these strategies, especially Makerere's, can be said to have motivated Kenya's public universities – especially Nairobi, which pioneered these reforms in Kenya, to do the same. The University of Nairobi served as a test case and 'legitimated' the practice for other public universities in Kenya to follow. In a nutshell, all public universities in Kenya now sign up privately sponsored students as the principal strategy for financial survival. They are copying each other – all of them are bidding for students in the higher education market to generate revenue. Through mimetic processes, admitting full fee-paying students has become an archetypical adaptive response to resource scarcity by Kenya's public universities.

Initially, as reported by Kiamba (2004), full fee-paying students were to attend lessons in the evenings and weekends. But following the soaring demand for these programmes and the universities' quick realisation that these programmes could be the panacea for their financial quagmire, they started offering them on full-time basis. It was no more a question of utilising the so-called slack capacities *a la* Kiamba (2004) but optimising a golden opportunity to generate revenue. The allure of parallel programmes is obvious: the higher education market has great financial potential, which public universities have sought to exploit.

Parallel programmes have permanently changed the trajectory of Kenya's higher education. Eight years after parallel programmes were first introduced; Kenya's public higher education could be described as teetering on the brink of full-scale privatization. New campuses are being established in strategic locations to accommodate the swelling numbers and also to move close to their new found 'customers' (Ruiru and Parklands campuses for KU, Nakuru Town and Kenyatta Campuses for EU, Eldoret West Campus for MU, Kisumu City Campus for Maseno, Bandari for UoN, etc.). The universities seem to have embarked on an expansionist policy in order to tap as much revenue as possible.

Motivated by the soaring demand for higher education, new programmes are also being introduced in the spirit of becoming market or demand driven. And so are new platforms of delivery such as open learning (Kenyatta University) and distance education (Egerton University). Mission statements are also being redefined to accommodate revenue generation as a key goal. The University of Nairobi prides itself as having "very good experience with running a 'private university wing'" (Magoha, 2005: 2), and "from the fact that its 'private wing' alone is larger than any single private university in Kenya, it is in fact also the largest 'private university' in the country" (UoN, 2005a: 16). One may argue that the introduction of parallel programmes set in motion the privatisation of Kenya's hitherto public universities. Bernasconi (2005) makes the point that privatisation in higher education is usually understood either as the surge of private institutions or as universities' growing reliance on private sources of funding or otherwise operating more like firms. It is Bernasconi's third criteria of privatization in higher education i.e. universities' growing reliance on private sources, that captures the situation in Kenya's public universities. Kenya's public universities are thus on the road to becoming privately funded public universities.

Another creeping development with regard to generating non-government revenue is the phenomenon of co-ventures with non-degree awarding middle level, mostly proprietary colleges. Only one university, JKUAT, showed the revenue generated from these ventures, as a distinct entry in its statements of accounts, and, for purposes of analysis,

this revenue was put together with that from parallel programmes. In these ventures, students enrolled in the franchised colleges are awarded degrees, diplomas and certificates of the partnering university. Whereas UoN leads with regards to parallel programmes, JKUAT is a clear 'leader' when it comes to co-ventures with private, mostly for profit, non-university institutions. With 18 such ventures, JKUAT has the highest number of such partnerships or co-ventures. Some of the colleges offering JKUAT's courses include:

- (a) Kenya College of Accountancy – Degree programmes
- (b) Kenya School of Professional Studies – Degree programmes
- (c) Kenya College of Communication Technology – Degree programmes
- (d) Armed Forces Technical College – Diploma and certificate courses
- (e) Trancom College of Professional Studies (Nakuru) – Diploma and certificate courses
- (f) Kimathi Institute of Technology (Nyeri) – Diploma and certificate courses
- (g) Murang'a College of Technology – Diploma and certificate courses
- (h) Jaffery Institute of Professional Studies (Mombasa) – Diploma and certificate courses.
- (i) Diamond Systems Limited (Nairobi) – Diploma and certificate courses.
- (j) Augustana College (Nairobi) – Degree programmes.
- (k) Holy Rosary College (Tala) – Diploma and certificate courses.

These co-ventures are run under the university's Continuing Education Programme (CEP), and the courses offered are mainly in information technology and business studies. The co-ventures are actually franchising arrangements (Ngome, 2003; Sawyerr, 2002b). In these arrangements the middle-level colleges (franchisees), which are not certified by the CHE to offer degree courses in their own right, offer these courses in the name of JKUAT. The courses offered by these colleges are advertised as though they were being offered by JKUAT (see for instance advertisement in Daily Nation, March 10, 2006). Like in other franchise arrangements; the relationship between JKUAT and its franchisees is purely financial. The university gets a percentage of all the fees payable by students registered in courses for which the university's certificates are issued. The

payments due to JKUAT vary in the range of 35 – 38 percent (i.e. of all the tuition fees payable) depending on the size of the franchisee, such that the more students the franchisee has the bigger the share for JKUAT.

Through engaging in inter-organisational arrangements, Kenya's public universities have co-opted potential competitors into allies in the struggle for scarce resources, and have gained access to and exploited the complimentary assets that each bring into the arrangement.

Parallel programmes and franchise arrangements could thus be described as the 'real' response by Kenya's public universities to plummeting financial support from the public purse. They constitute the main strategy by Kenya's public universities to combat resource dependence on the fiscus. These programmes have changed many of Kenya's public universities from the previous unenviable situation of penury to a degree of self-reliance.

The current isomorphism in Kenya's higher education landscape especially with regard to earning revenue from tuition via user pay programmes may be the main undoing of this strategy. The Kenyan higher education market has been entered by numerous players such that the sustainability of parallel programmes and other such arrangements for revenue generation may be in doubt in the long run. There is stiff competition for students not only by public universities but also by local private universities and overseas institutions that have franchise arrangements with local institutions. Such institutions include Digital Advisory and Learning Centre Education, which offers diploma and degree courses for Oxford and Cambridge universities in Britain; Nairobi Campus of Makerere University (of Uganda), which offers courses ranging from certificate to postgraduate degrees; Kampala International University which seems to have targeted Kenya as its main source market for students through a multi-pronged marketing scheme including posters, print and electronic media, Kenya's Postal network etc.; the Australian Institute of Studies in conjunction with Edith Cowan University, also of Australia; America's Vision International University which offers a theology course in

collaboration with Redeemed Bible Seminary in Machakos; and the University of South Africa.

Most of the institutions competing with public universities for students have come up with strategies geared at giving them an edge over public universities. These strategies constitute, in the main, flexible admission requirements such as Oxford and Cambridge Universities' admissions to Kenyans depending on their career potential and how best they have performed in subjects rather than their overall performance in KCSE (School & Career Team, 2006). Competition for students is further complicated by the emerging programmatic isomorphisms where almost all the institutions offer the same so called market driven programmes. These programmes include business administration, management, computer studies, law, education, and information studies. In these circumstances, it is difficult for institutions to have a clear and sustainable competitive advantage.

The proliferation of parallel programmes with their capital accumulation ideal can be read as an intrusion of the market into Kenya's erstwhile public higher education. Through parallel programmes, a process of marketising or commodifying Kenya's higher education has been commenced. And, as the data in 6.2.1 has confirmed; commodification of higher education, through parallel programmes, is so far the preferred route to minimising welfare dependency on the state by Kenya's public universities. Kenya's higher education is quickly becoming a commodity: "something to be produced, packaged, sold, traded, outsourced, franchised, and consumed" (Roberts, 1998: <http://www.sociology.org/content/vol003.003/roberts.html>, accessed 23 September 2006).

6.4 The Case of South African Public Universities

Although the funding of higher education in SA is generally stable (see Chapter Five), albeit with a perceptible reduction in state funding; several analyses have argued that SA's higher education has increasingly come under financial pressures over the past

years (SAUVCA, 2004, Steyn & de Villiers, 2006). Some of the reasons advanced for these pressures include (SAUVCA, 2004, Steyn & de Villiers, 2006):

- The inability of government to maintain former levels of funding the sub-sector.
- Accumulated student debt.
- The expense of restructuring the sector.
- Increasing student numbers.

Like the Kenyan universities, individual South African universities are differently implicated in these financial pressures. A recent analysis by Steyn & de Villiers (2006) shows the financial difficulty many South African universities are experiencing. They show that eleven, nine, fourteen and twelve higher education institutions (universities and technikons) reported deficits (expenditure surpassing revenue) in 2000, 2001, 2002 and 2003, respectively. Since 2000 through 2003, universities consistently registered far much higher deficits than technikons. The total university deficit amounted to R600 million in 2003. They conclude that the “overall financial situation of many institutions looked rather bleak in 2003” (Steyn & de Villiers, 2006: 117).

Table 6.3: Surplus and Deficit Recorded by South African Universities, 2000 – 2003 (R'000)

University	2000	2001	2002	2003
University of Cape Town	66613	88918	149956	178434
University of Durban-Westville	17165	451	-39130	-20757
Fort Hare University	-16683	10625	-6863	-3524
Medical University of South Africa		38951	10949	1230
Natal University	28063	35852	21705	28171
University of the North	-96968	-151797	-52747	-193765
Free State University	102677	78672	105098	76508
University of Port Elizabeth	23120	6588	-20948	-35799
University of Pretoria	274248	286618	65902	115684
Rand Afrikaans University	37942	50670	91555	75765
Rhodes University	18521	38350	30149	14569
University of South Africa	86463	105186	38202	44233
Stellenbosch University	120506	201709	180752	93066
University of the Western Cape	-29257	-24563	-11080	-22939
University of the Witwatersrand	27478	15904	-107149	-116817
University of Zululand	-5327		6260	-42438
Vista University	11756	2945	-2907	-74201
University of Transkei	-27581	8627	19321	26472
University of the North West	9906	26194	20599	-69369
University of Venda	-42871	-6662	7601	-4799
TOTAL DEFICIT	-218687	-183022	-240824	-584408

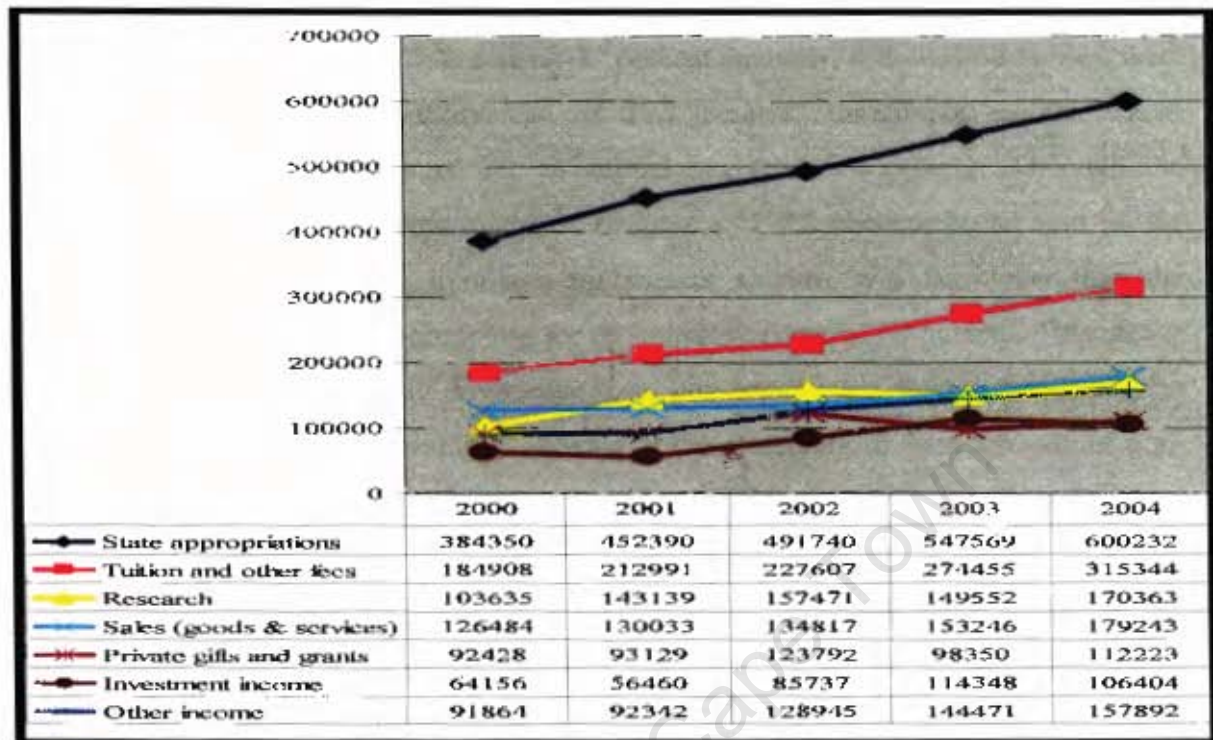
Source: Steyn & de Villiers (2006)

Although most of the universities that registered deficits (as shown in Table 6.3 above) are (were) HDUs two HAU also registered deficits. These are the University of Port Elizabeth (now merged into the Nelson Mandela Metropolitan University) and University of the Witwatersrand (Wits). The University of the Western Cape (UWC) and the University of the North (now merged into the University of Limpopo), both HDUs, are the only universities that consistently registered deficits over the four year period 2000 – 2003. The deficits mean that the universities' councils and management controlled financial capacity did not meet the universities' recurrent expenditures.

As was done in the analysis for Kenyan public universities, the analysis for South African public universities also sets off by first; a presentation of data on the various sources of revenue, followed by an analysis of the percentage distribution of income from the various sources (i.e. the relative weight of each revenue source in relation to the total income of the university). As is going to be evidenced by the data below, SA's universities exhibit a marked inherent diversity in fiscal strength between individual universities and categories of universities i.e. HAUs (English medium and Afrikaans medium) and HBUs.

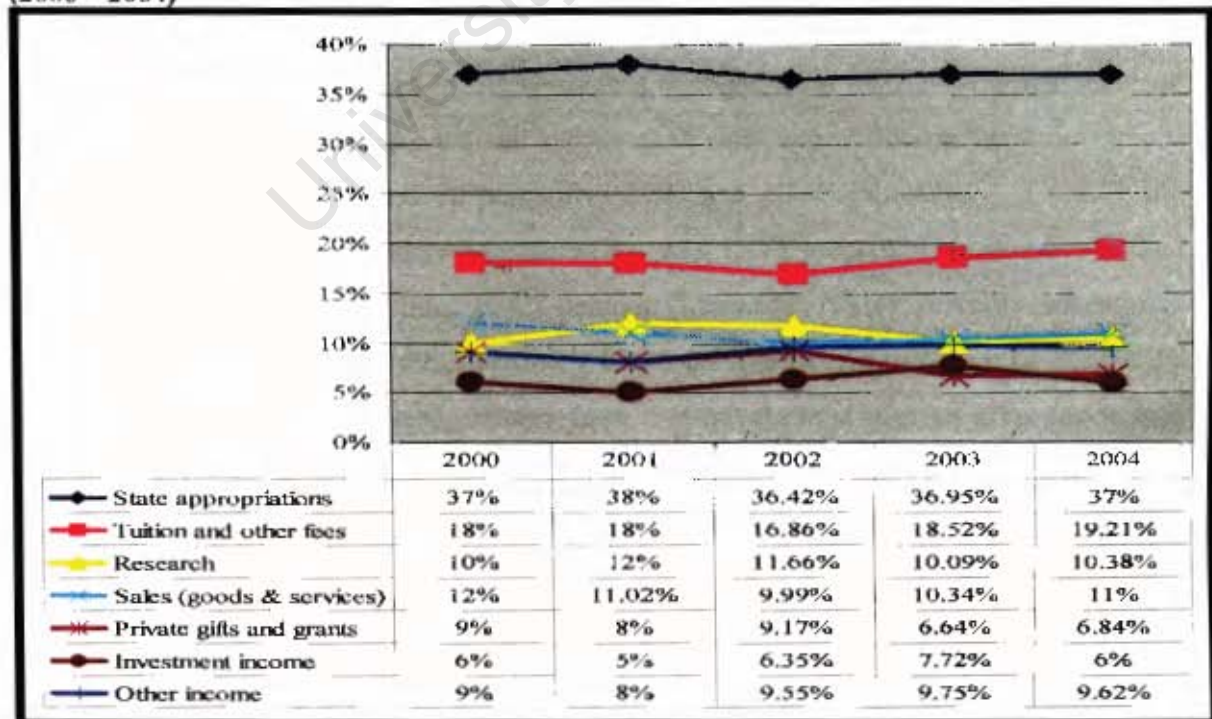
Unlike Kenyan public universities which reported their financial information in no uniform way, South African universities are required by law (Higher Education Act (1997) Annual Reporting Regulations) to submit financial information in a format determined by the Department of Education (DoE). Consequently, the reporting categories are the same for all the universities. The data reported here uses the same income categories, viz., 'state appropriations', 'tuition and fees', 'research', 'sales (goods and services)', 'private gifts and grants', 'investment income', and 'other income'. Not all these income categories, especially the 'other income' category, consist of the same sub-categories or entries as those in the DoE reports. In the data below, the 'other income' category constitutes of all entries marked as 'other' for both the council controlled and specifically funded income in the DoE reports. The entire 'non-recurrent' category in the DoE reports is included in the 'other' category in this analysis. Others included in the 'other' category include fees from short informal courses, and fees for accommodation.

Figure 6.12: Income by Source for University of Cape Town, 2000 – 2004 (R'000)



Data Source: Department of Education

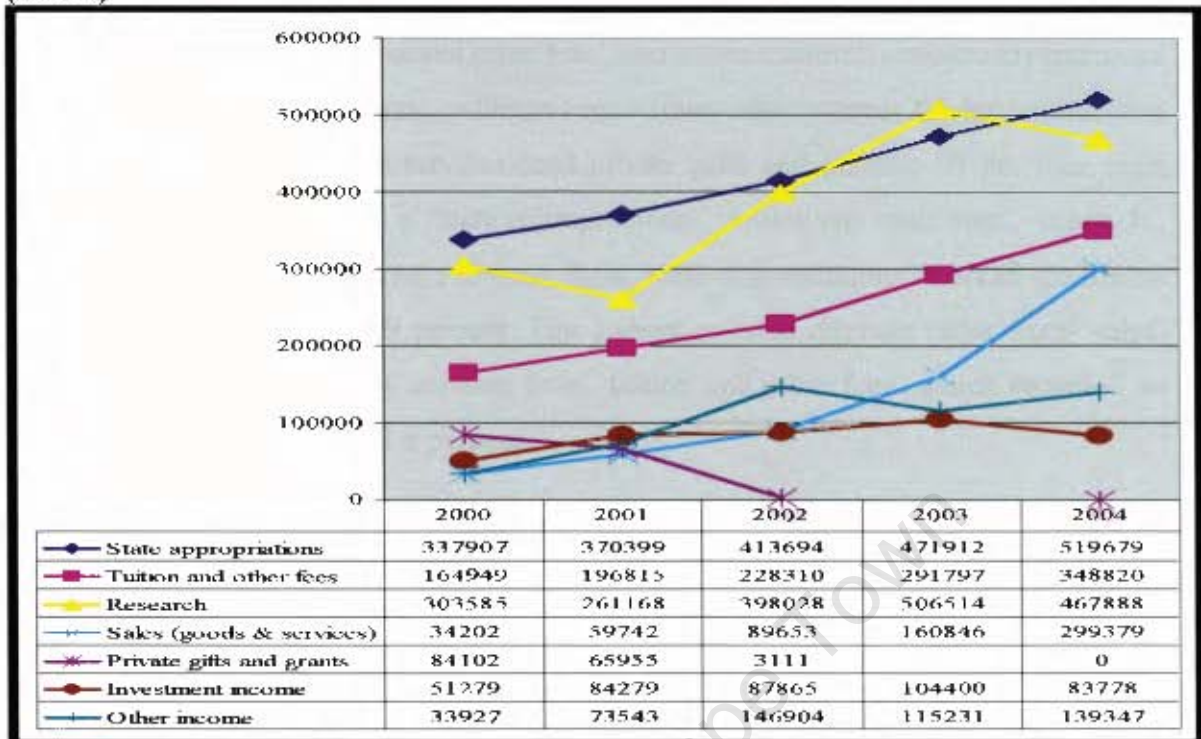
Figure 6.13: Income by Source as a Percentage of Total Income, University of Cape Town (2000 – 2004)



Figures 6.12 and 6.13 show the volume of revenue that accrued from various sources and the percentage contribution of these sources in the total revenue of the University of Cape Town (UCT). As can be seen in these two figures, the government is the highest single contributor of revenue to UCT averaging 37 percent annually, followed by 'tuition fees' which contributed an annual average of 18.2 percent. Investment income which contributed the least, accounted for an annual average of 6 percent. Although the government is the highest contributor of revenue to UCT, the combined sum of the university's revenue, earned from non-government sources, was far higher than the government's contribution, accounting for an annual average of 63 percent. This means that UCT was more dependent on revenue from non-government sources than it was on appropriations from the government. Looking at the contributions from the various non-government sources, UCT could be said to have fairly distributed its resource needs on these sources. Other than tuition fees which, as already pointed out, raised an annual average of 18.2 percent, the contribution from the other non-government sources ranged from 6 percent to 10.8 percent. The university could thus be said to have avoided the phenomenon of revenue concentration on any of its non-government sources.

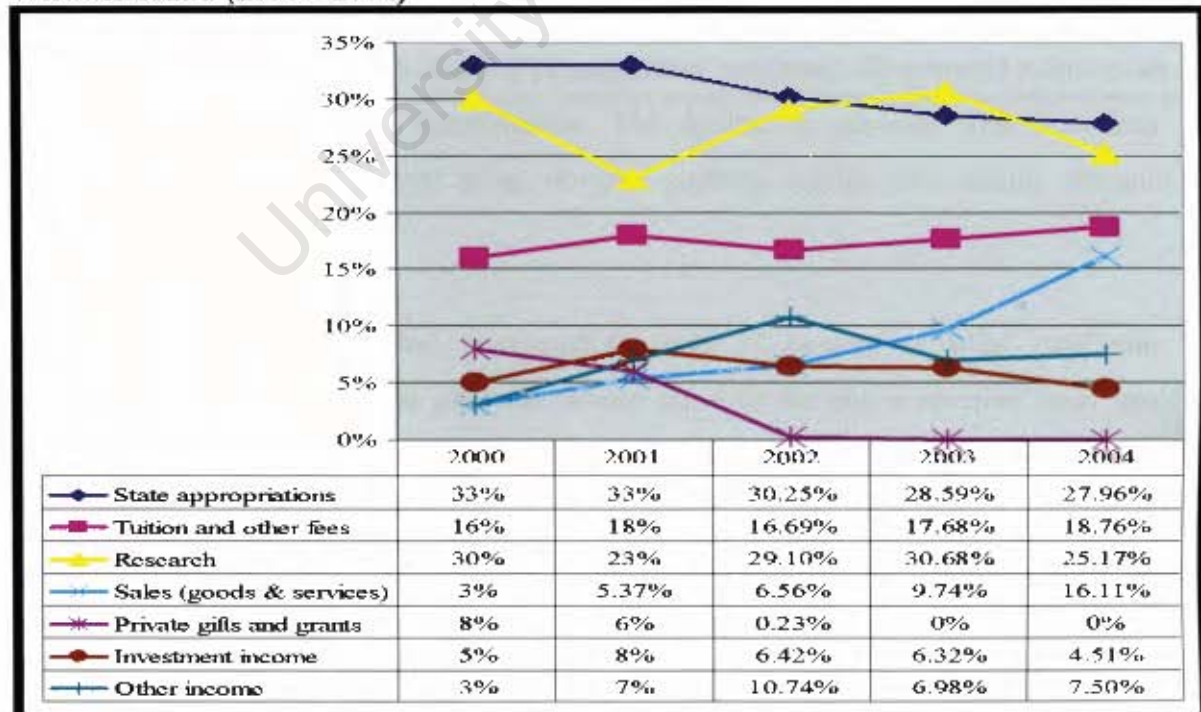
The various sources performed differently in terms of annual increases. Whereas some of the sources registered negative growth in some years (e.g. 'research', 2003, 'private gifts and grants', 2003, and 'investment income', 2001, 2004), the growth of revenue from the other sources neither increased in any consistent manner. After registering a high increase of 18 percent in 2001, the subsequent increases in state appropriations went down to 9 percent in 2002, then 11 and 10 percent in 2003 and 2004 respectively. Overall, the average annual increase in state appropriations was 11.75 percent. This was lower than the increase in tuition revenue, 14.45 percent; 'research', 14.25 percent; 'investment income', 16.5 percent and 'other income', 15.25 percent. It can therefore be concluded that in the 2000 to 2004 period, income from non-government sources grew faster than income from state appropriations.

