

SOUTH AMERICA

GAINS DIVERSITY THROUGH PRIVATIZATION

BY ALAN DESSOFF

EDITOR'S NOTE:

This feature article is the fourth in an occasional series on higher education fourth in developing regions around the globe.

The first article was "Developing Opportunity in the Middle East," which appeared in the March/April 2007 issue; the second article was "Where the Students Are in East Asia" in the July/August 2007 issue; and the third and most recent was "Limited Resources, Endless Possibilities" on East Africa in the March/April 2008 issue.

SHAPED BY RELIGIOUS, POLITICAL, FINANCIAL, and socioeconomic influences and driven today by a growing demand that public institutions are not meeting, private colleges and universities play an increasingly significant role in higher education in South America.

Public universities still are the first choice for many students and their families in the region for reasons ranging from their cost—they are free in most cases—to traditional beliefs that they provide the best educations and generally are held in higher respect.

But with some crumbling of those perceptions, and with the public sector seemingly unable or unwilling in some countries to expand to meet a growing need, the private sector has stepped in, competing for and often winning students more interested in solid preparation for careers in business and the professions than in national traditions.

"There is an increased demand for more capacity in higher education and, in general, private institutions have been more ready to accommodate that demand than public institutions," says Andres Bernasconi, vice rector for research and graduate programs at Universidad Andrés Bello in Santiago, Chile.

While most private institutions are accepted as legitimate, questions have been raised about others that appear to some observers to be of dubious academic quality with a principal interest in making profits.

But all have found a place in the region where, despite their national differences, countries share a common interest in satisfying a need to provide more higher education opportunities within their borders.



With a growing demand from South American students hoping to fulfill their higher education aspirations, an increasing number of private universities are opening their doors in Argentina, Brazil, Colombia, and Chile.

In most of South America, the earliest private universities were Catholic, some with roots extending back several centuries.

Forty-five percent of all students enrolled in higher education in South America are in private universities, according to Daniel C. Levy, distinguished professor at the University at Albany, SUNY, and director of the Program for Research on Private Higher Education (PROPHE). It's "not uncommon" in some countries for most students to be enrolled in private universities, he says.

In Brazil, where 90 percent of higher education institutions are private, 74 percent of undergraduates are enrolled in them, according to the last higher education census in 2006.

But there are wide disparities across the region. In Argentina, according to PROPHE, enrollments in the private sector have surged 47 percent in the last ten years and are approaching a quarter of a million. Still, although more than half of all institutions in the university market are private, only 16 percent of students attend them, reports Marcelo Rabossi, a doctoral fellow at Universidad Torcuato di Tella, a private institution in Buenos Aires.

Growth Factors: Religion, Elitism, Career Choices

Levy sees three basic "waves" underlying the growth of private higher education in South America. The first is religion.

In most of South America, the earliest private universities were Catholic, some with roots extending back several centuries. In some countries, like Colombia, the need for more private institutions today stems from a tradition of religious congregations as the first providers of education during Colonial times, says Consuelo Uribe Mallarino, academic dean of the faculty of social sciences at Javeriana University, a Jesuit institution in Bogotá that was founded in 1630.

Levy says that as mainstream public universities became more secular, students and families concerned about religion and morals sought institutions where they could be more comfortable. The social and ideological orientation of students and their families still influences the choice of private universities (often Catholic) that many students make.

"Children from conservative families who have gone to upper-stage schools and have been raised in this kind of religious environment choose to go to a university that is similar to it," says Bernasconi. "Some students go straight from confessional schools to universities of the same branch," whether Jesuit, Dominican, or other religion-oriented schools, agrees Mallarino.

The second wave of private higher education development in the region began in the 1950s and still is underway, says Levy, who describes it as "a kind of 'elite' reaction—partly academically elite, largely socially and economically elite."

Members of the upper middle class, who had been enjoying free educations at public universities, started becoming uneasy with what they saw in those institutions as academic "sluggishness," influences of interest groups, and "a high degree of political conflict," Levy says. To get away from all that, particularly from the political turmoil, some of the best students began opting for private universities.

That's still the case to some extent throughout the region. In Chile, there is a perception that public universities are administratively "chaotic and bureaucratic," with student political activism that disrupts classes, says Bernasconi. "Many students think private institutions might be more peaceful environments," he says.

Similarly, although public universities still are the first choice for most students in

Colombia, some good candidates apply directly to private schools because the public institutions have "a larger social mix and are politically inclined to the left," says Mallarino. Strikes and mobilizations are a concern to some parents whose children otherwise might attend public universities, she says.

