

4. Finance, State Capacity, Privatisation and Transparency in South-East Asian Higher Education

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Key dilemmas underpin the development and expansion of higher education in South-East Asia. On the one hand are the tensions between the desire to expand the quantity of higher education while at the same time improving quality. On the other is the issue of enhancing access while improving equity. While all of the five states treated in this chapter (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) share the goal of extending access to higher education as part of their wider social and economic development goals, none is in a position to provide public higher education to all who aspire to it, especially at a price they can afford. (The last is particularly significant: as is seen below, it is already the case, for example, that fees for high-demand courses in some public higher education institutions in Indonesia outstrip those in the private sector; Welch 2007a:680.)

Hence, across the region, private higher education is growing swiftly. This expansion is clearly widening access, although often at fee levels that, being much higher than those that commonly apply at public higher education institutions (HEIs), further exclude the poor. At the same time, the growth of private higher education is also sharpening quality issues, as well as problems in governance systems within the sector that are, in cases such as the Philippines, Indonesia and Vietnam, already stretched to capacity.

This chapter examines the rise of private-sector HEIs in South-East Asia, and some of the issues associated with the changing balance and blurring borders of public and private higher education: finance, state capacity, governance, and transparency. The context for South-East Asian society and higher education is also rehearsed, including the relatively peripheral place occupied by the five South-East Asian higher education systems, within the global knowledge system. What is argued is that, while the spread of private higher education is undoubtedly opening up access, the high fee levels demanded effectively preclude enrolment by the poor, who are now also being squeezed by rising fee levels at public HEIs. Selected examples are given of differential funding and fee regimes, from the public and private sectors.

The Functions of Higher Education

According to Manuel Castells (1993), all societies throughout history designate specific roles and functions for universities. Not only do these roles and functions change over time, depending on a given society's prevailing history, culture, ideology or politics, they are also not always congruent, hence Castells refers to universities as 'dynamic systems of contradictory functions'. He identifies four principal functions, each of which has implications for access and equity.

1. Universities might be assigned the responsibility for training bureaucracies and the provision of a highly skilled labour force. Most clearly evident in classical China, this was also their primary goal in Vietnam's early Confucian period—for example, when institutions of higher learning were devoted to preparing students for the imperial system of examinations, which, for the successful, led to the state bureaucracy (Welch 2008a). While this strategy was in principle open to all, in practice, males drawn from noble families were the most common source of scholars.
2. A somewhat different function of universities can be to act as social sorting mechanisms to select and train scientific, economic, political and educational elites. In such cases, the selection, socialisation and development of networks among other cadres all help to distinguish these elites from the rest of the society. Historically speaking, the French example is pertinent here, as also is its paler colonial imitation in Vietnam. Santo Tomas University—the Philippines institution founded in 1611—also served this function, albeit for the colonial elite. This function stands in contradiction to most principles of access and equity.
3. Universities are often assigned the duty of acting as ideological apparatuses, responsible (among other institutions) for the formation and dissemination of the societal or state ideology. Here again, the role of Ho Chi Minh thought and Marxist–Leninist thought in contemporary Vietnam and the national ideology of *Pancasila* in Indonesia since independence are arguably illustrative. In principle, this function can open access to new aspirants, based on their ideological purity (but could well close that same door to well-qualified aspirants whose ideological orthodoxy is suspect).
4. Universities also function to generate new knowledge. This is a more modern trend attributable to the successful incorporation by German universities of the research seminar and modernist subjects such as maths, science and technology into their curriculum in the nineteenth century (Welch 1980), and, somewhat later, US science-oriented universities' close involvement in scientific and technological (including military) development and economic growth. Once again, this function does not exclude the poor or dispossessed,

but an examination of the social class characteristics of elite German and US institutions over time, for example, reveals a strong class bias. Much the same can be said of the characteristics of leading universities in South-East Asia, which are in general more concerned with teaching than knowledge creation.

In summary, Castells' taxonomy of roles and functions yields a broad outline of goals that are set for universities to perform

- train skilled labour as demanded by the society
- cultivate elites
- generate and transmit ideology
- create and apply new knowledge.

Here, however, while ambitions and aspirations among developing countries are usually great, they often suffer from something of a disadvantage, relative to their counterparts in the developed world, where, as indicated below, the concentration of various kinds of resources, and a longer history of research and development, give the latter important competitive advantages.

The ongoing ability to successfully manage the sometimes contradictory functions of Castells' typology is one crucial index of success for developing countries in achieving growth, reform, equity and social integration. Castells does not distinguish here between public and private institutions, but the addition of private universities into this sometimes volatile mix, including the regulation of this developing sector, further complicates an already difficult task, as is seen below. While it is acknowledged that, in a context that includes significant privatisation of public-sector HEIs (Welch 2007a, 2007b), and widespread globalisation of higher education, the former sharp divisions between public and private are no longer tenable, and, moreover, that different dimensions of private higher education also exist (Kim et al. 2007; Marginson 2007; Thaver 2003), the specification of these different dimensions is beyond the scope of this chapter. Official government definitions of private higher education are referred to throughout.

