

Trends in Global Higher Education *... the changing landscape*

Presentation to
IFC International Investment Forum for Private Higher Education
2nd & 3rd February 2006

Ron Perkinson
Principal Education Specialist
International Finance Corporation
www.ifc.org



The Global Education Market

- **Total \$2.3 trillion+**
 - total public expenditures
 - current private expenditures only
 - approx one third of market in USA
 - around 15% only in the developing world
- **Tertiary & Adult Education**
 - changing landscape
 - growth in financing from non-state sources
 - regulatory - governments becoming more liberalized
 - private sector participation growing

Higher Education Worldwide

- Yr 2000 – there were over 90 million students enrolled in higher education worldwide
- By 2003 est. over 100 million students worldwide
 - approx 4 m of the 11%+ inc. was in China alone
 - China added another 7 million by 2005
- 2005 est. is over 110 million students worldwide
- The Private higher education market is estimated to be worth more than \$350 billion worldwide on current expenditures alone – and growing

Higher Education – ‘the perfect storm’

... the six converging forces of change

- The increasing importance of knowledge
- The change in demographics
- Decline in public financing – sourcing alternative financing
- The further impact of globalization
- The continued impact of internationalization
- The continuing Information & Communications Technologies revolution

**Growing Demographics
&
Fiscal Pressures Ahead
for Higher Education**

World Population Growth

Year	Population	Time Per Billion
Yr 1	250 m	–
1800	1 b	1800 yrs
1930	2 b	130 yrs
1960	3 b	30 yrs
1975	4 b	15 yrs
1988	5 b	13 yrs
2001	6 b	13 yrs
2012 *	7 b	11 yrs

Source: "6 Billion Human Beings:" - Musée de l'Homme Muséum National d'Histoire Naturelle, Paris –France;

* = World Bank/IFC



Increasing Demographics

Indonesia

- Population 238 million
- Only 10% Gross Enrollment in higher education
- Today's 3 million students in higher education are 900,000 (32%) public and 2.1 million (68%) private
- In 2004 there were 344,000 applicants for 80,000 places in state universities
- nearly 2m high school graduates in 2004 - demand increasing

Malaysia

- 60% of population under 30 years of age
- Only 10% of 18 to 24 yr olds enrolled in universities, plus another 24% enrolled in tertiary non-university
- 30% of population still in school

Increasing Demographics

Vietnam

- Population 81 million - 120 million by 2030
- 65% of population under 30 yrs
- approaching 10% GER in higher education
- approx 1.2 m school leavers for only 100,000 university places

China

- 20 million students enrolled in 2004, now the largest college-student population in the world
- expecting 25 million by 2010 / and 30 million by 2020
- 4.2 million freshmen (or 60%) accepted for 2004/05 - double of 1998

Financing of Higher Education

- Today OECD spend 6.1% of their GDP on education, of which around one third only is devoted to higher education (reducing)
- In countries like Australia, Japan, the US and Sth Korea, more than 50% of funding of higher education today comes from non-state sources
- In China today, at least 40% of the income for public universities comes from non-state sources
- Higher education systems globally are having to adapt to fiscal realities – HEI's will become more reliant on future financing from non-state sources

