ISSUE BRIEF

Privatization in Higher Education: Cross-Country Analysis of Trends, Policies, Problems, and Solutions

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Executive Summary

Privatization is one of the main global trends in higher education. Aspects of privatization include the development and expansion of private institutions, increased reliance of public institutions on private funding, and the operation of the institutions in a businesslike manner. The rapid spread of privatization in higher education systems of the world and the growing variation of its forms and practices raise a set of complex questions for researchers, practitioners, and policymakers in education. Should the government or other educational authorities be involved in regulating privatization processes? If so, to what extent is this involvement justified? Should the government encourage or discourage privatization in higher education? Should it support some forms of privatization and curb the development of others?

This paper examines privatization issues in the context of four countries: Brazil, Mongolia, the Netherlands, and Ukraine. The countries' experiences are quite different from each other, which helps illustrate different aspects of privatization. This examination identifies some common problems with privatization in these countries and the ways in which these problems are being addressed. Findings include the following:

- Some governments (Brazil, Ukraine) are actively involved in the regulation of privatization; others (the Netherlands) allow higher education institutions and independent agencies to regulate their activities; still others (Mongolia) leave regulation to the market.

- The most widespread forms of privatization in developing and postcommunist countries are private higher education institutions, with a particular focus on proprietary institutions and cost-recovery mechanisms: tuition and fees, and student loans. Proprietary higher education does not play a significant role in more developed countries such as the Netherlands.

- The privatization process in higher education seems to take on a more conservative (Brazil) character or a more liberal one (Mongolia, Ukraine), depending on whether privatization is encouraged or discouraged in the broader economy.

Although countries differ in the significance of privatization, it occurs to some degree in all of them. It is necessary to recognize the growing importance of the private sector in higher education globally.

Introduction

Privatization is one of the main global trends in higher education. It is generally understood as the intensive development and expansion of private institutions, increased reliance of public institutions on private funding, and operation of the institutions in a businesslike manner.

The rapid spread of privatization in higher education systems of the world and the growing variety of forms and practices raise a set of complex questions for researchers, practitioners, and policymakers in education. The following questions may be the most challenging:

- Should the government or other educational authorities be involved in regulating privatization processes in higher education, or should they create a quasi-market environment and leave the regulation to market forces?
- If the government should be involved in regulating privatization, to what extent is this involvement justified; that is, how much and what sort of regulation is necessary for different types of privatization?
- In general, should the government encourage or discourage privatization in higher education? Should it support some forms and curb the development of others? Are there "good" or "bad" forms of privatization?

The variety of forms and practices makes it difficult to identify them as "privatization," decide whether they are beneficial or detrimental, and develop suitable government policies toward them. Privatization can be total or partial. It can mean absolute withdrawal of government funding of institutions or a move from full to partial funding, as in quasi-privatization.[1] The experience in many Asian countries involves total privatization; in Eastern Europe and Africa, quasi-privatization is more common.[2]

[1] N. V. Varghese, *Private Higher Education in Africa*, UNESCO, 2004. Available at www.unesco.org/iiep/PDF/pubs/PrivatHEAfr.pdf.

[2] National Education Association (NEA), "Higher Education and Privatization," NEA Update. 10(2) (March 2004). Available at http://www2.nea.org/he/heupdate/images/vol10no2.pdf.

Researchers and practitioners recognize the following forms of privatization.

Private institutions: Some countries (e.g., the United States) have a long history of private sector development. In others (e.g., in Latin America), the private sector appeared a half century ago but saw its greatest increase in the last decade of the 20th century. In many parts of the world (e.g., Africa and postcommunist Europe), private education is a recent phenomenon. The private sector includes non-profit institutions as well as for-profit or proprietary ones. Proprietary institutions—with their market-driven and profit-seeking behavior, centralized and businesslike management systems, and weakened academic culture—are considered to be the pure form of privatization.

Privatization as cost-sharing: The cost of higher education may be fully or partially shifted from the state to the consumer, who pays tuition. In a parallel process, the state decreases direct funding to institutions and increases student financial aid. Thus, there are two forms of cost-sharing: cost recovery and delayed payment. Cost recovery is the tuition and fees students pay for their education; delayed payment is state support through loans and scholarships, which students later repay.[3]

Privatization of services at public institutions: Privatization of services is a U.S. phenomenon that has not yet spread around the world. In this model, institutions contract with private agencies for the delivery of various services, such as vending, food, laundry, travel, bookstores, entertainment, and health care. The reasons for outsourcing include financial (cost savings and revenue generation), quality improvement,

[3] Varghese, 2004.

equipment (technological expertise), human resources and staffing solutions, and safety.[4]

Diversification of revenue sources and stabilization of income: To meet the challenges of state funding cuts and the necessity of keeping up with technological developments, institutions worldwide are encouraged to seek alternative income streams. These may include various services (consulting, research, training), rental of facilities, sale of assets, stock exchange operations with endowment funds, and production of goods. The more diversified the revenue sources of an institution, the more stable its financial state.

Management efficiency: Privatization puts pressure on institutions to operate more efficiently, in a businesslike, market-oriented manner; employ professional managers; and respond to consumer demands. At the same time, privatization can erode traditional academic culture. The requirements of efficiency have forced institutions all over the world to reconsider their faculty employment policies and shift toward part-time, non-tenured positions. These employees are paid less than full-time, tenured professors and are less likely to participate in the management decision-making process.[5]

Corporatization of universities: As a measure of management efficiency, the trend toward corporatization can be observed among institutions that establish within their structure certain units that have financial and operational autonomy. Examples include the financial centers in many universities in Africa; the foundations created by public universities in the United States and Brazil (the aim of which is to raise money for university purposes); and the distance learning units of universities.

Publicly financed privatization: Voucher schemes for student financial aid, which are being implemented in many countries (e.g., Brazil, Kazakhstan, the Netherlands, and Russia) and some U.S. states, are an example of public financing of the private sector. The principle of the money following the student levels the playing field between public and private institutions in their competition for students. Public money can also finance research, student loans, and grants at private institutions.

All these forms of privatization have their supporters and opponents, and solving some problems may create others. The aim of this paper is to examine privatization issues in the context of four countries: Brazil, Mongolia, the Netherlands, and Ukraine. The authors identify common problems with privatization in these countries; describe the ways in which problems are being addressed; and suggest appropriate policy options.

The paper is part of a series produced for the Global Policy Fellows Program, an initiative of the Institute for Higher Education Policy. The goal of the program is to bring together analysts from around the world who are interested in developing higher education policies that improve the opportunity for and success of higher education. Other topics in this series include financing higher education institutions and students, the transition between secondary and postsecondary education, and the role of higher education in developing work force skills.[6]

[4] NEA, 2004.
[5] Ibid.

[6] For more information about the program, see www.ihep.org/programs/global-policy-fellows.cfm.

I. Privatization In the Country Context

The definition and status of privatization differs among the four countries because of historical, cultural, and other differences. This section describes some of those differences, as well as some similarities that cross national boundaries.

PRIVATIZATION OF HIGHER EDUCATION IN BRAZIL

Since the 1990s, the Brazilian government has implemented a number of plans to reverse the economic crisis in the country. Privatization was considered a key element in the process of restructuring the economy, along with fiscal adjustment, control of inflation, and modernization of domestic industry.[7]

Despite the success of privatization in some sectors—such as power companies, banks, and telecommunications—it became very unpopular in Brazil. People perceived privatization as bringing unemployment and few benefits, as they paid more taxes and higher prices for services.[8] During the 1990s, the economic record was disappointing: The economy grew at an annual average rate of 2.3 percent between 1995 and 2002; in 2002, 37 percent of the population lived in poverty.[9]

In higher education, the privatization debate has focused on private sector expansion. Between 1995 and 2005, the number of institutions in the private sector increased by 182 percent. In 2004, the private market in higher education was US$4 billion; it was expected to grow to US$10 billion over the next seven years. This rate of growth has created the need for new policies to address changes in higher education.[10]

Many factors have contributed to the rise of the private sector in higher education.

- Only 12 percent of young people between the ages of 18 and 24 attend college at the undergraduate level. The government's goal is to increase the number of undergraduates to 30 percent by 2015. Since the 1990s, the government has implemented key changes in higher education policy that have affected the private sector.

- The government made the process for accreditation and licensing more flexible through the Education Act of 1996; between 1998 and 2006, 1,297 new institutions were created and an average of three institutions per week opened their doors.[11]

- Other factors contributed to the expansion of the private sector, including the stagnation of state investment in public universities during the 1990s, the growth of enrollment at the secondary level, and increased demand for higher education in the job market.

- Despite the increased demand, access to public higher education is limited for large groups of the population—especially those from less affluent families—because entrance exams are used to control the number of students in the more selective public institutions.[12] Although students from low-income families are more likely to attend private sector institutions, many lack access to the resources that would help them succeed on these exams. This is one of the most important differences between the public and private sector; it has a strong impact on financial issues and the quality of teaching and students.

[7] Elizabeth Balbachevsky and Denilde Holzhacker, "Determinantes das atitudes do eleitorado brasileiro com relação à privatização e aos serviços públicos," Opinião Pública 12 (2003): 38–56. As in other countries, the Brazilian privatization was motivated by the financial crisis in the public sector and the lack of state capacity to deliver public goods and services. From 1991 to 1998, the federal government sold 63 state-owned enterprises.

[8] Ibid.

[9] Ibid.

[10] Tristan McCowan, "The Growth of Private Higher Education in Brazil: Implications for Equity and Quality," *Journal of Education Policy* 19(4) (July 2004): 453-472.

[11] National Institute of Educational Studies and Research (INEP), *Censo do Ensino Superior* (Brasília: Ministério da Educação, 2007).

[12] Elizabeth Balbackevsy and Simon Schwartzman, "Brazilian Higher Education System: A Brief Description and Some Patterns of Change in the Last Decade," mimeo, 2007.

BOX 1

Differences between private and public sectors in Brazil in 2006

The Brazilian higher education system has three levels: postsecondary technical (two years of study); undergraduate (four to six years); and graduate (specialization, master's degree, and doctoral). In 2006, the system included 2,270 institutions: public federal (5%), public provincial (4%), public municipal (3%), confessional institutions, such as the Catholic universities and philanthropic (19%), and private universities and colleges (70%). Important differences exist between private and public sector in terms of size, structure, organization, and quality.

