



A New Dynamic: Private Higher Education

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United Nations
Educational, Scientific and
Cultural Organization



World
Conference on
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Foreword

It is a pleasure to present this publication on Private Higher Education as one of the background documents for the 2009 World Conference on Higher Education (WCHE), held under the overarching theme *The New Dynamics of Higher Education and Research for Societal Change and Development*.

One of the clearest trends to emerge since the World Conference in 1998 is the growth of many private/non-government providers of higher education in response to the strong demand for access and the need for a greater diversity of curricula and approaches.

UNESCO is grateful to the authors who have contributed to this collection: Kai-Ming Cheng; John Fielden; Maria-Jose Lemaitre; Daniel Levy; and N.V. Varghese. It is a particular pleasure to acknowledge the role of Svava Bjarnason, of the World Bank's International Finance Corporation, who has drawn on her extensive experience of both the public and private sectors of higher education to coordinate the preparation of this report. Special thanks are also due to the Swedish International Development Cooperation Agency (SIDA) which provided financial support for this work through the UNESCO Forum on Higher Education Research and Knowledge.

In response to the increasing importance of private provision - now the fastest growing component of the higher education sector worldwide - Member States seek guidance from UNESCO on appropriate policy frameworks for these providers. This work will feature in UNESCO's Programme and Budget for 2010-2011. One of the contributions to the report suggests how regulatory frameworks can be developed so as to optimise the contribution of the private sector to national objectives in the context of higher education as a public good.

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ACRONYM	Organization or Term
ACU	Association of Commonwealth Universities
ANTRIEP	Asian Network of Training and Research Institutions in Educational Planning
APQN	Asia Pacific Quality Network
AUQA	Australian Universities Quality Agency
AUW	Asian University for Women
CAA	Commission for Academic Accreditation (CAA)
CHEA	Council for Higher Education Accreditation (United States)
CONEAU	National Evaluation and Accreditation Council (Argentina)
CSE	Consejo Superior de Educación (Chile)
ENQA	European Association of Quality Assurance
GAA	Government accreditation authorities (Australia)
GATS	General Agreement on Trade in Services
GIQAC	Global Initiative on Quality Assurance Capacity
HEI	Higher education institutions
ICT	Information and computer technology
IEASA	International Education Association of South Africa
IFC	International Finance Corporation
IIEP	International Institute for Educational Planning
INQAAHE	International Network for Quality Assurance Agencies in Higher Education
IUB	Independent University of Bangladesh
NAICU	National Association of Independent Colleges and Universities (United States)
NGO	Non-governmental organization
NIEPA	National Institute of Educational Planning and Administration
NSAI	Australian non-self-accrediting institutions (Australia)
NUC	National Universities Commission
OECD	Organisation for Economic Co-operation and Development
PHE	Private higher education
PPP	Private-public partnerships
QA	Quality assurance
RIACES	Ibero-american Network for Quality Assurance in Higher Education
RMIT	Royal Melbourne Institute of Technology
SAI	self-accrediting institutions (Australia)
TCU	Tanzanian Commission for Universities
TNE	Trans-national education
UNESCO	United Nations Educational, Scientific and Cultural Organization

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Introduction

Svava Bjarnason

The 2009 World Conference on Higher Education is an opportunity to reflect on issues and trends that have emerged since the World Conference in 1998, as well as to look forward to examine how the landscape might continue to evolve. A decade ago, the topic of private, or non-government, higher education¹ was not addressed and yet over that period provision in this sector has expanded exponentially in many countries. This report provides a brief overview of private/non-government higher education in 2009 and examines some of the main themes relating to the provision of private higher education (PHE). It is not meant to be an exhaustive exploration of the topic, nor is it meant to advocate for private provision to replace public education. It is meant to provide a balanced contribution to the dialogue that examines the role of private/non-government higher education in meeting the need for increased access to quality education provision.

The success of the Millennium Development Goals in education has created an unprecedented demand for post-secondary education. Governments have invested heavily in early childhood and secondary education, resulting in a bulge of qualified learners and frequently inadequate provision available to meet demand. Demand for places in higher education far outstrips supply of available seats globally. In many emerging economies the demand can be 20 to 50 per cent higher than places available in public institutions. It is predicted that the demand for higher education

¹ The definition of private/non-government education is explored in detail in Chapter 1 and includes faith-based provision as well as for-profit and not-for-profit provision.

worldwide will have expanded from 97 million students in 2000 to over 262 million students by 2025. It was estimated that the private education market in 2006 approached US\$400 billion worldwide and that this would continue to grow as the sector matures, particularly in emerging economies. This figure may well be much higher as it is virtually impossible to quantify the investment in infrastructure (land, building and construction costs) and capital costs which private providers invest.

The diversity of PHE providers is immense. There is simply no 'one size fits all' scenario or description that illustrates the breadth of the different models which exist. Market demand means that private providers (be they for-profit or not-for-profit) can move far more quickly to meet demand than government institutions. They can work individually or in concert with other providers in identifying a lack of supply (for new skills required in regions where there is a growth industry such as information technologies or engineering) and are usually far more cost efficient than public sector institutions, as they do not carry the same employment and infrastructure constraints. This has led to criticism, at times, with the argument that some providers offer only niche courses where they are able to charge a premium and where there is greatest demand (such as business studies). A further argument is that they typically do not undertake research and, therefore, should not be deemed as institutions of higher learning. While examples to support these stereotypes can certainly be found, there are also examples where private universities are established by individuals and philanthropic organizations who see a failing public sector and are ideologically and financially willing to try to redress the lack of quality education available

This report is written at a very particular time in history when the world is experiencing a global economic crisis. The depth and breadth of the crisis is not yet clear and thus the impact on the education sector is untested. However, history suggests that education, particularly post-secondary education, fares well through economic downturns as people use the opportunity to re-train and re-skill in the hope of having an added advantage when the economy revives. The need for a greater supply of technical and vocational education and training is an area attracting increasing attention, with the recognition of a need for increasing investment in this sector. Governments are recognizing that investing in post-secondary education at all levels can contribute to a more skilled and knowledgeable workforce, but at the same

time, it is coming under considerable pressure to respond to the financial crises through investment in other sectors. Government funding is simply inadequate to meet the growth in demand for education at all levels, and thus, non-government provision is expanding.

A recent World Bank report (2009) argues that support to policy-makers should be prioritized in times of crisis. This report is aimed at providing guidance to policy-makers as they examine the role of private/non-government provision in their respective countries. There is no single solution in terms of how government responses might be devised to address such provision, and thus, the authors of this report raise issues and put forward examples of how different countries have attempted to address such issues.

Chapter 1 sets out the scope and scale of PHE in 2009, globally. It identifies the growth of PHE on a regional basis, estimating that approximately 30 per cent of global higher education enrolments are now in private sector institutions. Asia and Latin America show the greatest growth ranging up to 80 per cent in some countries, while Western Europe is the outlier with relatively small shares of private providers. The author sets out a typology of private institutions, describing the range of operators and owners of higher education institutions (HEIs) globally.

Financing private education is a complex issue as there are often many different stakeholders involved. **Chapter 2** provides an overview of the issues, starting with an exploration of the 'collapsing of old boundaries' where public and private provision blur what might once have been considered as clear funding frameworks. The authors look at financing mechanisms from the perspectives of the various stakeholders including government, entrepreneurs, philanthropists and students/parents. An in-depth analysis of funding models is not provided in this report; however, consideration of different mechanisms used to support private provision, including student lending, are examined.

Public-Private Partnerships (PPPs) is an approach which is gaining considerable traction globally. It has a much longer history in other social sectors such as health, and has grown considerably in the primary and secondary sectors in education. Given

the current fiscal constraints, governments are exploring more vigorously the options available to them through partnerships with the private sector. **Chapter 3** examines the various modalities of PPPs in higher education ranging from simple contracting of services to more involved and long-term education partnerships. The author explores the various motives for engaging in partnership from risk-sharing to innovation as well as outlining some of the elements for successful partnerships such as transparency of policy and changing paradigms of governance.

How governments choose to regulate private provision varies depending upon the perspective of whether such providers are seen as partners in meeting the country's overall demand for education or whether such providers are seen in more negative terms, requiring excessive restrictions. The underlying question is framed by issues of access and quality. Governments want to provide increased access to education opportunities, while at the same time ensuring such opportunities are of equal or higher quality than that found in the public sector. **Chapter 4** outlines seven elements for a policy framework which governments might consider. The authors go on to discuss processes and mechanisms through which the elements might be achieved - many of which are illuminated through short case studies drawn from various countries and regions. The chapter provides insight as to the potential barriers and incentives that regulatory frameworks provide for private provision and encourages an open dialogue between government and private providers to ensure issues of access and quality are addressed.

Ensuring the quality of the educational experience is a central tenet on which government policies rest. Certainly the regulatory frameworks play a key role in setting out the basic structure for institutions to follow which provides some comfort that quality provision will be in provided. However, as policy matures and the higher education sector expands, many countries are now establishing quality assurance (QA) agencies or choosing to align themselves with international agencies engaged in the recognition and accreditation of education provision. The author of **Chapter 5** provides an overview of the quality control and assurance mechanisms currently in place ranging from simple licensure to accreditation and quality audit. She argues that quality mechanisms must find a balance that ensures high levels of provision while at the same time not constraining appropriate innovation that responds to the evolving public and private education sectors.

The role of private provision remains open and contested in some quarters and is now well-established in others. This is part of the evolution and development of the sector and will serve to ensure that, as policies are developed, policy-makers will become increasingly aware of the options available to provide both barriers and incentives to the growth of this sector as appropriate to their country's needs. This report contributes to that debate.

Reference

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Growth and typology

Daniel C. Levy

Introduction

PHE captures huge attention in the wake of its tremendous growth in recent decades. The growth has occurred on a global scale so that previously marginalized regions have attained sufficient PHE as to join those nations with longer-standing PHE.

The subject matter of this chapter is twofold: (1) global PHE expansion and (2) the different types of PHE that have emerged from that expansion.¹ Reflective of the overall report, this chapter mostly highlights patterns but also highlights a particular concern, namely, access. Admittedly, however, any global overview of a large and diverse reality runs the risk of generalities that may misleadingly simplify. Reality differs within and across regions and countries as well as across time. PHE's reality is wide-ranging and multifaceted.

Expanding size and geographical breadth

Transition from small to large

Both the expansion and breadth part of this chapter can be seen as an exploration of increased higher education access. For much of the nineteenth and twentieth centuries, higher education was mostly a public sector affair. In fact, higher education added 'publicness', as judged by share of institutions and enrolment, finance and national rules. Obviously, Communism brought public dominance to new heights, as

¹ The other side of higher education privatization - the partial privatization of public higher education - is not this project's central subject matter. However, the dual phenomena of private sector growth and partial privatization of the public sector is powerful and each affects the other (Pachuashvili, 2008; Roth, 1987).

PHE was abolished or nearly so. Access, both in reality and in public policy deliberations worldwide, focused overwhelmingly on the public sector.² This UNESCO report aims to be a partial corrective as do some other recent works (Levy and Zumeta, forthcoming).

The great transformation from small to large private enrolment has mostly taken place in the developing and transitional world. The only clear-cut case of a developed country with majority private enrolment is Japan, although one could also count the Republic of Korea. Were we to make Box 1.1 (just below) country inclusive, we would find no clearly developed countries in the 35 to 60 per cent private enrolment range and most still under 10 per cent. In contrast, few developing countries remain under 10 per cent and many are over 60 per cent.

Yet so strong is the PHE proportional growth in so many countries, even as public growth often remains strong in absolute numbers, that perhaps 30 per cent of global higher education enrolment is now private (Guruz, 2008). Moreover, no region stands apart from PHE growth. A quarter century ago, many countries had no PHE; today very few (Bhutan, Cuba, the Democratic People's Republic of Korea; Greece shows that de facto PHE is possible even without state recognition). No large country is without PHE. Many countries have the majority of their higher education enrolments in the private sector.

Box 1.1. Private/total higher education enrolment: a few examples

	0-10%	>10<35%	>35<60%	>35<60%
Developing countries	Cuba, South Africa	Egypt, Kenya	India, Malaysia	Brazil, Indonesia
Developed countries	Germany, New Zealand	Hungary, United States	(none)	Japan, Republic of Korea

Source: <http://www.albany.edu/dept/eaps/prophe/data/international.html>

Regions

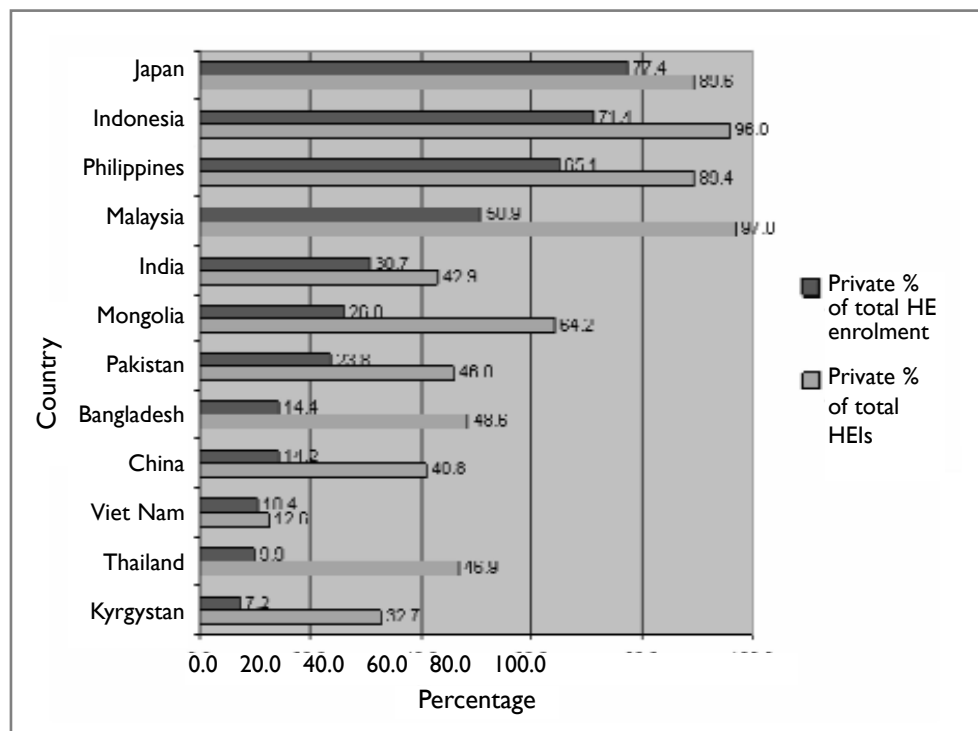
Although a ranking of private/total enrolment by country would obviously provide more precision, even for regions we can identify a basic and striking high to low spread.³

² Before that public surge, access was often privately provided, as through missionary education, correspondence education, vocational education, and other non-university or 'level 5' forms. Of course access was far from a mass phenomenon. Moreover, much higher education was historically neither public nor private in the common senses we use those terms today (Levy, 1986).

³ Based on national figures [online] available from *Program for Research on Private Higher Education*, <http://www.albany.edu/dept/eaps/prophe/data/international.html>.

Asia, the world's largest population region, comes first. East Asia contains the largest concentration of countries with the proportionally largest private sectors. Indonesia, Japan, the Philippines and the Republic of Korea are over 70 per cent private. Malaysia is around 50 per cent. And India's 30 per cent (Gupta, Levy and Powar, 2008) gives it the second highest private headcount in the world -right behind the United States. In much of Southeast Asia, the share is below 15 per cent (Cambodia, China, Thailand and Viet Nam), but as a total cohort, higher education rates there are much lower than in East Asia, large overall growth with a growing PHE share seems likely. (See Figure 1.1.) For Central Asia the data are spottier, but Kazakhstan and the Islamic Republic of Iran are roughly half private. In contrast, most of Asia and the Pacific's developed countries have small PHE shares: Australia is only about 3 per cent private, while New Zealand is at 10 per cent. With no private universities allowed, private access there is only at the 'lower' levels.

Figure 1.1. Asia's private enrolment and institutional shares by country (2001-2007)

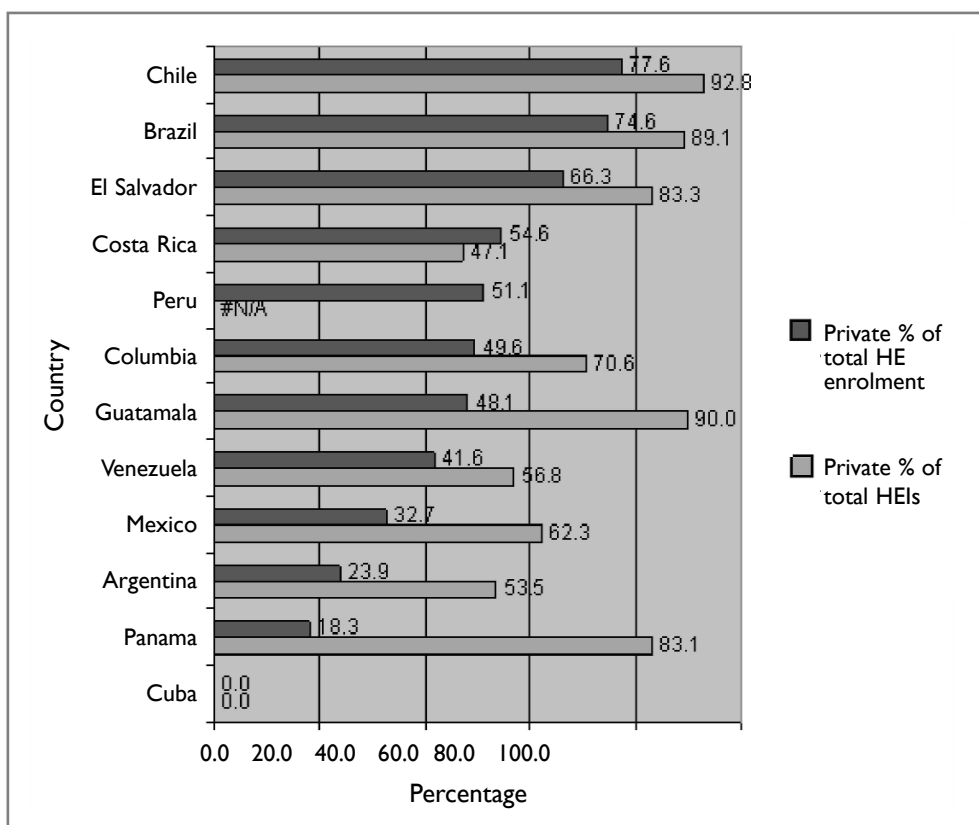


Source: International Databases, Program for Research on Private Higher Education (PROPHE), available [on-line] at

<http://www.albany.edu/dept/eaps/prophe/data/international.html>. The site provides data on more countries, along with individual sources and caveats.

Latin America shares the PHE summit with Asia, whether we look at PHE shares or PHE absolute enrolment. Latin America has a longer widespread history than Asia of dual-sector development. By the late 1970s Latin America was already approaching 40 per cent private (Levy 1986) and today data indicate more like 47 per cent. See Figure 1.2. Only four small countries have private shares under 20 per cent, two of them near 20, whereas five countries are over 50 per cent (Brazil, Chile, Costa Rica, El Salvador and Peru), with two others virtually at 50 (Colombia and the Dominican Republic) and another two hovering near that (Guatemala and Nicaragua). In contrast, the Anglophone Caribbean is much lower in PHE. Latin America is the outstanding regional example of maintaining and expanding private shares, even amid unprecedented public expansion.

Figure 1.2. Latin America's private enrolment and institutional shares by country (2002-2007)



Source: International Databases, Program for Research on Private Higher Education (PROPHE), available [on-line] at <http://www.albany.edu/dept/eaps/prophe/data/international.html>. The site provides data on more countries, along with individual sources and caveats.

Although Latin America has had more stable, regional PHE shares than Asia, the United States epitomizes stable shares, remaining between 20 and 25 per cent for decades.⁴ This share hardly makes the United States a global enrolment leader, though its PHE share goes higher for four-year institutions and soars for graduate education, research, funds, impact and prestige.

Central and Eastern Europe are the next regions in PHE enrolment shares (Slantcheva and Levy 2007). The growth from zero to substantial in the first half of the 1990s is the most dramatically concentrated spurt ever seen in any region. Overall higher education enrolments had been terribly low under Communism, and great demand for expansion was suddenly unleashed at its collapse. Yet, only a few countries have ever crossed the 30 per cent PHE level (Estonia, Georgia, Latvia and Poland, with Estonia close); a few have declined in PHE shares (Pachuashvili, 2008); and others have never become more than a few per cent private (Lithuania and Slovakia). Stagnation or only a slight increase in private shares characterized the ten or so years after the initial surge. However, there have been signs of private resiliency in the past several years, rather pronounced in the non-university, college-level sector - the sector which trains professionals and attracts non-traditional students.

