Expanding Higher Education Capacity through Private Growth: Contributions and Challenges

January 2003

Daniel C. Levy, Distinguished Professor, State University of New York, and Director of the Programme for Research into Private Higher Education (PROPHE)
Expanding Higher Education Capacity through Private Growth: Contributions and Challenges

Abstract:

One of the most pressing concerns for higher education policy and study is capacity. One of the most dramatic developments in higher education in the last few decades has been the growth of private institutions. The concern about capacity and the growth of private institutions are keenly related, and this relationship is the focus of this report. The theme is that private higher education enhances enrolment capacity through multiple dynamics and forms, each bringing a set of contributions and challenges.

About the Author:

Daniel C. Levy is Distinguished Professor, State University of New York Department of Educational Administration & Policy Studies, University at Albany (SUNY), and Director of the Programme for Research into Private Higher Education (PROPHE), supported by the Ford Foundation. He is the author/editor of Mexico’s Struggle for Democratic Development, Higher Education Policy in Latin America, and The Golden Age of University Assistance in the Americas.
Expanding Higher Education Capacity through Private Growth: Contributions and Challenges

1 Introduction

The major route for expanding capacity in the worldwide higher education boom of the mid-twentieth century was public growth. This occurred through both the enlargement of existing institutions and the proliferation of new ones. Nearly all industrialized countries moved to mass public higher education, and public expansion is how many developing countries expanded their cohort enrolment rate from a few percent to ten, twenty, and even thirty percent. In the third quarter of the century, the U.S. public to total enrolment ratio increased from half to roughly four-fifths. Europe and indeed most of the developed world outside the U.S. and Japan remained almost fully public, as did Africa and some other parts of the developing world. Latin America started significant private growth but, outside Brazil, until the 1970s or later this was mostly not about large capacity, but rather Catholic alternatives to public secularism or elite alternatives to the expanding public sector, perceived to be deteriorating. Enrolments in Spanish-speaking Latin America were still nearly four-fifths public as late as 1980. Asia was the major exception. Certain countries expanded mostly through the private sector (e.g., India, Thailand), but even in Asia others (e.g., China, Malaysia) followed the more common pattern of building capacity on the public side.

Capacity building through public institutions continues but has run into serious problems. On the one hand, near consensus remains that higher education should and will keep enlarging. Demand will continue expanding for several inter-related reasons: belief in favourable individual rates of return and social mobility, belief in higher education as a key to the ‘knowledge society’, lifelong education, demographics, political pressures, mimicking of industrialized countries, and so forth. On the other hand, traditional public supply is ill-suited to meeting this expanding demand. This supply has been publicly funded, sometimes exclusively so. Yet now the dominant political-economic reality or at least the perception in ruling circles is that the state must trim its costs and insist that beneficiaries assume more of the financial burden. One way this is being accomplished is through a partial privatization of public institutions, as the percentage of costs covered by the state shrinks and ‘private’ management forms increase. The other way, the subject of this paper, is the growth of private institutions, with mostly or fully private funds.

Aside from representatives of private higher education institutions and government representatives seeking to influence the growth of private provision, this paper will also be of interest to members of public higher education institutions in places where private provision is strong or may grow in the future, and where public-private partnerships may prove mutually beneficial.

The paper consecutively considers three overlapping concerns:

- how private higher education enhances capacity;
- the main types of private expansion;
- challenges to this expansion.

Obviously, the paper can only sketch key trends and how they may be understood. It cannot explore the enormous variation across regions, within countries, and even within private sectors. Its country examples illustrate more than prove. Often they are typical examples of a phenomenon that could easily be illustrated with different examples; in other instances, the chosen examples are poignant. Also, several
countries that represent broad patterns are drawn on repeatedly. These countries are mostly developing or transitional (away from statist economies). The reason is simple: these countries exhibit private growth as a major route, often the principal one, to capacity building, whereas industrialized countries continue to rely primarily on public institutions (though often with increased private funding). An additional qualification to terminology is that by capacity is meant enrolment capacity. Private higher education generally makes a lesser contribution to other types of capacity, such as research.

1.2 Background

A further qualification is that major global research on the growth of private higher education is in the early stages. PROPHE, the Program for Research on Private Higher Education (funded principally by the Ford Foundation and based at the University of Albany, New York), aims to build the knowledge base. The PROPHE website lays out PROPHE’s mission, substantive and geographical foci, production to date and work in progress. The website now shows detailed statistical data on two countries, Chile and Russia, giving the viewer an idea of the extent and organization of data that PROPHE is building for many other countries across the world.

Aside from the United States, only two regions can be significantly documented from existing sources, and even then the data cover only the bare outlines on enrolment and institutional numbers. On Eastern and Central Europe, UNESCO shows a private share of enrolments ranging from 1 to 30 percent in academic year 2000-2001 and an institutional share ranging from 10 to 82 percent. For Latin America, also from UNESCO, but for 1994 and earlier, only five countries had private enrolments under 20 percent, eight had between 20 and 40 percent, and six had between 40 and 65 percent. See Annex A for further details on Eastern and Central Europe.

