

# International Higher Education

*“seizing the opportunity for innovation and international responsibility”*

**Presentation to**  
**‘Global 2’ Education Conference, Edinburgh**  
*7<sup>th</sup> & 8<sup>th</sup> December 2006*

**Ron Perkinson**

**Senior Vice President, Whitney International University System**  
**Formerly the Principal Education Specialist**  
**International Finance Corporation**  
**World Bank Group**



# Higher Education Worldwide

- In 2005 the global education market crossed the US\$2.5 trillion \* threshold
- Between 2003 and 2005 international students worldwide grew from 100 million to 115 million – little over half of this increase was in China alone
- The Private higher education market is estimated to be worth over \$400 billion worldwide – or only around 17% of estimated education sector spending

# **Growing Demographics & Fiscal Pressures Ahead**

# Increasing Demographics

## Indonesia

- Population 238 million
- Only 10% Gross Enrollment in higher education
- Indonesia's workforce expected to grow 14% by 2015

## 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

*Sources: Satryo Soemantri Brodjonegoro, Director General of Higher Education, Indonesia, 2004 – Presentation World Bank Group Conference, Kuala Lumpur, July 2004; Asian Development Bank, 2005; Malaysian Educational Statistics, 'Quick Facts 2003' – Ministry of Education, Malaysia:*

# Increasing Demographics

## Vietnam

- Population 81 million - 120 million by 2030
- 65% of population under 30 yrs
- Approaching 10% GER in higher education
- Approx 1.7 m school leavers for only 100,000 university places

## Pakistan

- Population 160 million
- 475,000 students in higher ed today
  - <3% GER in higher education
  - expect 1.3m (29% CAGR) by 2010
- Approaching 60% of population under 30 yrs
- Predicting 30% increase in workforce by 2015

# China - Estimated Enrollment Numbers by 2010 and 2020

- 23 million students enrolled in 2005 (now 20% GER)
- In the past 6 years the annual growth rate = 16%.
- If the annual growth rates slow down to 5%,
- Higher Education Enrollment would be -

**27,000,000** by 2010

**44,000,000** by 2020

How will China finance such predicted numbers?  
Alternative forms of financing will be necessary

# Financing of Higher Education

- Australia, Japan, US and Sth Korea - more than 50% of higher education funding comes from non-state sources
- All EU countries invest on average 1.2% of their GDP on higher education, compared with 2.6% in the US – recent reports recommend state-supported systems introducing tuition fees
- Higher education systems globally are having to adapt to fiscal realities – HEI's will become more reliant on future financing from non-state sources

*Sources: OECD Education at a Glance 2005; Theil, S. 2006, "Where the Future is a Dead End – Europe's Underfunded, Antiquated Education Systems Are Failing a New Generation," Published in Newsweek International, 12th June, 2006:*