	PUBLIC SECTOR	PRIVATE SECTOR
INSTITUTIONS	11.3%	89.0%
UNDERGRADUATE ENROLLMENT	25.9%	74.1%
GRADUATE ENROLLMENT	82.0%	18.0%
FULL-TIME FACULTY	70.4%	29.6%
FACULTY WITH DOCTORATE	63.0%	37.0%

SOURCE: MINISTRY OF EDUCATION, NATIONAL INSTITUTE OF EDUCATIONAL STUDIES AND RESEARCH (INEP), CENSO DO ENSINO SUPERIOR (BRASÍLIA: MINISTÉRIO DA EDUCAÇÃO, 2007).

Privatization in Brazil's higher education system involves issues of quality and the financing of private institutions. These issues are among the most important challenges to increasing access to higher education.

Organization of the private and public sectors

The higher education system in Brazil is characterized by a high degree of state control. The Ministry of Education (MEC) is responsible for accreditation, evaluation, and curriculum regulation in both the public and private sectors. Only universities have the autonomy to create courses, set enrollment numbers, and create the curriculum in each specialization. The low performance of private institutions has forced the government to increase its control over them. Private colleges must seek authorization from the MEC to create and organize courses and to set enrollment numbers. All private institutions are accredited by the MEC and must be re-accredited every three years after an evaluation process.

The 1995 Education Act regulates the structure and organization of higher education institutions. It has led to important trends for faculty in the private sector. As a result of the Act, the Brazilian academic market became more selective regarding academic credentials, with the effect of increasing the number of positions in the private sector that require a master's degree or doctorate. In 1994, 21 percent of academics with doctorates were employed by the private sector; in 2006, the figure had increased to 37 percent.[13] However, salary costs for PhDs[14] are a challenge, especially for smaller colleges. In private institutions, professors do not have job stability; they work on a part-time or per-hour basis and spend long hours in the classroom.[15] Private institutions have used various strategies to reduce the cost of faculty salaries, such as developing low-cost courses. One problem is that although the Education Act recognizes the existence of teaching-oriented institutions, it applies the same faculty standards to all institutions, without differentiating between the goals and organization of different institution types. This situation needs new answers and policies.

Financing higher education

Like most developing countries, Brazil cut funding for higher education during the 1990s; however, the government increased spending for the federal universities from US$3 billion in 2002 to US$4.5 billion in 2005. The Lula administration[16] launched a program to hire more than 45,500 faculty and to improve infrastructure and salaries at the federal universities. The government plans to invest more than US$1.25 billion in this program by 2015; it is called REUNI (Program to Support the Restructuring and Expansion of Federal Universities).

In general, public universities are supported by government funds; only 3 percent of their money comes from other sources. The Brazilian Constitution prohibits the collection of tuition fees at public institutions. In contrast, tuition fees are the main source of income for private institutions.[17] Tuition fees vary and depend on the institution, the geographic location, and the field of study. For example, medicine and engineering are more expensive than nursing and education. In 2002, it cost an average of US$5,300 a year to study social sciences at a private institution; medical students paid an average of US$8,000 a year.[18] Prestigious private institutions offer grants and scholarships—20 percent of private institutions discount tuition fees in some way. For the most part, these grants come from the institutions' own funds or from international funds. Other kinds of financing, such as private donations, are rare in Brazil.

[13] National Institute of Educational Studies and Research (INEP), *Censo do Ensino Superior* (Brasília: Ministério da Educação, 2007).

[14] According to the tax law, the employer has to pay 37.3 percent of the gross salary: 28.8 percent for social security and 8.5 percent for the severance fund. The employee pays 7.65–11 percent of the gross salary. See www.brasil.gov.br.

[15] McCowan, 2004.

[16] In 2003, Lula da Silva (Labor Party), of the leftwing party, won the presidential election. His public policy objectives include the reduction of poverty and inequality. His social policies emphasize the necessity of economic growth, the reduction of poverty, and income redistribution.

[17] Not-for-profit institutions (confessional and philanthropic institutions) have fiscal benefits that represent a tax saving of approximately 10 percent. See Jacques Schwartzman and Simon Schwartzman, *O ensino superior com setor econômico* (Rio de Janeiro: Brazilian Development Bank (BNDES), 2002). Available at www.schwartzman.org.br/simon/pdf/suppriv.pdf.

[18] Ibid.

The private sector is experiencing a paradoxical situation: The growth in enrollment has been accompanied by a financial crisis. In 2004, the sector loss was estimated at US$380 million and the level of non-payment was estimated at 35 percent.[19] The situation in Brazil is unique: Federal regulations guarantee that students may finish their studies, even if they have debts with the institution. Thus, institutions cannot expel non-paying students; in fact, they must guarantee that each student can take exams and fulfill all academic requirements. On the other hand, students do not receive their certifications or degrees until they have negotiated their debts with the institution.[20]

In 2005, to support financing for students in private institutions and broaden access to higher education, the federal government created a scholarship for undergraduate students from low- income families. Through this program—University for All (PROUNI)[21]—the government provides full and partial scholarships. The government also has low-interest loan programs for students in the private sector; the main program is FIES (Higher Education Financing).[22]

Policy developments related to privatization

The changing economic and social environment in the 1990s put new pressures on the Brazilian higher education system. It changed the job market and increased the demand for quality control at the undergraduate level, especially in the private sector. The government adopted new approaches to push institutions in the private sector to provide higher quality undergraduate education.

From 1995 to 2002, the MEC implemented the National Evaluation of Undergraduate Programs, a mandatory exam that measures the performance of all graduating students in the same career path. The ministry also used the National Exam to rank institutions. The ranking procedures considered the average student performance of an institution, its infrastructure, and its faculty academic profile. In 2003, the new administration created a new evaluation system, which contains two instruments:

1. Internal evaluation—a council of students, faculty, and employees analyzes the performance of an institution.

2. External evaluation—the Federal Council of Education names expert evaluators who analyze the curriculum and faculty performance of each institution.

The government has proposed a major reform of the higher education system. The first draft is a promise of significant increases in resources for federal universities, strict supervision of the private sector, and severe restrictions on international investments in the Brazilian higher education market. This reform could create new challenges for the private sector. For example, 30 percent of the faculty must hold doctoral degrees, and 20 percent must work under full-time academic contracts.[23] The private sector argues that most students cannot pay the high tuition fees that would be needed to comply. Another issue is the high rate of tuition non-payment in the private sector. Thus, the need for alternative forms of financing is an important issue for the private sector.

Privatization in the Brazilian higher education system involves a complex debate among the state and the public and private institutions. Because of the negative perception of the privatization process in the 1990s, the government has discouraged some forms of privatization, such as the reduction of state investment or the introduction of tuition fees in the public sector. The government even limits private investments in the public sector. On the other hand, the

[19] Mauricio Garcia, "Três grandes tendências para o ensino superior privado no Brasil," Revista Ensino Superior, São Paulo/SP, n.77, 41–43, fev., 2005. Available at www.mgar.com.br/mgPdf/ensSuper2005.pdf.

[20] Debtors also do not have access to other loans.

[21] University for All (PROUNI) is a scholarship program for undergraduate students in the private sector. Participation in the program is voluntary, but the government promotes it by exempting participating institutions from federal taxes. In 2006, 1,213 private institutions participated. In 2007, the total state allocation for scholarships was US$57 million and the average scholarship per student was US$427 per year. For more information, see Nelson Moculan, Celso Ribeiro, and Fernando Haddad, "Program PROUNI: Changing the Panorama of Access to Higher Education in Brazil," *International Association of Universities (IAU)-Horizons* 12(2) (2006): 9. Available at portal.mec.gov.br/prouni/arquivos/pdf/artigo_program_prouni.pdf.

[22] Higher Education Financing (FIES) is a loan program for students in the private sector. The Federal Government Bank is responsible for the program; in 2007, it offered 100,000 loans totaling US$1.56 billion. Students in pedagogy and technology courses pay 3.5 percent interest per year; those in other courses pay 6.5 percent. See www.mec.gov.br.

[23] Garcia, 2005.

government has encouraged the expansion of the private sector. Regulations have became more flexible and the government has implemented policies (such as PROUNI, FIES, and quality assurance) to increase access to private institutions by low-income students. However, many groups have criticized these policies because they do not foster social equality; low-income students attend private institutions, which have high tuition fees and low quality, while high-income students receive a better education in public institutions. The government argues that the implementation of a sophisticated quality assurance system could change these circumstances so that all Brazilians will receive a high-quality education.

The debate about privatization involves questions about government expenditures and regulations that attempt to organize the private sector and increase the quality of education it offers. Meanwhile, since 2003, the government has discouraged any form of privatization in the public sector; in fact, the role of the state in financing the higher education system has grown. This situation means additional issues to consider in the debate about privatization in Brazil. It is the task of the state and both private and public institutions to resolve the most important problems in the Brazilian higher education system: access and quality.

PRIVATIZATION OF HIGHER EDUCATION IN MONGOLIA

With the transition from a socialist model to a democratic system in 1990, the Mongolian higher education system has faced fundamental changes, such as liberalization of policies, decentralization of management, emergence of privately owned institutions, introduction of tuition fees, introduction of the accreditation system, and devolution of autonomy to universities. All these trends are strongly related to the broader movement toward privatization. However, the most important trend in Mongolia is the shift of public institutions into the private sphere.

Characteristics of the higher education system

The Mongolian higher education system grew rapidly in the decade from 1998 to 2008. There are currently 184 higher education institutions, of which 49 are public. Of the total, 142 institutions are located in Ulaanbaatar (the capital city), where two-thirds of the population lives. About 67 percent of teachers and 68 percent of students are in public institutions. In addition, 77 institutions have been accredited since 1998, when the accreditation system was initiated. There are three types of higher education institutions—universities, institutes, and colleges—and various awards, such as diplomas (similar to associate degrees), bachelor's degrees, master's degrees, and doctorates. Universities offer all of these degree programs; institutes offer all except the doctorate. Colleges grant diplomas and bachelor's degrees.[24]

[24] Minister's Order No. 63, March 10, 2003

Student enrollment has sharply increased since 2000, especially in the private sector, where enrollment has more than doubled over the past few years.[25] According to the Higher Education Sector Study,[26] about 29 percent of young adults age 18–22 are studying for a bachelor's degree in some type of higher education institution (**FIGURE 1**). As a result of decentralization policies, institutions may recruit teachers and set salary levels and tuition fees. The Ministry of Education, Culture and Science (MECS) is in charge of setting standards, licensing and registering new institutions, appointing officers for the accreditation agency, appointing directors of public universities, setting enrollment limits, and establishing criteria for teaching positions.