Figure 6.14: Income by Source for University of the Witwatersrand, 2000 – 2004 (R'000)



Data Source: Department of Education

Figure 6.15: Income by Source as a Percentage of Total Income, University of the Witwatersrand (2000 – 2004)

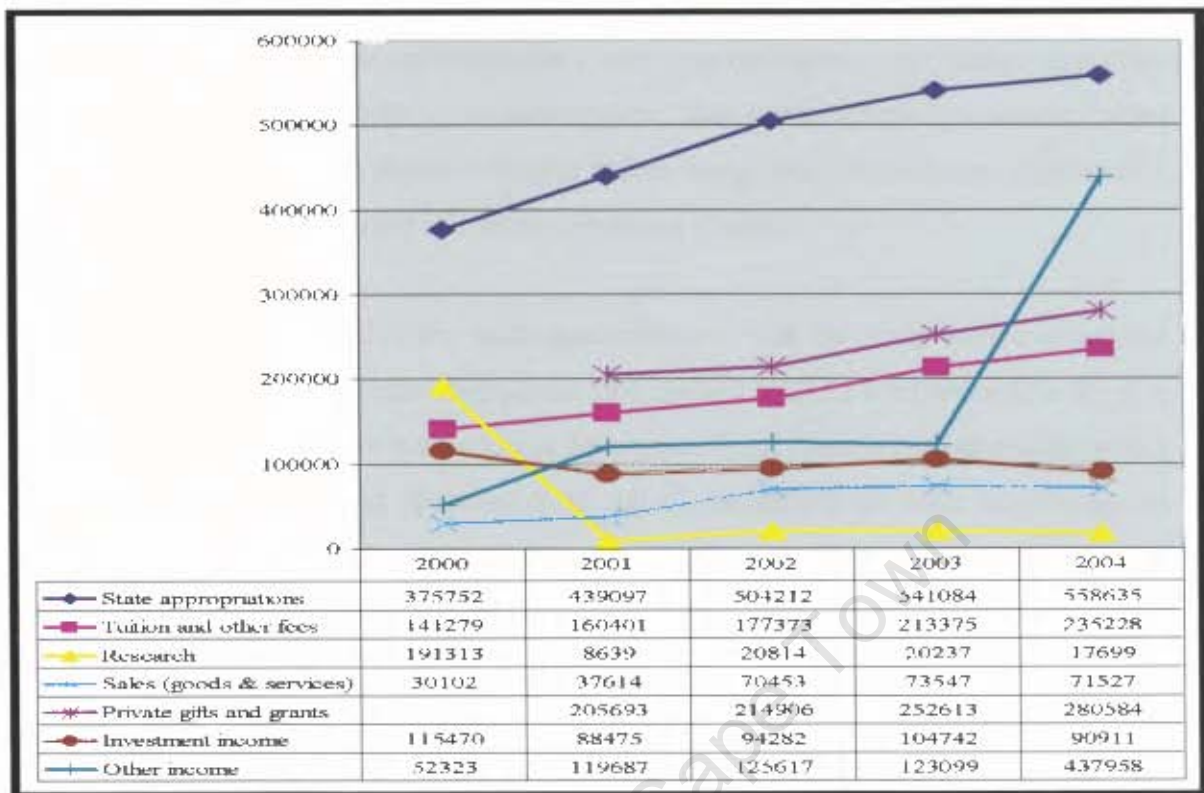


The performance of the various sources of revenue shown in figures 6.14 and 6.15 for University of the Witwatersrand (Wits) exhibits two trends: revenue from some sources ('state appropriations', 'tuition and other fees', and 'other income') consistently increased annually, i.e. in nominal rands; while revenue from other sources tended to fluctuate (Research, sales (goods and services) and private gifts and grants). Of the four main sources of revenue to Wits, i.e. 'state appropriations', 'tuition and other fees', 'research', and 'sales (goods and services)', revenue from 'state appropriations' marked the lowest annual average increase of 9 percent. The highest revenue increase came from 'sales' (58.06 percent), followed by revenue from 'tuition and other fees' which recorded an annual average increase of 11.6 percent.

Although revenue from state appropriations accounted for the highest average annual contribution in the total revenue of Wits (30.6 percent); it was surpassed in 2003 by revenue from 'research' which raised 30.68 percent of Wits' total revenue compared to 28.59 percent from 'state appropriations'. Regarding revenue from non-government sources, i.e. excluding revenue from 'state appropriations'; 'research' is the highest contributor, raising an annual average of 40 percent of all non-government revenue. 'Tuition and other fees' is the second highest contributor of non-government revenue, accounting for 25.16 percent. Research is therefore Wits' most significant source of non-government revenue. The high share of revenue from 'research' (40 percent) points to an emerging trend of revenue concentration. The decline in revenue from 'research' experienced in 2001 and 2004 is an obvious warning against encouraging revenue concentration.

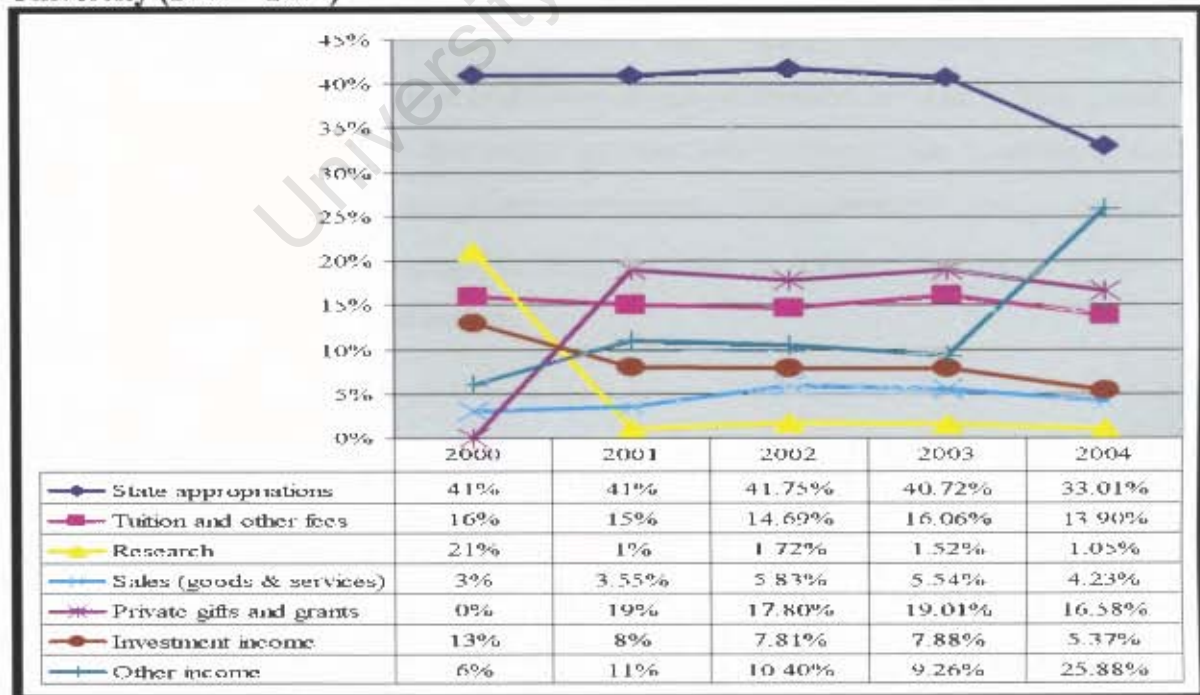
Although revenue from 'sales' accounted for only 11 percent of Wits' total non-government revenue, it is the only one whose share in the entire revenue from non-government sources consistently increased through the five years (2000 – 2004). In 2000, the share of revenue from sales accounted for 5.09 percent of the total non-government revenue, rising incrementally to a high of 22.35 percent in 2004. If it maintains this trend, then it is likely to surpass 'tuition and other fees', and even 'research', if the decline in revenue from 'research' persists (Figure 6.15).

Figure 6.16: Income by Source for Stellenbosch University, 2000 – 2004 (R'000)



Data Source: Department of Education

Figure 6.17: Income by Source as a Percentage of Total Income, Stellenbosch University (2000 – 2004)

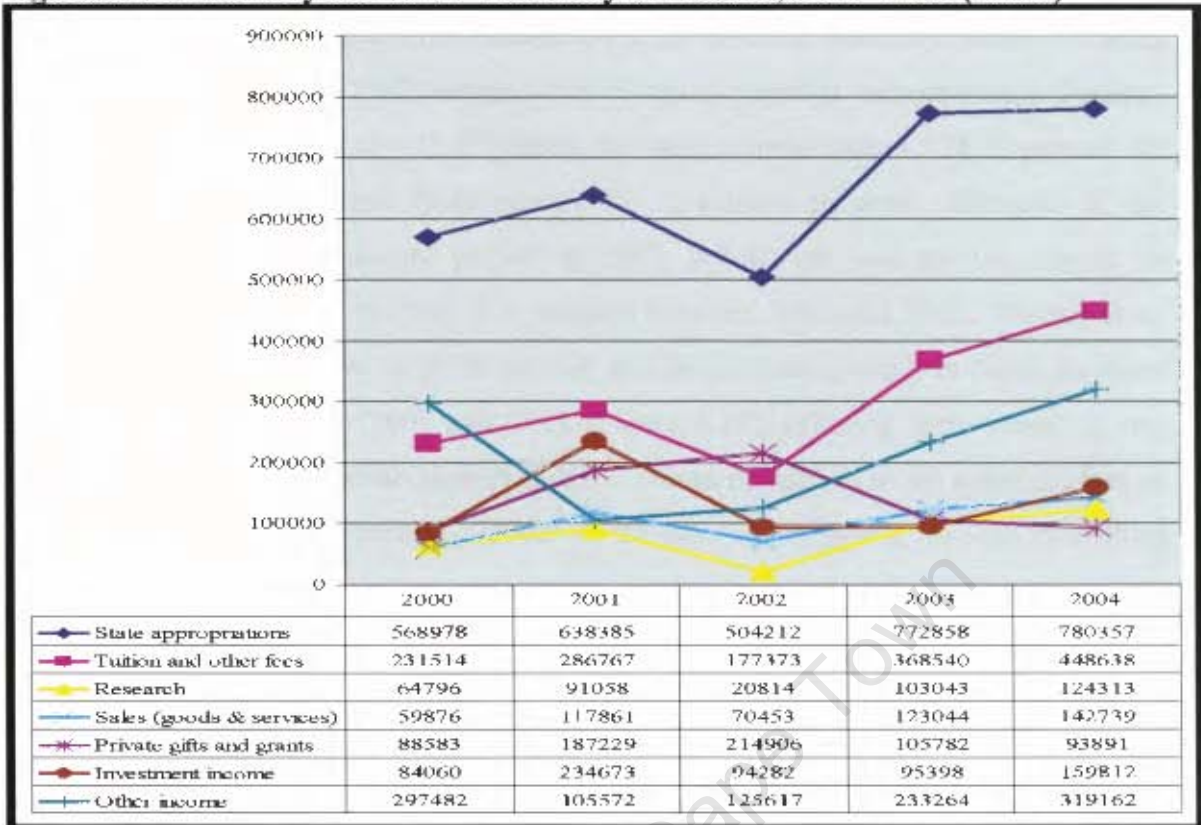


Several trends can be discerned from the data on the revenue from various sources for Stellenbosch University (SU) shown in figures 6.16 and 6.17 above. Revenue from some sources gradually grew through the years ('state appropriations' and 'tuition and other fees', 'private gifts and grants'), for some it grew, then it was relatively constant ('other income'), and for others it sharply dropped before being relatively constant ('research'), or it sharply rose after a period of relative constancy ('sales').

As in the case of UCT and Wits, 'state appropriations' was the major source of income for SU accounting for an annual average of 39.4 percent of SU's total revenue in the five year period, 200-2004. This was followed by revenue from 'tuition and other fees' which accounted for 15.52 percent. Revenue from 'sales' contributed the least, accounting for an annual average of 4.4 percent of the university's total revenue. An interesting occurrence is observed in 2004: the share of revenue from all the sources but 'other income' fell (Figure 6.17), the share of 'state appropriations' being the most drastic (7.71 percent).

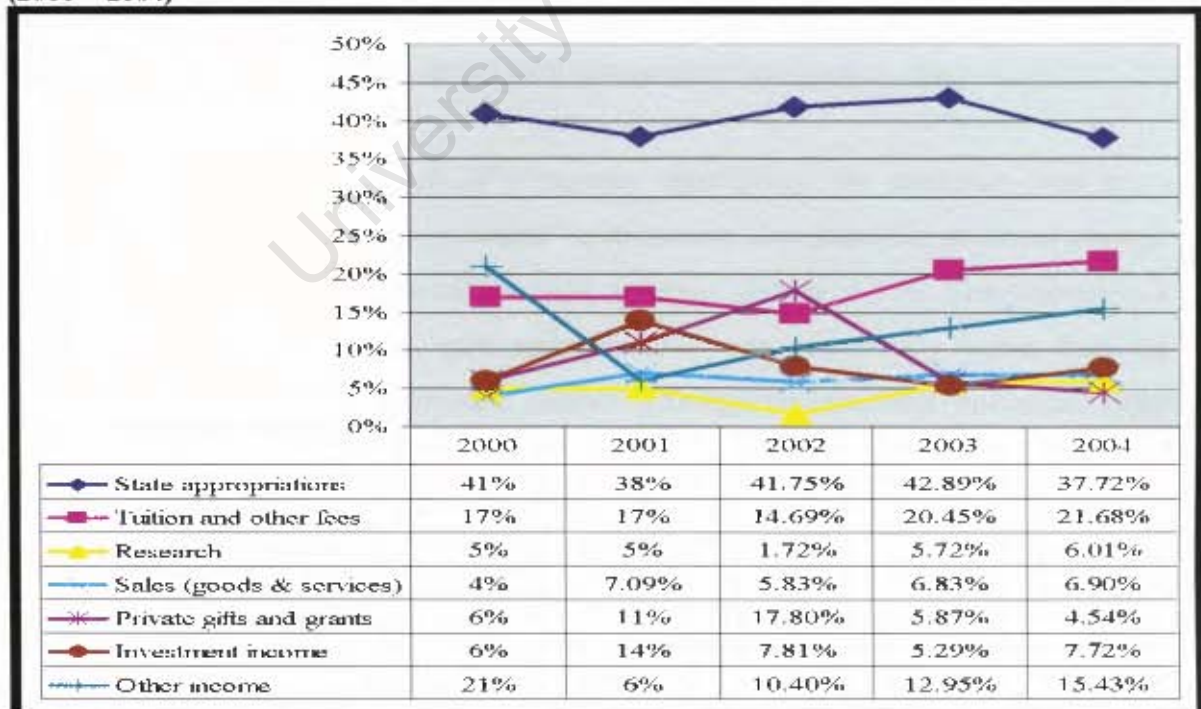
The university's most important sources of non-government revenue were 'private gifts and grants', whose share of total non-government revenue averaged 30.13 percent (2001-2004); 'tuition and other fees', 25.12 percent (2000-2004) and 'other income', 20.25 percent (2000-2004). The behaviour of revenue from 'research' raises some concerns. It plummeted from being the highest contributor of non-government revenue in 2000 (36.06 percent) to being consistently the lowest as from 2001 through 2004. Looking at the revenue share of the various non-government sources in the university's non-government revenue, it is clear SU has managed to fairly distribute its resource dependence without being overly reliant on any one source.

Figure 6.18: Income by Source for University of Pretoria, 2000 – 2004 (R'000)



Data Source: Department of Education

Figure 6.19: Income by Source as a Percentage of Total Income, University of Pretoria (2000 – 2004)

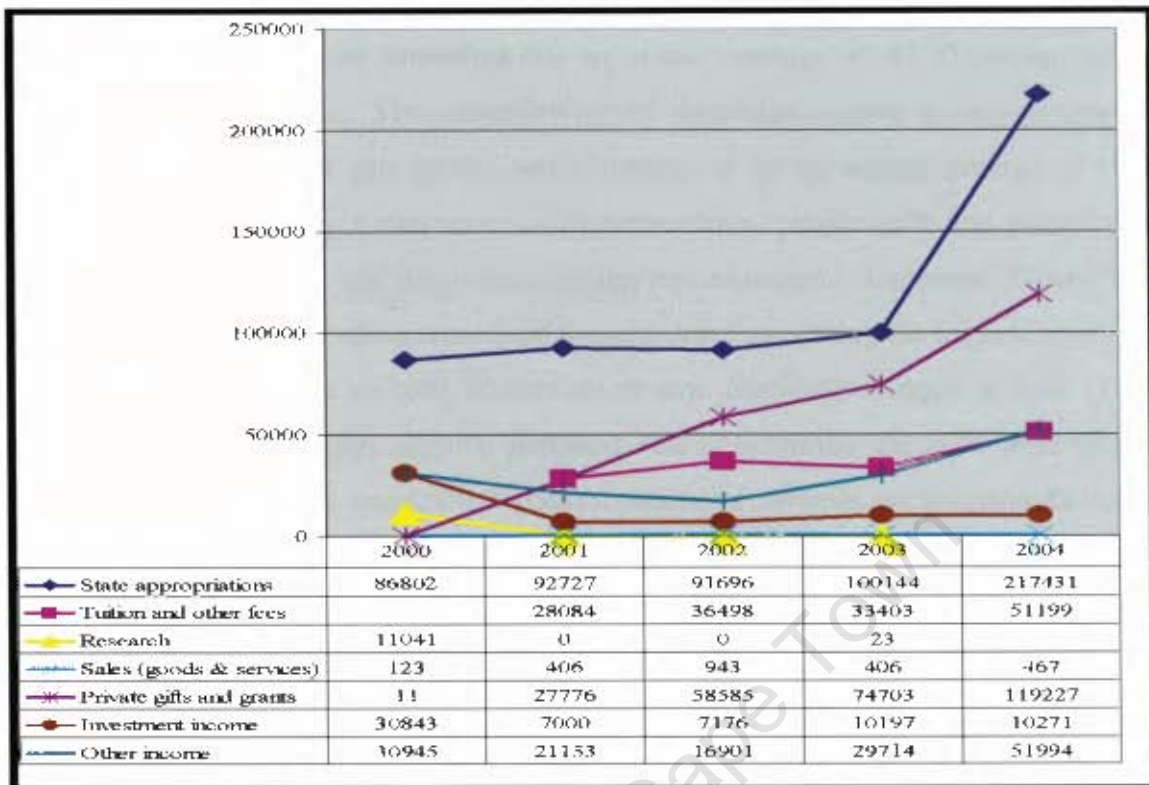


Figures 6.18 and 6.19 above capture one major trend regarding the revenue accruing to all the sources for University of Pretoria (UP), i.e. revenue volatility, where revenues fluctuate up and down. In 2002, revenue from all the sources but 'private gifts and grants' dipped quite dramatically (by 21.02 percent for 'state appropriations'; 38.15 percent for 'tuition and other fees' and 59.82 percent for investment income). Although all the sources registered a significant growth in 2003, the growth was not big enough to compensate for the drop in 2002. For instance between 2001 and 2003, revenue from 'state appropriations' grew by 21.06 percent in nominal rands, which is about the same rate as the drop between 2001 and 2002 (Figure 6.18), meaning there wasn't a real growth in revenue from 'state appropriations'. The same applies to the other sources of revenue that experienced swings in 2002. As the case of UP shows, revenue volatilities reduce the rate at which revenues grow, which can have disruptive budgetary implications.

Looking at non-government revenue alone; revenue from 'tuition and other fees' constituted the highest average annual contribution in the five year period, 2000-2004, contributing 30.38 percent. This was followed by revenue from 'other sources' which raised an annual average of 22.32 percent. 'Private gifts and grants' and 'investments' were the other significant sources of non-government revenue contributing an annual average of 15.43 and 13.64 percent of total non-government revenue, respectively.

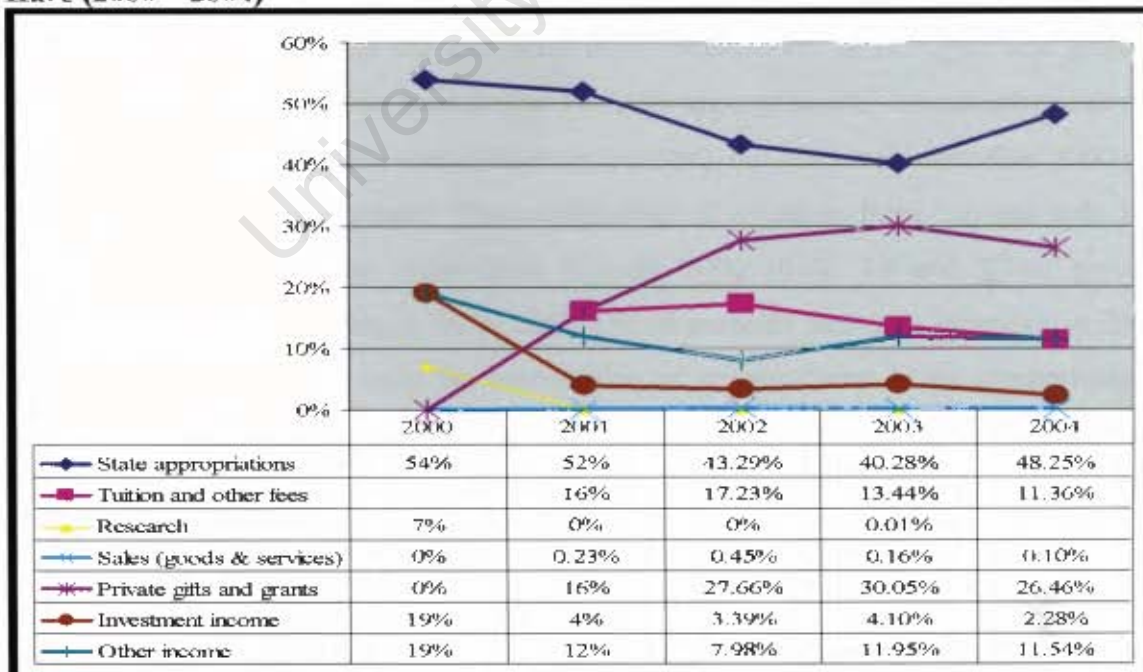
In terms of the distribution of UP's resource dependency, the university was more dependent on 'government appropriations' as this source accounted for an annual average of 40.2 percent of the university's total revenue (Figure 6.19). The university's dependence on revenue from 'state appropriations' was consistently higher than the individual contributions from the other sources. Although revenue from 'tuition and other income' was the second most important, contributing an annual average of 18.2 percent of UP's total revenue, it was surpassed by revenue from 'other sources' in 2000, and 'private gifts and grants' in 2002.

Figure 6.20: Income by Source for University of Fort Hare, 2000 – 2003 (R'000)



Data Source: Department of Education

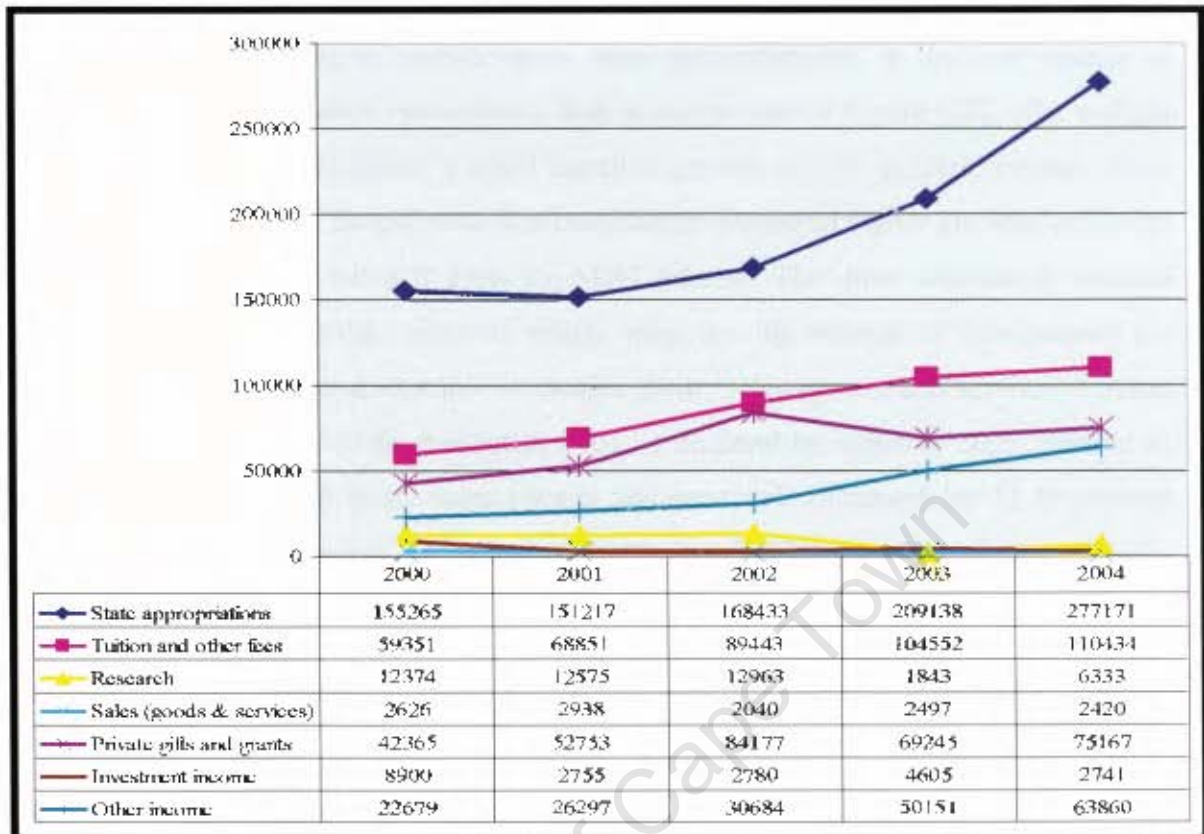
Figure 6.21: Income by Source as a Percentage of Total Income, University of Fort Hare (2000 – 2004)



As Figure 6.20 and Figure 6.21 above show, the South African government is the main provider of revenue to the University of Fort Hare (UFH). In the five year period, 2000-2004, state appropriations accounted for an annual average of 47.70 percent of the university's total revenue. The university's most significant source of non-government revenue is 'private gifts and grants', which accounted for an annual average of 19.97 percent of the university's total revenue. Revenues from 'private gifts and grants' were also the fastest growing, and were the only ones that consistently increased (Figure 6.20) of all the revenues from non-government sources. After generating the highest amount of non-government revenue in 2000, investment income drastically dropped in 2001 (77.30 percent) and thereafter only slightly increased, failing to surpass the 2000 level (Figure 6.20). Research was the university's poorest source of revenue occasionally failing to generate any revenues (2001 and 2002). Although data on revenue accruing from 'tuition and other fees' was missing in 2000, the revenues accruing to this source of income (Figure 6.20) make it one of the most important sources of non-government revenue for UFH. From 2001 to 2004, revenue from 'tuition and other fees' accounted for an annual average of 14.47 percent of the university's total revenue.

