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Assessing the Roles and Challenges of PHEIs in Creating Access and Human Capital Development

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Abstract

This study surveys the roles private higher education institutions (PHEIs) are playing in creating access, employment opportunities as well as program diversity in Ethiopian higher education system. It also explores the policy issues, challenges and shortcomings of the sector, aiming to assess to what extent PHEIs are contributing to the growing demand of higher education in providing access, in program diversity as well as in human capital development. The study also indicates the challenges of PHEIs in the contemporary higher education system of the country. Evidence was mainly gathered through document analysis of relevant policy as well as institutional documents. In addition, review of related literature and researches in the area as well as the researcher's personal diaries were used as data sources. The study found out that most private institutions in Ethiopia are playing crucial roles by creating access and offering courses that open up good employment opportunities in the current trend of massive higher education expansion. Hence, the sector is significantly contributing to human capital as well as economic development of the nation. However, private higher education institutions appear to have limited access and poor program diversity, focusing only on few disciplines. Thus, this study indicates that PHEIs need to rethink their policies regarding their reach to the mass of potential users as well as their limited program diversity by considering the current 70:30 natural - social sciences ratio.

Key Words: Ethiopia, higher education institutions, private sector, access, human capital, employment opportunities, program diversity.

Background of the Study

Knowledge is the driving force in the rapidly changing globalised economy and society. Today's most technologically advanced economies are truly knowledge-based, creating millions of knowledge-related jobs in an array of disciplines that have emerged overnight (World Bank, 1999c) and has become one of the most important factor in economic development (World Bank, 2002). Higher education has always been an important source

of knowledge and priority in the public agenda and, that is why, according to Clark (1983), knowledge has been found to be the building block of higher education institutions. Consequently, the world is currently in the grips of the *soft-revolution* (i.e., the knowledge economy and society), in which knowledge is replacing physical resources as the main driver of economic growth.

In the era of the '*knowledge economy*', fostering talented people has become the central task of nations so as to ensure social and economic development and higher education institutions which are among the most important engines of this process. Higher education thus plays a crucial role in the development of national economies and societies into knowledge-based economies and societies (Kaiser, Vossenseyn and Koelman, 2001).

The last decade of the 20th century saw significant changes in the global environment that, in one way or another, bear heavily on the role, functions, shape and mode of operation of tertiary education systems all over the world, including those in developing and transition countries (World Bank, 2002). The first decade of the 21st century is experiencing an increasing shortage of public funding, increasing demands for labor force with skills and qualifications applicable in the workplace. Private higher education is emerging as one of the most dynamic segments of tertiary education at the turn of the 21st century. This distinction is linked with *privatization* ideology that is so influential at present and with the worldwide trend to cut public spending (Altbach, 1998). Privatization in higher education is, in fact, an aspect of the general phenomenon of a shifting balance between public and private involvement in higher education (Duezmal, 2006). The principal argument for privatizing higher levels of education is that many countries are unable to finance the expansion of secondary and higher education with public funds, given future increases in demand (Carnoy, 1999). Moreover, Weisbrod (1986) argues that governmental agencies tend to provide a public good only at the level that satisfies the median voter. Consequently, there exists residual unsatisfied excess demand among individuals whose taste preferences for those goods which are greater than those of the median voter. Therefore, financial inadequacy has represented a

significant obstacle to the ambitions of expanding the supply of higher education.

Thus, the current expansion of higher education cannot be attributed only to governmental investment in the sector, due to restricted public resources and limited economic capacity of nations, and private investment is required, too. Rhoads (2006) adduced that globalization and global capitalism has also a greater influence on higher education reforms. One of which is the emergence of privatization of universities and colleges. That means, a way in which global capitalism is shaping university reform revolves around privatization. Such privatization movement is closely packaged with deregulation and declining state support (Rhoads, 2006). The deregulation of higher education has made “for-profit” and private colleges and universities increasingly viable.

Therefore, the main purpose of this study is to:

- Assess the roles PHEIs are playing in Ethiopian higher education system with regard to access and employment opportunities;
- Highlight, to what extent, PHEIs are contributing to the human capital as well as economic development of the country; and
- Examine the potentials and major challenges of PHEIs in the contemporary higher education system of the country.

This study may also indicate future prospects of the sector in line with the current policy postures in the Ethiopian context. Lastly, the study can also help as one reference for further study in the area.

Research Design and Methods

This study used qualitative research design but tried to exploit a variety of data sources. The researcher basically used document analysis as the main complementary research method as the potential source of secondary data for many qualitative studies. Hence, this study focused on national policy documents, relevant literature and studies that are directly relevant to the research problem area under investigation. In addition, the

researcher also used personal diary to supplement those documents.