Staying another moment in Europe before moving to the next-largest region in terms of PHE shares, Western Europe is the striking outlier in regard to PHE expansion and size. Privatization in West European higher education has mostly been about changes in the finance and management of public institutions. Thus, for example, 'entrepreneurial universities' are basically public universities undertaking major reform (Clark, 1998; Wells, Sadlak and Vlasceanu, 2007). Many of the PHE sectors have long been largely peripheral (Geiger, 1986). Belgium and especially the Netherlands have had large PHE shares, but with strong publicness in rules and finance, and are now sometimes reported as only minimally private.⁵ Portugal is a different sort of exception, 26 per cent private in a largely distinctive sector, and Spain now stands out for having some academically prominent PHE institutions (De Miguel, Vaquera and Sanchez, 2005). The United Kingdom, after creating merely one private university (1981), now has several initiatives to build PHE.⁶ But France, Germany, Israel and the United Kingdom still fit the regional norm of small private sectors. Finally, Turkey had early PHE development but closed down in the 1970s and has emerged anew only

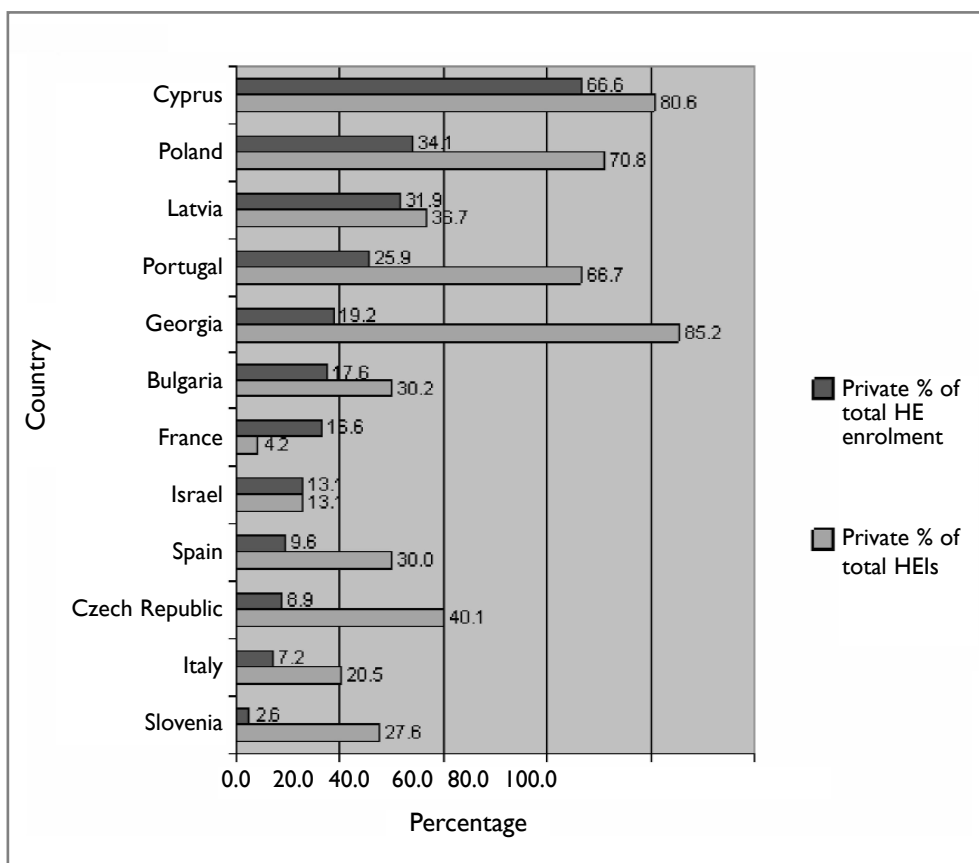
⁴ The rest of the North American region has Canada, with minimal PHE, and Mexico, which we include in the Latin American region.

⁵ Complicating matters more is the tri-sector picture drawn in European data and analysed by Guy Neave (2008). Institutions labeled 'independent' are clearly private, and those labeled public are clearly public; however, in between are government-subsidized institutions that may not be functionally private.

⁶ In Germany, Italy and the United Kingdom come prospects of philanthropic pledges by wealthy businesspersons. But Germany mostly reflects a regional (and global) tendency, tied to marketization and globalization, to maintain PHE institutional proliferation outside universities, a common but upper-end manifestation is the MBA (Franck and Opitz, 2006).

recently (Mizikaci, 2006). Though capturing only 6 per cent of the country's enrolment, several of the leading institutions, such as Sabenci University and Koc University, have achieved prominence.

Figure 1.3. Europe's private enrolment and institutional shares by country (2003-2009)

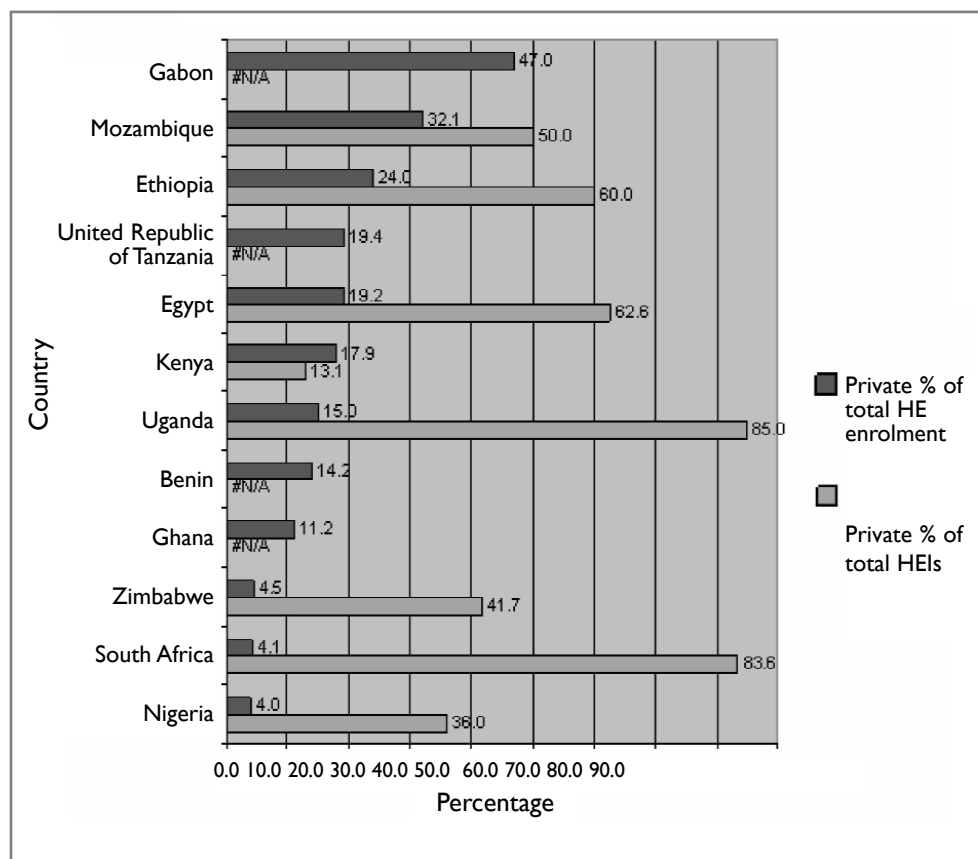


Source: International Databases, Program for Research on Private Higher Education (PROPHE), available [on-line] at <http://www.albany.edu/dept/eaps/prophe/data/international.html>. The site provides data on more countries, along with individual sources and caveats.

Sub-Saharan Africa has been late to modern PHE, but the growth is notable (Mabizela, Levy and Otieno, 2007; Varghese, 2006). Breakthroughs came in the 1980s and 1990s and then continued in the new century. Anglophone countries outstrip Francophone ones; yet, African private enrolment shares remain comparatively small. Kenya, having ascended to one-fifth private, shows slippage as public universities take

in 'private', paying students (Otieno and Levy, 2007). Many African countries do not come class to a fourth in PHE/total HE enrolment (Mabizela, 2007), though Figure 1.4 suggests that others exceed that share: Botswana, Gabon, Mauritius and Mozambique, with a possible (though as yet unconfirmed) far outlier in the Democratic Republic of the Congo. Overall, however, the African data on PHE are less reliable, scarcer and more scattered than in other regions. More certain is that there are often more private institutions than public institutions. Most of the private institutions remain peripheral, although there are notable exceptions in Kenya, South Africa, the United Republic of Tanzania and elsewhere. Yet with continued low enrolment rates and with proportionally high growth rates, the future of African higher education may accelerate its present private tendencies.

Figure 1.4. Africa's private enrolment and institutional shares by country (2003-2008)



Source: International Databases, Program for Research on Private Higher Education (PROPHE), available [on-line] at <http://www.albany.edu/dept/eaps/prophe/data/international.html>. The site provides data on more countries, along with individual sources and caveats.

PHE is just beginning to register significant enrolment in most of the Arab region. 'American Universities' have for some time dotted the horizon in Egypt, Jordan, Lebanon and now Kurdistan. The Arab Middle East stands out as the region in which PHE emergence is mostly planned and promoted by government, often in partnership with European and United States universities as well as with occasional World Bank support. Also notable is that the emergence has become widespread so rapidly, covering the great majority of countries (Bahrain, Iraq and Saudi Arabia, to name but a few).

Box 1.2. Geographical shares of private/total higher education enrolment *

High	Medium	Low
East Asia	United States	Western Europe
Latin America	Central/Eastern Europe	Commonwealth countries
	Anglophone Africa	Francophone Africa
		Arab countries

* There is significant variation inside most regions.

Source: <http://www.albany.edu/dept/eaps/prophe/data/international.html>

None of the above is to suggest that further growth in PHE shares is inevitable everywhere. Various political-economic changes, including regulation, can jeopardize shares. Soaring public enrolments, through fresh demand or supply or the elevation of existing technical or normal schools to higher education, can diminish the PHE share, even amid PHE absolute growth (Argentina, Colombia and Thailand). Where aging populations threaten overall demand for higher education (Central and Eastern Europe, Japan and the Republic of Korea) some low-status private institutions could shrink or die, as the first choice of most students is public (for quality, status and lower costs).⁷ But as noted above for Central and Eastern Europe, and for Japan, some private institutions have been resilient in seeking non-traditional student populations, a positive as regards access. In any event, in most of the world, especially the developing world, PHE growth - not decline - remains the dominant tendency.

Shape: a typology

Heterogeneity characterizes the private sector. Our typology is largely about roles and motives, but with concomitant facts about ownership and management. The typology also allows for a discriminating analysis of access, as different PHE types play different access roles, some more modest or specialized, others numerically potent.

⁷ Furthermore, some European private institutions may feel market pressure from the open European Higher Education Area in the European Union, as national barriers recede.

The dominant typology of PHE has been framed around elite, religious and demand-absorbing provision.⁸ Though these categories remain pertinent after decades of astonishing growth and change in PHE, some reconfiguration is warranted. Our categories here are Elite/Semi-Elite, Religious/Cultural and Non-Elite/Demand-absorbing, with some cross-cutting consideration of for-profit and PPP forms as well.⁹ The three main categories cover almost all PHE, and it is not uncommon for all three to function within countries, reinforcing the reality of the sector's heterogeneity. However, there is no perfect typology for PHE, where all institutions fit neatly into one category.

Elite and semi-elite

Elite education is sometimes defined by its privileged clientele, but our usage refers to academic and intellectual leadership, which is not to deny some correlation with a privileged student body. Nonetheless, the popular association of academic elite with private is a United States-centric one. The elite or world-class universities (Altbach and Balán, 2007) virtually everywhere else are mostly public, a reality driven home through analysis of the two prominent global rankings of universities.¹⁰

Much more of a private presence is found among 'semi-elite' institutions. These may be among the leading HEIs in their country, sometimes nationally ranked, and in much of Latin America can reasonably be considered nationally elite. Even where they cannot compete with their nation's pinnacle public universities, they may impressively compete with a second tier of fine public institutions.

By definition, semi-elite institutions stand between elite and non-elite and thus have more than average selectivity and status. Beyond that, numerous characteristics are common. One is a priority on good practical teaching or training and not the basic research associated with globally ranked universities; however, applied research can be a feature. The social class of students may be quite high, often including accomplished graduates of the secondary system as well as those capable of paying expensive private tuitions. Some semi-elite institutions are niche institutions concentrated in a given field of study or on a cluster of related fields; business is most prominent. The MBA is a banner degree. Semi-elite institutions are pointedly job-oriented.

⁸ Levy (1986). A very related typology was PHE for provision of something superior, different or more mass-based (Geiger, 1986; Marginson, 1997).

⁹ Another type of PHE could be the private research center, but though these often include graduate education, they are not normally regarded as higher education for their lack of first-degree enrolment and are therefore marginal to our discussion of access. Instead, they have sometimes provided a rather elite layer (and social service layer) in social science research (Levy, 1996).

¹⁰ No non-United States private university makes both the *London Times* top 200 and the Shanghai top 500, and other than a few Japanese institutions, most of the closest are European universities with ambiguous private-public status. Moreover, elite institutions are a distinct minority of PHE, even in the United States.

Semi-elite institutions are also usually conservative in an economic and/or political sense, proudly Western-oriented. In some cases they are, in fact, foreign institutions operating as private institutions within their national framework, as in Bulgaria, Germany, Kyrgyzstan and Romania. Favouring markets, they demean dependency on government. Entrepreneurialism is commonly a driving reality. The type is also markedly private: income is almost strictly non-public, led by tuition, and much is made of tight businesslike management, with strong business plans. Semi-elite institutions may be transnational, but they almost always seek foreign ties and recognition; enhancing and advertising their internationalism, they often teach courses in English. Ownership and leadership require further study, but they appear to be strongly business-related, often with a role by luminaries from the public sector, the media and other professions. Motives include a desire for personal transcendence through a permanent institution; an entrepreneurial drive; a strong belief in the ability to offer a superior or more efficient product; the will to serve students and business; and the wish to support national development. Less commonly, but notably, some semi-elite institutions aspire to academic elite status.¹¹

It appears that every region of the world - developed and developing - is seeing a semi-elite emergence. Given the typical lack of academically elite PHE, this semi-elite surge is particularly noteworthy.¹²

Religious and cultural

In contrast to almost all semi-elite institutions, another set of private institutions can be identified largely by their cultural orientation - usually religiously based. In fact, as with many non-profit sectors, in education and beyond, the first wave of institutions is often religious. Moreover, religious institutions are among the more clearly non-profit institutions whereas semi-elite institutions tend to have strongly commercial motives and dynamics (for better or worse, depending on one's perspectives).¹³

Catholicism was usually the dominant faith-based form underpinning early private universities in Latin America, Europe and Africa. In the first two regions, institutional creation often resulted from the Catholic Church's reaction to governments pushing religion out of once mixed government-private institutions during secularizing

¹¹ They may hope to build on success in lucrative fields to establish academically enhancing fields, aspiring to the highest levels of academic prestige, sometimes even with Ph.D.s and basic research, though these need not be requisites for estimable academic legitimacy.

¹² Like elite education, semi-elite is not primarily about access, especially in those instances in which the student clientele may be privileged. Nonetheless, a few points can associate the semi-elite institutions with access as they: (a) bring more finance to higher education; (b) open public slots for others by attracting some students away from those slots; (c) diminish the flow of domestic students going abroad, including at the master's level.

¹³ This does not rule out that some universities can be simultaneously religious (or other culturally-based) and semi-elite or nationally and regionally elite, as with the Catholic University of Chile.

movements in the nineteenth or twentieth century. In the United States, the early colleges such as Yale and Princeton, which had also been something of Protestant-denomination, state-government mix, became bona fide private.¹⁴

Religion remains a major type of PHE, but two changes are noteworthy. One is the increasing mix of religions. In Asia and especially Africa, there is a rise of both evangelical and Islamic faith-based orientations in PHE. Where Muslims are a minority, the founding of their own PHE institutions is an option; where they are a majority, public institutions may provide accommodation, as in Egypt. African countries such as Kenya and Nigeria now have Catholic, evangelical and Islamic institutions.

The other change has been the diminishing force of religion, reflecting a decline in religious identity in much of the non-Muslim world. Although a prime motive for ownership and top leadership often remains religious, it is not a prime motive for many students or professors. Increasingly, Catholic universities are among the many non-profit institutions forced to adhere to a business plan more suitable to a competitive marketplace.¹⁵ It is important to note that the effective ownership of most Catholic universities is not the Vatican.¹⁶

Yet, as religion has declined, the cultural sector has been bolstered by other identities. Obviously, religious and ethnic identities can overlap. In addition, the ethnic thrust can be strong in countries with heterogeneous populations. Central and Eastern Europe (Georgia, Hungary, Poland, Romania and Slovakia) have furnished examples of such PHE in the post-Communist period. South East Europe University of Tetovo (the Former Yugoslav Republic of Macedonia) simultaneously shows multi-ethnic, multi-lingual and multi-religious dimensions.

Where these protective values stress safety, tranquillity, order and authority, some parents opt to send their daughters to religious or other private institutions. Indeed protective values can be a major motivation for women's colleges. The women's college is prominent in Asia, the United States and elsewhere.¹⁷ Thailand shows that even colleges that are not formally or fully for women may be overwhelmingly for them (Christian University, Saint Louis College and Mission College). Individual colleges may be both gender- and religion-based. Of course, where women were

¹⁴ Whitehead (1973). United States society was more about religious pluralism - to each his own - than religious mixing.

¹⁵ Even prior to the present turn to marketplace management many religious institutions had solid business practices and hierarchical management, a point often made in contrast to the public universities (e.g., in Africa), but we know more about leading than ordinary religious institutions. Evangelical institutions appear to border on the semi-elite type with regard to business emphasis.

¹⁶ In fact, a revitalization, of sorts, of the Catholic impulse comes now not from the Vatican or the local dioceses, but from religious congregations or movements, such as Jesuits, Salesians, Opus Dei and the Legion of Christ, who have continued to open or take control of universities in Latin America.

¹⁷ Purcell, Helms, and Rumbley (2005) .

barred from mainstream institutions, women's colleges were not truly institutions of cultural choice as much as institutions of access.

Generally, where public institutions have quotas for certain groups, as in Malaysia, private institutions have sometimes been crucial access vehicles. More commonly today the group access consideration is less clear-cut - whether the group in question is religious, ethnic, racial or gender-based - but culturally oriented institutions remain important for group access.

Non-elite and demand-absorbing

The largest growth area in PHE is non-elite. It is mostly 'demand-absorbing'. Generally speaking, student demand for access to higher education continues to grow sharply, exceeding the supply of slots at public (and extant private) institutions, even though that supply is also expanding. In this setting most students are not choosing their institutions over other institutions as much as choosing them over nothing. Further contributing to private non-elite proliferation has been a lax regulatory environment, at least for an initial period (Levy, 2006), although this factor has been weaker in East Asia and the Middle East than in Africa, Latin America and the early growth period in Central and Eastern Europe. In every country in which PHE becomes the majority sector (and in many where it becomes a large minority sector), it is this demand-absorbing subsector that has been numerically dominant within PHE, usually increasingly so. Therefore, it tends to be both the largest private subsector and the fastest growing one.¹⁸ It is the predominant subsector for access.

This is the private subsector most concentrated in institutions not labelled university,¹⁹ though often even 'universities' are not really universities, particularly where governments do not regulate employment of the university nomenclature. Many private institutions are technical, vocational or 'college' institutions, sometimes ambiguously on the definitional borderline marking higher education as well as the for-profit/non-profit borderline (Atchoarena and Esquieu, 2002). The prevalence of non-universities, often small, helps account for the consistently higher PHE share of institutions than enrolments in given systems. Yet, even if we restrict the data analysis to universities, the PHE share of institutions is higher than the PHE share of enrolments, as the average private university is smaller than the average public one.²⁰ As one example, the largest private university in the Czech Republic, Jan Amos

¹⁸ However, nothing in the term 'demand-absorbing' should imply that this subsector needs to constitute a 'mass' subsector. In Africa, where no national system has anything close to a massive PHE sector, it is common for PHE to be divided into comparatively substantial religious, for-profit and demand-absorbing subsectors. These can overlap, as seen with the demand-absorbing religious sector of Mozambique and the demand-absorbing for-profit sector of South Africa (Mabizela, 2007).

¹⁹ See data at <http://www.albany.edu/dept/eaps/prophe/data/national.html>.

²⁰ See data at <http://www.albany.edu/dept/eaps/prophe/data/national.html>.

Komensky University, enrolls 6,792 students, compared to almost 41,000 students at the largest public university.

The non-elite subsector is sometimes denounced in rabid terms. Much of the denunciation is earned, though much could be (to less political applause) similarly aimed at low-level public institutions. For informed policy-making and scholarship, however, it is crucial to recognize two subcategories of non-elite private institutions. One is indeed highly problematic in academic quality, seriousness and effort. Some family-owned institutions fit here. Business plans and operations tend to be flimsy and non-transparent, leaving room for charges that personal gain is a key motive.

Yet the other non-elite type is serious. It is usually job-oriented and into new modalities, sometimes quite responsibly so, including distance education, providing new avenues of access, targeting non-traditional student populations and responding to emerging needs for workforce development. The upside, both quantitatively and qualitatively, may be impressive.²¹ It is often well managed and may even show certain traits akin to some semi-elite institutions. Both non-elite types bring comparatively unprivileged groups, including working adults, into higher education—a major access role within often highly stratified societies. The difference is that in the weaker institutions the access role must be weighed alongside very problematic characteristics, whereas the better institutions perform this access function as a clear plus.

Cross-cutting types: for-profit

As noted at the outset, our chief three categories - elite/semi-elite, religious/cultural and non-elite/demand-absorbing - basically encompass PHE, but two rising forms merit some special attention here. These are for-profit institutions and PPPs. The PHE type they most overlap is the non-elite.

Not-for-profits are academically elite. However, contrary to widespread stereotypes, some have semi-elite characteristics or at least the attributes of serious non-elite ones. On the other hand, many for-profits tend to fall into the exploitative end of the non-elite type, including where institutions that are legally non-profit are functionally for-profit: 'non-profits in disguise', a common characterization that extends beyond higher education alone (Weisbrod 1988). Sometimes law is not clear about which institutions are non-profit or for-profit;²² even experts within a given country do not always agree on whether for-profits are allowed.

²¹ Argentina seems to be a national case in which the large majority of even non-elite institutions are serious. In countries with majority PHE/total enrolment shares, that is less likely.

²² Central and Eastern Europe illustrates the point, although there is less confusion today than in PHE's early years.

If we were to limit ourselves to legally for-profit institutions, the for-profit sector would be small. But it is growing. This appears to be the case in all developing regions. A dramatic example is Brazil, where by 2005 legal for-profits accounted for 19 per cent of total higher education enrolment, not much lower than the entire public sector. Conversely, the for-profits represent the fastest growing type within United States higher education. Depending upon figures used, for-profits account for 8 to 10 per cent of total United States enrolment, thus at least a third of total private enrolment. However, the share is concentrated in programmes of just 1 to 2 years, rather like in public community colleges. In South Africa, the for-profits make up more than two-thirds of what is legally regarded as PHE; Ukraine's PHE is also strongly tilted to the for-profit side. Many citizens and governments worldwide regard profit and education as inherently at odds, making legalization politically difficult.