The qualification about being in the early stages of research applies also to the typologies presently available for the study of private higher education. The typology best developed in the international literature and most relevant for the topic of capacity building is identified in this paper’s section on types of private expansion. It focuses on different forms of private growth and how they condition the size and behavior of different private subsectors. These growth forms include religious and other cultural, elite, and a kind of demand-absorption. The last category makes the largest claim on our attention, with a need to distinguish different sub-types, and leading us to related types and potential typologies involving for-profit versus nonprofit, private higher education institutions in partnership with public higher education institutions, and private higher education institutions tied to foreign public universities or international business chains. Other typologies (on the relative size of the private and public sectors and/or on how they are financed) are less relevant to this paper. There is no firm line between what is integral to a typology and what simply marks a significant distinction among institutions, as in dimensions of size, prestige, seriousness, accreditation, and so forth.

2 How Private Higher Education Enhances Capacity

2.1 Finance

We can identify two basic ways in which the financial dynamics of private institutions enhance capacity. The first is mostly straightforward, by providing private income for private institutions. The second is more complex and uncertain, concerning impact on public institutions.
Private higher education adds enrolment capacity to the higher education system, mostly escaping the constraints about public expenditures that now restrict public expansion. Most private institutions get virtually no public funds. Exceptions include the U.S., with sector-blind federal research funds and with student aid, and some emulation of such funding in other countries (e.g., student aid in Kenya) as well as isolated special funds or even subsidies.

Most private higher education institutions depend on tuition and fees. This is particularly true of the least prestigious institutions, which are the majority. Yet tuition is generally higher in more prestigious institutions (than in public institutions), where it may be mixed with other private funds. In Kenya, even the most elite private institution depends fully on tuition and fees. So capacity expands as clients pay for it.

Other sources of private income are more sporadic but nonetheless important and have potential to increase, especially where significant tuition increases are not feasible. Where and when business thrives, corporations or groups of financiers or industrialists have launched efforts to provide for major and well-endowed private universities. The Aga Khan University in Pakistan, now twenty years old, is a large and much-cited example, capturing the attention of the World Bank and others. Success in such endeavours may stimulate alumni and other philanthropic contributions. Of course, the global economic crises of the last few years have dampened such developments. Charitable foundations have not thus far been a prominent option. Contributions from churches have been common for ‘their’ institutions. Fast-growing financial sources include contracts and entrepreneurial units that generate funds through consultancies and services. Any of these funding sources can increase higher education capacity.

To the extent private institutions spend funds efficiently, capacity increases even more than income. The World Bank and others typically criticise developing countries’ public universities as highly inefficient. There is ongoing debate as to extent to which private institutions engender viable efficiency or merely low quality. However, there is little question that private higher education operates with much lower costs per student than public higher education. For example, there are fewer staff, usually part time. Students move through more quickly, including through more flexible provision of courses and tighter institutional controls. Costly fields of study and other undertakings, such as conventional academic research, are usually bypassed. Commercially oriented private institutions, whether formally for-profit or not, epitomize these tendencies.

Private income generation and efficiency sometimes contributes, through example or competition, to public reform in finance and management. A dramatic illustration is the admission into public institutions of tuition-paying students, alongside subsidized students. For example, at Australian universities, full-fee paying students may constitute up to 25% of total student numbers per programme. This phenomenon is also prominent in Russia and other post-communist countries where tradition, political conviction and self-interest continue to favor a basic policy of free or low tuition charges. Revenue is generated by imposing charges on students admitted beyond the basic, subsidized, quota. A different reform within public institutions that also can be attributed to private example and competition is movement into fields of study pioneered in private institutions, as in Kenya. In Bulgaria some private institutions appear to drive some of the public ones to increase efficiency. China appears to be unusual for the degree to which government and public university presidents speak openly and explicitly about how public universities can learn from private institutions regarding entrepreneurship, including the creation of revenue-generating offshoots.
But the net impact on public entities is difficult to gauge and depends greatly on what change one postulates for these entities were there not the private competition. How stagnant would they be versus how much would they be trying to generate more capacity through private revenues and efficiency? If the latter, then arguably they are hampered in those respects by the private ‘skimming off’ of lucrative fields, donors, and so forth. 8

In any event, such public reform is only part of the public story for there is also considerable public resistance to reform as either not needed or even pernicious. The Left mostly holds that the state should expand public provision, with public money. With a combination of conviction and self-interest, many in and around public universities resist most forms of privatization.

How and how much private institutional growth has affected public capacity is thus unclear. Perhaps the simplest point, which itself can be oversimplified, is that pulling some students into the privately funded private sector allows public institutions to open additional spaces for other students. But even this point is less clear or potent than the main effect of privately funded private institutions—taking in students who would not otherwise be in higher education and would not be covered through public funds.

### 2.2 Capacity through Institutional Differentiation

Private sectors hold a significant share of enrolments and especially of new enrolments in many countries. Whereas only one industrialized country has the majority of its higher education enrolments in the private sector (Japan), this is the situation in many developing countries in Asia and Latin America. Moreover, many others countries have moved from small private sectors to sectors with anywhere from 10-40 percent of enrolments; post-communist countries have moved up usually from zero. But whatever the enrolment percentage, the percentage of institutions is generally higher. For Eastern and Central Europe this holds for twelve of the thirteen countries for which UNESCO reports data on both enrolment and institutions, and the institutional ratio is often twice or more the enrolment ratio. (See Tables 1-2 for details, and http://www.cepes.ro/information_services/statistics.htm). In other words, the private sector supplies capacity for higher education through institutional proliferation. Commonly there are many small private institutions, sometimes alongside a few medium or large ones.