Theoretical Frameworks

Education Reforms in the Context of Globalization

It has been argued that the overwhelming majority of the contemporary pressures on higher education policy and reform emanate from the pressures of massification to the growth of the private sector, which are the results of the globalization process (Altbach, 1994). In this regard, Carnoy (1999) identified three major kinds of education reforms worldwide within the context of globalization: Competitiveness-driven reforms (CDR), Financial-driven reforms (FDR) and Equity-driven reforms (EDR).

Competitiveness-driven reforms (CDR): It primarily aims to improve economic productivity by improving the quality of labor. In fact, this approach aims to expand the average level of educational attainment among young workers and improving learning quality at each level. CDR are productivity-centered, their goal is to raise the productivity of labor and of educational institutions, even if this requires additional spending on education, including higher teacher salaries and major expansions of educational levels.

Finance-driven reforms (FDR): The main goal here is to reduce public expenditure on education but improve the productivity of labor, the efficiency level in resource use and educational quality. That is intended to be achieved in three ways: privation of secondary and higher education, shifting public funding from higher to lower levels of education and reducing cost per student at all levels.

Equity-driven reforms (EDR): The main goal is to increase equality of economic opportunity, offering education based on equality. *Equalizing access* to high-quality education can play an important role in 'leveling the playing field'. The main EDR in developing nations' drivers are: to reach lowest-income groups with quality basic

education, to reach certain group of the population such as women and rural people as well as to reach students with special needs.

Based on the above analysis of global educational reforms, it is well understood that CDR are targeted towards increasing human capital in the rapidly changing global environment. FDR clearly indicates the need to privatize higher education. And EDR focus on equalizing access by expanding educational opportunities to those groups not accessed by the public sector. Therefore, Carnoy's reforms are directly related with the expansion of private sector education and its access throughout the world.

Roles and Functions of PHEIs

All higher education institutions (public and private, non-profit and for-profit) *serve a public purpose* (Sharipo, 2003). In this context, the private sector is playing some important roles and functions in serving a public purpose and supplementing the public HEIs of any nation. In line with this, different researchers have analyzed the functions and roles of the private universities and colleges throughout the world. However, Geiger (1986), among others, has identified three major functions of PHEIs:

1. To absorb excess demand: The 'mass private sector'

According to Geiger (1986), mass private higher education sector has emerged in response to an increase in demand for higher education and the inability of public higher education to accommodate this demand. Therefore, mass private sectors are present in countries where the provision of public higher education has been limited to relatively few institutions of high academic standing. The excess demand for higher education in these systems has been absorbed through rapid expansion of PHEIs.

Geiger further denotes that mass private sector essentially fulfill the role of accommodating the bulk of popular demand for higher education. They complement public sectors that are relatively small, predominantly selective, and to a large extent oriented toward the elite tasks of higher education. The private institutions become the agencies for meeting the general unsatisfied demand for higher education (Holttta, 1990).

Such PHEIs in mass private sectors are heavily dependent on tuition fees, demand absorbing and market-oriented (Duezmal, 2006). They usually offer few study programs, vocationally oriented, in high demand study fields, with mostly part-time academic staff and low tuition fees.

2. To provide different education than the public providers.

The second function of PHE is to provide *different* education than that which do the public providers make available. Where the states' plural public sector has allowed for specialist institutions alongside larger, public ones, the PHE sector provides different education under the auspices of various cultural-ethnic or religious interests. The obvious example is a religious-based provider. Geiger indicated that the religious type was most important in the early growth period of private higher education, as in the USA, Latin America, Belgium and The Netherlands. Private institutions in these societies reflect the 'deep-seated cultural preferences of religious communities'. Private provision of different tastes can, thus, be stimulated by the need to guarantee a degree of cultural and linguistic pluralism (Holttta, 1990).

3. To provide better education.

The third function of PHE identified by Geiger is to provide *better* education. This kind of private higher education can emerge under several sets of circumstances. In Latin America (e.g. Mexico and Venezuela), the quest for better higher education is a response to the politicization and decline in quality of the public higher education sector. Students from middle-class families sought private, politically safe schools, which often prepare students directly for a career in private industry.

The other kind of high quality, PHE occurs where students face severe competition to enroll in the best public higher education institutions. In the face of this competition, they turn to private providers. Such high quality, private higher education institutions exist in Japan and France. In this case, private institutions are also partly financed by the state and incorporated into higher education systems.