# Funding Comparatives

*... the most populous examples*

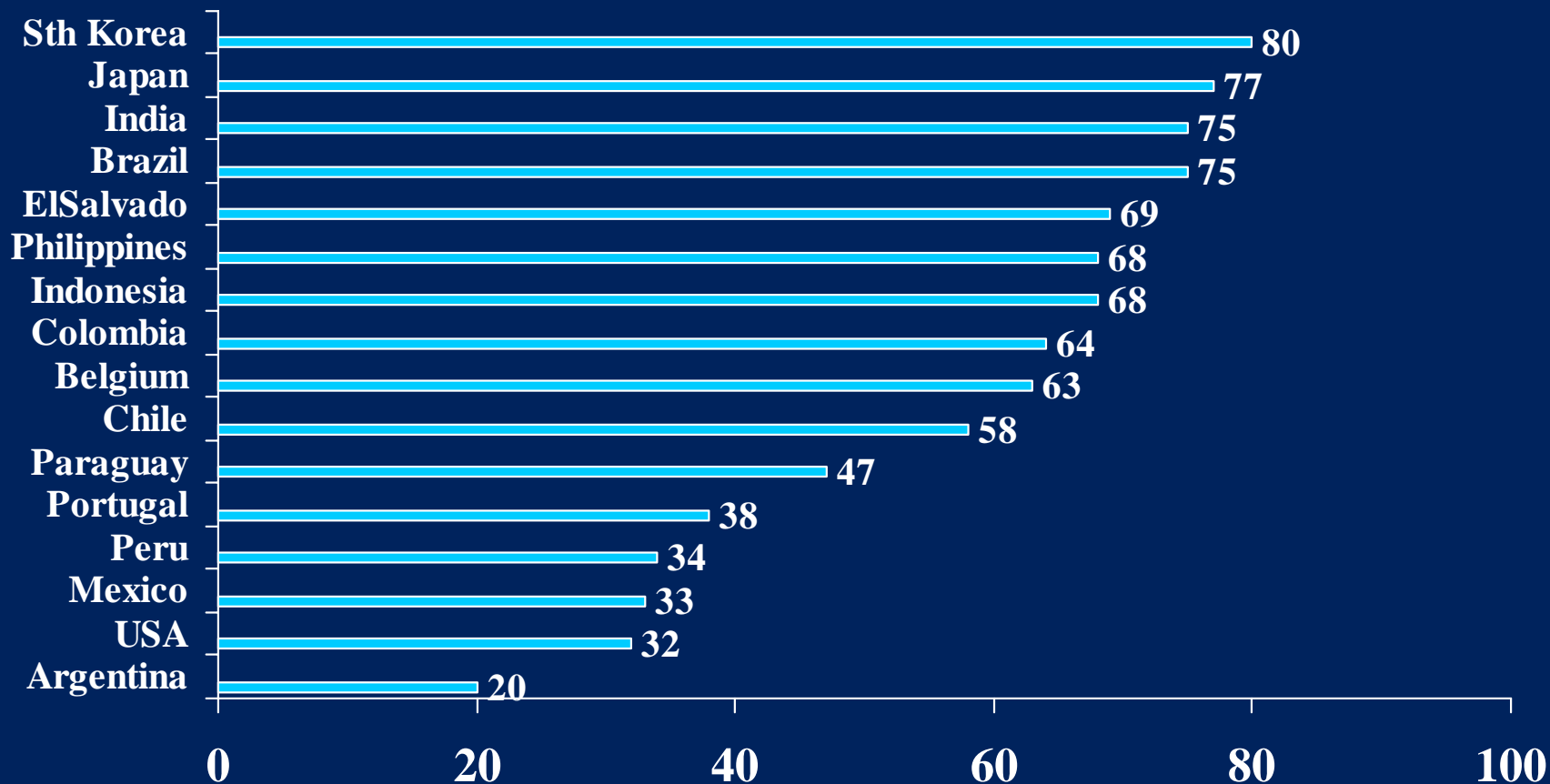
	India	China	S&E Asia*	LAC	UK	USA
<b>Total Population</b> approx	<b>1000</b>	<b>1260</b>	<b>600</b>	<b>520</b>	<b>60</b>	<b>280</b>
<b>Public Expenditure on Education (\$B)</b>	<b>16</b>	<b>45</b>	<b>18</b>	<b>94</b>	<b>72</b>	<b>480</b>
<b>% Global Budget</b>	<b>0.7%</b>	<b>2.0%</b>	<b>0.8%</b>	<b>4.2%</b>	<b>3.2%</b>	<b>22%</b>
<b>Per 10 million Population</b>	<b>0.2b</b>	<b>0.36b</b>	<b>\$0.3b</b>	<b>\$1.8b</b>	<b>\$12b</b>	<b>\$17b</b>

Sources: UNESCO 2000; World Bank 2004; US Department of Education 2003; Department of Education & Skills UK, 2002; China National Center for Education, 2002/3; OECD 2002