As private institutions developed throughout the region, they were not necessarily better than the public ones, "although certainly many were," says Levy. "The point is that they were different."

An added factor, increasingly relevant today, was the breakdown by career fields or programs of study between the public and private universities. Aside from being unable to attend a public university of their choice because there was no room or perhaps because they failed entrance exams, many students began to opt for private institutions for career reasons.

Across South America, explains Bernasconi, undergraduate programs are professional in nature, not general education. In Chile, accordingly, "you choose your profession—medicine, engineering, law—from the first day of your undergraduate studies."

In most countries, the best public institutions were and still are considered at the top in fields like medicine and natural science, Levy says. But student interest began to develop in other fields, principally business-related, and there was high demand in a changing economy for graduates schooled in those

Universidad Torcuato Di Tello
in Buenos Aires, Argentina

UNIVERSIDAD TORCUATO DI TELLA



areas. They became “privileged and significant niches” for private higher education, Levy says.

Now, some Colombian high school graduates are opting for elite private universities “from the beginning,” especially in areas such as medicine, law (an undergraduate program in Colombia), economics, and communication, Mallarino says.

In Chile, says Bernasconi, some private institutions have developed a certain prestige in some specialties. He cites the law school at the private Universidad Diego Portales, which is consistently ranked among the top three law schools in the country.

In Argentina, their overall low enrollments compared to the public sector notwithstanding, private universities are now capturing 21 percent of freshmen and the number of students in public universities has fallen during the last few years, reports Rabossi.

One reason, he says, is that some families perceive that administrative mismanagement and internal political issues have brought about a decline in the quality of public institutions. Also, with their salaries generating higher purchasing power, “the middle class can now afford private options,” says Rabossi.

Further, he says, some private institutions are reacting faster than their public counterparts to “market signaling” and are offering career preparation to satisfy job market needs.

Absorbing an “Extraordinary” Demand

The third and greatest wave of growth in private higher education, which continues today, is characterized by the development what Levy describes as “demand-absorbing” institutions. As demand for higher education in the region grows, governments are unable or unwilling to finance the tremendous expansion of public sector institutions needed to meet it, so the private sector is stepping in to fill the need.

“You have governments that are funding public universities but refuse for various reasons, often because of student or faculty opposition, to introduce anything like cost-sharing (tuition). It’s particularly inequitable in Brazil, where the people who go to the public universities tend to be from the very highest classes and they pay nothing,” adds Ryan Hahn, research analyst and an expert on private finance at The Institute for Higher Education Policy in Washington.

“So you have these well-funded public universities that have to limit the numbers of people they admit,” leaving it up to the private sector to satisfy an extraordinary demand, Hahn says.



Universidad Andrés Bello in Santiago, Chile.

In Brazil, as in other countries, the best students academically are likely to attend tuition-free public institutions, agrees Elizabeth Balbachevsky, associate professor in the department of political science at the University of São Paulo. But the public universities admit only limited numbers of students, selected through competitive exams, while private institutions are accessible to those who fail the exams, she says.

The ability of individuals with university educations to earn higher wages than those with just high school backgrounds underscores the demand for more choices. “The differences are huge,” especially in better-off parts of Latin America, Hahn says. He cites Chile and some parts of Brazil and Colombia.

“So this demand rises, and if the governments in those countries are not willing to do something about it, the private sector is going to step in no matter what. The state can try to stop this trend, or obstruct it, or be indifferent to it, or it can take a more progressive approach. By and large, I don’t see that happening,” Hahn says.

In Colombia, meanwhile, private higher education is becoming segmented, with upper-level families steering their children to a handful of select universities in Bogotá while a lower tier of institutions caters to students who fail to gain admission to top tier schools, says Mallarino.

Further, she says, there is fierce competition for students among private institutions, which advertise in Sunday newspapers and also try to “snitch” each others’ students. “It doesn’t look good,” she acknowledges.

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Questions of Quality

As private higher education in the region has grown since the 1950s, and largely with the exception of some of the older and venerable Catholic institutions, questions of quality and legitimacy have been raised about some private universities.

Skeptics and critics focus mostly on what Levy calls “fly by night” institutions that are “just preying on the juncture between huge demand and smaller supply.” He acknowledges that they can “easily be regarded as illegitimate.”

Other demand-absorbing institutions that seek to provide serious market-oriented education come in for criticism because they don’t conform to traditional academic ideals.

“You repeatedly hear that they don’t have much in the way of laboratories, libraries, full-time professors, and don’t do much research, and that’s largely true,” Levy says.