Policies Approaches towards PHEIs Sector

Policies usually shape the way higher education (public and private) operates. Hence, existing governmental higher education policies are central agendas in the discussion of any nation's higher education reform as well as performance. In line with this, Zumta (1997) analyzed the relationship between state policies and the performance of PHEIs. Based on empirical work conducted in the USA, Zumta presents interesting implications of different models of public policy and their implications on the private sector development. Accordingly, Zumeta identified three possible policy approaches towards private education, as follows:

1. *Laissez-faire*: It is a policy stance where state policies ignore the private sector. In practice, it means that little or no state funding is channeled either directly or indirectly to private education; there are no tax incentives for students to attend to private higher education; no state scholarships for students in the private sector; and private institutions are free to set their level of tuition fees. Here, the private sector is excluded from playing a meaningful role in state-wide higher education planning; the state collects only minimal information about independent private institutions; and the state regulation of private institutions is limited mostly to operational license issue and the enforcement of general state laws.

According to Zumeta, the consequences of a state's policy of *laissez-faire* leads either to a relatively small private sector (in terms of enrolment share) or to a private sector enrolling a meaningful part of students but usually providing low quality education. Those private institutions lacking large pools of candidates and substantial private endowments are often characterized by low quality standards, narrow and vocationally-oriented curricula, insufficient infrastructure, and in some cases even eventual loss of capacity to enroll students.

2. *Central Planning*: In this approach, private institutions are treated by the state almost like the publics and play planned roles in the higher education system. It is a posture in

which the division between private and public higher education is rather blurred. The state funds for private institutions are usually allocated in the form of direct subsidies. This pattern is at the opposite end of the conceptual continuum from the laissez-faire posture. In this pattern, private institutions are incorporated integrally in the extensive state planning and management of higher education, get their share of attention when new state initiatives affecting higher education are planned, and, most importantly, receive a substantial share of the state's higher education budget.

Private institutions, dependent on state money and subject to various formal and informal state controls, are less likely to be capable of sustaining diversity of mission and approach, maintaining flexibility and rapid market responsiveness. Thus, they become quasi-public. In terms of enrolment share, the privates usually represent less than fifty percent of total enrolment. Thanks to their non-tuition source of funding, they are able to compete successfully with public institutions.

3. Market-Competitive: Here, public HEIs operate in an environment deliberately designed to be like that faced by the private educational institutions. The state introduces market elements into the higher education market, seeks to create a competitive, open market structure, and stresses the importance of individual student choice by allocating "portable" student aid grants, which enable students to 'vote with their feet'.

In this pattern, state intervention is limited. Students' grants and tuition equalization grants are made available for both students from private and public institutions. The state encourages private-public competition by gathering and disseminating comparative information about institutions' characteristics and performance. In this model, in contrast to the previous one, public and private institutions are more autonomous in terms of academic issues.

In general, the work of Zumeta provides a good analysis which is helpful for understanding the state higher education policies and their institutional framework, and the nature of relationship between state and higher education. However, the ideal

descriptions of these policy approaches may not fully represent reality. In fact, the empirical reality of actual state policy configurations often displays many intermediate configurations.

Private HEIs: The Ethiopian context

Overview

Most of the educational reforms currently taking place in Ethiopia (including expansion and booming of the private sector, ICT use, and so on) can be understood as changes resulted from globalization pressures on the higher education sector, according to which Ethiopia has formulated the major educational policy and reform documents (such as Education and Training Policy, ETP; Education Sector Development Program, ESDP; and Higher Education Proclamations that represent the bases for the current reforms in the higher education sector).

In general, reforms in Ethiopian higher education can be analyzed within the Carnoy's framework of education reforms in the context of globalization (1999). Consistent with the CDR, the higher education reforms in Ethiopia clearly indicated the need to produce competent manpower for contributing to the country's socio-economic, cultural, and political development. Besides, the Ethiopian Government has launched private education at all levels and legally encourages private involvement in the sector through a program of land grants, tax exemptions, duty free and consultancy services (Teklu, 2007). On top of this, the reform documents boldly emphasized that all the different nations and nationalities in Ethiopia shall have equal access to education; gender equality, access to education for those in rural and remote areas and for those with special educational needs is found to be major element of the reform documents, which is EDR. Based on the above analysis, the reforms in Ethiopian higher education are CDR, FDR and EDR.

Following this, it is possible to conclude that the establishment and expansion of PHEIs in the country is linked to global dynamics and reforms that led to formulation of

different innovations and policy frameworks. Specifically speaking, the increasing demand from students for access to higher education, the limited capacity of public universities, and the growing need of a highly skilled labour force for the growing economy has necessitated the expansion of PHEIs in Ethiopia (Teshome, 2007). All these pressures, in fact, opened the scenario for the emergence and booming of PHEIs in the country, favored by a new normative framework allowing the expansion. Currently, there are more than 65 registered and accredited private higher education institutions providing university and college level education in different fields of study.