\* All Sth & East Asian countries without China & India

**... a future landscape of cross border  
public and private sector partnerships**

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



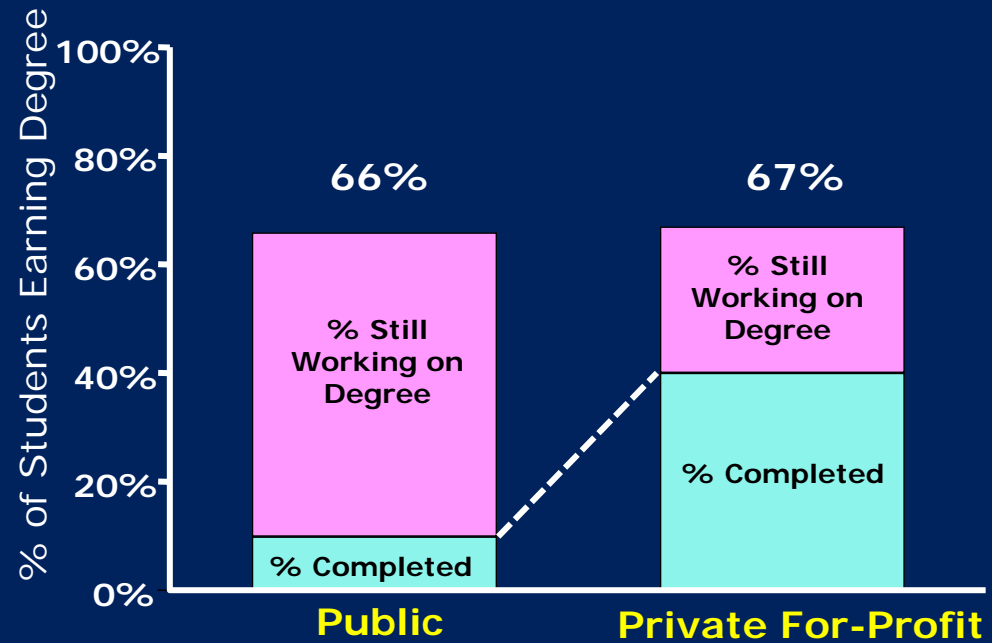
Sources: EdStats, World Bank, 2004; IFC staff assessments and statistics, 2004 & 2005; OECD 2002; Government Statistics; Chile includes 7 publicly funded Private Catholic Universities;

# For-Profits Successful While Serving Disproportionate Share of Minority and Low Income Students

*Achieving Better Results With Rigorous Regulatory Standards*

Target Group	For Profit	Public	Private Non-Profit
Percent of Students <\$30,000	42%	20%	23%
Percent Hispanic and African American	40%	23%	23%
Percent Over 25 years	52%	40%	21%

% of Associate's-Seeking Students Earning Degree within 3 years(1998)



# Australia – Internationalized growth *through partnerships with private HEI's*

- Australian offshore programs rose from just 25 in 1991 - to almost 1,600 in 2003 – most of them in Asia
- Over 70% of the partnerships 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.

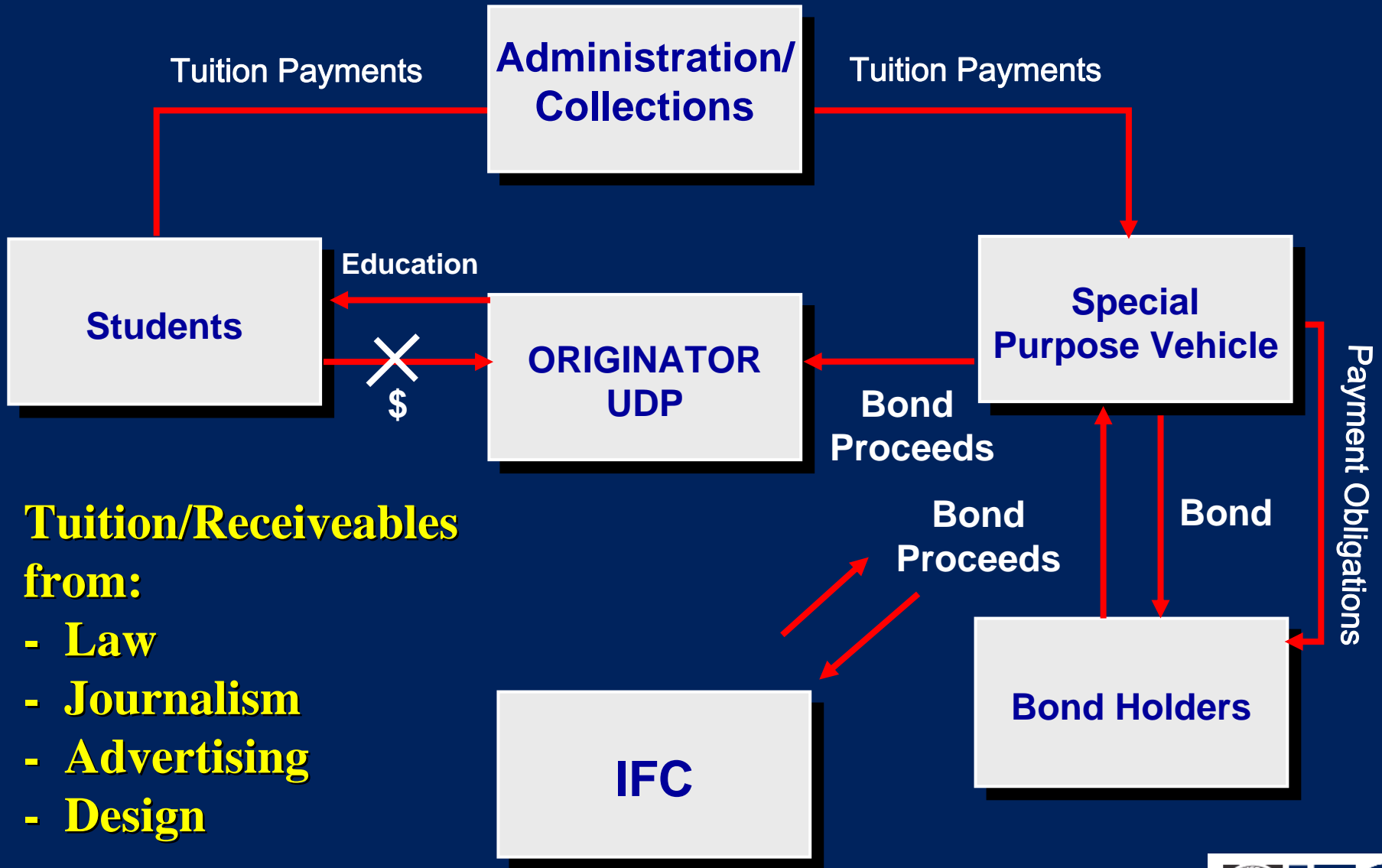
# **Future financing of higher education?**

