

# Executive summary



## Background

The Federation of Indian Chambers of Commerce & Industry (FICCI) is an active force in the higher education sector in India and has done considerable work in recommending policy change to the Government. FICCI's Committee on higher education, which is chaired by Prof. H S Ballal, (Pro Chancellor of Manipal University) and Co-chaired by Dr. N M Kondap (VC NMIMS University) has representation from both the higher education sector and the industry.

The Committee's focus has been on the constraints faced by the private higher education service providers, the entry and operational barriers existing due to the current regulatory framework, lack of quality institutions and programmes, lack of appropriate industry-academia linkages, among other issues. FICCI-Higher Education Network was launched by Mr. Montek Singh Ahluwalia to induce self regulation and transparency in the sector through a Code of Conduct and Disclosure Norm (Log on to [www.ficci-hen.com](http://www.ficci-hen.com) for further information).

FICCI has been organizing the Higher Education Summit, an annual international event, since 2004 supported by Ministry of Human Resource Development, Government of India and Planning Commission, Government of India. The 2008 FICCI Higher Education Summit focuses on the imperatives for policy and practice at a time when India's higher education sector is at a crossroads of growth and challenges.

Ernst & Young has joined hands with FICCI as a knowledge partner to develop this paper to highlight the various aspects of partnerships in the education sector and how leveraging and promoting partnerships can be an effective solution to some of the constraints faced in this sector.

## Current state of higher education infrastructure in India

India has a vast education system for its billion-plus population and its higher education system, in particular, has witnessed substantial growth since the country's independence. India currently has over 400 universities and more than 20,000 colleges with an enrolment of ~ 14 million students.

The report highlights that in spite of these numbers, India still faces a lack of adequate infrastructure in higher education. This is in light of the fact that higher education institutions (HEIs) in India can accommodate only 7-8% of

the country's college-age students. India thus has a gross enrollment ratio (GER) of only ~11% in higher education as compared to about 60% in the US and Canada, and around 21% (average) in the BRIC countries.

The Government's expenditure pattern indicates that a rapid scaling-up of infrastructure for higher education will not be within reach in the near future. While public expenditure on education has increased, the percentage share of GDP spent on higher education has come down from 0.77% in 1991 to ~ 0.7% in 2008. Moreover, there is an unequal distribution of HEIs across the Indian states. This further affects the GER which ranges from 4% in states such as Arunachal Pradesh to about 26% in Chandigarh.

Indeed, the Government has increased the budget allocation for higher education to INR 850 billion in the XI Five Year Plan and intends to expand educational facilities. However, considering that the Planning Commission has identified a resource gap of INR 2.2 trillion, it seems unlikely that the Government alone will be able to meet optimum infrastructure requirements.

Owing to constrained investment, the sector is unable to cope with growing market demand and global competition. Increased private investment is thus imperative to expand infrastructure and provide greater access to quality higher education in India.

This report emphasises that public private partnerships could be an effective mechanism for attracting much needed private sector investment into the Indian Higher education system without diluting the regulatory oversight of the Government and other regulators.

## Partnership formats in education

The report while covering the concept of public-private partnerships, presents the basic modes of partnerships that can exist between the government and the private sector. PPPs involve the government and private players to work hand-in-hand for providing public infrastructure and other services, while jointly sharing the risks, rewards, investments and responsibility associated with the activity. Partnerships are established for varied reasons including construction, financing, design and maintenance of public infrastructure. PPP in social sectors such as health and education are sometimes referred to as Public-Social Private Partnership (PSPP).

A number of PPP models can exist that range from simple management contracts to BOOT formats. These formats vary in the kind of benefits they yield. The report provides case studies of different types of PPP arrangements in education such as:

- ▶ Public-private financing of higher education
- ▶ Science/research parks
- ▶ University-owned companies

Despite all the benefits of PPP in education, PPPs carry certain misconceptions as well as face various challenges. The report underscores certain challenges that can be expected while applying the PPP model to education. For instance, the high cost of such projects, relatively lower returns, and the current regulatory landscape makes it difficult to attract participants/bidders for education projects. Another challenge is the lack of familiarity with the PPP procurement process.

This report thus suggests measures that can be implemented to avoid these hurdles. The process of attracting bidders should be framed to minimize the bid costs with effective competition. Also, the university/college can be protected by way of monitoring the services that are being offered by the private players and imposing sanctions in case of drop in standards. Certain cases of successful PPP projects in the education sector from other countries have been cited as examples, such as:

- ▶ Southbank Educational and Training Precinct Development involved the development of high standard facilities for the Southbank Educational and Training Precinct
- ▶ Royal Northern College of Music in the UK which involved development of about 160 study rooms, staff and guest accommodation, car parking facility and a walkway.

The report also highlights the various forms of partnerships that can exist between the education sector and the corporate sector or infrastructure companies and their respective advantages. The latter may take the form of the infrastructure developer setting up an educational institute as a part of a township or leasing out the built educational infrastructure to a college. This benefits the developer in the form of stable cash flows, better utilization of unused land and improved demand for land.

Industry-academia collaboration may include companies and institutes conducting joint R&D, industry internships, and corporates training and certifying students of affiliated

institutes. Lastly, foreign university collaborations can offer access to world class faculty and international students, curriculum based on global standards and sharing of culture. These may take the shape of exchange programs, joint research projects or sharing of infrastructure facilities.

## Regulatory framework in higher education

An HEI in India can be set up as a Trust, Society or as a Company registered under Section 25 of the Companies Act, 1956 (although the last is not recognised by the HRD Ministry). Several regulatory bodies regulate the functioning of higher education in India. These comprise of University Grants Commission (UGC), All India Council for Technical Education (AICTE), Medical Council of India etc.

The higher education system suffers from several challenges that act as a hurdle in the growth of the PPP concept in India. These include the conditions imposed for setting up the educational institute as a not-for-profit entity; excessive regulations in the functioning of the HEIs and for the entry of foreign educational institutions into India.

Despite these challenges, the PPP concept in the education sector needs to be explored. Since there are regulations with respect to being a not-for-profit entity, the infrastructure for educational institutions can be created through the PPP model. This would involve creation of a Trust by the Government/ HEIs to offer education services, which collaborates with a private player to avail infrastructure like buildings, hostels, laboratories, etc. This kind of a model would uphold the regulations imposed on educational institutions as well as leverage the partnership between the government and the private sector.

## Conclusion

It is quite evident that the higher education sector in India faces a number of challenges and constraints which need to be overcome through various focussed initiatives. Although the Government's focus on the development of higher education is increasing, much still needs to be done to ensure that the targetted enrollment rates are achieved. It is also clear that the expansion of the higher education system in India would not be possible without sufficient levels of private sector funding. With a clear gap in the availability of this private sector funding there is a need to look at partnerships to create progress on this front in the near term.

- ▶ Some specific action steps that may be considered include:
- ▶ PPP can be considered as a potential mechanism to attract private sector financing
- ▶ Players with prior experience in developing successful PPP models can assist the Government execute PPP initiatives
- ▶ The Government can contribute to such models by facilitating the acquisition of land and other necessary infrastructure
- ▶ To ensure that there is no dilution in the quality of education delivered by such educational institutions International appropriate accreditation standards may be prescribed by the Government
- ▶ Private sector partnerships should also be explored to enhance the higher education infrastructure
- ▶ The existing regulatory framework should look to accommodate such partnerships