“But when you add all that up and say they are ‘low-quality’ institutions, I have a problem with that. It’s all in how you define quality.”

In Argentina, says Rabossi, quality is related to a university’s capacity to conduct “serious research.” Also, rooted in the country’s history, the prestige of the public sector still is important, and the average citizen still considers public universities as the elites of higher education.

“The public tradition in Argentina is still strong. We tend to think that the public sector has all the answers,” Rabossi says.

But in Argentina and elsewhere in the region, market forces are changing some of those long-held beliefs. Although public universities and government officials renounce the quality of some private sector offerings, “there is something of a real market here,” Levy says, and private institutions are taking advantage of it.

Given a choice between public and private, many students and their families are opting, for reasons of career preparation, for what critics consider lower status private higher education.

That label applies to a subset of relatively new private universities that are basically “teaching and training” institutions, says Levy, where “a lot of decent professionals—lawyers, economists, whatever—come in and teach a course or two, and the students learn and grow in their minds and then land jobs.”

Although their students do not get much exposure to traditional academic theory, those schools are “too easily deprecated,” Levy says. It stems, he

believes, from deeply held norms in South America and much of the rest of the world that a university must be research-oriented, with scientific and many other different programs of study.

Even the more serious private sector universities that do not conform to that type of thinking are looked down upon, and in general society, their legitimacy remains problematic, Levy says. “But many at least partially rational consumers are opting for these places,” he says.

Political Influences

Politics also have impacted the development of the private higher education sector in the region. Political turmoil was most dramatic in the 1960s, but contrary to public belief, says Levy, it was not centered around harsh government policies that led to disorder on campuses.

There was some of that but the traditional attitude of dictatorships in Latin America is considerably less repressive than in much of the rest of the developing world, so “even though they weren’t crazy about some of the things going on in the public universities, they didn’t try vigorously to control them.”

There were exceptions, particularly starting in the late 1960s in Argentina and in 1973 in Chile, where military governments increasingly took the position that “it wasn’t enough just to tolerate these places and kick out a few people and make minor adjustments,” Levy says. But that has largely been a minority stance in most of the region, he says.

Still, the impact of different regime types on private higher education in the region has been complex. It’s not easy to make one-to-one correlations with regime types and the growth of the private higher-ed sector, Levy says. Authoritarian dictators who were very status-oriented and wanted to control everything generally were “not favorable” to private sector growth, Levy says.

In Argentina and Chile, while public universities boomed in terms of enrollment, “the problem was they didn’t boom in terms of their quality,” Levy says. The more they “massified” with ill-prepared students and professors, a lack of adequate facilities and other academic shortcomings, the more upper middle-class students and their families perceived the deterioration and switched to the private sector.

So the paradox, Levy says, was that governments that promoted the expansion of public higher education created a “kicker effect” that led to the growth of the private higher education sector as well.



Universidad Torcuato Di Tello in Buenos Aires, Argentina

One political problem today with private higher education in Brazil, says Balbachevsky, is that it is “overregulated by the government and not always well regulated,” on issues like how many books institutions should have in their libraries. Private universities are overburdened by government demands, she says.

But government also is pushing public universities to a more mass-oriented framework, and if that succeeds, many public institutions will lose their elite status, opening the door for further growth in the private sector, she says.

Students Stay Home

There is little exchange of undergraduate students or faculty between countries in South America and beyond, although there is more at the graduate level. In Brazil, higher education is “a domestically oriented enterprise,” says Balbachevsky.

In Chile, adds Bernasconi, undergraduates still live at home with their parents, not leaving until they graduate or even later, when they marry. So culturally, and also for language and financial reasons, it’s difficult for undergraduate students to go abroad and most don’t, he says.

In Colombia, student exchange programs are hindered by the country’s “bad image, bad press,” says Mallarino. Because of a travel advisory issued by the U.S. Department of State, “we have a hard time making agreements with U.S. colleges,” she says.

Although some aid from scholarships and grants is available, families pay for students’ education at most private universities largely out of their own pockets. It costs an average of \$5,000 a year to attend an elite institution in Chile, although tuition varies widely depending on the quality of institutions, says Bernasconi.

Mallarino cites private tuitions in Colombia ranging from \$600 to \$4,000 per semester. In Argentina, many university students work part-time, adds Rabossi.

Student Aid Boosts Private Sector

Financing private higher education will be a key factor impacting the sector’s continued growth throughout the region. Rabossi sees a promising future for private universities in Argentina if the government subsidizes student loans and also includes private institutions in the distribution of funding for research.