**It is a time for innovation . . .**

# Universidad Diego Portales - Chile

- **Partial guarantee (\$7m) for 8yr local Chilean bond - face value of Bond approx US\$23 million**
- **Bond proceeds used to finance University's expansion, modernization and to improve quality of operations**
- **Additional space caters for growth from 9,300 students to 14,000 students by Yr 2010**
- **Project accommodates refurbishment of neighborhood of downtown Santiago – preserves district's heritage**

# Securitization: UDP Structure



# UDP Outcome

- The bonds received a AA- rating by the rating agencies. (compared to the University's A rating)
- Oversubscribed issue (38%), placed among domestic investors, including pensions funds, insurance companies and mutual funds
- With IFC's participation, a successful private university innovatively raised financing and built a new investor base

# FINEM – Mexico

**financing facility for higher education institutions**

*typical loan size between \$100K to \$1m*

## EQUIPMENT and TECHNOLOGY

- Capacity expansion
- Small plant & machinery
- Lab equipment
- Hardware & software

## STUDENT LOANS

- Long term Financing for graduate. Undergraduate and secondary students
- Support for mid career professionals
- Full studies – financing by semester or per annum
- Special programs for those financially disadvantaged (>10,000 students on partial scholarships by 2010)

## PROJECTS & INFRASTRUCTURE

- New Campuses
- New careers/programs
- Sports facilities
- New infrastructure
- Changes in EMIS platforms of education institutions
- R & D project & entrepreneur incubators
- Leverage buyouts of educational institutions
- Structural refurbishing

