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## Higher Education in Kyrgyzstan: Is It a Public Good or a Private Good?

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The privatization of higher education is one of the most-discussed issues in the world, including Kyrgyzstan, where the issue was raised several years ago and still remains unresolved, hanging “in the air.” At the March 19, 2008, meeting of EdNet university network members, Minister of Economy Akylbek Japarov proposed the idea once again, saying: “It is necessary to let universities go on a free voyage, in order to allow market selection to choose the strongest universities.”

The increasing importance of the private sector in general, and of the privatization of higher education in particular, are not new issues. They appear to be part of a global tendency sometimes called “the third wave of privatization.” There are a number of problems with Kyrgyzstan’s education system and the reforms that have been implemented have not always produced the desired results. They have lacked sufficient consistency; they represented poor imitations of others’ experiences.

Such a situation is partially justified, since it reflects the overall condition of our society, which is undergoing the painful process of finding its own way of developing. However, it seems that the moment when society needs to decide on the role and importance of education for the country’s long-term development has come. In other words, society must decide how much education – and of what quality and specialization – is necessary to meet the country’s strategic goals.

Discussing the privatization of higher education makes people excited but also afraid, because there is no clear understanding of the main point; there is no conception of privatization and the mechanisms of its realization; and for the most part, the topic remains a private one.

### ***Global tendencies and higher education in Kyrgyzstan in the transition period***

During the years of independence, higher education in Kyrgyzstan has become available to the masses, but most of the 40,000 graduates who leave universities with diplomas each year are not needed in the labor market.

Since the middle of the 1960s, higher education has been expanding and becoming more accessible to the masses, globally. In some countries, there were even discussions of attempting to reach a universal level of higher education. In the developed Western countries, the availability of higher education to the masses was the result of radical changes in the labor market, which demanded a highly qualified, flexible, and mobile labor force. In addition, the social demand for higher education has been increasing because of an overall improvement in the standard of living. The public in the West long ago became accustomed to continuous, lifelong education as a strategy for individual advancement. In post-industrial, developed countries, the main focus is on the intellect, i.e., the inclusion of knowledge and skills in the economic cycle. Numerous theoretical findings by scholars have proved the economic benefits of investing in human capital, which ultimately warrants all expenses and results in innovations, technological progress, and improved labor productivity.

The picture of higher education has seriously changed at the global scale. Student demographics have changed: the number of “traditional” students (aged 18-25) as well “nontraditional” students (working adults, mothers, people with limited physical capabilities) has increased. There is a great diversity of forms of distance education, which apply the newest communication technologies. There is an increasing adaptation of curricula to the individual needs of students and the importance of new education technologies is increasing significantly. In the twenty-first century, the knowledge-based economy is comprehensively discussed, and economic well-being is largely dependent on intellectual potential rather than physical labor and capital; in other words, it depends on the “quality” of human resources.

Kyrgyzstan's higher education system has significantly expanded in the aftermath of independence. The peculiarity of this "boom" is that it has occurred simultaneously with a protracted economic crisis, high unemployment, and an increase in the number of post-high-school-aged young people. University education prolonged the entry of a large number of young people into the labor-market. However, the mass graduation of specialists who were not in demand only helped to worsen of the situation; the country lacked an integrated employment policy, which should have been based on its economic development strategy and serious analyses of the labor-market situation.

By becoming "a thing in itself," unconnected to the local labor market, the higher education system has created an imbalance among academic specializations. The humanities were devalued and graduates in a number of specializations, for example, in the technical and exact sciences are lacking. The system of secondary professional-technical education, in comparison with higher education, has become marginal, which has also resulted in labor market faults.

Madeleine Reeves, a scholar who focuses on Central Asian issues, noted that in the post-Soviet context of Kyrgyzstan, when the concept of the market in its wider meaning as a system of economic relations and institutions has been emerging from scratch, the sphere of education has become a kind of testing ground for its formation.<sup>1</sup> This differentiates Kyrgyzstan's experience from the experiences of Western countries, where market concepts and mechanisms existed first and then were later applied to higher education. Reeves' observation helps explain such "ugly" manifestations of the market in Kyrgyzstan's higher education system as buying diplomas, grades, and so on.