The Present Scenarios of PHEIs

Following the 2003 Higher Education Proclamation, the Ethiopian higher education system is undergoing rapid transformation and massive expansion in both public and private domains (Damtew, 2005). Private sector is, thus, one element of this transformation and expansion. In the Ethiopian higher education system, however, the public HEIs take the lion's-share in terms of expansion, access, program diversity, student enrolment as well as supply of graduates. From the gross national enrolment, 77% (total number of enrolment reached close to 200,000) (MoE, 2007) of students are attending public universities and colleges in undergraduate, graduate and postgraduate degree programs. In public HEIs, a balanced offer between social science, humanities, natural sciences, technology and agricultural studies is available. On the other side, PHEIs that have proliferated since 1997 claim to cover about 24% higher education enrolment (MoE, 2003) mainly at diploma level and, in limited extent, in their degree programs (Tesfaye, 2006). That is, the accredited and non-government HEIs in the country account for about 24.8% of the 2004/5 overall (degree and diploma programs) enrolment and about 9.3% of the degree level enrolments of the system (Teshome, 2007). Therefore, the private sector is supplementing the public universities and colleges in terms of access, alternative study programs and supply of graduates.

With these present scenarios in mind, there are numerous common resemblances that are shared among the recently established PHEIs around the world, including the Ethiopian

ones. According to Damtew (2005), the present PHEIs around the world are generally smaller in size, limited in programs, market-orientated, and fee/tuition-dependent; they are often reliant on staff from major public institutions and largely staffed by part-timers (Damtew, 2006). Damtew also adduced that virtually none of them pursue research and very few offer postgraduate programs. PHEIs, especially those that are dependent on tuition and fee are generally feeble, precarious and resource challenged. In addition, at the same time, due to their nature, PHEIs are flexible, adaptive, creative, and efficient. The Ethiopian private higher learning institutions share almost all of the above-mentioned global characteristics of PHEIs.

Regional Distribution

In an analysis of the number and regional distribution of private institutions, Tesfaye's report indicates that the number of private institutions has been located in Addis Ababa until 2007 and other major cities, exceeding the number of 100, though, according to recent data, there are 56 accredited PHEIs which are offering degree programs (MoE, 2009; HERQA, 2008). However, most (around forty-three) of these private institutions are based and operated in the capital city, Addis Ababa, with a few branch campuses in the other major towns. The regional distribution of degree program offering institutions seen to be very limited in terms of access: 1 in Afar, 5 in Amhara, 1 in Benshangul-Gumuz, 4 in Dire Dawa City Administration, 4 in Harari, 1 in Somali, 9 in Oromia, 6 in SNNP and 8 in Tigray Regional States. What is worse is that none of these private institutions which offer degree level education in Gambella Regional State. A table given below presents the regional distribution of the PHEIs in the country.

Table 1 - Regional Distribution of PHEIs

Region where the Head Quarter is located	Total number of HEIs	No. of HEIs expanded from Head Quarters to Regional States									
		AA	Af	Am	Bm	Dr	Hr	Or	Sm	SN	Tg
Addis Ababa	41	41	1	3	1	2	3	6	1	4	3
Amhara	2	-	-	2	-	-	-	-	-	-	-
Dire dawa	2	-	-	-	-	2	-	-	-	-	-
Harari	1	-	-	-	-	-	1	-	-	-	-
Oromia	3	1	-	-	-	-	-	3	-	-	-
SNNP	2	-	-	-	-	-	-	-	-	2	-
Tigray	5	1	-	-	-	-	-	-	-	-	5
Total	56	43	1	5	1	4	4	9	1	6	8

Note: AA= Addis Ababa, Af=Afar, Am=Amhara, Bm= Benshangul-Gumuz, Dr=Dire Dawa, Hr=Harari, Or=Oromia, Sm=Somali, SN=SNNP, and Tg=Tigray.

Source: Compiled by the author, 2011.

The above data is indicative of the fact that the private sector is highly concentrated in the capital and very limited access is available in the other regions of the country. Next to Addis Ababa, the highest number of degree program offering PHEIs is found in Oromia Regional State, but still, the number of these institutions in the region is by far smaller as compared to the capital Addis Ababa. What is surprising is that three of the most populated regions of the country (Oromia, Amhara and SNNP) possess only 20 of the total private higher education of the country.