Moreover, there is a sharp and multifaceted international dimension to for-profit growth (Kinser and Levy, 2006). Laureate Education leads the way in Latin America and Europe, often buying dominant shares of existing (non-profit) universities, such as the University of the Valley in Mexico, with some 100,000 students. In Chile, Laureate institutions hold 10 per cent of national higher education enrolments.²³ The Apollo Group, owner of the largest American university (Phoenix), also operates abroad, as does Whitney International. Kaplan and Corinthian Colleges find their niches but mostly operate at home. Indeed, most for-profit higher education comes through domestic providers, as in South Africa. Some for-profits are publicly listed on the stock exchange, others are not.²⁴

In fact, the ownership of for-profits shows great variety: family-run, other proprietary, business owned (sometimes as their own 'corporate universities'), publicly traded and international chains (Kinser 2006). The business plans range from unsophisticated to complex. Apollo seeks efficiency and profit through standardized plans; Laureate buys up serious institutions and seeks to profit while significantly expanding size. Overall, motive varies by ownership form but a constant is the pursuit of profit, whether or not combined with less self-interested motives.

Clearly, for-profits - international and domestic both - now have to be considered in analysis of PHE and total higher education access. Though fees represent an obstacle, many for-profits reach non-traditional and non-privileged higher education clientele. In any event, for-profits epitomize the substantial privateness of the private sector.

²³ The Mexican government is lax on regulating Laureate since it finds it a quality alternative, along with the Tec de Monterrey national chain, to most of the country's shoddier small private institutions.

²⁴ Laureate has recently gone 'private,' taking itself off the public stock exchange, declaring it did not want to be too accountable to share-holders preoccupied with short-term gains.

They are tuition-based and rarely get any public support.²⁵ The sector is run mostly on a business model linked to power and authority concentrated in boards and chief executives, rather than in faculty senates. Government roles are limited and student activity mainly takes place not in the political realm, but in the market realm, as self-interested clients.²⁶

Cross-cutting types: PPPs

PPPs are a rising concern among policymakers and scholars in and well beyond higher education.²⁷ Partnerships in higher education are treated in another chapter of this report, so this section restricts itself to observations most relevant to the PHE types laid out here. We also restrict the focus to partnerships between higher education actors where one is essentially private, the other essentially public. Although relationships between private and public are often marked by competition and mistrust, this is not always the case.

Two types of partnership are especially important for access.²⁸ One type involves two or more HEIs with complementary interests. Here the main private forms involved are non-elite, sometimes for-profit. Often it is a private college seeking legitimacy, QA and access to advanced facilities such as laboratories or curriculum, affiliating to a public university seeking paying enrolments. South Africa shows examples (Mabizela, 2005) and various college-university arrangements exist in many countries, including China, the Czech Republic, Germany, India and Lithuania. Russian public universities are one of the types of institutions that has created private institutions and maintained close ties with them, even offering dual degrees (Suspitsin, 2007). Ghana pioneers an interesting policy option to tie access to QA by mandating that private colleges affiliate with public universities (Effah, 2006; Mabizela, 2005), though private differentiation and innovation may be inhibited. In any case, partnership rarely connotes equality. Business plans for the partners are not always clearly spelled out and the different motives and ownership often lead to conflict, as in China and South Africa. Additionally, we see increasing examples of revenue-

²⁵ The notable exception is the United States, where students at accredited for-profits are eligible for government student loans.

²⁶ Although the private-public debate and antagonism is less sharp in the United States than in much of the world, the clash is often sharp when it comes to the for-profit sector. United States state governments as well as multitudinous accrediting agencies differ greatly in how accommodating or hostile they are.

²⁷ PPP is a major concern in the broad literature on privatization, 'third-party government', 'contracting out' and non-profit-government relations (Boris and Steuerle, 2006; Salamon, 1989).

²⁸ In addition, business-university partnerships for on-line education offer opportunities for expanded access. Another form of partnership common in Latin America has been between private research centres and public (or private) universities, increasing access as professionals at the centres teach at the universities. Globally, we also see private-public (usually de facto) 'partnership' or at least 'sharing' where so many PHE professors are professors at public universities.

hungry universities in Australia, the United Kingdom, the United States and elsewhere establishing cross-border partnerships where the local partner may be private but even the public university from the exporting country operates as de facto private when it establishes itself abroad (Lane forthcoming).²⁹

A second type of access-intensive PPP is the incorporation of 'private students' into public universities. In countries in which public access is thwarted by supplies far inferior to demand for desired public universities, those universities may enforce admissions quotas for 'public' students with no or low tuition fees but then have another quota for fee-paying students, sometimes in separate 'module II' programmes oriented to fields of high demand.³⁰ Central and Eastern Europe present many examples (Slantcheva and Levy, 2007). Some 40 per cent of the Russian Federation's public university students are 'private'. If we add these students to those in PHE institutions, we could say some countries might have private majorities (the Russian Federation and Ukraine) while others surely have (e.g., Georgia, Romania and especially Latvia, where most public university students are self-paying and the PHE sector is large). Yet the access route of accommodating private-paying students in public universities is arguably perverse, from an equity viewpoint, insofar as the most privileged students, often with private secondary school backgrounds, tend to be the ones to access the free public part. The primary motive when public universities establish business plans to open private modules is income generation, sometimes to cross-subsidize the university's mainstream and sometimes to compete with a rising private, semi-elite threat. Access may also grow, though with questions about equity or compromised quality standards.

Conclusion

Notwithstanding the salient differences among PHE types, some major characteristics pertain to each type specifically as well as to the sector generally. In conclusion, two such characteristics are highlighted here: growth and private-public distinctiveness. Each underscores the importance of PHE.

Almost wherever the trends are clear they are growth-oriented. Non-elite and functionally for-profit are the fastest growing types, perhaps followed by semi-elite. Most growth in all types remains in the developing world, but growth also occurs in the developed world. Furthermore, additional growth in absolute numbers as well as even share of total higher education enrolments is likely, though sporadic counter-tendencies

²⁹ Africa also shows distance education public institutions (with limited 'regular' enrolment slots) partnering with private institutions that offer its programmes face-to-face at convenient locations, often with working students.

³⁰ Competition between these private modules and semi-elite institutions can be fierce, as shown in Kenya (Otieno and Levy, 2007).

are identifiable. At the simplest level, all this growth means more access.³¹ At a more complex level, we can dissect the access roles of different types of PHE, as in Box 1.3.

Box 1.3. Access roles of PHE type

TYPE	ACCESS DEGREE	ACCESS CONTRIBUTION MODES*
All	Varied	Can bring additional revenue, which in turn allows the financing of more higher education slots, and can open up slots in the public sector. In addition, per student costs are generally lower in the private sector, allowing for more slots for the same money.
Semi-elite**	Limited	Brings additional finance (fees, business, international); frees space at good public institutions; diminishes brain drain.
Religious/ cultural	Moderate	Accommodation of religious, ethnic or gender groups that are judged underrepresented in public sector; brings finance through voluntary contributions as well as tuition and frees public sector space. Access through choice.
Non-elite	Large	As soaring demand exceeds public (and other private) supply. Students from modest socio-economic background, often families' first generation in higher education, working students, and job-seekers. Flexible delivery modes. Low tuition, but access to fly-by-night institutions is dubious.
For-profit ***	Limited but potentially large ****	Mostly overlaps non-elite type, but also semi-elite. Enlarged size though tuition and external investment, domestic and international. Novel modes to increase access at efficient cost.
Public- private partnerships ***	Potentially large	Overlaps previous two categories. One route often combines an access college with a high-status university, bringing additional revenue and thus enrolment openings. Another route is allowing private (paying) students into public universities. (Other examples and models are outlined in a subsequent chapter of this report.)
<p>* This column identifies contributions but does not evaluate them or claim they are superior to other modes, including types of expanded public access.</p> <p>** Elite PHE is very rare outside the United States. It can play some of the access role listed here for semi-elite.</p> <p>*** Cross-cutting forms rather than one of the chapter's three principal PHE types.</p> <p>**** Already large if one counts legal non-profits that are functionally for-profit.</p>		

³¹ On the other hand, many prefer access mostly through grand expansion of the public sector. Or, short of the traditional model of public expansion, proposals can contemplate charging tuition or bringing other forms of private finance into public institutions.

Another potent generalization that holds broadly for PHE and echoes in each private type is that private-public differences remain notable (Levy, 2006). But dissimilar PHE types differ in unique ways. Religious, ethnic or gender-based institutions differ most notably in identity, while for-profits differ most notably in management and mission and mass-based non-elite institutions may differ most notably in access, through non-selectivity. Even as PHE changes in significant ways (and public higher education does too), adding or modifying types and emerging in a new region or country, private-public sector distinction remains common. This is not to overlook important and often increasing examples of private-public blurring as well. But fresh sorts of privateness emerge to re-infuse private-public differences. The surge of for-profits is the latest eye-catching development and a variety of PPPs figure in too. All in all, even aggregating all PHE on one side and all public on the other, we see salient differences in ownership, management, finance, curriculum, the relationship to the state and to the market, and access patterns.³²

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³² This reality of private-public distinctiveness may be disturbing for those (in academia, higher education institutions, and governments) who proclaim that all legitimate private and public institutions are essentially alike; but it is fact, albeit not uniform fact.

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Financial consideration

John Fielden and Kai-ming Cheng

Introduction

One of the reasons for the dramatic growth in PHE is a financial one. Higher education is very expensive compared with the basic and secondary sectors, and governments simply cannot afford to fund the expansion that is desired. This has two main consequences; a reluctant move to ways of passing on some of the costs to beneficiaries (in charges and tuition fees) and a more favourable policy towards the private sector. Traditionally, both of these policies were anathema to socialist governments, but interestingly, many of these have been the first to implement them.

In financial terms, the advent of the private sector represents a fundamental shift in those countries where its presence has been small, since what had been a wholly public good, publicly financed, is now increasingly regarded as a shared public/private good, privately financed.¹ The private sector has removed a financial burden from the state and has helped to contribute skilled manpower to the economy. General taxation no longer bears the entire cost of tertiary education and much of the cost is borne by those individuals who benefit directly.

The private sector is already involved in higher education in many ways, as the provider of infrastructure, support services, educational materials and software, so that it is not a large step towards it becoming a deliverer of education. This is often happening with the full approval and endorsement of the public sector, so that the old boundaries are blurring. A current study in the United Kingdom, where until

¹ As we see from Chapter 1 there are several countries (such as Indonesia and the Philippines) where the private sector has been dominant for many years.

recently there had been only one wholly private HEI, has found many examples of PPPs in the delivery of education, particularly in the delivery of Preparatory or Foundation years and pre-master's programmes.² As one might expect, the focus of public policy tends to be on for-profit institutions and yet this label is not always clear. For example, Laureate, one of the largest American, for-profit higher education companies, has acquired several private, non-profit institutions in Chile and Mexico where it is illegal to operate for profit

Another example of the blurring of boundaries is in the widespread use of the dual track system with publicly funded and private streams of students within the same public institution, which is occurring in countries such as China. (See Box 2.1.) We discuss this in more detail later in this chapter.

Box 2.1. Financial implications of PHE in China

PHE has been allowed in China since the 1980s, but recent legislation has moved more towards encouraging and promoting it with light regulation. With the beginning of the economic reforms and the growth of the private sector, China introduced the 'two-track' system to public HEIs in the 1980s - one track where tuition and living quarters were free and the second track where tuition and accommodation fees were charged for students who failed to pass the competitive college entrance exams. The percentage of fee-paying students of HEIs, in Shanghai, for example, increased from 8 per cent in 1988 to 32 per cent in 1994, showing a jump in 'self-financing' students. From 1997 onwards, all students enrolled in public higher education had to pay fees and living expenses. As a result, the public purse now contributes to less than half of the costs of public institutions.

Following the enactment in 2002 of the Law for the Facilitation of Private Education, the expansion of private providers continued and it is estimated that the private HEIs now account for 10 per cent of China's higher education enrolments. The total number of accredited private institutions, defined as being recognized by the Ministry of Education to grant associate or/and bachelor degrees, jumped from 43 in 2000 to 278 in 2006. (Yingxia Cao, 2008)

This switch from public to private presents governments with some policy questions, which are explored further in this chapter. They include: Is for-profit PHE a source of taxation revenue or a cost centre requiring incentives and concessions? How much should it be supported financially, if at all? Is there a case for a two-stage approach

² Universities UK, a research study on the growth of the private sector in United Kingdom higher education, by CHEMS Consulting, to be published in late 2009.

with pump-priming support at the outset after which it should be regarded as a normal commercial activity?

In this chapter we use a broad definition of private sector involvement with regard to financial involvement in tertiary education and not only include tuition fees, but also private support for research (either due to foundations or due to contracts and commissions), income generated by institutions (patents, spin-off companies and consultancies) and philanthropic donations.

Whose perspective?

It is instructive to look at the advent of the private sector from the perspectives of the key stakeholders, as each of them will have different views particularly as regards the financial impact.

Governments' attitudes have been referred to above, but their concerns are not all related to finance. While they may welcome the willingness of the private providers to enrol students, who would otherwise have been unable to study in their home country, there are some innate concerns. By definition, the private providers will find it hard to meet any policy criteria of equity and easy access. Their fees will usually not be affordable by all levels of society and their geographical focus on centres of population (usually the capital city) means that any rural students would find it hard to enrol since the institutions usually lack the space or the finance to provide hostel accommodation. In addition, the disciplines commonly offered by most private institutions are those favoured by the market where location in a large city is also a positive factor.

Governments often face a conflict with regard to their pleasure at the private sector's role and the implications of it for any national policies of equitable access to higher education. The problem is that there is not a great deal that government can do to correct the obvious failings. They cannot instruct the private sector to enrol students who are unable to pay the fees or to locate their campuses in rural provinces, nor is it easy to enforce any quotas on students from poorer areas or castes (although this is what draft Indian legislation would like to do).³ Private providers cannot be directed to offer degrees in engineering or science, as the power of government only extends to approving applications put forward and not initiating them.⁴ Thus, as we shall see, the role of government is limited to providing incentives to entrepreneurs to bring

³ See the draft Indian law to regulate private higher education, 2005.

⁴ One way round this dilemma is by a public-private partnership in which the state contracts with a private provider to deliver certain programmes. The new university in Botswana is an excellent example.

their plans into line with as much of national policy objectives as possible. However, in some countries this can mean government making available student aid or scholarships that allow access for poorer students. Only when a for-profit institution is well-established can government change its stance and begin to consider some financial return from the taxation of surpluses.

The perspective of the providers is closely related to their motives. The bulk of the new private providers in Africa have religious backers whose motives are based on ensuring that students acquire traditional and faith-based values alongside a quality education. Their expectations from government are for some financial or in-kind support with infrastructure as well as a reliable and consistent QA regime that welcomes the values that they seek to imbue in their students. The for-profit providers, on the other hand, are less demanding of government in the first place; their financial models will usually not assume much generous financial support other than that given to other investors. Their principal concern is for a regulatory framework that is fair and does not penalize them for making any surpluses. International providers (which include public universities operating offshore outside their home country) have the same concerns, as they are all forced to operate with a profit motive.⁵ Nonetheless, they welcome any financial support for themselves or their students, which is often driven by the policies of government departments seeking to increase access or promote employment. However, they are often at a disadvantage owing to their ignorance of the culture and procedures of the country where they wish to operate - hence the strategy followed by so many of entering into partnerships with local providers.

Students are the main beneficiary of the advent of the private sector. In many developing countries the gap between the numbers qualified to enter tertiary education and the annual places available is massive, so that the private sector is the principal option available to potential students. Incidentally, only a very wealthy few can afford to take up places overseas. For most there is a simple equation: Is the cost of private university tuition worth the investment? Will it provide an advantage with employers when they seek a job after graduation? In countries with a high unemployment rate the answer is not always clear as regards domestically obtained qualifications. Student perspectives can be influenced by the availability of scholarships from government or the institutions themselves. In some cases these can be used to remedy imbalances in access, as we shall see later. However, financial considerations are not universal, since there are cultures where young people place a high value on

⁵ In both the United Kingdom and the United States, publicly funded institutions are not allowed to use any public funds to subsidize any overseas operations and their governance regimes are very alert to the risk of loss-making overseas activity.

education per se and would like to attend higher education regardless of employment prospects. This is the case in China, Japan and the Republic of Korea.

Students and their parents have a strong interest in the reputation of the private provider. Some of the questions they will ask are: Are its degrees respected in the market place? Will an award from the institution bring a higher chance of gaining employment? What are the class sizes and are the infrastructure and equipment up to date? To some extent these issues will be covered by a sound QA regime and the students will suffer if government is failing to effectively manage its regulatory and QA processes. Where the QA processes do work effectively, not only can they provide students and parents with the comfort they require, but they can also strengthen the public system, where the private providers have higher standards than their public counterparts. The use of academic staff from the public sector as trained quality reviewers means that they may well benefit personally from the experience of visiting and reviewing any private institutions of a higher quality.

Other stakeholders to be considered are the public institutions. Their biggest question is whether they should collaborate or compete with the private sector. In many countries, academic staff from publicly-funded institutions teaches in the private sector and this is sometimes encouraged by the leaders of the public universities as a means of giving their staff an extra source of income. Indeed, in Argentina, where salaries in the state sector are very low, academic staff relies on the income they earn from working in private institutions to make a reasonable living. In countries such as Bangladesh, some of the best private sector universities are better equipped than their public counterparts and their pedagogy is heavily reliant on input from partners in the United Kingdom or the United States. Thus, in some respects they may be offering a higher quality education to their students in an environment that is free of politicization and student unrest. This can present the state-funded institutions with a competitive challenge and the private sector's fresh approach or innovative pedagogy is sometimes seen by governments as a reason for encouraging the entry of private providers into national systems.

There are also less welcome financial challenges from the private sector institutions, in that they are usually able to pay their academic staff higher salaries than the state can afford. Taking all benefits into account, however, this salary is usually seen as compensation for the private institutions' inability to match the public sector's provision of staff housing and other benefits, such as pensions.

Employers are the final group of stakeholders to be considered. In some cases they may be among the financial investors or philanthropic supporters of private providers and, as a general rule, they will favour the more market-oriented programmes and courses on offer. Since employers' concern is with the relevance of the curriculum and the skills that graduates receive, they can be expected to endorse any private providers offering programmes creating more employable graduates. There are also examples of private businesses financing the creation of new private institutions.

Box 2.2. The British University in Dubai

The British University in Dubai is unusual, in that it was established by a decree of the ruler of Dubai and opened in 2004 with five founding sponsors: the National Bank of Dubai, the Dubai Development and Investment Authority, a Foundation set up by the ruling family, Rolls Royce Plc and the British Business Group. The university is the first research-based postgraduate institution in the Middle East and offers master's degrees in project management, construction, banking and education, inter alia. Two major commercial organizations, W. S. Atkins and the National Bank of Dubai, are significant sponsors of its research and programmes and other organizations provide scholarships for students as well as other forms of financial support. The university works closely with the Knowledge and Human Development Authority, an agency of the Dubai government. Its programmes are delivered in partnership with a group of leading British universities.

Source: Lock, D. (2008), The British University in Dubai. In Higher Education in the Gulf States, Davidson, C and Mackenzie Smith, P. Middle East Institute, London.

Issues for government: should private providers be taxed?

It is understandable that governments should seek to tax any profits arising from the delivery of higher education. Why should anyone profit from what is seen as a basic right in some countries? Where profits are made, surely the State is entitled to tax those profits and plough back some funds to the state sector? In the United States, the home of the largest for-profit providers, those companies are subject to the same tax regimes as any other corporation. Current figures for the profits made by providers of higher education have not been accumulated for some time, but in 2003, they were already quite considerable.

Table 2.1. Profits and revenues of the largest higher education companies, 2003 US\$, millions

Company	Country	Revenue	Profit
Apollo Group (Phoenix)	United States	1,340	247
Career Education Corporation	United States	1,189	119
Corinthian Colleges	United States	517	66
DeVry	United States	679	61
Education Management Corporation	United States	640	56
Sylvan Learning Systems*	United States	472	46

Source: The Global Education Index 2004. London, OBHE.

* Now Laureate Universities International

Taxation will also arise in indirect ways, such as through import and customs levies or value added tax charges, and these will affect all providers unless special exemptions are made. Where such exemptions apply to state-funded institutions, it is reasonable for private providers to expect that they will get the same treatment.

The very idea of profit-making higher education is anathema in some countries and in many jurisdictions (such as Argentina and Egypt), the legislation on PHE decrees that institutions shall be not-for-profit. However, there are notable exceptions, such as China, where the law of 2002 is very realistic as to the 'reasonable rewards' that entrepreneurs can expect.⁶ The Russian Federation also allows profit-making private universities to operate. Newsweek has quoted profit margins of between 20 and 30 per cent on turnover for higher education corporations in the American context and reported an executive of the former Sylvan Group as saying 'One of the things that investors like most about higher education is that typically one can increase prices faster than the rate of inflation'.⁷ The current economic recession is likely to have tempered this aspiration and there are already reports of some private providers in financial difficulty in the United States.

There are several reasons for this ability to make profits, although they are often country-specific and do not apply universally.

⁶ See details of the legislation in Box 2.6.

⁷ Newsweek. Dollars and degrees. 13 January 2003.

- The market conditions are favourable due to the large numbers of qualified applicants unable to gain admission to a state-funded institution. As long as the fees are below those charged to international students in countries such as Australia, the United Kingdom and the United States, the providers can price their courses to generate good surpluses.
- The cost base of private providers is lower than the state sector, since many academic staff is part time and staff expectations as to research facilities are not so high. However, full-time academic staff can be paid at a higher rate than public sector staff partly to compensate for the lack of benefits, such as staff housing.
- There is usually little or no provision for making awards and scholarships to high calibre students from poor families, in contrast with the state sector.
- The private providers are more cost efficient with their funding as compared with the public sector.