Most students, university instructors, and parents point out the existence of "market" relations in higher education and the almost complete commercialization of education, which is a strong manifestation of market. In fact, approximately 90% of university students in Kyrgyzstan pay for their educations. If one looks at financing, state-owned universities in our country outnumber private universities three-to-one, but they are only nominally state-based, since their government financing does not exceed 10-15%.

The education market is quite unique. Some authors have noted that education has two dimensions: production (of knowledge and specialists); and consumption (the labor-market, i.e., employers).<sup>2</sup> The problem of higher education in Kyrgyzstan is that there is only one market. There are students, and a great number of universities compete for them. The majority of universities believe that their task is to "equip students with knowledge," but that they are not responsible for their graduates' prospects in the labor-market. Instruction methodologies have not been changed, there is almost no competency-based approach, and curricula are still designed in the hour-based Soviet form.

Unfortunately, the existence of the "market" is evident, since it is easy to buy papers, diplomas, and degree research papers, without attending classes or expending any effort. The corruption that is present in all spheres of social life is especially strongly and horribly displayed in higher education.

#### ***Discussion on mass and elite character, public and private interest in higher education***

Should the state regulate higher education, or it is better to rely on the market to regulate it? Should higher education be available to the masses? Who should pay for higher education? These are important questions that concern many in society, and first of all, the state.

In recent years, the idea that equal access to higher education (and even to secondary education) is essentially wrong has become more popular. Those who believe this think that higher education should be designed to prepare the intellectual elite,<sup>3</sup> while the majority of society should be served through the primary and secondary branches of professional education.

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<sup>1</sup> Madeleine Reeves (2005). Of Credits, *Kontrakty* and Critical Thinking: encountering "market reforms" in Kyrgyzstani higher education. *European Educational Research Journal*, Vol.4, no1, pp.5-21.

<sup>2</sup> Gazimagomedov G.G. Market and education policy of the Russian state.// *Communication and education*. A collection of articles, ed. S.I. Dudnik, 2004, pp.365-383, accessed at [http://anthropology.ru/ru/texts/gazimagomed/educomm\\_18html](http://anthropology.ru/ru/texts/gazimagomed/educomm_18html)

<sup>3</sup> On the profanation, devaluation and division of higher education. Interview with the deputy rector of the American University of Central Asia, B. Beshimov, and the rector of Moscow State Linguistic University, I. Haleeva. Aki-press, "Zloe pero," July 4, 2006.

At first glance, it is hard to oppose the opinion that each boot maker does not necessarily need to have a higher education and secondary education must be able to provide a variety of alternatives for people. Perhaps, these are attempts to react to the market realities within the typical social hierarchy. However, it has to be taken into account that the social demand for higher education is quite high in Kyrgyzstan and that most students and their parents do not rely on economic pragmatism. In our society, higher education fulfills, above all, a social function. It provides access to certain spheres of communication and social activities, and the minimum qualification for being involved in prestigious professional activities. This is the main reason – together with demographic factors – to presume that the demand for higher education will remain the same in the coming decade.

The question of higher education accessibility is closely connected with the question of who should pay for it. Here, the main idea is that there is no such thing as free education; somebody always pays. This leads us to the question of who benefits from higher education; does it have a public or a private character? If education is a private good, then students should pay the market price to access it. The public character of a good presupposes that access to it will not be limited to one or a group of customers. Even though there are extremely divergent views on this issue, most researchers on this topic recognize the mixed character of education's value. From one side, the knowledge, skills, and intellectual property gained in a university is the private capital of the student; from other side, the country benefits economically, culturally, and socially from the education of its citizens.

Recently, in many countries, there has been a review of approaches to higher education, especially as they relate to the state. More emphasis has been put on the private character of education and the need to privatize it, incorporate managerial principles, orient it toward customers rather than providers, and apply entrepreneurial culture –in other words, to turn the university into a kind of corporation. In the context of global trends, the idea of higher education privatization is not a new one and, in the future, this question will concern Kyrgyzstan as well.