This scenario may not go in line with the EDR, which aims to open HEIs in remote and low-income parts of the country such as Afar, Gambella, and Somali. One point to mention here is that the limited number or unavailability of degree program offering PHEIs in Afar, Benshangul Gumuz, Gambella and Somali Regional States can be explained by lack of qualified academic staff or low demand for the institutions' programs (Tilahun, 2010). Moreover, this can also be attributed to the fact that these

Regional States are, to some extent, far from the capital, having limited and poor infrastructure as well as extreme environment.

Enrolment and Discipline Types

Enrolment: PHEIs hold important share of enrollments in certain disciplinary areas. The Ethiopian PHEIs, for example, currently account for about a quarter of the total students' enrollment of higher education. In terms of access and choice of study, PHEIs are providing better opportunities for female students than the public ones since the proportion of female students there is higher than the public ones. It had even reached a maximum of 53% in the 2001/02 Academic Year (Teshome, 2007). Currently, more than half of those students that have been enrolled in PHEIs are female students.

Disciplinary Types: The current panorama indicates that almost all private university and college students are specializing in business, nursing, law and information technology (IT). For example, private colleges teach three out of four business students, three out of four computer science students, and also train half of all law students in the country (World Bank, 2003). Management, accounting, economics, secretarial sciences, and banking and finance are the common courses provided by almost all private institutions in their business faculty or colleges (HERQA, 2007). This implies that private colleges and universities are highly focused on business, social science and humanities (such as studies on business and economics, law, language studies, as well as computer science and nursing usually at diploma level). The justification for this is that most private institutions in Ethiopia, like others in Africa, offer courses that create good employment opportunities (Damtew, 2005). They usually offer few study programs, market or vocationally oriented and in high demand study fields which put them to be similar with those PHEIs in mass private sector. Thus, Ethiopian PHEIs, as one function analyzed by Geiger (1986), are serving the mass private sector.

Roles of PHEIs in Ethiopia

Within their very short period of establishment and operation, the PHEIs are playing significant roles to the nation in various dimensions. All of the private colleges offer diploma programs, a half dozen of them have mounted degree programs, and very few have initiated a Master's degree program (World Bank, 2003). These private institutions offer diverse educational programs sometimes not available in the public institutions; they guarantee access to the highly growing numbers of students who might otherwise not be admitted to tertiary education; they enable a significant expansion of tertiary enrollments at very little additional cost to government; they provide client-oriented instruction focused on the shifting needs of the job market; and they attract a high proportion of women students. Moreover, according to Teshome (2007), they also offer wider opportunities in terms of choice of programs, delivery modes (regular, evening, distance, etc.), and places of study.

Access

Access to the increasing demand for higher education could not be achieved only by the capacity of the public institutions. Thus, private investment in higher education has been found to be of paramount significance for the crucial issues of access and equity, and reduction of the human capital shortage. During such a phase of rapid national enrollment growth, private providers constitute a critical component of the government's higher education expansion strategy. PHEIs are providing access to many youth who could not join the public institutions. The large majority of these students have been deprived of access to higher education despite having both the pass grade (GPA of 2.00) in the national examination and a modest level of academic preparedness for academic work at the tertiary level (Solomon, 2005), and most of them could afford the cost of higher education if the chance were available. Consequently, according to Tesfaye (2007), the growth of private institutions opened up new avenues for many citizens, particularly for the marginalized social groups.

Hence, as one of the generally accepted functions of PHEIs, the Ethiopian private institutions are supplementing the public institutions by absorbing the demand in excess for higher education: the function of ‘mass private sector’. The private sector has created wider access as well as employment opportunity for thousands of Ethiopians. The share of access to higher education by private sectors is significantly increasing from the day of its inception. For example, the number of students enrolled in PHEIs has increased from around 8 thousand in 1999/2000 to around 47 thousand in 2004/05 Academic Year, showing a four-time increase in students’ enrolment. In general, the share of student enrolment has grown significantly from almost zero in 1995 to about 10% of degree enrolment in 2005 (Teshome, 2007) and to around 24% of the overall higher education enrolment (MoE, 2003; Tesfaye, 2006).

Currently, following the increasing access to higher education, the private institutions are offering wider opportunities in terms of choice of programs or alternative study programs for students. These private institutions also offer diverse educational programs often not available in the public institutions. This confirms that the private sector is serving what Geiger (1986) called the function of ‘providing different as well as but rarely better education’ to those who face severe competition to enroll in the best public higher education institutions.

Program Diversity

The different programs offered by both the public and private sectors are categorized into six bands: Band I (Engineering and Technology), Band II (Natural and Computational Sciences), Band III (Medicine and Health Sciences), Band IV (Agricultural and Life Sciences), Band V (Business and Economics) and Band VI (Social Sciences and Humanities). Table 2 presents data on the total number of programs (program diversity) offered by public and private HEIs in Ethiopia.