A primary concern is how to finance higher education. Because of budget deficits, student tuition fees now constitute the major source of income, making up 80 percent of higher education institutions' revenue. The other 20 percent of revenue comes from other sources, such as state financing (student loans and grants), income generation activities, donations, and contracts for consulting services with international organizations. The government allocates some money to support students from poor families through grants.[27] Raising income through business activities by universities is a questionable prospect in Mongolia. Universities may raise only limited income from endowments and the commercialization of research findings, and such income is to be used solely for university training purposes, not as a profit for stockholders.

Privatizing higher education institutions

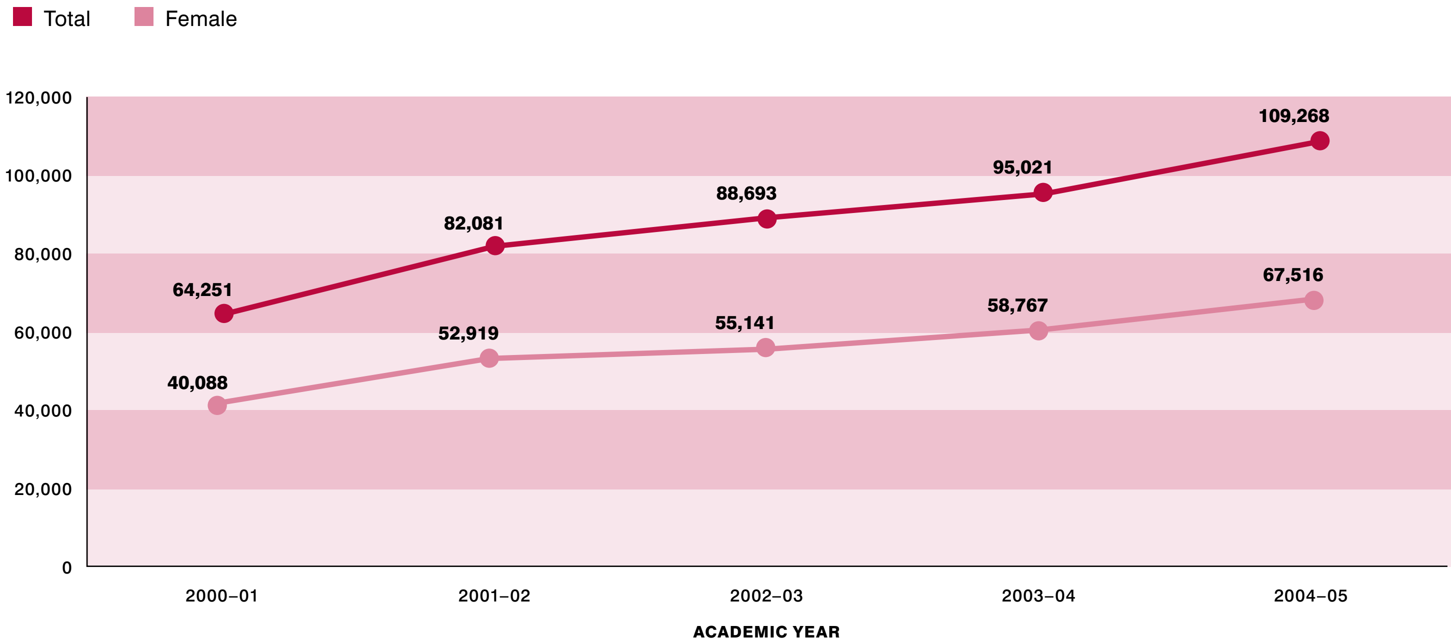
The concept of private ownership is new to Mongolia, as communism has only recently ended. It has taken some time for Mongolians to understand the basic concepts of private property, especially as they relate to education. Privatization is never an easy or quick process, but Mongolia has been particularly cautious in its execution. When privatization was first proposed, the government lacked the experience and capacity to know where to start and who should manage the process. Most people saw privatization as the transfer of public university assets from state control to private ownership and governance.

The creation of a legal environment to reduce the state's responsibility for higher education became a government priority. In 1995, a team of World Bank consultants was asked to advise the government. In 2002, the government adopted a resolution to privatize the social sector;[28] the guidelines describe the main principles, means of privatizing, and the government's responsibility. According to this resolution, privatization of the social sector in Mongolia would follow the principles of decentralization, more involvement of the private sector in the social field, more autonomy for institutions, the introduction of fair competition, and the selection of an optimal method of privatization.

[25] *Higher Education Sector Study*, Ministry of Education, Culture and Science of Mongolia, 2005, 75.
[26] Ibid.
[27] Minister's Order No. 96 on Granting Loans and Grants to Students, June 21, 2000.
[28] *Guidelines to Privatize the Social Sector*, PM Cabinet Meeting 2002, Ulaanbaatar, Mongolia.

FIGURE 1

Number of students pursuing a bachelor's degree (2000–05)



SOURCE: HIGHER EDUCATION SECTOR STUDY, 2005

The World Bank team proposed privatizing higher education by contracting out the management of institutions. This led to the development of a gradual, cost-based privatization concept, beginning with a public announcement about the privatization of a specific public institution. A management team was then selected and will be rewarded upon successful completion of the process.[29] The coordination of higher education privatization (administration of the open bidding process and announcement of the winner) was conducted by the State Property Agency (SPA) under the Prime Minister's Cabinet—the MECS was not involved in administering the bidding process.

As a result of this process, two institutions—the Institute of Finance and Economics (IFE) and the University of Humanities—were privatized, although the methods applied were different. One is a lease and the other is a management contract. Management of IFE was transferred to a management team with non-government organization (NGO) status in 1997. The team is a voluntary group of up to five individuals or legal private entities. The team designates a leader and specifies the role of each member of the group. (See below for more details.) Although the institute's assets still belong to the government, the management team has a 30-year, free-of-charge property lease from the SPA.[30]

The University of Humanities, on the other hand, was privatized in 2003 on the basis of a management contract through which the government sold the school facilities to the team—a first for Mongolia. Initially, the government drew up a management contract with the school administration for two years as a pilot, with a deposit at the contract signing and a final payment after the performance evaluation (the payment amount was based on the total estimated value of the assets). On the basis of the results of the pilot, the government decided to sell the University of Humanities property and other assets to the team. Subsequently, the team submitted an agenda to the government for developing the school. As a result of this change, the privatized University of Humanities has accomplished a lot. The number of students has increased, and the management has more freedom to introduce changes in curricula and academic programs. Since 2005, two new majors have been added to the academic program and a new computer laboratory with 80 computers has been established.[31]

[29] The process includes announcing the privatization of a certain public institution or entity; selecting an appropriate management team (up to five individuals or legal private entities); designating the leader and the responsibilities of each member; developing and submitting a financial proposal to the government; negotiating a management contract with the government; and running a business plan on a contractual basis. During this period, the team must prove its capability to run the business. The last stage—if the team performs satisfactorily during the contractual period and can pay for the assets—is the transfer of university assets to the management team. J. Casangrande, "Blueprints for Future Steps in the Mongolian Health and Education Privatization Program," December 2, 1997, Ulaanbaatar, Mongolia

[30] Called a "free-of-charge transfer of educational entity to a non-profit organization, with limited terms and conditions."

[31] Interview with the vice rector of the University of Humanities, Ulaanbaatar, Mongolia, September 20, 2007.

However, the faculty and management have faced several problems. Some in the school community do not like the changes. As one professor said, "Privatization of our university has many consequences for the faculty. It puts us under market pressures, money-mania, and treating education as a mere commodity."[32] There is a generalized sense of insecurity and mistrust regarding what university authorities will do in the future. When universities were publicly owned, teachers were civil servants and received certain social benefits; for example, the state pays higher education tuition fees for one child for each civil servant. Universities that are no longer public cannot afford the same faculty benefits. Some faculty think privatization might undermine quality as good teachers move to other public institutions.

On the other hand, advocates of privatization express optimism that there will be less absenteeism and that faculty and staff will work harder. To accomplish their goals, university managers must be strong, skillful, motivated, and sufficiently competent—these attributes will be crucial to a successful transition.

Best practices of privatization

In 1991, the Mongolian government signed a 10-year agreement with the management team of IFE, with the goal of restructuring the institution through curriculum adjustments, new facilities, additional benefits to instructors, and other promised support programs. The management team took over responsibility for managing the institution as a pilot exercise. An annual audit report done by an outside audit agency concluded that IFE can now be regarded as a strong model of the privatization of higher education through the transfer of public management to a private management team.

According to the report, the team did a good job of managing the transition and handling university business. During this period, the government decreased funding to the institution; by 1996, only 15 percent of IFE's funding came from the government, while the figure was nearly 70 percent for other universities.[33] Tuition fees are now the main source of funding. Enrollment has steadily increased as new policies have improved the quality of education.

One example of the institute's success in privatization is the bank loan it got for a nine-story building to expand the school. In addition, IFE was the first Mongolian institute to introduce a western-oriented curriculum structure, as well as joint international degree programs in cooperation with Singapore, China, and Japan. Overall, the pilot privatization venture has had positive results, including the following:

- The management of the institution has become more accountable and creative.
- The quality of education has improved significantly.
- Teachers are more committed because they have a better work environment and higher salaries, including annual bonuses and periodic salary increases.
- The management pays attention to the professional development of teachers. For example, any teacher may borrow a laptop from the university.
- The management introduced an e-office system that makes student services more accessible online.
- About 90 percent of graduates in banking and business administration can easily find employment in their field. Only 10 percent of graduates work in another sector or become self-employed. Some companies contract with students before graduation for positions upon graduation.
- Many students are able to work part time while they are in school.[34]

The management team did face some challenges, especially in the initial stages of the pilot. For example, it took longer than expected for the government to make a decision on transferring

[32] Findings from focus group discussions with teachers of a privatized university. September 2007.
[33] Interview with the finance director of the Institute of Finance and Economics, Ulaanbatar, Mongolia, September 17, 2007.