Private growth is often about creating institutions not meant to be much different from public ones with the exception of operating on private money. This is capacity building largely through ‘more of the same.’ But private growth is also often about creating institutions notably different from public ones; capacity building largely through differentiation. This differentiation often means the kind of institutions that are less costly to operate, even apart from considerations of efficiency. So private proliferation contributes to higher education capacity by relying upon institutional forms with high ratios of enrolment to cost.

Accordingly, as a rule private institutions more than public are ‘non-universities.’ These may be colleges or institutes and the spectrum trails off into a variety of forms that make for ambiguity in what is ‘higher education’ or what is an ‘institution.’ In China’s private sector, colleges by far outweigh universities but the bulk of enrolments are ‘self-study’ as students prepare for examinations. South Africa’s private sector has strong roots in ‘correspondence courses’ and now has a blurred line with ‘further education.’ An increasing number of countries have privately
operated distance education, and many have various forms of part-time study. Even a country like Bulgaria, 10 percent private (the same as Russia), which has had much less private proliferation than regional counterparts such as Rumania (30 percent private), has a variety of private options alongside the colleges and universities. Whether officially counted as higher education or not, such institutions broaden capacity.

The private institutions tend to be much narrower than public ones in what they do. The capacity of an average individual private institution is less than that of the average public institution. This is a reflection of smaller size and a different and more restrictive number of activities. The concentration is greatest in what students demand. Again much of this is traditional demand in excess of public capacity, while much is demand for something different. That something different is usually job-related, through fields and processes that can move the student quickly toward employment. What is striking is job-oriented capacity building by institutions that lack official recognition for degrees. Greece and Malaysia are good examples. Many of these institutions partner with foreign universities in order to offer degree programmes. Barriers to state employment may not faze students looking toward private or international employment. Whether through such intriguing forms or through degree-granting nonprofit institutions, when private institutions build novel areas or otherwise attract students who would not attend higher education, they build capacity.

The ‘new people’ private higher education helps accommodate are varied. Probably the most common are those academically unable to gain admission to the limited public sector. This then is private ‘demand-absorption.’ It involves a large proportion of students from socioeconomic backgrounds lower than that in public institutions, notwithstanding tuition charges. The point is crucial for capacity building if we consider that the main obstacle to access for those from poor backgrounds is not higher education tuition but rather a variety of factors that limit their chances to perform well through schooling and thus to be qualified for selective public higher education. Accommodating delivery modes, including class times, help enable working and other non-traditional students to enroll. In South Africa, the percentage of black students in private institutions is estimated to match that in the public sector. Often the private sector (including a religious or other socially conservative subsector) is especially attractive for women, avoiding the social permissiveness and political protests, strikes, and other turmoil more common- and commonly permitted-in public institutions. Also, private institutions often provide capacity for those who aspire in vain to enter the top public institutions, even though they could win a place at less prestigious public equivalents. Other clientele, whether socio-economically more modest or not, may include working adults.

In considering the reasons and dynamics of how private higher education increases capacity, we must note that what is unfolding is not simply a natural process or a pure marketplace phenomenon. Real actors are crucial. These include clearly self-interested actors, principally students and institutional leaders and backers, and also promoters from ‘outside’ the higher education system. Among these are international businesses (eg the SungeiWay Group and Boustead Holdings, backers of a number of private higher education initiatives in Malaysia), and the World Bank. The Bank's spin-off, EdInvest, at the International Finance Corporation, has a pointed and active mission to build capacity through various forms of higher education privatization, including the creation and growth of private institutions. Regarding government, there is great variation. Private growth often arises quite outside government planning, even catching government and others by surprise. Yet, compared to Latin America a generation and more ago where private provision grew up outside state directive, it
appears increasingly common for governments today in Asia, Eastern Europe, and now even Africa and the Middle East to articulate a rationale for private provision of capacity beyond what the public can provide. Great debate surrounds this tendency, as the paper notes again later regarding the challenges of quality and regulation.

3 The Main Types of Private Institutional Expansion

3.1 Demand-Absorbers and Related Blends

Up until the 1970s or 1980s, the main institutional forms of private higher education could be described as religious or other cultural, elite, and demand-absorbing. Since that time, it is the third category that has exhibited most significant growth. Moreover, it is obviously the category that is crucial when the concern is enrolment capacity. Thus a major concern of PROPHE is to analyze the demand-absorbers more closely, to determine the varied forms they take.

Until the middle of the twentieth century, the public higher education sector of developing countries and even of Europe could be considered rather elite. As demand grew and was increasingly accommodated, either the sector became less elite or a private sector emerged to handle the newcomers; usually it was a combination but with great variation as to whether public or private managed the bulk. In recent years, the private share of such enrolments has clearly grown, whether private institutions become the ‘mass’ (majority) sector or not.

