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Public-Private Partnership in Higher Education

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ABSTRACT

Development of Public Private Partnership (PPP) is an alternative method of implementing public sector infrastructure projects as part of government's role of promoting sustainable economic development where government allows the participation of private sector in developing and implementing an infrastructure business through carefully integrating environmental, economic, and social needs to achieve both an increased standard of living in the short term, and net gain among future generations. There are four models of public-private partnership in higher education, of which, the Outsourcing Model has been adopted in India for HEIs. However, 1990s onwards, there is a large-scale privatisation of HEIs in India. In view of the advocacy for autonomy and the requirement of only whether NAAC has accredited the HEI or not, maintaining quality of HEIs will be a challenging task.

Keywords: Public-Private Partnership, Higher Education

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Introduction

According to Canadian Council for Public-Private Partnerships (PPP), ‘A public private partnership is a co-operative venture between the public and private sectors, which build on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources’[1]. According to Government of India, ‘the terms refers to forms of co-operation between public authorities and the co-operate world, with the purpose of ensuring, funding construction, renovation, management or maintenance of a public infrastructure or making provision for public services. It implies an arrangement, between the public authority on one hand and a private entity on the other, for a providing public asset and or public service through investments made by a private sector body for a specified time period[2].

Governments traditionally use the standard models of public procurement strategy to deliver public services. This involves the use of public, rather than private sector resources. Development of Public Private Partnership (PPP) is an alternative method of implementing public sector infrastructure projects as part of government’s role of promoting sustainable economic development where government allows the participation of private sector in developing and implementing an infrastructure business through carefully integrating environmental, economic, and social needs to achieve both an increased standard of living in the short term, and net gain among future generations. However, PPP also promotes sustainable economic development in the non-infrastructure sectors as well like health, education, agriculture, forestry and fisheries through innovative partnership schemes which is economically viable, environmentally non-degrading, technically appropriate, and socially acceptable.

The PPP method rose to prominence in different counties in the early 80’s as governments accumulated large public debts spurred by the recessions of the 70’s and the 80’s. Governments sought to encourage private investment in national infrastructure in order to reduce public debt and to increase efficiency while minimizing costs. Over the past three decades, governments in both developed and developing countries have embraced PPP as an alternative to the standard models of public procurement strategy to deliver public services. This is especially true for governments lacking in public sector resources to deliver important public services such as healthcare, transportation, energy and etc.

Britain in the mid-1990s to overcome a shortage in infrastructure investment. This was the beginning of a significant policy based procurement reform in developed countries (Regan, 2009[3]). Since then, PPPs have been widely adapted by both developed and developing countries. PPP broadly aims to ensure sustainable economic development of the economy through:

- Balancing economic, environment and social needs
- Reliving poverty through employment generation
- Meeting the basic needs of humans that requires both economic growth and social equity
- Minimizing environment impacts for development projects
- Optimizing use of available resources including natural resources

There are three main reasons for adopting the PPP approach (Walker & Smith, 1995[4]). Firstly, the private sector possesses better mobility than the public sector and therefore the private sector is not only able to save the costs of project in planning, design, construction and operation, but also avoid the bureaucracy and to relieve the administrative burden. Secondly, there is a wide spread belief that the private sector can provide better service to the public sector and establish a good public private partnership so that balance risk-return structure can be maintained. And lastly, governments‟ inability to raise massive funds for large-scale infrastructure projects can be mitigated by private participation (Cheung, Chan, & Kajewski, 2009[5]). PPP also seeks to capitalize on the comparative advantage of the public and the private sectors in order to optimize the delivery of public services (Rosenaue, 1999[6]). Apart from generating employment and hence acting as catalyst for minimizing the poverty level, in recent days PPP schemes have been used by many governments in promoting non-traditional development projects like environment, housing and even forestry or preserving natural resources considering the fact that the private sector possesses better mobility than does the public sector.

Models of PPP in Higher Education

1. Basic Infrastructure Model: The private management/trust invests in infrastructure and the government runs the operations and management of the institutions in turn, making

annualized payments to the private investor. Under the Basic Infrastructure Model, the physical infrastructure and supplementary services would be provided by the private sector, who would also be allowed to earn third party income from some of the pre-determined infrastructure beyond curriculum hours from permissible activities. What activities are permissible would be decided by the government and it would also decide the location of the institution, provide the land and specify the standards up-to which the physical infrastructure needs to be built and maintained.

2. Outsourcing Model: In this model, private management/trust invests in infrastructure and runs operations and management and the responsibility of the government is to pay the private investor for the specified services. Under the outsourcing model the private sector would invest in infrastructure and also carry out the operation and management including the core teaching activities of the educational institution whereas the government would pay for specific services; such as hostel, canteen, library etc., on per student basis. The government would also set up standards for teaching and physical infrastructure and decide the location of the institution.
3. Equity/Hybrid Model: Investment in infrastructure is shared between government and private management/trust while operation and management is vested with the private sector. Under the Hybrid Model, infrastructure for the educational institution would be developed using funds raised through government and private financial institutions as equity. The equity contribution would be pre-decided by the partnership contract and the operation and the management of the institution would be managed by a board which would be formed from amongst the equity holders. Operating cost shall be recovered through user charges (tuition fee, hostel fee etc.) and third party revenue.
4. Reverse Outsourcing Model: Under this model, the government invests in infrastructure and the private management/trust takes the responsibility of operation and management. The cost of operation and management is to be recovered by the involved private player by user charges (student fees) and third party revenues (for example, commission from canteen revenues).

