

## Tertiary Education in Emerging Markets: Fertile Ground for Private Investment

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The interconnectedness of the global community has produced economic, political, and social results ranging from the truly transformational to the curiously unexplainable. As a result of collapsing barriers which previously inhibited the efficient movement of people, capital, goods, technology, knowledge, and opportunity, regions which were previously impenetrable due to organic limitations or those of human construction are now open to prospects of growth. Partnerships have emerged throughout the world, placing into cooperative context parties that bystanders may consider strange, but in reality accomplish far more than either alone could have deemed feasible. And as demonstrated consistently in developing and developed countries alike, the shift toward privatization has transformed the paradigm in many sectors of what was once considered a public good to one that is now, in increasing measures, a private good existing either wholly outside of or peripheral to the state-sponsored medium through which it was historically delivered. Each of these transformations has opened to providers and consumers new channels of fulfillment to be considered and potentially engaged, bringing new challenges, concerns, and outcomes that demand careful review.

One specific area of interest is higher education—specifically business education—in emerging markets and the trend toward such education being delivered by private organizations in contrast to the state-sponsored institutions that previously held a virtual monopoly on higher education. Viewed by multinational organizations as the next step toward achieving a more equitable global economy and opening the doors of globalized

opportunity to more of the world's underrepresented groups, the provision of higher education in business is big business and is increasingly the focus of inquiry on all sides of the debate.

### **Historical Context of Higher Education in Emerging Markets**

Emerging markets represent an enormous challenge—and a great opportunity—facing the global community. The inevitability of globalization, internationalization, massification, commoditization, and interconnectivity of systems and societies stretches not just to economies or free markets, but reaches far into institutions long felt to be the domain of domestic influence. Within the context of higher education, public, private, governmental and transnational organizations are finding the global landscape changed with new priorities and escalating urgencies driving both policy and practice.

Describing the international activities of institutions of higher education as having “dramatically expanded in volume, scope, and complexity during the past two decades” (Altbach and Knight 2007), the distinction between the internationalization of tertiary education and globalization forces pushing societies toward greater interconnectivity is important to understand. Globalization reflects the pressure to establish free markets and knowledge industries, reduce barriers to the movement of human or financial capital, and embrace interdependence; internationalization, on the other hand, represents the activities undertaken by countries, systems or institutions to respond to these pressures (Dixon 2006). In the case of tertiary education, this internationalization takes the form of study-abroad programs, cross-cultural learning, enhanced foreign language pro-

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grams, academic mobility, and as the focus of this review, the “commercialization of international higher education, especially the growing influence of the for-profit, private higher education sector” (Altbach and Knight 2007).

Important also in consideration of the current state of tertiary education in developing countries is an understanding of the pattern of growth, the factors that appear to have driven this growth, and the role these influences may play in the privatization movement. Many developing countries emerged from colonization in the latter half of the twentieth century freed from the mandate to employ the educational policies of their sovereign powers yet inexperienced in the design and development of robust educational systems capable of responding to the needs of a new society and economic entity. As a result, many former colonies clung to “closed corporatist and statist models of society” (Schofer and Meyer 2005) until efforts by the international community led to acceptance of a more open international system focused less on the exploitation of human capital and more on the advantages offered by educational systems that “legitimized schooling” (2005, 903) at all levels. Key among the factors that drove domestic acceptance of these higher education initiatives in emerging markets were four dimensions of a post-Cold War, postmodernist society linked to tertiary education expansion, both public and private:

1. Democratization, liberalization, and the expansion of human rights reinforcing a picture of the rights and capacities of individuals for unlimited amounts of schooling
2. The worldwide expansion of science and increasing scientization of society which has turned schooling into a mainstay of growth and human potential actualization
3. The rise of national development logics, and development of the notion of individual and organizational planning for indefinite growth
4. The structuring of organizations and institutions into a world system designed to serve pro-educational cultural models and discourses (Schofer and Meyer 2005).

Despite both inward progress and outward encouragement, the current inadequacy of institutions of higher education in developing countries must be considered one of the primary contributors to the increasing trend toward private tertiary education. With prevailing world opinion reflecting commentary such as “the current state of higher education in developing countries is quite weak” (World Bank 2000), and “developing countries lack the domestic capacity to meet the demand” (Altbach and Knight 2007) due to “political and cultural reasons beyond underfunding” (Sall and Ndjaye 2007), globalization pressures somewhat naturally fill the void in true neoliberal fashion with both public and private institutions. The vision laid out here is to tie higher education to the labor market and the business community, with public, private not-for-profit, and private for-profit institutions leading the transition in a “coordinated way, guided by a clear, strategic vision” (World Bank 2000).

Despite concern over the loss of domestic influence, there is little argument that the globalization of higher education and the increasing role of private engagement are inevitable. What is under debate, though, is how best to monitor and manage the effects of market driven growth (Hershock 2007), protect social and cultural values (Teichler 2006), ensure academic usefulness to the community and the nation (Sall and Ndjaye 2007), and promote a free trade context that neither blatantly nor subtly reinforces imperialism to the negation of any equity progress that may result for expanded educational opportunities (Altbach and Knight 2007).