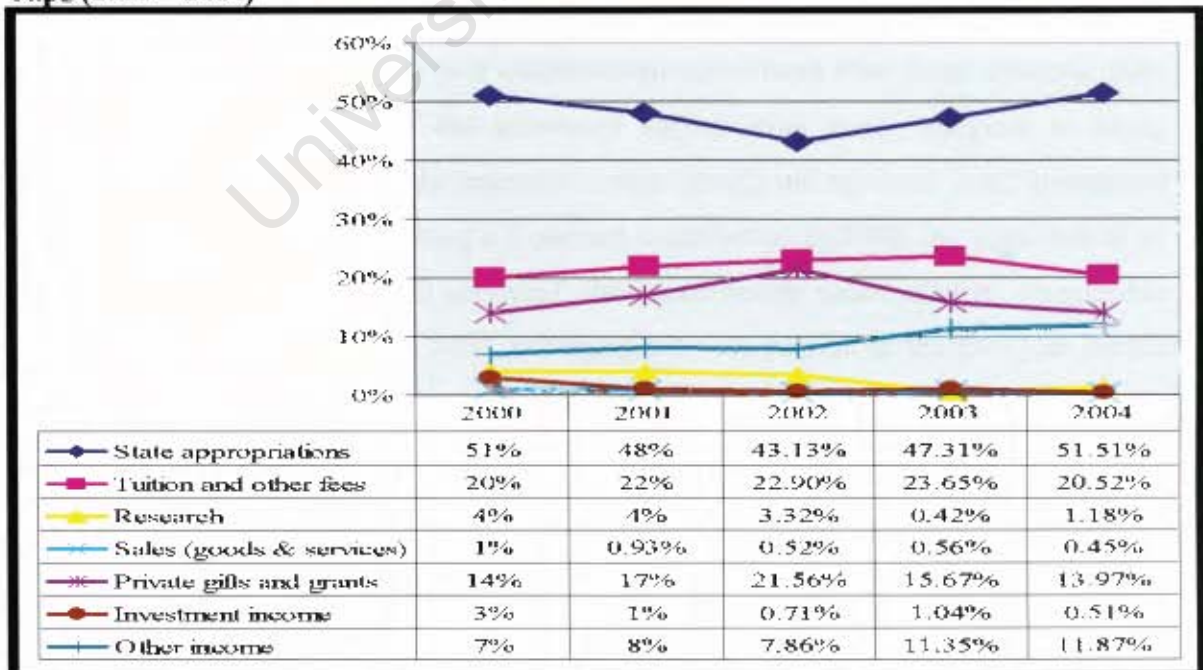
The annual contributions of the various sources of revenue captured in Figure 6.20 show an interesting trend; as from 2000 onwards, the contributions by all the sources in the total revenue of UFH, with the exception of revenues from 'private gifts and grants', show a declining trend. The contribution of 'state appropriations' consistently declined through the years up to 2004 when it rose (48 percent), but to a level lower than 2000 (54 percent) and 2001 (52 percent). The contribution of revenues from 'private gifts and grants' phenomenally rose from 2000 through 2002 (0.01, 16 and 27.66 percent respectively) before slowing a bit in 2003 (30.05 percent) and then dropping in 2004 (26.46 percent). In 2004, only the contribution of revenue from 'state appropriations' rose; contributions from all the other sources fell. Overall, although the contributions by all the sources vary from year to year, there was not a significant change to suggest a shift in the university's resource dependence.

Figure 6. 22: Income by Source for University of the Western Cape, 2000 – 2004 (R'000)



Data Source: Department of Education

Figure 6.23: Income by Source as a Percentage of Total Income, University of Western Cape (2000 – 2004)



government sources); and as the trend in figure 6.23 suggests, as from 2003, UWC increasingly depended on government support.

6.5 Analysis of the Revenue Streams of South African Universities

The foregoing data (6.4) shows the various sources of revenue available to South African universities and their respective contributions in the total income of the institutions. As can be seen in the figures above, some universities earned more revenue than others with the difference in fiscal strength being more pronounced between the HAUs and the HDUs. For instance, over the 2000–2004 period, the HAU with the least non-government revenue (SU) earned, on average, four times more than the HDU (UWC) with the highest non-government revenue, per annum. Among the HAUs, the English-medium ones, i.e. UCT and Wits earned on average more or less the same amount of non-government revenue per annum, i.e. R1,340,422,000 and R1,399,802,000 respectively; as did (though with a slightly bigger difference) the Afrikaans-medium ones, i.e. Stellenbosch University (SU) and University of Pretoria (UP), which earned an annual average of R755,192,000.20 and R974,108,000.40 respectively. The difference in fiscal strength is more pronounced among the HDUs. Whereas UWC earned an annual average of R206,079,000.80, UFH only managed R131,817,000.80. Consequently, using the quantum of non-government revenue to determine the fiscal strength of South African Universities; the English-medium HAUs could be described as the strongest, followed by the Afrikaans-medium universities and lastly the HDUs.

The contributions of the various sources vary with some sources making more significant contributions than others. Across all the universities, state appropriations consistently constituted the highest contribution with the exception of Wits in 2003 when earnings from research were the highest. State appropriations exhibit two broad trends: For UCT, Wits and SU, state contributions consistently keep rising across the years. The opposite is the case for UP, UWC and UFH where state appropriations registered declines in some years: 2002 for UP and UFH, and 2001 for UWC. These declines were however varied,

with UFH's being the lowest (negative 1.11 percent) and UP's the highest (negative 38.15 percent).

The degree of dependence on state appropriations varies across all the universities. Although all the universities could be described as not being highly dependent on the fiscus (as all of them depended on the state, on average, by less than 50 percent per annum), again, the HAU/HDU dichotomy shows very clearly. The Historically Disadvantaged Universities were more dependent on the fiscus (on average, 47.18 percent per annum for UFH and 48.26 percent for UWC) than the HAUs whose dependence on the fiscus ranged from an annual average of 30.20 percent (Wits) to 40.13 percent (UP). There seemed to be a general trend towards reduced financial dependence on the state. This trend, however, applies only to the HAUs and is in no way consistent across all the years (2000 – 2005), as evidenced by the HAUs but Wits, which registered consistent reduction of dependence on state appropriations across the five years (2000 – 2004). From this trend one may conclude that Wits has grown its independent revenue base faster than the increase in state appropriations. It is generally held that universities that are less dependent on state appropriations are more financially stable as they are, to some extent, less impacted upon by shifts in the state's policies regarding higher education funding. As was shown in Chapter Five, the state's funding of South African public universities is generally on the decline. This decline is less likely to heavily impact on institutions that have been successful in diversifying their sources of income. The University of the Witwatersrand and the other HAUs that have significantly reduced resource dependence on the state could be said to be on the right course to economic self determination.

Regarding non-government revenue, there seems to be no common source of non-government revenue of choice for all the universities. In some universities (UCT, UP and UWC) 'tuition fees and other fees' is the highest source of non-government revenue. In other universities (SU and the UFH), 'private gifts and grants' constitute the highest source of independent revenue. Only Wits had 'research' as the highest source of independent revenue. Even though tuition fees is not the highest source of revenue for all

the universities, it is the second most important source of independent revenue in all the other universities where it is not the highest contributor of independent revenue. Further, 'tuition fees' is the only source of independent revenue from which all the universities raise significant amounts of revenue. 'Private gifts and grants', which is the highest source of independent revenue for SU and UFH, generated an annual average of only 2.19 percent of Wits total revenue, with 2003 and 2004 not registering any earnings, at all, from this source. 'Private gifts and grants', is actually Wits' least important source of independent revenue. 'Research', which is the most important source of independent revenue for Wits, is the least important source of independent revenue for the HDUs, contributing an annual average of 2.58 percent of UWC's non-government revenue and only 1.4 percent for UFH.

'Tuition and fees' is generally the most significant source of non-government revenue for South African universities owing to the policy of shared costs which is as old as higher education in the country. Further, the fact that South African universities are allowed to charge fees without any restrictions from the state has made 'tuition and fees' easy to manipulate in order to meet shortfalls from the other sources of income, especially state appropriations. Increases in tuition fees are usually the norm in a context of plummeting state appropriations and unreliable sources of independent revenue. For all the universities, 'tuition and other fees' is one of the fastest growing sources of independent revenue, with UWC being the most dependent on 'tuition and other fees'. The university raised an annual average of 21.72 percent of its entire revenue from 'tuition and other fees', and 41.79 percent of the institution's overall independent revenue.

South African universities have been able to generate significant revenues from 'tuition and other fees' by instituting annual increases in tuition fees, often leading to student disturbances, as was recently witnessed in some universities. An analysis by DoE (2005) shows that nationally, the average annual increase in student fees income between 2000 and 2003 was more than double that of state grants, i.e. 17 percent compared to 7.9 percent. In 2005, UCT was under pressure from the Student Representative Council to reduce a proposed fee increase of 7.7% for 2006. The general argument against the

increases in tuition fees is that they were over and above the consumer price index (CPI); but UCT's Executive Director of Finance, Enrico Uliana, argues that the internal inflation of universities is far much higher than the national inflation rate. According to Uliana (2005), UCT's estimated internal inflation for 2006 was 7.7 percent, and to match internal inflation and lag in subsidy required a fee increase of 11.1 percent. Regarding the pressure against the levels of fee increase vis-à-vis the CPI, Uliana posited:

... they talk about fees being too high; ... that the university has put its fees up higher than the inflation rate. I think that is very naïve. I don't think these are helpful comments. First of all, in terms of the realities, universities' internal inflation is not CPI. ... CPI for production and service industry is not the same. It is much higher for the service industry. It is therefore not good to talk to us about CPI, because we are not manufacturing steel or processing fish! (Personal Interview, August, 2005).

Uliana's argument points to what economists have described as the "cost disease", where costs and prices of some services e.g. education, tend generally to outpace the rate of inflation. What this means for higher education is that, due to significant growth in higher education's "market basket", for universities to be able to continue to generate sufficient revenue (in real terms) from tuition fees and be able to prosecute their mandate effectively, they have to raise tuition fees over and above the inflation rate.

Although Uliana's argument seems to suggest that South African universities are likely to continue to increase tuition fees to meet shortfalls in state appropriations, recent proclamations by the Minister for Education suggest that this option may soon be limited. The Minister laments that:

Student tuition fee collections have become a critical resource issue in the higher education sector. Institutions have funded increases in their volumes of activity by raising student tuition fees to "unreasonably" high levels. In turn this has put pressure on state funding to NSFAS. While fees have doubled over the last five years, the increase in funding to NSFAS has risen by 30 percent.

(<http://www.education.gov.za/dynamic/dynamic.aspx?pageid=306&id=1651>, accessed 14 November 2006)

The Minister is careful not to blame the increases in tuition fees on diminishing capitation from the fiscus but rather "their [public universities'] increase in their volumes of

activity”. The increases have put pressure on government funding to NSFAS, which, as the Minister observed increased by 30 percent over the last five years while fees have increased by 100 percent over the same time period. The increase in tuition fees has ‘inadvertently’ put more pressure on government to set aside more funds for NSFAS, something the government appears not to be enthusiastic about. The available government resources for student financial support (NSFAS) are too few to meet demand arising from the increases in tuition fees. The resultant fiscal pressure on government, coupled with student discontent, has led the South African government to threaten a new policy on tuition fees, which would “give government the power to place upper limits on the total tuition fee collections of the public higher education system”. <http://www.education.gov.za/dynamic/dynamic.aspx?pageid=306&id=1651>, accessed 14 November 2006).

Other than the threat by government to set a maximum tuition fee cap to limit the authority of higher education institutions to define their own tuition fee levels, tuition fees as a source of revenue has already been limited by the recent decision by DoE (2005) to slap enrolment caps on public universities thus making the expansion of student numbers as a strategy to generate more tuition revenue, an unavailable option. Another hindrance to optimal gain from tuition revenue is the problem of student debt. Like their Kenyan counterparts, none of South Africa’s public universities are able to effect 100 percent tuition fees collection. In a recent analysis, Steyn & de Villiers (2006) show that the problem of student debt is a major obstacle to the attainment of financial stability by South African public universities. The following tables (6.5 and 6.6) show the situation of student debt in South African public universities.

Table 6.4: The Size of Accumulated Student Debt of HAUs in South Africa: 2000 – 2003 (in Rand)

Year	Student debt	Student debt Written off	Student debt as percentage of tuition fees	Student debt written off as percentage of tuition fees
2000	-	35 464 000	-	2.4%
2001	404 910 192	36 560 000	22.9%	2.1%
2002	542 358 000	43 963 000	25.8%	2.1%
2003	644 415 712	58 445 000	25.6%	2.3%

Source: Steyn & de Villiers (2006)

Table 6. 5: The Size of Accumulated Student Debt of Six HDUs in South Africa: 2000 – 2003 (in Rand)

Year	Student debt	Student debt Written off	Student debt as percentage of tuition fees	Student debt written off as percentage of tuition fees
2000	-	53 924 000	-	18.6%
2001	148 242 000	59 885 000	54.3%	21.9%
2002	430 100 000	43 639 000	115.0%	11.7%
2003	462 678 000	97 048 306	100.7%	21.1%

Source: Steyn & de Villiers (2006)

From 2001 – 2003, outstanding student fees at HAUs (Table 6.4) increased from almost R405 million to more than R644 million. Annually, the debt written off has increased from R35.4 million in 2000 to R58.4 million in 2003. As a percentage of total tuition fees, the outstanding student fees and the amount written off remained fairly constant over the four years (Steyn & de Villiers, 2006).

The situation at the HDUs, i.e. universities of Durban Westville (which has since merged with the University of Natal to form the University of KwaZulu Natal), Western Cape, Zululand, Vista (which has since been closed and its facilities merged into other universities including the University of Pretoria and the University of South Africa), the North (which has since merged with the Medical University of South Africa to form the University of Limpopo) and Venda; as represented in Table 6.5) is much more serious. Student debt increased dramatically from just over R148 million in 2001 to almost R463

million in 2003 (Steyn & de Villiers, 2006). Student debt written off almost doubled from R53.9 million in 2000 to R97.0 million in 2003. When one looks at the outstanding debt as a percentage of tuition fees, the picture becomes even bleaker. In 2002 and 2003, student debt was slightly more than one full year's tuition fees. Here one must bear in mind that the debt has increased over many years and it is not the outstanding debt of one particular year (Steyn & de Villiers, 2006). From the data in tables 6.4 and 6.5, it is clear that student debt at public universities is a serious problem in South Africa; one which effectively undermines the choice of tuition fees as the main source of non-government revenue for South African universities.

Regarding revenue from research, it has already been mentioned that 'research' is the least important source of independent revenue for the HDUs. Not all the HAU's have either been able to consistently generate significant amounts of income from this source. The trend for most is that of fluctuations, the worst being SU's whose earnings from 'research' dropped from a high of 21 percent of the institution's total revenue in 2000 to only 1.05 percent in 2004. The trend is the same with regards to actual earnings from research. In 2000, SU generated R191,313,000 from research which dropped to R17,699,000; a percentage drop of 98.1. Only Wits and UCT managed to maintain significant earnings from research through the years.

Research income, though important in sustaining universities' research enterprise, seems not to significantly contribute to the overall financial stability of South African universities. Although the revenue accruing from this source is reported as though it belonged to the universities, much of it actually belonged to individual researchers and thus it did not contribute much in expanding the financial base of the institutions. In fact, according to Uliana, UCT spent more on faculty members' research than it earned from it. The University is apparently not adequately compensated, in terms of overhead costs, by faculty who use its resources (time, office space, laboratories, electricity, printing, photocopying, etc.) to conduct their research:

Research contracts do not add to our [UCT's] financial stability, if anything they weaken it. They do provide resources for research activities, but these research

activities draw on university resources without adequately contributing to them (Uliana, e-mail communication, September, 2005).

The other sources of revenue, i.e. 'sales (goods and services)', 'private gifts and grants', 'investment income', and other 'sources' also make varying contributions across all the institutions through the five year period. No particular overriding trend is discernible. Whereas some source may contribute more significantly for an institution in a particular year, the same source may perform dismally for other institutions in the same year. A good example is 'sales (goods and services)', which contributed 11.0 percent of UCT's total revenue in 2004 but only managed 0.10 percent for UFH in the same year. The only trend that characterises the performance of these sources is swings and fluctuations, which are less at UCT and UWC as compared to the other universities.

Regarding the overall growth in non-government revenue for the six universities over the five year period (2000 – 2004), a staggered growth was recorded. The University of Fort Hare registered the highest percentage growth of non-government revenue between 2000 and 2004, i.e. 220 percent followed by SU (113.75 percent), Wits (99.27 percent), UWC (75.97 percent), UCT (57 percent) and finally UP (56 percent). Even though UFH registered the highest growth in non-government revenue; in quantum terms, the university consistently earned the least among all the six universities in all the five years.

Overall, looking at the manner in which resource dependence is distributed on the various sources of non-government revenue across all the universities, several observations can be deduced. One, from 2000 through 2004, all the South African universities in this analysis secured more funding from sources outside the government, which makes them less resource dependent on the state compared to their Kenyan counterparts. Secondly, 'tuition and other fees' are the most important source of non-government revenue for all the universities but Wits and UFH where 'research' and 'private gifts and grants' are the most important sources of non-government revenue, respectively. But, considering that income from 'research' and 'private gifts and grants' is usually tied to specific purposes or activities and is rarely available for the universities to use at their discretion, tuition

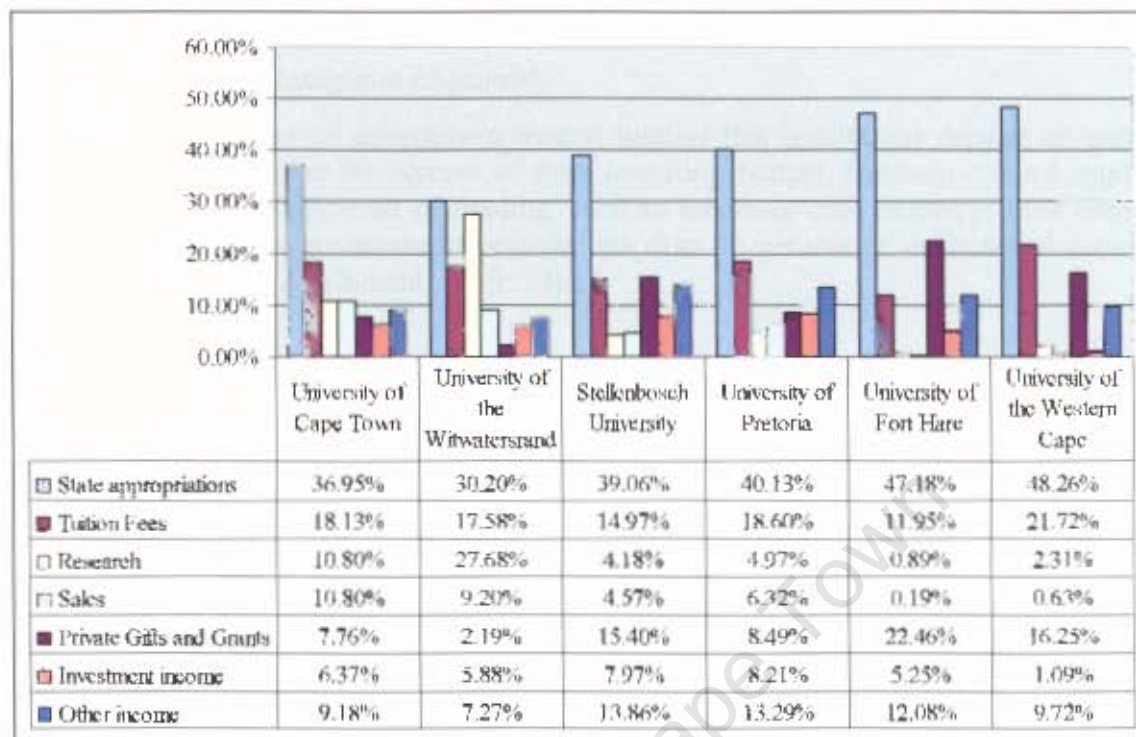
revenue thus becomes the most important source of unrestricted revenue for SA's public universities.

The third observation is that not all the sources of non-government revenue have been exploited equally by all the universities. Rather, not all of them have been stable or reliable sources of revenue growth for the universities. Some sources earned more revenue for some universities than they did for others. Generally, not all the sources of non-government income have been exploited optimally. For three of the universities, 'sales (goods and services)' constituted the least exploited source, contributing an average of only 0.2 percent of UFH's revenue for the entire five year period. For UCT and Wits, 'investment income' was the least exploited source, and for UP, 'research' was the least exploited source of income contributing only 4.6 percent of the university's revenue in the five year period, 2000 – 2004. Although some sources of revenue have been more utilised by some universities more than others, none of the universities can be said to have embarked on generating non-government revenue, strictly speaking, in a manner so distinct as to set it aside from the rest. Rather, the behaviour of South African universities display some form of isomorphism, within and between the two categories: HAUs and HDUs.

Lastly, unlike in the Kenyan case where the UoN was far ahead of all the other universities regarding the quantum of the income it earned from all the sources, SA does not have such an institution. Although the HAUs are distinctly more resourced than the HDUs, there is not a single university that is markedly more resourced than the rest.

Figure 6.24 below summarises the overall percentage share of revenue from various sources in the total income of the six South African universities. It captures the revenue earned between 2000 and 2004. Due to lack of data on the funding of South African Universities in 2005, it was not possible to have the same comparative time period as Kenya's (2001 – 2005).

Figure 6.24: Percentage Share of Revenue from Various Sources in the Total Income of South African Universities, 2000 to 2004.



6.5 Comparative Analysis

Looking at the universities in the two countries together, it is clear all of them have managed to reduce resource dependence on the state, at least to some degree. Reduction of resource dependence on the state is however more pronounced in the South African case where all the universities have managed to reduce dependence on the fiscus to below 50 percent but with some universities managing to reduce it to below 40 percent. In the case of Kenyan universities, although not all of them have managed to significantly reduce dependence on the fiscus, the reduction recorded by UoN could be described as drastic. The university reduced its dependence on state appropriations from 70.25 percent in 1998 to 38.81 percent in 2005. All the other Kenyan universities are however still highly dependent on state appropriations, with all of them being dependent on state appropriations by over 60 percent in the five year period 2001 – 2005.

Writing in 1995, Zideman & Albrecht described Kenya's and SA's institutional dependence on government as high and low respectively. They perceived a high dependence on state funding as symbolizing a high degree of government control. They disaggregated three categories of control:

High degree of government control implies that institutions depend on public funds for over 90 percent of their operating budget. Medium control implies some diversification of funding, such as moderate cost recovery. Low control implies that governments provide less than 70 percent of institutional funding (Zideman & Albrecht, 1995: 30).

