

THE MANTRA OF PRIVATIZATION

Privatization has become the mantra of the day everywhere, including the case of higher education. In addition to the above-mentioned methods of financial privatization, governments in many countries seem increasingly to be getting wedded to the neoliberal philosophy that centers on the role of markets in every sphere. Governments promote the growth of private higher education institutions—most of which can be described as “for-profit” institutions. The wave of privatization of higher education has become so massive that even predominantly public higher education systems began to emerge as predominantly private in a very short period, making the relative presence of the public higher education sector almost invisible.

THE PURPOSE OF INTERNATIONALIZATION

Lastly, in many countries the cuts in public funding also forced higher education institutions to look abroad for financing. Under the policy of internationalization, many universities have been following aggressive strategies to attract foreign students, who are charged fees above the per student costs. Foreign students thus subsidize the higher education of local students. It is unfortunate that even some of the best universities in the world, such as Oxford and Cambridge, also seem to be adopting the same approaches—contrary to what they did earlier, namely offering scholarships to foreign students to attract and promote the best talent. In the framework of the World Trade Organization, many countries find it convenient to sell cheap higher education degrees to gullible students in developing countries by adopting different modes under the General Agreement on Trade in Services. Universities are fast becoming entrepreneurial institutions both domestically and internationally.

CONCLUSION

The 1998 UNESCO World Conference on Higher Education, the 2002 Report of the international Task Force on Higher Education and Society sponsored by the World Bank and UNESCO, and the 2004 World Bank policy paper on higher education, which all underscored the importance of public higher education in national development, have not made a significant impact on the policies of governments or international development organizations in relation to funding higher education. What seems to be forgotten is the golden rule in education: the best method of financing education, including higher education, is financing by the state through its tax and nontax revenues.

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Student Loans in Thailand: From Social Targeting to Cost Sharing

ADRIAN ZIDERMAN

Adrian Ziderman is professor of economics at Bar-Ilan University, Israel, where he holds the Sir Isaac Wolfson Chair in Economics and Business Administration. Address: Economics Department, Bar-Ilan University, Ramat Gan 52900, Israel. E-mail: zidera@mail.biu.ac.il.

The purpose served by government-sponsored student loan schemes varies from country to country. Two major but contrasting objectives for loan schemes may be identified.

Cost sharing: public universities throughout the world, and particularly in developing countries, are underfinanced; budgetary parsimony has resulted in public universities turning to greater cost recovery, in an effort to tap alternative sources of funding. This may take the form of higher, more realistic tuition fees or increased payments for subsidized lodgings and meals. Recourse to the banking system for a regular loan to ease this payment burden may be unavailable to students; banks are notoriously loath to lend for educational programs—a clear case of market failure. Hence, there is a role for a government-backed student loan scheme to fill this gap.

Social targeting: these schemes are concerned explicitly and directly with enhancing the access to higher education of the poor. Where targeted specifically at disadvantaged groups, loan schemes (particularly where subsidized) can lead to greater access of the poor to university education, thus contributing to social equity.

SOCIAL TARGETING IN THE THAILAND SCHEME

The student loan scheme in Thailand is a leading example of the social targeting model. The scheme, which began operations in 1996, is aimed specifically at disadvantaged students, enrolled in both tertiary education and in upper-secondary general and vocational schooling

The declared aim of the Thai loan scheme to increase the access of the poor to upper-secondary and tertiary education—through the targeting of loans to needy students under extremely favorable repayment conditions—has been complemented, de facto, by other objectives. Thus while the scheme was *not* designed as a vehicle for extensive cost recovery, the introduction of the scheme in 1996 was accompanied by increases in tuition fees at public educational institutions, though not at all of them.

The Thai scheme is of considerable interest, as one of the few examples of a national loan scheme that is both unambiguously aimed at serving disadvantaged groups of the population and also relatively large in size and wide in student coverage, ensuring a strong national impact. The scheme is run through

the national Students Loans Scheme Committee (SLSC), which receives annual subventions from the national budget.