### **World Bank Structural Adjustment Programs**

The World Bank, as a dominant lender of funds on a macroeconomic level to emerging market countries, has employed policies that link long-term funding streams to domestic policy reform initiatives in the controversial process known as Structural Adjustment Programmes (SAPs). Supporters of SAPs argue that “this reorientation [toward SAPs] arose from a growing awareness that developing countries were held back more by poor policies than by a lack of finance for investment” (Dollar and Svensson 2000), whereas critics

decry SAPs as having an unfair detrimental impact on the developing nations' poorest citizens simply because SAPs entail severe reductions in government spending and employment, higher interest rates, currency devaluation, lower real wages, sale of government enterprises, reduced tariffs which may have protected local markets, and liberalization of foreign investment regulations (2000, 894). Ironically, higher education may have unintentionally benefited from SAPs which did not achieve stated goals in a particular country yet opened opportunities for long-term engagement in an area of needed growth where capacity building, economies of scale, reputation and experience, and creative situational application could indeed benefit large segments of the population.

### **Role of the International Finance Corporation (IFC)**

In all but the most developed countries of the world, the state was historically the leading provider, financier, and policy-maker for the entire spectrum of a nation's educational system, defined by "varied structural developments of national education systems [which] should not come as a surprise because education policies were not led by common global assumptions" (Teichler 2006). Despite the protectionist views on the rights to sovereignty over the provision of domestic higher education, many countries also faced the growing budgetary realities of "public expenditures surpassing fiscal and debt-service capacities, slowing growth in the higher education sector even while public demand for more higher education surged" (Maas 2001). Increasingly, educational policymakers, especially those in emerging markets, necessarily adjusted both mindset and practice to embrace a "greater openness in giving the private sector and free markets a chance to prove their efficacy" (Quddus and Rashid 2000) in delivering quality higher education. Certainly this shift toward a more open economic system was and continues to be criticized by those who view this trend as simply a further manifestation of neoliberal ideology "exacerbating inequities, and the unequal distribution of resources to benefit the wealthy" (2000, 489).

Another factor coming into play has been the sociological shift with regard to the overriding purpose and value of higher education in the lives of citizens. Whereas the historical perspective of both former socialist and colonized nations, many of which comprise the vast majority of nations now considered as emerging markets or developing nations, was that education was "a tool to create greater social (class) and economic equality," prevailing opinion has shifted to one that believes "the beneficiaries of university education should shoulder a greater proportion of the burden" and that "higher education is more of a 'private good' with not enough immediate and positive externalities [characteristics of a 'public good'] to justify public support" (Quddus and Rashid 2000). Instead of higher education being considered "the great equalizers" (2000, 490), revised public opinion now suggests that "free access to higher education may worsen the social and income-earning inequities," that "subsidizing university education would in fact worsen the income inequities" (2000, 489), and that "evidence now shows that upper income groups actually received a greater share of the benefits of education" (Shahid 2003), thus negating the perceived benefits of state-sponsored and state-funded higher education.

Despite both public support and state interest to encourage private investment in higher education in developing countries, many would-be investors fear the financial risk is simply too great. Recognizing this need for supranational assurance and support to accelerate private investment, the International Finance Corporation (IFC), a member of the World Bank Group, began in 1995 to play a leading role in the facilitation and promotion of private investment in higher education in emerging markets. Citing both a push for improved access to higher education and the opening of domestic commerce markets to greater global competition as the factors that have dramatically raised demand for tertiary education—especially business education—in developing countries, the IFC views the private sector as a critical component to meeting this demand (World Bank 2002). Specifically, the IFC offers consulting and financial services to academics, private investors, government representatives, philanthropic organizations, and public sector providers focused upon the education

sector. This influence, and the widespread multinational support that funds and supports it, reinforces the current thinking that international higher education is no longer a public responsibility (Dixon 2006), but instead a “commodity to be freely traded” subject to commercial forces under the “domain of the market” (Altbach and Knight 2007, 291).

It is in the areas of domestic policy reform and growth that the IFC and other multinational organizations are closely working to create a compatible environment where all may benefit from the potential to be realized by privately expanded higher education opportunities. An IFC-organized conference titled “Investing in the Future: Innovation in Private Education” published the following eight policy suggestions with regard to encouraging growth in the private tertiary education sector:

1. Provide a sound policy framework for operating a private education sector;
2. Introduce clear, objective and streamlined criteria and processes for establishing and regulating private education institutions;
3. Allow for-profit higher education;
4. Permit private universities and colleges to set their own tuition fees;
5. Provide incentives and support for private higher education institutions;
6. Furnish parents and students with information to help them select quality private education services;
7. Establish quality assurance and monitoring processes; and
8. Develop the capacity of government to implement policy and manage private education providers (Nuthall 2008).