To determine the degree to which the institutions investigated in this study were dependent on government and non-government funding, Zideman & Albrecht's (1995) classification (i.e. the percentage levels of reliance) was slightly modified. It is argued that Zideman & Albrecht's (1995) percentage levels of reliance are too broad and may not accurately capture significant differences in institutions' degrees of dependence on government, or conversely, on non-government funding. Zideman & Albrecht's (1995) classification also does not provide a percentage ceiling for 'medium' and 'moderate' degrees of dependence. Their description of medium control as "some diversification of funding, such as moderate cost recovery" is rather ambiguous as it is possible for highly dependent institutions (i.e. in their classification) to have some "diversification of funding" and "moderate cost recovery". The modified classification, which I use to determine the extent to which the investigated institutions are dependent on government funding, is as shown in Table 6.6 below:

Table 6.6: Classification of Degree of Resource Dependence on State Appropriations by Universities.

Percentage	Level of dependence
70 percent and above	High dependence
50 to 69 percent	Medium or moderate dependence
Below 50 percent	Low dependence

In the modified classification model, classifications within categories can be staggered. For instance a dependence level of over 90 percent could be described as 'very high' and one of less than ten percent as 'very low'.

Tables 6.7 and 6.8 below show the degree of resource dependence on state appropriations by the Kenyan and South African universities used in this analysis. The classifications have been generated on the basis of the average share of state funding in the finances of these institutions from 2001 to 2005 for Kenya and 2000 to 2004 for SA. 2001 was chosen for Kenya because of the missing data for 2000, for Kenyatta University.

Table 6.7: Degree of Dependence on Government Funding by Kenyan Universities

University	Percentage level of dependence on government funding	Classification of dependence
University of Nairobi	43.53 percent	Low
Kenyatta University	60.57 percent	Medium
Moi University	84.94 percent	High
Jomo Kenyatta University of Agriculture and Technology	69.58 percent	Medium
Maseno University	66.62 percent	Medium

Table 6.8: Degree of Dependence on Government Funding by South African Universities

University	Percentage level of dependence on government funding	Classification of dependence
University of Cape Town	36.95 percent	Low
University of the Witwatersrand	30.20 percent	Low
Stellenbosch University	39.06 percent	Low
University of Pretoria	40.13 percent	Low
University of Fort Hare	47.18 percent	Low
University of Western Cape	48.26 percent	Low

As can be seen in the two tables above, only one Kenyan university, UoN, is so far 'lowly' dependent on government funding, as the case is with all the South African universities (Table 6.8). South African universities can thus be said to have attained a measure of success in as far as minimizing dependence on the fiscus is concerned. The less a university is dependent on government funding the more it has distributed its resource dependence on non-government sources. This does not however mean that such a university has a more diversified resource base. As this analysis has shown, cases of revenue concentration, especially among Kenyan universities, were reported.

Given the volatilities that characterise revenues from some of the non-government sources, it is possible for institutions to slide from one classification to another, depending on the behaviour of revenues from non-government sources. Huge increases in state appropriations could also make a university with an otherwise stable source of non-government revenue look more dependent on the state.

Although all the universities in the two countries have, to various extents, minimised dependence on state appropriations (see tables 6.7 and 6.8), 'state appropriations' was still the single most important source of revenue for all the universities. The state was thus still important in the funding of higher education in the two countries. But, like revenues from all the other sources, the annual growth in state allocations was in no way consistent. For some universities in both countries, state appropriations actually declined in some years, e.g. Maseno University in 2003, and University of Pretoria in 2002. The inconsistent growth patterns of revenues from the various sources had implications for revenue growth for almost all the universities. It is also likely that marginal revenue increases were consumed by inflation, meaning that there wasn't real growth. Revenue growth was further slowed by revenue volatilities which some sources experienced across several universities in the two countries. Revenue volatilities were more pronounced in Maseno University for Kenya, and University of Pretoria for SA.

Revenue volatility can be problematic. Substantial year-to-year variation in the contributions from the various sources can make it difficult for university managers to

plan for the future or even in assuring stable operating monies. Revenue volatility, however, appears less a concern with government funds than with the non-government contributions. Consequently, although funding from government to higher education has been plummeting, it still remains the most stable source of revenue for public universities.

Regarding contributions of the various sources of non-government revenue, several trends can be teased out. Not all the sources of non-government revenue contributed equally to the quantum of the universities' revenue (see figures 6.3 and 6.24). In both countries, 'tuition and other fees' was the most significant source of non-government revenue. This can be attributed in part, to the policy settings associated with the charging of 'tuition and other fees' in the two countries. Whereas cost recovery, i.e. charging of tuition fees, is as old as SA's higher education, this practice is a recent phenomenon in Kenya. South African universities have for a long time utilised this source by charging institutionally determined tuition fees and by increasing the tuition fees charged annually. A recent shift by Kenyan public universities from a purely supply-oriented provisioning of higher education to demand-oriented provisioning, as epitomised by parallel programmes, is responsible for the phenomenal rise in revenue from tuition fees. Because all Kenyan public universities offer parallel programmes, these institutions are reluctant to increase fees, least of all annually, for fear of losing students to universities charging the least fees. They have instead resorted to increasing the volume of revenue from tuition fees by signing up many parallel students. In both countries; the contribution of 'tuition and other fees' in the overall financial stability of the institutions was hampered by the problem of student debts, which, as was shown in the case of SA, is more severe in the HDUs.

There was a tendency, especially among the Kenyan institutions, to over-rely on a few sources of non-government revenue (tuition fees and parallel programmes). Revenues from the other non-government sources have contributed little to enhance income at the Kenyan universities. These sources include 'research grants', 'trust and endowment fund', and 'income from services rendered'. The tendency to over-rely on some sources

of non-government revenue was also visible in some South African universities, where some sources of non-government revenue consistently performed poorly. These include 'research', 'investment income' and 'sales (goods and services)' at UFH and SU. The University of Cape Town was actually the only one that consistently maintained a comparative balance in revenues from non-government sources (see Figure 6.24). The university has thus avoided relying heavily on any one stream of non-government income. The inability by some of the universities to generate significant sums of revenue from all the sources leads to the conclusion that these institutions have not yet managed a balanced diversification of income. The sources from which the revenues generated were low and almost negligible, present opportunities that have been least exploited.

Generally, in terms of the percentage contribution of the various sources of non-government income in the overall funding of all the universities in the two countries, SA's HAU's can be said to have slightly attained some kind of balance between these sources. This means that in these institutions, resource dependence is to some extent fairly distributed among the various sources of income. The same cannot be said of the HDUs, but more especially, the Kenyan universities. As was shown in the preceding data, all Kenyan universities relied heavily on tuition fees, both from state-sponsored students and parallel programmes. Many of the other sources only made marginal additions to the institutions' income. The over-reliance on tuition revenue, which actually consists of a shift of resource dependence from the state to students and their parents, is risky. In the event of volatilities or turbulence in the student market, leading to low earnings from tuition fees, Kenyan universities could face extreme liquidity problems. This possibility is a matter of great concern considering the Kenyan government's unwillingness or inability to continue large-scale funding of public universities.

The data used in this analysis show cross institutional variations in the fiscal strength of the universities both within and between the two countries, especially as far as non-government revenue is concerned. In Kenya, between 2001 and 2005, MU which generated the least amount of non-government revenue, earned on average only 8 percent of the revenue of the university with the largest amount of non-government revenue,

UoN. Over the same period KU earned 23.8 percent, Maseno 9.7 percent, and JKUAT 9.6 percent, of the non-government revenue earned by UoN. In SA, between 2000 and 2004, the amount of non-government revenue generated by Wits, which was the highest, was seven times that generated by UFH, which had the least. The variations in financial strength are therefore less pronounced among the South African universities as compared to the Kenyan ones. Across the two countries, South African universities were more resourced than their Kenyan counterparts. Between 2000 and 2004, the quantum of non-government revenue that was earned by UoN, which earned the highest relative proportion of non-government revenue among the Kenyan universities, was about five times smaller than the amount earned by Wits, the South African university that earned the highest amount of non-government revenue. In the five year period (2000-2004), the quantum of non-government revenue for UoN only slightly surpassed that of UFH, in SA.

From the foregoing comparative analysis, it is clear that not all the universities have been successful in winning non-government revenue. Also, although all the universities have diversified their sources of income, it is apparent that not all the sources of non-government revenue have contributed significantly to the overall income of the institutions. Stumpf (2006) has identified several challenges that hamper the generation of non-government revenue, especially non-tuition fees revenue, for South African universities. These challenges include:

- Generally weak university/business relations;
- Limited industrial business base in South Africa;
- Lack of tax breaks for individuals and companies;
- Lack of developed alumni and fundraising structures and absence of the culture of 'giving'; and,
- Impoverished geographic and economic environments of many higher education institutions in South Africa.

The above challenges also apply to Kenyan universities. Other than the above challenges, an additional challenge facing Kenyan universities is weak enforcement of laws related to

intellectual property rights (Rodrigues et al. 2005). Thus, although it is argued that the sources from which the revenues generated were low and almost negligible present opportunities that have been least exploited, some of the challenges above persuade the thinking that these sources may actually be non-existent opportunities, for some universities.

6.6 Conclusion

This chapter has presented data on the various sources of revenue for Kenyan and South African public universities. Other than the actual contribution in monetary terms, percentage contributions from the various sources are also shown. As is shown in the figures, whereas data for South African universities is presented against similar categories i.e. 'state appropriations', 'tuition and other fees', 'research', 'sales (goods and services)', 'private gifts and grants', 'investment income' and 'other income'; the categories are varied for Kenyan universities. For instance whereas UoN has 'state appropriations', 'tuition fees', 'parallel programmes', 'research grants', 'trust and endowment grants' and 'other income', other universities mainly have 'state appropriations', 'tuition fees', 'parallel programmes' and 'other income'. As already explained, the difference in the manner in which Kenyan universities present their financial information is because of a lack of a uniform format determined by a central body as the case is with SA where the Department of Education has formulated a Higher Education Management Information System (HEMIS) which universities are required to follow when presenting their financial reports.

The data presented in this chapter reveals a general shift in the patterns of higher education funding; from government sources to those that reflect a creeping market orientation. Although several universities in the two countries still largely depended on government funding, there is a perceptible trend towards distributed resource dependence. It has been argued that no matter what sources are most available to universities and no matter how managers choose to pursue resources, the fate of universities depended at least, in fair measure, on achieving some kind of mix or balance

between these sources (Frumkin & Keating, 2002). Whereas the universities in the two countries have been able to win revenue from multiple sources, the respective share of these sources in the overall income of the institutions is varied. The contribution of some sources is arguably negligible for some universities. These sources, which so far make a minimal contribution, present opportunities that should be optimally exploited by the concerned universities.

Although all the universities in this analysis have managed to reduce dependence on state appropriations, transferring this dependence to one main source of non-government revenue, as seen in the Kenyan case is not desirable. The reason many universities have suffered financial distress was their over-reliance on state appropriations such that when governments started withdrawing from funding universities, the universities' liquidity was threatened. The same eventuality is likely to arise if the sources of concentrated revenue experience problems, such as the parallel programmes in Kenyan case. Kenya's public universities have previously suffered immense revenue losses occasioned by unplanned closures resulting from student disturbances and industrial action by academic staff.

It is therefore argued that diversification of sources of revenue can only guarantee universities continued financial stability if the various sources accrue significant amounts such that any unforeseen underperformance by one source does not financially destabilise the institution. The reason for mitigating any form of resource dependence should be to guarantee financial health and sustainability, irrespective of volatilities that may negatively impact some sources or markets. This contention is consistent with resource dependence theory's postulation that "given that the organisation's vulnerability derives from dependence on single exchanges, the most direct solution is to develop an organisation which is dependent on a variety of exchanges and less dependent on any single exchange" (Pfeffer and Salancik, 1978: 109).

The intuitive appeal of the diversification argument rests on the idea of spreading risk across funding sources. Thus, when a university has funding from multiple sources, the

withdrawal of any single source of revenue will not have disruptive budgetary implications for the institution. By diversifying their funding streams universities are thought to be able to shield themselves from some of the turbulence, instability or uncertainty of the market around them. Diversification is thus a way of hedging against declines from any single (large) revenue source (Frumkin & Keating, 2002; Pfeffer & Salancik, 1978). It represents a method for decreasing the institutions' dependence on any single source of revenue; and as Pfeffer & Salancik (1978: 131) argue, it "represents an explicit attempt to avoid uncertainty."

Although revenue diversification is important in mitigating resource dependence on any single source, especially government appropriations, Ziderman & Albrecht (1995) warn that overemphasis on revenue diversification may be harmful as it may deflect attention away from more pressing problems such as rapid expansion of enrolments, as the case appears to be in Kenya where high enrolments (in the parallel programmes) seem to be encouraged (at the expense of quality) so as to maximise on income (Wangenge-Ouma, 2006). Ziderman & Albrecht (1995) also express the fear that (over) involvement with certain sources of non-government revenue such as short courses may focus a university's entrepreneurial energies and academic staff time on these courses at the expense of traditional degree courses and research.

Revenue diversification entails new costs (Frumkin & Keating, 2002; Ziderman & Albrecht, 1995), such that universities may not necessarily be making extra revenue by tapping it from several sources. For instance, regarding parallel programmes in Kenya, Ngome (2003) claims that although many faculties in all the public universities were running these programmes, some of them were either running at a loss or have failed to attract any enrolment. The same applies to other income generating ventures. For example, for many years Maseno University has registered losses on its farm, bookshop, and photocopy services (Ngome, 2003; MU, 1999, 2000, 2001, 2002, 2003, 2004). A comparison of the university's aggregate income-generating unit's revenue with total expenditure shows a negative profit trend (Ngome, 2003). The problem of costs surpassing the income generated seems to encourage the notion of concentrating on a few

sources of revenue from which the institution experiences or has potential to experience significant benefits at lower administrative and fundraising expenses.

Notwithstanding the above potential pitfalls of revenue diversification; for universities to attain economic self-determination and ultimately, institutional survival, in a context of plummeting support from the public purse, generating revenue from a portfolio of non-government sources without being overly dependent on any one source remains the most ideal strategy. Diversification of sources of revenue is thus an adaptation by Kenyan and South African public universities to evolving resource realities. Fiscal pressures caused by the increasing cost of higher education provision and simultaneous restraint in government funding have made the seeking of new sources of income an archetypical adaptation by public universities.

University of Cape Town

CHAPTER SEVEN

REDUCING RESOURCE DEPENDENCE ON GOVERNMENT FUNDING: STRATEGIES FOR EARNING NON-GOVERNMENT INCOME

7.1 Introduction

The main concern of this study is how public universities in Kenya and SA are responding to declining capitation from the state. It is acknowledged that a steady flow of resources is not only important for the effective prosecution of universities' missions, but also their very survival as effective organisations. In the preceding chapter, the various external sources of revenue upon which public universities in the two countries have turned to secure a continuous flow of revenue were discussed. As was shown in the preceding chapter, the revenue structures of the various universities in the two countries indicate a differential shift of resource dependence to external, non-government sources.

In this chapter, an analysis of the actual strategies that universities in the two countries have implemented to enhance their acquisition of non-government revenue is undertaken. From the revenue structures of the universities in this analysis, and the relative weight of individual revenue sources in relation to the total income of the universities, five broad income-earning strategies have been teased out. These are tuition fees, proprietary activities, collaborative alliances, research, and donations and gifts. All these five are in a broad sense, aspects of marketisation.

Marketisation refers to several income-earning related behaviour or strategies that universities have adopted. Various descriptors have been coined to depict this behaviour, viz., privatisation, commercialisation, commodification, academic capitalism and entrepreneurialism (Clark, 1998; Etzkowitz et al. 2000; Johnstone et al. 1998; Marginson & Considine, 2000; Nafukho, 1996, 2004; Slaughter & Leslie, 1997; Slaughter & Rhoades, 2004). These descriptors could be said to describe various variants of marketisation.

Marketisation is also understood as a form of higher education privatisation (Johnstone et al. 1998). Varghese & Suwanawongse (2005: 1) describe higher education privatisation as the application of “private sector or market principles in the operation and management of the institutions of higher education while the ownership rests within the public domain”. Since public universities now compete for resources in a market context, they are forced to adopt practices that are consistent with private business practice. Public universities are thus forced to act as though they were private entities, with a greater orientation to the student as a consumer (customer), university education as a “product”, “market niches”, “pricing” and aggressive marketing (Johnstone et al. 1998). Generally, adoption of principles of marketisation may be said to constitute a repositioning of public universities to compete within new economic realities. From the resource dependence perspective, marketisation essentially entails revenue earning transactions between universities and their many publics viz., students, industry, alumni, both governmental and non-governmental entities, among others. These ‘publics’ are essentially ‘markets’ from which public universities tap resources through exchange relationships.

From the student (local and international) market, universities generate revenue through levying fees, both for instructional and non-instructional costs. From industry, universities generate revenue by attracting funding for research and also selling intellectual products. From foundations, universities usually attract funding for research and endowments, and from alumni, universities mainly generate endowment funds.

Marketisation has thus become an important means by which universities acquire and stabilize revenue streams and resources. It has become an adaptive strategy by which public universities acquire resources to carry out their activities. The resource dependence theory imagines a free market environment in which organisations are rational entities competing for resources (Pfeffer and Salancik, 1978). As reflected in the income earning strategies discussed below, public universities in Kenya and SA have employed their diverse capacities to exploit their (resource) environments so as to acquire scarce and valued resources.

7.2 Tuition Fees

The analysis in Chapter Six showed that tuition fees is one of the most significant sources of non-government revenue for public universities in the two countries. This section discusses how universities in these countries have utilised or manipulated tuition fees to realise higher revenues.

7.2.1 Tuition Fee Revenue in Kenyan Universities

Figure 6.11 clearly shows that tuition fee revenue i.e. tuition fees paid by both government-sponsored students and parallel students, constitutes the most significant source of non-government revenue for Kenyan universities, especially UoN. Between 2001 and 2005, tuition fee revenue accounted for an annual average of 33.78 percent of UoN's total revenue. A bigger share of this revenue, as the case is with many other Kenyan public universities, came from parallel students (cf. Figure 6.11).

As already discussed in the preceding chapter, all the public universities in Kenya have turned to the (parallel) student market to try and reduce their resource dependence on government funding. As a result, there has arisen stiff competition for parallel students, as the number of parallel students a university is able to sign up determines the amount of revenue to be earned. Because the public universities depend highly on parallel students for their resource needs, they now strongly advertise their programmes both in the print and electronic media, and have also put in place other strategies to encourage a continuous and significant flow of parallel students.

Some of the strategies put in place by public universities to encourage the enrolment of more parallel students include: the proliferation of new programmes exclusive to parallel students and two; the tendency for universities to declare fewer openings in certain programmes for the JAB admissions only to recruit many more on the parallel stream. Gravenir's (2004) study of demand and admission trends in Kenya's public higher education points to a possible deliberate attempt by the JAB to limit admission into

certain programmes, such as pharmacy, medicine, dental surgery, engineering and law (Gravenir, 2004), which are considered 'marketable'. Gravenir further speculates that there could be a deliberate attempt to limit enrolment in some programmes with a high demand. He gives the example of the Bachelor of Pharmacy programme which had a declared capacity of twenty-seven in 1991/1992 academic year and in the 1999/2000 academic year, almost ten years later, the declared capacity was twenty-four (Gravenir, 2004).

The third strategy being employed to encourage the enrolment of more parallel students is bridging and pre-university courses. These are programmes meant to assist students to 'qualify' for university admission. Such students' average matriculation grade may be below the minimum required for automatic university admission (i.e. a C+) or may have scored the required minimum grade but then had inferior grades in subjects considered core in the course desired by the student. For instance, a student may want to do a Bachelor of Laws (LLB) course; his aggregate grade may qualify him for university admission but not for the LLB course because of poor performance in the English language in the matriculation examinations. Such a student may enrol in a bridging course in English language. In case he passes, the new grade obliterates the one scored in the matriculation examination and thus qualifies him to pursue the LLB course. Diploma and certificate programmes which have proliferated at public universities could also be considered, in a general sense, as bridging courses. Students who do not qualify for direct admission into degree programmes may choose to go the long way. They could start with a certificate course, and then move onto diploma and finally register for a degree programme. Although public universities advance the easily acceptable argument that these programmes are designed to provide opportunities for many Kenyans to access university education, thus exploiting the access and equity argument, one could argue that these programmes are actually designed to guarantee a constant flow of parallel students thus assuring the universities more revenue.

The fourth strategy is the relaxing of entry requirements. Beyond the minimum requirement of a C+ in the matriculation examinations, all the universities have designed

other requirements that make it relatively easy for many students to enrol. This applies both for undergraduate and postgraduate admissions (Wangenge-Ouma, 2006). These strategies point to the importance of parallel students to the resource needs of Kenyan public universities.

Partly because of the above strategies, but more so because of the revenue value of parallel students; some public universities have since enrolled more parallel students than the government-subsidised ones (see tables 7.1 and 7.2 below).

Table 7.1: Comparison of Enrolment of Government-subsidised Students and Parallel Students at the University of Nairobi, 2001/2002 – 2005/2006

Academic Year	Undergraduate		Postgraduate	
	Regular*	Parallel	Regular	Parallel
2001/2002	2,802	3544	1,455	1,568
2002/2003	3,455	2,483	2,378	1,647
2003/2004	3,322	4,685	2,532	1,689
2004/2005	3,142	5,890	1,880	3,867
2005/2006	2,948	3,686	1,957	3,267
Total	15,669	20,288	10,202	12,038

Source: University of Nairobi (2005b)

* Regular students are those that are subsidised by the government.

universities is thus to 'sell' themselves and their programmes effectively in order to keep enrolments and revenues streaming in.

From the revenue structures of Kenyan public universities (cf. 6.2.1), parallel programmes are clearly the main attempt by these universities to minimise resource dependence on the country's fiscus. They are part of the global trend of seeking market related solutions to higher education funding by shifting university costs from national governments to individual students and their families. The 'user pays' philosophy embraced in parallel programmes is consistent with marketisation's treatment of higher education as a consumer good and students as clients.

Another aspect of parallel programmes that can be associated with marketisation is the differential pricing of programmes or courses by way of charging variable fees. Unlike government-sponsored students who pay flat fees, irrespective of the study programmes they are taking, the fees charged to parallel students vary from course to course (see Table 7.3 below for Moi University), and from university to university. Professional courses such as medicine, engineering, and law, which are also considered to be closer to the market, attract higher fees than other programmes, especially in the humanities. Professional courses attract higher fees also because they are generally expensive to offer. Considering the underlying materialist objectives of the parallel programmes, it may also be argued that the setting of fees for these programmes is predicated on the highest price the market can bear.

Table 7.3: Tuition Fees (Kshs.) by Programme, Moi University, 2006

SCHOOL	TUITION FEES (Kshs.)
School of Education (All programmes)	120,000.00
School of Information Sciences	160,000.00
School of Law (LL.B)	150,000.00
School of Business & Economics (All programmes)	120,000.00
School of Arts & Social Science (All programmes)	120,000.00
School of Engineering (All programmes)	170,000.00
School of Medicine (MB.Ch.B)	400,000.00
School of Medicine (Nursing)	200,000.00
School of Public Health (Environmental Health)	200,000.00
School of Science (Computer Science)	170,000.00
School of Science (Biochemistry & Microbiology; Agriculture & Biosystems Engineering)	170,000.00
School of Science (All other programmes)	120,000.00
School of Natural Resources Management	120,000.00
School of Agriculture and Biotechnology	170,000.00
School of Agriculture	120,000.00

Source: <http://www.mu.ac.ke/academic/pssp/fees.html> (accessed, 21 September 2006)

Other than parallel programmes, bridging courses, short courses, open and distance learning programmes are the other sources of tuition revenue for Kenyan public universities.

7.2.2 Tuition Fee Revenue in South African Universities

Tuition fees is also one of the most important sources of revenue for South African public universities. Looking at the revenue structures of the six South African universities in this analysis (see Figure 6.24), the contribution of tuition fees in their overall income is only second to state appropriations in three of the universities (UCT, UP and UWC) and is the third most important source of revenue for the other three (Wits, SU and UFH). This high contribution of tuition fees is accounted for by the practice of up front cost recovery which has been in vogue in SA since the commencement of higher education in the country. Motivated by the thinking that university education generates substantial benefits for its recipients, South African universities charge their students market rate fees, set by individual universities. The 'user pays' philosophy applied in parallel

programmes in Kenya is the same one applied to all students in South African universities.

Since the universities individually determine what level of fees to charge, they do not levy the same amount. To maximise their tuition fee income, South African universities have instituted several strategies, the most common of which is the annual increase in tuition fees. The increases in tuition fees are usually (but not always) pegged on the prevailing CPI inflation rate. Some universities, such as UCT and Wits, have been increasing their fees at a rate higher than the prevailing national CPI inflation rate. At UCT, the rationale for increasing fees above the general inflation rate is premised on the argument that the UCT internal inflation rate is greater than the general inflation rate (Uliana, Personal Interview, August 2005).