The current period is difficult because Kyrgyzstan is trying to balance the provision of equal access to higher education (as provided for by the Constitution, the law, and international conventions), with securing the quality of education, and bearing the burden of expenses. It is a real current challenge for Kyrgyzstan's education policy. The existing political climate obviously favors the privatization and deregulation of higher education.

In this context, it is interesting to note that plans for the privatization of universities were provided in the law "On education" of 2003. According to this law, university privatization should have started in 2005. But because of the March events, it was postponed for an indefinite period. Nevertheless, in 2006 and 2007, this idea was announced several times by the senior leadership of the country, including high officials of the Ministry of Education and Science.

The major argument in favor of privatization is that it would reduce state expenses and attract private investors to the sphere of university education. The commercialization of higher education, together with state efforts to reduce government expenses by privatizing universities, makes it quite understandable that the state does not want – and cannot be responsible for – providing higher education to everyone who wants it. Higher education is, *de facto*, recognized as a market sector, although there is still much rhetoric about its social functions.

It is problematic that the idea of university privatization is still hanging in the air, but it is not surprising. The topic is still privately discussed and there is no plan of privatization that clearly sets forth the state's priorities for university reforms as well as its principles for regulating the reorganized universities' activities. There are difficulties in developing concrete mechanisms and a corresponding normative basis; there is no serious financial-economic analysis of universities. In addition, it is not certain whether there are interested investors or whether the state or society would benefit economically and socially from university privatization. A public dialogue that considers the opinions of experts, professors, students, and the wider public is absent. Therefore, there are well-grounded concerns that embarking on the process unprepared may simply result in a veiled redistribution of property and provide a method of realizing the interests of state and private officials, creating an opportunity for corruption.

### ***The private sector and the privatization of higher education in other countries***

The privatization of higher education is proceeding all over the world at different speeds. In some countries, private universities have existed for a long time; in others, they are a relatively new phenomenon. In Japan, Korea, Taiwan, Indonesia, the Philippines, and some other Asian countries, 80% of university students study in private institutions.<sup>4</sup> The area where the private share of higher education is expanding is quite large and includes China, Africa, the Middle East, Asia, Eastern Europe, and parts of Latin America. In highly populated countries – for example, China, India, and Malaysia – in order to extend access to higher education to more young people (in India only 7.2% of youth aged 17-23 have access<sup>5</sup>) the solution has been to develop the private sector.

Research on privatizing higher education at the global level shows an interesting picture. It must be noted that in most of European countries (including Germany, France) and also in Australia, state institutions dominate university education, and the state subsidizes higher education. In Scandinavian countries, students do not pay for university education, but as we all know, people in those countries pay very high taxes. It should be noted that, recently, there have been discussions in the West on the need to reconsider higher education policies, because of the failure of the welfare state concept. It is especially obvious in Germany and France. Even though there is serious ideological opposition to the idea of privatization, more and more people are beginning to recognize that free and highly subsidized higher education is an unbearable burden for a state, irrespective of its wealth. In the UK, the privatization of the education system, all the way down to the high school level, started much earlier than in neighboring countries. Beginning in the 1980s, the UK started reducing government funding for education, increasing the role of paid education, and deregulating and decentralizing university management.

At the same time, in Eastern Europe and in CIS countries, the share of privatized higher education has also been increasing. This is first and foremost a result of the need of these states to reduce expenditures. In poor countries like Kyrgyzstan, a lack of resources and the need to reorient the state's means to the needs of primary and secondary education has emerged.