[34] Interview with several students at the Institute of Finance and Economics, Ulaanbaatar, Mongolia. September, 2007.

the management to the team. The government also faced difficulties in supervising the process, because it was a new one for Mongolia. A remaining concern is that the status of the university is quite vague. Currently, it is a not-for-profit higher education institution and not a purely privatized agency, as the management service has been contracted only for 30 years.

Problems related to privatization of higher education in Mongolia

The concept of privatization is quite new in Mongolia compared with other countries. The following are some of the problems related to privatization of higher education:

- The criteria and requirements for establishing a new higher education institution are weak, which makes it too easy for institutions to be established.

- Teachers tend to lack experience, and no in-service training or professional development courses are offered for university teachers and administrators.

- Salaries vary widely. At one university, teachers were paid more after privatization; at another, salaries are still low.

- Private institutions bear the burden of high taxes imposed by the government, including income taxes.

- Vague government policies and procedures have led to poor implementation of some privatization projects.

- The government does not have the ability to properly evaluate and monitor the performance of privatized institutions. Monitoring and evaluation guidelines for the privatization process are generally lacking.

The transition from a centrally planned economy to a market economy has brought many changes to Mongolia. With regard to higher education, privatization has meant a gradual process of shifting the management of public institutions into the private sector. Some efforts have proved successful, but the unfamiliar nature of privatization brings many challenges, as well.

PRIVATIZATION OF HIGHER EDUCATION IN UKRAINE

As in Mongolia, privatization of higher education in Ukraine is a relatively new phenomenon since the collapse of communism. One of the greatest challenges for private higher education institutions in Ukraine is how they will operate within a still highly state-controlled yet theoretically market-based system. Private sector institutions are taxed heavily as businesses, but they must still work through the government accreditation system and follow most of the same government regulations as state institutions. The establishment of private institutions that charge tuition fees has allowed the government to begin the process of cost-sharing.

As an independent Ukraine began exploring its new statehood and the mechanisms of a market economy, the late 1980s and early 1990s saw the appearance of the first "commercial" education institutions. The mushrooming growth of private institutions was right on time to satisfy the considerable growth in demand for higher education. The number of students enrolled in higher education institutions in 2006–2007 was 3.4 times the highest number enrolled during the Soviet period. The number of state higher education institutions also increased, from 169 in the early 1990s to 232 in 2002.[35]

In 2006–2007, Ukraine had 920 postsecondary institutions, including institutions at the III-IV level of state accreditation:[36] 184 universities, 58 academies, 125 institutes, and 1 conservatory. At the I-II accreditation level, there were 199 colleges, 210 technical schools, and 143 vocational schools. Private institutions made up about a fifth of the total number

[35] J. Stetar, O. Panych, and E. Berezkina, "Evolution of Ukrainian Private Higher Education: 1991–2003," 2003. Available at www.prophecee.net/research.htm

[36] In Ukraine, the level of accreditation granted by the State Accreditation Agency is translated into the highest degree the institution may confer. Thus, according to the Law on Higher Education, institutions with level I accreditation may grant the two-year minor specialist degree, which corresponds to the American associate's degree. Level II of accreditation permits an institution to grant both the minor specialist and bachelor's (four-year) degrees. Level III permits granting bachelor's, specialist (a five-year degree in most specializations), and some master's degrees. Level IV institutions (mainly universities and academies) may confer bachelor's, specialist, and a wide range of master's degrees. However, a proposed amendment to the Law on Higher Education would do away with the accreditation levels and a number of traditional institution types—such as institutes, conservatories, and technical schools—and would tie certain degrees to certain types of institution: universities, academies, colleges, and professional colleges ("On Amendments to the Law on Higher Education," available at www.mon.gov.ua).

of institutions in that year, with 114 institutions at the III-IV level and 85 institutions at the I-II level.[37]

Supporting institutions and students

State and communal/municipal institutions receive a portion of their budgets from state and municipal budgets. However, this funding has decreased tremendously in recent years. In 1996, it accounted for 70 percent of institutional budgets; by 2004, only 30 percent, with 70 percent coming from diversified sources of income, such as tuition fees (85 percent), business activities (10 percent), and property leasing (3 percent).[38] Private institutions depend primarily on tuition and fees, with a small percentage of their funds from state and foreign grants for research and development, donations, and business activities. Fundraising activities are practically non-existent, as a culture of charity and the related tax laws are just developing in Ukraine.

Financing degrees

Roughly half of the students in Ukraine pay tuition fees, whether at state or private institutions. These students may apply for state-subsidized loans (**BOX 2**). The other half receive state financing. The number of state-supported spots corresponds to an annual quota for professional training in certain fields, calculated by the Ministry of Education and Science. In recent years, the quota has grown to support 57 percent of freshmen in higher education and 62 percent of those in technical/vocational education.[39] State-financed students receive monthly stipends based on merit and need; the amount corresponds to 30 percent of the minimum subsistence level in Ukraine. In 2008 the government increased student stipends, which now constitute about three times the size of 2007 stipends.[40]

Privatization policies

Many forms of privatization in higher education exist in Ukraine: private institutions; profit-making branches of state institutions; tuition fees at state institutions; student loans; income from alternative sources (e.g., institutional business activities and enterprises, property leasing, consulting services, publishing, cafeteria); donations; and grants from state and foreign agencies, foundations, and private persons.

The majority of private institutions in Ukraine are for-profit enterprises. They are taxed as business entities and typically operate in a businesslike way. However, legislation on the

[37] Y. Y. Bolyubash, "Higher Education in Ukraine in 2007." Retrieved from www.mon.gov.ua in September 2007.

[38] V. P. Andrushenko, *The Economics of Ukrainian Higher Education: Trends and Development Mechanisms* (Kyiv: Pedagogichna Presa, 2006). (In Ukrainian.)

[39] Decisions of the meeting of the Ministry of Education and Science, Minutes #3/1-4, March 2, 2007. Retrieved from www.mon.gov.ua on January 11, 2008.

[40] Cabinet of Ministers of Ukraine Decree #165, "On Some Issues of Student Stipend Provision," March 5, 2008. Available at www.mon.gov.ua.

BOX 2

State-subsidized education loans in Ukraine

Regulations for student loans have existed for over six years; however, funding has been allocated only in the past three years. The state provides the money, but each institution is responsible for distribution and repayment procedures.

Eligibility: Ukrainian citizens up to age 28 may apply for a loan to cover tuition at only one level of their higher education.

Size: The loan amount is determined annually by the institution and approved by the ministry. It covers only tuition. The number of loans at each institution is determined by ministry quotas.

Repayment: A graduate must repay the loan within 15 years at 3 percent annual interest. Repayment starts 11 months after graduation.

Loans may be forgiven for graduates who work for a state or communal enterprise or institution in the village in their major field for five years. Annual proof of such employment is required.

Although the program has not been officially evaluated, most of these loans appear to be taken by students enrolled at state universities. This may reflect the unwillingness of private institutions to administer the loans, which requires certain resources and expertise, and entails some state control.[41]

[41] Cabinet of Ministers of Ukraine Decree #916, "On the Establishment of the Order of Student Loan Provision for Higher Education," June 16, 2003. Available at www.mon.gov.ua.

financial activities of institutions is not straightforward, and officials of private institutions report that the rules are not clear.[42]

At the same time, private institutions must obey most of the regulations and orders of the Ministry of Education and Science. The major mechanism of state control over private institutions involves the procedures for licensing and accreditation. The State Accreditation Commission (SAC), staffed by ministry clerks and representatives of the most influential state institutions, supervises this process. Accredited private institutions confer ministry-endorsed diplomas that are identical to those conferred by state institutions.

In carrying out its mission of ensuring the uniform quality of higher education, the SAC does not differentiate between private and state institutions. It applies uniform standards for curriculum, teaching, research, and organization of the study process, and these standards are difficult even for many well-established state institutions to meet.[43] Moreover, the procedures for licensing and accreditation are generally considered to be bureaucratic, complicated, corrupt, and biased against private institutions. Because the minimal standards for accreditation are very high, institutions have been known to cheat by, for example, exaggerating data on student performance or the number of full-time faculty with scientific degrees. The financial burden of a tough tax environment and demanding accreditation standards and procedures has resulted in a decrease in the quality of research, faculty, and facilities at some private institutions.

Private institutions have difficulty competing to attract the best professors. State institutions have several advantages over private schools: Their employees enjoy relative job security, retire with high pensions, and have a number of state-provided benefits, including the opportunity to pursue further study and research at a reduced cost. Private institutions can sometimes offer competitive salaries, but their real advantages are greater academic freedom and the opportunity to use innovative methods and introduce unique and meaningful courses. Students generally say that private institutions are better than state institutions in terms of their responsiveness to the needs of the market and individual students, flexibility, practice-oriented knowledge, use of innovative methods, and teaching.[44]

A number of private institutions have acquired short-term non-profit status. As a rule, non-profit status requires all the institution's income to be invested in its primary teaching and research activities, and allows tax deductions on income received from these activities. The taxation burden is not the only reason some for-profits may wish to turn into non-profits. Most European international educational programs do not cooperate with for-profit education institutions. However, this approach has its own problems. First, non-profit status is granted only for a short period—two to five years. Second, the Ministry of Education and Science may grant non-profit status, but the tax laws do not include a mechanism to recognize temporary non-profit status, so institutions have a hard time proving that they should not pay taxes.

Privatization at state institutions

In Ukraine, privatization is changing the world of state universities as well. A state institution may now enroll tuition-paying students within the limits of its license. The tuition amount depends on the student's major and is established by the rector of each institution within a range set by the ministry. The tuition is specified in a contract between the university and the student; by law, it is not supposed to grow over the period of study, except for an annual inflation adjustment. In 2008, the median tuition at state and private institutions ranged from $300 to $2,500 a year.[45]

The establishment of subsidiaries of large state institutions in smaller towns has become a widespread practice. The subsidiaries enroll mainly tuition-paying students and act like for-profit entities, earning money for the primary institution. The subsidiaries of some state and private universities have become notorious for providing low-quality education, and many are being closed by the SAC for operating without an appropriate license or gross violations of accreditation standards.[46] The Ministry of Education and Science has proposed tougher regulation of subsidiaries' activities.