Companies pay tax on their declared profits and the main concern of accountants on the one side and tax inspectors on the other is the costs that are charged against income before profits are declared. In countries such as Bangladesh, where there is little regulation and no law on private sector universities, there is a public suspicion that the founders of universities pay themselves large salaries. As Box 2.3 shows, the published accounts of two universities in 2002/2003 demonstrated very different outcomes.

Some countries have barred for-profit institutions from operating in higher education, but this does not prevent the founder and family from benefiting in some way. These benefits can be in the form of generous management fees or by 'indirect, perhaps ethically questionable, means of obtaining a return on investment, such as employment of family members, awarding concessions for the canteen, bookstore and other auxiliary services to friends or relatives', as in the Philippines. (Gonzalez, 1999).

Governments can threaten the profitability of the private sector by demanding the adoption of policies of access; India's draft legislation on PHE, for example, requires private institutions to offer subsidized or free places to bright students from poor families, rural provinces or disadvantaged tribes or castes. In the United Republic of Tanzania, the regulatory body expects private institutions to research and provide consultancy before they achieve final university status.

Box 2.3. Surpluses in BRAC University and the Independent University of Bangladesh

Bangladesh has over 50 private universities; some such as BRAC University are not-for-profit - being an arm of the well known large non-governmental organization (NGO) - while most of them are like the Independent University of Bangladesh (IUB) and are profit making. The Annual Reports of both institutions for 2002-03 illustrate some of the financial differences. All figures are in millions of taka.

Income	BRAC	IUB
Tuition and other fees	82	241
Interest from deposits	10	30
Total income	92	271
Expenditure		
Academic salaries and benefits	39	59
Personnel, management		28
Rent	21	12
Depreciation	11	10
Maintenance of premises and services	7	8
Other	14	24
Student accommodation	5	-
Total expenditure	97	141
Surplus or (Deficit)	(4)	130

IUB had accumulated similarly large surpluses in the years preceding 2003 and these were being used to finance the construction of a new campus as required by the government.

In 2009 the tuition fees in both institutions are similar, at between 4,000 and 4,500 taka per semester credit; however, fees for access to the computing centre and the library are extra in both cases.

Issues for government: how much should PHE be supported?

An important policy question for government is whether or not PHE should be supported financially in some way. This is a classic example of public money being used for private good. It is hoped, though, that the student beneficiaries will ultimately contribute more taxes to the public purse than if they had received no higher education. Where governments accept this argument, they can provide support in two areas. They can provide start-up or pump-priming funding if there are obvious barriers preventing the private sector from starting up new universities; they can also provide continuing support to the private sector after the initial phases. Government support can take various forms:

- Directly through the grant of cash, gifts of land or infrastructure to entrepreneurs or foreign institutions wishing to establish a new private institution. In some countries these are handled through the Trade and Industry Ministry or via board of investment entity.
- Directly by allowing private institutions to use public facilities such as national academic internet networks or national library loan systems on the same terms as public bodies.
- Indirectly by allowing private providers to enjoy tax holidays or to benefit from tax or import duty concessions given to public HEIs.
- Indirectly through tax concessions that encourage individuals and corporations to give money to PHE (see a section on philanthropy later).
- Indirectly by allowing the students and staff of private providers to benefit from grants, scholarships and loans that are available to students and staff at public institutions.
- Indirectly by encouraging academic researchers in private institutions to tender for national research funds on equal terms with staff in public institutions.
- Payments to academic staff who gain higher qualifications.

Box 2.4. Government support for private sector academic staff

In Indonesia, where there are over 2,900 institutions of higher education and only 32 institutions are public, there is a subsidy for qualified teachers in private institutions. It is a scheme to encourage private institutions to hire teachers with higher academic qualifications. At the moment less than 7 per cent of all teachers in higher education have doctoral degrees and around 40 per cent have master's degrees. Teachers with higher degrees can apply for certification and, when they achieve this, they receive a subsidy from the government. This also enables private institutions to hire qualified academics beyond their financial means.

Possibly the most significant way in which governments can provide support is through student aid and loan schemes for students in private institutions. This has been a major driver of the expansion of PHE in the United States since 1972 when private students were first regarded as eligible for public support. King (2008) reports that, 'in 1992 the limits on loans of student aid went up substantially and since then the profitability of for-profit providers has been enhanced significantly. It is estimated that Kaplan, for example, derives around 80 per cent of its income from federal student aid'.⁸ Australia has also introduced a loan scheme for students at private institutions.

Box 2.5. The Australian FEE-HELP scheme

In 2005 the Australian government extended its student loan scheme to undergraduate and postgraduate students from the private sector. They are able to borrow up to AUD 81,600 in total towards their tuition fees at private institutions. However a hefty 'loan fee' of 20 per cent is charged on all undergraduate loans in lieu of interest. The total of the loan and fee becomes repayable when the graduate's income reaches a certain level, and between 4 and 8 per cent is deducted compulsorily by the Tax Office.

Source: <http://www.goingtouni.gov.au/Main/FeesLoansAndScholarships/Postgraduate/FullFeesAndFEE-HELP/Default.htm>

The mechanics of providing continuing financial aid raise some interesting policy questions. Should support be given to all students whatever subject they study? Is there a case for targeting just 'shortage' disciplines such as science and engineering? Is it right, in developing countries, to subsidize further students in the humanities and social sciences who might be unemployed? Is there a limit to the length of time that aid payments can be made to an individual? Should payment be made only upon completion of modules or credit courses? Has the state got adequate staff and skills to audit all such aid payments or hold institutions accountable if the funding flows through them? Should the loan scheme operate through a government organ or through the banks?

Issues for entrepreneurs

An entrepreneur wishing to start a new PHE institution will be driven by both academic and financial motives. The financial considerations will centre on three main topics: finding the initial funding; developing a plan that produces breakeven and

⁸ The source for this statistic is Geiger (2007).

profitability as soon as possible; and seeking financial support for ongoing operations from whatever source.

As the initial stages of starting a new institution are capital intensive and will require working capital for a period of up to five years before the break-even point is reached, the financial considerations will loom large and any financier will wish to scrutinize detailed budgets and financial projections with care.

Other than government support already referred to, the sources of initial funding include:

- Commercial loans from national banks or agencies such as the International Finance Corporation. The latter has lent to higher education investors in Argentina, Chile, Egypt, Mexico, Pakistan, Peru, Tunisia, Turkey and Viet Nam.
- Advances or investment funds from industrial partners and sponsors.
- Capital funding from a parent foundation or religious body. For example, Varghese (2008) has shown that the majority of private universities in Africa are owned by religious organizations of either Christian or Islamic orientation, many of them having been converted from seminaries into universities.
- Private philanthropy from corporations or individuals, such as was behind the very successful development of the Aga Khan University in Pakistan.
- Charitable foundations or social enterprises such as the Ford Foundation and BRAC in Bangladesh which have contributed significant sums towards BRAC University and its scholarship funds.
- Accumulated profits which go towards any major construction required, as in the example of IUB shown in Box 2.3.

In some developed countries, the financing of PHE is becoming increasingly sophisticated by adopting technical mechanisms from the commercial world such as credit rating of borrowers, issuance of bonds and securitization of loans. Royal Melbourne Institute of Technology (RMIT) Viet Nam, for example, is financing much of its new campus in Saigon South by means of a bond.

Box 2.6. The development of financing mechanisms

Moody's, one of the major American credit rating agencies, has developed a methodology for rating universities so that investors can have some assurance about the relative risk of lending money to each institution. These ratings have been applied to universities in Canada, Mexico and the United Kingdom.

Private equity finance, which is given in return for a stake in future profits, is often available to investors in private universities. An excellent example is the funding advanced by the International Finance Corporation (IFC) and Banco Patria in Brazil to Anhanguera Educacional SA, a for-profit company that wanted to build new campuses in small cities in Brazil. The finance allowed the company to expand its enrolments from 23,000 to 46,000 in two years and to achieve flotation on the Brazilian stock exchange in 2007.

Another method in which funds are made available to higher education is through the securitization of student loans. In the United States portfolios of student loans, owned by banks or other borrowers, are grouped into larger funds and held within independent trusts.

Source: Hahn, 2007.

Once the initial capital has been obtained, an entrepreneur's financial concern will focus on the regulatory regime and the extent to which any controls constrain operational flexibility and affect the financial outcomes. To what extent can an entrepreneur exercise full academic autonomy and where does government impose conditions or limitations? Chapter 4 will describe some of the barriers or controls that may exist, such as restrictions on the level of tuition income, controls over staff student ratios or punitive taxation of any surpluses. In Japan some of the regulatory requirements for private universities exceed those over state institutions; thus the introduction of any new academic programme that might increase total enrolments requires ministerial approval. (See Box 2.7.)

Box 2.7. Controls over private universities in Japan

Since there is a significant demographic decline in Japan, the government has introduced a system of enrolment quotas to limit the numbers of students in public and private universities. A subsidy allocation to all universities is used as a way of monitoring adherence to quotas and other conditions; if a private university does not enrol its specified quota of students, it loses its subsidy. It was estimated in 2005 that 160 of the country's 542 four-year private universities had enrolments lower than their quota. The ministry has also set further educational conditions which are based on the quota numbers, and these have to be maintained regardless of actual numbers attending - whatever the cost.

Source: Akabayashi, H. 2006. Private Universities and government policy in Japan. *International higher education*. No 42, Winter 2006. Boston College.

Private providers accept that some regulatory requirements are inevitable such as external QA or reviews of accreditation as well as the obligation to submit audited financial accounts to a ministry or Board of Investment and statistics to the Ministry of Education.

Private philanthropy

Private philanthropy is where community or personal resources are channeled to support higher education. Private donations differ from other modes of private support in that, firstly, the donors are external to the institutions and, secondly, the money is not spent for the benefit of the donor. Although there are private donations that look for returns in terms of fame or privilege in one way or another, deriving benefits from donations is generally seen as inappropriate. In higher education, for example the law requires donors to surrender their rights in the deployment of the donation (i.e. to preserve institutional autonomy) in exchange for tax benefits due to the donors.

Government appropriation often comes with formulae that are applied across the board, and hence allow little room for individuality among institutions. Public funding also looks for expected results in measurable terms. In contrast, private donations could allow more room for specificity of institutions and uncertainties in exploring the unknown as well as for innovations and creativity.

In wealthy and developing economies alike, there are people who have the wealth and are ready to donate. The issue is how the culture and traditions of donating to bridges, temples and football stadiums could be re-oriented towards higher education. (Prince and File, 1994)

Box 2.8. Asian philanthropy on the rise

Runrun Shaw, a film tycoon in Hong Kong (China), established a private foundation that provides continuous support to higher education in China. For the past 25 years, Shaw has put aside US\$12.8 million every year for donations to HEIs. In over 200 institutions in China, there is a Shaw Building because of his donation. Shaw has also established the Shaw Prize as an Asian counterpart to the Nobel Prize for outstanding scientists.

Li Ka Shing, another tycoon based in Hong Kong (China), established the Shantou University in China, which is a public university with rich supplements due to his donation. Over the years, he has given over US\$ 2 billion to the university. The sum not only supports the physical building and research, but has also made the university a hub for humanistic approaches to higher education. In addition, he has started the Yangtze Scholars scheme, where he has put aside a huge sum of money in order to attract outstanding overseas young scholars to work in China.

The United States is perhaps the nation with the most comprehensive system and culture of philanthropy in higher education. In most institutions, including public institutions, there are development offices (as for 'resources development') that conduct systematic fund raising campaigns among alumni and other potential donors. By comparison in Europe donations to higher education are still rare, with the exception of the United Kingdom which is starting to emulate the United States.

Philanthropy to higher education is an emerging trend in Asia. Singapore started a government matching scheme in the early 2000s, where private donations were matched by government funding, on the basis of one for three. The campaign went so well that, after a few months, the Singapore government moved to one for one matching, as a perpetual scheme. The United Kingdom started a government matching scheme in 2007 with a total pool of GBP 200m for three years. The best example of all is Hong Kong (China), described in Box 2.9.

Box 2.9. Hong Kong: government's matching fund

In 2003 the Hong Kong (China) Government started a matching fund for private donations to higher education. For each dollar from a private donor, the government agreed to chip in another dollar. The total raised was 1 billion Hong Kong dollars (US\$128 million). The success in the first round prompted the government to launch another three matching-fund exercises lasting until 2008. The total of HKD 4 billion from government has attracted over HKD 11 billion in private donations. In the latter schemes, the government matches each 2 dollar donation with 1 dollar.

Issues for students

For most students at a private university, the institution offers the study opportunity they have been denied by the state system, but this comes at the price of higher tuition fees than they would incur in the state-funded system. In a properly regulated system, they can expect to receive an education of acceptable quality and in some countries, of a superior quality and greater relevance to the world of work. For students to be able to exercise their choice between private institutions, they need to be able to access impartial information on the costs and academic performance of private providers. Consumer protection laws in the United States set out information that any institution receiving federal aid must provide to potential students. This includes, for example, data on completion rates, accreditation of programmes and policies on crime and drugs.⁹ For the most part, such information is difficult to impossible to access in many jurisdictions around the world.

Another key factor for many students is the availability of grants or scholarships. In the United States and Australia, as described above, private students are able to obtain the same grants and loans as public students. In those countries where private university students are not so entitled, they are dependent either on private universities' own schemes for funding scholarships or on schemes developed by financial institutions or community organizations (examples of these exist in Columbia, Indonesia and the Palestinian Autonomous Territories). BRAC University in Bangladesh is a good example of a developing country institution that has found a way of promoting access policies through a financial aid scheme. As an offshoot of a renowned NGO, it has been able to access international funding and has created a BRAC-Ford Foundation aid scheme that offers full tuition waiver accompanied by living and book allowances to meritorious students from disadvantaged financial

⁹ See for example the consumer information site of the University of Phoenix at http://www.phoenix.edu/about_us/consumer_information.aspx#student_completion_rate

backgrounds. It is harder for a for-profit organization to emulate this - until it has become well-established. For instance, the Monterrey Institute of Technology in Mexico, founded in 1943, has over 90,000 students and charges tuition fees that are high in the Latin American context. As a result, it claims to provide partial financial assistance to up to 45 per cent of its student population. Similarly, the endowments that Harvard has accumulated over the years allow it to offer a 'means-free' admissions policy and 55 per cent of its tuition income comes from scholarships.

Harvard also takes a very wide view of what a university education should involve and is prepared to provide unusual scholarships to make this happen, evidenced by Box 2.10.

Box 2.10. Harvard subsidizes middle-income families

In December 2007, Harvard University announced that it would extend its scholarships to families of middle income, meaning those with incomes US\$120,000 to US\$180,000. These are by no means poor families in the common sense of the term. One of the arguments is that relief from tuition alone, which was the function of the traditional scholarship, is not adequate to provide students with the whole range of expected learning experiences, such as studying abroad or having a period of internship. The new scholarship scheme is designed to ensure equal opportunity in those additional learning areas, for all students.

Source: <http://www.hno.harvard.edu/gazette/2007/12.13/99-finaid.html>

Cost-effectiveness and efficiency

Some countries see their private sector as a role model for public sector institutions; they hope that some of the academic and financial innovations will spread to the state sector. Levy (2004) quotes the example of Kenya, where the private sector pioneered new fields of study that were then adopted by the public sector, and reports the open acceptance in China of the lead that private universities have over state-funded ones in their promotion of entrepreneurship and creation of revenue-generating offshoots.

Nevertheless, the private sector's ability to make profits is not simply a matter of being more efficient but rather is based on the inherent advantages it has of employing many part-time staff who do not expect to have research careers or to use research facilities.¹⁰ The business model of the University of Phoenix is often cited as an example of an efficient approach that most traditional institutions would never

¹⁰ PROPHE quotes the statistics for the Russian Federation, where 34 per cent of faculty in private institutions are full time, compared with 74 per cent for public ones. (Levy, 2007)

wish to emulate. This is because it assumes a cadre of part-time, teaching-only staff using materials and resources prepared for them by specialist developers and working to a uniform timetable with rigorous assessments, both of their students and themselves. Critics accept that the model may be very efficient but question whether it provides students with a traditional university experience.¹¹

The Council of Independent Colleges, the lobby group for private universities and colleges in the United States, has produced evidence in support of its claim that the private sector is more effective and efficient than public institutions. It claims:

- Independent colleges have higher graduation rates, since they enrol only 20 per cent of all students but produce 30 per cent of all graduates.
- Some 79 per cent of students at independent colleges graduate in four years compared with 49 per cent in public universities and colleges.¹²

There are other benefits in developing countries. Nigerian private universities are reported to have much more cost-effective and lean governance structures than their public sector counterparts, with cost-saving collegiate organization rather than the traditional faculties. Since many have attractive fee levels, modern facilities and trouble free campuses, they offer real competition to state-funded institutions; in addition, some have higher ratings in national accreditation exercises (Obasi, 2006).

Another perception is that private institutions are nimbler than their state counterparts; this may not be simply a matter of decision-making structures, but more a matter of culture and aspiration. An example comes from the University of Monterrey, which was the first university in the Spanish-speaking world ever to be connected to the internet and was also the home of Mexico's national domain registry for some time. It sought accreditation from an American regional accreditation agency so that it could earn money by offering United States approved credit courses to United States students in the summer vacation. In addition, despite having received almost no national funding for research, Monterrey has successfully managed to procure substantial funding from major corporations such as Google, Femsa, Cemex and Motorola.

Private streams of students within public institutions

Chapter 3 described the increasingly blurred line between public and private provision, particularly where international providers are concerned. The dramatic developments relating to international partnerships between governments and

¹¹ In addition, the university may not be very effective since its last publicly reported Student Completion Rate under the Consumer Information requirement was 27 per cent for those taking associate degrees, 38 per cent for those taking bachelor degrees and 60 per cent for those taking graduate degrees and graduating in calendar years 2005 and 2006.

¹² Council of Independent Colleges. *Making the Case*. See <http://www.cic.org/makingthecase/data/publicgood/graduationrates/index.asp>

United Kingdom and United States institutions in the Gulf and in countries such as Malaysia, Saudi Arabia and Singapore illustrate this. An extreme example is the alliance between the government of Abu Dhabi and New York University on the collaboration and operation of a large campus on a new island development.¹³ The Sorbonne has already agreed to a similar arrangement, in which all expenses of setting up an institution in Abu Dhabi would be met by the state.

Another way in which public and private become intermingled occurs when publicly funded universities agree to take in streams of private fee-paying students. One of the first such arrangements was at Makerere University in Uganda, where parallel streams were introduced into the law and business faculties in 1993 as a way of remedying the near-disastrous under-funding of the university by the state (Court, 1999).

Box 2.11. Pioneers in Uganda

In the seven years after making the decision to introduce private fee-paying students, Makerere University has doubled student enrolments and has moved to a position where 70 per cent of its students pay fees (compared with nil in 1993). Some 40 per cent of revenue was internally generated by 1999 and this allowed the government to hold its overall funding for higher education at a constant level so that more could be allocated to primary education. Internally, the extra fee income was distributed first to staff in the relevant faculties to compensate for their extra workload and was then used to renew and extend previously dilapidated infrastructure and equipment.

An important element of the reforms was government's decision to allow the university to have full autonomy in deciding how to use the income that it generated.

Source: Court, 1999.

This approach has now become widespread and is found in countries such as Argentina, Australia, China (see Box 2.1), Kenya and Sri Lanka. In some cases, the model is applied to students studying for the university's degree by correspondence (as in Sri Lanka where they are termed 'external students'), but the consequences are the same - that the institution receives funds from sources not controlled by government and can use such income to give it greater flexibility. Yet another version of the same trend is the growth of for-profit extension schools or adult and continuing education schools as spin-offs of public institutions.

The drawbacks that policy-makers must be alert to include:

- A temptation for the private provision to be limited only to those disciplines that are attractive in the market place, such as law, accountancy or management.

¹³ See The Emir of NYU, New York Magazine. 13 April 2008.

- An imbalance in demand may place heavier loads on academic staff in the relevant faculties. But any scheme to reward them may give rise to 'two worlds' - those with pay enhanced from private students and those with no such increase. This can be overcome if the funds generated are used for universal benefit.
- Since the provision is taken up by those who fail to gain a publicly funded place, the students concerned will tend to have lower academic entry qualifications.
- Equity issues will arise since the private students will be from families with the ability to pay private fees. This will remain a problem until governments are willing to award loans or grants to private students on the same terms as those given to publicly funded students.

Despite these issues and risks, there are clear benefits for institution to have a flow of funds that is free from government controls. The risk is that governments will use the private flows to cut back on their own funding to universities. Where allocations to universities are transparent (as with dollar/sum per student allocations), there is less chance of this happening, but where the method of calculation is concealed within a block grant, governments may well be tempted to reduce their allocations.

Conclusions

Financial considerations figure significantly in the overall enabling and regulatory framework within which the private sector operates. The government's attitude to taxing or supporting for-profit provision can be crucial to its survival, as can the policies on limiting or controlling student numbers and the level of tuition fees. Despite this there is very little discussion on some of the sensitive financial issues. How much support, if any, should governments give the private sector? What is a realistic business model in each country's circumstances? How far should government go in its regulation or intervention? Should financial regulations look in detail, for example, at how providers spend their tuition income, by requiring investment in academic staff development, research projects or scholarships and awards?

Our general conclusion, however, is that the private sector is making a significant contribution to plugging the gap, that exists in many countries, between the demand for and the supply of higher education by the state. This paper has sought to illustrate the different ways in which governments can use financial tools to promote or regulate such private provision, depending on its overall policy. Such financial mechanisms can be a key factor in the success or failure of the private sector's ability to contribute to national development needs.

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Public-private partnerships

Kai-ming Cheng

Interpreting PPP

The public sector has traditionally enjoyed a near monopoly in the provision of higher education in most countries of the world, except for some in East Asia and Latin America where private universities have long been established. This situation changed in the 1990s when many countries in different regions experienced the emergence and expansion of private universities and institutions of higher education. The private sector today accounts for a large share of institutions and a good share of enrolment in higher education, although the share varies from country to country.