The other strategy is the levying of variable fees for different study programmes (see Table 7.4 below for Wits). As is shown in Table 7.4, professional courses, especially in the faculties of health sciences, and engineering and the built environment, attract higher fees than the other courses. The levying of variable fees is usually informed by the relative cost of offering individual courses, and also the 'marketability' of the courses. Courses that are relatively inexpensive to mount but are in high demand in the market will inevitably attract high tuition fees.

Table 7.4: Tuition Fees (ZAR) by Programme, University of the Witwatersrand, 2006

PROGRAMME	TUITION FEES (ZAR)
Faculty of Commerce, Law & Management	
Bachelor of Commerce	18 660 – 22 150
Bachelor of Economic Science	23 760
Bachelor of Accounting	18 660
LLB (undergraduate) (4-year programme)	19 490
LLB (undergraduate) (5-year programme)	13 030
Faculty of Humanities	
Bachelor of Arts	16 000 – 20 390
Bachelor of Arts (Social Work)	18 620
Bachelor of Arts (Fine Arts)	18 080 – 21 990
Bachelor of Arts (Dramatic Art)	16 940 – 21 990
Bachelor of Education	11 500
Faculty of Health Sciences	
Bachelor of Dental Surgery	24 090
Bachelor of Medicine and Surgery	27 600
Bachelor of Nursing	16 425
Bachelor of Pharmacy	20 700
Bachelor of Science (Physiotherapy)	19 200
Faculty of Engineering & Built Environment	
Bachelor of Architectural Studies	19 680
Bachelor of Science (Construction Management)	23 140
Bachelor of Science (Property Studies)	23 410
Bachelor of Science Engineering – depending on branch	18 240 – 22 210
Faculty of Science	
Bachelor of Science	17 860 – 20140
Bachelor of Commerce	18 660 – 22 150

Source: <http://study.wits.ac.za/tuitionfees.html> (accessed, 25 September 2006)

At UFH, the variable fees charged for study programmes are also determined by the campus where the student is enrolled. Students at the East London Campus paid more than their counterparts in Alice Campus. Table 7.5 below shows the differential fees, for similar study programmes, paid by UFH students at its two campuses.

Table 7.5: Tuition Fees (ZAR) Levied by University of Fort Hare at Alice Campus and East London Campus, 2006.

Faculty	Tuition Fees (ZAR)	
	Alice Campus	East London Campus
Social Science and Humanities	11500	17000
Management and Commerce	11500	17000
Law and Education	11500	17500

Source: <http://www.ufh.ac.za/students/prospective/fees.html> (Accessed 25 September 2006)

In some universities tuition fees for similar programmes differ depending on the year of study. An example is the Bachelor of Medicine, Bachelor of Surgery (MB, ChB) programme at SU. In 2006 the tuition fees for this programme in the first year was ZAR 21,100, and the tuition fee for second to sixth year was ZAR 23,100 (<http://admin.sun.ac.za/studentfees/tuition.html>, accessed 1 October 2006).

An emerging trend with regard to tuition fees is the shift from block or programme based system of levying fees to a subject or course based system. Such is the case at UWC, SU and UCT. The University of Cape Town implemented course-based costing system in 2006, resulting in some students having higher fee increments than others.

7.2.3 Tuition Fee Revenue From Satellite Campuses

Public universities in the two countries have also put in place several organisational arrangements to ensure optimum earnings from tuition fees. One of these arrangements is the setting up of satellite campuses. In **Kenya**, public universities have established satellite campuses precisely to attract and accommodate more parallel students.

All of Kenya's public universities have established satellite campuses. These campuses, as has been mentioned in the previous chapter, are being established in strategic locations, especially in the major cities viz., Nairobi, Mombasa, Kisumu, Eldoret and Nakuru, where there is high demand for university education mainly by persons who are

working. The establishment of satellite campuses, especially in strategic locations, may be described as a business strategy of moving closer to (potential) clients. Some of the satellite campuses that have already been established are Ruiru and Parklands campuses for KU, Nakuru Town and Kenyatta Campuses for EU, Nairobi Satellite Campus and Kitale Satellite campus for MU, Karen Campus for JKUAT, Kisumu City Campus for Maseno and Bandari for UoN. Most of these satellite campuses offer a limited range of the so called demand or market driven courses. Overall, the satellite campuses have made it possible for Kenya's public universities to enrol a high number of full fee-paying students leading to high earnings from tuition fee revenue.

South African public universities have also established satellite campuses to enhance their competition for tuition revenue. Ntshoe (2004b) explains that South African public universities have utilised satellite campuses to reach especially working students, in rural areas and areas that are under-serviced, i.e. areas where there is demand for higher education but supply is lacking. University of Fort Hare's Bhisho Campus is an example of a satellite campus. The campus, which offers part time and distance courses, is strategically located in King Williams Town, the seat of the provincial government of the Eastern Cape Province (<http://www.ufh.ac.za/campuses.html>, accessed 9 November 2006). Its strategic location makes it easy to attract working students from the town and the neighbouring areas. As it is characteristic of satellite campuses, Bhisho Campus offers a limited range of demand-driven courses in public administration and finance.

7.2.4 Tuition Fee Revenue From International Education

International education is rapidly becoming a very important source of revenue for universities worldwide. For some universities, especially in the USA, Britain and Australia, international education is already an established source of revenue for some universities (Marginson, 2002). International education, as Marginson (2002) points out, is usually run not as a process of cultural exchange or as a subset of research or foreign policy aims, but as a fully commercial business. Whereas Kenyan public universities are yet to utilise international education to generate revenue; for a number of South African

public universities, provision of education to foreign students is an important strategy for the acquisition of non-government income.

According to <http://www.studysa.co.za> (Accessed 1 October 2006), the population of international students in South African universities has grown from about 13,000 in 1994 to more than 51,000 in 2003. South Africa is thus one of the leading destinations of foreign students in the world, but more so in Africa. While most foreign students are from other African countries, South African universities also attract students from around the world. For example, UCT, which has one of the highest populations of international students in SA, had international students from 96 countries in 2005. These students constituted 17 percent of the total population of students at UCT in 2005 (excluding international students on semester study abroad programmes), an increase from 11 percent in 1997 (IAPO, 2005).

In revenue terms, international students are important to host universities precisely because of the higher tuition fees which they pay. The tuition fees paid by international students is determined mainly by individual universities guided mainly by the student's country of origin, and programme of study. International students are usually disaggregated into three main groups: those from member countries of the Southern African Development Community (SADC), a regional trading block consisting mainly of southern African countries; those from the rest of Africa, i.e. from countries that are non-members of SADC; and those from countries outside Africa. Whereas (undergraduate) students from SADC are levied tuition fees payable by South African students, those from non-SADC countries usually pay far higher fees, in some cases, double the amount payable by South African citizens, as the case is at UP (<http://www.up.ac.za>, accessed 1 October 2006). Consequently, universities that have more students from outside SADC generate more revenue from international students than those whose international student population is predominantly from SADC countries. The practice of charging international students higher fees, though serving to generate non-government revenue, was introduced in 1997 when the South African government ceased to subsidise international students.

International students provide South African universities with a broad market from which to extract revenue. Attracting many international students, who pay higher tuition fees, is therefore seen as part of the strategic responses by South African universities to generate non-government revenue. Many South African public universities have established offices that specifically deal with international students. University of Cape Town's International Academic Programmes Office (IAPO), is one such office. Other than promoting UCT to the world as a centre of academic excellence, IAPO's other important goal is to generate revenue for UCT. In 2002, IAPO registered actual hedging profit of ZAR 6,200,000 from international full degree programmes. In subsequent years the profits were as follows: ZAR 7,058,088, ZAR 8,342,129, and ZAR 7,526,219, for 2003, 2004 and 2005, respectively (Canning, e-mail communication, September, 2006). Although the revenue generated by IAPO is relatively small compared to UCT's total annual earnings, it reflects a degree of dependence by UCT on foreign markets for revenue.

The foregoing discussion has showed how public universities in the two countries generate tuition fee revenue. The various ways in which South African public universities set tuition fees, point towards a strong inclination towards the maximisation of tuition fee income and a market orientation of higher education funding. The levying of variable fees is consistent with differential pricing for different 'products'. Further, fee increases, determined in one way or the other by prevailing CPI inflation rate, point to the concept of maximum cost recovery. There is also an element of competition with regard to the different amounts of fees levied by the various universities. Market forces thus seem to play a crucial role in the setting of university fees by South African universities.

The setting of university tuition fees in Kenya (parallel programmes) and South Africa has increasingly ceased to be a question of supporting a public service but rather how much the market will pay. Tuition fees have become important in compensating for the plummeting public financial support of higher education in the two countries and meeting the increasing costs of higher education. The maximisation of tuition fee income has seemingly become an important institutional policy for universities in the two countries.

Looking at figures 6.11 and 6.24, it is clear dependence on tuition fees by public universities in Kenya and SA is very high. It is undeniable that increasing tuition fee revenue through various means, especially by raising tuition fees, levying variable fees and encouraging the enrolment of many students, has become a key response behaviour by universities seeking to stabilise their incomes.

7.3 Proprietary Activities

Public universities in Kenya and SA have also resorted to for-profit activities to boost their income. In Kenya, these activities range from petty trade on campus, commercial farming and setting up of major proprietary establishments such as Maseno's Kisumu Hotel. The emerging trend seems to be the establishment of university owned for-profit subsidiaries. Not all the public universities have such companies. The University of Nairobi has the oldest such company – the University of Nairobi Enterprises and Services Limited (UNES) company. Incorporated in 1996 as a profit making holding company, UNES' primary mandate is to promote and coordinate income generating activities in the university (Kiamba, 2004; Rodrigues et al. 2005; UoN, 2005a).

There are five main income-earning activities that are run under the auspices of UNES. These are parallel programmes, consultancies, specialist-based production units which include mortuary services at the Department of Human Anatomy, a diagnostic services facility at the Department of Diagnostic Radiology and a computer assembly facility at the Institute of Nuclear Science (Kiamba, 2004). The other activities are seminars, workshops and short courses, and general production units. Income-earning activities conducted in the ambit of general production units include farming, timber and metal production (Kiamba, 2004). The University of Nairobi Enterprises and Services Limited is thus UoN's main vehicle for winning non-government revenue and shifting the university's resource dependence to various market and market-like sources.

Moi University also has a for-profit subsidiary: Moi University Holdings Limited (MUH). The mission of MUH is to facilitate and promote development of knowledge and

skill based commercial enterprises for the benefit of the university. The company's objectives include (<http://www.mu.ac.ke/muholdings/index.html>; Ogada, 2000):

- Coordinating, promoting and marketing the activities of all income generating units in the university, thus acting as a business incubator.
- Developing new business units and opportunities.
- Providing sound and business oriented management of all internal and external financial matters of the university.
- Enhancing commercialization of research and development through linkage with industry, small and medium scale enterprises and other bodies.
- Developing and promoting commercial partners and alliances.

The objectives of MUH explicitly announce the firm's financial interests. To meet these objectives, MUH has established several income generating activities, divided into five groups. These are: production units, explained as

income generating activities, set up to use idle time of the facilities and manpower within the departments and faculties, to generate funds, e.g. the welding and fabrication works in the Department of Production Engineering and the furniture production in the Department of Wood Science and Technology (<http://www.mu.ac.ke/muholdings/index.html>).

The other groups are service units (library, bookshop, catering, garage and health department), short courses, consultancy, research and development (includes technology transfer, commercialisation of research findings and inventions and business incubation), and business units. Business units are supposed to run independently at full cost recovery and generate profit (Ogada, 2000). The formation of companies such as UNES and MUH is meant to maximise profits by articulating opportunities presented by the market. These companies are the main vehicles through which UoN and MU are becoming economic actors.

Formation of university subsidiary companies as the case is with UoN and MU in Kenya is also in vogue in SA. Through subsidiary companies, South African universities engage in explicit proprietary activities, which add to these institutions' earned income. University owned subsidiary companies are actually the business arms of universities.

They are commercial entities that derive a significant portion of their commercial activities from 'products' of universities, including educational programmes, technology, technical expertise, etc. University of Pretoria currently owns three such companies. These are: Business Enterprises at University of Pretoria (Pty) Limited (BEUP), Continuing Education at University of Pretoria (Pty) Limited (CEUP) and Tukssport (Pty) Limited (<http://www.up.ac.za/up/web/en/up/about/enterprises.html>, accessed 28 September 2006). Business Enterprises at University of Pretoria (Pty) Limited trades in technology and skills located within the university. The company facilitates consulting and commercial research of the university. In typical business fashion, the slogan for BEUP is "brains for hire" (<http://www.be.up.co.za/index.html>, accessed 28 September 2006). Continuing Education at University of Pretoria (CEUP) is responsible for managing the university's continuing education courses. TuksSport (Pty) Ltd raises revenue for UP by developing and utilising the business opportunities that sport offers.

Stellenbosch University has a number of subsidiary companies linked to the university's Unistel Group Holdings (Pty) Limited (UGH). Through a number of subsidiary and associate companies, UGH earns revenue for SU mainly through commercialization of intellectual property (<http://admin.sun.ac.za/innovus/indexE.html>, accessed 28 September 2006). The subsidiary companies are (<http://admin.sun.ac.za/kie/unistel/>, accessed 28 September 2006.): Unistel Medical Laboratories, which is a commercialised human genetics laboratory situated in the university's faculty of health sciences; Sun Space and Information Systems (Pty) Limited, which develops high-performance small- and medium-sized satellites and related systems and solutions to the international aerospace market; Unistel Technologies (Pty) Limited, which pursues the exploitation of intellectual property on an exclusive basis through spin-out companies. According to the company's website, <http://admin.sun.ac.za/kie/unistel/technologies/index.html>, accessed 28 September 2006), the company "provides a "business to business" service to industry for services that are usually only accessible through the University structures." The other subsidiary companies are: Aquastel (Pty) Limited, which ventures in aquaculture fish industry; Aquanutru whose business focus is design, development and manufacturing of scientific formulated feeds for the aquaculture market (<http://www.aquanutro.com/>,

accessed 28 September 2006); and EquipU4 Learning Systems, which merchandises interactive multimedia programmes (<http://admin.sun.ac.za/kie/unistel/equipu4/>, accessed 28 September 2006).

The formation of for-profit companies by universities may be described as an attempt to win external revenue through the commercialisation of educational or intellectual products. Universities with such companies have established profit-oriented activities and some have created commercialisable products which, as the above illustrations have shown, are marketed by university owned limited liability companies. Harman (2006: 322) defines commercialisation as “the process of turning scientific discoveries and inventions into marketable products and services.” Commercialisation is, therefore, a way by which universities maximise their returns from investment in research and development, and innovation. Commercialisation is mainly concerned with products of science and technology. Commercialisation, therefore, gives universities with a tradition of cutting edge scientific research and development, a competitive edge. This is mainly because science and technology are the key drivers of the new knowledge-based economy (Slaughter & Rhoades, 2004), which has created a high demand for new scientific products.

The way in which public universities in Kenya and SA engage proprietary activities has common traits and also differences. In Kenya, proprietary activities mainly constitute parallel programmes. In SA, proprietary activities are more intense; they cover a broad spectrum of activities. The formation of university owned limited liability companies is increasingly becoming a common strategy in the two countries. The companies identify and exploit commercial opportunities for universities. It is mainly through these companies that the universities (having them) interact and intersect with the market.

7.4 Collaborative Alliances (Partnerships)

Collaborative alliances are voluntary cooperative inter-organisational agreements aimed at achieving competitive advantages for partners (Conolly & James, 2006; Das & Teng,

2000; Elmuti et al. 2005). Gray & Wood (1991) posit that the formation of collaborative alliances among organisations is a significant strategy that organisations can use to cope with the turbulence and complexity of their environments. Collaborative alliances are usually employed in situations where unilateral organisational action may not fix the problem or will not yield optimal returns. Collaborative alliances have several advantages. These include gaining access to new markets; accelerating the pace of entry into new markets; sharing of research and development, and learning new skills (Pfeffer & Salancik, 1978; Varadarajan & Cunningham, 1995).

Collaborative alliances are generally inter-organisational dependencies, and are competitive strategies. From the perspective of resource dependence theory, collaboration is an exchange of resources, which occurs when the important decision-makers believe that joint working can protect, and perhaps enhance key organisational resources (Conolly & James, 2006). Since organisations are embedded in an environmental context composed of a variety of actors, and organizational survival is dependent upon extracting resources from this environment, the actors become mutually dependent and work to ensure themselves a sufficient flow of resources. They attempt to manage their interdependence with other organizations (Pfeffer & Salancik, 1978).

There are many forms (typologies) of collaboration viz., collaboration in the form of joint ventures to promote technology transfer, to support new technology development and to boost competitiveness in global markets; collaborations that provide ways of strategically solving certain collective problems of similar organisations, etc. (Gray & Wood, 1991). Gray and Wood (1991:4) have argued, for example, that “Whatever the specific form of collaboration, many organisations are finding it advantageous and often necessary to find partners with whom to work toward mutually desirable ends”.

Collaborative alliances are thus inter-organisational exchange relationships in which organisations exchange resources, both tangible and intangible (Pfeffer & Salancik, 1978). From the resource dependence perspective, collaborative alliances thrive where organisations possess valuable organisation-specific resources that are useful to other

organisations (Das & Teng, 2000; Pfeffer & Salancik, 1978). The interpretation of what constitutes 'resources' is wide. Resources may include funding, advanced technology, prestige or status, advanced research capacity, among others.

For some time now, many universities all over the world have developed inter-organisational cooperative strategies geared towards addressing specific goals. These cooperative strategies have often involved collaborative research with industry and partnerships with the universities' numerous publics, including non-governmental organisations, other learning institutions (both public and private), government agencies and foundations. The involvement of universities in inter-organisational resource dependencies is geared towards improving the inflow of additional net resources, which helps to address internal resource deficiencies and manage uncertainties with regard to government funding.

There are two main forms of collaborative alliances which public universities in Kenya and SA have employed to attract revenue. For Kenyan universities, the main form of collaborative alliances involves co-ventures or franchise arrangements, especially with private non-university institutions. For South African universities, collaborative alliances, like in the Kenyan case, involve partnerships between public universities and private institutions, and also in the form of partnerships with industry.

7.4.1 Partnership with other Learning Institutions

These partnerships entail public universities having resource beneficial alliances with both public and private educational institutions, but mainly private institutions. These partnerships are usually established to boost institutional competitiveness in the higher education market. They are actually organisational arrangements meant to optimise tuition revenue. These partnerships could thus be described as "cooperative relationships driven by a logic of strategic resource needs and social resource opportunities" as Van de Ven has suggested (Das & Teng, 2000: 34). From the partnerships between Kenyan public universities and private (and also public) educational institutions, the universities are able to earn considerable revenue without having to incur significant 'production'

costs. As the case of JKUAT (see 6.2.3) showed, the university's financial input is limited to quality assurance. The franchise institutions incur almost all the operational costs. Further, the university does not have to bother with collection of fees and is not affected in any way by student debts in the franchise institutions as the university is entitled to a percentage of payable fees, and not of the actual fees paid. In these collaborative alliances, universities are keen to minimise costs and maximise revenue returns. It is not only JKUAT that has such collaborative alliances. Other Kenyan universities have also developed co-ventures with for-profit non-university institutions. Such include MU's partnerships with St. Phillips College, which has a presence in Nairobi, Embu and Chuka (in Eastern province) and North Rift Education Centre in Kitale; and KU's partnership with Regional Institute of Business Management based in Nairobi.

Through the collaborative alliances, the universities have been able to garner previously unavailable competitive advantages. The universities benefit from the wide spread of these franchise colleges, and their strategic location in major cities and towns. Some of these colleges offer courses which the universities do not offer on their campuses, meaning the universities are able to benefit from these colleges' capacities. Students who enrol for such courses in the franchise colleges would otherwise have enrolled in other institutions, hence occasioning loss of revenue for the collaborating universities. Through these inter-organisational dependencies, universities are now able to obtain and retain revenue they would otherwise not obtain - efficiently.

Although franchise arrangements are the dominant forms of partnerships involving Kenyan public universities, some universities have also developed unique partnerships with foreign universities. Under the auspices of the African Virtual University, Kenyatta University, for example, has a partnership with the Royal Melbourne Institute of Technology (RMIT) – a public university in Australia. In this partnership, KU 'facilitates' RMIT's online programmes in Computer Science and Information Technology. Another 'unique' partnership is the recently launched twinning programme between EU and the Western Michigan University (WMU) of USA. This programme

involves students spending two years at Egerton University and transferring to WMU for the remaining two. These partnerships with foreign universities involve students who are not sponsored by the government. The commencement of these partnerships is usually preceded by an agreement on the sharing of responsibilities, and more importantly, revenue.

Inter-organisational partnerships involving public universities and other institutions are also present in SA. In a recent study, Mabizela (2005) reports that many of the inter-organisational dependencies involved private institutions that offered face-to-face tuition to distance education students (most of whom are Black) of traditional face-to-face public universities. The distance learning students, most of whom were enrolled in previously Afrikaans-medium HAUs, required additional learner support in the form of face-to-face tuition, which the private institutions offered. Although these partnerships are, in part, motivated by the need by the universities to meet post-apartheid higher education transformation imperatives, Mabizela (2005), concludes that they have arisen mainly because of the pressures on public universities to generate new forms of income and hence to seek new markets for student enrolment.

The study by Mabizela (2005) also provides a typology of the partnerships, which describes the various 'resources' provided by the private institutions in their exchange relationships with public universities. These 'resources' include infrastructure and administrative support services whereby students are registered with the public partner institutions (universities) through their private partner institutions. Private institutions offering this 'resource' do not teach, they only offer administrative support. The other 'resource' is tuition, which ranges from expertise in one or two 'marketable' fields of study, such as information technology, business and marketing, to expertise in many fields of study. The other 'resource' is professional development, which entails the improvement of practitioners in their respective fields of study (Mabizela, 2005). The partnering universities thus utilise the various 'resources' owned by their private partners to service their distance learning students. Instead of developing their own distance learning infrastructures, which would be costly and time consuming, the universities

chose to use the private institutions', which have existing infrastructure. The universities have thus engaged in an exchange relationship with these institutions such that various resources are used in collaboration, to gain additional resources. The universities have effectively utilised these institutions' diverse capacities in collaborations that yield pecuniary benefits.

Consistent with the resource dependence theory, the universities as the focal organisations involved in these partnerships, extracted financial gain, without developing dependencies that permitted the private institutions to wield any significant influence. As reported by Mabizela (2005), private partner institutions were junior partners in the majority of partnerships. Many of them (private institutions) were not involved in the development of materials and neither were they involved in determining how those materials were to be used (Bunting, 2002b). Their main responsibility was to host the students and provide tuition. Of the six South African universities used in this study, only two are reported to have partnerships with local private institutions. These are UP and SU (Mabizela, 2005).

The partnerships between South African public universities and private institutions were initially designed in such a manner as to take advantage of the then enrolment based higher education funding mechanism (SAPSE). Bunting (2002b: 160) explains that:

because the students concerned were registered for a public institution's formal qualifications, they appeared on its database as registered students, even though they received no direct instruction from the public institution. When public institution submissions were made for government subsidies, the students registered by the private institution were nevertheless included in the public institution's claim (159). [...]. The tuition fees of students would normally have gone to the private provider and government subsidies to the public institutions.

Because the SAPSE rewarded student enrolments, the delay by the South African government to promulgate a new funding formula was, for the public universities involved, a 'window-of-opportunity' (Bunting, 2002c), "to accumulate funds as rapidly as possible" (Bunting, 2002c: 176). These partnerships thus, sought to meet the government's requirements with regard to student equity, i.e. enrolment of Black

students, in a manner that exploited the government's policy on funding to acquire extra revenue.

Partnerships between universities and private institutions in Kenya and SA could be described as a formation of inter-organisational networks that serve the resource dependence interests of universities. These partnerships minimise competition in the education market place. In the absence of these partnerships, the institutions would be in competition with each other, and on their own, they may not have the requisite capacities to advantageously access the student market. It is therefore in the interest of these organisations to voluntarily come together so as to optimally exploit opportunities for additional resources.

7.4.2 Partnership with Industry

Partnerships with industry are important collaborative alliances from which public universities gain resources. Whereas these partnerships were lacking in Kenya, several South African universities had them. These partnerships are however not available to all South African universities mainly because of (research) capacity differentials and geographical location (Ntshoe, 2004b). Broadly, HAUs have greater research capacity than HDUs. For instance, all the six Department of Science and Technology (DST) and National Research Foundation (NRF) Centres of Excellence are hosted by HAUs viz., UCT (2), Wits (2) UP (1) and SU (2). One Centre is co-hosted by Wits and SU (<http://www.nrf.ac.za/centres/news3006.stm>, accessed 1 October 2006).). The same applies to NRF 'A' rated researchers, whereby many of them are found in HAUs. For instance UCT has 21 'A' rated researchers (<http://www.uct.ac.za/>, accessed 28 September 2006). Many HDUs do not have any 'A' rated researchers.