The causes of the privatization of higher education are similar in many countries around the world, regardless of their social and economic differences. First, there is the growing demand for higher education, which exceeds the capacity of the state. The mass character of higher education requires extensive resources that are not available even in very rich countries. However, the demand for higher education continues to grow. Such a phenomenon is characteristic of many countries, but particularly of developing countries that are growing fast, such as Brazil, China, and India. On one hand, this is because of demographic peculiarities and the increasing number of young people, especially in Asian countries; on the other hand, it is a result of the increasing demand for higher education as a tool for securing career success and social mobility, accompanied with economic growth and improvement of the living standards of many social classes. According to some estimates, the demand for higher education in Asia will increase from 17 million people in 2002 to 87 million people in 2025.<sup>6</sup>

Second, the number of universities is increasing in response to the demand generated by religious, cultural, linguistic, and ethnic needs and preferences. Another important factor is that there is a demand to gain the most advanced knowledge and skills in the highly technological spheres, which has resulted in the emergence of elite-oriented private universities. There are also universities that are sponsored by corporations that need specialists of a specific profile and have an interest in conducting specialized research.

In many countries – both rich and poor – most private universities are established in response to the differentiated capacities of students to pay for education. This has unfortunately resulted in the emergence of a great number of universities with low tuition fees and low-quality education.

### ***What is higher education privatization?***

Generally, privatization means the transfer of ownership and control from a government to a private entity (an individual or a corporation). When the privatization of higher education is discussed, in most

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<sup>4</sup> Asha Gupta (Sep. 2005). International trends in private higher education and the Indian scenario. Research and Occupational paper Series. CSHE, University of California, Berkeley.

<sup>5</sup> Ibid.

<sup>6</sup> Laura K. Couturier. Presentation at “Markets, Profits and Future of Higher Education” conference, May 1-2, 2003. Teachers College, Columbia University.

cases it implies a change in financing; this seems to be the most important criterion. However, in practice, higher education privatization may take different forms. It may be expressed through the emergence of a great number of universities that are partially or completely financed by the private sector; or the incorporation of private management into a state-financed institution; or the state management of educational institutions that are partially or completely financed by private sources; and another variation. In summary, there are three forms of privatization: 1) private education services; 2) private financing; 3) private management, decision-making, and accountability.<sup>7</sup>

There are different models and schemes of privatization in different countries. One is the outsourcing or contracting of different services, which may include conducting conferences, landscaping, managing bookstores, or even fundraising.

The voucher system is well known in secondary education, but could also be applied in higher education. Education franchising is another form of privatization, in which a commercial concession is used to spread academic services and products. It is accomplished by transferring the monopolistic ownership rights and brand name of a franchiser to an organization that provides education services. This form is quite popular in organizing distance education as well as in the activities of academic institutes. Such institutes, based on contracts with receiving universities, offer a range of programs that are designed to prepare students for university entrance exams and language courses; in other words, they form a contingent of university entrants.<sup>8</sup> There are some countries – in particular, Malaysia – where privatization of state property takes place by means of transferring the ownership rights to private people for an approved price, as well as through the realization of joint programs with partner universities from abroad.

The market approach to financing higher education is based on several arguments: 1) the belief that the private sector will release the state from a part of its burden to finance higher education; 2) the belief that higher education mostly benefits individual people, so they should pay for it; 3) the belief that an effective system is one in which a state buys the academic services of universities, but does not provide grants.<sup>9</sup>

### ***Positive and negative sides of higher education privatization***

Education privatization may have both positive and negative effects. It may be positive that, under the pressure of market forces, universities supposedly will work more effectively, adjusting to the needs of customers and the market. It may also be positive that – especially in poor countries – the reduction in expenditures that the state realizes through privatizing higher education can lead to an increase of state spending on primary and secondary education, or other social sectors, such as healthcare.

There may be a number of negative effects of privatization as well. Kyrgyzstan needs to take these into account. First of all, a potential negative effect in our context will certainly be a reduction in the quality of education. This is a problem with private universities in many countries. In developing countries in Asia, state universities are more popular, since they pay professors better, while private universities are not as prestigious. Conversely, in developed countries, which have long traditions of having private universities, there are many prestigious private universities. It is hard to predict how the situation Kyrgyzstan will develop. Here, the quality of education is questioned in both state and private universities. Professors' salaries in most universities are quite low; in universities with international participation, there is always a large difference between salaries for local and foreign instructors.