Table 2- Program Diversity in each Band Offered in Public and Private HEIs

Band	Total number of Programs Offered	
	Public Institutions	Private Institutions
I	42	17
II	16	1
III	24	9
IV	47	6
V	45	18
VI	48	12

Source: Compiled by the researcher, 2011.

From the above table, three important findings are at least evident with regard to private institutions program diversity and enrolment. First, there is overconcentration of students in the soft pure sciences. These soft pure science fields are, according to Becher (1994), the humanities, social sciences and business studies, which are studies that are categorized under Band V and Band VI in Table 2. Secondly, almost all PHEIs in Ethiopia are serving the function of absorbing excess demand, which Geiger (1986) called them as ‘mass private sectors’. They usually offer vocationally oriented few study programs, characterized by high demand. Hence, this could also be another factor that limits the program diversity of Ethiopian PHEIs. The proportion of female students’ enrolment and their concentration in these soft science fields is another finding. More female enrolment ratio is evident in private institutions than the public ones (MoE, 2003; Tesfaye, 2007); and the very majority of these female students choose to pursue their study in the soft science fields. The implication, according to Tilahun (2010), is that, on one hand, the government has a long way to go to overcome the hurdle before it get its new guideline for professional mix of university students materialized. On the other hand, PHEIs need to overcome their limited focus on soft science (Band V and VI) so that they can have multidisciplinary program diversity.

Human Capital Development: Supply of graduates

The term ‘human capital’ refers to the stock of useful and valuable skills and knowledge accumulated by people in the process of their education and training (Samuelson and Nordhaus, 2001). In modernized and industrialized society, human capital functions to increase skilled labor force and modern knowledge for any country. That is, an increase in the availability of manpower will enhance the country’s economic development which, in turn, strengthens national competitiveness regionally as well as globally. In general, human capital functions to increase labor force and modern knowledge for any country, a function that is essentially needed in modernized and industrialized society as well as in developing society.

Higher education has been considered as a means to accumulate human capital, and a preparation for future labor which, in turn, fosters sustained economic development. This is because higher education has the mission of contributing to the human capital development of any nation; a mission shared by Ethiopian higher education system. Hence, one of the major objectives of the Ethiopian HEIs, according to Article 4 of the Higher Education Proclamation (2009) stipulates: “To prepare knowledgeable, skilled, and attitudinally mature graduates in numbers with demand-based proportional balance of fields and disciplines so that the country shall become internationally competitive.”

The achievement of this national objective requires the contribution of both public and private higher learning institutions. This is because private higher education, as part of the higher education system of the country, shares the same missions of contributing to human capital development. Moreover, PHEIs are on the same road with the public ones in contributing their parts to the achievement of this major objective of the country’s higher education. That is why one of the pressures for the establishment and expansion of private institutions in Ethiopia was (and is) the growing emphasis on and need for a highly skilled labour force for the growing economy (Teshome, 2007). In this regard, the private sector is significantly contributing to the development of human capital in terms of supply of graduates and skilled labour force.

Consequently, the PHEIs are enrolling hundreds of thousands of students in their programs so that the achievement of the national agenda can be enhanced. Such a contribution of the private sector to the human capital development is greatly helpful for, at least, becoming globally competitive by reducing the human capital shortage of the country in different fields of studies. The current labour market scenario of the country indicates that the privates sectors have been significantly contributing to the human capital development of the country in their programs. As illustrated in Table 3, the contribution of the private sector to human capital development of the country by supplying graduates to the labour market together with the public sector is presented below.

Table 3 - Trends in Graduation of Students in the Public and Private Sector

Institutions	Year	2003	2004	2005	2006	2007	2008
	Total	6294	7600	11,535	25,335	29,845	47,979
Public	Number	6142	7218	10,768	24,501	29,401	39,304
	%	97.6	94.9	93.4	96.7	98.51	81.92
Private	Number	152 ¹	382	767	834	444 ²	8675 ³
	%	2.4	5.03	6.65	3.29	1.49	18.08

In the above table, it is indicated that the number of graduates graduated from the different PHEIs has increased from its inception onwards. The share of graduates from the sector has grown from almost zero before 1995 to around 2.41% in 2003 and even to about 18.08% in 2008 (MoE, 2003; Tilahun, 2010). Thus, it is possible to deduce that the private sector is growing in its importance as one engine for the national development. However, this data does not indicate the total statistical contributions of all PHEIs as there are many underreported data for one reason or another.