World Bank Group

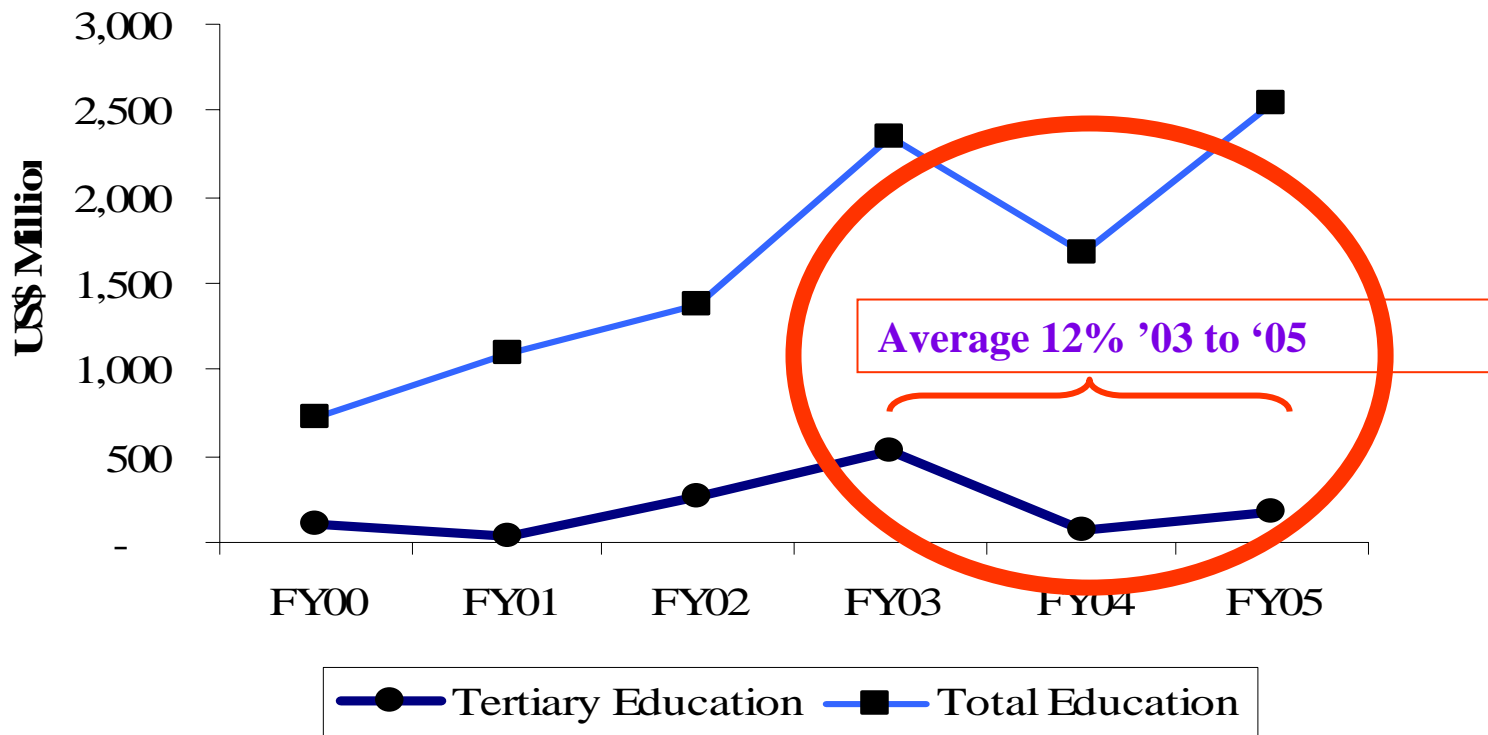
4 decades of education lending

Category - Fiscal Year By Education Level	Percent					
	63 - 69	70 - 79	80 - 89	90 - 99	00 - 02	
Primary Education	2	13	19	38	50	} 65%
Secondary Education	52	19	8	15	15	
Vocational post- secondary education	24	33	27	9	7	} 22%
Tertiary education <i>including teacher training</i>	20	30	43	25	15	
Other education *	2	5	3	13	13	

* = Projects supporting more than one level of education or projects such as those supporting lifelong learning that do not fit well into one of the other categories

Between 2003 to 2005 – the % of lending for higher education declines further

World Bank Lending for Tertiary Education FY00-05



Funding Comparatives

... the most populous examples

	India	China	S&E Asia*	LAC	UK	USA
Total Population approx	1000	1260	600	520	60	280
Public Expenditure on Education (\$B)	16	45	18	94	72	480
% Global Budget	0.7%	2.0%	0.8%	4.2%	3.2%	22%
Per 10 million Population	0.16b	\$0.36b	\$0.3b	\$1.8b	\$12b	\$17b

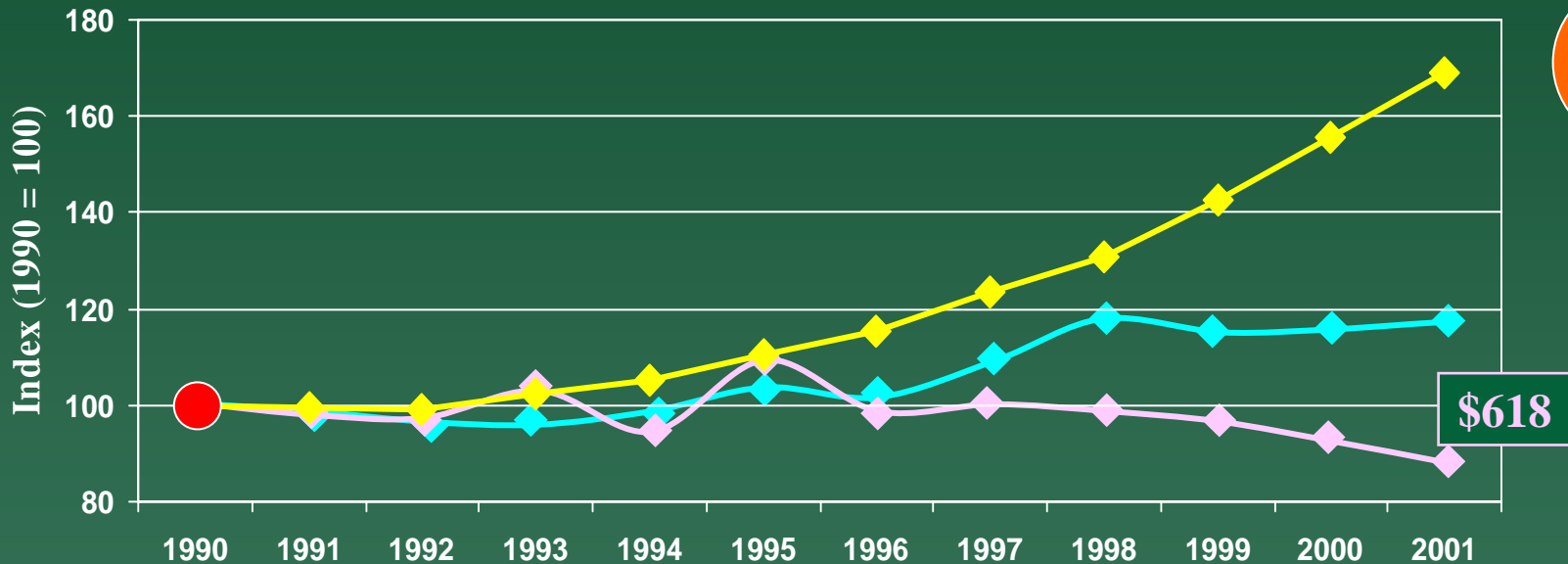
Sources: UNESCO 1999 & 2000; World Bank 2001; US Department of Education 2001; Department of Education & Skills UK, 2002; China National Center for Education, 2002/3; OECD 2002