In addition to charging tuition and creating subsidiaries, the state allows higher education institutions to participate in many activities that help meet their budget requirements, but income from these activities must be invested in institutional development. Donations, compensation for services, and state subsidies are not taxed. In many institutions, corrupt practices persist, such as bribery for illegal services performed by institutional administration or teaching staff, and fees for services not specified by the state (especially during admission and exam procedures).[47]

Continuing Issues

The opening of Ukraine's higher education system to private funding and companies has increased access for students, but problems persist in the administration of student programs. These problems include the following:

[42] Stetar, Panych, and Berezkina, 2003.

[43] In between accreditation years, the ministry controls the quality of state and private institutions through planned and unannounced visits each year. During these visits, ministry representatives check various aspects of institutional work at random; they can be as demanding as accreditation committees. Institutions are also subject to regular checkups by various state agencies, such as the state prosecutor's office, fire security controller, and internal revenue agency.

[44] E. N. Zaborova, "Students on the Institution of Private Higher Education," *Social Studies* 11 (1999): 97–99. (In Russian.)

[45] Information on tuition costs of various degrees is available at www.mon.gov.ua. The type of ownership does not have a significant impact on the tuition size, rather the type of major and prestige of an institution does. Thus, the cost of a similar major at state and private institutions may be higher or lower depending on the prestige of an institution.

[46] "The state accreditation agency cancels the licenses of several educational establishments for gross violations of education law and license terms," information service of the Ministry of Education and Science, November 4, 2008. Retrieved from www.mon.gov.ua on November 10, 2008.

[47] Proposals from citizens and entrepreneurs for fighting corruption in education and science. Received through the websites of the Ukrainian Government and the Cabinet of Ministers, February 2008. Available at www.mon.gov.ua.

- **Unequal treatment of state and private institutions by the state and international agencies in terms of taxation, personnel policies, and participation in international programs.** In response to an expected decline in the size of the traditional student-age cohort and, thus, in the demand for higher education, competition between state and private institutions will increase. The state has not taken a neutral stance on this competition; rather, it has increased pressure on the private sector, imposing more quality control mechanisms and accountability devices. The aim is to reduce the number of institutions, especially private institutions and subsidiaries. Thus, the situation is paradoxical: In spite of the independent status of private institutions, the state exerts tight control and regulation of their activities, to the point that private institutions do not enjoy much more autonomy than state institutions.

- **Concerns about the quality of education at private institutions and money-making subsidiaries of state institutions.** SAC applies rather high quality standards to all higher education institutions, and few private institutions can meet all of them. At the same time, the unfavorable tax environment, personnel policies, and tight state control restrict the ability of these institutions to develop and improve the quality of their offerings.

- **Heavy reliance of private and many state institutions on tuition as a source of income**. This reliance has led to a shaky financial state for many institutions and a lack of resources for development needs.

- **Bribery and corruption.** Corruption is widespread in higher education. Ministry officials accept bribes for licensing and accreditation; cheating is rampant; some schools are diploma mills; and institutions avoid taxes and engage in other fraudulent behavior.

- **Unequal distribution of student aid between private and state institutions, and between state-subsidized and tuition-paying students.** As a result of this inequality, about half of the students from predominantly low- and middle-income families end up bearing the full cost of their education.

- **Lack of clarity in student loan administration and information.** The lack of clear information prevents students at private institutions from accessing this source of financial aid.

The government has addressed some of these problems, but the situation has not changed much so far. A need exists for a systemic study and implementation of policy solutions.

PRIVATIZATION OF HIGHER EDUCATION IN THE NETHERLANDS

The privatization of higher education institutions and services is a less significant issue for the Netherlands than for the other three countries, because the private education sector itself is minimal. However, issues related to privatization are relevant for government policies. These include potential reforms of the funding system for Dutch higher education institutions.

The Dutch higher education system

The Netherlands has a binary higher education system based on a three-cycle degree structure, in conformity with the Bologna Process.[48] Ministers responsible for higher education in 29 European countries signed the Bologna Declaration on the European Higher Education Area in 1999. The declaration is the primary document used by signatory countries to establish the general framework for the modernization and reform of European higher education; the process of reform is called the Bologna Process. The binary system in the Netherlands consists of two types of higher education: higher professional education (Hoger Beroepsonderwijs, or HBO)[49] and research-oriented education (Wetenschappelijk Onderwijs, or WO).[50] Higher professional education is provided by hogescholen

[48] Eurydice, European Unit, "Focus on the Structure of Higher Education in Europe, 2006/2007, National Trends in the Bologna Process," Brussels, 2007. Available at www.eurydice.org.
[49] Association of Dutch HBO institutions: www.hbo-raad.nl.
[50] Association of Dutch research universities: www.vsnu.nl.

and research-oriented education by research universities. Only universities can award bachelor's, master's, and doctoral degrees.

Institutional classification between public and private sector

Higher education in the Netherlands is funded by a combination of government funding and tuition fees or exclusively by tuition fees and other income, such as money generated through commercial activities. Three kinds of institutions can be distinguished on the basis of their financing schemes.

Government-funded institutions

Government-funded institutions are fully funded institutions (*bekostigde instellingen*) that provide only accredited courses. The exact amount of funding that each institution receives depends on several factors, such as the number of students enrolled, the number of graduates, and the number of PhD candidates. Students who attend these institutions are eligible for publicly funded grants and loans. These institutions also receive part of their income from tuition fees, which are set by the government at the beginning of each academic year and apply to all students.[51]

Students who meet admission criteria and the age requirements defined in the Student Finance Act of 2000, and who are enrolled full time, are eligible for a performance-based grant and a loan for up to seven years. The age criteria state that public support is available only to students under the age of 34 who began their studies before the age of 30. In most cases, student support is a combination of grants and loans, and consists of four elements:[52]

1. *Basic performance-based grants* that are non-income-related and depend on whether the student lives at home or not. (If not, the grant amount is higher.) Performance-based grants begin as loans, although students who obtain a master's degree do not have to repay them. Graduates who have not used their full financial assistance entitlement may use it for future studies, if they apply before the age of 30. Students may receive aid between the ages of 30 and 34 if they applied before they turned 30 and their studies are uninterrupted.[53]

2. *Additional grants* that are contingent on the income of the parents. A student who has a child and/or a partner may qualify for a single-parent allowance or an allowance for the partner.

3. *Optional interest-bearing loans.* These loans are non-income-related and vary, depending on the student's need, to a maximum monthly amount. The loan must be repaid with interest after graduation or within 25 years after the beginning of study. The interest for these loans in 2007 was 3.7 percent, which is quite low.

4. *Loans for tuition fees.* This loan is to be used specifically to pay tuition fees.

All students who are eligible for financial aid are also entitled to public transportation passes, which provide for unrestricted free travel throughout the Netherlands.

Approved or designated institutions

Private sector institutions and "approved or designated" institutions (*aangewezen instellingen*) both depend on tuition fees and other activities for funding. Although approved or designated institutes may offer accredited courses and award bachelor's and master's degrees, they are not funded by the government.[54] Consequently, they are free to determine their own fees and admissions policies. Students in accredited programs at these institutions are eligible for publicly funded grants and loans under the same conditions as students who

[51] Students who begin their studies after the age of 30 must pay fees at a separate and variable rate, the level of which is set by the institution itself.

[52] Explanation derived from Eurydice, The Netherlands Unit, "Structure of the Education System in the Netherlands, 2007/08," Dutch Ministry of Education, Culture and Science, The Hague, 2007, 72–73.

[53] Students who do not wish to pursue a master's degree may opt to have their loans made non-repayable after they obtain a bachelor's degree, although this ends their entitlement to financial support for master's degree studies. This option gives students three years of aid entitlement on the performance-based grant, instead of the usual four or five years (depending on field of study).

[54] A small number of approved institutions do receive government funding. These include primarily faith-based higher education institutions.

attend government-funded institutions. However, "their share of the total enrollment is just over 10 percent, and their role in the national system is quite modest."[55] Despite the fact that these institutions do not receive government funding, they do not qualify as "private" in the Dutch education system. Because a substantial proportion of their students receive publicly funded financial support to pay tuition fees and other study costs, the institutions are considered to indirectly receive funding from the government.

Private institutions

Private institutions are free to set their own fees and admissions policies, but their students are not eligible for financial assistance. These institutions include foreign universities and business schools to which Dutch government regulations do not apply. The number of institutions and enrolled students in the private sector is not known, nor is the quality of these institutions monitored.

In conclusion, the institutional classification between public and private higher education in the Netherlands is indistinct and somewhat irrelevant, because both government-funded institutions and designated or approved institutions receive public money, although through different allocation models. No official records exist for private institutions or their students; most are company training schools or very expensive teaching facilities that offer a variety of courses for those who can afford it. On the whole, private higher education in the Netherlands is limited.

Policy developments related to privatization and funding

Although the private higher education sector itself is minimal, issues related to privatization are relevant to government policies. These include potential reforms of the funding system for Dutch higher education institutions.

In the Netherlands, the primary goal for education is to have a functioning system. This notion of functionality concentrates the responsibility of government largely on ensuring the quality, accessibility, and effectiveness of the system. Functionality is always the focus when new policies are developed. The government's first concern is to uphold a certain institutional quality and to intervene as little as possible. There are exceptions to this laissez-faire approach, mostly in primary and secondary education, where major policy changes have occurred over the past two decades. But higher education institutions have a large degree of freedom to develop and fine-tune their own policies, as long as they do not contradict national regulations. In addition, higher education institutions have large vested communal interests and considerable institutional power. Although little has changed over the past years in comparison with other education sectors, the following developments are worth mentioning with regard to privatization and funding.

The current Dutch government pledged in its coalition agreement to introduce a new integrated bill on funding and management of higher education and research. It is expected that the new bill will focus on the quality and position of vulnerable courses and will include more uniform, simple, and enforceable funding rules that are relevant to the needs of students, while preventing inappropriate funding of unpopular courses. The previous government's plan to introduce a bill on study entitlement has been placed on hold. That bill would have granted students individual rights to higher education, for which they would have paid tuition fees at the amounts set by the government. Students would then "buy" or validate their study entitlement in six-month packages.[56] The aim of the bill was to make students more aware of their choices of institution and course of study, and thus create a more market-driven education sector. However, in the Dutch higher education system, no real market exists, because the public is primarily interested in functionality. Both institutions and student organizations opposed the bill, and it is not expected that the new government will implement these plans.

[55] OECD, "The Netherlands Country Review on Tertiary Education 2006," 9, para. 24. Available at www.minocw.nl/documenten/14717a.pdf.