Where religious private higher education has recently expanded it may be more closely aligned with demand-absorbers, compared to a past where it often was closer to elite private institutions. This is the case where Catholic universities proliferate in Latin America, where the oldest Catholic universities remain among the most selective institutions, as in Chile. In the U.S., the younger Catholic colleges, created in the middle of the twentieth century, are becoming more like private secular colleges scampering to maintain or build their market share in an increasingly competitive setting. Worldwide, existing Catholic colleges and universities struggle to maintain some religious essence.

Meanwhile, there is a sharp proliferation of other religious institutions, including Moslem and Protestant of various denominations. Kenya has both as well as Catholic private higher education and, though some of the institutions are for the fairly well to do, the main selective institutions are still the top public universities, and so the religious institutions play a major role in private capacity building. Also on a cultural front, whether religious or not, many institutions grow to provide places for a cultural minority, as for Russians in Ukraine.

More research is needed to map the proliferating private institutions that are neither elite nor the opposite. As in the U.S. and now many developing countries, some provide capacity for well-to-do youth who cannot get into selective institutions and are disinclined to mix into unselective public ones. Common too are institutions that approach neither the academic top nor bottom. Instead, they may perform very well in a chosen specialty, reflecting the point about narrow private institutions. The specializations typically relate to commercial fields of study, such as business administration, tourism, information technology, or English. Racing into such fields ahead of public institutions, the private sector adds capacity through institutional proliferation. But there is also evidence of subsequent enhancement of capacity through institutional broadening. As in China, many narrow institutions pursue
aspirations to grow, often using revenues generated from their lead commercial fields to finance the opening of new fields or new campuses.

### 3.2 New Forms: For-profits

Many of the tendencies thus far identified are epitomized in a growing for-profit sector. Until recently, capacity in higher education had little to do with this sector. Private growth was basically nonprofit. Even countries that permitted private higher education sometimes prohibited for-profits, though sometimes there was just an assumption against for-profits, without specific legal proscription. The U.S. has long had a for-profit sector but its role in capacity has increased in recent years. Several other countries now have formal for-profit sectors. We know that cases include South Africa (where the for-profits are much more extensive than the private nonprofits), Brazil, Peru, Jordan, Ukraine, and the Philippines, and fresh Chinese legislation now allows such a sector there. 

Further research is needed to see how far this listing might be extended. But even these examples already provide evidence for the proposition that capacity building through novel forms (whether judged good or bad) is more common in developing and transitional than in developed countries outside the U.S.

Furthermore, consistent with points above about definitional ambiguities in private higher education, much formally non-profit higher education is functionally for-profit. Increasingly, private colleges are largely or even essentially commercial institutions. The line is blurred between formally distributing profits to shareholders and distributing benefits in the form of perks, inflated salaries, and the construction of non-educational facilities. Often legitimately, the line is also blurred between institutions that reap profit and those (including public ones) that build capital in certain endeavours and use that capital to fund non-profitable activities. Scattered international evidence seems to suggest core similarities with U.S. for-profits in the pride displayed in taking the for-profit form. Sympathizers cite Milton Friedman in asserting that the key difference between for-profit and nonprofit institutions is that the former are tax-paying and the latter are tax-evading.

Thus many of the capacity arguments for the private over the public sector are sharpened when it comes to for-profits. The main one is that capacity expands without drawing on public money; this for-profit versus nonprofit distinction is relevant where nonprofits receive tax breaks, as in the U.S., but information is lacking on how widespread such breaks are internationally. A corollary argument is that capacity building produces great benefits to the economy because the training is practical, and accumulating evidence on the U.S. is that job placement appears impressive. Elsewhere, we usually lack evidence beyond limited data on student and employer satisfaction. For example, recent surveying in South Africa suggests such satisfaction but there is still intense national debate over whether the private higher education sector makes a solid contribution on balance. Of course, the main economic argument related to capacity remains that individuals benefit from good private rates of return on their investment, without forcing the public to invest. Thus, a market justification of for-profit capacity building is that students and employers are rendering positive evaluations by their choices in attendance and hiring. By contrast, evaluation of the performance of nonprofit and public institutions that expand capacity is notoriously complex.

Related to the economically oriented capacity claims of for-profits are socioeconomic claims about who is added to the system. The examples cited above about novel delivery modes and about black enrolments in South Africa come largely from the for-profit sector. Again, extensive evidence is available only for the U.S., where it shows
socioeconomic background for students at for-profits to be more like that of public community colleges than of either public or nonprofit four-year institutions. Yet there is little doubt that for-profits and their formally nonprofit commercial brethren are opening places for groups that have difficulty making it into selective public or nonprofit higher education. The greater flexibility for simultaneous study and work is particularly attractive for both youths and older adults who do not see full-time study as a viable economic choice.

For-profits also illustrate in sharp terms the tendency for private higher education to build capacity through the proliferation of institutions, generally quite different from the classic university model. Sometimes the for-profits are not allowed to be ‘universities,’ instead functioning as colleges and institutes and, increasingly, they go under the name of the owning business that opens a higher education enterprise.

Capacity building through for-profits and related commercial nonprofits bring opposition, often heated opposition. As we will see in the ‘Challenges’ section of the paper, the concerns turn on issues of quality and deceit: how much do these institutions provide capacity on narrow economic over real educational grounds, through weak and even dubious types of institutions, and through taking advantage of groups desperate for higher education but unable to secure a place in serious, honourable institutions?