In India, we have been following the second model of PPP, viz., the Outsourcing Model in which, the Private management/trust invests in infrastructure and runs operations and management while the government pays for the salary and non-salary grant-in-aid.

PPP Advantages:

- Ensures required investments into public sector

- More effective public resources management
- Ensures timely provision of public services
- Eliminates unforeseen public sectors extra expenditures
- Private sector expertise and experience are utilized in PPP HEIs
- Reduces the risk management expenditures;
- Provides better infrastructure solutions as compared to completely government managed institution.
- Likely to have higher return over investment (ROI) as compared to HEIs with traditional, all-private or all-government fulfillment.
- Likely to have innovative design and financing approaches since two entities work together.
- Makes it possible for the government to redirect its funds to other important socio-economic areas.
- Reduces government budgets and budget deficits.

PPP Limitations

- Infrastructure or services delivered could be more expensive;
- PPP project public sector payments obligations postponed for the later periods can negatively reflect future public sector fiscal indicators;
- PPP service procurement procedure is longer and more costly in comparison with traditional public procurement;
- PPP project agreements are long-term, complicated and comparatively inflexible because of impossibility to envisage and evaluate all particular events that could influence the future activity.
- Every public-private partnership involves risks for the private participant, who reasonably expects to be compensated for accepting those risks. This can increase government costs.
- When there are only a limited number of private entities that have the capability to complete a project, such as constructing a high-speed rail system, the relatively small field of bidders might mean less competition and thus less cost-effective partnering.

- Profits of the projects can vary depending on the assumed risk, the level of competition, and the complexity and scope of the project.
- If the expertise in the partnership lies heavily on the private side, the government is at an inherent disadvantage. For example, it might be unable to accurately assess the proposed costs.

PPP in Higher Education in India

Up to the early 1990s, most of the HEIs were funded through grant-in-aid by the central and the state governments since there were a large number of constraints on opening private educational institutions and hence predominantly, the state provided education. After early 1990s, India has been witnessing tremendous participation of the private HEIs especially in the professional degree colleges such as engineering, technology, management, education and medicine. In 2006, almost 64% of all professional educational institutions were private-unaided or self-financed institutions in India[7].

The Government of India, in the 12th Five Year Plan increased the proposed investment in education up-to 1,84,740 crore rupees, which was four times higher than that of the 11th Five Year Plan. The Planning Commission, recognizing that even that much amount of funds for education sector would not suffice the growing need for higher education; identified the resource gap of about 2.2 trillion rupees in higher education sector. This difference could not be filled by the government as the finances of the government were already restrained.

The popular view of the prominent thinkers on education policy[8], the chambers of commerce and industries[9], the Government of India[10] and of States[11]; have formed a general opinion that this resource gap should be met using public-private partnerships because the socio-political structure of India would not allow for commercialization of education. One of the reasons for the favorable view of public-private partnerships is also due to their enormous success in the basic infrastructure sector especially in road-building and railways.

The Supreme Court of India has also made implications for the prospects of public-private partnerships in higher education in the Unni Krishnan's Case.[12] The Hon'ble Court articulated; Both in the light of our tradition and from the stand-point of interest of general public, commercialization (of education) is positively harmful; it is opposed to public policy. As we shall presently point out, this is one of the reasons for holding that imparting education cannot be trade, business or profession. The question is how to encourage private educational institutions without allowing them to commercialize the education?

Public-Private Partnership in Higher Education in India

Following table shows the number of universities and institutions in India (Source: AISHE).

TABLE 1
NUMBER OF UNIVERSITIES AND INSTITUTIONS IN INDIA

Type of Institution	Number of Institutions									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	% Increase
Central Universities	41	42	42	42	43	43	44	45	46	1.36
State Public Universities	281	286	292	309	316	329	345	356	371	3.56
State Private Universities	87	105	122	153	181	197	233	262	304	27.71
Deemed Government Universities	40	38	36	36	32	32	10	43	44	1.11
Deemed Universities - Private	91	90	91	91	90	90	79	80	80	-1.34
Institutes of National Importance	59	59	62	68	75	75	100	101	127	12.81

Table 1 shows that the number of central and state public universities have increased by 1.36% and 3.56% respectively whereas the number of state private universities have increased by 27.71%. In view of the definition of the outsourcing model, this implies tremendous privatisation rather than public-private partnership.

Public-Private Partnership, Privatisation of HEIs and the Draft National Education Policy-2019

The draft National Education Policy – 2019 advocates autonomous colleges. It also stipulates that henceforth, HEIs will not need NAAC grades but only whether a HEI is accredited or not. Given the high level of privatisation and in view of these two significant elements of the draft National Education Policy – 2019, maintaining quality of HEIs will be an extremely challenging task.

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