* All Sth & East Asian countries without China & India



Tertiary Education in 40 Developing Countries

- ◆ Tertiary Enrolments, % Total Enrolments
- ◆ Public Spending on Tertiary Ed, % Total Public Spending on Education
- ◆ Public Spending per Tertiary Student



OECD
\$7,712
2001

\$618

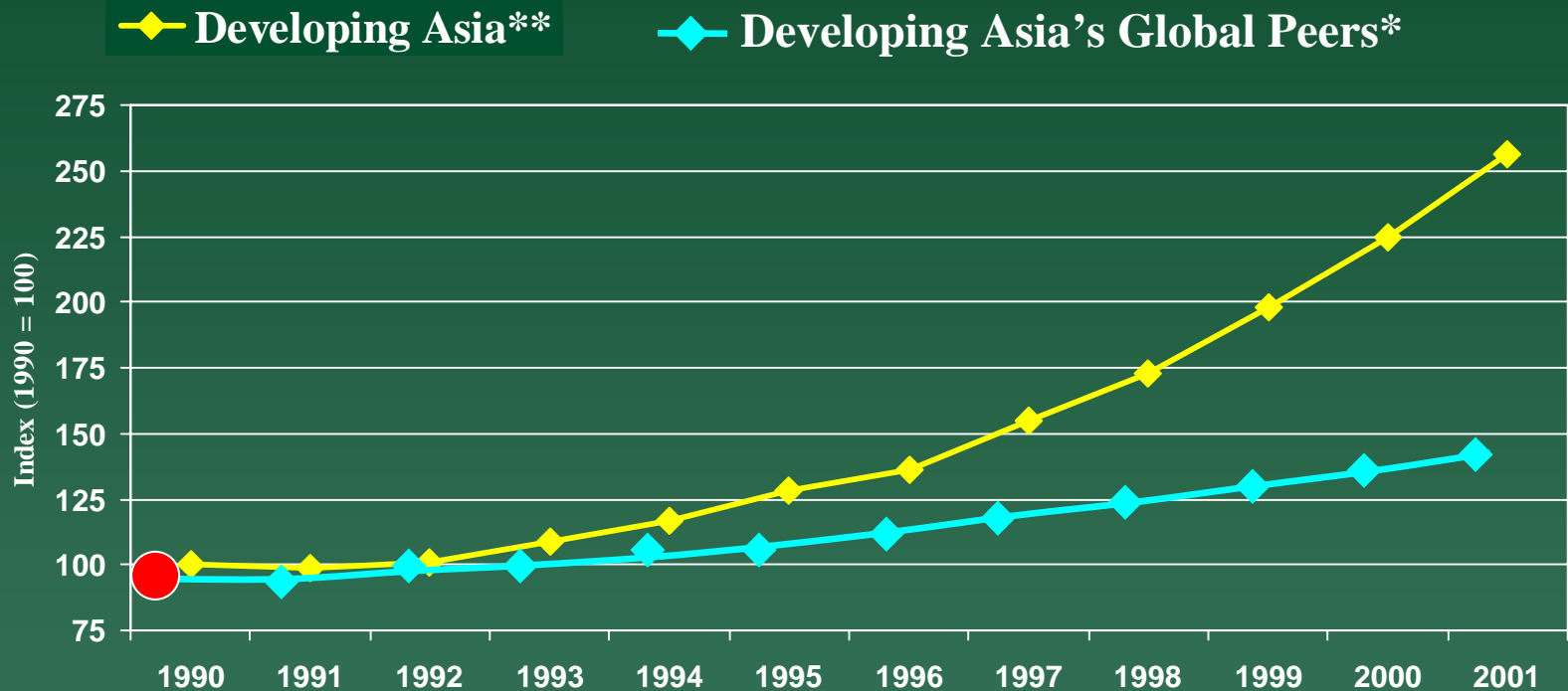
Sources: World Bank Development Indicators; World Bank Edstats; UNESCO Global Education Digest; OECD Education at a Glance; IFC calculations