Research capacity constitutes an important resource that attracts partnerships with industry. Universities with a well developed research infrastructure are better placed to establish exchange relationships with industry. From a resource dependence perspective, research capacity could be described as unique 'resources', which foster the competitive

advantage of the universities that possess them. As Das & Teng (2000: 32) posit, “what [an organisation] possesses would determine what it accomplishes.”

Elmuti et al. (2005) have identified four factors which have expedited collaborative alliances between universities and industry. The first reason is the speed with which technological changes are taking place, increasingly shorter product life cycles and more intense global competition which has radically transformed the prevailing competitive environment for most firms. Such a rapid change in the nature of competition has placed ever-increasing demands on corporations to continually create new technologies (Elmuti et al. 2005). The second factor is the apparent realisation by businesses that more of their revenue and earnings growth must come through the introduction of new technologies, which are being advanced both intra-and inter-organisationally. Elmuti et al. (2005) posit that it is becoming increasingly difficult for companies to depend solely on intra-organizational methods. Consequently, inter-organisational collaboration is frequently employed to stimulate the development and commercialisation of new technologies.

The third factor identified by Elmuti et al. (2005) is lower research and development expenditure. They refer to a study which showed that companies with university linkages had lower research and development expenditure. The last factor is technology transfer opportunities. From these factors identified by Elmuti et al. (2005), one may argue that universities with highly developed capacities in science and technology are likely to secure resource beneficial partnerships with industry. Whereas universities (may) have the scientific know-how or capacity, useful for generating new scientific knowledge, business corporations are usually interested in utilising the results of research to resolve current business problems or challenges of immediate concern to maximise earnings. Therefore, like the partnerships between public universities and private colleges, the symbiotic exchange relationship that ensues between universities and industry is usually motivated by the need for either to take advantage of the complimentary assets of the other for mutual benefit.

The inter-organisational dependence between universities and industry is normally incumbent upon industry's ability to provide financial resources for successful scientific or technological development, and the universities having superior research infrastructure and capabilities. Collaborative alliances involving research are therefore unavailable to universities without superior research capacities, especially in areas favoured by industry. Consequently, for universities to benefit from such alliances, they must possess capacities (expertise) that are aligned with the interests and priorities of (local) industry. Many of these partnerships involve HAUs, which partially explains why the four HAUs used in this study (UCT, Wits, SU and UP) earn significant amounts of revenue from research as compared to the HDUs.

Wits offers several examples of university – industry partnerships. The university has had partnerships with more than 40 companies (Barnett, E-Mail Communication, 18 October 2006), viz., Wits with Sasol, an energy company, to develop electro-analytical tools; Wits with Chrome International South Africa (Pty) Limited which involves the development of new technologies for CrO₃(s) production; and Wits with Columbus Stainless (Pty) Limited to develop modelling reactors (<http://www.enterprise.wits.ac.za/>, accessed 1 October 2006). Other companies with which Wits has had partnerships include: Pretoria Portland Cement Company Limited, Rustenburg Platinum Mines Limited, Holcim (South Africa) (Pty) Limited, Blue Crane Development Agency and AngloGold Ashanti Limited (Barnett, E-Mail Communication, 18 October 2006). The other HAUs, i.e. UCT, SU and UP also have partnerships with industry.

Unlike the collaborative alliances with other (educational) institutions, which universities enter into at institutional level, alliances with industry are usually undertaken at the actor level. In the context of this analysis, collaboration at the actor level involves the agency of individual researchers or university experts but within some kind of institutional framework. From this perspective, contract research involving academics and industry constitute collaborative alliance at actor level. In these inter-organisational dependencies, both the individual researcher(s) and the university (directly or indirectly) gain from the financial resources from industry. For instance, at Wits, 70 percent of the net revenue

accruing from such partnerships (contract work) goes to the researcher(s) involved and 30 percent goes to the university (Barnet, E-Mail Communication, 18 October 2006).

Collaborative alliances accrue multiple benefits to universities. Beyond generating the much needed income, collaborative alliances with industry improve the university's competitiveness, prestige, and access to modern technology, which universities eventually utilise to access external resources advantageously. These alliances also link the intellectual resources of a university to the needs of industry. Universities are thus exposed to practical problems and obtain industrial expertise. Depending on the nature of the partnerships, patenting and commercialisation of products accruing from the partnerships would be an important source of extra revenue.

Overall, the central concern of collaboration from the resource dependence perspective is the gaining of additional resources that are not available by other means or are only available at greater cost. Collaborative alliances are geared towards gaining access to the needed resources; they constitute an exchange of resources, which occurs, primarily, to enhance key organisational resources. It is geared towards minimising uncertainties in the resource environments of collaborating organisations (Das & Teng, 2000; Pfeffer & Salancik, 1978).

7.5 Research

Research capacity, as aforementioned, is one of the resources that universities utilise to acquire external resources and maintain a competitive advantage. Although many universities support the research enterprise from internal resources; large-scale research funding is usually obtained from external sources. Many universities lack the necessary resources internally to optimise their research competitiveness; meaning they have to rely on external revenue sources. In the context of this study, research funding, irrespective of how it is shared between the university and individual researchers, constitutes earned revenue. In a sense, attracting external research funding constitutes a saving on research expenditure for universities. Steyn & de Villiers (2006) point out that although research

awards are usually earmarked for specific projects performed by specific persons, and may therefore not help universities to solve possible day to day financial problems, these awards are indispensable for maintaining the research infrastructure as well as increasing their research output to respectable levels. But, for universities that have established research cost recovery mechanisms, external research grants constitute an important source of income.

The revenue structures of Kenyan public universities show minimal earnings from research. Actually, only UoN (Figure 6.3) and Maseno (Figure 6.7) show earnings from research. If it were to be argued that universities with a research tradition raise substantial amounts of revenue through research, then, conversely, all of Kenya's public universities do not have a vibrant research tradition. Such a conclusion would however be untenable owing to various factors. Although establishing the reasons for the limited success by Kenyan public universities to attract research revenue is beyond the purview of this study, it was established that some faculty members received research funding, but the funding was not always channelled through the universities (Vice-Chancellor of Kenyatta University, Personal Interview, February 2006). It was also claimed that since parallel programmes offered an 'easy' and almost guaranteed chance of making money, some Kenyan academics were not enthusiastic about seeking research funding. It was argued that the process of securing research funding was long, tedious, and that securing research funding was not guaranteed (Vice-Chancellor of Kenyatta University, Personal Interview, February 2006; Dean of School of Education, Kenyatta University, Personal Interview, February 2006). The Kenyan government's limited funding for research was another reason for the universities' limited earnings from research. As has already been pointed out in the previous chapter, the Kenyan government only recently set aside a research fund for universities and other research institutions. In 2005, the Kenyan government set aside Kshs. 20 million (about ZAR 2 million) and in 2006, Kshs. 65 million (about ZAR 6.5 million) to assist universities and other institutions to undertake research (Odhiambo, 2006). These allocations are obviously minimal and do not offer a meaningful opportunity for public universities to mitigate their resource deficiencies.

Some South African public universities have attained a measure of success with regard to winning research funding. There exists a tradition of competing for and securing research grants and contracts among South African universities. There are two main sources of research revenue: contract research from industry and earmarked research funding from government – related agencies. The government - related agencies that disseminate research funds to universities and other research institutions are:

- (a) The National Research Foundation (NRF);
- (b) The Medical Research Council (MRC); and,
- (c) The Water Research Commission (WRC).

Revenues from these government-related agencies form an important part of earned income by South African universities. The NRF funds research at higher education institutions in three main ways (Steyn & de Villiers, 2006): by means of direct NRF allocations for different purposes, by means of the Technology and Human Resources for Industry Programme (THRIP), which seeks to promote partnership between industry and research institutions, and from the Innovation Fund, which supports funding for technological innovation. The MRC provides research funding for projects mainly in the health sciences, and the WRC, for water research and development.

The various universities have depended on funding from the government-related agencies to various extents. Some institutions have been able to receive more funding than others, hence they depend more on these agencies for research funding than others. As from 1996 through 2003, UCT was able to attract from these agencies total research funding amounting to ZAR 372,671,748. Wits raised ZAR 204,771,627; SU ZAR 313,141,257; UP ZAR 231,835,495; UFH ZAR 21,628,384; and UWC ZAR 108,966,654, from the government related agencies (Steyn & de Villiers, 2006). As these figures show, HAUs, led by UCT, have been able to generate more significant research revenues from government agencies than the HDUs.

To be able to secure these revenues, universities have had to put in place a number of strategies. These strategies, as the case of UCT will show, reflect resource dependence

theory's predicted adaptive behaviour, in this case, improving research capacity and aligning the research agenda with that of the funding agencies. The University of Cape Town considers itself one of the leading research universities in Africa. The university has on its staff thirteen of the thirty-nine NRF A-rated researchers in science, and three of the five A-rated researchers in the social sciences and humanities in South Africa. A-rated researchers are considered world leaders in their fields.

Almost all important documents at UCT emphasize research. The Vice-Chancellor's ten point plan (Ndebele, 2001) talks of consolidating UCT's research identity. The Guides for Action characterize UCT as a research-led university. The university's 2005-2007 plan (UCT, 2004) also lays emphasis on the need to improve research outcomes by selecting signature themes and establishing centres of excellence. Overall, the university has sixty-five research centres and units spread across all faculties. To guarantee continuous funding from the major funding bodies in South Africa, UCT's strategy is to align its research signature themes with these funding bodies' research priorities (Hall, 2005).

There are two main strategies employed by UCT to attract research funding. These are development of research capacity, and alignment of research themes with the priorities of funding bodies. Research capacity is enhanced mainly through the university's framework for research development, whose key component is the Emerging Researcher Programme (ERP), which specifically caters for

academics who have not yet established themselves as researchers, and have still to compete for funding or achieve NRF-rating. A main objective of this ongoing series of interventions is to develop the next generation of research leaders and to grow and transform the current profile of active researchers (Hall, 2005: 49).

The capacity building process is a continuous one. To make sure that funding proposals by its researchers attract funding, UCT has put in place peer screening mechanisms to enhance the quality of agency funding (Hall, 2005). Having requisite research capacity is not in itself an adequate requirement for attracting research funding. Since the funding comes from external bodies, aligning the university's research agenda with those of

funding bodies is critical. It is mainly because of a combination of these two factors that UCT has been able to attract many research contracts. In 2001, UCT received 473 research contracts, which grew to 629 in 2002, before declining slightly to 606 in 2003 (Hall, 2005).

Overall, improving research capacity and aligning research priorities with those of funding bodies are strategic adaptations that give institutions a competitive edge. Adapting research agenda to those of funding agencies seems to be of immediate significance in as far as attracting external research funding is concerned. It is a response to the actions of external agents who control the resources.

7.6 Donations and Gifts

An increasingly popular strategy for mitigating resource deficiency by universities is the seeking of donations and gifts from benefactors, especially, alumni. Again, like research revenue, Kenyan public universities have not had much success in generating income from donations and gifts. Only UoN had an endowment fund, which, going by the plummeting receipts recorded, has not been very successful. From 1999 to 2005 UoN's resource dependence on the endowment fund averaged a paltry 0.18 percent. Like many other universities in the world (with the exception of American universities), Kenyan public universities have not been able to utilise their alumni for revenue purposes. The non-utilisation of alumni for revenue purposes by Kenyan universities could be blamed partly on lack of coordinated effort. At KU, the Directorate of Alumni Association was disbanded after years of limited achievement. The association has since been started again (2006). University of Nairobi has only recently (2004) established an alumni association.

Donations and gifts are important sources of revenue for South African universities. From 2000 to 2004 dependence on private gifts and grants ranged from an average of 2.19 percent (Wits) to 22.46 percent (UFH). To various extents, South African universities have developed financially beneficial relationships with their alumni, and also national and international foundations and corporations.

The University of Cape Town, which receives significant awards in support of a range of activities, from trusts, foundations, corporate and individual donations has established various strategies to enhance earnings from donations and gifts. The most important of these strategies is the establishment of three trusts: UCT Trust in the United Kingdom, UCT Fund Inc. in America and a third one in Canada. UCT Trust (UK) is responsible for raising funds in the United Kingdom and Europe. The Trust was established in 1991, and has since then raised over £12 million (<http://www.uct.ac.za/>, accessed 28 September 2006). Other than the trusts, UCT has been quite successful in winning revenue from many donor organizations, including, Carnegie Corporation of New York, Rockefeller Foundation, the Daimler Chrysler Fund, Ford Foundation, Andrew W. Mellon Foundation, The Spencer Foundation etc. So far the university has been able to attract donations from more than forty organisations and funds (UCT, 2002).

The University has also been able to attract individual donations from friends, alumni and staff, through pledges or bequests. Individual donations and bequests jointly accounted for about 65 percent of donations received in 2002. The Department of Communication and Marketing is tasked with the responsibility of nurturing and sustaining relationships with appropriate funding partners (UCT, 2002). Other South African universities have also put in place strategies for attracting gifts and grants. Many of them have indicated on their websites how donations can be made, and the various funds available.

Resource dependence on donations and gifts is generally less predictable, especially because it depends on the magnanimity of donors. Its success largely depends on identifying new donors, as continued dependence on the same donors may lead to donor fatigue. Like other sources of revenue, the magnitude of dependence on gifts and grants depends on the donated amount. As this analysis has shown, Kenyan public universities are less dependent on gifts and grants as compared to South African universities. Through trusts and foundations, South African universities have in effect institutionalised dependency relations with their donors.

7.7 Conclusion

In recent years, public universities have confronted increased financial vulnerability from reduced government funding and increases in costs by implementing strategies to acquire and stabilise revenue streams and resources. This chapter has discussed the various strategies that public universities in Kenya and SA have put in place to acquire and stabilise revenue streams, to reduce resource dependence on government funding. Given the growing uncertainty and resource scarcity associated with revenue from the state, public universities in Kenya and SA are shifting the locus of their resource dependence by engaging non-government sources of revenue. They are seeking to survive by pursuing superior financial performance by way of engaging in a wide array of income-earning strategies, most of which seek to achieve a competitive advantage in the marketplace.

The strategies being implemented by universities in the two countries range from levying differential tuition fees to gifts and donations. Some of the strategies reflect the behaviour of private firms whose key agenda is to pursue profits. Such strategies include the formation of for-profit university subsidiaries, and the commercialisation of the institutions' intellectual capital. The various strategies have been applied to various extents by the different institutions within and between the two countries, as shown in their revenue structures.

As has been shown in the foregoing discussion, the main income earning strategy being utilised by Kenyan public universities is the mounting of parallel programmes, where tuition fees and other levies are charged at market rates. To some extent, the formation of income-earning partnerships with private institutions is the second most profitable strategy by Kenyan universities. Although South African universities do not have parallel programmes, they charge all their students market-rate fees, aimed at maximum cost recovery and income maximisation. Tuition fee revenue for South African universities is further boosted by the presence of international students, who, on average, pay higher fees than local students. For-profit subsidiaries have also been formed by universities in the two countries. So far, the for-profit subsidiaries owned by Kenyan public universities

(UNES and MUH) focus more on parallel programmes; while those owned by South African universities, as the case of companies owned by UP and SU showed, focus more on commercialisation of intellectual property.

Especially for South African universities, not all the strategies could be said to have been triggered by plummeting public financial support. Strategies such as levying market-rate tuition fees in SA, pre-date the prevailing state reductions in higher education funding; the plummeting support has however triggered a change in the manner in which these strategies are implemented with a view to maximising income. The frequent increases in tuition fees, at times over and above the CPI inflation rate, are one such change.

Overall, the shrinking government funding has necessitated the adoption of various strategies to guarantee an uninterrupted flow of resources. The capacity of public universities to survive and deliver services is increasingly becoming dependent on the universities' abilities to mobilise non-government resources. The overall survival strategy seems to be an increase of dependency on external resources, i.e. non-government funding. The various income earning strategies employed by Kenyan and South African universities have to varying degrees, helped these institutions to break out of the constraints imposed by restrictive funding regimes. From the resource dependence perspective, shifting dependence away from the plummeting public support is an adaptation that has directly affected these institutions' chances of survival. Acquiring resources is a condition for survival.

CHAPTER EIGHT

SUMMARY AND CONCLUSIONS

8.1 Introduction

This chapter concludes the study. It presents a summary of the purpose and design of the study, a summary of the study's findings and an interpretation of the study's framework for analysis. Also discussed are the implications of the study, contributions of the study and directions for future research.

8.2 Summary of the Purpose and Design of the Study

This study addressed the broad issue of financing higher education focusing especially on how public universities in Kenya and South Africa have sought to reduce resource dependence on government funding. It is a study of institutional adaptation to austerity. In particular, the study looks at how public universities in Kenya and South Africa have attempted to achieve economic self-determination by winning non-government revenue. Since the study departs from the perspective that national governments have assumed higher education funding policies that have immiserating implications for public universities, the study probes higher education funding policies and mechanisms in the two countries; followed by a time series analysis of trends in state allocations of funds to the two countries' higher education sub-sectors. This is then followed by an analysis of the revenue from various non-government sources, and finally, the actual strategies employed by the universities to generate non-government revenue.

This study utilised the cross-national comparative study design. Two countries, Kenya and South Africa were selected for the study. Although both Kenya and South Africa are sub-Saharan countries, they have dissimilar political economies, which circumscribe their higher education sub-sectors. Whereas the locus for change of Kenya's higher education reform could be described as predominantly external, largely influenced by policy

directives spawned by the World Bank and International Monetary Fund, the impetus for higher education reform for South Africa is predominantly local. South Africa is actually the only sub-Saharan African country whose higher education policies have not been coercively influenced by the World Bank and International Monetary Fund. It was therefore interesting to find out how sub-Saharan African public universities in two different political economies were responding to broadly similar policies of restrained public financial support. Eleven universities were purposively selected for the study – five from Kenya and six from South Africa. It was initially intended to have six universities from each country but one university from Kenya was dropped from the study. The reliability of the data obtained from this institution could not be confirmed.

Data for the study were collected mainly from official documents, i.e. policy papers and financial reports. The data were collected both at national and institutional level. Regarding data analysis, the comparative multi-level data analysis approach was utilised, i.e. analyses were carried out at country level and institutional level. Before comparisons were drawn between the two countries and the various institutions, a detailed descriptive and interpretive analysis of country and institutional data was undertaken. The comparisons were undertaken thematically in line with the study's objectives. Thematic comparisons (nationally and institutionally) followed a systematic presentation of evidence, comparable data, which permitted common questions about the two countries' higher education funding characteristics to be answered, hence establishing regularities and differences regarding the higher education funding patterns in the two countries. The study's theoretical framework, namely resource dependence and globalisation was utilised in data analysis.

8.3 Summary of Findings of the Study

This study has come up with several findings. They range from the two countries' higher education funding mechanisms to the actual strategies used to generate non-government revenue. The findings show similarities and variability between and within the two countries.

8.3.1 Higher Education Funding Mechanisms

It was established that the two countries have different funding policies and mechanisms, determined in the main, by global shifts in development paradigm (globalisation) and local social, political and economic imperatives (national allomorphic structure). In Kenya's case, the higher education funding policy shifts have been located in three eras, viz., the era of free higher education, the era of (nominal) cost sharing and the era of privatisation and commercialisation. In the context of this study's framework for analysis, these policy shifts connote the various national level translations of the pressures of globalisation.

The discontinuation of free higher education in favour of cost-sharing and later, privatisation and commercialisation was largely a consequence of neo-liberal determinism that many African countries faced from the World Bank and IMF. The World Bank is a key supranational institutional carrier of the pressures of globalisation. The shift from free higher education to cost-sharing, and privatisation and commercialisation, was symptomatic of a global transition from a development paradigm that was predominantly based on Keynesianism to a neo-liberal economic paradigm that privileges reduced expenditure on social services, including higher education, and the market logic. Although the shifts were externally driven, the Kenyan economy could also not support continued provision of free higher education. Although the World Bank has played a coercive role in influencing the shift from free higher education to cost-sharing, the manner in which Kenya implemented cost-sharing (nominal cost-sharing), may be described as an allomorphic declension of the 'prescriptions' by the World Bank.

Unlike Kenya where higher education is largely considered a public service, and whose funding has historically been predicated on the social returns argument on investment in higher education, South Africa is the opposite. The funding of higher education in South Africa has always, to a large extent, been predicated on the private returns argument on investment in higher education. The principal higher education funding policy in South Africa is thus, cost-sharing. This policy has been in vogue since the commencement of

higher education in South Africa. Cost-sharing, as practised in Kenya and South Africa also exhibits allomorphism. Whereas Kenya's public universities levy nominal fees (i.e. for government-subsidised students), the cost-sharing practised in South Africa is geared towards utmost cost-recovery. Therefore, even though both countries have a cost-sharing policy, this policy is implemented differently.

The two countries funding mechanisms for the higher education sub-sector are also different. Unlike South Africa which has a funding formula, the Kenyan government employs a sector-wide strategy; meaning that the higher education funding mechanism must be understood in the context of the financing of the whole education sector. All public universities are required to submit a budget to the Ministry of Education; however, the submitted budgets do not appear to influence the allocations approved by the Ministry in any significant way. As was shown in the case of Jomo Kenyatta University of Agriculture and Technology (Figure 6.1) and the University of Nairobi (Figure 6.2), approved government allocations are usually far less than requested by universities in their budgets. Although there exists a unit cost for higher education that supposedly guides the funding of public universities, the manner in which grants are allocated makes it impossible to determine how the unit cost is applied. The one line budget used to allocate funds to public universities does not show how much government allocates per student. By and large, the approach employed by the Kenyan government to allocate funds to public universities is one that neither considers the cost of higher education nor the outputs of the higher education system. It neither rewards nor encourages productivity by academics. It is an approach that ensures limited spending on the sub-sector.

The current goal-oriented and performance-related higher education funding mechanism in South Africa, replaced an input (enrolment) based funding mechanism that was used during the apartheid era, and which favoured universities that were set aside for Whites. The new funding formula links the awarding of government higher education grants to national and institutional planning. This funding/planning link makes the new framework essentially a goal-oriented mechanism for the distribution of government grants to individual institutions.

Although the new funding formula is part of South Africa's post-apartheid transformation of higher education, it is in actual sense a managerialist tool for steering higher educational organisational change. It rewards universities that produce more graduates, hence promoting internal efficiency or productivity. Thus, with the new formula, the state will not simply allocate funding on the intake of students. The formula rewards universities differently, depending on field and level of their graduates. Institutions with higher level graduates, for example, Ph.D. and graduates from disciplines such as science and engineering, gain greater levels of funding compared to universities with lower level graduates and graduates from disciplines such as arts and humanities. The framework also encourages productivity of academics by rewarding publications, especially journal articles. The formula thus encourages competition and casts university-state relations in contractual terms (Ntshoe, 2004a). From the literature (Aina, et al. 2004; Bundy, 2004, 2005; Cloete, et al, 2002; Magubane, 2004; Ntshoe, 2004a,b), South Africa's higher education funding formula could be described as being in line with the globalisation discourse. Globalisation favours higher education funding formulae that encourage, inter alia, performativity and competition. Kenya's higher education funding approach is out of step with the globalisation discourse. .

Overall, regarding the higher education funding policies and mechanisms in the two countries, the differences could be attributed to the dissimilar political, historical, social and economic contexts that circumscribe the two countries' higher education systems, i.e. the national allomorphic structures in which the two higher education systems are located. These contexts invariably influence government policies with regard to funding. The loci of these processes are both local and global or external, especially for Kenya and mainly local for South Africa. In Kenya's case, the changes, especially the shift to cost sharing, were primarily a consequence of the country's encounter with globalisation, in the form of the World Bank and International Monetary Fund's coercive and normative influence. The new policy was part of the two institution's neo-liberal project (and the structural adjustment programmes imposed on many economically developing countries). To the contrary, changes in South Africa have been driven in the first instance rather by local and political considerations than by neo-liberal economic policies of the World

Bank and International Monetary Fund. The local dimension is, thus, very important in South Africa's case.

The stronger influence of the local dimension in South Africa is not entirely because of the country's history and its post-apartheid reform agenda, but also because being a relatively strong political economy that is less dependent on or indebted to the World Bank and International Monetary Fund, the country is less implicated in the coercive and hegemonic influences of these supranational agencies. The same cannot be said of Kenya and other poor, dependent and dominated political economies, which explains the hegemonic influence the World Bank and International Monetary Fund have had on policy making in these countries. The fact that the World Bank, International Monetary Fund and other institutional agencies have not coercively influenced South Africa's higher education funding policies does not mean that the country is immune to pressures and trends of globalisation. Vaira (2004) argues that more developed countries have experienced globalisation mainly by normative and, to some extent mimetic pressures. The incorporation of globalisation trends for these countries can be conceived as a process of policy borrowing occurring across the nations (Vaira, 2004).

