



# **The Evolving Regulatory Context for Private Education in Emerging Economies**

*Online Discussion Summary*

**June, 2009**

*EdInvest is a joint initiative of:*



## **Introduction**

In November 2008, The Health and Education Department of the International Finance Corporation (IFC) hosted an online discussion examining issues relating to the ongoing changes in the regulatory context for private education in emerging economies.

The approach taken to the discussion was to invite 'Guest Commentators' to provide a series of views on a range of topics in order to focus the contributions on particular themes. The event was very successful, generating over 2,500 site visits, with active contributions made by over three dozen commentators from thirteen different countries. This brief summary provides an overview of the key messages which were brought to the fore during the discussion.

To access the archive of the discussion, logon to:  
<http://psdblog.worldbank.org/psdblog/2008/10/the-evolving-re.html>

## **Is There a Need for Regulation?**

It is generally agreed that there is a need for regulation. Indeed, the current financial crisis illustrates that the market alone cannot regulate supply and demand, even in the education sector. The challenge is to regulate with a light touch in order to encourage educational entrepreneurs within the system to take risk, raise capital and provide a service which can guarantee some level of quality. There is concern that in some developing countries, frameworks are biased against the private sector. This can stifle the desired diversity in governance, programs and course structures. The view of the participants was that in order to thrive, the private sector needs incentives rather than strict regulation. This is especially true during the financial crisis, when the unemployed may choose to further their education. Having more providers and a wide range of providers becomes all the more important so that the less skilled can continue to learn and become more productive. This requires a combination of clear regulation that encourages providers to enter the market and equal funding, through students, so that the less skilled can make their investments in times of crisis.

## **Effective Regulatory Frameworks**

Regulatory frameworks can run the risk of becoming overly complex and ineffective from the point of view of the regulator, which can be discouraging for the supply side and disempowering for the consumer. Some regulatory frameworks differentiate too finely between subsectors (for-profit, not-for-profit, faith-based and secular, local and foreign-owned). This results in a complicated process and overlapping categories which may be overseen by different agencies. Having common standards can reduce these problems and allow for better use of government's scarce resources.

The private education sector has an uneven record of self-regulation. Several commentators pointed out that some private institutions operate low quality institutions without proper physical infrastructure and human resources. It was suggested that alliances between private entrepreneurs and politicians as well as lack of enforcement and monitoring mechanisms can allow this to happen. One commentator stressed the importance of governments having a robust accreditation framework, which would act as a barrier to the proliferation of disreputable providers. In Indonesia, for example, the government allowed for the rapid expansion of private provision in the tertiary sector with only a voluntary, program-based accreditation system in

place. Concerns about quality assurance subsequently led to the introduction of a compulsory, institution-based accreditation system, which is currently being piloted.

Sweden was offered as a model for regulation, where the framework is easy to explain and understand and responsibilities are well defined. By contrast, in England, where privately run, state-funded schools were influenced by Swedish independent school model, regulation is unclear and difficult to understand. This demonstrates that attempting to replicate another country's education models without simultaneously adopting its well functioning regulatory system can lead to confusion.

### **Changing the Focus of Regulation**

One commentator focused his remarks on the regulation of the private higher education sector. He suggested that recent developments in the higher education sector warrant a shift in focus in regulatory frameworks. In some countries, the existing regulatory frameworks were designed at a time when the higher education sector was locally provided, the sector was less diverse - usually publically financed and delivered - and education technologies were just beginning to emerge. He proposed that given the expansion of private provision, cross-border delivery and rapid developments in education technology, regulation should focus on educational standards and outcomes (ie. the quality of what is delivered), rather than on the specification of processes (how institutions should deliver programs). This approach can play an important role in providing students and governments with the confidence that the education being delivered meets acceptable standards.

Of course with implementation come consequences. One commentator provided the example of Kosovo, where a recent evaluation of all private tertiary education providers resulted in all private institutions (with the exception of the American University) being closed down due to insufficient quality. This was done without enough consideration being given to the students enrolled in sanctioned institutions and left many out in the street.

### **Equal Regulation for What?**

It was argued that when government funds private education providers (through vouchers, subsidies, scholarships, etc), the schools are subject to greater regulation. For example, government-aided schools in India, Bangladesh and many African countries are subject to greater regulation than their 'fully independent' counterparts. This raises the question of whether greater regulation is justified when governments subsidize private providers. Equally, it raises the question of why governments do not enforce the same level of quality control over the public sector in some countries as they do over the private sector. Another commentator suggests that regulatory constraints are created to protect public sector institutions from private sector competition. In the higher education sector in particular, this practice sometimes is justified by government on the grounds that private, and certainly foreign providers, lack understanding of local culture to operate effectively.