*Developing 40 includes: Angola, Argentina, Bangladesh, Bolivia, Brazil, Bulgaria, Cambodia, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, Ghana, Guatemala, Hungary, India, Indonesia, Jamaica, Jordan, Kenya, Madagascar, Malaysia, Mauritius, Mexico, Mozambique, Pakistan, Peru, Philippines, Poland, Romania, Russia, Senegal, South Africa, Thailand, Trinidad & Tobago, Turkey, Uganda, Uruguay, and Vietnam

Note: All amounts are in constant 1995 US\$ Values



Enrollments – Tertiary Sector

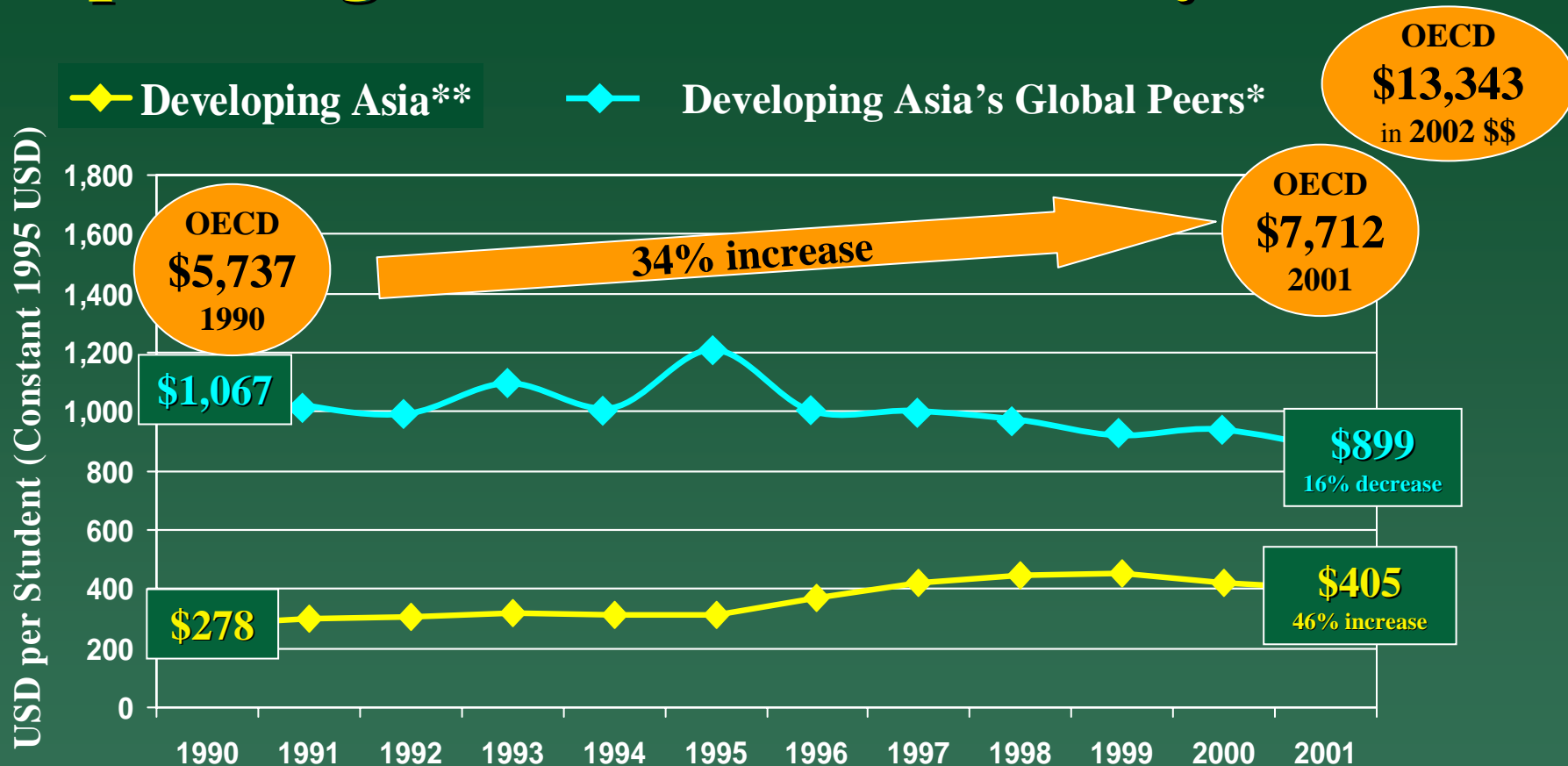


Sources: World Bank Development Indicators; World Bank Edstats; UNESCO Global Education Digest; OECD Education at a Glance; IFC calculations