Challenges Faced by the PHE Is Sector

Altbach (1999) argues that a higher education provider is private if it is responsible for its own funding, no matter what the sources are. However, Altbach added, for the better functioning and supplementing the public sector, the private sector requires public support or subsidy in various forms. In developed countries, governments often provide more funds to private providers, but the rule is that private institutions depend much less on public money than the public ones. However, in developing nations, according to Levy (1986), the state subsidies often account for less than ten percent of income; they may even be close to zero. Those Ethiopian PHEIs faced such problems, whereas there is no any type of support provided by the state or the state did not subsidize the sector.

The First Higher Education Proclamation (FDRE, 2003) stipulates almost nothing in its policy document regarding governmental support or subsidy to private higher education institutions. This could indicate the fact that either the government overlooked the significance of public support for private institutions or it left the private institutions to operate on their own without any public support. Zumta (1997) has described such a government policy posture as *laissez faire*, where little or no state funding is channeled either directly or indirectly to private education. Modified from the 2003 Proclamation, Article 88 of the revised version of the Higher Education Proclamation (FDRE, 2009) stresses that government subsidy is an essential ingredient so that the private sector could play its role in the higher education development. However, such government subsidy is set to be granted only for non-profit making private institutions with some conditions.

Resulting from this lack of government subsidy or support, like private institutions of other developing countries, the Ethiopian private providers are sustained only by tuition fees. Consequently, one major problem which is facing the PHEIs in Ethiopia is the view that they are for-profit and so does not deserve any special support from any public body (Teshome, 2007). This has led to lack of political support to the sector in terms of funding. Damtew (2005) added that, on top of lack of public subsidy, the PHEIs are faced with the high cost of leased

buildings for their classrooms, laboratories and so on, especially in the capital; the land procurement process is found to be too slow. Following this, most private institutions strongly complain about government's ignorant policies, lack of support and other finance related challenges.

The 70:30 Natural-Social Sciences Ratio

Ethiopia, being poor and agriculture based country and a country currently undergoing enormous constructions in different developmental sectors, greatly needs skilled labour force in different fields of studies, especially in technology/engineering, construction and architecture, natural sciences as well as in agriculture and development. Despite this high national demand for trained manpower in such areas as engineering, water resource management, technologies and architecture, there is shortage of manpower in these fields of study. Since 2009, with this goal in mind, the Ethiopian Government has ratified and implemented a new higher education policy called *70:30 natural-social science ratio*: wherein 70% of the total students enrolled in public HEIs began to be enrolled in technologies, engineering and other natural science fields and the remaining 30% in the social science fields.

The majority of the country's public HEIs are multidisciplinary in their nature, having large mix of study programs that could go in line with this newly implemented discipline specific policy. With the exception of very few instances, however, almost no PHEIs have different fields in agriculture, environmental science, and especially in natural sciences and technology. That is, courses of science, technology or engineering, construction and architecture, agriculture and environmental science studies are not the focus of the overwhelming majority of the private institutions in Ethiopia.

Studies of teacher education are not offered by any private institutes because the Ministry of Education banned them for their poor quality of education, staff and graduates. Hence, this limited program diversity is another challenge for the majority PHEIs. Moreover, only very few PHEIs are launching policy relevant and marketable fields like

construction, land management, architecture or engineering. However, with the increasing urbanisation and construction in the country, most industries, agricultural sectors and other organizations are in dire need of trained personnel in these earlier mentioned fields.

The ETP, ESDPs and the two HE Proclamations have clearly indicated the need to produce competent manpower that can significantly contribute to the country's socio-economic development. According to these reform documents, even the number of graduates is to be dictated by the current development need of the country in order to secure the country's competitive advantage. However, most PHEIs are not producing graduates who can fit the current policy as well as development need of the country: the 70:30 natural science-social science ratio.

Poor Educational Quality

Many PHEIs are suffering from poor quality of teaching and learning as a result of many factors including poor quality of teaching staff, poor teaching methodology (Teshome, 2007), serious shortage of infrastructure, laboratories, library resources (Tesfaye, 2007) and limitations of material and financial resources. In reality, academic quality cannot be achieved without ample discretionary funds, nor simply purchased even when such funds are available. It takes time as well as resources to develop the infrastructure of values, habits and institutions upon which academic standards are improved since the most serious impediments to enhancing quality lie within this infrastructure rather than within the level of expenditure.

A related challenging aspect of the private institutions is with regard to quality of their output (i.e. their graduates). The quality of PHE graduates has clearly become one of the serious concerns for the government. A common phenomenon within private universities is that they try to produce as many graduates as possible, while ignoring the concern of how much their products are able to apply the acquired knowledge in working places.