**One IFC project @ \$15m could potentially cover >50 schools/institutions**

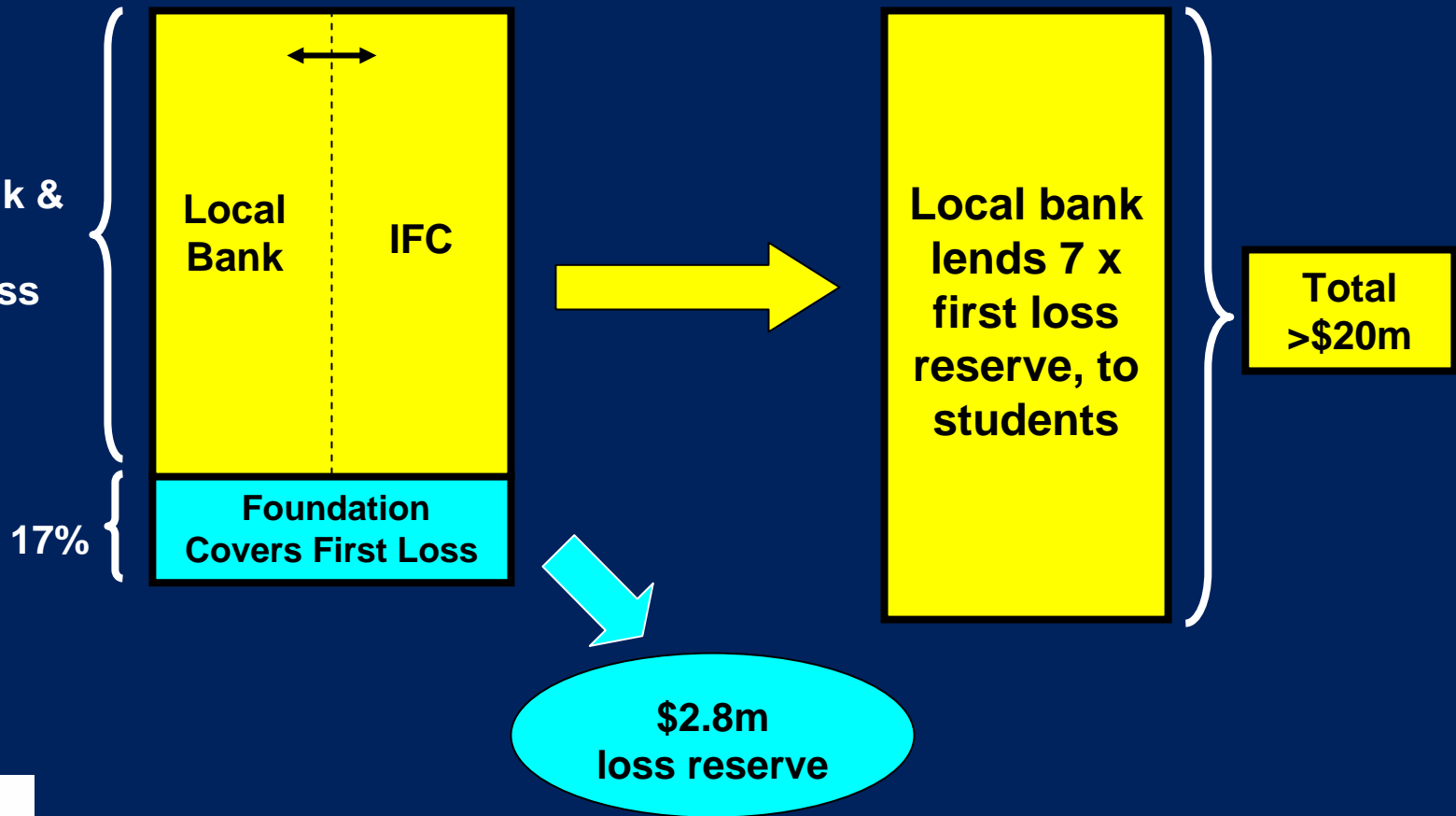


# Philanthropy / Donors / Aid supporting higher education

*... a time for innovation !!*

# Student Financing Facility Structure

... *illustration* ...



# The Importance of Knowledge & Skills Literacy

- Knowledge is a key driver of economic development
- **A more innovative approach to national and cross border curriculum strategies and affiliations needed – to help build capacity in developing countries**