[56] If the study duration of a certain academic program is four years, it would be split into eight periods of half a year each. Implementation of this bill would mean that twice a year, students would have to validate their choice of institution and study with a voucher.

Instead, the new government plans to create a more integrated bill with more uniform and simpler funding rules. The new plans and reforms are primarily directed toward the funding of institutions; however, indirect measures, such as changes in the publicly funded student support scheme, also affect funding. An important example is the introduction of portable financial assistance (grants and loans) in September 2007. Portable financial assistance gives students maximum freedom of choice. In principle, it is applicable in all 29 countries participating in the Bologna Process and several countries outside Europe. However, students can only apply for this assistance if the prospective institution provides courses that meet Dutch quality standards. Another example of reform is a new loan program specifically for tuition fees. Finally, the amount of time beneficiaries will have to repay their loan will be expanded from 15 to 25 years.

While the government has shown some interest in moving higher education into a more market-oriented system, there is definite tension in the country on this matter. Privatization will remain a lesser factor in the Netherlands as long as Dutch citizens believe they have a right to government-supported higher education.

II. Problems Created by Privatization and Their Solutions

The preceding text illustrates how different countries may follow quite different paths regarding privatization of higher education. Brazil has many private institutions in its higher education system; the government acknowledges and supports these institutions but strongly resists any other form of privatization, particularly at state institutions. Mongolia has followed a market-driven approach, with minimal government control and diminished involvement with the public sector, as well as full transfer of institutions from state to private ownership. In Ukraine, a wide range of privatization forms have emerged, but the government maintains tight control over both state and private institutions, and intends to increase state financing for public institutions. In the Netherlands, as in most developed European countries, the private sector plays a negligible role. The state gives significant autonomy to higher education institutions but sets tuition fees for government-funded institutions and elaborates a vast and effective student financial aid scheme.

However, beyond their differences, the four countries share similar concerns about the impact of privatization on the quality of higher education. These concerns are especially apparent with regard to the growth of private for-profit institutions in Brazil, Mongolia, and Ukraine, where the operations of these institutions are threatening the quality of teaching and research. Also, the introduction of tuition fees raises the issue of higher education affordability and the fair distribution of financial aid among public and private sector students. Furthermore, public funding cuts in the four countries have led institutions to rely on other sources of funding, among them entrepreneurial activities.

The following section describes some common problems with privatization and suggests appropriate policies to resolve them. It focuses on three overarching issues related to privatization in the higher education sector: (1) financial support for students, (2) the overall quality of institutions, and (3) the entrepreneurial activities of universities.

Financial Support for Students in Private Institutions

The development of private higher education and the introduction of cost-sharing at state institutions in many countries have led to an unprecedented increase in the number of students who have to pay their own tuition, as well as other costs of higher education. About 50 percent of students in Ukraine, 73 percent of students in Brazil, and most students in Mongolia pay for their higher education.[57] Student financial aid in these countries has been disproportionately granted to students studying at state institutions. These students are eligible for tuition waivers, state scholarships, grants, state-subsidized loans, and other types of support. Meanwhile, students in private institutions are often left on their own, irrespective of their academic abilities or ability to pay. Ironically, research in the United States has shown that the family income of students at public institutions is higher than the income of students attending private ones.[58] The same is likely true at institutions in Brazil, Mongolia, and Ukraine. Students who attend private institutions in these countries tend to come from poorer backgrounds. Their parents could not provide them with the educational opportunities more affluent students received during their secondary school years—the best schools, tutors, facilities, technology access, etc. So, even without corruption in the university entrance process (which is common in Ukraine),

[57] Ministry of Education and Science Minutes #3/1-4, 2007; A. Sodnomtseren, "Financing Public Higher Education Institutions in Mongolia."2002. Available at www.policy.hu/sodnomtseren/myproject.html.

[58] Jamil Salmi and Arthur Hauptman, "Innovations in Tertiary Education Financing: A Comparative Evaluation of Allocation Mechanisms," working paper, World Bank, September 2006, n.4.

they are less able to compete for publicly financed places at prestigious state institutions. The situation is aggravated by increases in tuition fees.

In many other countries in transition, as well as in developing countries, the government is reluctant to provide any direct help to the private sector, because it is trying to protect the public sector from market competition or protect unwise consumers from private institutions of low quality, or because it considers private universities pure business entities that require no government regulation or support. However, equity considerations (low-income students having to pay for their own education and paying the taxes that support education for middle- and high-income students) and the argument that higher education is a social good may persuade policymakers of the need to support students at private for-profit or non-profit institutions. Also, given the limited state funds in most countries, it is essential for policymakers to find efficient solutions for growing enrollment.

Solutions

The following solutions can be adopted in this situation:

1. Government policies can encourage private institutions to provide scholarships and/or to participate in a national scholarship/loan program. An example is the federal scholarship/loan program in Brazil—PROUNI—which addresses the needs of undergraduate students from low-income families in the private sector. Participating institutions are motivated by the tax discount they receive.

   The mechanisms of such programs can vary: They may be fully state-funded programs, in which the state contributes matching funding to institutions' allocations for scholarships and loans, or simply an agreement by the state to allow a certain percentage of the tax paid by the institution be spent on targeted financial aid to its students.

   Such programs require budget appropriations on the part of the state. At the same time, the state acquires more mechanisms of quality and financial control over private institutions. Thus, there might be a restriction that only high-quality institutions may participate in a program. However, some private institutions may not be willing to participate if it means greater state interference and the administrative burden of operating the program. This is the case in Ukraine, for example, where private institutions are not rushing to join the state-sponsored student loan program because they will be accountable for administering the loans and their financial activity will have to be more transparent. The Brazilian program has been criticized for a lack of attention to the quality issue; no mechanisms exist to restrict the participation of lower quality institutions.

2. The state can encourage the establishment of private scholarships. This requires the creation of a favorable tax environment for individuals and companies that donate money for educational purposes. Such policies exist in the United States; they allow thousands of NGOs to raise billions of dollars in donations. These policies improve student financing at private institutions and increase the general financial stability of both state and private institutions.

   However, the ability to benefit from such policies requires fund-raising expertise on the part of the institutions, and this is a new area for most of them, especially those in the postcommunist countries. Also, institutions should be determined to make student financial aid their first spending priority. Government policy cannot control all these factors; rather, they can have a long-term effect: If the government creates fund-raising opportunities, institutions will start developing fund-raising strategies, priorities, and personnel. And from the government perspective, it is more efficient to create a tax environment that encourages private involvement in scholarships and grants than to invest directly in universities or financial aid.

3. Two other solutions to this problem require rather comprehensive changes to the systems of student financial aid and state financing of public institutions. Because tuition already exists in all private and many state institutions (as in Mongolia, Ukraine, and most other postcommunist countries),

it might be logical to introduce a universal tuition system with targeted student financial aid. Many countries have grant and loan programs for certain groups of students—low-income, disabled, gifted, or high-achieving. Eliminating the long-established system of state provision of free higher education is a more radical reform, which would require considerable political will, possible constitutional change, and preparation among the population and institutions.

4. One variation of a national student financial aid scheme is the voucher system, in which the money follows the student to the institution he or she enrolls in, whether state or private. In the Netherlands, "performance grants" are originated as loans but turn into partial or full grants if students perform well in their studies. Again, the population and higher education institutions would have to be prepared for this kind of reform. The voucher system promotes competition among institutions for students and money, which might have a strong impact on public universities. Since the financing of most state institutions depends on the number of students enrolled, the voucher system could undermine the financial stability of these institutions. To compensate for these risks, state institutions might increase tuition fees. Also, the introduction of such a system would mean the end of the government's preferential attitude toward state institutions: They would have to compete with private institutions on a level playing field. This suggests that even more privatization would occur in higher education. The advantages of the voucher system are more equitable, efficient, and transparent distribution of student financial aid; more responsible attitudes toward studying in the case of performance aid; and generally improved quality of education.

Among these options, the most narrowly targeted solution to the problem of student support at private institutions is the encouragement of private institution participation in national student loan and grant programs. The other proposed solutions involve more comprehensive policies and reforms, which would require more political effort and money to introduce. On the other hand, the comprehensive solutions would include a review of the country's student financial aid system and the financing of universities, and would probably result in more equitable, efficient, and transparent systems. The choice of a solution depends on the country's readiness to move toward more privatization in higher education.

Quality Issues in Private Institutions

The growth of the private sector has raised important questions about the quality of education and the role of the government. Recently, many countries—such as Brazil, Mongolia, and Ukraine—have implemented new national policy frameworks and quality mechanisms that are still in the process of evolution.

Accreditation

Accreditation is a viable option for ensuring quality across all institutions in a nation. It enables students to have access to similar quality institutions with similar educational standards. An accreditation system ensures a level playing field and can mitigate the problem of wealthy families having greater access to high-quality institutions.

All four countries face challenges in improving the quality of higher education. For Mongolia, one of the challenges is to encourage the private sector to participate in the quality assessment process. Because the institutional accreditation process has been conducted on a voluntary basis, only about half of all institutions are accredited—and less than half of private institutions. Fraud and corruption in the accreditation process is a big problem in several countries, such as Brazil and Ukraine.[59] It takes the form of bribes to obtain accreditation; distortion in the application of accreditation criteria; non-accredited institutions working under counterfeit certificates; diploma mills granting degrees to anyone who can pay; enrollment of students in unaccredited majors; and exceeding the number of students allowed by the license or accreditation certificate.

[59] An interview conducted with 43 administrators from five private schools revealed that licensing or accreditation required some form of bribery. Jacques Hallak and Murial Poisson, "Academic Fraud and Quality Assurance: Facing the Challenge of Internationalization of Higher Education," UNESCO, 2005.

Solutions

Governments can protect students from fraud in several ways.

1. They can encourage private institutions that do not have have a license or accreditation to obtain one. In Ukraine, institutions without a license and academic programs without accreditation are illegal and may not award a diploma. An institution must be licensed and must teach accredited programs or it will be closed down, and information about accreditation status must be readily available to prospective and current students from credible sources, such as a national newspaper or a constantly updated official list of institutions published on an easily accessible website. In addition to encouraging institutions to become accredited, the government can create disincentives for attending a non-accredited university. For example, in the United States and the Netherlands, students at non-accredited institutions are not eligible to receive federal financial aid.