### **Context of Private Investment in Higher Education**

One of the anticipated benefits of the internationalization of privately funded higher education in emerging markets is the potential for increased participation by businesses, small and large, in global markets. Despite criticism of mass societal Westernization due to the nature of “marketed knowledge” (Dixon 2006), the

prevailing opinion in developing countries is that higher education is key to societal and economic equity and opportunity.

Put at great risk in the Westernization of higher education in developing countries is the rich value of indigenous knowledge and awareness of local resource utilization and market acumen that comes only from an intimate knowledge of the land and culture. Appropriately, the possibility that increased “choice and application [in higher education] will result in adaptation to the detriment or even loss of existing and likely fragile” (Sall and Ndjaye 2007) societal infrastructures in communities, villages, or other marginalized groups is one that must be taken into account both on a domestic policy level as well as by the international community advocating for these open market changes.

Mutual respect, shared benefits, human dignity, and the principles of discovery are features suggested by Durie (2006) as critical to the successful implementation of international higher education without setting the stage for a parallel disintegration of indigenous culture, economy, or social structure. Emphasis on priority areas of varying “ethical and political dimensions” (Sall and Ndjaye 2007) will complicate international investment in higher education systems, especially when developing countries have “an urgent need for individuals with specialized professional skills” (World Bank 2000)—the educational need most often filled by private professional schools. Playing this critical role in national development and occupying such a central place within the structure of developing countries’ higher education systems will likely lead to close inspection of motives and performance, with those schools and programs demonstrating the greatest innovation and that “respond positively to performance-based allocation of local resources, skills, and accountability systems” (World Bank 2000) having the greatest opportunity for success, however defined.

It is understandable to assume that a discussion of private sector involvement in education primarily involves either the takeover of an existing institution by private investors or the creation of a new institutional entity wholly funded, governed, and managed by private interests. Despite the fact that it is this type of in-

vestment program that garners the most visibility and criticism, many of the more successful programs in terms of expanding access to poorer segments of the population are ones where the role of private investment occurs outside of academia. Private participation in higher education comes in many varieties: from the stereotypical “formal” private school designed to prepare elite students, to the Internet-based providers offering “certificates” in every conceivable field of study; and from educational services providers facilitating access to everything from technology to teachers, to the provision of funding via public-private partnerships that allows more students to secure the tuition necessary to participate in higher education programs of higher quality and greater program relevance.

### **IFC Project Analysis: Nigeria**

Nigeria, along with many other African countries, continues to struggle with a “current inadequacy of universities revealed in the wake of the economic crisis in the 1970s and the structural adjustment policies that it brought about” (Sall and Ndjaye 2007). Despite the fact that African higher education has come a long way and “enormous progress has been achieved in quantitative terms” (49), political and cultural reasons behind the inadequacy linger, along with chronic under-funding that has “resulted in the deterioration of social conditions for students and facilities . . . because of the prohibitive costs of purchasing new” (45) technologies or materials. In an example of an IFC project designed to provide support to the education sector without direct investments in institutions themselves,

Nigeria’s SocketWorks has grown in just five years from being a small start-up company to helping 600,000 African university students overcome the digital divide. It is a good example of the way IFC helps meet the growing demand for affordable, high-quality education in sub-Saharan Africa—by strengthening innovative companies that provide essential services to the education sector. (IFC 2007)

With an initial IFC investment of US\$2.5 million and the technical assistance of IFC management and advisory services, Nigeria’s SocketWorks is increasing the efficiency of African universities by making business process automation affordable while at the same time increasing students’ educational opportunities by providing Internet access that would not otherwise be available (IFC 2007). SocketWorks, with the assistance of IFC funding and strategic support, is focused exclusively on higher education as its key market and has developed a sustainable plan that both addresses the needs of African higher education institutions both public and private, and provides employment to students after graduation. IFC provided long-term funding that was otherwise unavailable in Nigeria and recently committed to another US\$4 million loan that will help “finance the provision of education and e-government ICT products to 17 polytechnic postgraduate universities in the country” (3).

### **Conclusions and Suggestions for Further Analysis**

This review of the subject of tertiary private investment in education in emerging markets reinforces the breadth of this topic and supports further research of both private business education and its impact on local, indigenous economic structures. Private higher education in business made available to students in developing countries with the intent to advance the economic and social opportunities of those countries is one facet of a multifaceted solution that offers exciting and far-reaching outcomes. The literature supports that the internationalization of higher education need not negatively impact indigenous, local economies, but this is true only if motives are properly aligned with national needs, cultural mores, and a genuine interest in development for humanitarian as well as economic purposes. Construct of these motives and development of policies, regulations, enforcement and monitoring are all areas requiring further research with an unbiased lens—an important distinction given the enormity of information made available to both public and private organizations which may serve the specific needs of one interested party or another.

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