Public-private Partnerships in Higher Education

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Higher Education: Changing Context

- Higher Education increasingly seen as important contributor to economic growth and development - knowledge economy
- Increased diversification of higher education provision:
  - Specialized institutes, universities of technology, virtual universities
  - For-profit higher education, public-private hybrid institutions, franchises
  - Fee-paying public universities, corporate universities, foreign HEIs
- Private sector is an important part of higher education canvas
  - Significant in many Asian and Latin American countries
- Considerable growth in private higher education – developing countries and emerging markets
Private Sector Share of Higher Education Enrollments, Various Countries

Public-Private Partnerships (PPPs): Defined

- No fixed definition of PPPs
- Definitions differ in terms of scope and formality of arrangements.
- Various definitions:
  - "risk sharing relationship based upon an agreed aspiration between the public and private sectors to bring about a desired public policy outcome."
    - Commission on UK PPPs
  - "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."
    - Canadian Council for PPPs
Potential Benefits of PPPs in Higher Education

- Bring together strengths of public and private sectors
- Potential benefits from PPPs in education including:
  - Increased financial resources committed to HE
  - Increased participation in HE
  - Overcome public service operating restrictions such as obsolete salary scales, restrictive civil service work rules
  - Increased relevance of HE programs and research
  - Secure new skills that may not exist in the HE sector
  - Sustainability of outcomes
- Benefits not guaranteed – need well-designed policy framework and institutional governance to implement effectively

Classifying PPPs in Higher Education

- PPPs widely used around the world, with a range of objectives – efficiency, relevance, etc
- PPPs in higher education cover a range of activities – finance/philanthropy, delivery and management
- Many ways of classifying higher education PPPs. One classification is as follows:
  - University-industry linkages
  - Infrastructure PPPs
  - Financing initiatives
  - Higher education support services
  - Service delivery PPPs
Classifying PPPs in Higher Education (Cont’d)

University-Industry Linkages

- Curriculum/program development
- Student/ job placements
- Staff exchanges
- R&D – contract research, consultancies
- Private representation on governing/advisory boards
- Hybrid R&D institutions/ Centers of Excellence
- Innovation/commercialization initiatives

Infrastructure PPPs

- Private infrastructure initiatives - teaching and research facilities, residences, IT laboratories, etc
- Private leasing of public higher education institutions
- Equipping and maintenance of IT laboratories

Financing Initiatives

- Public or private scholarships/vouchers
- Student loans
- Tuition fees
- Private sector incentives: free land, or soft loans, operational and research subsidies, tax/customs duty exemptions
- Philanthropy

Higher Education Support Services

- Private quality assurance systems
- Private sector university rankings
- Private information and testing services
- International and national research network development

Service Delivery PPPs

- Franchising and affiliations with public universities
- Contracting out course/program delivery to private sector
- Contracting out non-core services to private sector – eg. security, parking, hostels
- Private management of public universities

University-Industry Linkages

- Many ways to strengthen university-industry linkages:
  - Consultancies
  - Industry involvement in teaching and in curriculum development
  - Staff exchanges
  - Corporate training
  - Student work programs and apprenticeships
  - R&D activities – contract and cooperative research, commercialization of university research, incubators, matching grants scheme
  - Industry representation on governing boards, academic representation on industry boards
  - Joint publications, conferences and seminars
University-Industry Linkages: University of Moratuwa

• University of Moratuwa (UoM) established University Industry Interaction Cell (UIIC) as vehicle for fostering linkages with industry:
  – Self-financing entity within the Faculty of Engineering and later expanded across the entire university
  – Established with assistance of ADB
• Key objectives of UIIC:
  – Identify public and private sector organizations willing to establish links with UoM
  – Move successful research projects/expertise to industry through joint R&D, consultancy and technology transfer
  – Identify and meet continuous PD needs of the industry
• Staff have set up Uni-Consultancy Services

