

# Enabling and regulating

## How governments can get the best from the private sector in higher education

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This brief paper examines the role of private providers in helping governments meet their higher education goals. It suggests that the key is effective regulation, broadly defined, and also explores how private sector institutions can be helped to do more than plugging gaps in demand and just teaching in business studies.

Throughout the world governments often have an ambivalent approach to private providers. On the one hand they fear their arrival as a threat to existing publicly funded provision due to their 'cherry-picking' of market-oriented courses; while on the other, they see private provision as an essential part of the solution to meeting the overall demand for higher education at less cost to the state. This latter view is gradually prevailing in all parts of the world. In most of Asia, Africa, North America, Latin America and the Middle East, private provision has for long been accepted (Bjarnason, 2010) and largely welcomed, and it is only in parts of Europe and South Asia that it is still seen as a threat.

Given that private higher education is clearly a growing fact of life in most higher education systems, the questions for government are: how should it be regulated and what support if any should it receive?

### An integrated approach to regulation

The initial reaction of many ministers is to think of the regulation of private higher education as a means of monitoring and control. In practice, however, the most effective approach is to regard a regulatory framework as including the legitimising, enabling, quality assuring and monitoring functions. If one follows this model, there will be six elements to a regulatory framework:

1. The first element is to have a clear policy statement of the role of private higher education. Is it seen as part of the solution or as part of the problem? How does government expect it to play its part in meeting national strategic goals for higher education? Is the private sector a partner in discussions and consideration of policy formulation? Has it been encouraged to create representative bodies so that it can present coherent views to government? Does the government wish to have a level playing field regarding public and private provision, or does the publicly funded sector still retain advantages and benefits that are not available to the private sector?
2. Once an overall policy is agreed, the government will have to decide whether it wishes to encourage foreign institutions and domestic entrepreneurs to establish private institutions. The second element therefore is to have a policy on incentives. The ministry will need to work with the Board of Investment

and the Ministry of Finance to set out the financial climate for private providers. Can they expect any direct support such as the allocation of free land or direct financial grants? What are the provisions regarding relief from VAT and income tax on surpluses? Can foreign providers remit any surpluses once they have paid their due tax? Will they be able to access national research funds, any information and communication technology (ICT) infrastructure or academic networks and electronic resources that have been established for public institutions?

3. A third element is an effective licensing and registration system. No individual or company should be able to establish a college or higher education institution without that fact being recorded and regulated. There are many excellent examples in Africa or the Gulf of processes for the initial approval of providers that set clear guidelines and standards of what students can expect both in terms of inputs and outcomes.
4. A fourth element relates to the monitoring of providers by accrediting the institutions themselves or the programmes they offer. The overall objective here is to protect students from being lured into studying at poor quality institutions. The national reputation could be damaged if graduates from such organisations were to seek transfers internationally. Another aim is that the standards in the private sector should be seen to be at least as good as those in publicly funded institutions, and this is usually achieved by having one single entity with responsibility for the oversight of both public and private providers. Quality control is sometimes a two-stage process, with the institutional accreditation undertaken by a national agency and the quality of the programme accreditation performed by a foreign university partner or an international organisation such as Edexcel or City & Guilds. Whichever approach is adopted, an essential feature of these processes is a clear set of standards or guidelines stating what is expected of private providers when delivering their programmes. The terminology varies but all accreditation agencies have published 'Codes', 'Characteristics of Excellence' or 'Standards' that state the expectations of the accrediting body in all aspects of the institution's operations. A key feature of the external quality assurance reviews or accreditation visits is that they should be undertaken by independent academics from another institution in order to provide objective judgements on standards. In countries with only one or a few institutions, it becomes necessary to rely on academic staff from another country to ensure such independence.



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5. A fifth fundamental element in a regulatory framework is to ensure the availability of information about private providers – both for public policy and planning reasons and to allow the public to learn about providers and their activities and operations. Since the private sector works in a competitive market-facing environment, it may be unwilling to reveal much about its activities. The websites of private colleges are very strong on marketing and claims for high quality, but are often silent about how the college is governed, the numbers of students and academic staff, and what the surpluses are. In contrast, public bodies are expected to reveal everything in their audited financial accounts. Governments need to be robust and make it a condition of accreditation that statistical and financial information is provided to the ministry and that certain specified core information is published on the websites for the benefit of students. Some countries go further and require the private sector to publish information on student retention, graduation rates and graduate employment. Both the United States and the United Kingdom are considering making this information a condition of the receipt of any public funds.
6. The sixth and final element of an integrated regulatory system is the existence of appropriate management capacity in the ministry and the agencies responsible for monitoring the private sector. It is all too common that an excellently designed regulatory regime fails to be implemented properly because of the absence of qualified staff. Unless the quality assurance and accreditation agency has a full establishment or an adequate budget to recruit external reviewers, the cycle of reviews will not be met, the system will fail to detect slippages in performance, and students will suffer as a result. Since the agencies concerned usually start within a civil service environment (with public sector salaries), they generally find it difficult to attract and retain the specialist and academic staff that are required. Only when the agencies concerned become independent of government structures can this be achieved.

The reality is that few countries have an integrated regulatory framework of the kind that has been described. The most common picture is of a partial system that has been added to over time, and that has been started with a control objective. There is a very wide range of practice across the globe: from countries with very limited monitoring, partial accreditation and no formal reporting to countries where the oversight is rigorous and intrusive. In Singapore, for example, the Council for Private Education wishes to approve the curriculum vitae of all academic staff that colleges want to appoint. There are also countries where the government sets caps on the number of students in each programme offered by private colleges and also regulates the tuition fees that can be charged. These controls are usually limited to those cases where government is supporting the private colleges by paying the student's tuition fees.

## Some policy options

Where a government has a favourable view of private colleges and wishes to encourage them, it may decide to bring them fully into the national system by requiring them to meet some of the conditions and obligations that apply in the public sector. Some examples include:

- Enrolling a proportion of students from poor backgrounds, certain regions or ethnic groups in order to achieve national equity objectives and counter the charge that private providers are only for rich students. Sri Lanka is adopting this policy for its incoming foreign universities
- Providing a number of merit-based scholarships or bursaries from its own resources to certain categories of student
- Allowing private universities and colleges to apply for and win competitive research funds from national research funding bodies: some countries expect private universities to undertake applied and developmental research as contribution to national goals (for example, in Africa, where one country specifies that five per cent of any operating surplus should go to an international funding body)
- Funding the private sector on the same basis as the public sector. In Ireland, for example, the government's Springboard 2012 programme invited competitive bids to run 203 short master's-level courses, with over half of these awarded to private colleges. The most substantial example of this is where a public-private partnership is arranged between the government and a private provider in which the state contracts with the college and pays it the full cost of running agreed programmes

## Conclusion

The lesson from global practice is that the private sector can play a valuable part in contributing to national educational goals, even

though in many cases the colleges are operating as for-profit companies. The quality of what is provided can be as good as if not better than the public sector if the regulatory environment is working well. In Malaysia, for example, private universities perform very well in the Malaysian Qualifications Agency's SETARA ranking exercise; in the last such process in 2011, 12 of the 19 universities ranked as 'excellent' were private; as were nine of the ten classified as 'very good'.

The regulatory approach is at the heart of achieving such a result. It needs to combine a balance of positive policies, financial and operational support, rigorous control over quality and a transparent approach to reporting.

## References

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