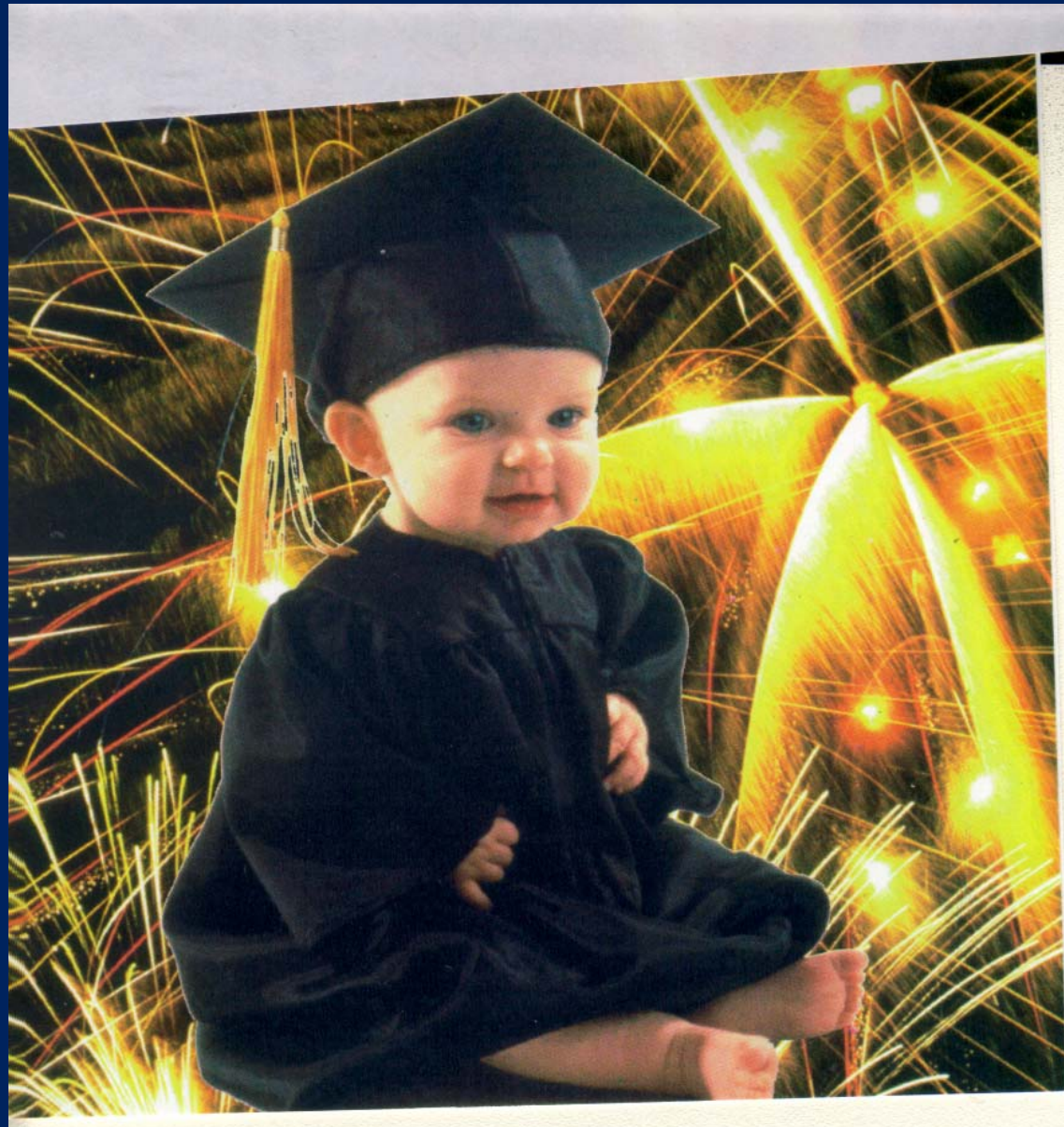
# Knowledge Drives Economic Development

*... important impact comes from skills literacy*

- Not just about putting more highly qualified people in to higher paying jobs
- Impact on economic development can come from increasing skills literacy – mid & higher level skills are not just about degrees – some indications show a different picture
- Improving skills literacy can help improve a country's productivity, competitiveness – impact on GNI per capita

Sources: URL [http://www.economist.com/displaystory.cfm?story\\_id=3127844](http://www.economist.com/displaystory.cfm?story_id=3127844) -  
The Economist, 24<sup>th</sup> August, 2004, Serge Coulombe, Jean-François Tremblay and Sylvie  
Marchand, 2004, "*Literacy Scores - Human Capital & Growth Across 14 OECD Countries*."  
Published by Statistics Canada, URL <http://www.nald.ca/fulltext/oced/oced.pdf>

# A Time for Lifelong Learners



# Despite the Amount Spent, the American Higher Education System Still Suffers From Wide Gaps in Attainment

*... or are lifelong learners deferring their studies?*



Percent  
of Total  
8<sup>th</sup>  
Graders:

72%

34%



THE PARTHENON GROUP

Source: NCES National Education Longitudinal Study, 1988/2000;  
Parthenon analysis



# Lifelong Learning is changing student profiles

- Approaching 40% of undergraduates in US and 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
- 65% of students enrolled in Singapore's private HEI's are over 25 yrs of age
- Lifelong learning attracting new learners – more diversified – older and part time students

# Importance of TVET sectors

*- more innovative approaches to blend vocational and academic education in formal systems of higher education*

- No longer practical to leave growing areas of TVET outside of the formal higher education system of credentials and qualifications
  - constantly changing technologies
  - shorter life cycles of new products and services
- Many OECD countries already foster TVET in formal systems (Qualifications Frameworks helping to overcome ‘stigma’ issues)
- Part of developing Career Pathways
- Credit transfer now crossing state and national borders

# TVET – China gets serious !!

- Many graduates out of work, despite their qualifications  
– lack relevant skills
- Cities badly need high-caliber skilled workers and technicians
- New emphasis on TVET is departure from the University-only obsessed mentality of the past
- Chinese Premier Wen Jiabao (Nov, 2005) said State Council will earmark 10 billion Yuan (about US\$1.23 billion) over five years to develop TVET.