3.3 New Forms: Beyond Freestanding Institutions

Although both for-profits and nonprofits still arise and grow mostly as freestanding institutions, sometimes novel, sometimes not, both also build capacity through various sorts of inter-institutional linkages. After identifying a few forms briefly, we concentrate on one: partnerships between private and public higher education institutions.

Corporate universities and other formal links between businesses and higher education fit our list of expanding options beyond freestanding higher education institutions. Perhaps the capacity role is greatest here when it involves offering higher education to employees who otherwise would not receive it. A parallel point holds for graduate training.

A dramatic development is the rise of ‘chains.’ Until recently, for-profit higher education institutions tended to be quite small. Now, alongside such institutions are multi-site campuses. The University of Phoenix is among the leading examples in the U.S.—and is one of a number of chains now operating internationally (eg Career Education Corporation and Sylvan Learning Systems), whether through buying existing institutions or creating new ones. Whether strictly within one country or across countries, all operations are put under one brand name. This is not just a marketing ploy. It is also a pointed strategy that declares: our product is working well in its pioneer places and now we can offer it, through institutional cloning, to populations that cannot reach the initial places. Though the multiple sites may have some autonomy, the core idea is a rather standard package for curriculum, pedagogy, hiring, and admissions. The potential exists for huge capacity building, with profits, through such chains.

Again, a for-profit trend is also a trend for commercial nonprofits and even broader nonprofits. For decades, Mexico’s individual private higher education institutions were concentrated into one site or only a very few sites. In recent decades, leading institutions have opened multiple sites. Monterrey Tec has been a pioneer in taking its product throughout the nation, and other private institutions have followed suit.
The Tec itself has gone abroad as well, into other parts of Latin America and even into the U.S. 17

In most countries, strong linkages between private and public higher education institutions remain rare. But a powerful exception, which PROPHE aims to study extensively, and which goes beyond ad hoc cooperative ventures or projects, concerns formal partnerships between private and public higher education institutions. Much of the rationale for this development involves capacity building. It is capacity building that offers something for both the private and the public partner. Prominent examples of private-public partnerships include China, Malaysia, Russia, and South Africa.

The South African case illustrates the capacity-related motivations for the partnerships and the possibilities of partnership as a vehicle of private growth. Perhaps half the country’s private enrolments are in the private partners of public institutions, though in 1999 the government slapped a moratorium on new partnerships. The private partner allows expanded capacity and reach for the public sector in several ways. This reach may have a geographic aspect but it is mostly again about groups that do not gain significant access to selective public universities. Fearing political fall out from impending majority rule, Afrikaans public universities developed the idea of joining with private colleges that attracted black students; seeing the success, English-speaking public universities have partly followed suit. Whether or not they provide formal transfer paths, public universities may use the private partners as screeners; they then take in a share of those who prove themselves at the private partners but who might not have gained direct admission to the public universities. Sometimes the expanded capacity comes also from the fact that the private partner specializes in fields that are in great demand, usually job relevant. These may be fields that the public university considers low status, or itself moves into belatedly. Or the private institutions may merely offer extra places for students to enter the same programs as at public institutions.

Enrolment capacity building is also financial capacity building. The private partner always charges tuition. Public partners often have no tuition or low tuition, and changes to this policy often entail great political cost, so partnership offers a partial escape. The particulars of what share of private tuition gets transferred to the public institution vary. Moreover, the private partners may also provide opportunities for entrepreneurial activity difficult at the public universities, including beachheads for foreign investment.

The reciprocity comes from the value private entities get from their ties with public entities. In the end this too is about capacity building since they are able to attract and administer to more students than they otherwise could. Part of the story relates to their right to use the much more established facilities of public universities, including campuses, libraries, laboratories, and even personnel. This may help fend off student reluctance to attend narrow and relatively poorly funded private institutions. But beyond the facilities per se, the benefits of partnership lie largely in quality assurance—or at least the appearance thereof. Where curriculum from public institutions is employed, private institutions save the cost of curriculum development and they offer what people typically accept as educationally sound and proven. Examination control by the public partner can provide further assurance. In different ways, then, private institutions eager to attract students boost what otherwise is a weak point in their pursuit: their legitimacy in the eyes of the citizenry. It is no surprise that the public partner is usually a university, often prestigious, while the private partner is usually a college. In turn, this helps explain why such partnerships appear to be more common in regions where the public sector has been academically
selective, as in Africa and much of Asia and certainly Eastern Europe, more than in Latin America.

Partnership between private and public higher education institutions thus provides new forms in which to play out the basic logic of increasing capacity. Compared to other modes of increasing capacity, this one brings the private and public together. It prioritizes cooperation over competition but does so in ways that tend to make mutual use of private-public distinctiveness rather than to minimize it.