**Developing Asia includes: Bangladesh, China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam

*32 Developing Country Sample includes: Angola, Argentina, Bolivia, Brazil, Bulgaria, Chile, Colombia, Dominican Republic, Ecuador, Egypt, Ghana, Guatemala, Hungary, Jamaica, Jordan, Kenya, Madagascar, Mauritius, Mexico, Mozambique, Pakistan, Peru, Poland, Romania, Russia, Senegal, South Africa, Trinidad & Tobago, Turkey, Uganda, and Uruguay

Spending Per Student – Tertiary Sector



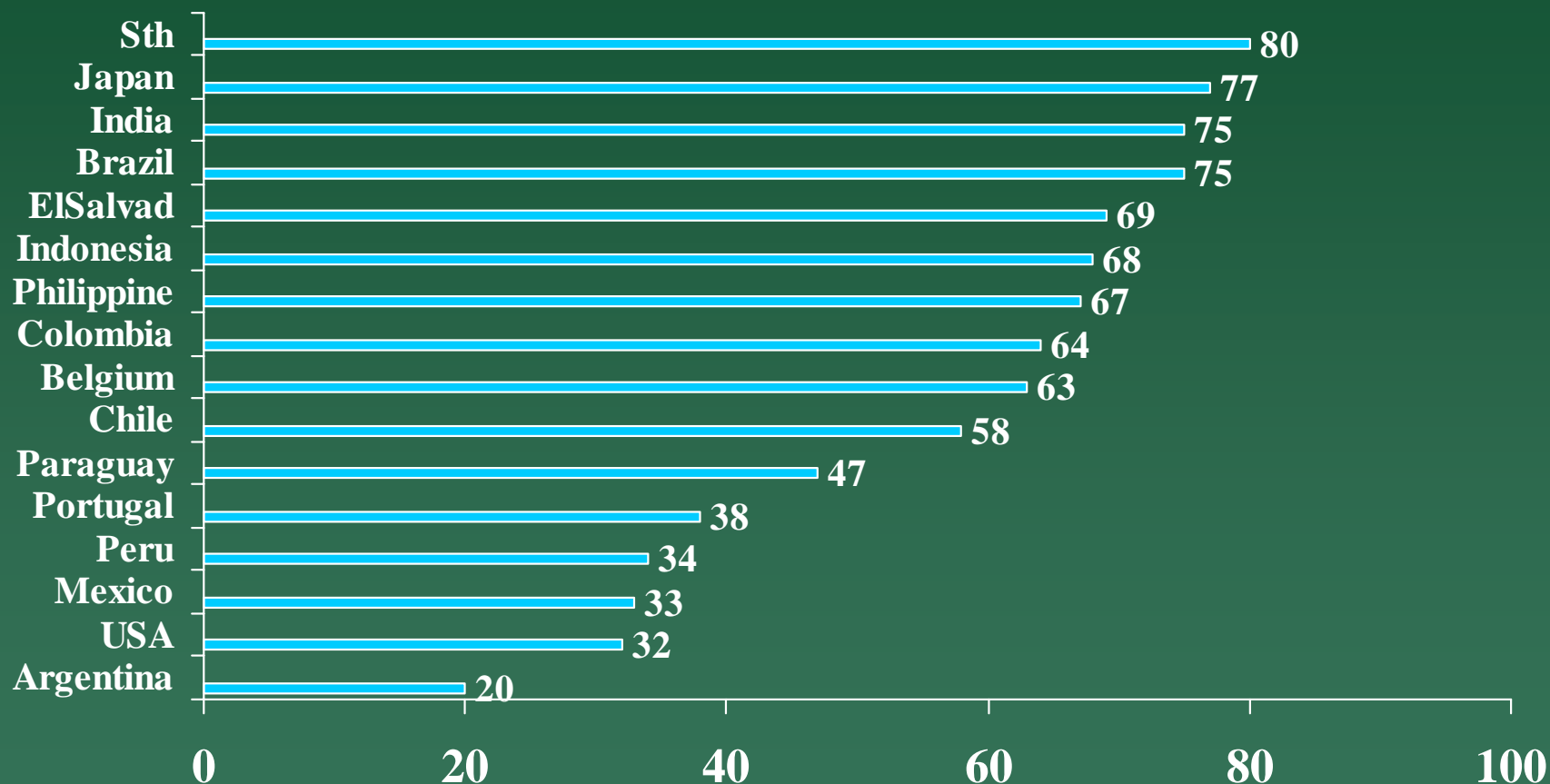
Sources: World Bank Development Indicators; World Bank Edstats; UNESCO Global Education Digest; OECD Education at a Glance, 2004; IFC calculations

**Developing Asia includes: Bangladesh, China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam

*Developing Asia's Global Peers include: Angola, Argentina, Bolivia, Brazil, Bulgaria, Chile, Colombia, Dominican Republic, Ecuador, Egypt, Ghana, Guatemala, Hungary, Jamaica, Jordan, Kenya, Madagascar, Mauritius, Mexico, Mozambique, Pakistan, Peru, Poland, Romania, Russia, Senegal, South Africa, Trinidad & Tobago, Turkey, Uganda, and Uruguay