One commentator suggested that governments sometimes feel that private providers do not understand the national strategy and government emphasis on equitable access to good quality education for the poor and those in rural areas. Indeed, his perception was that the private sector does not usually expand into underserved, low income areas and where private education is available, the high cost of tuition becomes a barrier to entry for the poor.

Others suggested that by providing financial support (through tax breaks and other incentives) to good quality private schools, governments can encourage these schools to serve the poor. Also, financial stability could encourage private schools to share expertise in the form of teacher training, curriculum development and learning modalities with schools with fewer resources. Public Private Partnerships were perceived as another way of committing the private sector to deliver education that is socially progressive and equitable.

### **Beyond Accreditation to Quality and Innovation**

One commentator agreed that regulation is essential and remarked that in the United States, for example, once accreditation is met, institutions can compete based on quality and innovation. Higher education institutions in the US must meet accreditation standards to receive federal funding regardless of whether they are private (for-profit or not-for-profit) or state-owned. But once the quality dimension is added, the funding formula changes. For example, some private universities in the US receive more state/federal funding than many public universities. Therefore, there are two types of regulations in play: “direct” regulation (accreditation) and “indirect”, which is determined mainly by quality and innovation. More emphasis is needed on the indirect measures that encourage quality and let the market determine which institutions are meeting the needs of students.

### **What Body Should Enforce Regulation?**

If the State is weak and lacks resources, regulation that looks robust on paper may go unenforced. One commentator suggested that in emerging countries there may be a lack of qualified people to apply regulations and low public sector salaries may not attract those who are capable. Thus, many attempts at regulation fail because of a scarcity of qualified labor. Another commentator illustrated this point with an example from Haiti, where the recent collapse of two private school buildings demonstrated the challenges face by weak states in enforcing regulations. One mechanism under consideration in Haiti to both encourage private initiative and ensure quality, is to foster networking of private sector operators to both increase their institutional capacity and hold private providers responsible for setting and managing standards at the level of their affiliated members. Private providers in Haiti have joined together in forming a new institution called Consortium des Organisations Professionnelles de l'Education, with the goal of becoming an official and legitimate counterpart of the Ministry of Education in public policy formulation and in the management and supervision of quality standards. This model of Associations of private providers playing a proactive role in self-regulation and thus quality assurance is one which is gaining ground in countries where there is significant numbers of private providers.

Another commentator suggested that the private sector does a good job of regulating and certifying in the IT sector, giving the examples of Cisco and Microsoft. Another commentator pointed to India's higher education system which is currently dominated by private providers. He suggested that a recent rise in the quality of private provision is due in large part to the involvement of industry, which work closely with private (and public) colleges to influence curricula, provide student internships and undertake joint projects with faculty. Thus, the private sector, with its need to recruit employees with relevant skills, is seeking to ensure a pool of qualified employees by having partnerships with education providers.

## **Private Sector Involvement in Policy Dialogue**

Several commentators noted that it is vital that private sector providers are closely involved in policy formulation and dialogue with government and be considered as equal partners. Having their own representative bodies would give them a national voice and a public platform. One commentator cited the example of Ghana, where private enrollment at the pre-secondary level is approaching 20% and, as a result, private education providers have organized themselves into the Ghana National Association of Private Schools (GNAPS). Ideally, this body should be included in policy discussion but currently, due to lukewarm engagement of the private sector, even basic requirements such as data collection and analysis is difficult, with private schools being unwilling or reluctant to share data and information. In the view of one commentator, this withholding made it difficult to achieve an accurate picture of the entire sector.

## **The Way Forward**

Implementation of regulations was seen as critical. Even if the regulatory structure is changed, it will not automatically impact the way policies are implemented in the field. According to one commentator, public sector administrators and private providers need to appreciate the objectives and operation of the new partnership between government and private providers if this relationship is going to have any impact. This could be achieved through (i) organizing an annual Education Forum for government and non-government officials on directions in education policy and the changing role of government in education; (ii) developing a resource and training program that outlines good practice in regulation; and (iii) providing training and mentoring in good regulatory practice for officials from the different institutional tiers of government.

Summary prepared by:

Suzanne Roddis  
Manager, EdInvest