Affiliation and Franchising

• Several countries allow/require private institutions to affiliate with public institutions
• Private institutions deliver the education, while public institutions provide quality control, curriculum assistance and award degrees
• Middle road between full ‘public’ and full ‘private’ provision and a measure of security/quality assurance in the early years of private education
• Combines strengths of public and non-state sectors:
  – Private sector – innovation, efficiency, flexible delivery
  – Public sector – academic reputation, capacity, staff
Franchising Program Delivery at the University of Moratuwa (Sri Lanka)

- University of Moratuwa (UM) uses public and private providers to deliver 3 year Bachelor of Information Technology (BIT) under franchise agreement
- Private providers pay UM a franchise fee in exchange for the BIT program curriculum and program QA
- Franchisees deliver UM BIT program and provide student management
- Managed by CODL
- Students graduate with UM degree
- Lower tuition fees than similar programs
- Providers = ESOFT, Sri Lanka Telecom

Public Funding of Private Higher Education: Types of Assistance

**Direct Assistance**
- Subsidies to HEIs – operating grants, payment of academic staff salaries
- Tax benefits – tax write-offs, tax credits, tax holidays, customs/duties/VAT exemptions
- Competitive research funding
- Capital funding for infrastructure development
- Free land or land at discounted prices
- Soft loans
- Capacity-building/staff training

**Indirect Assistance**
- Scholarships for students at private HEIs
- Scholarships for academic staff at private HEIs
- Student loans for tuition fees and living costs for students at private HEIs
- Student living allowances for students at private HEIs
Mechanisms for Allocating Funds to Private HEIs for Teaching and Learning, Various Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Operational Funding</th>
<th>Capital Funding</th>
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<td>Portugal</td>
<td>No</td>
<td>N/A</td>
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Source: OECD

Public Funding of Private HE

- Government involvement in education often justified on two grounds:
  - HE generates ‘externalities’ (benefits that extend beyond those accruing to the person undertaking the education)
  - credit market imperfections (students cannot borrow to finance their education)
- Neither of these justifies government provision of HE – only government funding of HE
- No public policy reason for exclusively public provision of HE or for providing public subsidies exclusively to public sector HEIs
- Distinction between financing and provision is key to moving beyond ‘traditional’ public finance/public delivery model
Case Study: Private HE Funding, New Zealand

- Private sector represents about 15% of enrollments in HE in New Zealand – most at diploma/certificate, not degree, level
- Assistance to private HE sector includes subsidies, as well as student eligibility for loans and allowances
- Policy during 1990s encouraged private sector growth – tuition subsidies, eligibility for student loans/allowances, quality assurance, qualifications framework, role in national policy discussions
- Some policy backsliding post-1999 – tuition fee caps, per-student funding cuts, restrictions on access to student support, but level of assistance still high

Private HE Sector Growth, New Zealand 1991-2005
Incentives for Private Higher Education Institutions: Thailand

- Individuals and organizations which establish a school or institution can deduct 30% percent of profits from the operation on a tax free basis
- Tax rebates and exemptions are provided for contributions from non-profit organizations
- Revolving Fund for Developing Private Higher Education Institutions in place since 1999 to provide loans to private institutions for building construction and purchase of education materials
- Revolving Fund for Staff Development in Private Higher Education Institutions in place since 1997 to promote staff development in private institutions

Regulating for Quality

- Government accreditation schemes are an important form of QA – Indonesia, New Zealand, Pakistan, Ghana, etc
- Private sector also plays important role in regulating quality:
  - Private accreditation (Philippines, Seventh Day Adventists)
  - Corporate accreditation (Microsoft)
  - Foreign HEI affiliations (Pakistan, Sri Lanka)
  - International accreditation/International standards (business schools, maritime education)
  - Affiliation requirements (Oman)
  - University college status (Ghana, Pakistan)
  - Reputation
  - Chains/networks of private HEIs (AMA Colleges, Laureate)
  - ISO 9000
**Private Accreditation in the Philippines**

- Philippines operates private voluntary accreditation system in education. Key elements:
  - Program-based accreditation
  - Four levels of accreditation
  - Managed and overseen by private accreditation associations, which are linked to private school associations
  - Government recognizes accreditation associations
- 1,523 programs accredited or at candidate status in 240 private institutions in 2009/10 (15 percent of institutions)
- Different accreditation levels confer benefits on institutions (operational freedom, government assistance)