This may be attributed to the fact that, for one thing, most students entering these institutions are low scoring students who could not join public institutions; besides, the student population, by and large, are under prepared (Solomon, 2005). This is supported by Zumeta's (1997) policy analysis. Accordingly, Zumta indicated that the consequences of a state's pursuit of laissez-faire policies with regard to its PHE sector could lead private sector enrolling students usually in low quality institutions. The consequent of which is that the quality of graduates will be poor, which could be indicated by incompetence and inability to use the stock of knowledge into practice and lack of employment opportunities. As a result, the Ministry of Education, for example, announced that it would not employ the graduates of private HEIs in government schools (Tesfaye, 2007). Besides, at least for the last two years, it has been observed that more than 90% of the nursing diploma graduates from private institutions are unable to achieve a pass mark in the nationally prepared examination of licensure.

Distance education program termination

The vast majority of the private institutions raise their significant share of income from the distance education program they offer. However, as of the 2010 Academic Calendar, the Ministry of Education has terminated this program for both the public and the private sectors. The implication here is that the already unavailable government subsidy and strict state regulation of the private sector, terminating distance program will weaken the majority of the private sectors. This could obviously lead them into serious financial risk.

Concluding Remarks and Prospects

The emergence and growth of private higher education came late to Ethiopia but by the time when total public higher education was still small. As is the case in most of the world, the growth has had to do largely with the rapid increase in demand for access to higher education; while the supply of public higher education has been very limited. The PHE rapidly expands due to demand outweighing supply, thus expanding access by

absorbing the increasing quest for higher education enrolment. But, it often is largely tied to groups less advantaged than those already in higher education and less prepared for high-level academic study. Compared to the public sector, in general, the private sector has low share of enrolment, limited in program diversity, highly concentrated in the capital and few other cities, highly focused on market-oriented disciplines and massively dependent on consumer payments, and tuition.

Without doubt, private institutions provide crucial service to the nation as the country struggles to increase access, producing skilled manpower, and creating employment opportunities. These private sectors are playing crucial roles, serving various functions and supplementing the public sector in the national development agenda of the country. PHEIs are, however, faced with many challenges. These institutions are highly concentrated in the capital and few in some other big cities, which impede its access in the vast areas of the country. Moreover, the majority of those students enrolled in private sectors are in the soft sciences, such as business and economics, social sciences and humanities. This may be related with the fact that these fields are by far highly marketable in terms of employability; besides, running soft science disciplines is less costly than the hard sciences and technologies.

As a result, the program diversity of the majority of the PHEIs in the country is limited to those soft sciences that are categorized under Band V and Band VI. At this point of discussion, the prospects of competitiveness-driven agenda as well as financial capacity of the private sector seem to have some kind of institutional risk. This is because with the termination of the distance education (though not known until when), most PHEIs are to face the risk of losing one big source of revenue; revenue that should be immediately replaced. Moreover, the private sector's contribution to the labor market need of the government should be an issue that needs these institutions to rethink their policy in line with the current 70:30 ratio.

Some Suggestions

PHEIs should be supported and subsidized by the state in order for the private sector to ensure its survival, to continue the role and functions played by the sector. The contributions made and roles played by private institutions should be recognized by both the government and other stockholders. In the rapidly increasing demand for higher education and limited capacity of public institutions, a more favorable and supportive policy and a positive attitude toward private colleges is contributory factor for the private sector.

State regulation of the private sector should be more of supportive, flexible and conducive and, according to Zumta (1997), should not also be at least laissez-faire policy posture. PHEIs should be incorporated integrally in the extensive state planning and management of higher education; they should get their share of attention when new state initiatives which are affecting higher education are planned; and, most importantly, they should receive a substantial share of the state's HE budget. This requires the state to assume what Zumeta called 'central planning' policy.

The location of institutions causes inequity among rural and urban areas throughout the country. The private sector should open institutions in remote regions and small towns in order to serve the local social needs. They should also offer professional disciplines applicable in the economic development in the region by offering all kinds of courses, including natural science, technology, agricultural studies and more. With this strategy, more rural students will have a chance to continue their higher education in their community. It obviously costs these students less to attend these institutions near their home. This may at least be a fertile market for the PHEIs sector.

Limitations of the Study

This analytical and explanatory study tries to provide highlight on the major issues of PHEIs. However, the study is not without limitation. The limitations include:

- It is limited in focus of collecting data necessary for the study.
- It has highly focused only on crucial and very relevant documents.
- It has not included as many PHEIs and their managers as possible.

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