2. To fight fraud and corruption, it is preferable to establish autonomous, non-government-affiliated quality assurance agencies. State agencies tend to be bureaucratic, biased against private institutions, and influenced by politics. Independent agencies with fair and transparent quality assurance criteria can be more efficient in identifying and curbing corrupt practices, especially in countries with a history of corruption.

3. If a government is hesitant to turn over the responsibility for quality assurance to an independent agency, it can establish a performance funding mechanism. With this mechanism, the government can reward or penalize institutional performance. Performance funding is typically used with state institutions, but it can be applied to the private sector as well—for example, by requiring institutional accreditation or certain quality standards before distributing student financial aid or research grants to private institutions.

Curriculum

The quality of the curriculum is a cause of concern in Brazil, Mongolia, and Ukraine. The typical debate involves the relevance of the curriculum to job market demands and how innovations in programs and curricula can be combined with high-quality teaching. In Mongolia, for example, the perception is that the higher education curriculum is excessively theoretical and only minimally connected to the job market. On the other hand, some faculty members are concerned that the curriculum could become so market-oriented that it would not give students a strong knowledge foundation.

In Brazil, program standards are lower in the private sector than in the public sector. In general, students from the lower middle class do not have a strong secondary education foundation and thus encounter difficulties in higher education. Because educating this group is essential for the job market, many institutions argue that they must reduce admissions and scholastic standards as well as graduation requirements so that students can finish their course of study.[60] Some institutions have been accused of essentially being paid for a diploma.

A similar situation occurs in Ukrainian private institutions.[61] Despite adequate faculty and infrastructure, watered-down curriculum requirements affect the performance of the whole system. If courses are too difficult for students' level of knowledge, but a private institution needs to keep students enrolled to generate revenue, the solution cannot lie in lowering course requirements, because the institution's reputation in the competitive market will suffer, along with its ability to attract new students.

Solutions

1. To address this situation, the government can organize task forces with representatives from professional organizations and associations, and public and private institutions to discuss curriculum reform and the adequacy of the curriculum. A good example of such an initiative

[60] Statistics show that 30 percent of students in the private sector give up in the middle of the course of study and that one reason is high education standards. (Edvaldo M. Boaventura, "A situação do ensino superior no Brazil," Universia News. May, 15 2004. Available at www.universia.com.br/html/noticia/noticia_clipping_bcjge.html.)

[61] International Center for Policy Studies (ICPS),"Ukraine Needs a New Educational Policy," ICPS Newsletter 6 (February 2007).

was the cooperation between the Brazilian Ministry of Education and the bar association in creating a new curriculum for law programs. Since 2003, the committee has created an assessment tool for all law programs. (Part of the reason for the success of the initiative is that the bar association has a strong reputation in the country.)

2. To ensure the quality of the curriculum, some governments prefer to establish uniform curriculum standards for all institutions. An important argument against a unified high-standard curriculum or evaluation is that such a policy does not consider student background. Is it fair to restrict access to higher education for disadvantaged students who failed to receive adequate preparation for higher education? The Netherlands has a policy of different requirements for institutions with different purposes. The universities and hogescholen have developed different approaches to quality, because they have different organizational structures and different missions. The variety of institutional types in the United States is another example of the principle of differentiation of standards, missions, targeted student populations, and quality.

3. One way to support a high standard of learning in such critical professions as law, medicine, and education is professional exams after graduation. These exams are independent of universities and government; they are created by professional bodies and objectively define the quality of education a student has received. They restrict the entrance of unqualified graduates to the profession, thus maintaining standards of quality and trust in the profession.

Faculty quality

Faculty working conditions in the private sector have a negative effect on teaching innovation and course flexibility. In general, faculty receive low salaries and little encouragement

BOX 3

College textbook availability in Mongolia

One of the prerequisites for equitable and accessible higher education is the establishment of a system to provide college textbooks and learning materials that are affordable for every student. Some developing countries do not have such a system. In particular, private institutions are likely to have a limited supply of textbooks available for their students.[62]

This situation is relatively common in Mongolian private higher education institutions. Because these institutions are new, their library resources are quite limited; for example, the average number of library books per student is 29.[63] In addition, most of the titles in these libraries are outdated and do not satisfy current educational demands. Only a few private colleges have online catalogs and library websites, and there is no system of providing books through college book stores. Students are not assigned much additional or supplementary reading; their primary source of reading is their own lecture notes. Owing to language barriers, they are limited in their ability to use online materials. The government has no policies for providing textbooks for college students.

The following are some actions the government can take to solve for this problem:

- Enact policies to promote the college textbook publishing industry on a competitive basis without promoting an expensive textbook publishing system.
- Require private schools to establish a system of textbook provision for students.
- Require every higher education institution to form an academic review board to consider textbook provision policies.
- Promote the translation of foreign editions of textbooks.
- Encourage institutions—especially small ones that cannot afford big libraries—to cooperate in forming book-sharing networks.

62 Ministry of Education, Culture and Science of Mongolia (MECS), Higher Education Sector Study (Ulaanbaatar: MECS, 2005), 80.
63 Ibid., 82.

to conduct research or develop innovative teaching methods. In Brazil, for example, it is common for a professor to have two or three jobs, which does not leave much time for class preparation or responding to students' needs, backgrounds, or learning styles. Sometimes professors even use the same syllabus or the same exercises for different courses.[64]

In Mongolia, there has been an increase in the number of instructors who work part time in a public institution and part time in a private institution. Full-time contracts are more common in the public sector, but many of these faculty members also work part time in private institutions. As in Brazil, private institutions in Mongolia employ a minimal number of faculty on a full-time basis. As a result, the quality of teaching has deteriorated.[65]

The situation in Ukraine is similar, with an additional twist. The national accreditation committee demands that a specific, high percentage of faculty must have a PhD or postdoctoral degree. Few teachers hold this degree, and obtaining it is a long and difficult process. Private institutions in particular have a hard time attracting high-quality faculty because of limited resources and meager benefits compared to those at state-run institutions. Many private institutions hire "paper professors"—they pay PhDs for permission to add their names to the list of faculty members, although relatively few of these PhDs actually teach courses at the private institutions.[66]

Solutions

1. To improve this situation, it is necessary to improve the quality assurance system as a whole. Autonomous, non-government accrediting bodies can reduce fraud and corruption through a process of external institutional evaluation. Consistent, systematic, and transparent accreditation policies will help the evaluation process evolve. In Brazil, for example, an evaluation process began in 1995 but changed course completely in 2003; in this situation, policy changes breed instability and distrust, and keep authorities from measuring institutional changes over time.

2. Self-evaluation and external peer review are equally important aspects of the evaluation process. In the United States, self-evaluation is part of institutional culture. Initially, it was motivated by standards set by independent accreditation agencies. Today, regular self-evaluation influences all aspects of U.S. universities' functioning and is regarded as a critical factor for succeeding in the competitive education market. Institutions in Brazil, Mongolia, and Ukraine are not yet accustomed to internal quality control; however, even if government demands do not force change, market competition will make it clear that improving quality improves the odds that an institution will survive and succeed.

3. Private institutions must learn to attract the best faculty and compete with the state in providing good working conditions and benefits. Institutional management should include a well-thought-out personnel policy; if it does not invest in the faculty, an institution cannot hope to provide a high-quality education.

Entrepreneurial Activities of Universities

Most universities in the world, whether private or public, engage in various kinds and levels of entrepreneurial activities, including intensive cooperation with businesses, private investors, and banks. Over recent years, statistics for most members of the Organization for Economic Cooperation and Development (OECD) partner economies show a clear increase in the share of private funding to higher education institutions, including subsidies attributable to payments from public sources of tertiary education.[67] On average, private expenditure on tertiary education increased 176 percent between 1995 and 2004 in OECD countries.[68]

Part of this increase reflects an increase in cooperation between universities and the private sector worldwide. While the incentives and impacts of entrepreneurial activities differ considerably depending on the type of institution, there are clear benefits to the institutions, including the following:

- An increase in resources and funds for research, teaching, and other university needs.

- Stimulation of innovation and the creation of a more demand-driven environment.

- An awareness of new areas and economic, scientific, and technological opportunities gleaned through the global perspective and flexibility of the private sector.[69]

- Learning opportunities for students and professors in real-life, hands-on research, consulting, and production activities.

However, entrepreneurial activities can also pose potential dangers for universities. For example:

1. *Diminished state control of the education and research priority setting.* In this situation, important policy areas can be overlooked or ignored. In countries such as Brazil,

[64] Antonio Wilson Paggotti and Sueli Assis de Godoy Paggotti, "O ensino superior no Brasil entre o publico e o privado." 24a. Annual Meeting of the National Association of the Graduation and Research in Education (ANPED), October 7-11, 2001. Available at www.anped.org.br/reunioes/24/T1121929591501.doc.

[65] Regsuren Bat-Erdene, "The Academic Profession at the Crossroads: Opportunities and Challenges," presentation at the Regional Research Seminar for Asia and Pacific UNESCO Forum on Higher Education. Research and Knowledge, Kyiv, September 17, 2007.

[66] Ivan Vakarchuyk, minister of education and science, "On the Results of the Check-ups of the Administration of Licensing, Accreditation and Notification of MON and SAA in 2007-2008," report at the meeting of the State Accreditation Agency, November 4, 2008. Retrieved from www.mon.gov.ua on November 11, 2008.

[67] OECD, "Education at a Glance 2007," 221. Available at www.oecd.org/dataoecd/27/54/39254904.xls.k

[68] Ibid., 208.

[69] For example, the Technical University of Delft in the Netherlands works with companies such as Boeing (to develop improved airplanes) and Shell (to develop cars that run on durable and clean fuels). See press releases on www.tudelft.nl for June 16 and October 19, 2004.

India, and Mexico, education is critical for the development of other government policies and the development of the country. In Brazil, for example, the government controls two important funds for research and development. It uses these funds to prioritize and invest in areas it considers important for the development of the nation.

As universities collaborate more and more with private parties, their financial reliance on these parties increases. This is especially true for private institutions. Public institutions rely on government funding, but private institutions depend primarily on tuition fees, which makes them more financially vulnerable and potentially dependent on income from entrepreneurial activities. This dependency can increasingly be seen in curricula and research priorities. When institutions depend less on the government for funding, state authorities lose their power to direct national education policy.

