Eight ways that universities in developed countries can promote private investment in higher education and lifelong learning in developing countries

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Background

Given the pace of development and demographic growth there is way too little investment going into expanding the capacity of tertiary education in developed countries including through private financing and private provision[1]. There are of course many different ways of promoting this investment and many prospective participants and this conference is about that.

These notes are specifically about how universities in developed countries can engage more with this massive task. It might seem at first sight that this is not a very interesting question. After all, such universities are prominent in consideration of international higher education, whether through student recruitment, mobility agreements, offshore campuses, online programs or international consortia[2]. Indeed, by attracting wealthier or scholarship-assisted students offshore, and charging high fees, these institutions are seen by some as part of the problem, opening new channels to the brain drain, expropriating profits and scarce foreign exchange and inappropriately dominating the culture or opening it to a uniform globalisation. Even as south-south university cooperation increases, and as teaching in languages other than English take hold, such universities might be seen as mammoths standing in the way of building educational capacity where it really matters, in the places where the majority of the world's future educated workforce will live.

In truth, despite the expertise that individual faculty bring to the task, universities in developed countries, as institutions, play a very small role in mobilising investment into other countries' higher education and training systems. The classic move along the trade-investment curve evident across other services is not so strong yet in the higher education sector: traders in educational services baulk at taking the next step into direct foreign investment. Public universities are too often beholden to restraints on borrowing or investing for purposes other than the perceived taxpayer or voter benefit of the provincial jurisdiction. For private universities in developed countries returns on academic programs are not seen comparable with domestic provision or else risks are seen as too high. There have been some direct investments in 'island' campuses in the developing world built mainly for the purpose of temporarily housing those from the

[1] For an overview see Ron Perkinson *Presentation on the Global Education Market*, WEM 2003 and *Speech notes from the presentation about constructing knowledge societies and their impact on the missions and goals of higher education institutions,* Education India Conference, April 2003.

[2] See Jane Knight, *Trade in Higher Education Services: The Implications of GATS* The Observatory on Borderless Higher Education, March 2002

metropolitan country having a cultural or related experience. There has also been some direct foreign investment in training facilities. However, where growing service contracts with offshore partners are ripe for expansion, investments offshore in private universities' partners are usually not seen as compatible with university policy on investment. There are of course some notable exceptions. Between the rock of staying at home and the hard place of economic or cultural domination, what can universities in developed countries practically do to contribute to the massive and urgent task of building tertiary capacity and educating people in developing and emerging economies?

RMIT, a public university[3], has many international partners and some investments offshore and tries to understand the perspective of those seeking to expand high-quality, internationally-accredited, affordable university education and lifelong learning in their own countries. We are aware of the mixed experience of capacity-building in development practice[4]. What follows are some suggestions for raising the contribution from universities in the developed world to create a more positive investment climate.

Eight Suggestions

1. *Technical assistance*: Through expert staff (and sometimes expert students), universities in developed countries do provide technical assistance to the higher education and training sectors, sometimes autonomously and sometimes through tendered-out projects from ODA agencies. However little of it is specifically aimed at creating the conditions for private investment, or investment in private provision. More of this can be done. It is important to remember that the benefits of technical assistance, when it works, are two-way, and that the intermediate achievements of universities in other developing countries who have bootstrapped up to higher quality is usually more relevant than world best practice. Moreover, as Mamphela Ramphele has said, why cannot world best practice in education and research come from developing economies and exchanged on more equal terms, much as music and culture are now so created[5]?

2. *Institutional exchange and cooperation*: There is a big network of agreements among institutions, some of which are designed to strengthen university capacity but many of which are on paper only. If partnered universities are prepared to plan a capacity-building program together, it could enable the partner in the developing region to upgrade in quality, prepare business cases and attract investment. Joint or dual curriculum development is also a contribution developed universities can make with exchange partners.

[3] http://www.rmit.edu.au

[4] See Fukuda-Parr S, Lopes C and Malik K, eds, *Capacity for Development: New Solutions to Old Problems,* Earthscan Publications, London, 2002.

[5] See Mamphela Ramphele, *A New Concept of Service for Graduate Education*, Speech at LaPidus Luncheon, Council of Graduate Schools Annual Meeting, Washington DC, 6 Dec 2002.