MAJOR SHORTCOMINGS

The scheme has been less than successful in realizing its central objective of reaching out to assist the poor. Targeting is not effective. The SLSC has set the family-income ceiling for loans eligibility at three times the income officially designated as defining poverty; thus many nonpoor students receive loans. Moreover, the maximum loan sizes, notably for living expenses, are set more or less arbitrarily by the SLSC with no account taken of actual levels of student expenditure needs. Yet many loan recipients receive considerably smaller loans than designated by the SLSC; this is the result of the decentralized system adopted to distribute loans to students.

Each university receives a loans budget, which it distributes among eligible student applicants. One advantage of this decentralized system is that it might facilitate proactive targeting, since educational institutions are better placed both to identify students in need and also to encourage potential students to take up loans.

Student-loan programs are becoming popular in many countries. However, loans as a mechanism for financing education are also associated with certain inherent weaknesses, apart from poor rates of recovery.

However, two conditions are necessary for a decentralized system to work successfully. First, the total loan scheme budget should be distributed to higher education institutions on the basis of objective needs-related criteria—that is, based on the socioeconomic profile of the student body in each institution. Second, actual individual loan size and eligibility criteria (including the cutoff ceiling for parental income) should be standardized across all institutions, to ensure horizontal equity.

These two conditions are not met in the Thailand scheme. Individual education institutions receive loan budgets through a system of top-down budget allocation, from the central SLSC. Institutional loan budgets are fixed in relation to enrollment size rather than the number of low-income students. The result is that some institutions with large numbers of poor students receive too few funds to provide loans to all students in need, while other institutions are able to offer loans to eligible but not highly disadvantaged students. More important, the considerable autonomy granted to education institutions in fixing the size of individual loans results not only in considerable inequities across the system but also in inadequately sized loans. Some private institutions use the loan system as a mech-

anism for attracting students, by offering loans for tuition only to a larger number of students, not all of whom are highly disadvantaged. Consequently, many poor students do not receive loans for living expenses at all. Likewise, the amounts received may fall considerably short of the loan size recommended by the national SLSC, with negative effects on access.

Finally, the rapid growth of the scheme, considerably in excess of plans, led to budgetary cutbacks. In consequence, education institutions have evidently preferred to spread declining loan budgets over a broader student population, reducing individual loan size below recommended (maximum) levels; this has further blunted the effect of the scheme in assisting the most needy students.

TOWARD COST SHARING

The scheme has been subject to much criticism, and public debate has ensued on ways to reform the system. In April 2004, the Thai cabinet passed a resolution endorsing the plan for a new (rather than reformed) loan scheme for Thailand. The new scheme—the Thailand Income Contingent and Allowance Loan (TICAL) scheme—is closely modeled on the successful Australian Higher Education Contribution Scheme (HECS)—arguably too closely, given the very different institutional contexts in the two countries. As in HECS, repayment collection is to be assigned to the tax authorities and would be income contingent—that is, set as a percentage of current income, with a higher percentage being due on larger incomes.

The introduction of TICAL will lead to a complete reorientation of the objectives being pursued by the national loan scheme, with many of the shortcomings relating to inadequate treatment of the poor remaining intact under TICAL.

Rather than being aimed at assisting the poor to gain entry to, and continue with, tertiary-level studies, TICAL focuses on easing the heavy burden on the government to fund tertiary education. A massive reduction in direct budgetary allocations to institutions and considerably greater cost recovery are envisaged. A substantial increase in university tuition fees will be accompanied by the introduction of TICAL. As with HECS, loans will be available to all members of the student population but will be restricted to covering tuition fees; alternatively, students may pay tuition fees up front, at a discount. Loans for living expenses are no longer available, but a special fund is to be set up to provide grants to poor students, the amount of grant support depending on family income; this, again, parallels HECS provisions.