The private-public partnerships treated thus far are for the most part indigenous, but overlapping dynamics also appear on the international front. Of course, foreign providers can sometimes simply offer their product inside another country; where the providers are private, this is an additional private capacity builder. But even public universities may function abroad like private entities. Best fitting our discussion here, however, is where foreign universities join up with local private providers. The mutual benefits between foreign university and local college may be much like that of the domestic partners just discussed. The foreign institution expands its reach geographically and often socio-economically, and garners tuition. The local private college gains a legitimizing link, curriculum, and the ability to offer a diploma or degree that may lack state recognition but can have job-market or international value. Malaysia has been the leading example of a country where the government has actively encouraged such arrangements. 18

4 Challenges to Private Higher Education Expansion

4.1 Quality and Legitimacy

It is easy to understand why quality is a major concern. Most of the world’s contemporary private higher education expansion comes outside well-established institutions, including outside the gold standard of ‘universities’. It reaches students unable to access the selective public institutions (or the selective private ones). It often reaches them through unconventional modes. Common is a pointed emphasis on practicality over intellectual pursuits. Capacity building is fundamentally about enrolments. Indeed it is about enrolments at rather low cost, thus minimizing other forms of capacity.

By standard measures of academic quality, the bulk of fresh capacity is clearly low. Faculty tend to be part time, often without advanced academic credentials. Research is rare, especially basic research. Scholarly cross-fertilization across the sciences and humanities is likewise rare. Libraries and laboratories are meager.

But beyond these rather obvious points, the picture is more complex. First, we have seen that not all of the private growth occurs in demand-absorbing institutions, as there are mixes with elite and religious orientations. Second, and sadly a heftier qualifier, is that poor undertakings and performance do not necessarily mean contrast with the expanding portions of the public sector. Third, and more upbeat, is consideration of multiple types of quality. How much does the expanding private sector provide useful forms of ‘value added’ for clients, society, and the economy? Positive answers may be linked to matters of innovation and efficiency, even as they move far from the academic gold standard. Among the major concerns of PROPHE research is to shed light on the frequency and dynamics of such value-adding private institutions versus counterparts that fit critics’ views of ‘garage’ institutions offering little of value. A major reason to shed such light is to be able to assess what is going on but one can also ponder the matter with a focused concern on whether concerns over quality will lead to a curbing of capacity.
The mix of concerns over quality, whether valid or invalid, objective or subjective, then overlaps very much with questions of legitimacy. By legitimacy we have in mind mostly citizens’ views of the private institutions, though this can affect and be affected by official policy in regulation and accreditation. At an extreme, illegitimacy can lead to forcible closings. In the 1990s, after quite unregulated and troublesome proliferation in El Salvador, the government reviewed and shut down many of the institutions. Short of that come various forms of restrictive regulation or simply a dwindling desire by students to entrust themselves to the private providers. Legitimacy is a strong challenge where private institutions undertake, with perceived lower quality, similar tasks to public counterparts. But legitimacy is an especially striking challenge where fresh private capacity emerges in modes unknown in the established public sector. Thus, distinctiveness is often a double-edged sword, bolstering claims of innovation but inviting doubt about the worth and appropriateness of the new. This point holds powerfully for the mass of commercial private higher education, epitomized by the for-profits. Legitimacy tends to be especially problematic where statist traditions are strong, broader market activity has been weak or itself problematic, and public universities have strong and selective academic traditions. Russia is an excellent example. 19

On the other hand, it would be misleading to think of widespread legitimacy as a condition of continued private expansion. Such a thought is more suited to the public sector of higher education. In contrast, our analysis of private growth to date shows how it depends on a match between seekers and suppliers, particularly around individual aspirations for higher education and then jobs. Where all this is built upon client money, and other private decisions, it need not matter if the majority of public opinion is opposed or even angry, regarding the private sector as largely illegitimate.

4.2 Regulation and Competition

The negative views of majority public opinion or of a powerful minority can cripple private growth if they lead to regulations to restrict the choices many private interests would like to continue to make. Even in the broad political economy of countries with high legitimacy for markets, regulation is common. In some sense, it is a friendly alternative allowing private provision rather than forcing public provision. So the twin question for private capacity becomes how much regulation and how much it is onerously restrictive or enabling? Regulation may confer much needed review and a stamp of approval that then leads to greater legitimacy among the citizenry.

The determinants of the answers to the twin question are at least three fold. One concerns honest assessments made of the private providers, including not only objective analysis but also subjective analysis and strong normative elements about what is appropriately higher education. All this is often quite hard to separate in practice from a second concern: raw self-interest. Suppliers and stakeholders in public higher education often have much at risk in private growth. A third matter is of course the policymaking influence of those who would like to restrict or revamp private developments.

The extreme in coercive limitation is of course the proscription of private higher education (or the closing of existing institutions). Once common, proscription has usually yielded either to permissiveness or to more open debate about the degree and shape of regulation. Regulations often have the intent and/or effect, in the name of quality assurance, of limiting distinctiveness. Paradoxically, as many regulations mandate increased capacity at individual institutions, they may render it impossible for those institutions to make ends meet, thus reducing the higher education supply
and capacity. Examples include required proportions of full-time staff, minimum infrastructure, number of books, number of fields of study, and so forth. Or in other ways regulations insist on certain modes or measures of quality that many private institutions cannot meet.  

The most significant form of expanding regulation is accreditation. Accreditation is one of many developments often particularly problematic in the private sector. In fact, public universities are sometimes free from some of the accrediting requirements due to their pre-existence, stature, tradition, or political strength. Public institutions may be considered to have their right to exist noted by their very creation while private institutions need to prove themselves. Where accreditation exists for all higher education there may be one system or there may be separate systems for public and private institutions.