8.3.2 Public Expenditure on Higher Education

The second set of findings regard the two countries' expenditure on public higher education. These findings were a result of a time series analysis (1996 – 2005) using several funding indicators, viz., total public expenditure on higher education, per student expenditures, public higher education expenditure's share in relation to total government budget expenditure, public higher education expenditure's share of the overall education budget, and public higher education expenditure as a percentage of Gross Domestic Product. Generally, the analysis confirmed that the general global trend of plummeting public funding of higher education (discussed in Chapter One) also applies to Kenya and South Africa.

Several key observations characterise the funding of higher education in Kenya. Using the three most important funding indicators, i.e. higher education funding as a percentage of Gross Domestic Product, as a percentage of total state expenditure and as a percentage of state funding of education, it follows that Kenya's fiscal effort for higher education has been diminishing through the years. The other important characteristic of government funding of Kenya's higher education is sharp fluctuations. These fluctuations reflect the unreliability of government funding for the higher education enterprise, which in effect, exposes public universities to financial vulnerability, and negatively impacts on planning. The financial vulnerability of Kenya's public universities is made worse by the government's policy of disbursing approved funds one month in arrears, which as all the Kenyan public universities have complained, has deleterious effects on cash flow and hinders efficient administration of finances and running of programmes. The policy of disbursing approved funds one month in arrears is, inter alia, evidence of the problems the Kenyan government is facing in the financing of higher education. It appears when the allocations are approved, the funds are not available, and it would not be surprising if the government failed to release the funds on time, or even defaulted in some months.

The other key characteristic of Kenya's higher education funding is drastic reductions in development expenditure. For some universities, the government has not been able to provide any funds for capital developments since 2001 (see Figure 6.2). The acute reduction in development expenditure has meant that universities have not been able to maintain, improve and expand their physical infrastructure. Students and academics thus have to put up with inadequate, dilapidated and decaying infrastructure.

As the case is with Kenya's higher education funding policies and mechanisms, the funding trends must also be understood within a broader social, economic and political context. The same coercive influence of the World Bank and International Monetary Fund identified for the shifts in funding policies is also responsible for the plummeting public funding of Kenya's higher education. Following the World Bank's apparent 'discovery' that primary education accrued greater social returns than higher education, Kenya, together with other African countries dependent on the Bank's funding for

economic survival were forced to implement severe cuts on higher education expenditure in favour of primary education. This preference for primary education, together with the rise of neo-liberalism as the dominant policy logic, also spawned by the World Bank and International Monetary Fund, disfavoured large-scale expenditure on public higher education, hence occasioning resource starvation for public universities.

Two main local factors are also responsible for the plummeting state support for Kenya's higher education. The first one is the expansion of the sub-sector and secondly, poor economic growth. For instance in 1997, the government's total expenditure rose, in nominal shillings, by only 0.1 percent, followed by a negative growth of 23 and 6.8 percent in 1999 and 2000 respectively. The 1990s were an economic nightmare for Kenya. Economic growth was sluggish and inflation rates were very high. Although the Kenyan government's tax effort for higher education has been going down, from the analysis, one may observe that there is some willingness to continue supporting the sub-sector generously. This is evidenced by the fact that in some years, the percentage increase in state funding of higher education was actually higher than the overall increase in total state expenditure. For example, in 1997 education funding increased in nominal shillings by a high of 23.4 percent while total state expenditure rose by only 0.1 percent. In 1999, 2002 and 2005 higher education funding rose by 10.3, 16.8 and 29.7 percent respectively, compared to a growth of negative 23, negative 14.6 and 12.5 percent in total state expenditure in the same years. By and large, the higher education funding pattern in Kenya reflects the influence of global forces and local imperatives.

The analysis of expenditure on public higher education in South Africa revealed several findings. Unlike Kenya's case where allocations to higher education have been sharply fluctuating, reducing both in nominal and real terms, allocations in South Africa's case have generally been steady, with allocation levels constantly increasing in nominal rands. However, in terms of the three main funding indicators, there was a perceptible decline in state funding, especially in the 2001–2005 period. State higher education funding as a percentage of Gross Domestic Product fell from an average of 0.80 percent in the 1996–2000 period to an average of 0.73 percent in the 2001–2005 period. State higher education

allocations as a percentage of total state expenditure, declined from an average of 3.0 percent in the 1996 – 2000 period to 2.7 percent in the 2001- 2005 period. As a percentage of state funding of education, a reduction was also registered. In the five-year period 1996 – 2000, state allocations to higher education averaged 13.18 percent of the total education budget and then reduced to 13.06 percent in 2001-2005.

Other than the decline as shown above, three other occurrences point towards the South African government's growing inability to generously fund higher education. The first one is the discontinuation of allocations for purposes of erecting new buildings at institutions as from the 1997/98 financial year. This is similar to Kenya's increasing inability to fund capital development in higher education institutions. The second occurrence is the government's inability to meet high levels of earmarked funding as envisaged in the Education White Paper No. 3. According to this paper, earmarked funding as a percentage of total state funding of universities should increase to the level of almost 16 percent. The total earmarked funding for higher education as a percentage of total state funding of universities and technikons decreased from 15.6 percent in 1996 to 10 percent in 1997. Although there was some increase in the allocation of earmarked funding from 1998 through 2001, it declined gradually to 10.3 percent in 2003. The third occurrence is the admission by the Department of Education that student enrolments in the sub-sector exerted unsustainable pressure on the fiscus. To stem the increasing enrolments, the Department of Education, in 2004, introduced enrolment caps thus limiting the quantum of students individual institutions could sign up. The government's higher education enrolment discourse effectively shifted from massification to one of affordable and sustainable student enrolments.

Although, as aforementioned, state funding of higher education in SA shows some constancy, these allocations, according to several arguments (SAUVCA, 2004; Uliana, Personal Interview, August 2005) are insufficient, largely because of the phenomenon of the "cost disease". Educational costs are among those that grow faster, over and above the national inflation rate, such that although government allocations are significant, they

are not enough to meet the higher than inflation growth in prices and costs of higher educational inputs.

In summary, although the state funding of higher education in Kenya and South Africa could broadly be described as insufficient, the insufficiency in Kenya's case is more to do with actual reductions both in nominal and real terms, compared to South Africa where the insufficiency is more to do with the overwhelming demands on the higher education sub-sector.

It may also be concluded that in both countries, state funding of higher education operates within neo-liberal macroeconomic constraints. Unlike Kenya which presents a case of neo-liberal determinism that many African countries faced from the World Bank and the International Monetary Fund, South Africa, as Barchiesi et al. (1997) have pointed out, operates within locally determined neo-liberal macro-economic constraints. They describe South Africa's locally determined or self-imposed macro-economic adjustments as "homegrown structural adjustment" (Barchiesi et al. 1997: 1). This homegrown structural adjustment was ushered in following a shift from the largely welfarist immediate post-apartheid Reconstruction and Development Programme (RDP) policy to a market supervised Growth, Employment and Redistribution (GEAR) policy, which complies with World Bank macro-economic principles (Ntshoe, 2004a). The shift from RDP to GEAR, as Barchiesi et al. (1997) point out, subjugated active state involvement in social provisioning by advocating for fiscal restraint. The shift from RDP to GEAR can also be said to be responsible for the government's restrained funding of public higher education. Looked at from the perspective of the two countries' encounter with globalisation, the World Bank and the International Monetary Fund did not act in South Africa as all-powerful and invincible forces simply subjugating the national state to their will (Barchiesi et al. 1997) as the case was in Kenya. Consequently, whereas Kenya was coerced into adapting neo-liberal economic policies, South Africa was normatively drawn into them.

The higher education funding patterns discussed above show how public universities in the two countries are exposed to the global pressures that come through international agencies (in Kenya's case), the world economy and national policies. The funding of higher education in the two countries is shaped by neo-liberal macro-economic constraints. The analysis of the two countries' higher education funding patterns shows how these countries have selected and adapted global pressures. The funding patterns seem to evidence the rise of the 'minimalist' state (Aina, 1997; Aina et al, 2004; Aseka, 2005; Lee, 2005; Toress & Schugurensky, 2002; Vaira, 2004), which embodies, inter alia, the decline of the welfare state through shrinking public expenditures and funding for social services, in this case, higher education. The various degrees to which the two countries have reduced funding for higher education can be taken as an illustration of how universities receive globalisation pressures from national policy and the extent to which government's in the two countries have 'minimised' their role in higher education funding. Kenya's public universities are clearly hit harder.

8.3.3 Revenue Diversification

The analysis of revenue obtained from various sources by public universities in the two countries revealed a general shift in the patterns of higher education funding; from government sources to those that reflect a creeping market orientation. Although several universities in the two countries still largely depended on government funding, there is a perceptible trend towards distributed resource dependence. This distributed dependence on various sources of revenue (revenue diversification) is consistent with prescriptions of resource dependence theory for reducing resource dependence and maintaining organizational autonomy (Pfeffer & Salancik, 1978). Rather than relying on a narrow set of resource providers or just one, public universities, especially South African ones, have buffered themselves by engaging several sources of revenue. Kenyan universities have tended to rely more heavily on tuition revenue (including revenue from parallel programmes).

It is therefore argued that diversification of sources of revenue can only guarantee universities continued financial stability if the various sources accrue significant amounts such that any unforeseen underperformance by one source does not financially destabilise the institution. The reason for mitigating any form of resource dependence should be to guarantee financial health and sustainability, irrespective of volatilities that may negatively impact some sources or markets. The intuitive appeal of the diversification argument rests on the idea of spreading risk across funding sources. Thus, when a university has funding from multiple sources, the withdrawal of any single source of revenue will not have disruptive budgetary implications for the institution. By diversifying their funding streams universities are thought to be able to shield themselves from some of the turbulence, instability or uncertainty of the market around them. Diversification should thus be a way of hedging against declines from any single (large) revenue source (Frumkin & Keating, 2002). It represents a method for decreasing the institutions' dependence on any single source of revenue. Therefore, dependence on a limited range of revenue streams should be a cause of concern, especially, for Kenyan universities. The importance of spreading the burden of financing higher education more evenly across funding sources cannot be overemphasised.

The diversification of revenue sources which universities in the two countries have undertaken has, to various extents, brought about a reduction of resource dependence on government funding. This reduction of resource dependence on government funding is more pronounced in the South African case where all the universities have managed to reduce dependence on the fiscus to below 50 percent and in some instances below 40 percent. In the case of Kenyan universities; although not all of them have managed to significantly reduce dependence on the fiscus, the reduction recorded by UoN could be described as drastic. The university reduced its dependence on state appropriations from 70.25 percent in 1998 to 38.81 percent in 2005. All the other Kenyan universities are, however, still highly dependent on state appropriations.

In both countries, some universities, on the basis of their income profiles, are fiscally stronger than others. In Kenya, the University of Nairobi, which receives the highest

amount of government funding, and also generates the highest amount from non-government sources, especially parallel programmes, is the strongest fiscally. In the case of South Africa, the fiscal strength of the universities reflects the advantage and disadvantage experienced by these universities during the apartheid years. Pfeffer & Salancik (1978) make the point that to understand the behaviour of an organisation one must understand the context of that behaviour, i.e. the ecology of the organisation. The organisation's ecology makes it possible to understand the problem this environment creates for obtaining resources and also the opportunities available. As noted by Badat (2004), the erosion of institutional capacity experienced by Historically Disadvantaged Universities during apartheid continues to haunt these institutions in the present. As such, many of the previously disadvantaged universities remain disadvantaged, inter alia, in terms of a critical corpus of highly talented researchers who will attract research funding. Also, since most students attending Historically Disadvantaged Universities come from financially challenged backgrounds, these institutions are not able to optimise tuition fees revenue due to the high levels of student debt.

Several other factors may be advanced to account for the difference in the fiscal strength of the universities across the two countries, especially with regard to sources of non-government revenue. The most important factor is that the two countries are at different stages of economic development with Kenya typifying a poor developing country economy and South Africa a relatively advanced developing country economy. This means that both the sources of revenue and their volume, available for exploitation by universities in these two countries are varied. From the standpoint of globalisation theory, universities located in poor economies are not likely to enjoy meaningful opportunities to exploit in order to earn revenue.

If the revenue structures of the universities were used as proxy for available revenue opportunities, then in Kenya's case, students are the only available significant source of non-government revenue. The opposite is the case in South Africa, where several non-government revenue sources contributed significantly to the institutions' overall income. But even in South Africa's case, these multiple sources of non-government revenue are

not available to all universities, especially the Historically Disadvantaged Universities, which are situated in resource starved locations, mostly in rural areas (Cloete & Maasen, 2002; Ntshoe, 2004b). Broadly, the different macro-institutional contexts of public universities in Kenya and South Africa can be said to account for the difference in the fiscal strength vis-à-vis sources of non-government revenue for public universities across the two countries. Interestingly, even though universities in the two countries are circumscribed by different macro-economic contexts, and have different institutional capacities, tuition revenue is generally the most significant source of non-government revenue for all of them.

From the lens of globalisation theory, revenue diversification represents an archetype that has been promulgated by globalisation for public universities to attain financial autonomy. Revenue diversification has thus become

... the basic and legitimated organisational principle or archetype, deemed to be able to let higher education institutions to cope with the challenges in their new task environment and constitute the pathway to pursue restructuring processes (Vaira, 2004: 490).

The literature shows a uniform trend towards revenue diversification by universities seeking to become self-reliant (Clark, 1998; Slaughter & Leslie, 1997; Sporn, 1999). Universities are under pressure to restructure and seek diverse sources of revenue instead of relying totally on state funding. Revenue diversification has therefore become one of the defining aspects of university adaptation to resource decline; it has become a highly legitimated institutional archetype by which public universities structure and pursue their survival, given the growing withdrawal of the state in their funding.

8.3.4 Strategies for Generating Non-government Revenue

The last set of findings is about the actual strategies employed by public universities in the two countries to win external, non-government revenue. In the context of globalisation, the strategies for generating non-government revenue could be interpreted as the way individual universities “actively, purposively and creatively relate themselves

with the institutional environment and pressures” (Vaira, 2004: 496). According to organisational allomorphism and, in the context of this study, these strategies are micro-level actions or institutional translations or enactments of entrepreneurialism and marketisation.

From the revenue structures of the universities, six income-earning strategies were teased out. These are tuition fees, proprietary activities, collaborative alliances, research, and donations and gifts. These strategies mirror those employed by other universities elsewhere as discussed in the literature review chapter (Chapter Three).

Tuition revenue in Kenya’s case mainly accrues from parallel programmes. Parallel programmes, which primarily involve full fee-paying students, have introduced the phenomenon of the private student in Kenya’s otherwise public universities. It is argued that through parallel programmes, a process of commodifying Kenya’s higher education has been commenced. Being the most significant earners of non-government revenue, parallel programmes could be said to be the main medium through which Kenyan public universities are trading in higher education. The over-reliance by Kenyan universities on parallel programmes could be blamed on the centralised manner in which tuition fees for government-subsidised students is determined. The present tuition fees being levied on government-subsidised students have remained unchanged since 1995, and it does not consider the different costs of offering different programmes. To guarantee a continued flow of revenue from parallel programmes, Kenyan universities must ensure continued high enrolments by parallel students. To achieve this, several measures have been implemented. These measures include, inter alia, the proliferation of bridging programmes and relaxing of university entry requirements.

Tuition fees in South African universities are set by individual universities. Broadly, all South African universities levy variable fees, depending on the programme of study, level of study and also nationality of students. Local students pay lesser fees than international students. Some universities, such as the University of Cape Town, University of the Western Cape and Stellenbosch University have changed their fees charging system from

a block or programme based system to a subject or course based system. South African universities generally increase tuition fees annually, in some cases, over and above the national consumer price index inflation rate. The various ways in which South African public universities set tuition fees, indicate a strong inclination towards the maximisation of tuition fee income and a market orientation of higher education funding. The levying of variable fees is consistent with differential pricing for different 'products'. Further, fee increases, determined in one way or the other by prevailing national consumer price index inflation rate, point to the concept of maximum cost recovery. There is also an element of competition with regard to the different amounts of fees levied by the various universities.

Formation of for-profit university subsidiary companies is becoming fashionable in the two countries, as it is globally (Clark, 1998; Lee, 2005; Sporn, 1999; Slaughter & Leslie, 1997). University subsidiary companies mainly engage in the commercialisation of educational or intellectual products. So far, the main product that these companies deal in, especially in Kenyan universities, is parallel programmes. South African universities, especially Historically Advantaged Universities, have a somewhat bigger range of products in which their subsidiary companies trade. These are mainly products of science and technology. Capacity related differences could be used to explain the differences in the products of choice in which university subsidiary companies across the two countries trade. Although other factors may impact on universities' ability to trade in products of science and technology, for example, issues of intellectual property laws, the most important factor is their ability to produce these products. Universities with a tradition of cutting edge scientific research and development will have a competitive edge in terms of commercialising intellectual property. Scientific and technology products will generate more revenue given the existing demand of these products by the present knowledge-based economy.

Regarding collaborative alliances, it was noted that these are inter-organisational dependencies or partnerships, which involve an exchange of resources. These inter-organisational dependencies are usually employed in situations where unilateral

Historically Disadvantaged Universities. This is evidenced by, inter alia, the distribution of National Research Foundation rated researchers, most of whom are in Historically Advantaged Universities, the distribution of the Department of Science and Technology Centres of Excellence, all of which are in Historically Advantaged Universities, and publications, most of which are by academics in Historically Advantaged Universities.

Overall, the shrinking of government funding has necessitated the adoption of various strategies to guarantee an uninterrupted flow of resources. The capacity of public universities to survive and deliver services is increasingly becoming dependent on their ability to mobilise non-government resources. The overall survival strategy seems to be an increase of dependence on external resources, i.e. non-government funding. The various income earning strategies employed by Kenyan and South African universities have to varying degrees, helped these institutions to break out of the constraints imposed by restrictive funding regimes. From the resource dependence perspective, shifting dependence away from the plummeting public support is an adaptation that has directly affected these institutions chances of survival as effective organisations.

Owing to the reduced state funding of higher education in both countries, the survival imperative, as aptly explicated in the resource dependence theory, lies in the institutions' ability to acquire non-government revenue. With different degrees of success, public universities in the two countries now seek funding from various sources, not only from tuition fees, individual and corporate donors, and foundations, but also from research and a variety of commercial activities. For some universities, especially in South Africa, significant reduction of resource dependence on government funding has led to the emergence of what may be described as privately funded public universities.

8.4 Interpretation of the Framework for Analysis

This study utilised resource dependence theory and globalisation theory. Resource dependence theory, as was discussed in Chapter Three, is derived from an open systems approach, and its key argument is that when organisations are deprived of critical

resources their survival is threatened. Organisations, therefore, have to ensure a continuous flow of resources in order to survive. The theory assumes that organisations are flexible, and that they will adapt if a change in the environment threatens critical resource relationships (Pfeffer & Salancik, 1978; Cloete & Maasen, 2002). Resource dependence theory's emphasis "on responding to some discontinuity or lack of fit that arises between the organisation and its environment" (Cameron, 1984: 123), made it necessary that this 'environment', to which the need for universities to overcome resource dependence on public sources is ascribable, be explored. From the literature, it is clear that this 'environment' is largely that of globalisation. It was therefore necessary that I locate the study in the globalisation discourse, which allowed a macro-contextualisation of the critical 'environmental' pressures responsible for the destabilisation that has occasioned adaptive responses by public universities.

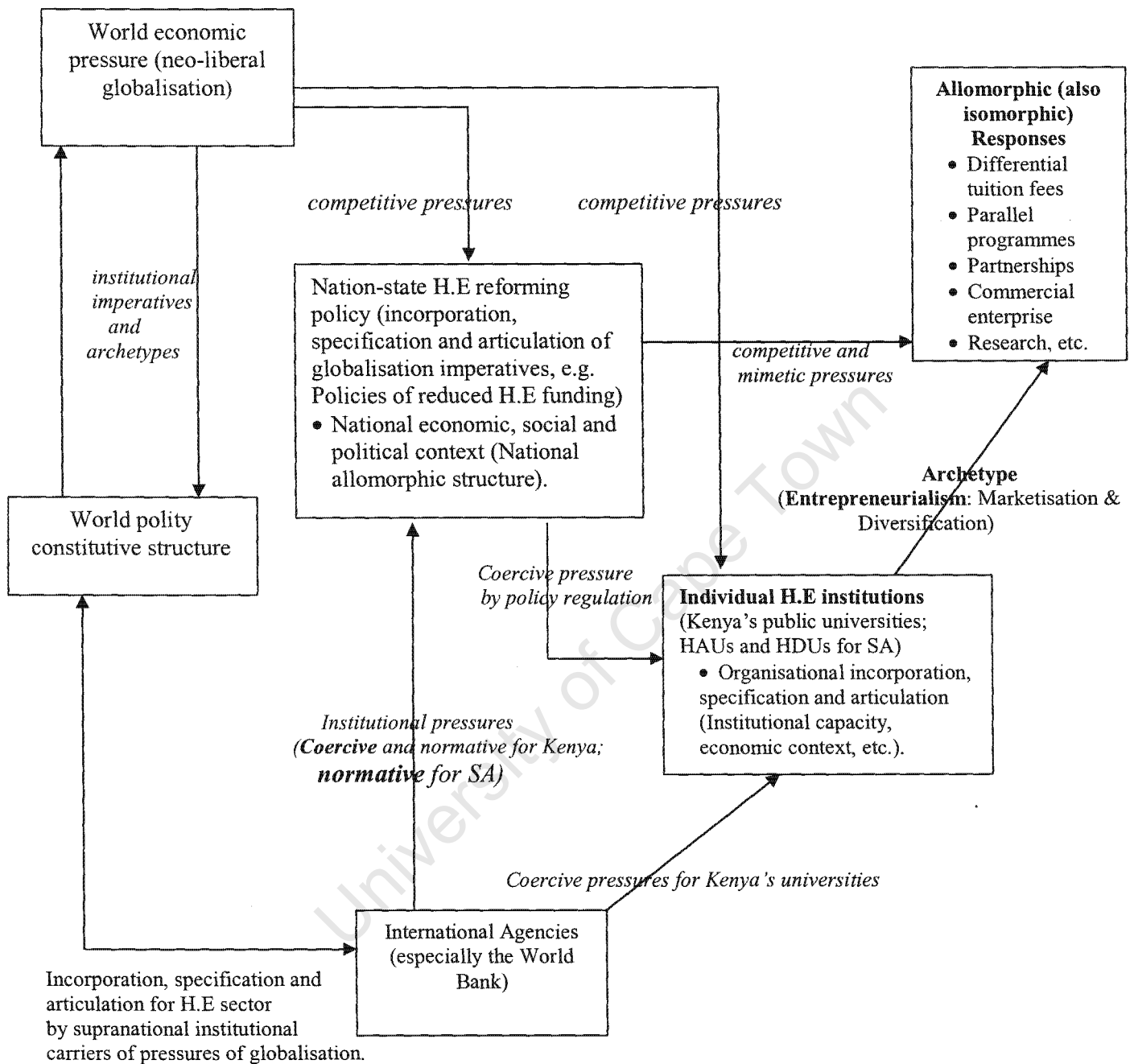
To understand and interpret the responses by public universities to diminishing state capitulation in the context of globalisation, I utilised Vaira's (2004) notion of organisational allomorphism as the framework for analysis. Allomorphism assumes that globalisation of higher education is the spread of globally shared logics and ideas related to higher education that are translated and adapted at the national level as well as at the university level. Allomorphism views globalisation as affecting both government policy and individual universities and "entails that something is transformed in something different from a certain pattern or template" (Vaira, 2004: 498). Following the findings of this study, the synoptic scheme provided by Vaira (2004) (Figure 2.1) has been modified (see Figure 8.1 below) to focus specifically on pressures related to higher education funding and the translation of, and strategic responses to, these pressures by higher education institutions.

Figure 8.1 shows the influence of globalisation on the nation-state and on higher education institutions. The figure shows what types of global pressures influence the two countries (Kenya and South Africa) and their higher education institutions. As shown in the figure, there are two types of globalisation pressures on the two countries (ministries

of education): competitive pressure from the world economy and institutional pressure from supranational institutions. These pressures are mediated by the countries' ministries of education (i.e. for purposes of this study) and are reflected in various policies, especially those concerned with funding. Individual universities receive both global pressures that come from outside of Kenya and South Africa and from the ministries of education. Since the various universities in the two countries are different in several ways (e.g. Historically Advantaged Universities and Historically Disadvantaged Universities in South Africa), it is argued that they are differently influenced by both global pressures and government policies, and will select and adapt globalisation pressures from the world economy in different and polymorphic ways. The different universities may also select and adapt globalisation pressures in isomorphic ways. Vaira (2004) considers isomorphism as being a product of national institutional specificity. Isomorphism is therefore more likely to be observed at national level. Mediation of pressures from the world economy and supranational institutions is usually influenced by the national allomorphic structure which, in this study entails the national economic, social and political context.