# Qualifications Frameworks

## *accommodate learning and career pathways*

### Australia

- In 2004 - around 58% of full-time VET students and 19% of part-time VET students were enrolled in Australian Qualifications Framework (AQF) Certificate IV or higher qualifications
- Over all, about 7 in 10 TVET students undertook AQF qualifications

# Problem !! India's Formal & Informal TVET Sectors . . . where to next ??

- 28 m students (8%) only in the formal or organized TVET sector
- 369 million (or 92%) in the informal VET sector
- System of training, re-skilling or upgrading not available
- Current Knowledge Economy & Economic Strategies – requiring change – TVET important component of upskilling the workforce
- 110,000 students studying abroad (some in career or VET programs), spend \$1 billion on higher education – high amount for country starved of education resources



# Problems in Europe

- Less than 25% of Europe's working adults have a university degree – this compares with 38% in US and 36% in Japan
- Germany has dropped to ranking of 20<sup>th</sup> among 30 OECD countries for reading and maths - now 23<sup>rd</sup> for number of College graduates – Companies having difficulty finding workers with relevant skills, despite 4.5 m registered unemployed

Sources: Theil, S. 2006, “Where the Future is a Dead End – Europe's Underfunded, Antiquated Education Systems Are Failing a New Generation,”  
Published in Newsweek International, 12th June, 2006:

# EU

## *a call to modernize curriculum strategies*

- Over 4000 Universities with 17 million students in EU
- Commission of European Communities criticized system for:
  - failing to open up new market-led learning and career pathways, including short cycle non-degree/TVET options for graduates
  - for stifling development of adult education
  - impeding access to worthy disadvantaged students
  - regulatory issues that still hamper academic mobility
  - slowing innovation in curricula and teaching methods
  - not bridging ‘gaps’ in cross-fertilization with business communities
  - not meeting growing demand for more flexible and relevant curricula - which correspond to the needs of the labor market

# 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)

*Sources: Credit Based Education & Training - Vietnam News 8th July 2005 and 29th July 2004:*

*Garrett, R. 2005, 'The Global Education Index, Public Companies Relationships with*

*Non-Profit Higher Education', Observatory of Borderless Higher Education 2005*

# More innovative pricing . . .

## *structure pricing for affordability and scalability*

- **Transcending borders, cultures and languages**
  - must also adapt pricing/delivery to suit market/context
- **To reach students with lower and non regular income**
  - they buy smaller - as cash becomes available
- **More innovative pricing strategies**
  - structure shorter cycle courses so that students can climb the qualifications ladder to eventually earn degrees
  - shorter cycle courses can increase access and affordability
  - lower cost thresholds - promote scalability - easier to repay
  - over all program cost might be higher - but it is still more accessible and therefore more affordable

# 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
- Asia has over 4 m students
- Over 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 – > 1 million students
- UK's Open University has > 210,000 students, incl cross-border
- Australia – over 50% of foreign students enrolled on Australian campuses from Singapore and Hong Kong, are distance

# Some Growth in On-Line Education

- US remains biggest adopter - 2.6 million students
  - 16% of over all enrolments
  - approx 40% of these are fully on-line
  - 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
  - Tec de Monterrey, 83,000 students (Universidad Virtual), over 5000 in LAC
  - Frequently Faculty (not students) can be main obstacles

**On-line education has still not fulfilled its promise of improving access, scalability and affordability – a need for Champions!**

**Less hype about Globalization . . .  
more focus on Internationalization**

# **An Internationalized World of Work**

**Approaching 10% of Australia's adult population are foreign born graduates.**

**The figure is 7% in Canada, 5% in Switzerland, around 3% in the United States, with the UK falling just below this.**

**Source: The Economist, 6th May, 2006**

# Cross Border Investment since 2000

## HEI Campuses In Foreign Countries

- Apollo Group (WIU) in India, Holland and China;
- CIBT (Canadian investors), University of Nottingham & Napier University of Edinburgh in China;
- Raffles Education (Singapore) in Australia, Malaysia, Hong Kong, India;
- University of New South Wales entering Singapore;
- Manipal in Nepal, Malaysia, Antigua
- Estacia (Brazil) has campus in Paraguay
- Laureate Education Inc – 240,000 students in 15 countries (incl US)