Similarly, in Chile, student aid and research are the only areas where it is foreseeable that the government will put money into private higher education, says Bernasconi. But he adds that the private higher education sector “is not lobbying the government for financial resources; it is lobbying the public for recognition as a legitimate player.”

In recent moves in two countries, the International Finance Corporation (IFC), part of the World Bank Group, has stepped in with student aid programs that signal further support for private higher education even if governments won’t provide it.

In Brazil in March, the IFC announced that it will partner with Banco Real, a leading bank in the country, to provide loans to help students and working adults complete their university studies. Under the \$29 million program, students can borrow money to complete their degrees at a participating university and repay most of the loans after graduation.

Banco Real and the IFC have identified a number of institutions as potential candidates for the program and will spend two years rolling it out in universities across the country. The IFC says the project will demonstrate that a sustainable investment can be made in student loans, paving the way for similar programs in the future.

“Since public expenditure in Brazil has traditionally focused on primary and secondary education, the government is encouraging the private sector to focus on postsecondary education,” Andrew Gunther, IFC country manager for Brazil, said when the program was announced.

Given Brazil’s high demand for university graduates, as well as its improving economy, “it is important to provide students with the financial means to improve their lives through higher education,” added João Consiglio, Banco Real’s executive director.

In Chile last fall, the IFC launched the first student loan program in that country with DuocUC, a private

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higher education institution and Banco de Crédito e Inversiones, one of Chile's largest banks.

Only about 20 percent of the Chilean population can afford to pay for higher education, a key challenge in the country, according to the IFC. Also, private banks generally offer higher interest rates for student loans than for consumer loans.

The new program is expected to originate loans totaling about \$51.1 million over several years that will enable more than 15,000 students to finance their postsecondary education with long-term competitive loans. DuocUC students enrolled in any professional or technical careers will be able to cover the full cost of tuition and will be offered an attractive interest rate, with repayment terms of up to seven years after graduation. The IFC, the university, and the bank will share the risks.

While focusing on students from underprivileged backgrounds, the program will help "increase access to higher education and boost the number of qualified professionals in the labor market, which is a priority for the Chilean government," Atul Mehta, IFC director for Latin America and the Caribbean, said when the program was announced.

Student loan schemes are a key component of IFC's education strategy in Latin America and the organization is actively pursuing similar projects on other countries, said Guy Ellena, IFC director for health and education.

"I think this is a really interesting experiment that could have potential for a lot of other Latin American countries," Hahn says. Other smaller student loan programs have operated in many countries, but "this could be the start of something a lot more extensive because the student demand is there," Hahn says.

The key, he says, is familiarizing more banks with the concept. "In the past, they haven't thought of student loans as a profitable market," he says. If the new programs are successful, other banks will start to catch on, perhaps leading to other possibilities like partnerships with foundations, Hahn says.

Also in Brazil, a major financial firm in the country formed a private equity fund in 2005 as an investment vehicle in Anhanguera Educacional S.A. (AES), a private, for-profit education company that required additional capital to expand its operations. It wanted to build new campuses in small and midsize cities in southeastern Brazil.

The company offers a low-cost education for underserved, lower-income students in fields like en-

gineering and business. It also spends 10 percent of its annual gross revenue on scholarships, taking advantage of government tax incentives to promote access.

Hahn says the strategy has proven highly successful, with enrollment nearly doubling from 23,366 students in mid-2006 to 46,001 by the middle of last year. AES also was successfully floated on the Brazilian stock market in March 2007.

The Future

Levy sees no changes ahead in private higher education's growth trends in South America. "It has been so extraordinary and has spread to almost every country in the region and I don't see any peeling back of that," he says. "By and large, there still will be a period when demand will continue to increase and governments won't want much to pay for it."

As is happening in other parts of the world, notably Japan and eastern and central

Europe, demographic changes, particularly lower birth rates, could slow the growth of private higher education. There are "inklings" of that in Brazil but overall throughout the region, "that's not the reality," Levy says.

As they mature, some private institutions in South America are becoming more like public universities, venturing into research, technological development, and more cultural orientation. Still, "given their youth" and lack of access to public funding, they are most likely to continue their "most relevant contribution to date," which has been training students for professional careers, says Bernasconi.

And generally, he adds, "they still have a lot of work to do to convince people that they are for real, that they are bona fide institutions" serving their countries. Some private institutions, he concludes, "are not very good and they bring down the whole sector." **IE**

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