From South Africa to Hungary and beyond one of the common cries of private higher education is that they are crippled in their ability to offer opportunities for students not only by the content of the regulations but by the uncertainty and time lags often involved. It is often difficult to know when one can safely proceed with a novel field of study or with curriculum or instructional forms unknown in the public sector. Private officials claim they are often confronted suddenly with regulations that are costly and allow little time for compliance. Problems are exacerbated when private institutions attempt to offer studies in fast changing fields.

Accreditation can have especially retarding effects on private growth where public university representatives are prominent in making or enforcing public policy provisions. This point goes back to the dual motivations of public higher education restraining private growth: conviction and self-interest. Conviction often argues against novel things private higher education attempts; so does a defensive form of self-interest.

At the same time, however, public sector self-interest in thwarting private institutions appears increasingly to have to do with competition, indeed competition focused on the novel endeavours. This public higher education reaction contrasts with several earlier and still pertinent ones. One reaction was rejection of private initiatives largely on ideological grounds. Another was indifference, stemming from a sense of only minimal threat. The private sector’s surprising surge often meant a delayed public policy reaction. Sometimes the public sector reaction, as in many post-communist settings, was to see the new private capacity as ‘complementary’ more than competitive. It could even allow public universities to focus on high status academic activities rather than to get ‘watered down’ providing the system’s expanded capacity for less-prepared students or in academically non-prestigious endeavours.

Examples where public institutions increasingly operate where only private institution once did include the charging of tuition, the opening of job-related commercial fields of study, flexible delivery modes, and money-making units. All this may in a sense be flattering for the pioneering private providers and may in turn bolster their attractiveness by bolstering the legitimacy of their activities. Or it may be that the effects on private growth are neutral, as the public sector’s entrepreneurial steps allow it to maintain or increase its capacity, with reduced public funding. But the prospect also exists for the public and private sectors to compete for the same students.

Sharpening competition is seen in Russia, much of Eastern Europe and elsewhere as public universities either institute tuition across the board or, more so, where they take in ‘extra’ students, fee-paying, alongside the subsidized students. Whereas
public universities once might have had a more detached view about private growth, they themselves now want the profits reaped through lucrative fields and activities, which can then cross-subsidize their more academic fields and endeavours. China is a dramatic example of fresh public entrepreneurial endeavours. Yet it might be other transitional countries that see greater public higher education efforts to slow the private sector, if the state can be pressured, and especially if demography suggests a stagnant or even shrinking pool of candidates for higher education overall. At least one analyst has thus speculated on a relative fall in private provision in Eastern Europe after its meteoric rise following the end of European communism in 1989. 23

It remains unclear how private higher education will fare in this building competition with public institutions. It enjoys advantages at times in governance and financial flexibility or in having moved first into novel activities, gaining experience and credibility. But its public competitors have increasing incentives to act and they enjoy certain competitive benefits springing from remaining public funding. Many retain natural advantages through their prestige; if a degree counts for more from a public than from a private competitor, then students may head there even for a field of study first or more competently offered at the private institution. Perhaps most of all, the public institutions take advantage of their privileged position to influence the regulatory framework in ways that inhibit private growth.

5 Conclusion

How much to care about the private sector’s share of future enrolment depends on many facts and values. It is possible to care about the system’s capacity without preferring either public over private expansion or private over public expansion. But it is impossible to understand contemporary expansion, including its size and contours and policy dimensions, without knowledge about both sectors.

Even when one’s interest is largely the private sector, it is reasonable to analyze intersectoral dynamics. Thus, the private sector may play a major role in system capacity where it ultimately spurs diversifying and expanding public sector capacity. Also common, where private higher education has existed for some time, is private-public blurring. Nonetheless, blurring rarely comes to mean the absence of significant private-public differences. Thus, private sectors will likely continue to provide capacity in ways importantly different (though not totally different) from how public higher education provides capacity.

Whatever the future brings, this paper has attempted to improve understanding of how capacity building occurs within the private sector. Globally, higher education continues to grow and a rising share of that growth is private. Private higher education provides stark solutions to the dilemma of how to keep expanding enrolments while not expanding public budgets. This has much to do with private payments, efficiency and low-cost, market-oriented endeavours, concentrated in an array of proliferating institutions distinct from traditional universities.
### Annex A: Data from Central & Eastern Europe

#### Table 1: Private Higher Education Enrolment, Central and Eastern Europe  
(academic year 2000-2001)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of students</th>
<th>Private</th>
<th>% of total enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Belarus</td>
<td>35,900</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>27,916</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>1,646</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2,000</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>12,963</td>
<td>25.2</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>42,561</td>
<td>14.3</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>11,353</td>
<td>12.7</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>The FYR of Macedonia</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Moldova</td>
<td>23,210</td>
<td>22.6</td>
<td></td>
</tr>
<tr>
<td>Poland*</td>
<td>471,443</td>
<td>29.9</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>130,492</td>
<td>28.9</td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>470,600</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>842</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>2,900</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>