Figure 8.1 also shows public universities as experiencing a convergence of competitive and coercive pressures issuing from the world economy, the state and also international agencies. This pressure invariably calls for the drastic restructuring of higher education whose essence is a redefinition of the relationship between the university, the state and society (Cloete et al. 2002; Lee, 2005).

Figure 8.1: Organisational Allomorphism: A Modified Synoptic Scheme



Source: Adapted from Vaira (2004)

Kenya and South Africa have experienced globalisation pressures, especially pressure issuing from supranational institutions, differently. As shown in Figure 8.1, pressure from supranational institutions was wrought on Kenya coercively. As discussed in the

literature review (Chapter Two), the World Bank and International Monetary Fund are key supranational institutional carriers of the flows and pressures of neo-liberal globalisation. The World Bank, in Kenya's case, and also in other debtor political economies has defined and promulgated particular strategies, recipes and archetypes for higher education funding policy (Aina, et al. 2005; Aseka, 2005; Banya & Elu, 2001; Brock-Utne, 2003; World Bank, 1986; 1988; 1994). This study has shown how the World Bank's loan of US\$ 55 million to Kenya (cf. section 4.2.2) was accompanied by conditionalities that hoisted Kenya's public universities into the marketplace. South Africa may be said to be influenced by these institutions normatively. For instance, whereas the World Bank imposed structural adjustment policies on many countries of sub-Saharan Africa, in South Africa, aspects of structural adjustment, such as reduced expenditure on social services have been self-imposed (Barchiesi et al. 1997; Tikly, 2001). Thus, South Africa has been normatively influenced by the World Bank's discourse of structural adjustment. The different ways in which Kenya and South Africa have encountered globalisation confirms the notion that global engagement varies from nation to nation (Lee, 2005; Marginson & Rhoades, 2002; Vaira, 2004).

Figure 8.1 finally shows how public universities have responded to the global and national funding pressures. The responses are seen as declensions (allomorphs) to an archetype, which is, entrepreneurialism (marketisation and diversification of revenue sources). The literature on globalisation implores public universities to embrace entrepreneurialism as the 'ideal' pathway to attaining economic self-determination. Thus, the various strategies employed by public universities are seen as a localisation of global patterns. These strategies clearly exhibit allomorphism. Allomorphism can be seen at two levels: all the income earning strategies can be interpreted as allomorphs of entrepreneurialism and marketisation and also, the differential application of the various strategies as allomorphic declensions of these particular strategies. Both types of allomorphism may be said to be products of micro-level institutional dynamics and actions.

The second 'type' of allomorphy, where similar strategies are applied in different ways closely captures Vaira's (2004) conceptualisation of organisational allomorphy. "Allomorphy entails that something is transformed in something different from a certain pattern or template' (Vaira, 2004: 498). The way tuition fees are levied in the two countries is a good example of the second 'type' of allomorphy. In South Africa where individual universities determine how much fees to charge, the institutions have come up with various ways of optimising tuition fee revenue: Some increase tuition fees annually, in some cases over and above the national consumer price index inflation rate, some charge fees per module and some have disaggregated international students into various categories and charge them differently. In Kenya, the levying of market rate tuition fees to parallel students while at the same time charging government-subsidised students nominal tuition fees could be said to be allomorphic declensions to the concept of cost-sharing. The strategies employed to generate tuition revenue also exhibit elements of allomorphy. Through what may be described as expansionism, public universities have sought to optimise tuition revenue through the creation of new academic programmes, establishment of branch and satellite campuses, franchises, among others.

The allomorphy exhibited by the universities in this analysis leads one to the conclusion that archetypes to which public universities refer themselves are subject to a process of articulation, translation, specification and adaptation (Vaira, 2004). This process occurs according to the institutional (e.g. type of administration, institutional capacity, etc.) and contingent contexts (i.e. type of organisations, geographical locales, needs, purposes, practices, etc.) in which action takes place.

On the whole, the main conclusion of this study is that public universities in Kenya and South Africa, like others in the world, are experiencing a deep change in their institutional environment triggered by dynamics of globalisation, and are adapting in a way that generally exhibits organisational allomorphy. As shown in the framework for analysis, competitive global dynamics and supranational institutional carriers (World Bank, International Monetary Fund, etc.) exert pressure at national level to make

countries incorporate the institutional and competitive imperatives and archetypes in their higher education policies. These pressures are also exerted directly on universities.

Although nation states tend to model their policies after the definitions provided by institutional carriers and prevailing 'legitimated' archetypes (global trends), this study has shown that translating, articulating and adapting these 'definitions' at local level produces allomorphic structures. The allomorphic structures arise mainly because the broad institutional archetypes are usually translated within existing national and institutional contextual imperatives. This study shows the phenomenon of allomorphism at two levels, i.e. at national level and at institutional level. National level allomorphism manifests itself mainly in the two countries' higher education funding policies which, in the context of this study, is ascribed to the manner in which the two countries have encountered globalisation.

Being a weak political economy, Kenya and her public universities initially encountered globalisation through coercively imposed structural adjustment programmes, by the World Bank and International Monetary Fund. South Africa, on the other hand, has been normatively influenced by these supranational institutional agencies. Magubane (2004) argues that Growth, Employment and Redistribution policy (GEAR), which explicitly ruled out expansionary fiscal policy and sought to address the South African government's budget deficit, was precipitated by globalisation. He further asserts that globalisation provided GEAR with its epistemological framework (Magubane, 2004). The Growth, Employment and Redistribution policy has had negative materialist implications for SA's public universities.

Institutional level allomorphism can be observed within and between the two countries. According to Vaira (2004: 502) and as evidenced in the literature, the entrepreneurial university model is "the fundamental institutional archetype elaborated at the world economy and polity levels. [...] it is deemed the most appropriate, effective and efficient to cope with globalisation's challenges." All the universities in the two countries have diversified their funding base and are engaged in entrepreneurialism and marketisation. The extent to which these institutions have diversified their funding base and engaged in

entrepreneurialism and marketisation, can be accounted for by their institutional context (e.g. institutional capacity, their histories (e.g. Historically Advantaged Universities and Historically Disadvantaged Universities), structures, etc. and contingent context (organisational features, geographical and economic locales, different embeddedness in national and social contexts, etc.) (Clark, 1998; Vaira, 2004).

Overall, the findings of this study provide an empirical account of organisational allomorphy in higher education. All the various forms of agency employed by public universities in the two countries fit in with the market discourse that neo-liberal globalisation privileges. Marketisation is the archetype to which public universities refer themselves to. There are various allomorphic declensions of marketisation, viz. commodification of intellectual production and products, user costs, and proprietary establishments. According to the concept of organisational allomorphy, public universities respond to resource scarcity (embrace marketisation) in neither strictly homogeneous and isomorphic ways, nor in a highly differentiated and polymorphic way (Vaira, 2004). Their responses are conceived as local variants (not different forms) of the same archetype. Thus, organisational allomorphy explains the distinctiveness of institutional adaptive responses to resource scarcity within a broadly recognisable pattern (marketisation). The distinctiveness of these responses is accounted for by local contextual peculiarities and organisational histories, orientations, tradition and capacities that determine the direction and character of responses (Vaira, 2004).

The findings of this study show that organisational allomorphy is more pronounced at cross-national level. It is possible to tease out distinct forms of marketisation employed by public universities in Kenya and South Africa. For instance, in Kenya, parallel programmes and partnerships with other learning institutions are the main declensions to the marketisation archetype. In South Africa, differential pricing of instructional services at market rate, research, proprietary activities, and gifts and donations are some of the marketisation approaches that have been implemented to address the funding conundrum.

The phenomenon of organisational allomorphism is less pronounced among institutions in the same country. At country level, public universities in the two countries exhibit (mimetic) isomorphic market behaviour. The concept of isomorphism which Vaira's (2004) framework borrows from neo-institutional theories refers to the tendency by organisations under certain conditions to exhibit homogeneous behaviour in order to gain legitimacy and increase their chances of survival (DiMaggio & Powell, 1983). In the context of this study, the phenomenon of (mimetic) isomorphism can be explained by one main reason: Public universities in a particular country are located in the same political, economic and policy context; they operate in the same industry (higher education), meaning they require identical inputs and have similar opportunities; and they are faced by similar competitive pressures issuing from dynamics of globalisation. With this kind of scenario, public universities in the same country are likely to implement identical marketisation strategies. The universities are inclined to copy successful strategies that have been employed by others in the same context. The institution that first employs this strategy serves as a test case and legitimates the strategy. Mimetic isomorphism is more pronounced in Kenya than in South Africa. For instance, once the University of Nairobi initiated parallel programmes, all the other public universities copied the strategy. The same can be said about the other strategies employed by Kenya's public universities such as franchise arrangements initiated by Jomo Kenyatta University of Agriculture and Technology and school-based programmes commenced by Kenyatta University. Mimetic isomorphism has one major disadvantage; it inhibits sustainable competitive advantage.

8.5 Implications of the Study

The primary argument in this study is that public universities in Kenya and South Africa, and also globally, as shown in the literature (cf. Chapter One and Chapter Two), are confronted with forces stemming from globalisation that are pushing them to adaptive responses, necessary for survival purposes. Reduced capitation of public universities by the state is one of the forces associated with globalisation that public universities have to adapt to. To understand the adaptive responses by public universities, the study has utilised resource dependence theory and globalisation theory. The implications of this

study are therefore drawn from the findings and the theories that provided the lenses for analysis.

Resource dependence theory, as was discussed in Chapter Three, posits that organisational leaders will seek to ensure the organisation's continued survival by adapting to changes in the environment (Pfeffer & Salancik, 1978; Cloete & Maasen, 2002). The findings of this study are consistent with the predictions of resource dependence theory. To 'survive' declining state financial support, this study has shown that the affected universities have, to various extents, resorted to several exchange relationships. The universities have, in the main, adapted existing economic exchange relationships to address their current resource needs and have also initiated new exchange relationships. The most important economic exchange relationship that almost all the universities have adapted is tuition fees. For South African universities, adjustments have been made in the manner in which tuition fees are levied to ensure both maximum cost recovery and optimal revenue generation. Other than implementing annual increases in tuition fees, in some cases, over and above the national consumer price index inflation rate; differential pricing of various instructional services has also ensured high earnings from tuition revenue.

In the case of Kenyan universities, tuition revenue has been boosted mainly by changes in admission policies, which have allowed universities to levy market rate fees to students who do not receive a government subsidy. The implication of the practice of manipulating tuition fees to assure higher revenues is that it will affect poor students' chances of accessing higher education. The manner in which the levying of tuition fees has been manipulated to generate more revenue brings one to the conclusion that public universities will pursue organisational survival first, unencumbered by considerations such as equity of access. Thus, the adaptation of economic exchange relationships by public universities should be seen as attempts by the universities to manipulate the environment to their own advantage, above everything else. Resource starvation is a threat to the survival of public universities. It causes uncertainty. Responses by public universities to conditions of resource decline will therefore seek to remove this

uncertainty first. These responses are, therefore, first and foremost, motivated by self-interest - the organisation must survive first for it to achieve anything else. This being the case, the survival strategies employed by universities are likely to occasion the phenomenon of goal displacement, whereby important institutional goals and ideals such as equity of access, diversity, transformation, and even quality, are disregarded in pursuit of the 'more pressing' problem of economic survival.

Looking at the revenue structures of the public universities used in this analysis (Chapter Six), it is clear that not all of them have managed to significantly reduce their resource dependence on government funding. These institutions, especially the Kenyan ones, are still largely dependent on government funding, which as was discussed in Chapter Four, is insufficient and unreliable. In terms of resource dependence theory, it could be argued that these institutions, which are still largely dependent on government funding, have not successfully adapted to the changes in their environment that threaten critical resource relationships. Such universities are thus, financially vulnerable. Therefore, given the declining funding of public universities by governments, universities that are still highly dependent on government financial support may be described as financially vulnerable, and are likely to experience resource dependence difficulties.

Even though several institutions, especially the South African ones, have managed to significantly reduce their resource dependence on the fiscus, there is a tendency to rely on a few exchange relationships, occasioning the phenomenon of revenue concentration. This phenomenon leads to two conclusions: One, as much as it is desirable for universities to develop multiple exchange relationships to mitigate resource dependence difficulties, it is almost unlikely that all the exchange relationships will significantly contribute towards the financial well-being of the university. The less productive exchange relationships should therefore be identified and developed further, i.e. where possible; or discarded where such exchange relationships cannot be developed to accrue significant returns. This is because the running and management of such unproductive exchange relationships could add an extra strain on the institution's resources and therefore become counterproductive. Secondly, revenue concentration can cause financial

vulnerability in the event of volatilities, turbulence, uncertainty or instability in the limited market sources from which revenue is concentrated. Consequently, to ensure the economic survival of universities, distributed resource dependence through diversification of revenue sources is advisable. Therefore, it could be concluded that universities that have managed to generate significant amounts of revenue from multiple exchange relationships are better adapted to overcome resource constraints than those that are heavily reliant on a few sources.

Another important implication of the findings of this study is the identity shifts that emerge as organisations seek to adapt the changes in their environment that threaten critical resource relationships. For institutions of higher learning, the establishment of neo-liberalism as the dominant economic mode of this century contextualises the trajectory of this identity shift. It is primarily through neo-liberalism that globalisation economically impacts institutions of higher learning (Bundy, 2004; 2005; Carnoy, 2000; Cloete, et al. 2002; Lee, 2005). Neo-liberalism privileges privatisation, marketisation and the offloading of the cost of services such as higher education from the state onto the individual (Aina et al. 2004; Bundy, 2004; Aseka, 2005; Lee, 2005; Toress & Schugurensky, 2002). By privileging privatisation and marketisation, neo-liberalism thus occasions the significant withdrawal of the state in social provisioning through reductions in social expenditure (Aina, 1997; Aina et al. 2004; Aseka, 2005; Lee, 2005; Toress & Schugurensky, 2002), as was shown by the case of declining financial support for public higher education in Kenya and South Africa (cf. Chapter Five); and encourages private enterprise.

As public universities seek more revenue from market sources, away from the fiscus, it has become imperative that these universities shed their old forms of existence. To survive in the current neo-liberal market context, public universities have to behave as though they were private, entrepreneurial entities. Generating own revenue in an entrepreneurial fashion as opposed to depending on government funding is becoming an important mission for public universities. The differential pricing of instructional services and the formation of for-profit subsidiaries are examples of the new organisational

orientations that public universities are embracing. As a result of these new behaviour associated with for-profit organisations, some public universities, especially South African ones, have managed to generate non-government revenue that surpasses state appropriations. Consequently, one may argue that 'public' universities whose revenue from non-government sources surpasses that from state appropriations have transmogrified into privately funded public universities. This is because public universities are 'public' mainly because, inter alia, they receive greater funding from government.

Public universities with greater funding from non-government sources may not be said to be government funded but rather government assisted. They are therefore only 'public' in legalistic terms. There is now a thin dividing line between public and private universities. Some of the mechanisms of generating revenue have eroded the 'publicness' of public universities. Thus, it could be argued that as governments reduce funding for public universities, survival imperatives will drive them towards assuming the identity of private institutions or private enterprise. There is therefore a causal relationship between diminished fiscal effort by governments for public universities and the transmogrification of public universities into business-like and private entities. Becoming entrepreneurial, as evidenced in the literature review (Clark, 1998; Johnstone et al. 1998; Kiamba, 2004; Mkude, et al. 2003; Maginson & Considine, 2000; Musisi & Muwanga, 2003; Riechi, 2003; Sporn, 1999; Slaughter & Leslie, 1997; Williams, 2003), has become the *de facto* survival strategy (archetype) of public universities.

Using globalisation as a lens for understanding the financial reforms public universities are engaged in prompts several deductions and implications. As was pointed out in Chapter Three, globalisation is a dynamic of various interlinked processes operating on a planetary scale. The various dynamics of globalisation, always operating simultaneously, have serious implications for, and influences on higher education (Altbach, 2004; Vaira, 2004; Marginson & Rhoades, 2002; Maasen & Cloete, 2002; Muller et al. 2001). The dynamics of globalisation circumscribe the various education policy shifts and institutional behaviour recently witnessed in education in general and higher education in

particular. Globalisation has therefore become a key concept with which to interpret, inter alia, policy changes affecting higher education and the responses by higher education institutions.

Vaira's (2004) concept of organisational allomorphism was utilised to show organisational responses to plummeting financial support, in the context of globalisation. The modified scheme (Figure 8.1) shows how Kenya and SA have differently encountered globalisation and the strategies employed by public universities in the two countries. At the outset, it is important to point out that globalisation impacts countries differently depending on the political economy, national culture, and the structural features of the particular education system (Lee, 2005; Marginson & Considine, 2002; Vaira, 2004). The way a country encounters globalisation determines the manner in which the pressures and flows of globalisation are translated at national and local, institutional level. As shown in Figure 8.1, Kenya encountered globalisation from a position of disadvantage, through the coercive influence of the World Bank. It is argued that where nation states are subjugated by supranational institutions, then these states experience globalisation in a deterministic manner. This has implications for how nation states and higher education institutions embrace changes that 'fit' the globalisation discourse. It is argued that countries like Kenya that were coercively influenced to adopt neo-liberal economic policies precipitately subjected their institutions of higher learning to conditions of resource decline. Also, these institutions of higher learning were precipitately hoisted in the marketplace. Such institutions, it is argued, were not adequately prepared to instantaneously transmogrify into successful business-like entities that generate significant revenues from non-government sources.

Going by the challenges facing African higher education identified in the literature review section (Chapter Three), it could be concluded that these public universities (in countries coercively influenced into neo-liberal economic policies) plunged into marketisation at a time when they were strained in terms of institutional capacity. These institutions, therefore, responded to financial stress from positions of weakness. Responding from a position of weakness as Cloete & Maasen (2002: 473) have argued, is

“... a precarious strategy because here applied research or relevant curricula [institutional capacity] are sought in advance of consolidated disciplinary capacity”. That being the case, the responses to financial stress by public universities in Kenya (parallel programmes) are likely to impact on the universities’ principal role as sites of intellectual production, scientific and technological innovation and as citadels of excellence. This has been confirmed by studies of Makerere University in Uganda (Bidemi, 2006; Mamdani, 2007; Musisi & Muwanga, 2003; Obong, 2004).

The various income earning strategies employed by public universities constitute different forms of agency. And as was shown by the different responses by public universities in the two countries, particular forms of agency have been employed by some universities to greater levels of success than others. Also, the findings of this study have shown that particular forms of agency are only found in particular places. Parallel programmes, for instance, are only found in Kenya and not South Africa. They constitute the main form of agency employed by Kenya’s public universities to generate non-government revenue. They are the main vehicle through which Kenya’s public universities are embracing privatisation and marketisation.

As for why particular forms of agency have been employed by some universities to greater levels of success than others, it is argued that the economic context and capacity differentials of institutions are key explanatory variables. The economic context determines the opportunities available for institutions to exploit. Thus, universities that are located in vibrant economic contexts will be more privileged than those that are located in economically deficient environments. The economic context determines the available opportunities for income generation. Marginson & Rhoades (2002: 293) point out that “policies that encourage universities to generate revenues through privatization will be more effective in economies in which there is a sufficient availability of private wealth.” Institutional capacity, which refers to the full range of qualities necessary for an educational institution to function successfully (Cloete & Maasen, 2002; Wangenge-Ouma, 2006), will determine universities’ capabilities to exploit available economic

opportunities. If, for instance, a university does not have high quality researchers, it becomes difficult for such an institution to generate significant revenue from research. Resources follow capacity.

The results of this study suggest that the economic context of universities and institutional capacity must be seen as simultaneously affecting the agency vis-à-vis economic success of universities. Universities may be located in the same economic environment but perform differently as regards winning private revenue. The University of Cape Town and University of the Western Cape offer a good example. These two universities are located in Cape Town, i.e. in the same economic context, but the University of Cape Town, as shown in Chapter Six, has been more successful in winning non-government revenue than the University of the Western Cape. Kenya's public universities, it may be argued, are disadvantaged mainly because of the deprived economic context in which they are located. It is incontestable that Kenya's public universities have some highly qualified researchers. Thus, existing capacity, in the absence of a vibrant economy, may not on its own result into positive economic gains. One may argue that the mimetic economic behaviour by Kenya's public universities is partly because of limited economic opportunities. As was shown in Chapter Six, the retailing of higher education via parallel programmes is the main economic activity by all of Kenya's public universities. Parallel programmes are therefore the only significant economic opportunity available to Kenya's public universities.

Using economic context and institutional capacity as some of the key determinants of the economic success of public universities, it is argued that many African universities are not likely to register high revenue gains from diverse market sources. The literature shows that the institutional capacity of many African universities has been eroded by many years of underfunding, brain drain, decay of the research infrastructure and mediocre management (Ajayi et al. 1996; Jansen, 2003; Mário et al. 2003; Ngome, 2003; Saint, 1992; Obong, 2004; Wangenge-Ouma, 2006). Many African universities are also located in poor political economies; political economies that epitomise the rise of the fourth world *a la* Castells (1998b). The deprived economies in which most African

universities are located provide limited opportunities for these institutions to acquire and accumulate capital. Many African universities are therefore seeking economic self-determination in spaces that are economically deficient. Overall, it could be concluded that public universities will employ various forms of agency, and to various degrees of success, depending on their policy and economic contexts and their existing capacities. Public universities that are located in vibrant economies and have the requisite capacities will register a higher degree of economic success. Public universities that are located in vibrant economies and do not have the requisite capacities will register limited economic success. Public universities that are located in poor economies and have limited capacities face prospects of not surviving neo-liberal globalisation.

8.6 Contributions of the Study

This study makes several contributions, viz.

- a) It provides detailed comparative and empirical data on higher education funding in Kenya and South Africa, hence expanding existing knowledge and insights on higher education funding, especially in Africa.
- b) It provides critical empirical information that may help shape higher education funding policies.
- c) It contributes to the field of globalisation studies by providing systematic empirical data on the selection and adaptation of “global patterns” by public universities in Kenya and South Africa. Since the concept of organizational allomorphism as a tool for understanding responses by universities to globalisation has been developed only recently (Vaira, 2004), it may be argued that this study is among the first ones to utilise it. The study therefore contributes to the understanding of the restructuring of higher education in the context of globalisation through the lens of organizational allomorphism.

8.7 Directions for Future Research

Given the comparative nature of this study and the broad nature of the subject of financing higher education, it was not possible to probe the subject in greater depth and breadth. This, together with the findings of this study offer obvious implications for further research. First, considering the differences in terms of institutional successes in winning non-government revenue from different sources, it would be interesting to carry out further in-depth case studies to tease out the experiences of individual African universities. Such studies will help establish important trends – allomorphic or isomorphic. It would be useful also to probe the role of leadership and management and the contribution of various academic departments.

Another important study would be the issue of how non-government revenue is spent and how the expenditure patterns impact on the overall development of the higher education enterprise. What are the issues and conflicts associated with the sharing of revenue in which academics are directly involved in generating? Are successes by public universities in winning non-government revenue encouraging governments to further reduce subventions?

It is incontestable that the resort to non-government income has implications for the identity of public universities, academics and the very idea of a university. One may therefore wish to find out the implications of the income earning strategies for the ‘soul’ of public universities – the normative values of the academic core. Further, what are the implications of the income earning strategies for knowledge production, knowledge ownership, knowledge dissemination and professional life of academics? But more importantly, how do these strategies impact on access, equity and quality?

Lastly, since the economic survival of public universities does not depend on generating income alone, but also on cost-cutting, it would be useful to find out what cost cutting measures public universities have put in place. What are the implications of these cost-cutting measures for teaching, research and scholarship in general? How have these measures impacted on both the internal and external efficiency of universities?

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APPENDIX I: INTERVIEW GUIDELINES

Below are the general guidelines of the interviews. The interviews were conducted with senior university administrators (finance officers, a Vice-Chancellor, a Deputy Vice-Chancellor and Deans).

1. How would you describe the university's current financial situation?
-Seek explanations for stability or instability.
- 2 (a). How would you describe government funding of the university?
2 (b). In case of any changes in government funding of the university, how do you account for it?
- 3 (a). What sources has the university utilised to generate private, non-government revenue?
3 (b). From which source/s does the university earn the most? Why? Is this source sustainable?
4. What has determined your university's choice of particular private sources of income?
5. What institutional factors underlie the successes or failures the university has had in revenue-generation?
6. What are the major challenges and constraints the university faces in revenue generation?