IMPROVING INCOME FROM INTERNALLY GENERATED FUNDS WITHOUT PROVOKING STUDENTS OR STAFF STRIKES AT MAKERERE AND OTHER UNIVERSITIES

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private students by the deans and academic staff at faculty level where the income is generated. Academic staff can put down their tools and paralyze the university or they can stop stretching their imagination and thinking creatively in form of a passive strike which is equally detrimental to nation building.

Evolution of the Internally Generated Funds at Makerere University

To appreciate the challenges involved we need to examine how the Internally Generated Funds (IGFs) came to be a factor at Makerere University.

Prior to 1990, government funded Makerere University 100% and all funds were centrally managed by the University Secretary and the Bursar. The government was not able to provide enough money to Makerere University, but at the same time, the government could not allow the university to introduce cost sharing because it was politically explosive. The result was gross under funding leading to dilapidation of buildings, brain drain of staff and suffocation of development of higher education in Uganda occasioned by strikes in early 1990 by students and staff.

In the absence of any government solution, Makerere University responded by introducing the private students scheme to raise additional funds to meet basic requirements such as water and other utilities, salary top up for staff and instructional materials. **The first challenge faced** was that, initially, deans, professors and the general academic staff body were reluctant to engage in recruitment of private students. Some resisted the idea like any new innovation. Others justified their lack of excitement about the scheme on the ground that additional private students during weekends, evening and day time involved additional teaching and marking load by staff and both deans and their staff saw this as yet another workload. In order to encourage faculties to generate funds, a good proportion of internally generated funds was left in the hands of faculties. It was appreciated that unless there were real incentives, the academic staff would not carry this additional load.

Decentralization of Internally Generated Funds

Currently, funds are managed at the Centre and at faculty levels as shown in Table 1 below:

Tablel Current sharing Formulae of Tuition fees at Makerere University, 2006

	Day Program %	Evening Program %	Graduate Program %
Central Administration	49	41	25
Income generating Unit	51	59	75

Source: Report of the Visitation Committee to Public Universities 2007

Faculties use the funds they retain at their discretion. A faculty may decide to spend all the money it retains in one year on recurrent expenses such as salary top up, teaching material, administration, conferences and other recurrent expenses. A faculty may pay its deans top up allowances which are bigger than the salary of the Vice Chancellor. When some faculties are constrained by space, they may decide to forego part of their top ups and put their funds on reserve accounts in the bank and accumulate enough funds over years to put up buildings. For example the Faculty of Economics and Management and that of Computing and Information Technology have put up buildings with internally generated funds. As noted by the Visitation Committee to Public Universities 2007, some Units have put up very impressive buildings while some older structures are deteriorating without funds for maintenance. At the end of each financial year, some faculties accumulate varying amounts of money on their bank accounts and this is faculty money which is controlled by the deans and directors.

This unpredictable pattern of development is caused by two factors. First, as noted above, management of IGFs which is retained at faculty level is at the discretion of the deans and their staff. Each dean and his/her committee set the priorities.

Many stakeholders hold the view that Makerere University gets a lot of money but that the money is inefficiently managed. The government of Uganda, for genuine reason or for other undisclosed motives, is one of those who are suspicious about the way Makerere University manages its funds. The government of Uganda has therefore set up a Visitation and Investigative committees to probe this financial management, especially the privately generated income.

The recent Visitation Committee to Public Universities 2007 concluded: *"Makerere has failed to manage and utilize the internally generated funds. The university should undergo an overhaul of its administrative structures and style including financial administration management training and retraining are urgently required".*

Makerere University needs to appreciate that if her stakeholders are suspicious about the management of its privately generated income, they may not be expected to be committed to contributing more funds for its sustenance. If the stake holders are not satisfied with the way the current level of income is managed, it is unlikely that they will be convinced to increase fees, given that private students fees is a touchy issue.

Re-Centralization of IGFs

The Visitation Committee to Public Universities 2007 recommended that all public universities should continue to generate income, but that such incomes should be centrally monitored, audited and distributed to University Units according to their needs. The Recommendation states:

"As a matter of policy, and practice all monies at Makerere University including IGF belong to the University Council which should henceforth decide how best to utilize the IGFs in Accordance with priorities of the University. The money generating units which are agents of the Council should access IGFs not as a matter of entitlement, but only as a result of their justified and approved budget requirements per semester/academic year. This proposal implies the abolition of the current IGFs sharing formula between the central administration and the income generating Units . It also implies the recentralization of the control, management and distribution of IGFs according to the priorities specified in the University Strategic plan. "

While I share the Visitation Committee's concern that the management of IGFs leaves a lot to be desired and must be overhauled, I am inclined to disagree totally with the recommendation of recentralization of IGFs for a number of reasons.

First, I have a lot of doubt that if Makerere University had not decentralised the management of a significant proportion of IGFs the Private students Scheme would have been such a success. The decentralization was part of the strategy for the success of the private student's scheme.