Enrollment in Private Higher Education (as a % of total)



Sources: EdStats, World Bank; IFC; OECD; Government Statistics; Chile includes 9 publicly funded Private Catholic Universities, or 38% withoutt; Brazil - Chronicle 8 April, 2005 - Antonio Leonel da Cunha, Director of ProUni, Brazil

The Importance of Knowledge & Skills Literacy

- Knowledge is a key driver of economic development
- Rising labor productivity accounted for half of GDP per capita growth in most OECD countries between 1990 to 2000

Knowledge Drives Economic Development

... important impact comes from skills literacy

- Not just about putting more highly qualified people in to higher paying jobs
- Proven impact on economic development comes from increasing skills literacy – mid & higher level skills are not just about degrees – indications show quite the opposite (University of British Columbia ‘Literacy Survey’)
- New skills training & knowledge dissemination of economic relevance need to reach larger firms, private sector, SME’s, micro-enterprise, individuals and the unemployed to
 - reach traditional sectors (agriculture, small manufacturing, services, crafts, tourism, etc)
 - help economies be more productive and competitive
- More highly skilled workforce isn’t just for big firms and government
- Need to turn country’s human resources into strategic advantage

Source: University of British Columbia – ‘Literacy Survey – Ana Ferrer, David A. Green, and W. Craig Riddell - The International Adult Literacy Survey’ (IALS) was a 22-country initiative conducted between 1994 and 1998.
<http://www.statcan.ca/english/research/89-552-MIE/89-552-MIE2004012.pdf>



A Time for Lifelong Learners

Lifelong Learning is changing student profiles

- Over 50% of young people today in OECD countries will enter university programs during their lifetime - Adults with tertiary qualifications today exceed 40%
- Over 40% of undergraduates in US & 30% of Canada's undergraduate students are over 25 yrs
- Yr 2000 – over 20% of first year university students were over 27 yrs – in Australia, NZ, Denmark, Norway & Sweden
- Lifelong learning attracting new learners – more diversified – older and part time students

Singapore

... a system that accommodates life long learners

- 170 private tertiary providers with 119,000 students in 2003
- 35% of students were over 30yrs
- 30% were 25yrs to 29 yrs of age
- most were lifelong learners

Importance of TVET sectors

- more being recognized in formal systems of higher education

- Many OECD countries already foster TVET in formal systems of credentials & qualifications (Qualifications Frameworks help overcome ‘stigma’ issues)
- Growth in importance of Career Pathways
- Credit transfer now crossing state and national borders

Credit Based Higher Education

... study paths becoming more seamless and more flexible

Vietnam

- Ministry of Education has introduced credit based education and training for 2005/06 year – flexibility for students to earn credits towards degrees at their own pace – open timing improves affordability – caters for Lifelong Learners

Singapore

- Informatics “Through Train” Program
 - ‘O’ Levels (13 to 16 yr olds) through to post graduate programs

China

- CIBT fosters credit transfer with Korea and US institutions

India

- Aptech offers first 2 yrs of bachelor degree
 - transfers final provision to Manipal (Sikkim), University of Sunderland (UK) or Southern Cross University (Australia)

Are They New Competitors – or Strategic Partners?

Pearson - Edexcel

- International Higher National Diploma is offered in 89 countries
- many universities (public & private) recognize it as first 2 years of bachelor degree
- many private colleges operate as Edexcel exam/teaching centers in OECD countries
- 35 UK universities validate final 2 yrs of degree provision
- many are Career programs

Thomson - Education Direct

- Claim to be world's largest distance provider (student numbers not disclosed) – and are US accredited
- UK brand is *International Correspondence Schools*
- offers bachelor degrees and diplomas in Career programs

Globalization & Internationalization

Cross Border Investment since 2000

HEI Campuses In Foreign Countries

- Laureate Education Inc
- Apollo Group (WIU) in India, Holland and China;
- CIBT in China
- University of Nottingham & Napier University of Edinburgh in China;
- RMIT in Vietnam;
- Raffles Education (Singapore) in Australia, Malaysia, Hong Kong, India;
- Universitas 21 & University of New South Wales in Singapore;
- Manipal in Nepal, Malaysia, Antigua

Students Studying Abroad

- Yr 2003 - >2.1million foreign students studying abroad in OECD countries alone
 - over 2.5 million across the world
 - largest student numbers from China, India and SE Asia
- In 2004 USA dropped to 576,000 – or about 27% of OECD total
 - UK (14%) – Australia (13%) – Germany (12%) – France (8%)
 - New Zealand (5%) – most from developing countries
- China – > 60,000 foreign students in 2002 – of which approx 70% from Asia – 12% from Europe – 11% from the USA – & growing
- Russia – In 2001, 90,000 students – 40,000 from CIS countries – around 100,000 today
- Malaysia & South Africa - 37,000 students and 47,000 students (2003) respectively