3. *Extend twinning partnerships*: A smaller but fast-growing network of relationships around the world provide or franchise academic award programs through private colleges or professional associations in developing countries, and sometimes partnered public universities. The flow is now becoming two-way – eg RMIT provides a five-year degree in Chinese traditional medicine based on Nanjing curricula. An effort on the part of internationalised universities to introduce local providers to investment opportunities, or vice-versa (for example many commercial colleges in SE Asia are financially sophisticated, and some are public companies) could pave the way for expansion of private capacity. Institutional sponsorship, quality assurance, distributed learning platforms or guarantee of supply of academic product can help manage risk and assure business continuity to prospective investors.

4. *Start up twinning partners:* In countries where there are as yet few institutions capable of assuring quality standards for the franchised delivery of academic programs from developed countries, foreign investors may be attracted to help create the infrastructure for this. For example RMIT started a fully-owned university RMIT International University Vietnam (with loans from IFC and ADB) because there were too few viable twinning partners evident[6]. In such cases constraints in trade encourage investment. Universities from the developed world may be able to learn from this experience and assist with review, academic sponsorship, or friendly advice.

5. *Learning platforms*: The infrastructure for networks of on-line or hybrid programs (e.g. the African Virtual University) is considerable and capable of attracting further private investment, for example in learning centres (and electronic libraries) in universities that host on-line programs that are looking for growth in face-to-face moderation and learning. While such centres may have been in the past funded through official development assistance or philanthropy (such as RMIT Vietnam developing learning resource centres in regional universities in Vietnam[7]), there are significant opportunities for the private sector to invest in building capacity on the ground for appropriate fee-paying programs, including from international financial institutions like the IFC. This certainly applies to the major on-line program providers. But universities in the developed world may in some cases be in a good position to broker such deals and help defray investor risk.

6. *Reducing policy constraints in developed countries*: Public and private universities should work with legislatures at home to remove barriers to international projects and offshore campuses so as to bring benefit those in developing countries who might not get one of the rare places in their country's publicly-

[6] Wilmoth David: 'RMIT Vietnam and Vietnam's development: risk and responsibility', *Journal of Studies in International Education*, forthcoming.

[7] Wilmoth David: Learning resource centres in Vietnamese cities and regions, Paper presented to OECD Conference on Learning Cities and Regions, Melbourne, 14-15 October, 2002.

funded universities. Constraints on borrowing, state residency requirements, limits to out-of-state student numbers and cumbersome fee approvals are among those barriers.

7. *Reducing policy constraints in developing countries*: Non-tariff barriers to trade in educational services, sometimes devised under the name of national autonomy or cultural integrity, are becoming better known through the GATS round, but nonetheless remain. Restraints to investment are difficult too, in that would-be private investors need to shore up risks such as creeping expropriation through arbitrary application of education regulations or restraints on foreign providers, for example China requiring local partners and inbound investment[8]. Nevertheless, education and training ministries usually want to encourage an investor-friendly environment. Universities in developed countries, particularly those experienced at operating around the world, may be able to show how capable new private education institutions can be established.

8. *International accreditation and quality assurance:* National university accreditation and quality assurance systems, established for public universities in the main whether by ministry *dictat* or autonomous national agencies, are sometimes not well equipped to cope with fast-growing ambitious new private institutions wanting to make a mark but having to meet requirements for measuring quality and standards less appropriate for private providers. Domestic public accreditation is typically for funding or concessional tax status or legal right to designation as 'university.' International efforts to create such standards are typically focused on trans-border international education rather than international standards for in-country provision (the work of IMHE/OECD is interesting in this regard). Official organisations that could do more – eg UNESCO – are themselves subject to restraints around globalisation and cultural integrity. A university in a developed economy could sponsor or otherwise help a university meet an offshore jurisdiction's standards for the whole institution (governance, staff, infrastructure, services, programs, etc), typically after initial review and with periodic monitoring.

[8] But for an upbeat article about foreign investment in education in China see Ben Dolven and Trish Saywell: 'Private lessons', *Far Eastern Economic Review*, 8 Jan 2004: 26-29.