**Private Quality Assurance in Oman**

- Until mid-2000s, private colleges wishing to establish in Oman had to affiliate with an existing foreign institution as a means of assuring quality
- The foreign institution assisted the Omani private college in all technical and educational areas, including:
  - Curriculum development
  - Follow-up and evaluation of all colleges
  - Academic performance
  - Awarding of diplomas or certificates
- Private colleges were affiliated to UK, Australian, American and Jordanian universities
- Later replaced by Oman Accreditation Council.
Innovation PPPs

- PPPs can play important role in building university-industry relationships:
  - Supporting collaboration between private firms, universities and public research organizations (PROs) to carry out R&D
  - Funding early stage technology development
  - Providing mechanism for funding universities, PROs and private research contractors to upgrade technological competencies of small and medium-sized companies and provide expert advice
  - Promoting technological development to meet national needs
  - Fostering development of technical standards

Common Innovation PPPs

- Most common PPP programs involve:
  - Promotion of networking between higher education institutions, PROs and industry through small research grants (eg. Australian Research Council)
  - Promotion of long-term collaborative R&D between PROs and industry (eg. Cooperative Research Centers in Australia)
  - Programs aimed at supporting early-stage development and commercialization of pre-competitive R&D (eg. Offices of Research in Pakistan)
Philanthropy

- Tax write-offs for philanthropy
- Possible strategies:
  - Establish center of philanthropy to promote, advocate for, and coordinate philanthropic activity in higher education
  - Create development offices at universities to oversee fund-raising efforts
  - Create alumni associations at universities
  - Establish mechanisms at universities to solicit funds from diaspora
  - Establish Government matching fund program
  - Target corporate donations for research
- Importance of transparency, governance, appropriate skills and funding for

PPPs for Infrastructure

- Increasingly common form of infrastructure procurement in the education sector
- Key characteristics:
  - Private sector finances, designs, constructs and maintains educational infrastructure
  - Government retains responsibility for delivering teaching and research
  - Government/private sector arrangements governed by long-term contracts (25-30 years)
  - Contracts specify the services the private sector has to deliver and standards to be met
  - Government pays private sector for services
  - Payments are contingent upon the private operator delivering services to an agreed performance standard
Swinburne University of Technology

- Swinburne University of Technology (SUT) PPP involves:
  - accommodation for 300 students
  - school of Information Technology
  - redevelopment of the northern part of the campus
- SUT located in the State of Victoria.
- First infrastructure PPP by an Australian university
- Development financed by Rothschild on university-owned land.
- Rothschild assumed ownership and development risk and receives a rental payment in return

Reform of Private Higher Education: Pakistan

- Broad reform program since early 2000s has included reforms to private higher education policy framework:
  - Unified QA system for public and private HEIs
  - Scholarships for students and staff of private HEIs
  - Incentives for private HEIs: free land and grants, matching grants for digital library access and hiring foreign faculty, financial assistance for researchers
  - Information to students –rankings, advertising, etc
  - Private sector included in policy discussions
- Private HEIs must be high quality, not-for-profit and meet infrastructure, staffing and other requirements
Guidelines for Regulators

- Provide a Sound Policy Framework for the Operation of the Private Education Sector
- Introduce Clear, Objective and Streamlined Criteria and Processes for Establishing and Regulating Private Education Institutions
- Allow For-Profit Schools and HEIs to Operate
- Allow Private Schools and HEIs to Set Their Own Tuition Fees
- Promote and Facilitate Foreign Direct Investment in the Education Sector
- Incentives and Support for the Private Sector
- Provide Parents and Students with Information to Help Them Select Quality Private Education
- Establish Quality Assurance/ Monitoring Processes
- Develop Government Regulatory and Oversight Capacity

Common Criticisms of PPPs

- PPPs = privatization
- By entering into a PPP, the public sector loses control over service provision
- PPPs = infrastructure projects
- Service quality will fall under PPPs
- Public sector employees will lose under PPPs
- Cost of service will rise since private sector needs to make a profit
For More Information

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