The emergence of the private sector as an important provider of higher education brought to light the need for more co-ordinated development of higher education. PPP has become a major item on the agenda of education reform in many countries. It carries the connotation that the private sector is recognized as a social necessity and contributes to societal developments. The Canadian Council for Public-Private Partnerships (nd) defines it as 'A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards'. As such, the private and public sectors are equal partners in development.

This is antithetical to the view that services to society are basically the responsibility of the government and their provision should be dominated by the public sector, and the private sector is in the periphery taking on the residuals leftover by the public

sector. In this latter notion, the private sector is often seen as a necessary evil or a temporary measure in order to fill the gaps in the public sector.

The private sector is no longer in the periphery and PPP reflects interplay between the state and the market. There is a general tendency not to view higher education as a public good and the private sector is seen to play an increasingly important role.

Having said that, the notion of PPP is subject, understandably, to varied interpretation in different systems, appropriate to political ideology, economic status and cultural traditions.

The term 'public-private partnership' assumes a rather clear demarcation between the public and private sectors, and indicates a marriage between the two. In reality, it is no longer easy to have purely public or private entities in higher education. Public institutions are involved in various ways in private or market engagements. There are also various ways that private institutions receive public support.

Degrees of private participation

At the macro-systemic level, 'public-private partnership' often means the inclusion of the private sector as part of the nation's strategic development of higher education. In this inclusion, the state or the government is understandably the key player. In this framework higher education is seen as a public good and the inclusion of the private sector is often seen as a reluctant concession to the market force. The different patterns of the PPP often reflect different degrees of such tolerance or concession. The following is an attempt to capture the various degrees of inclusion of the private sector.

First, the system is basically a public system that allows some private participation but only on the the periphery. Such private participation may exist in the form of a limited number of private institutions that may allow fee-charging or private donations and are likely to be subject to strict limits. This is the case with most of the higher education system in continental Europe. For example, in the Netherlands, there are 14 government-supported universities and 45 government-supported institutes of applied sciences, but there are only two private universities. In France, there are over 1,000 institutes of higher education, but only 15 of them are private institutions. This is also the case in small systems such as Hong Kong (China), where there are eight public institutes of higher education; the first private university was only just recently formally recognized, in 2006. In Singapore, all HEIs are public institutes.

Second, HEIs are maintained as public entities but allow or expect the private sector to contribute to certain domains, such as fee-paying programmes, scholarships, capital construction and so forth, within the public institutions. In the United Kingdom, for example, private institutions are exceptions. While institutions are engaged in all kinds of income-generating activities, they maintain their public status and receive appropriation from the state. China is another example in which most of the public institutions are expected to generate income from self-financing and commercial activities.

Box 3.1. Private incomes for public institutions in China

China used to have all of its HEIs as part of the government machinery. Before the open-door policy, private institutions did not exist because private ownership was not allowed. 'Market', in the common sense of the term, did not exist in China until the introduction of economic reform, starting in 1978. Everything was provided by the state. Since 1977, when higher education resumed operation after the Cultural Revolution, all institutions were still totally public. Economic reform has brought in the market element in the whole society and higher education is no exception. In the past decade, there has been a dramatic increase of private institutions. However, the main body of the higher education system still consists primarily of public institutions. For most public institutions, though, state appropriation constitutes only a small percentage (usually 20 to 30 per cent) of institutional incomes. Public institutions are allowed, and indeed expected, to engage in all kinds of commercial activities in order to generate income. These include fee-charging courses, sales of services or research products and the operation of private enterprises for profit.

Third, the private sector is allowed to take part in certain dimensions of higher education activities in a public system of higher education. For example, public HEIs are allowed to engage in projects commissioned by the private sector. Public institutions are allowed to receive private donations. In some cases, the private sector is allowed to operate institutions under very strict regulations. In other cases, a level playing field is created for the private sector to compete in certain areas of funding, such as research grants and student scholarships.

Fourth, there is a basic division of labour between the public and private sectors. For example, universities are public, whereas the private sector is allowed to run second-tier institutions such as polytechnics or community colleges. In doing so, the higher education system is divided into two segments that cater to the unique needs of different clientele, involve different modes of finance and management, and play different roles in the realm of education.

Fifth, public institutions are allowed or required to 'privatize' themselves as independent legal entities or as corporations, so that they become public institutions with a high degree of autonomy. This is the case with Japan which, in 2001, corporatized its public institutions of higher education (Yamamoto, 2004). An alternative version of this category is one in which public institutions receive 'block grants', sometimes known as 'one-line budgets', that allow for a high degree of autonomy in spending the money but maintain the publicness of the institution.

Box 3.2. Corporatization of public institutions in Japan

Before corporatization, all HEIs in Japan were part of the civil service, academics in public institutions were civil servants, most expenditure was to follow instructions from the ministry, and fee-charging and private donations were strictly forbidden. Since 2001, public institutions have been separated from the government. They have become Independent Administrative Institutions who are given block grants and institutional autonomy in return for competition and accountability for results.

Sixth, there is manifest intention for the state to expand higher education, but the state relies heavily on the private sector in such an expansion, maintaining minimalist support and intervention. In such systems, it could well be that the majority of HEIs are private in nature. They receive minimal financial support from the government, whereas government funds concentrate on a small number of public institutions. An example of this mode is Indonesia.

Box 3.3. Public subsidy to private institutions

In Indonesia, where out of more than 2,900 institutions of higher education only 32 are public, teachers in private institutions are often under-qualified. The government has a policy to encourage the appointment of teachers with higher degrees. Private institutions receive a government subsidy for every teacher they appoint with a higher degree, certified as a professional academic. This is also to overcome the reality that private institutions otherwise would not be able to afford these teachers. The policy has the pivotal effect of encouraging an increase in the supply of people with higher degrees; the job market demands highly skilled labour in the area of higher education.

Seventh, the state deliberately develops elite private institutions in order to build a strong private sector in the higher education system. This is done either because there is insufficient public funding to foot the bill or because there is a belief that such

elite private institutions could provide a healthy challenge to the public institutions. Pakistan is an example where the private sector of higher education is favoured in new development in higher education, and the private sector is represented in the formulation of the national plan for higher education.

There is of course an eighth model - a general policy of laissez-faire in which little is done to advance the public universities while the private sector is left to the market. The higher education system in the Philippines may be classified under this category.

Looking at the trends in the degree of participation indicates a move from the marginal participation of the private sector to the emergence of the private sector in its own right. It may be important to notice two trends, namely the privatization of public institutions and the emergence of the private sector in higher education (Varghese, 2004). Privatization implies applying private sector or market principles in the operation and management of HEIs while the ownership rests within the public domain. The private sector, on the other hand, indicates the growth of the non-state sector in higher education. In most cases, this sector does not receive funding from the government and, in any case, does not rely on state funding for its growth and expansion. The experience of African countries indicates that both the privatization of public institutions and the emergence of the private sector were in effect. In many countries, cost-recovery measures were introduced in public universities. Over a period of time, cost-recovery measures became common and market principles were accepted in public universities. Later, the private sector saw an opportunity to open and operate institutions of higher education and, eventually, the private sector in higher education became a partner in the provision of higher education.

The systems

At the institutional level, PPP could assume a number of possibilities, conceptually. The following is a crude framework to embrace the spectrum of these possibilities.

1. Purely public institutions with no private element. This is perhaps true of most public institutions in the world.
2. Public institutions with private donations. In the strictest sense of the term, donations are money given away with no financial benefit. Hence, theoretically, donations should have the least effect on the operation of public institutions. In the United States, for example, the tax and legal systems guarantee that donors receive handsome tax benefits in return for non-interference in institutions'

affairs. However, in many other systems where the legal bindings are loose, the donor may receive privileges, economic or otherwise (e.g., student admissions, priority partnership and free advertisement) as a reward.

3. Public institutions that receive incomes due to their commercial activities, namely, fee-charging courses, commissioned training, entrepreneurial spin-offs, patents and so forth. On the one hand, such activities could be seen as maximizing the economic values of the public funding. On the other hand, since all such activities are supported by public-funded infrastructures, they could also be seen as public money cross-subsidizing private activities, hence diluting the quality of the publicly-funded activities.
4. Public institutions with components of self-financing teaching programmes, often in the form of an extension school for adult learning or specific programmes of market value, such as an MBA. In many cases, self-financing components are made to remain separate from the main body of the institution, as a spin-off private enterprise, and arms length from the publicly-funded activities. In most such cases, the parent institution lends its brand name to the extensions/programmes in return for financial contributions from the latter.
5. Public institutions in a joint venture with a private enterprise on specific projects or programmes within a public institution. This is a partnership in the proper sense of the term. Here, the institutions remain public but engage in a partnership so to, for example, commission projects such as research, a teaching programme or a development project for a third party.
6. Joint venture between government and private enterprise/foundation in establishing and running an institution. For the most part institutions in this mode remain public but benefit from the financial power of the private partner. However, it is rather rare that there is genuine partnership in the operation of the institution.

Box 3.4. Public university supported by a private foundation

Shantou University in China is officially a public university within the province of Guangdong. Indeed, it receives public funding as all other public institutions do. However, the university was established with the initial funding from Li Ka Shing, one of the leading tycoons from Hong Kong (China) who was born in Shantou. Over the years, the university continued to receive generous funding from Mr Li and, because of his influence, the university is known for its ventures in pioneering new concepts and innovative practices.

7. Private institutions with direct government appropriation for part of its activities. This happens in some systems where the government, instead of building more institutions, spends unit-cost money to 'buy' places in private institutions. This is particularly viable in programmes related to public service, such as the training of teachers or nurses, when there is a severe shortage of personnel in those areas.
8. Private institutions with project-based government subsidies, that is, through competitive grants for research, consultancy, training programmes or projects for specific purposes. This is a common case in the United States, where many private universities obtain substantial government money through competitive grants. Refer to Box 3.5.

Box 3.5. Federal funding for private institutions

Harvard University, as a leading private institution, receives 30 per cent of its income from tuitions, 10 per cent from private donations and 60 per cent from projects. Most of the projects are government projects allocated on a competitive basis. The university levies as high as 65 per cent of each project as university income.

9. Private institutions with indirect government subsidies, namely, through scholarships or financial assistance directly given to students or salary subsidies that go directly to teachers. Scholarships for students are commonplace in most of the systems of higher education. However, not all governments offer scholarships to students in private institutions. If they do, they are seen as providing equal opportunities to students regardless of the institution. This is particularly legitimate in systems where there is a shortage of public places for higher education.
10. Private institutions with one-off government subsidies - by way of land allocation or the provision of capital for construction, necessary for the initial operation of the institution. This is quite common in many systems because, while private institutions can, in the long run, survive on recurrent income (such as fees), very few private institutions can afford to purchase land or spend capital on infrastructure. This is often seen as an efficient way to use public money. See Box 3.6 and Box 3.7.

Box 3.6. PPP in Africa

To address the issue of scarce public resources, Botswana is establishing a new university on a PPP basis. In this model, the state will provide substantial funding for capital expenditure while the private sector will be responsible for operational expenditure. A similar venture is being created in Zambia at the Mulungushi University.

Box 3.7. The Asian University for Women

The Asian University for Women (AUW) is a newly established university designed to educate women from the Asian region so that they assume roles as development leaders. AUW, established by the AUW Support Foundation, owes its existence to both private and public donations - the Bangladesh Government allocated land and provided infrastructure to the campus.

11. Private institutions that receive no government subsidies whatsoever. Most private institutions in the world belong to this category. Private institutions belonging to this category can be broadly classified into for-profit and/or not-for-profit HEIs. Again some of these institutions are national while others are foreign or foreign-collaborated. Private entrepreneurs or corporations set up HEIs on a profit-generating model. The foreign players include TNEs or companies operating in national territories under GATS or otherwise. The not-for-profit sector includes self-financing institutions or philanthropic institutions. In Africa, a large number of not-for-profit HEIs are supported by religious agencies (Varghese, 2006).

Box 3.8. STMIK AMIKOM

STMIK AMIKOM is a private university in Yogyakarta, Indonesia. STMIK is a kind of 'academy' in the four-tier post-secondary system of universities, institutes, academies and polytechnics. STMIK stands for 'schools for technology, management, information and computers'. The academy concentrates on innovative technologies. It has an enrolment of more than 7,600 students, which compares strongly with nearby institutions that are closing because of a shortage of students. The academy produces graduates who are very popular in the labour market. The academy also runs several commercial enterprises: television channels, radio channels, cartoon production, software design, internet services, advertising, computer systems, consultancy and mobile networks. These commercial setups also provide valuable ground for student internships. The academy claims to produce 'graduates with global qualities, productive, entrepreneurial, professionals, especially in knowledge based on computer and informatics'.

Box 3.9. The University of Phoenix

The University of Phoenix is a private institution that offers on-line higher education. It was established in 1976 as a private institution and is now a corporation listed on the stock market. As of 2009, it hosts 13 publicly-held higher education firms in the United States and 19 others in countries around the world, including China, India, Japan, Malaysia, the Republic of Korea and Singapore (Klor de Alva, 2009). 'Many of the conveniences that 21st-century students now take for granted - evening classes, flexible scheduling, continuous enrolment, a student-centered environment, practitioner faculty, online classes, online library, eBooks, computer simulations - were pioneered or made acceptable through the University of Phoenix's efforts',¹ the university claims. 'Online and campus programmes, innovative education technology, flexible scheduling, practitioner faculty' are the four special features of which the university is proud. Courses are offered on-line and include on-campus interactions in over 200 locations. It offers 100 degree programmes at associate's, bachelor's, master's and doctoral levels.

Source: University of Phoenix, 2009.

An analysis of the 11 categories would immediately come to the following observations when we want to arrive at a classification of public-private partnership ventures.

Dimensions of the partnership

First and foremost is the issue of ownership. Amid the whole diversity of public and private interplay, the most fundamental element is the issue of ownership. On the one end of the spectrum, there is public ownership with private participation. On the other end, there is private ownership with public subsidy. Between the two extremes there is an entire spectrum of buy-up of ownership by the private partner from the public owner or by the government from the private sector. There is a balance of give and take throughout; to receive a government subsidy is to give up for-profit status, but to receive private funding is to lose institutional autonomy.

Second, there is the obvious dimension of finance. It is certainly a rule of 'he who pays the piper calls the tune'. It boils down to the question of 'who pays' in higher education. Tradition dictates that higher education, and education in general, is a public good, but this tradition is being challenged by the participation of private funding. It is a matter of interplay between three parties: the government, the individual learners and the private individuals or enterprises.

¹ www.phoenix.edu/about_us/about_university_of_phoenix.aspx

Third, there is the varied nature of the private partner. It could be a private individual or a private foundation, a private corporation looking for R&D partners, a corporation aspiring to engage in social contribution, or social enterprises whose primary aims are contributing to society. There are of course other possible partners in the non-government sector such as non-profit organizations, religious organizations, NGOs or even political parties.

Fourth, there is the degree and nature of participation of the private sector. It could be a case of a mere donation - with zero participation in the policies and operations on the one end of the spectrum and private commissions where the activities are accountable to the financial sponsor on the other end. It is always useful to distinguish among donations, sponsored projects and commissioned projects.

Donations. Private money is donated to institutions for higher education activities. Once again, such a donation can include an entire spectrum of implications. At one extreme, donors are not permitted to participate in the policy-making and operations of the institutions, as in the United States where, in return for tax benefits, donors are legally forbidden to interfere with institutional affairs.

In many cases, donors enjoy privileges in the sales of their products, opportunities of free advertisements as well as priority admissions because of their donations. Some Chinese institutions have a menu of such privileges for donors. Such privileges may affect the academic autonomy in various degrees according to the respective codes of practices.

In other cases, donors have a say in the disbursement of the money donated. They may directly monitor research processes, like with membership in a steering committee; select recipients of scholarships, perhaps by sitting on the selection board; nominate professors for endowed positions; and so forth.

At the other extreme, donors may participate in the governance of the institution because of the donation, generally by sitting on the board or council that oversees the institution.

Box 3.10. Government matching for private donations

For four consecutive rounds, starting in 2003, the Hong Kong (China) Government offered US\$ 125 million (1 billion HKD) each round for matching private donations. It was 1 to 1 in the first round, but 1 to 2 in the latter rounds. The total of US\$ 500 million has attracted around US\$ 1 billion private donations. In the fourth round which started in 2008, the matching fund scheme has extended to the private university and the Open University.

The matching exercises were preceded by an allocation of US\$ 65 million to each institution that receives government funding and the institutions are supposed to use the sum for building their capacity to fund-raise.

The matching fund has brought about a visible change in the philanthropy culture in Hong Kong (China). Most of the institutions in Hong Kong have seen increasing trends in higher education donations and this has, in turn, caused academics to look beyond government funding as they plan their academic undertakings. At the University of Hong Kong, China, government matching has inspired alum Stanley Ho, the casino tycoon in Macao, China, to launch an alumni challenge campaign with dollar-for-dollar matching.

Sponsorship. These are activities or projects that are initiated by the institutions but supported by the private sector. In a sponsorship, the sponsor normally shares the same objectives as the institutions in the respective activities or projects and is willing to provide resources so that those objectives are achieved. In the end, the result of such activities - an event, a report or a product - belongs to the institution, although the sponsor should also be duly acknowledged.

Commissions or contracts. These are activities or projects that are often initiated by the private partner for its own ends. By providing the required resources for such activities or projects, the private partner purchases the expertise from the institutions, often by way of a contract. The end results of such activities or projects are often anticipated benefits for the commissioning party. In most cases, the output, be it a report or a product, often belongs to the commissioning party. There are also cases where the product is of public interest, like a scientific discovery, and would not emerge without private support because it is not the preferred direction of research.

Motives for private engagement in PPP²

There are different motives for the private sector to engage in a PPP :

As investment. This is true for most for-profit organizations that engage in PPP. As a for-profit organization, where the primary aim is making profits, the public-partnership is nothing more than another commercial undertaking. All for-profit, private HEIs belong to this category. This could be further analysed and would lead to the following finer classification:

- As business. When there is a demand for higher education and a shortage of public supply or when the public supply is not perceived as satisfactory, the private sector starts an institution as a profit-generating business.
- As transactions or exchange of benefits, where the private partner uses money to purchase services which are uniquely available or best provided by HEIs.
- As outsourced services, where facilities and expertise in institutions are employed as an efficient, measured alternative to building departments within the partner organization.
- As branding, where engagement in higher education partnership will give the private partner a kind of branding which cannot be replaced by other means of advertisement. It is also a way to solicit endorsement from the community.
- As contribution. Many individual corporations and organizations engage in higher education to provide a public service and do not expect returns.
- As a mission. There are institutions that are set up with higher education as their mission. Such institutions may include church bodies that run universities and social enterprises that operate universities (see Box 3.11) as well as private foundations that establish universities for specific objectives.

Box 3.11. University created by NGO with a mission

BRAC in Bangladesh is the largest NGO in the developing world, both in terms of its assets and its community. It aims at helping the extremely poor, but also at creating jobs for the deprived. BRAC employs 100,000 people and reaches 110 million people. It is the most successful social enterprise. It runs its own bank and its own university. The university was established in 2001 with the purpose of developing leaders for national development and development is BRAC's main theme.

Source: BRAC University, 2009.

² The list is inspired by the analysis in Prince and File (1994). The analysis should go beyond philanthropy.

- **As obligation.** Many individuals, corporate organizations and other social bodies engage in PPP because they feel a sense of obligation toward society. The concept of corporate social responsibility has been a growing trend in business partnerships during recent years.
- **As reciprocity.** Individuals or corporate organizations may feel that they owe their wealth to society, and hence should engage in social services, such as higher education, as a way of paying-back.³
- **As corporate citizen.** Corporations that are entrepreneurial in nature may like to assume leadership in social advancement. Many major corporations have earmarked budgets for social engagement; higher education is often among the areas in which they invest.
- **As tradition.** Families or corporations may inherit a philanthropic tradition and thus make regular and budgeted contributions to society. Higher education is often a popular beneficiary in instances like these.
- **As advancement.** Often, the private sector engages in higher education because it wants to create a different notion or style of higher education, thereby attempting to challenge the frontiers of higher education.
- **As innovation.** Some visionary private partners feel inspired to provide alternative higher education with the idea that it will better prepare students for the future. Or they believe that certain types of higher education can only materialize in the private sector. See Box 3.12.

Box 3.12. Linkokwing University of Creative Technology

Linkokwing University of Creative Technology (2009) was created by the entrepreneur Lim Kok Wing who started the first campus in Malaysia. The university concentrates on training people in newly emerging professions related to creative technologies. It claims it is 'a global brand name that has given education a new perspective, dropping old notions of how people should be educated, and responding to new demands of globalization'. It is now hosting 25,000 students from 24 countries, studying on 10 campuses located in Botswana, China, Cambodia, Lesotho, Malaysia, the United Kingdom and the United States.

³ This is best reflected in: Gates Sr., W.H. and Collins, C. 2003. *Wealth and Our Commonwealth: Why America should tax accumulated fortunes*. Boston: Beacon Press.

- **As dissatisfaction.** Many private contributors to higher education are dissatisfied with the public sector and believe that, without the bureaucracy that the public institutions have to face, higher education could be provided with higher quality. Shantou University in China is a good example of this.
- **As challenge to the public sector.** Some individuals, corporate members and NGOs engage in higher education because they firmly believe that private institutions provide competition and challenge to public institutions.

Towards successful PPP

With few exceptions, most systems of higher education are public systems in the main. Thanks to an emerging trend favouring the participation of the private sector, policy-makers accustomed to handling public institutions must now learn how to engage a private partner. On the positive side this entails:

1. Honouring the private sector as a respectable partner. This includes: (a) appreciating the advantage of the private sector over the public sector; (b) fully exploiting the strengths of the market; and (c) learning from the private sector, that is, in terms of efficiencies.
2. Formulating an inclusive policy framework where the private sector has an active role to play. This could include (a) creating the necessary legislation to legitimize the position of private institutions, as in Box 3.13; (b) providing government-direct subsidy to students and teachers, generally in the form of student loans but sometimes as subsidies to qualified teachers, as in Indonesia; and (c) providing a level playing field for the private institutions to receive competitive grants, that is, for research grants or matching grants for donations.