Given this situation, the chances for each scenario are equal. On one hand, the majority of highly qualified, experienced professors might flow to a more successful private sector (if it becomes more successful). On the other hand, if private universities undergo serious financial difficulties, and the main source of profits is tuition fees, it is quite possible that the quality of professorship will not be

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<sup>7</sup> Clive R. Belfield & Henry M. Levin (2002). Education Privatization: causes, consequences, and planning implications, UNESCO: <http://www.unesco.org/iiep>

<sup>8</sup> For more details, look at J. H. Borodina, Franchising in the education sphere. Academy of management "Tisbi," source: <http://www.tisbi.ru/science/vestnik/2004/issue4/Educate4.html>

<sup>9</sup> Bikas C.Sanyal (1998). Diversification of sources and the role of privatization in financing of higher education in the Arab states region. International Institute for Education Planning. UNESCO

better and might even be worse than in state universities, taking into account weak potential for investments.

It is interesting to note that in many countries, private universities do not have an official status. For example, in China, according to data from 2002, among 1,200 private universities, only four obtained the right to give bachelor's degrees, and 120 could give the degree below the bachelor's degree.<sup>10</sup> This situation is characteristic of other countries in Latin America and Asia, also.

The experiences of other countries show that, in the private sector of higher education, there is usually a serious restructuring of labor resources. In an effort to increase profits and reduce expenses, many universities rely on the part-time employment and short-term contracts, which do not guarantee social and insurance payments. As a result, lecturing turns into an additional activity that may impact the quality of instruction. It is likely that part-time lecturers will not participate in the decision-making and management of a university; hence, it may lead to the centralized management, moving away from the norms of academic freedom and autonomy of professorship.

One of the problematic points of university privatization is the question of management. Can we completely rely on private management, or must the state play a substantial role? Can Adam Smith's "invisible hand" independently regulate this sphere? Who will be responsible for correcting the market's faults? What will the role and duties of the state be? If the state retains management leverage, will it mean setting minimum standards, or will mean state participation in higher education in a general sense? Who will be responsible for the accreditation of private universities, given the absence of independent accrediting agencies or professional associations? How will activities of foreign universities be regulated?

A range of risks is contained in the question of the nature of private university education, whether private universities will become nonprofit institutions or for-profit institutions. According to the law of the Kyrgyz Republic, universities should be privatized through creating joint-stock companies. This raises the question of whether universities, as types of joint stock companies, will try to make profits. In this context, the question of taxes must be clearly solved. In many countries, nonprofit private universities receive tax exemptions.

One of risks is that privatization oriented toward differentiated demand may lead to an excessive fragmentation of the sector, which may not be in the national interest. Besides, there are no guarantees that state priorities will be attractive enough for a private investor. Private investors (if they exist) will be interested, first of all, in the profits that they can gain in the short-term. It is likely that a private investor will not be interested in financing research, for example, in some spheres that are of strategic importance for a state, because it does not appear that it will bring short-term profits. Many universities in the USA depend on financing from large corporations, which usually have representatives on the universities' boards of trustees. Such universities may become hostages to their sponsors' interests, and may be forced to do research on "order." At that, it is possible to have a situation when new, valuable knowledge will not go public, if it concerns the commercial interests of a corporation.

The education sector is a very specific market. It differs from other markets because its pricing policy is sometimes not defined according to market principles. There are debates on what a proper tuition fee should be. Should it completely cover all the actual expenses of a student and even other, associated expenses? Which factors must be considered? For example, how can a tuition fee that is many times higher than the GDP per capita be justified? Should social justice be considered? What can the state and society do to develop loans and scholarships for students?

The demand for higher education (mostly in the humanities) is very high in Kyrgyzstan. When there is demand, there will be supply in the form of comparatively cheap and accessible education of lesser quality. Ultimately, it may be that low-income citizens are forced to pay more for education of low quality, while the elite education will be very limited. The privatization of education, undoubtedly, will lead to sharper social stratification, increasing the differences among the elite, the middle class, and those with low incomes.

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<sup>10</sup> Asha Gupta (Sep. 2005). International trends in private higher education and the Indian scenario. Research and Occupational paper Series. CSHE, University of California, Berkley.

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