International Students are Big Business

% of Service Exports

- 13% and 8% respectively of Australia and NZ's in Yr 2003
- 4.2% and 3.2%* respectively of US and UK's

International student preferences and destinations are changing

United Kingdom

- In 2004 overseas students grew to around 200,000, bringing in over £1.25 billion or \$2.4 billion in fees
 - China made up 25% of total foreign students
- International student numbers fell by 5.3% in 2005
- Reasons for reduction in Chinese students include:
 - the perceived improvement of institutional quality in China - more appealing to study at home
 - the Chinese labor market no longer putting such a large premium on foreign degrees
 - local and foreign qualifications, joint foreign degrees and local work experience counting for greater employability
 - increasing competition in Sth East Asia (Singapore)
 - ‘Certified’ training and LL/Lng programs growing in appeal

International student preferences and destinations are changing

United States

- The council of Graduate Schools reports 6% decline in international graduate student enrollment between 2003 and 2004
- The total international students studying in US higher education dropped 2.4% between 2003 and 2004
 - dropped from 30% (2003) to est. 27% (2005) of world total in just 12 months

International student preferences and destinations are changing

Australia (*on the rise*)

- Total International Students at all levels rose from 133,000 in 1999 - to 332,000 in 2005
 - more than 50% increase over 2 years
 - only OECD country to increase (+6%) in 2005
 - 210,000 are tertiary
- Predicting 560,000 foreign students by 2025 – double this number again in distance programs
- 30% of foreign enrollments in Aust. universities were distance
- 40% of foreign tertiary students in 2004 were post graduate

Australia – public / private Internationalization

- Australian offshore programs rose from just 25 in 1991 - to almost 1,600 in 2003 – most of them in Asia
- International students enrolled in Australian University offshore programs in 2003 exceeded 70,000 – more than 85% of these programs were in China, Hong Kong, Singapore & Malaysia
- Over 70% of the partnerships public Australian universities have developed with foreign HEI's - are with private universities and colleges, as well as with a small number of local PTE's.

Singapore

Internationalization

. . . growing 2 way relationships . . .

- There are 119,000 students in private tertiary institutions
 - 75% of them study in foreign joint/affiliate programs
- Over 50% of students in external diploma and degree programs were accredited by UK institutions
 - around 40% accredited by Australian institutions
- Between 1997 and 2000, enrolments in external programs grew by over 50% in private HEI's, compared to 19% in public HEI's
- In addition, 21,000 students study foreign programs at home, from a distance – compared to 18,000 students studying in off-shore HEI's

Other Asian Examples

Malaysia

- Five branch campuses of foreign universities
- Over 600 private colleges offer local and foreign qualifications

Hong Kong

- 150 foreign HEI's and 40 foreign professional institutes offered 645 courses in 2001, alone or with 12 local partners
- 50% of qualifications from UK & 30% from Australia

China

- 900% inc. in foreign joint programs between 1995 and 2003
- 721 joint programs in 2003 – the main partner countries were the US (154); Australia (146); Canada (74); Japan (58); Singapore (46); UK (40); France (24); Germany (14); South Korea (12)
- UK jumped from 40 (2003) to 160 joint programs in 2005

International student preferences and destinations are changing

- Greater competition from LAC, EU, Central America
- More options in Asia, for foreign Asian students
- Partial international study can satisfy cultural immersion needs
- Universities used to hold the high ground on their own
 - new systems of education, training and lifelong learning are offering more diverse programs of greater economic relevance
 - demand for greater choice of both tertiary university and tertiary non-university / TVET programs in the formal system of credentials and qualifications

TVET & The Parallel Training Universe

*growing demand, attractive returns,
inclusion in formal system important*

Australia

- In 2005
 - 210,000 foreign students were tertiary
 - includes formal sector TAFE / TVET programs
- In 2003
 - 18300 were VET / TAFE distance students studying from 24 countries
 - 10,000 were in China alone (includes joint VET programs)

Outsourcing Curriculum Development & Delivery

- NIIT & APTECH
 - to universities in US, Singapore and elsewhere

Resurgence of the Demand in Global IT Sector

- World wide jobs in the IT Industry around 6.7 million today
– predicted to be around 10.6 million by 2008
- Employers in Europe & US reporting shortages in some IT jobs
– eg. Systems Architecture, Biotechnology, Bioinformatics,
Nanotechnologies
- In Yr 2000, global I.T. companies (CISCO, Oracle, Microsoft, SUN, Novell) certified 1.6 million students worldwide with 2.4 million certificates in Information Technologies

Distance Education

- Tertiary distance education is 15% of all higher education students
- Of the 10 largest distance education institutions in the world, 7 are located in developing countries - and all use IT to assist delivery in some of their programs
- Asia had 3.5 m students in 2000 – since grown
- 30% of all tertiary courses in Russia are distance
- LAC has over 1 million tertiary distance education students
- E.A.D.T.U. – 18 members – 14 countries – > 900,000 students
- British Open University with over 210,000 students – also delivers in to developing countries
- Australia – over 50% of foreign students enrolled on Australian campuses from Singapore and Hong Kong, are distance