Box 3.13. Law for the facilitation of private schools

China enacted the Law for the Facilitation of Minban (Private) Education, in 2002, after three years of research and debate. The crux of the issue is whether or not private institutions are allowed to make profits. There is a culture that education should be 'clean' and any motive for profit should not be tolerated. In the end, the Law stipulated that private institutions should be encouraged as long as they 'do not take making profit as their primary aim'. In order to send a strong message in support of growth in the private sector, the Law includes the word 'facilitation' in its title.

3. Adopting a positive attitude and creating space in the higher education landscape so that the private sector can play a significant role. This could mean (a) facilitating and developing private institutions as a major thrust in higher education expansion; (b) facilitating the establishment and development of elite institutions in the private sector, as in Pakistan; encouraging private philanthropy towards higher education, like in Hong Kong (China), Singapore, and the United Kingdom where there are matching funds programmes; (d) introducing elements in the tax system so as to create incentives for private sector participation in higher education; and (e) actively creating innovative ways to involve the private sector.
4. Involving the private sector in higher education policy formulation. This could involve creating a platform for policy dialogue between the government and the private sector representatives. It could also mean inclusion of the representatives from private institutions in national higher education policy-making bodies (e.g., Pakistan, Higher Education Commission).
5. Changing the paradigms in governance and administration in order to positively derive benefits from the market. This would mean (a) moving away from the civil service ideology, where procedures, rules and regulations prevail; (b) creating concepts and systems of accountability alternative to public sector administration; and (c) tolerating temporary and minor chaos due to the market, to the same extent as tolerating bureaucracy.

Concerns about PPP

For many systems of higher education, however, the participation of the private sector has occurred only recently. Governments in many countries adopt a rather cautious, if not sceptical, attitude towards the private sector.

In many societies, the major concern against the private sector is profiteering. There is a general objection towards generating profits on a public good. This is sometimes reflected in legislation relevant to private participation in education. An example of this is the Law for the Facilitation of Non-Government Education (Box 3.13), which stipulates that institutions cannot be established 'with the primary purpose of profit-

making'. Although it is generally admitted that 'purpose' is a matter of intention and hence is difficult to measure, the message is unambiguous. It is also arguable that, in many such systems, China being a good example of this, profit-making is a common feature and one that is even encouraged among public institutions.

The other major concern is that the private sector would expect 'value for money' and hence there would be 'strings attached' that would affect academic autonomy. This is particularly significant in higher education philanthropy, where people are anxious to know what the donor would expect 'in return'. It is also arguable that public funding has similar, if not stronger, strings attached. In the United States, for example, the law forbids interference from the donor in the disbursement of the money donated, and this is in return for the substantial tax benefit the donor enjoys. It could be equally argued that public funding supports only known, safe and certain activities according to a set agenda and are not always conducive for discovery, creativity and innovations. In this sense, private partnership is often seen as providing a safety net for academic autonomy, quite opposite from common beliefs.

In some systems, historically private institutions are seen as mediocre institutions; people, therefore, are concerned that any partnership would extend the mediocrity to the PPP and dilute the quality of higher education in the entire system. This underlies the call for QA whenever private participation in higher education is placed on the agenda. Such sentiments are based on the assumption that students normally do better in public institutions. Such an assumption is seldom validated by research. In fact, recent research does not indicate any significant difference, in terms of student performance, between the private and public sectors. Of course, such research often focuses on primary and secondary schools; comparisons at the tertiary level are rare. To start with, public and private institutions of education generally admit a rather different demography of students. The nature of the institutions and programmes are diverse, and it would be difficult to establish unified measurements of student achievements at the tertiary level. In essence, the argument that the private sector requires exceptional QA, as compared with the public sector, does not always hold water.

Conclusions

This paper analyses various dimensions of PPP. It shows that the state monopoly in the provision of higher education has come to an end in many countries and that markets are becoming important in expanding access to higher education. The introduction of cost-recovery measures in public institutions privatized the public institutions and, at a later stage, paved the way for the opening and operation of private HEIs that did not rely on any financial support from the government. This segment of higher education is fast expanding and increasing its share in the total enrolment and number of institutions providing higher education. In many countries, encouraging the private sector is seen as the only means of expanding access to higher education when the state is confronted with fiscal difficulties.

The emerging situation indicates a multiplicity of agencies providing higher education. What is needed is a coordinated approach to higher education development that takes into account both the public and private sector, initiates steps to regulate the expansion and operation of the private sector, and devises measures to improve the quality of education provided in both public and private institutions.

The permission to operate private, domestic or cross-border institutions needs to be granted after careful examination of the prerequisites. Some of the countries in Africa follow a three-stage registration process of private HEIs - provisional registration, full registration and accreditation. This may be a good practice to adopt elsewhere, in order to ensure the quality of inputs as well as the credibility of institutions from the onset.

Many of the private institutions offer a limited number of courses, mostly in market-friendly subject areas. While these courses are relevant, it is important that they also be encouraged to introduce courses in other subject areas that are important from the point of view of national development.

The fees levied by some of the for-profit private HEIs are very high. There is scope for prescribing a range for levying fees. The range may be fixed in such a way that it ensures adequate income and incentives to operate, while discouraging the commercialization of higher education. This will enhance the contribution of private universities to equity concerns and enhance their role in social progress.

There is a need to register all institutions of higher education - public and private - with accreditation agencies. This will ensure the quality of both inputs and outputs, namely, the graduates.

Finally, it needs to be recognized that the future of higher education lies in developing reliable alliances between the public and private sectors. The distrust and competition between these two sectors should be replaced by mutual trust and co-operation in order to contribute to higher education and national development.

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Regulatory issues

John Fielden and N.V.Varghese

Introduction

Governments seek to regulate and monitor private providers of higher education in most countries. In this chapter we explore the motives for such regulation and describe the elements in a regulatory framework with a view to helping governments to evaluate, if they so desire, their regulatory regime over the private sector. In some respects, the regulatory processes adopted may echo those applied to public sector institutions; governments seek to ensure that all parts of their higher education sector are monitored and regulated to similar standards.

In this chapter the term regulation is used to embrace all aspects of the government's relationship with the private sector. Regulation begins with a decision to allow a private provider to plan or develop a campus, continues with the approval of programmes, awards, the grant of operating incentives or the collection of taxes, and then includes regular monitoring together with the collection of information on financial and academic performance. Thus, any national system of quality review is part of the regulatory framework. The quality aspects of regulation, however, are dealt with more fully in Chapter 5.

Why do governments want to regulate the private sector in higher education?

It is argued, and rightly so, that higher education should not be left to the vagaries of market forces. Markets are more reliable in ensuring efficiency than equity, while their role in ensuring quality is debatable. An unregulated free market in higher education

may lead to investments in the sector by low-quality providers that adversely affect the best interests of the ultimate consumers. There have been instances when fraudulent practices have come to light in which admission rules are relaxed, the evaluation process is distorted and examinations are faked in different ways (Hallak and Poisson, 2007). It is easy to create a new university in name only, and there are many ill-informed and naïve potential students desperate for higher education who may sign up to study at a private institution without knowing its credentials and quality. One of the prime motives for regulation is therefore, that of consumer protection.

Another key motive for regulation is to allow the collection and dissemination of information for decision-making by members of the public. If governments are able to publish reliable and up-to-date information on the programmes and results of private providers, everyone will benefit. Consumers will be able to choose more confidently, the government will know the scale of what is being provided and the providers themselves will have a publicly approved mechanism for informing the public about what they offer. In Ghana and South Africa, for example, the regulatory bodies list all those private providers that have been accredited on their websites.

The third motive for regulation is to ensure that public policy is based on accurate information about the activities of the private sector. Where the state-funded and private sectors co-exist amicably, it is essential that the state knows what is happening. Studies (Varghese, 2006) show that private universities, in general, offer courses in a limited number of disciplines. 'Markets require profits and this can crowd out important educational duties and opportunities. Basic sciences and the humanities are essential for national development.' (UNESCO and World Bank, 2000, p.15). A country cannot base its entire higher education system on those disciplines that are commercially attractive to the private sector.

The fourth reason could be to monitor the financial results of for-profit providers, since excessive profits could lead to the removal of any incentives or tax exemptions they might have been granted. For example, countries such as South Africa have insisted that for-profit universities register under the Companies Act. In 2004, two companies - Advtech and Nasper - which were listed in the Johannesburg Stock Exchange, accounted for more than 70 per cent of enrolment in private HEIs in South Africa (Mabizela, 2006).

Where public policy favours private providers, the aim of a government must be to achieve a regulatory system that provides the right balance between protecting the public and encouraging private providers to invest. Too rigorous and negative a

process will deter, while one that is too leisurely could lead to an avalanche of poor quality providers and degree mills. There is a wide range of practice and a report by the Observatory on Borderless Higher Education shows that countries such as France, Germany, Nigeria, and the Russian Federation have very little regulation, while countries such as Cyprus, South Africa and the United Arab Emirates remain at the other extreme with robust regulations, including the accreditation of programmes and curricula (Verbik and Jokivirta, 2005).

Regulatory policy frameworks

This paper takes the broad definition of a regulatory framework as the context in which private provision takes place. Hence, a comprehensive framework would have the following seven elements:

1. Legislation on PHE that gives its providers a statutory basis for operation and clarifies their obligations as well as their rights and entitlements. Such legislation would also define the right of the Minister to intervene, if at all. In recent years, Bulgaria, Cameroon, China, the Czech Republic, Malaysia, the Russian Federation, Thailand and Tunisia have passed legislation of this kind.¹

The legislation may also specify some minimum requirements that any private institution must meet. This unusually demanding specification has caused major problems when the universities were the subject of an external evaluation of their quality (British Accreditation Council, 2008).

Box 4.1. Egyptian Law 101/1992 and Presidential Decree 355/1996

In Egypt, the legislation on PHE was established in 1996, but it has only led to the creation of seven private universities. This may be because it specifically rules out for-profit enterprises and states that Egyptian citizens should own the majority of the assets. The president of the university must be an Egyptian citizen and can be appointed by the university's board of trustees. Promotion of faculty staff is subject to the recommendation of the same committees that regulate public university appointments. Programmes offered 'should not duplicate specialities in other universities where there are surpluses of graduates'. A later Presidential Decree sets out further regulations, including the process by which applications for new universities are to be vetted by a committee on private universities, after which the prime minister issues a decree setting a date for the start of the university's operations.

¹ Information about some of these laws and a translation of the text in some cases is given on the PROPHE website: www.albany.edu/dept/eaps/prophe/data/countrylaw.html (Accessed 23 January 2009).

2. Some statements of policy on the role of the private sector and its contribution to national higher education goals. These could emanate from either the relevant ministry or buffer body concerned with monitoring the higher education sector. In some countries, such as Bangladesh or Sri Lanka, the absence of any legislation or clear statement of government policy leads to confusion among existing providers and a dearth of new investment by others.
3. Clearly defined procedures for establishing new HEIs. Take, for example, the cases of Ghana and Kenya. The principal legal entity charged with the responsibility of guiding the establishment and closely monitoring the operation of private universities in Kenya is the Commission for Higher Education. The regulations set out three stages in the establishment of a private university and in obtaining the full recognition of the institution:
 - i. Letters of interim authority - temporary recognition, pending registration.
 - ii. Registration as a 'registered university' - recognizing its operations and allowing it to start teaching.
 - iii. Full accreditation with the grant of an institutional charter - allowing the university to award degrees.

In Ghana the National Accreditation Board publishes a Roadmap to Accreditation on its website describing the steps to be taken.²
4. A regular and effective external QA process that has the confidence of the private providers and can assure the general public about the quality of provision. The ideal mechanism is to have the same independent, external reviews applied consistently and with similar standards to both public and private institutions.
5. A consistent and clear policy on support from either central or provincial/regional arms of government; this can relate to initial investment (in which case it needs to be fully coordinated with national policies for inward investment) or can also cover ongoing support through incentives or concessions.
6. Policies on private-sector participation in student grants or loan schemes as well as the ability of staff to bid for research funding on equal terms with state-funded academic staff. Another aspect of this is whether or not private-sector providers can share in national academic infrastructure, such as a national academic ICT network and national inter-library loan or discounted electronic subscription schemes. Governments may award these carrots in return for some of the

² See the NAB website at www.nab.gov.gh/nabsite/pages/roadmap.php (Accessed 16 March 2009).

regulatory and monitoring sticks that they apply. The principle of equal opportunity may also apply when a donor and a government develop a joint scheme of competitive funding, under which universities bid for project money, and both private and public universities are entitled to apply.³

7. A clear statement of the private providers' obligations in terms of information provision and reporting, and the non-academic monitoring to which it might be subject. Governments should take care not to cripple private providers with excessive requests.

It is rare to find all these elements of the framework in place, since most governments tackle their relationship with the private sector on an ad hoc basis, with a tendency to fight fires as they arise (and introduce regulatory measures accordingly), rather than designing the full set of processes based on a well thought-out policy.

The tone of the legislation regulating private universities can be very material in attracting private sector investment. The Egyptian example cited above could well deter entrepreneurs as well as encourage creative accounting in order to show the absence of profit. Article 7 (4) of the Vietnamese Circular, intended to encourage foreigners to set up private universities, states that Vietnamese students at such institutions 'must study and obtain a full diploma in Marxist-Lenin philosophy and political economy, scientific socialism, history of the Communist party of Viet Nam and the ideology of Ho Chi Minh' (Ministry of Education and Training, 2005). These requirements could well deter foreign investors.

Processes and mechanisms

In this section we examine the current practice in regulation and try to identify those processes which are most effective in terms of achieving their objective.

If we follow the life cycle of a private investor wishing to establish a new university and operate it for profit, there will usually be an initial enthusiasm driven by an evident unmet market demand and, in some countries, by the encouragement of a government inward investment agency.⁴ In the case of new universities being established by religious organizations, there will be no profit motive, but the core processes should remain the same. In both cases the state seeks to capture the application in the following ways:

³ There have been recent examples of this in Sri Lanka involving both the World Bank and ADB funding.

⁴ See for example the promotion material of the Mauritius Board of Investment: www.boimauritius.com/IBSI.aspx (accessed 26 January 2009).

- The grant of an Interim Authority, Provisional Registration or Institutional Authorization that allows the applicant to proceed with the development of a campus and the recruitment of staff. The form filling and procedures behind this initial stage vary considerably in scale, but the overall objective is to filter out the obviously incompetent or undercapitalized. Consequently, applications often focus on the financial and academic credibility of the applicants, and their outline business plan.
- Some countries require applicants to lodge a financial bond or deposit at this stage, as an illustration of their financial strength.
- The next stage expects the applicants to develop their ideas for academic programmes, which will be subject to some form of review by the accrediting or regulatory body. This often involves visits by an academic panel which reports back to the regulator. In Ghana, the applicant institution is expected to seek affiliation from an existing degree-awarding institution for a period of at least four years. This ensures that it follows conventional models of practice, but also limits the opportunity for developing any new models of learning and teaching.
- After the academic plans are agreed, the new institution is allowed to recruit students and deliver programmes. It may not be able at this stage to award its own degrees, since this is usually dependent on a further academic inspection or review by the regulator.
- The final inspection of the institution can lead to the award of a charter or the grant of a full university title (rather than one of university college, as in the model with a probationary period in Ghana).

The terminology and staging of the approval process varies considerably, as does the degree of specificity required in the application documents. In Kenya, for example, the documentation required for a self-evaluation by a chartered university covers 10 pages of very detailed questions and each academic department is expected to answer a further 10 pages of questions. This must present the regulatory body, the Commission for Higher Education, with a substantial burden. The criteria for final approval vary between countries: the example in Box 4.2 expects a private university to achieve the traditional model of a balanced regime of teaching and research with some consultancy. Some regulatory agencies are content with a model in which the criteria adopted recognize the 'fitness for purpose' of institutions that are primarily teaching with more limited goals related to professional skills and national development.

Box 4.2. A three-stage regulation process in the United Republic of Tanzania

The Tanzanian Commission for Universities (TCU) presents, on its website, the full set of documentation required for the creation of a new private institution, together with a clear description of the accreditation process.⁵ It comprises three stages, of which the last one is particularly challenging:

- A Certificate of Provisional Registration is awarded after the applicant has prepared and had approved a legal document setting up the institution. There must also be a governance and management structure, a physical master plan, budgets, a fee structure, land allocation and title deeds, plans for staff appointment and recruitment, a draft prospectus, initial curricula (approved by the TCU), and agreed criteria for student selection and admissions.
- A Certificate of Full Registration is granted after the institution has been registered as a body corporate and has completed all the documentation, regulations, systems and procedures outlined in its previous application. It will also have built its facilities, appointed academic and administrative staff, and acquired all its equipment. It should also have approved academic procedures in place for assessment and examinations.
- The Certificate of Accreditation is the final stage and is awarded by the TCU after the institution has been 'in full operation as a typical world-recognized higher education institution offering TCU-approved academic courses, conducting research and offering public expert service and consultancy.'

In designing their processes, governments have to balance various factors. The processes should not be so demanding and time consuming that they deter, but they also need to be rigorous in academic and financial issues. Furthermore, they should be manageable and not so extensive that they are beyond the staff capacity and skills of the regulatory body to administer. Their questioning has to be challenging but not wholly based on existing norms and models of operation. Fielden and LaRocque (2008) highlighted the missed opportunities when approval procedures were based on historic input norms and expected new providers to offer thousands of books or provide square meters of space, rather than taking a fresh approach to models of delivery.

⁵ See: www.tcu.or.tz/Application%20forms.html (accessed 16 March 2009).

Once a new private institution is operational, the role of the regulator is less demanding and usually involves three aspects:

- Oversight on the quality of the delivery, delegated in most instances to a national quality agency (see Chapter 5), but sometimes carried out under the auspices of the regulatory body itself.
- Review of the financial and operational performance, which is usually obtained through a requirement to receive annual reports and professionally audited financial statements. In some countries, the regulators' concern is with monitoring the management and directors' fees drawn and the surpluses declared by for-profit entities. There is frequently public concern that financial statements may conceal the true extent of the drawings and benefits that founders obtain from operating a for-profit private institution. In Oman, for example, the law on PHE is very specific on issues of governance (see Box 4.3).
- Collection of basic statistical information on staff and student numbers. The TCU, for example, publishes tables of statistics for public and private universities, covering enrolments, staff numbers, staff grades and qualifications. In Pakistan, the Higher Education Commission makes similar information available, including the staff-student ratios.

Box 4.3. Governance of PHE in the Sultanate of Oman

Founders of private colleges and universities are required to elect and approve the Board of Trustees in accordance with the executive regulations and the law of private HEIs. The Board of Trustees is entrusted with the responsibility of governing the institute and in formulating the internal regulations for operating and managing the affairs of the private higher academic institution, upon the recommendations of the Council of Higher Education. Each private higher academic institution is required to form a College - University Council - chaired by its president and members from the academic administration, to manage the internal academic, financial and administrative affairs of the institute. The private higher academic institution has responsibility for the management of its funds, determining all its financial responsibilities, and is solely responsible for meeting its mission and associated objectives.

Source: Al-Lamki 2006.

The routine monitoring of the private sector is usually focused on the quality aspects, which is covered further in Chapter 5. Nonetheless, the smooth working of any other monitoring or control processes can benefit from a sound working relationship between the regulator and any professional or representative body that the private sector providers establish. The regulator can channel any public concerns to this body and develop mutually satisfactory mechanisms for resolving them.

A key question is what information about private providers should be published. Some regulators are reluctant to publish lists of 'rogue' institutions that are not approved, for fear of being sued, and prefer to publish just the names of those who have been approved as reputable. On the other hand, both Nigeria and the United Republic of Tanzania name private providers that have not been approved as well as those that have.

Roles of government, buffer bodies and professional bodies

The organizational locus of the regulatory agency may be a factor in assessing its effectiveness. There are various potential locations: within the ministry, in the recognized buffer body or in an independent agency (but appointed by the minister). A further complication can be introduced when the task is carried out by provincial or regional governments. Box 4.4 illustrates how this can cause problems.

Box 4.4. Federal and state regulation in Mexico

In 2007, PHE represented 49 per cent of the sector with 1,200 institutions distributed throughout the country, all of whom are regarded as within the 'National Education System'. The federal government relies on state education authorities to share in the regulation. However, this has led to widely differing standards and criteria being applied to the approval and monitoring of private providers. As a result, there have been conflicting judgements between federal and state authorities; if a petition to establish a new private entity is rejected by federal bodies, the petitioner will take it to state authorities who may well approve it. In 2000, the federal education authority set out rigorous new standards for recognition, which have been successfully applied federally but not yet universally at state level, so that it is still possible for some low quality providers to thrive.

Source: Tamez, 2008

More important than the location of the regulating agency are the skills at its disposal. In most jurisdictions the staff is drawn from the civil service cadres and, as a result, they have to rely on committees of academic staff and subject specialists to carry out the review and inspection elements in the regulatory processes. Even so, there are instances of long delays occurring in the initial approval and regular review processes, due to understaffing and lack of sufficient in-house expertise.⁶ However light or heavy the processes, they are of little use if governments cannot apply them. The staffing norms and skills competencies of regulators have to be up to the tasks required.

There are two other ways that accreditation can happen: through reliance on professional bodies where it is relevant and through asking the sector to undertake self-regulation or pay for an independent agency to fulfil routine accreditation. The former is often run in parallel with national QA processes but is very valuable in some countries in ensuring an international status for the qualifications earned by the graduates in question. If the national body's accreditation is accepted as being up to an international standard (for example, by conforming to the Washington Accord for engineering qualifications),⁷ the national regulator can rely on the professional review for part of the academic assurance. Self-regulation is dependent on public support for the agency or mechanism but is rare in the developing world, as it takes some time for the government and the public to have confidence in providers regulating themselves. The oldest model is the United States, where accreditation is carried out by independent, non-profit, private organizations and is paid for in full by those being accredited (Eaton, 2006). However, this does not guarantee the quality of provision. In the words of one United States quality administrator, 'California has no standards at all and is widely considered a haven for degree mills' (Contreras, 2009).