2. *Illegal entrepreneurial activities.* In some countries in transition and developing countries where misuse of public funding or illegal tax avoidance is a common practice, the value of entrepreneurial activities in higher education may be undermined by corruption. In Ukraine, for example, the Ministry of Education produced an elaborate list of various business activities in which public universities may be involved. Basic entrepreneurial activity is encouraged, on the condition that it has an educational purpose. However, the profit from these activities sometimes ends up in someone's purse. In addition, the definition of a service or entrepreneurial activity for which the university may charge money can be loosely interpreted by the institution. In some cases, public universities have charged for services that are supposed to be free; for example, retaking an examination or filing an entrance application. Corruption at private institutions is often connected to the fact that they must pay high taxes for their activities and high fees for licensing and accreditation. To mitigate the effects of a tough tax environment, institutions may conceal their real income and commit other fraudulent acts; for example, admitting more students than their accreditation certificate permits or distorting information about faculty salaries.

3. *Neglect of basic university functions.* The twin goals of higher education are to teach students and conduct research. In the modern research-driven society, teaching is assuming a secondary role. This situation undermines the quality of undergraduate education and does not meet the expectations of students, parents, or alumni regarding the essential university experience. One study expressed concern that "academic technology transfer and academic entrepreneurship encompass some of the most difficult ethical and practical pitfalls that universities have ever had to face and have still to learn to cope with."[70]

   Research has always been a part of university culture, but many people would say that the cost, complexity, and multidisciplinary nature of research today require full-time attention from faculty and university management. One institution cannot be expected to be equally devoted to high-level research, teaching, technology transfer, and business activity.[71] Dissemination of research results is an essential university mission; however, the profit motive can interfere with a researcher's autonomy, "forcing monetary and monopoly concerns to overshadow the quest for ideas and technological advancements."[72]

4. *Limited and profit-oriented research*. Universities engage in entrepreneurial activities for various reasons, but the concept and activities of entrepreneurship are primarily aimed at generating a financial profit. When a university collaborates with the private sector, there is a risk that research may be limited to the development of products that offer only economic gain, rather than a combination of scientific, social, economic, and human gain. A related problem is intellectual property ownership. Who owns the copyright or the patent for an invention—the faculty, the university, or the partner industrial or government agent?

[70] Z. Tadmor, "The Triad Research University or a Post-20th-Century Research University Model," *Higher Education Policy* 19 (2006): 287–98. Available at www.palgrave-journals.com/hep/journal/v19/n3/full/8300125a.html

[71] Ibid.

[72] B. Weiss, "Technology Transfer from the Ivory Tower to the Marketplace," *Educome Review* 31(5) (September 1996). Available at www.educause.edu/pub/er/review/reviewArticles/31539.html.

5. *Education used as an economic instrument.* There is a general tendency in many countries, including the Netherlands, to see education more and more as an economic instrument rather than a profound investment in human capital. Viewing education simply as a commodity can affect its quality and equal accessibility to various groups.

Solutions

If a higher education institution is going to engage in entrepreneurial activities, a number of conditions and policies should be in place.

1. One important measure is to create transparent monitoring systems within the regular quality assurance schemes. In Ukraine, the Ministry of Education has a hotline through which students and staff can report fraud. In the Netherlands, the Inspectorate for Education and the national accreditation organization launched a pilot program that adds financial experts to quality monitoring teams, so they can conduct audits when necessary during regular visits to institutions.[73]

2. Another way to help institutions collaborate successfully with private parties is to provide guidelines with clear definitions and procedures to avoid the misuse of public funding. These guidelines could be developed by government in cooperation with organizations, agencies and other representatives of higher education, both public and private.

3. Policymakers can create a clear financing scheme that defines when and how public funds can be used for entrepreneurial activities and how the profits may be used.

4. The government should provide a formal process for students and faculty to participate in decisions about entrepreneurial partnerships and collaboration, and should regularly monitor and evaluate their input.

These kinds of solutions require closer cooperation among government ministries. For example, the Netherlands created an interministerial project team, Knowledge and Innovation, between the Ministry of Education, Culture and Science and the Ministry of Economic Affairs.[74] The staff includes policymakers and analysts from both ministries whose primary goal is to coordinate government activity among all the different agencies in this area. The ministries must learn to cooperate more constructively in order to create long-term policies that complement and strengthen each other.

[73] Interview with Brigitte Lenz of the Onderwijsinspectie, late January 2008.

[74] See: www.ez.nl/Onderwerpen/Meer_innovatie/Nederland_Ondernemend_Innovatieland (in Dutch).

Conclusions

Privatization is an important phenomenon in higher education development in the 21st century. All four countries examined in this paper have experienced movement toward privatization, although to different degrees. The analysis of the four countries suggests some answers to the questions asked at the beginning of the paper.

Should the government or other educational authorities be involved in regulating privatization processes in higher education, or should they create a quasi-market environment and leave the regulation to market forces? Some governments (Brazil, Ukraine) are actively involved in the regulation of privatization; others (the Netherlands) provide some autonomy for higher education institutions and independent agencies to regulate their activities, and still others (Mongolia) leave regulation to the market. There are positive examples of all three approaches, as well as situations where too tight or too loose government control is a problem, as in the developing countries. Close government supervision can interfere with the development of institutions, whether public or private, and create unnecessary bureaucracy, corruption, and fraud. The quality that the government has tried to maintain by preserving tight control, in fact, deteriorates. But a complete lack of government control over higher education privatization does not promote quality either. Some positive examples of privatization exist in developing countries; the IFE in Mongolia, for example, operates under a fair, transparent, and efficient scheme. The middle road of institutional autonomy and self-regulation, as well as quality control through independent agencies or professional bodies, seems to produce the best results. Indirect government control—through performance funding, student financial aid, voucher schemes, and research funding competitions—contributes to a harmonious higher education environment and levels the playing field for private and public institutions, benefiting all participants of higher education process.

If the government should be involved in regulating privatization, to what extent is this involvement justified; that is, how much and what sort of regulation is necessary for different types of privatization? The evolution of privatization in various countries reveals a number of pitfalls as well as successful practices. Interestingly, the examination of the major features and forms of privatization in various parts of the world shows that regardless of their different histories, countries face similar problems. The most widespread forms of privatization in developing and postcommunist countries are private higher education institutions—with a particular focus on proprietary institutions—and cost-recovery mechanisms: tuition and fees, and student loans. Proprietary higher education does not play a significant role in developed European countries such as the Netherlands; however, this country has a long tradition of student financial aid. In the four countries examined, as state budgets have declined, the entrepreneurial activities of institutions have increased.

Government policies and attitudes toward privatization differ from country to country. Thus, in Brazil, the government intends to continue strong support of public institutions, although the first signs of cost-recovery have appeared (fees in master's-level courses). At the same time, there is a generous effort to support students at private institutions, because the government recognizes the importance of private institutions for providing wider access to higher education. In Mongolia, the government is determined to reduce its involvement in financing higher education and achieve full privatization by transferring public institutions over to the ownership and management of groups of individuals or management teams. The Netherlands maintains its traditional strong government support and financing of public higher education, and privatization plays a negligible role. Finally, in Ukraine, the government says it wants to increase support for public institutions, but significant cost-recovery mechanisms—tuition and loans—are in place. It offers minimal fiscal or regulatory support for private institutions.

The most common problems connected with privatization appear to be education quality and student financial aid issues. Government support, especially fiscal support (such as public tax exemptions) or grants and scholarship for students, needs to include mechanisms to ensure a high level of quality. However, in many cases, private institutions and the entrepreneurial activities of institutions are associated with a lower quality of teaching, curriculum, textbooks, and educational outcomes in general. Quality assurance policies have been implemented slowly and, in many cases, without much impact on private institutions. A high degree of state centralization in some countries, such as Brazil and Ukraine, has institutionalized negative strategies such as fraud. An effective quality assurance system must balance academic autonomy, accountability, and transparency. The Netherlands demonstrates the strong impact autonomous and independent agencies can have on the monitoring and evaluation of quality. In Brazil, a collaborative effort by a professional association, the government, and higher education institutions successfully reformed the curriculum to better align with the job market.

The spread of private institutions and cost-recovery mechanisms has highlighted the problem of inadequate student financial support, which is closely related to the issue of accessibility and affordability of higher education. The University for All program in Brazil and the State Training Fund in Mongolia are examples of alternative forms of student financial support, especially for students from low-income families. Such targeted policies are essential for the expansion of access for disadvantaged groups. The paradox is that private institutions in Brazil and Ukraine have resisted joining state programs if their participation means more state control of their financial activities.

In general, should the government encourage or discourage privatization in higher education? Should it support some of forms and curb the development of others? Are there "good" or "bad" forms of privatization?
The privatization process in higher education seems to take on a more conservative (Brazil) or liberal (Ukraine, Mongolia) character, depending on whether privatization is encouraged or discouraged in the economy as a whole. National politics and the views of leaders influence higher education to a greater or lesser extent. The appearance and spread of private institutions does not require much political will beyond the economic and political liberalization of society, but the introduction of partial cost-recovery through tuition and fees, student loans, and entrepreneurial activities at public institutions is more heavily influenced by politics.

In many countries, free education is (or used to be) guaranteed by the constitution, and strong state support for public higher education is a priority. But increasing enrollment, the inability of many governments to properly support higher education, and the search for efficient solutions to financial problems have influenced some states to decrease their support or even rewrite their constitutions.

The next step, perhaps, is universal tuition. The requirement to pay a fee for one's higher education (which can be fully or partially discounted by targeted need- or merit-based financial aid) is equitable if it is applied to everyone. Currently, financial aid is often targeted to selected groups, usually students from high-income families or those who are studying at state institutions. This is the case in Brazil, Mongolia, and Ukraine. Universal tuition may be more efficient and promote greater student responsibility for study. However, in many developing (Brazil), postcommunist (Mongolia, Ukraine), and developed European countries (the Netherlands), a politician who promotes such an idea risks his or her political career. In these countries, both the state and society are still attached to the idea of free higher education, and any change would require a serious effort to modify people's views on the issue.

Although countries differ in the extent of privatization of higher education, it occurs in all of them. Globally, the private sector is expanding in this area. As education becomes more costly, universities will continue to look for best practices to inform policy decisions. Continued research on how privatization can be implemented is necessary to ensure that the higher education system is well informed about methods that work and those that leave room for corruption and fraud. The discussion should continue with the awareness that whatever benefits students will also benefit the country and the world.

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