On-Line Education – steady growth

- US remains biggest adopter - 2.6 million students
 - 16% of over all enrolments in 2004, (24% increase over 2003)
 - approx 40% of these are fully on-line (18% increase)
 - 83% of all public universities have one or more courses on-line
- Estimate approaching 1m students on-line in China
 - Internet and Satellite – 68 universities approved by MoE in 2004
- Still few champions in developing countries
 - Regulatory, Access, Affordability Issues - and frequently Faculty (not students) can be main obstacles
- Use of on-line delivery in corporate training overtaking higher education usage in developing countries
 - driven significantly by US companies
 - est \$150 billion industry by 2025
 - major growth predicted in developing countries

Corporate Training

*growing demand puts increased pressure on
higher education*



ASTD State of the Industry Report 2004 “Use of Learning Technology”

1999 – 8.4%

2001 – 10.5%

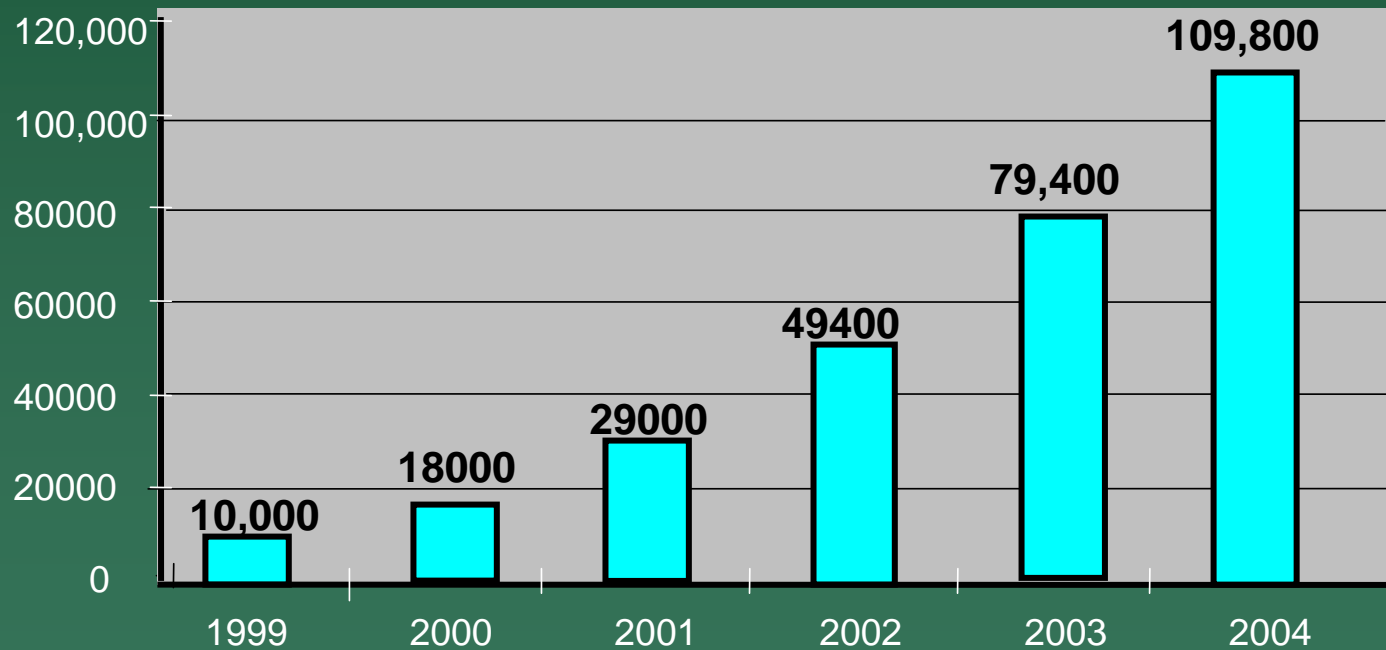
2003 – 23.6%

**16% of all higher
education students did
one or more of their
courses on-line in 2004**

University of Phoenix On-Line

- Average age 34 yrs
- Tuition typically \$30,750 per undergraduate degree
- 7000 faculty – 95% part time
- 65% graduation rate
- > 50% receive employer reimbursement
- Typical class size 11 – 13
- International students from 91 countries

Enrollment Growth



Future Outlook

Financing of education will tighten – **demographics** outweigh fiscal realities – growth in non-public financing

New business models – ‘Public going Private’ trend will grow

Knowledge societies and **lifelong learning** – important for economic development – more flexible mass & e-delivery
– new systems for education and training

Globalization and Internationalization – changing the future landscape of higher education, national and cross-border
– transferability of credits & qualifications, national & foreign
– optimizing Education/AID/Trade efforts & investments essential

ICT's and the Internet – optimizing use of new technologies
– models advancing quality-based mass education delivery



*There is nothing permanent . . .
except change!*

Heraclitus