Secondly, decentralization/devolution is part of democratization which universities are espousing to achieve through independence and autonomy. It would therefore be a contradiction to advocate for autonomy at institutional level while keeping all units with no powers at all. This would suppress creativity and capacity for innovation at faculty level.

In 2004, the Management of Makerere University took the initiative to rationalize the devolution process. It commissioned a Reference Group on the Rationalization and Management of the Devolution Process at Makerere University with the aim of looking into the prospect of introducing the college model. To free the deans and directors from routine administrative task and clerical accounts work while at the same time controlling the administrative costs, the Reference Group came up with two main recommendations. They proposed the establishment of college structures with technical positions such as bursars and administrators at the College level. They proposed collapsing of existing 20 faculties and institutes into less than 10 colleges. Furthermore, they proposed reducing the administrative levels from 4 to 3. There would be the Centre, the College, and the Department. There would be no faculty level as another measure to reduce administrative costs. On inequalities, the Reference Group recommendation No 36 was that;-

"*Owing to the problem of financial disparities between units due to varying possibilities of generating own fees, there should be an equalizing fund contributed to by Government as well as strong revenue units to support financially weaker units*"

Makerere University, particularly Senate, should now take a look at two options. The first option is recentralization as it is being proposed by the Visitation Committee to Public Universities 2007. The second option is rationalization and management of the devolution process as proposed by the Reference Group and adopted by the Management of Makerere University in 2004 with measures for technical staff to back up deans at college level and also measures for controlling administrative costs through collapsing unit and improving management of Internally Generated Funds offers significant potential for enhancing the revenue generation by Makerere University and other public and private universities. Internally at Makerere University, it will improve efficiency in financial management, and rationalize the roles of various actors in finance. Externally, it will reduce suspicion surrounding IGF and make it possible to justify further government grants, donor support and clearing obstacles to increase fees.

The bulk of the students who are privately sponsored are admitted on account of their academic performance as well as their ability to pay. The available private places are assessed after admitting government sponsored students. The applicants vie for these places when they are aware that they are to pay. Those who qualify but cannot pay will not apply. The proposal for segmentation is therefore not new. It can be referred to as second generation segmentation since the higher education market is already segmented.

The proportion of private students in the total enrolment which was zero percent in 1989/90 had grown to 10% in 1994/95 and by 1999/2000 it had exceeded the government sponsored students. Presently over 20,000 students are private and less than 10,000 students are government sponsored. If in the year 1989/90 Makerere University had announced that it was going to take 75% of its fresh students as private students, it would not have moved an inch on this initiative.

The segmentation approach therefore would involve holding 3 rounds of admission at Makerere University. The first round remains for government sponsored students at national and district quota levels, as long as this is still desired by government. This is the government sponsored students Scheme (GSSS) The second round is for subsidized private students, more less as happens today with what we call private students. Given the low fees below the unit costs, this is still subsidized and it is proper to refer to it as the subsidized students scheme (SSS). The third round would be for the private students scheme (PSS) at full tuition unit cost targeting the relatively higher income group and international students. Much of the incremental income generated from this segment would go towards increasing teaching capacity so that the student enrolment is matched by the capacity for teaching them.

In order to initiate this scheme, the number of places would have to be controlled for each segment. Initially, the PSS places would be few because the scheme would be new and people would not be accustomed to it. Gradually however, the places in the purely private scheme would be increased either through building capacity for increased numbers with the revenue generated from this category or by gradually reducing on the number of subsidized students scheme. Similarly, the number of subsidized places should either be held constant or reduced because the fees paid by this middle group does not fully cater for the unit cost.

The experience of the current private student scheme at Makerere University shows that this gradual adjustment has a lot of merit. While the University has been putting forward different proposals for fees increment, it has not tested the market to establish how the increment would be received if it applied across the board. With second generation segmentation the risk of erratic response to the fees is minimized. If, for example, Makerere University offered 200 places to begin with as purely private places, it would give the University an opportunity to assess the reaction to the offer without any risk. If 200 places went like hot cakes, then next year the places can be increased and vice versa. Depending on the demand for higher education, the university would decide what to do with the subsidized student scheme.

It is unlikely to provoke a student's backlash since it will start incognito. Even the Government would be less inclined to block this approach since it does not tamper with continuing students on SSS and it would involve a small number of students from the relatively higher income group. In short this suggestion implies rewinding back the clock to 1990/91 in the present circumstances of Makerere University.

It must be admited, however, that the second generation segmentation is still inequitable, because it will still lead to the exclusion of some students from low income groups who may miss out on government sponsorship and the subsidized students scheme in the first segmentation bracket. However, given that it is intended for a limited number of students, and the subsidized students scheme is still taking the bulk of the places, its incidence on the students from low income groups is minimal.