Source: Derived from [UNESCO European Centre for Higher Education](https://www.unesco.org/education)
Table 2: Private Institutions of Higher Education, Central and Eastern Europe (2000-2001 academic year)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of institutions</th>
<th>Private</th>
<th>% of total institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>3</td>
<td></td>
<td>27.3</td>
</tr>
<tr>
<td>Belarus</td>
<td>15</td>
<td></td>
<td>26.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>9</td>
<td></td>
<td>10.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>9</td>
<td></td>
<td>9.5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>14</td>
<td></td>
<td>33.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>21</td>
<td></td>
<td>60</td>
</tr>
<tr>
<td>Hungary</td>
<td>32</td>
<td></td>
<td>51.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>13</td>
<td></td>
<td>39.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>4</td>
<td></td>
<td>9.6</td>
</tr>
<tr>
<td>The FYR of Macedonia</td>
<td>...</td>
<td></td>
<td>...</td>
</tr>
<tr>
<td>Moldova</td>
<td>57</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Poland</td>
<td>195</td>
<td></td>
<td>62.9</td>
</tr>
<tr>
<td>Romania</td>
<td>83</td>
<td></td>
<td>59.3</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>358</td>
<td></td>
<td>37.1</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>2</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Slovenia</td>
<td>9</td>
<td></td>
<td>81.9</td>
</tr>
<tr>
<td>Ukraine</td>
<td>163</td>
<td></td>
<td>16.4</td>
</tr>
</tbody>
</table>

Source: Derived from [UNESCO European Centre for Higher Education](http://www.unesco.org)
References


Slantcheva, snejana. 2000. Public And Private Initiatives in Higher Education: The Case of Bulgaria. PHARE-ACE Report. (This research was undertaken with support from the European Community’s Phare-ACE Programme 1998. The content of the report is the sole responsibility of the author and it in no way represents the views of the Commission or its services.)


End Notes

1 For background data, see especially the website of the Program for Research on Private Higher Education, PROPHE, at http://www.albany.edu/~prophe/, including its Background Paper, developing working paper list, and emerging sub-site on Data and Laws. Also see Altbach (1999). On Latin America, for historical data and other references in this paper, see Levy (1986).


3 See the website and working papers of the project on International Comparative Higher Education: Finance and Accessibility, at http://www.gse.buffalo.edu/org/inthigheredfinance/.

4 Among the countries are Bulgaria, China, Kenya, Malaysia, Russia, and South Africa, as well as the United States. Each of these countries is among those under active study by PROPHE’s Collaborating Scholars or PROPHE Affiliates, and on each more definitive papers should be produced in the near future. For now, documents include Slantcheva (2000); Levy (2002a); Otieno (2002); Lee (2001); Tan (2002); Suspitsin (2002); Levy (2002c), and in connection with the last citation, on South Africa, see the special December 2002 issue of Perspectives in Education.

5 García Guadilla (1996: 40). Levy (1986: 4-5) showed the region’s private percentage moving to 34% by 1975 and 1980 and now evidence being accumulated in other countries shows increases, e.g., Chile at 71%.

6 It has proven useful to distinguish institutions by their private or public juridical status and then to explore empirically how they in fact exhibit private or public characteristics in practice along dimensions of finance, governance, and function or mission (Levy 1986).

7 To draw on PROPHE’s extensive data on Russia, for example, 34% of private institutions’ faculty are full time, versus 74% for public institutions; the parallel figures for students are 39% and 57% respectively.

8 The ‘Challenges’ section of this paper indicates, however, that where public institutions do compete along these lines they can pose dangers for private institutions.


10 Levy (2002b).

11 Levy (1986); Geiger (1986).

12 For example, Jordan’s for-profit growth in its eight year life is 26-fold, to 35,000, or one-third of Jordan’s total enrolments in 1999. The private institutions include seven universities and ten community colleges (World Bank 2000: 2).


15 Such claims also apply to functional for-profits unless their formal nonprofit status gives them public money and other protection from market challenges in building capacity. For a helpful overview on the U.S. for-profit surge, see Brimah (1999).


17 It has long been common in some countries for established public universities to open campuses elsewhere in the country, arguing the virtues of building capacity outside the capital city while at least ostensibly including a means of quality control beyond that accompanying the proliferation of freestanding public institutions—or private ones.

18 Lee (2002).

19 Suspitsin (2002) analyzes the legitimacy question in Russia in empirical and conceptual detail that goes beyond that available on any other country.

20 Another pursuit in regulation is equity and it too can have paradoxical effects. For example, private institutions that must receive government permission to raise tuition may not be able to offer the
capacity they otherwise would—even perhaps then denying space to relatively less privileged candidates for higher education. This point must be balanced against the real concern that privates of even modest academic levels often get priced beyond what aspiring groups can manage; see Post (2000) on the Mexican case.

21 But, consistent with the comment that regulation can help through legitimizing, so accreditation has sometimes helped particular institutions gain acceptance, as in Bulgaria (Slantcheva 2000). By the same token, privates gaining accreditation may join forces with interests opposing accreditation for ‘lower-level’ privates whose presence competes for enrolment or undermines public impressions about the quality of the private sector.

22 In Argentina and other countries where first-degree public education remains tuition-free, enterprising public universities have nonetheless raised funds by charging tuition at the graduate level, in fields with high individual rates of return; counterpart public universities also want to take advantage of that market of paying students.

23 Tomusk (2002).