Incentives for providers

The broad definition of a regulatory framework at the start of this chapter included the policies that governments have with regard to incentives or concessions to private providers. Such incentives can be of two kinds: inducements to foreign and domestic entrepreneurs to set up institutions and continuing concessions or operational incentives. In Pakistan, for example, the Higher Education Commission wishes to promote private entrepreneurs and attract incoming international institutions and thus offers the following mix of initial and continuing incentives:

- Provision of land.

⁶ Based on telephone conversations with vice-chancellors of private HEIs in two African countries.

⁷ See www.washingtonaccord.org for details of this global standard adopted in 1989 to provide equivalence in engineering qualifications.

- Grants towards the establishment or expansion of institutions.
- Matching grants to allow private institutions to access bandwidth for the internet and digital library access on equal terms with the state-funded sector.
- Tax holiday on profits for an initial period.
- Grants to support the hiring of foreign faculty and research staff.

Other countries are similarly supportive. In Germany each of the individual states determines its own University Act, some of which prescribe an authorization by the state before a private HEI can be founded. However, once a private HEI has been state-approved, it has access to some public funds, including university construction funding from the German Science Council and research project funding from the German Science Foundation. In Viet Nam, for example, RMIT Viet Nam, a subsidiary of the Australian university, enjoyed total exemption from taxes for four years, after which there were deductions from the normal tax rates for a further four years. Box 4.5 illustrates the support and rewards outlined in China's legislation.

Box 4.5. China's law on the promotion of non-government education, 2002

Chapter 7 of the Chinese law on private education lists the 'support and rewards' that private providers can expect. It allows provincial governments to subsidize private schools and universities as well as leasing or giving away 'idle public property'. The law specifies that they shall receive preferential taxation policy and that they may receive donations for which the donors receive tax relief. Banks are encouraged to make loans to entrepreneurs and the state accepts that, after bearing all relevant costs, they can receive 'reasonable rewards' from their surpluses.

Source: PROPHE database on country laws. See:
www.albany.edu/dept/eaps/prophe/data/countrylaw.html

Other government help comes in the form of campus infrastructure (roads and electricity), reductions or exemption from customs duties and assistance with planning requirements at the local level. Where foreign investors are concerned, the incentives will need to be coordinated with the ministry of finance and the board of inward investment, so that they are in line with concessions given to inwards investors in other sectors.

Incentives can also be indirect by being targeted at students or staff. Almost all the private HEIs in the United States are very reliant on their students receiving federal or state grants of some kind. The most common form of indirect assistance is therefore, where governments treat private institutions in exactly the same way as public ones and do not distinguish between them as regards awards or loans to their students. Another area where equal treatment is common is visa/residence concessions for incoming staff and students.

Incentives are not needed in all circumstances in all countries. Some for-profit universities can be very profitable; in the Philippines for example, two large universities are traded on the stock exchange (Gonzalez, 1999), and in the United States the profits of the large private companies offering higher education, such as Kaplan, Apollo Group and DeVry, are substantial.

The general principle adopted by jurisdictions that favour the private sector is that there should be equitable treatment in the way in which the public benefits or facilities accorded to staff and students in both sectors are applied, as long as the private institution has been fully accredited locally. This may also be applicable in the field of research in those few cases where private institutions have the capacity and the funding to undertake research. Governments must decide whether researchers in private institutions can apply for funding to federal/central research bodies on equal terms with their state-funded colleagues.

Barriers that providers face

There can be many regulatory barriers confronting those wishing to establish and operate private universities. In the worst case scenario, these are based on an innate hostility in principle to PHE, but in most cases the problems facing private providers have less to do with principles and more to do with how procedures are implemented.

- The processes are rarely as transparent and explicit as those just described. It is difficult to know what documentation is required and how it should be obtained.
- In some countries the decision is not taken only by the national accreditation body. In Nigeria, for example, the National Universities Commission makes recommendations to the Ministry of Education which then applies its own geographical and political criteria to the decision.

- As the example in Box 4.6 shows, the criteria and quantitative indicators used to approve an application are very traditional and often drawn from existing public sector norms. Some of the standards suggested are unnecessarily specific and are simply based on what can be counted. A preferred approach would be for the agency to ask open questions about the standards and methods of delivery proposed rather than requiring adherence to national norms. This would allow for flexible and diverse approaches.
- Cumbersome approval processes by regulatory committees often slow down the registration and accreditation stages.
- Government often does not provide any positive help by making available (or at least removing barriers to the availability of) land or infrastructure; yet it expects new institutions setting up in urban areas to be able to obtain significant space to meet demanding space norms that are usually based on state-funded institutions.

Box 4.6. Barriers concerning out-of-date criteria for accreditation

One African vice-chancellor said that the accreditation process was an uncertain one. For some applicants it was relatively quick (3 months) and for others, such as at his university, it took a year. The procedure was not publicly known and the application forms were not openly published. Even when the agency had given its approval on academic grounds, the decision was then passed to the ministry for final approval and here political factors came into play. As a result 'the outcomes of the assessments varied with a few private ventures getting undeserved approvals'.

The criteria for accreditation and annual monitoring needed to be updated. For example, they emphasized the numbers of books and journals that had to be available in hard copy and took no account of access to electronic materials. The space requirements also expected every student to be at a library desk rather than using a PC to access materials from various places on campus. This may be due to the age and experience of the assessors (from public universities, where electronic content is still limited), 'many find it difficult to be flexible and objective in the application of the sometimes archaic and outdated monitoring guidelines. The majority being of the old school find it difficult to identify with innovations'.

Source: Private conversation with the vice-chancellor of a private university in Africa.

Unclear or confused regulatory regimes can be a serious deterrent to foreign investors. It is suggested that India's 27 regulatory bodies have this effect on possible foreign partners, even though each body was created to meet a particular need at a particular time. In India, conflicting messages over attitudes to PHE emerge from the central government, some state governments and the courts (including the Supreme Court). These messages also include some unwelcome interventions in the affairs of private institutions that could well apply to international providers - if ever the legislation which has been in draft form since 1995 comes into effect.⁸ If the current provisions that apply to domestic private universities were to apply to foreign entrepreneurs, they would face regulation of the tuition fees they can charge, a cap on the management fees they can exact and a quota system on the numbers of students that they must enrol from disenfranchised castes and backward classes (Agarwal, 2007).

On occasion, national policies that are desirable fail to take the special circumstances of private universities into account. Box 4.7 describes such a situation in Nigeria.

Box 4.7. Unintended consequences?

The National Universities Commission in Nigeria is seeking to impose a ruling that all academic staff of lecturer grade and above must have doctorates. This will apply to both public and private universities. The implications for private Nigerian universities are severe, since almost all their staff would have to leave to take their Ph.D.s in public sector institutions, there being no doctorates yet on offer in the private sector. In comparison, most academic staff at public institutions can stay in place and study for doctorates where they work. In both parts of the sector there is also the risk that the rush to develop such a large number of candidates will lead to lower quality.

Offshore, distance and trans-national education (TNE)

Regulators in many developing countries where there is a large unmet demand have to face the challenges posed by the advent of international and online providers. These are not all private entities, since state universities from other countries are treated as private entities when their motive is financial and they charge fees. There are many questions: If online or foreign providers offer their own award or qualification that is accredited by a reputable agency, what should the government do? Does it need to do anything? If they offer their own award and they are not

⁸ See the text of the Private Universities (Establishment and Regulation) Bill, 1995 at http://education.nic.in/pvt_uni_bill.asp

accredited, how can governments assess them? Does it make sense for all regulatory agencies to seek to review the credibility and quality of offshore and online providers? Is this not an ideal area for international collaboration?

One of the most intractable problems is caused by international organizations (often called degree mills) peddling fake degrees and qualifications across national borders.⁹ In the global context the numbers of degree mills are increasing, particularly those operating across borders and using dubious names and addresses in the United Kingdom or the United States (Eaton and Uvalic-Trumbic, 2008). The aim, therefore, is to ensure that an effective regulatory system prevents underqualified or fraudulent providers from trading as universities and from issuing worthless qualifications. While this is usually feasible as regards providers physically based in the country, it is almost impossible for governments to tackle on their own when the providers are based overseas and operating via the internet.

Box 4.8. The Nigerian approach to degree mills

In 2008, some 800,000 young people failed to get admission to a university after sitting for their matriculation examination and have become a fertile field for unscrupulous poor quality providers. The national regulatory agency, the National Universities Commission (NUC), was determined to tackle the problem. The first step was to order the closure of all local and foreign satellite campuses, which had mushroomed. Following this, NUC worked with riot police to close down any that still remained. NUC then set numerical limits on the student capacity of approved programmes in private institutions, since these had become bloated through illegal over-enrolment. A final tactic was to arrest or detain the owners of unauthorized operations and to publish the names of illegal organizations. Coupled with a new requirement that all approved institutions are expected to register their programmes in a Directory of Approved Programmes in the Nigerian University System, this has convinced the authorities that they are winning the war - although they estimate only a 70 per cent success rate so far.

Source: Okebukola, 2008.

We should start by looking at the many categories of offshore or distance providers, since each raises different questions:

⁹ A recent case in Romania has highlighted a key distinction between fake certificates emanating from bona fide institutions and certificates from totally fraudulent institutions. Report on MPT Online. 18 March 2009 Macedonian Radio and Television.

- Those international providers who establish a legal entity or set up a campus in-country can be bound by national legislation and regulation. The main issue is whether their awards need to be subjected to national QA if they are effectively reviewed by their home country's QA agency review (as are those by Australian or United Kingdom providers).
- International providers who offer their award in partnership with a local private university and who require students to spend part of their time overseas fall into the same category, if all their delivery is towards their own degree. Where it is a joint award, does the national regulator have a role?
- International private providers, such as Laureate International, that acquire an existing private university that already has national accreditation will wish to continue to submit to local accreditation so that it can recruit students in the country concerned.
- Online or correspondence providers offering their own award, but using the tutorial support of local private (or state) institutions under contract, are likely to be free from local regulation. The only justification for national intervention is if the receiving country thinks that the staff resources of its domestic providers should not be diverted away from domestic students. However, if it is a private provider, the scope for intervention is limited.
- Online providers with no support in-country and offering their own award operate entirely outside national jurisdictions. They are the hardest to police since they often operate from locations with no controls at all and some jurisdictions question whether they need to worry about them if they do affect their citizens.¹⁰ However, they are the ones most liable to be classed as degree mills and to attract naïve students.

The solutions to this are either a large number of bilateral agreements between governments and institutions or through some framework for international collaboration; positive actions on this are still developing (as is the networking of QA agencies through bodies such as CHEA/INQAAHE/GIQAC,¹¹ etc.). In Europe, a recent innovation has been the establishment of the European Quality Assurance Register for Higher Education, which is creating a screening process through which European QA agencies from 46 countries can choose to be listed.¹² Bogus providers can no longer claim to have been accredited by a reputable agency if it is not included in the register.

¹⁰ Contreras (2009) gives striking examples of the cross-border operations of some dubious providers.

¹¹ Council for Higher Education Accreditation, International Network of Quality Assurance Agencies in Higher Education, Global Initiative for Quality Assurance Capacity - see http://portal.unesco.org/education/en/ev.php-URL_ID=56173&URL_DO=DO_TOPIC&URL_SECTION=201.html (accessed 4 March 2009)

¹² For details see: www.eqar.eu/ (accessed 26 Jan 2009).

Private sector participation in policy-making on higher education

A final question for governments that favour the private sector is how it should be treated in national policy debates. One model, where national policy is positive, is for the sector to have established a formal member association that is in touch with its members' opinions, and is staffed and equipped to be a credible partner with government in policy discussions. This may fail to happen for several reasons:

- Private HEIs are often fiercely competitive and are not always keen to collaborate or share in debates on policies.
- Groupings of private institutions may fail to develop a coherent overall view if they are split between semi-elite or non-elite types of member.
- Any association that they establish is rarely able to attract senior staff of appropriate quality to enter into policy discussions.
- Finally, government may regard any association as incapable of taking a holistic view on national issues and dedicated only to partisan lobbying.

Box 4.9. An established private sector association in the United States

The National Association of Independent Colleges and Universities (NAICU) is one of the main private sector associations in the United States. Since 1976, it has represented private colleges and universities on policy issues with the federal government, such as those affecting student aid, taxation and government regulation. With nearly 1,000 members nationwide, NAICU reflects the diversity of private, non-profit higher education in the United States.

The NAICU secretariat meets with policy-makers, tracks campus trends, conducts research, analyses higher education issues, publishes information, helps coordinate state-level activities, and advises members of legislative and regulatory developments with potential impact on their institutions. In addition, NAICU has spearheaded several major public initiatives, such as the Student Aid Alliance, an ambitious effort to enhance funding for existing student aid programmes as well as the non-partisan National Campus Registration Project that, in the last three congressional elections, has helped member institutions conduct both voter education programmes and campaigns to register students and employees.

Source: NAICU's material on its website. www.naicu.edu

Where such an association does not exist, the government should still seek to involve individual private sector representatives in policy or operational forums. This may extend to having private sector representatives on the boards of the national buffer body and other regulatory agencies.

Conclusion

In this short review of the elements of a regulatory framework, we have sought to illustrate some of the approaches to regulation being taken worldwide. It is clear that this is a rapidly changing field and that governments are under pressure everywhere to strengthen their regulatory mechanisms and to adapt them to the changing marketplace. PHE is developing rapidly throughout the globe and, as we saw in Chapter 1, is expanding faster than the state-funded sector. At the same time, the challenges faced by regulators are growing. Not only is the PHE sector growing more diverse, but it is also becoming increasingly complex - the old boundaries between public and private are blurring, hybrid entities are evolving, and cross-border and TNE operations are developing rapidly at a rate that bewilders both nation states and international bodies.

These challenges present a wake-up call to governments. Their regulation of private providers now needs to move to the centre stage, and requires more commitment and funding from policy-makers and politicians. It is also likely to need a flexible approach to regulating what is becoming a very heterogeneous sector.

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Quality assurance for private higher education

Maria Jose Lemaitre

Introduction

PHE has developed in different ways, in different parts of the world. It is interesting to note that, in regions such as Latin America, PHE has been an essential component of higher education systems almost since their inception. There, private universities, initially established by the Catholic Church and later by private foundations or associations of businessmen who wanted to counterbalance the influence of both the Church and the State, developed alongside public universities. These private universities (referred to as the first and second wave of PHE by Daniel Levy in Chapter 1) operated in a way similar to that of the public institutions; they received funding from government and were clearly expected to play a public role.

As the coverage of secondary education increased in these countries, new private providers began to emerge. These were not necessarily concerned with the public role of higher education; instead, they were organizations or individuals who wanted to take advantage of the opportunities associated with an unmet demand for higher education, especially at the vocational and professional level. These organizations tended to have a profit-making approach and, even when this was not their main concern, they still expected institutions to pay for themselves, while at the same time leaving their organizers with an adequate income.

In most countries, these new private institutions offered less resource-demanding programmes, focused on teaching and developed with a close attention to emerging needs and demands. In general, however, these institutions were seen as low quality offerings.

The emergence of a 'third wave' of private providers was closely linked therefore, to the emergence of QA mechanisms in many countries. These mechanisms were intended to recover the social legitimacy of PHE, threatened because of the perceived low quality of new institutions calling themselves universities but not really responding to the 'traditional' view of institutions dedicated to teaching, research and community service.

This chapter explores the way in which QA processes have developed in different regions of the world in relation to private providers of higher education. It will focus on the QA mechanisms applied, the criteria that are used for assessment, the links to higher education market devices and the impact of QA processes on national and international offerings.

QA mechanisms

QA mechanisms can be applied before an institution or programme is allowed to operate, usually for quality control purposes; they can be applied to institutions or programmes already in operation, for accountability purposes; and they can be applied for improvement purposes, as quality audits.

Quality control - licensing processes

In most countries, all new HEIs must be especially authorized or licensed. In many cases, new programmes must also be specially authorized. In order to get this authorization, they must meet a number of requirements, some statutory or bureaucratic, others destined to provide assurance that their purposes, programmes and resources are consistent with higher education provision in the country.

These quality control mechanisms are applied more frequently to private providers, although in some cases, new public institutions must also prove that they meet the basic conditions to operate.

Licensing normally involves the assessment of documentary evidence and, occasionally, it may also include a supervisory period during which different areas of the institution are evaluated. It concludes with a certification that the institution has been properly licensed and is allowed to operate. In some countries, this means that the institution is able to offer any new programmes it chooses and grant its own degrees. In others, licensed institutions must have their new programmes assessed and authorized, and in some cases, private institutions must always have their degrees certified either by the corresponding governmental authority or by a public higher education institution.

The same process applies to new programmes but, as mentioned above, in many countries new programmes must be subject to an external review process before being allowed to enrol students.

The establishment of strong and clear licensing schemes, which effectively make sure that all licensed institutions comply with the threshold standards established for the system, prevents the operation of unreliable HEIs. Moreover, it provides a measure of legitimacy and recognition to licensed institutions that unlicensed HEIs (or institutions in a system without a strong licensing process) lack.

The actual value of licensing depends strongly on the type of standards applied and the degree to which the procedures used contribute to embedding quality mechanisms within institutions. Experience shows that, while institutions undergoing licensing processes are usually required to develop self-evaluation exercises, it is not realistic to expect a candid assessment or an open admission of weak points from institutions aware that they can be penalized for non-compliance with both standardized criteria and their own stated purposes. At the same time, the licensing agency may focus its requirements for self-evaluation on the provision and analysis of a set of institutional data, which then provides the basis for an institutional information system and thus promotes better management practices (CSE, 1998).

In this sense, licensing may act as an important means of capacity-building within new, private HEIs, namely, management schemes, development of information systems and the provision of periodic reports to the licensing agency supported and developed during the years of supervision.

Box 5.1. Licensing cases in different regions of the world

Latin America

Colombia demands that all programmes adhere to certain 'minimum conditions' in order to operate. In Bolivia, all private universities have to go through an assessment process that lasts five years, after which they can be certified as 'full universities' and can offer new programmes without supervision; however, the degrees they offer must always be registered at the Ministry of Education. In Argentina, all private HEIs must be approved by CONEAU before beginning operations. Finally, in Chile, all new private HEIs must have their initial proposal approved by an independent public agency, which supervises them for a period of six to eleven years and culminates in either the certification of or the closure of the institution in question. During the supervisory period, the agency may apply sanctions or even permanently close the institution, in the event that it is not operating in accordance with its stated purposes or the basic quality criteria defined by the agency (Lemaitre, 2007).

South Africa

'All private institutions are obliged to participate in (quality assurance) processes, and can only offer courses if they are granted registration by the Department of Education. Institutions that receive conditional accreditation have six months to comply with conditions attached by the Department, and those that do not comply (or do not participate in the process) must close' (IEASA, nd).

Asia and the Pacific

The 2008 report prepared by the Asia Pacific Quality Network (APQN, 2008) entitled *Quality Assurance Arrangements in Higher Education in the Broader Asia-Pacific Region* states that all survey respondents have some type of registration or recognition process to approve institutions to operate as HEI and/or to offer higher education programmes.

Accountability - assessment and/or accreditation of institutions and programmes

There are many definitions for assessment, but they all share the idea of gathering information and measuring it against a predetermined standard or criterion, in order to provide evidence for action. UNESCO defines assessment of quality in higher education as 'the process of the systematic gathering, quantifying, and using of

information in view of judging the instructional effectiveness and the curricular adequacy of a higher education institution as a whole (institutional assessment) or of its educational programmes (programme assessment). It implies the evaluation of the core activities of the higher education institution (quantitative and qualitative evidence of educational activities and research outcomes).¹ Accreditation is an assessment of programmes and institutions against predetermined criteria or standards, ending in a formal decision about whether these criteria or standards are met. It is usually a yes/no decision, sometimes associated with specific consequences to the institution, such as its ability to enrol students, receive public funding and obtain professional certification, for which accreditation is often a prerequisite.

In most countries, accreditation is offered or required equally of both public and private providers, which makes sense since its objective is to provide public assurance that applicable criteria or standards are met. Also in most countries, the standards or criteria applied are the same for all HEIs being assessed, thereby penalizing those institutions that offer diversity to the system, an essential part of higher education everywhere.

These standards are normally derived from traditional higher education - traditional, in this case, being strongly associated with public higher education. They tend to focus on issues such as libraries, laboratories, full-time academic staff, percentage of academic staff holding doctoral degrees and capacity to carry out research activities. This type of focus stems, in Daniel Levy's words, from deeply held norms in South America and much of the rest of the world that a university must be research-oriented, both in the sciences and in a variety of other fields (Levy, 1986). The question is whether this really refers to quality, that is, in a context in which the basic need is to provide students with professional and vocational training, and where it may be more useful to employ practitioners with ample professional experience as the teaching staff.

The main point here is not to suggest that there are no clear quality standards that apply to PHE. Rather, the increasing diversity of the student population, the new demands of the labour market, and the need to provide professional and vocational training and education to large numbers of students require a wide range of offerings. Private institutions can, if they respond to stringent requirements, provide such an education. The requirements must be aligned, however, with PHE stakeholders' multifarious needs and demands, not just replicate what Jose Joaquin Brunner calls 'the zombie scene of higher education' - the persistent view that 'real' higher education is that which is offered by public institutions with a critical vocation, devoted to the public interest. Instead, higher education today serves a wide range of students who attend

¹ For a more complete discussion on assessment, refer to www.inqaahe.org, glossary.

private institutions in search of better opportunities for personal and professional growth; they invest in themselves as skilled human capital and, as such, expect both financial and social returns to that investment. Even the actual content of higher education has changed, becoming an inescapable link to the labour market and occupational stratification (Brunner, 2009). To compare traditional higher education to the walking dead may be a bit exaggerated; however, to assume that quality can only be found in higher education's traditional form is equally exaggerated.

QA for improvement: quality audit

Some countries have developed a different type of QA that focuses on the internal self-regulatory processes, that is, the policies and mechanisms an institution has in place to monitor the quality of its programmes and activities, to design necessary actions to address any identified problems and to implement improvement plans.