The availability of maintenance grants for the poor serves as a kind of safety net, designed to contain any deleterious effects of the new loan measures on the access by the poor. But it does little to reach out to poor potential students, to attempt to raise the proportion of poor youngsters enrolling in tertiary education. Will the new scheme place additional barriers in the path

of increased access for the poor? Will it be consistent with raising their participation in higher education? The available evidence for HECS is not encouraging. True, there is no evidence of a fall in the proportion of lower socioeconomic status groups enrolling in university studies since HECS was introduced. But while not damaging the prospects of the poor for enrolling in tertiary education, HECS has done little positively to promote their access.

In sum, under the new TICAL scheme the aim of facilitating cost recovery is of central concern, displacing the more direct social objectives of broader access to higher education for the poor that were dominant under the old scheme. ■

Austria's *Fachhochschulen* and the Market-Based Model

ERICH LEITNER

Erich Leitner is professor of education and higher education at the University of Klagenfurt and a member of the executive board of the University for Applied Sciences in Carinthia. Address: Universität Klagenfurt, Universitätsstrasse 24, A9020 Klagenfurt, Austria. E-mail: erich.leitner@uni-klu.ac.at.

In the international context, the higher education system of the Republic of Austria entered the road to institutional differentiation very late (in the 1990s), with the creation of a nonuniversity sector of higher education. During the gradual process of liberalization, universities, previously administered directly by the federal Ministry of Education, evolved into state-controlled institutions. Privately run *Fachhochschulen* were introduced in 1993 and private universities in 1999. (*Fachhochschulen* are similar to the former polytechnics in Britain and now call themselves universities for applied sciences.) In 2002, the existing public (i.e., state) universities became autonomous institutions. The leading ideas underlying these reforms were the concepts of neoliberalism and increased bureaucratic authority. The *Fachhochschulen* represent the first model of Austrian higher education to follow this conceptual approach.

The public universities, which are completely financed by tax revenues, constitute the dominant segment of the Austrian higher education system in terms of numbers and type. In a sign of Austria's liberal education policy, these public universities are characterized by free and unrestricted access. All prospective students with an upper-secondary-school diploma can study where, what, when, and as long as they wish. This situation led to many courses at universities being overcrowded and to many teaching staff being overburdened. Under these circumstances, a sense of responsibility or special con-

cern for students hardly exists. As a consequence, this system produces extremely high dropout rates (as high as 50 percent), long study periods (due in part to the fact that students can determine the timing of their final exams), and a lack of coordination of higher education degrees with the needs of the labor market.

As has been pointed out before, apart from the very few private universities that mostly offer only two or three degree programs, the financing of higher education, is almost exclusively derived from tax revenues. Austrians tend to regard higher education less as an investment in their own professional and life opportunities than as a largely societal activity for which the state is expected to pay. This traditional viewpoint resembles the mind-set of the public in Germany, where university fees are presently also being debated. The introduction of such fees in Austria in 2001 (approximately US\$450 per semester) still meets with strong public resistance.

The *Fachhochschulen* had been intended as a radical break from the traditional system. The foundation and the running of *Fachhochschulen* were placed fully in the hands of the private sector. During the last 10 years, more than 140 degree programs have been established at *Fachhochschulen*, presently with more than 20,000 students. The limited number of enrollments for each degree program at *Fachhochschulen* are determined based on the labor-market demands for graduates of the various programs.

The study places for each program, to which annually roughly 30 to 60 students can be accepted, are allocated by a specific selection procedure carried out by those in charge of the respective programs. The curricula are worked out in collaboration between academics and potential employers. Vocationally oriented academic training is thus being offered in close cooperation with industries. Each eight-semester program includes a practical-work semester. Undergraduate theses are usually designed in close cooperation with research and development projects of economic enterprises.

The study programs are predominantly in technical and economic subject areas, although recently more social science studies are also offered. The teaching staff include academics (for instance, some faculty at public universities hold part-time positions at *Fachhochschulen*), as well as people with vocational positions. At present only about 17 percent of *Fachhochschulen*

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teaching staff are employed full time; the others have only reduced teaching obligations on a contractual basis. In contrast to public universities where academics are civil servants and therefore in tenured positions, the personnel structure at *Fachhochschulen* results in a high degree of flexibility and adaptability to the changing requirements of the market.