Sources: IFC, 2006; Chronicle June 2003; Company 10-K Reports; Garrett, R. 2005, 'The Global Education Index, Public Companies Relationships with Non-Profit Higher Education', Observatory of Borderless Higher Education 2005; Laureate Education Inc –

WHITNEY see <http://phx.corporate-ir.net/phoenix.zhtml?c=91846&p=irol-newsArticle&ID=918846&highlight=>

- last accessed 19 November 2006



WHITNEY  
INTERNATIONAL UNIVERSITY SYSTEM



# **But - Cross Border Investment** *is still at the beginning of the beginning*

- RMIT (public) owns private campuses in HCMC & Hanoi
- Whitney Int University System – 3 LAC universities in 2006
- The Netherlands Business School (Universiteit Nijenrode) recently opened a branch campus in Nigeria
- Jinan University is the first Chinese university to open a branch campus outside of China – in Thailand

# Students Studying Abroad

- Yr 2003 - >2.1million foreign students studying abroad in OECD countries alone
  - over 2.5 million across the world
  - less than 2.5% of global higher education enrollments today
- In 2004 USA dropped to 576,000 – or about 27% of OECD total
  - in 2005 US (27%) & UK (14%) remained flat, while Australia increased (13%) – most from high HDI developing countries
- Other notable facts:
  - China – 141,000 foreign students in 2006, up from 60,000 in 2002 – (75% from Asia - 11% from Europe - 9% from US)
  - Russia - 100,000 foreign students - 40% from CIS countries
  - Malaysia - 37,000 foreign students
  - South Africa - 47,000 students
  - Singapore wants 60,000 to increase to 150,000 within 10 years

# International student preferences are changing

## Australia

- Foreign students in Universities increased 5% in 2006 (April)
  - 23% of total enrollments
- Foreign TAFE / TVET enrollments increased 21% (April, 2006)
  - now around 28% of all foreign tertiary enrollments
- 30% of foreign enrollments in Aust. universities were distance
- Around 40% of foreign tertiary students are post graduate

# Internationalization

*... 2 way relationships on the rise ...*

## Singapore

- 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 are accredited by UK institutions – 40% by Australian institutions
- In addition, 21,000 students study foreign programs at home, from a distance – compared to 18,000 students studying in off-shore HEI's

## China

- 1,100 foreign joint tertiary programs in 2006
- Up from 721 in 2003
- But – still only around 1% of students in joint tertiary programs

# Internationalization

- International networks for research and innovation are transcending cultures
  - solving problems now go beyond traditional disciplinary structures and borders
  - research and innovation have become more competitive, requiring greater global reach and cross border interaction
- Higher education can be a conscience for our societies
- Internationalization through ‘2-way’ enduring relationships can play a part in promoting cross border social, economic and cultural harmony – and for nurturing greater international understanding in our future generation of tomorrow’s young visionaries and leaders

# Some Realities !!

- Higher education is both a public good, as well as potential market for commercial interests
- Full scope of non-state/private sector investment in higher education is far from realized
- Global higher education yet to meet its obligations to create social equity

# PPP's in Global Higher Education

*... can help overcome system failure !!*

- Without non-state or private investment, the global higher education industry will fail to break the 20% GER threshold of 18 to 25 yr olds in today's world of growing demographics
- Further changes are required in the way we regulate the higher education sector

# Seizing the Opportunity!

- **Financing** of education will tighten - more innovative solutions
- **Demographics** will outweigh fiscal realities – unmet demand
- **New systems and curriculum for lifelong learners**
  - higher education delivery will become more innovative and more market-led
- **Knowledge societies** – important for economic development
  - fostering innovation, competitiveness
  - requiring more educated and skilled workforce
- **Globalization and Internationalization** – changing the future landscape of higher education, growing 2 way relationships
  - transferability of credits & qualifications, national & foreign
- **ICT's and the Internet** – optimizing use of new technologies
  - models advancing quality-based mass education delivery

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

*Heraclitus*