These normally apply to the public and private institutions that are duly licensed and recognized in the country. Quality audit is based on the fulfilment of institutional purposes and, therefore, it may be a good way to recognize different institutional types, specifically private HEIs which typically differ from traditional public institutions.

Box 5.2. Institutional audit

The case of Chile

Chile established an audit mechanism for institutional accreditation. As such, it focuses on the self-regulatory capacity of the institution and looks at the links between stated purposes, formal policy statements, institutional mechanisms and their application throughout the institutions, evidence of results that are consistent with stated purposes, and the ability to develop sound and verifiable improvement plans.

Assessment involves two basic, compulsory areas: institutional management and undergraduate teaching. There are other voluntary areas that are only assessed at the request of the institution and provided that they are part of the institutional mission statement. Generally, these are related to research, graduate programmes and links with the external environment.

The framework for review is provided by the institution's goals and purposes. The general standards and procedures are the same for all types of institutions, but they are interpreted by the institution and therefore, may be adjusted to its specific features. Reviewers are selected against a profile of what the institution considers its 'peers', and their names must be approved by the institution.

Source: CAN-Chile, 2009.

Box 5.2. Institutional audit cont.

The case of AUQA, Australia

AUQA conducts audits of:

- All Australian self-accrediting institutions (SAls), including universities
- Government accreditation authorities (GAA) in Australia
- Australian non-self-accrediting institutions (NSAls) approved as HE providers
- Other HE institutions under contract

AUQA uses each organization's own objectives as its primary starting point for audit and does not impose an externally prescribed set of standards upon auditees. AUQA also takes into account the requirements of relevant external reference points established to guide institutions in setting their objectives, such as criteria set by agreed national or sectoral guidelines.

AUQA's audit method evaluates aspects of an institution's QA arrangements on four dimensions: approach, deployment, results and improvement.

The 'approach' dimension includes the trail from an organization's mission, vision and values, through to more specific goals and the planned arrangements for how these will be achieved. The latter may culminate in written policies and procedures. Broad audit questions include:

- What is this organization about? What outcomes is it trying to achieve?
- What, if any, reference points (internal or external) are used in establishing the organization's objectives?
- How does the organization plan to achieve its objectives?
- Does it understand its context and capabilities?
- Are the organization's objectives set against appropriate benchmarks?
- What risk management processes does it have in place?
- Is the approach aligned and communicated throughout the organization and more widely?

The 'deployment' dimension considers whether, and how effectively, the approach is being put into effect. Broad audit questions include:

- Is the approach being deployed in the best possible manner?
- According to whom?
- What standards and benchmarks is the organization using to assess this?
- If the approach is not being deployed, why not and how is this managed?
- Is staff appropriately trained, and resources appropriately deployed, to fulfil the approach?

Box 5.2. Institutional audit cont.

The case of AUQA, Australia cont.

The 'results' dimension looks at an organization's results as a means of determining how well the deployment is achieving the planned approach. Broad audit questions include:

- Is the organization achieving its intended objectives and outcomes?
- Does the organization understand why and how it achieved those particular results, i.e. are the results a consequence of the approach and deployment?
- How are the results reported and used within the organization?

The 'improvement' dimension focuses on whether the organization is actively and continuously engaged with understanding its performance in each of the approach/deployment/results dimensions and is using this understanding to bring about improvements. Broad audit questions include:

- Does the organization know how it can improve?
- How does it know this (e.g., through the use of external benchmarks)?
- How is it acting upon this knowledge?
- Does the organization have a sustained history of improvement?

Source: AUQA, 2009.

Criteria applied in QA processes

PHE emerged, in most countries, as a response to increased demand for professional or vocational higher education, which many public HEIs were unable or unwilling to cover.

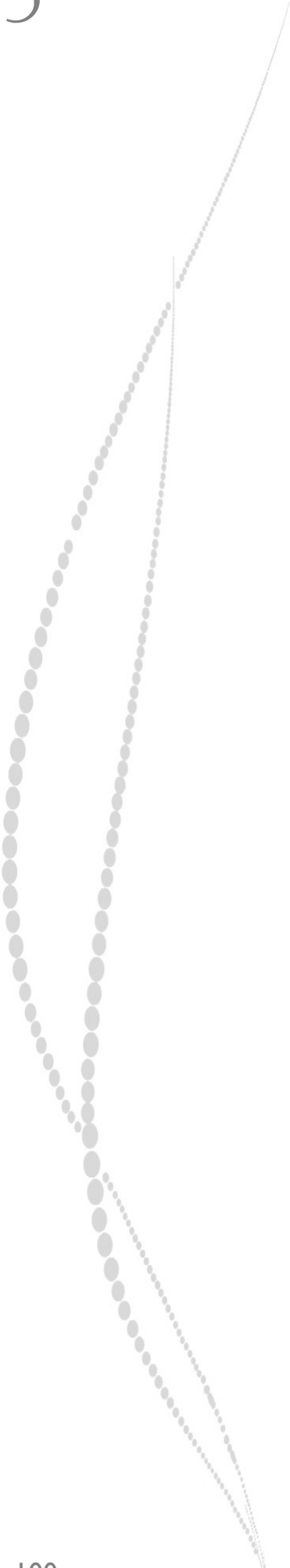
There are, of course, some private HEIs that follow the same model as the traditional public universities and develop through offering more of the same. But, in many cases, they are quite different in terms of their purposes, goals, strategies and resources: they tend to offer job-oriented, professional programmes to adult and part-time students with a mixture of full-time (few) and part-time (many) academic staff who are not so much academic as they are professionals who want to share their knowledge and experience with students. Many of these institutions are 'teaching universities' or non-university institutions that cut costs by operating on a much narrower scope than public universities.

In most cases, private institutions do not have any significant activity in the field of research, have close ties with employers and tend to focus on undergraduate programmes and continuing education. They also have considerable potential for innovation, especially in teaching modes, since they must attract and keep students who must be willing to pay (relatively) high fees. These students tend to have lower qualifications and in many cases - in spite of the fees they must pay - also lower incomes.

All the above suggests that the quality criteria to be applied to these institutions should be different from those that are relevant to traditional universities. Surprisingly, in most QA systems, they are the same. Sometimes they are sufficiently vague to accommodate different types of institutions, but since they are usually applied through external peer review, with most of the reviewers selected from the more prestigious (and traditional) universities, their interpretation also tends to be traditional.

Typical criteria for institutional assessment include the following (INQAAHE, 2009):

- The defined mission of the institution
 - An institution's mission statement should define its purpose within the context of higher education, indicate the population(s) being served and indicate what it plans to accomplish.
- Governance and the administrative structure of the institution
 - Governance and administrative structures must be designed to allow for appropriate information-gathering and decision-making with regard to policy development that are consistent with the goals, type and size of the institution. There must be clear lines of authority as well as shared ownership in establishing services and maintaining qualified faculty to promote learning, research, and scholarship.
- Basic curricular requirements
 - Institutions require all students to complete a core set of curricular requirements that represent the institution's defined elements of minimum college-level knowledge and skills for degree acquisition. Such general education requirements often include curricular requirements that enhance oral and written communication skills, quantitative reasoning, basic scientific principles, critical thinking, technological competence, and an understanding of citizenship and ethical behaviours.

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- The number and array of academic programmes or fields of study offered
 - Institutions use their mission statement to direct the types of education programmes offered, whether limited to undergraduate education or inclusive of graduate degree and advanced certificate programmes.
 - Financial resources and issues of institutional stability
 - Institutional stability requires sound financial planning that is linked to the mission and goals of the institution. Institutions must demonstrate that they continuously analyse their financial portfolios and update their financial plan to ensure the availability of sufficient funding to carry out their mission and support the programmes being offered to students.
 - Physical facilities that may be required
 - Institutions, whether they offer traditional classroom-based education or on-line learning experience, should be able to document that their physical plant is maintained to provide safe and adequate support access to learning resources, to house instructional equipment, to manage library services and to serve as a base for key personnel.
 - Student support services
 - Institutions provide student support services that foster each student's ability to achieve his or her goals and the goals of the institution. Examples of such services are student advice, grievance and complaint procedures, secure maintenance of student records with appropriate policies in place for release of this information, and technological and other learning support systems.
 - Teaching and learning resources
 - Because teaching and learning are central to the mission of any institution, a great deal of attention is given to the quality and qualifications of the professionals who are teaching and to how student learning is supported. Institutions are expected to document sufficient numbers of qualified faculty to ensure the coherence and continuity of the programmes being offered. In addition, institutions are expected to document provision of learning resources, such as information resources or laboratory facilities that support student acquisition of knowledge and skills.

- Accountability systems
 - Assessment and evaluation occurs at multiple levels of institutional operations through the development of a process that examines the institution's overall effectiveness in achieving its goals. The results of the assessments are used by the institution to determine if it is indeed meeting its goals and to make changes where necessary to improve its operations and further advance student achievement and learning.

These standards may be interpreted in widely dissimilar ways, depending on the background, experience and training of the members of the review teams. In many cases, reviewers come from public or more traditional institutions, thus making it highly likely that innovative practices will be regarded with a certain measure of distrust.

Programme reviews focus on areas that are very similar to those applied to institutional review, but focused on the programme itself. For this paper, an effort was made to find standards or criteria that would take into account the current diversity of higher education. The only recognition of this was in the wording of the criteria (frequent use of 'appropriate', 'effective' and 'acceptable'), which suggested that the actual assessment would be made with regard to the institution's or programme's purposes. While this is a step in the right direction, it is still insufficient: it does not take advantage of the potential of standards or criteria to guide institutions or programmes towards desirable behaviour; it does not point towards different ways of achieving expected outcomes; and it is dependent upon the views of particular external review teams and, yet, does not provide them with clear and transparent guidelines for the interpretation of these standards or criteria.

Below are two examples of criteria that apply to teaching or academic staff. It is interesting to note that while qualifications are a very significant part of the underlying definition of quality - as they should be - the focus is on degrees obtained, without any mention of professional experience or other significant qualifications that may complement or substitute academic credentials, even in such a practical field as engineering.

Box 5.3. Two examples of standards or criteria

Colombia*Engineering programmes*

Quality standard No. 9

Teaching staff

Both in face-to-face or distance programmes, the number, dedication and levels of pedagogical and professional training of academic staff, as well as the ways in which their academic work and interaction is organized, are those necessary to satisfactorily develop all academic activities. This must be done taking into account the nature and structure of the programme, its degree of complexity and the number of students.

The design and application of this policy responds to criteria for academic quality and is subject to rigorous procedures, in accordance to the statutes and norms of the institution and to Art. 123 of Law 30, 1992.

Required information

Table with data on academic staff, classifying staff in terms of the highest qualification received (doctor, master, specialist, professional degree), dedication (full-time, half-time, hours) and publications.

Source: CNA, 2005.

Commission for Academic Accreditation (CAA) - United Arab Emirates*Standard on faculty*

Faculty preparation. The preparation and qualifications of all faculty members, both full-time and part-time, are appropriate to the field and level of their assignments and meet the minimum qualifications required for each level, as specified in Appendix A: Policies and Procedures manual, which states the following:

Teaching courses in baccalaureate degree programmes or associate degrees offered in conjunction with a higher diploma of three years or more beyond secondary school requires a terminal degree in the teaching discipline, usually a doctoral degree or, where appropriate, a terminal master's degree.

Source: CAA, 2007.

Links with market mechanisms

Some systems have tried to apply market mechanisms to the regulation of higher education. The basic idea was that competition would weed out those institutions that offered a poor service and choose the better ones, which would then thrive and grow, offering an increasingly improved service. Practice shows that this is not the case. There are strong asymmetries of information that prevent students from making informed choices. Even when they have adequate information, rational choice does not necessarily mean choosing the best institution but rather choosing the institution that provides the best service according to the student's priorities - whether they include achieving a degree with the least required effort, studying close to home, being able to afford the tuition, going to college with perceived peers or attending a university where useful contacts can be made. All these are powerful reasons to select a specific institution but they have very little to do with quality, no matter how it is defined.

On the other hand, in a context of high demand, colleges and universities can always charge a bit less than their competitors in order to obtain the portion of the higher education market that cannot afford more expensive institutions. To charge less, institutions must cut costs - synonymous with cutting quality - which cheats their students (who are often naïve about this possibility) of a value-added education. In such a context, marketing becomes essential and it is no surprise that many private HEIs spend large amounts of their budget on publicity.

The case of Chile

The development of the private sector during the 1980s in Chile is a clear example of such a situation such as that mentioned above. New legislation, dictated in a non-democratic context, allowed for the establishment of private HEIs and changed the funding scheme from one highly dependent on public funds to one where 'self-funding' (or the search for new funding sources by institutions themselves) became prominent. Students were required to pay fees and institutions could be opened almost without regulation, so that within a decade, the higher education system was completely changed.

The expectation from policy-makers was that the 'invisible hand' of the market would differentiate between quality and non-quality institutions; students would 'vote with their feet', and institutions of lesser quality would close down because of lack of students.

By 1989, the system had grown from 8 strong universities to 70 universities and over 200 non-university institutions, all private without any public funding. The universities were divided into two groups: 25 were considered 'public' and received varying proportions of their budget from the government (never exceeding 50 per cent), and 45 were privately owned and funded. All non-university institutions were, and still are, private in both senses (ownership and funding).

By that time, private institutions were widely known as institutions for 'rich fools' who could afford tuition but did not have the qualifications for better, more selective HEIs. Due to high demand and an implicit trust in public recognition, institutions of poor quality merely lowered their fees in order to attract students.

The same government which had de-regulated the higher education system saw the need for public regulation, and it established a licensing scheme in 1990.² By 2002, the Consejo Superior de Educación (CSE), in charge of licensing processes, had established clear standards and guidelines, and conducted yearly evaluations of new, private HEIs. As a result, almost 40 HEIs had been closed and a similar number had been certified. The process helped legitimize the surviving institutions and in the process, PHE itself. Currently, Chile probably has the most privatized of higher education systems, with over 60 per cent of the enrolment in private HEIs and almost 85 per cent of the funding coming from private sources (OECD, 2008, p. 25).

QA mechanisms are thus set in place to counterbalance the effect of de-regulated privatization, offering information on those 'invisible' aspects of quality that are seldom evident to a prospective student. The trappings of low-cost, low-quality institutions can be especially dangerous to prospective students who are in the first generation of their families to attend higher education and therefore lack the necessary social networks that might help them make a better choice.

This is particularly important because higher education is an 'experience good' (van Vught, 2008), that is, its quality can only be determined after having gone through the process. The cost of a poor choice is therefore, high, and efforts must be made to prevent the provider of the service from making false claims. There are many other factors that also make the self-regulation of quality difficult, if not impossible, such as the resistance of HEIs to report on the value added of their services; the difficulties in measuring the quality of the learning experience of students; the need to hire part-time teaching staff who peddle their teaching hours at a number of institutions without a real commitment to one institution or to one set of students (Brunner, 2007).

² This was done through a constitutional law, passed the very last day of the military government.

In the absence of QA mechanisms, the market creates its own indirect and symbolic signals, usually based on reputation or prestige. It is interesting to note that here there seems to be an intrinsic contradiction. One of the main arguments in favour of PHE is its potential to increase the diversity of the system. However, the pursuit of prestige tends to push HEIs towards increased homogeneity, since prestige is normally associated with the more traditional aspects of higher education. At the same time, external governmental regulations tend to be another factor in the reduction of diversity (van Vught, 2008), and QA processes may become an example of these homogenizing regulations. If QA processes can find a way to take diversity into account when defining their standards and procedures, they will certainly contribute to innovation in and the development of PHE.

To be sure, QA can also become part of the marketing strategy of many institutions. The 'accredited' label becomes a token of differentiation and institutions use it to promote their activities and attract students. While this is not the purpose of QA processes, it seems better to advertise higher education offerings on the basis of a quality label, than on other, more doubtful, attributes.

As mentioned above, quality audits seem to show an interesting approach to the issue of diversity and innovation. By focusing on the institution's goals and purposes, and by demanding that the institution is seriously working towards their achievement, they offer a more open and diversified view of quality. Quality audits, however, assume that there is a basic level of development within HEIs. To be truly effective, they should most likely be used in conjunction with other measures for quality control and accountability. But measures for quality control and accountability without a quality audit approach are unlikely to contribute to the actual quality - an increased capacity to respond in an effective way to a wide range of needs and demands - of the system.

The impact of QA processes on the development of PHE

QA processes can be seen to have both a positive and a negative impact on the development of private HEIs. Some of these impacts are outlined below.

In the first place, QA processes are able to weed out unreliable HEIs in at least two different ways. The first, and most direct way, is to exercise a measure of quality control and only allow those institutions that meet a set of essential threshold standards to survive. The second, and more indirect way, is to provide tools to the market in such a way that decisions by students, their families and employers are

based on sound information relying on those aspects of quality that are taken into account by QA procedures. This is certainly less effective in the short run, especially if combined with the licensing process, but in a context where the 'marketization' of higher education is probably one of the most significant issues for most countries, it is important (Brunner, 2007).

Second, strong and socially accepted licensing processes and accreditation mechanisms, help increase the legitimacy of private HEIs. In a context of reduced trust in social institutions, QA processes provide a public guarantee that accredited or publicly assessed institutions and programmes meet the required standards and, thus, can be considered reliable. If both public and private institutions are subject to these processes, it becomes much easier to see that, in most countries, the quality divide is increasingly associated with variables other than ownership or funding and that it is possible to find good, medium and bad institutions on both sides of the public/private differentiation.

Not all effects of QA are beneficial. As has been discussed, many times QA standards and procedures can make innovation and diversity difficult. They tend to emphasize traditional approaches to higher education and have difficulties accepting that obvious changes in the student population, the needs of students and employers the structure and features of the teaching staff, also demand new definitions of quality. Overemphasizing formal or quantitative indicators or defining prescriptive quality criteria make it difficult for HEIs to take responsibility for quality and develop innovative ways of doing things.

In this respect, it is interesting to mention the significance international networks of QA agencies have attached to defining standards and guidelines for the operation of QA agencies. The European Association of Quality Assurance (ENQA) has developed a set of standards and guidelines which, in three different sections, address the requirements for internal QA (at the institutional level), external QA and for the operation of QA agencies (ENQA, 2009). INQAAHE has also developed a set of Guidelines for Good Practice, which addresses the main issues in relation to external QA and the characteristics of QA agencies (INQAAHE, 2007). RIACES has gone even further and has developed a set of guidelines and a programme for supporting QA processes within QA agencies as well as a handbook for the self-assessment of QA agencies (RIACES, 2007). All these efforts show a consistent and systematic effort from QA agencies, through their regional or global networks, to advance towards a constantly increasing capacity for supporting the quality of higher education.

Another limitation has to do with the need to assure the quality of transnational or cross-border higher education. This issue is treated elsewhere in this book, but it seems important to raise some questions here. One of them is the issue of jurisdiction: Who is responsible for the quality of transnational offerings? Is it the QA agency of the provider country, which can act on the provider institution, or the QA agency of the receiving country, which must protect its students but has limited capacity to act on the provider institution? Some countries have decided to make this a shared concern, but then a second issue becomes important: how are standards and criteria developed? Is it possible to ensure that they will be consistent? Some agencies emphasize the need for transnational programmes to be as close as possible to those offered in the home country. Others emphasize the need to respond to the culture and characteristics of the host country. A third issue has to do with the difficulties of regulating transnational online programmes and the possibilities of linking QA processes with the recognition of degrees. UNESCO/OECD guidelines for cross-border higher education have addressed these and other significant issues, and define transnational education as a joint responsibility of a number of stakeholders. While this may be useful from a general policy-making point of view, it is not very helpful in terms of addressing the actual issue of ensuring the quality of transnational offerings.

If diversity is recognized as one of the most significant features of the new world of higher education, as most analysts suggest and as experience shows, it becomes essential to also recognize the need for validating and legitimizing innovative institutional models for higher education. The traditional HEI, dedicated to research, teaching and community service, with full-time scholars and full-time students devoted to the pursuit of knowledge, only survives in a few elite sectors in most countries. It is important to support and strengthen those elite institutions. However, it is also essential to recognize that now - with mass enrolments, a very heterogeneous student population as well as different and wide ranging demands from employers - most higher education systems need new types of institutions. New institutions will generally be dedicated to teaching, employ part-time teaching staff, register part-time students and offer very different programmes. These institutions cannot be assessed on the basis of traditional standards and indicators, yet little effort has been put into determining how these new institutional models are to be defined and what the basic criteria for quality will be.

This is a pending assignment for policy-makers and QA theorists and practitioners. It becomes necessary to find new definitions of quality, which then must be translated into clear, flexible and functional standards and criteria.

A final word on the relationship between the two main approaches to assessment and the definition of criteria: fitness for purpose versus fitness of purpose.

The argument in favour of fitness for purpose, that is, in favour of assessing institutions or programmes against their stated goals or purposes, is precisely that it protects diverse institutional purposes, and thus, emphasizes institutional autonomy and responsibility. The argument against states that some institutional or programme purposes are not really consistent with their higher education status, and that there are external requirements that must be taken into account. Thus, it is important to assess also the fitness of institutional purposes.

The *fitness for purpose* approach has been applied for many years, but when systems became diversified, it was found that this made it impossible to judge the adequacy of the institutional mission as well as the goals and objectives a programme or an institution wanted to meet. The answer was to introduce a fitness of purpose approach, through which the quality of the mission, the guiding principles or the goals and objectives of an institution or programme also had to meet certain basic standards. A good example is that of South Africa, where, on the basis of the policy formulated after the elections in 1994, quality was defined as 'fitness for purpose, value for money and transformation within a *fitness of purpose* framework based on national goals, priorities and targets' (Higher Education Quality Committee, 2001). In this way, the national goals, priorities and targets become part of the institutional purpose, which then is considered to be acceptable or appropriate within the framework of the standards being applied. The QA process focuses on the degree to which this purpose is actually met - thus making fitness for purpose the actual approach to quality.

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