All of the states embraced by the following analysis can be considered part of the global South. Yet despite the fact that four of the South-East Asian Five countries in this analysis can be seen to fall within the low-income category (Malaysia's GDP per capita level now places it into a middle-income category), all five have ambitious plans to extend higher education to larger proportions of their populace, who are in turn pressing their governments for more and more places for their children, and more institutions of higher education. This is for at least two reasons, each of which relates to Castells' taxonomy above.

The first is that higher education is seen by all five governments, as well as international organisations such as the Organisation for Economic Cooperation and Development (OECD), the World Bank and the Asian Development Bank (ADB), as critical to the supply of the highly skilled personnel who, in a more post-Fordist world, are said to be the foundation of the new knowledge economies that supposedly characterise the twenty-first century (World Bank 2002a). Governments of all five nations would subscribe to the following statement that summarises the role of higher education in forging the twenty-first century knowledge economy: ‘The quality of knowledge generated within higher education institutions, and its availability to the wider economy, is becoming increasingly critical to national [and one could add international ARW] competitiveness’ (World Bank 2000b:9).

Governments of developing nations, especially in South-East Asia, tend to see universities not merely as institutions of great national and international prestige (and also as important repositories of national culture), but, crucially, as springboards to the future, perhaps in concert with key industries such as information technology (IT), engineering and science, with which many of its better established universities are now engaged in cooperative or contract research. Just as information and communication technology (ICT) is seen as critical to development priorities, so too higher education is increasingly seen (especially in a more neo-liberal, economically rational world; Pusey 1991) as a driver of economic growth, putatively even enabling developing nations to leap ahead in their ongoing quest for development (World Bank 2002b). (As seen below, however, the parallel with higher education goes further, since this fervent aspiration is not so easily achieved, at least in the short term.)

As indicated, however, this rationale for higher education is not limited to states (termed by economists the ‘social rate of return’), but also obtains at the level of the individual (the ‘individual rate of return’). Many individuals in the developing world see university education as a chance to secure a good white-collar job, and perhaps to provide a passport to a postgraduate opportunity at an overseas university and/or the chance to work and live abroad. While this does not hold true for all who wish to pursue higher education (after all, significant numbers of students still pursue degrees that are almost bound to keep them poor—such as in the performing or fine arts, or in the less remunerative areas of the humanities, including history, languages or philosophy), it is more likely to hold true for those who enrol in the key areas such as engineering, the sciences, IT and business.

But there are important differences in poorer, developing countries where, as in Vietnam, for example, public universities can provide places for at most about 10 per cent of qualified applicants, fuelling a demand for private universities that is likely only to increase and perhaps lead to some distortions in fields

of study. Thus, for example, the intense pressure to gain entry leads to access becoming an end in itself: numbers of students end up studying subjects in which they have little interest, thus adding to the concerns about the efficiency and quality of the higher education system. Or, private institutions offer only a restricted range of popular subjects, particularly languages, IT and business studies, which are cheaper to provide (Levy 2007).

Compared with lower levels of education, tertiary education is particularly expensive to provide, and even more so in the mission-critical departments and faculties of IT, engineering and science:

By their very nature, science and technology have always demanded significant and ongoing investment to establish, maintain and expand the 'engine' of physical infrastructure—including laboratories, libraries and classrooms. They also need a rich [and expensive] fuel of textbooks, computers, equipment, and other supplies. (World Bank 2000b:71)

This is less the case in the area of business, although even here, to establish an internationally reputable, well-staffed business school takes both time and considerable investment. To develop Stanford Business School or INSEAD in France to their current level took time, planning and a considerable, ongoing injection of resources—something often unavailable in developing countries.

The South-East Asian Context

In order to appreciate the context for South-East Asian higher education, it is important to remind ourselves here of several key elements of the socioeconomic context that are relevant to considerations of financing access and equity. South-East Asia embraces about 540 million people, with a combined GDP of US\$610 billion (or US\$1.9 billion in purchasing power parity dollars/PPP\$), and with very wide disparities—both across the region and within countries. Per capita GDP ranged from US\$9120 (Malaysia) to US\$2300 (Vietnam) in 2005 (UNDP 2005:20). Females make up 49 per cent of the total population, while more than 56 per cent of the population still inhabits rural areas. Almost half the substantial numbers employed in agriculture are women; Human Development Index (HDI) rankings ranged from 59 (Malaysia) to 112 (Vietnam) in 2002 (UNDP 2005).

Of the five nations considered in this analysis, all are developing countries, while only Malaysia can be considered middle income. As well, while all five have recovered significantly from the calamitous effects of the regional financial crisis of the late 1990s, the gap between rich and poor continues to increase. Overall, this does not mean that the poor are becoming poorer, but rather that

the rich are making greater gains: 'By and large...increases in inequality are not...“the rich getting rich and the poor getting poorer.” Rather, it is the rich getting rich faster than the poor' (ADB 2007:6).

Table 4.1 summarises key human development indicators for the South-East Asia Five, over the period 1990–2002, including expenditures on education.

What can be seen from the table is that none of the five countries figures all that highly within overall HDI rankings, although there are significant differences among the five, with Indonesia and Vietnam—the two poorest—placed significantly below the other three. Indonesia and Thailand showed the greatest fall in HDI rankings over the period, but Malaysia also fell. Much of this decline can be attributed to the severe effects of the regional financial crisis of the late 1990s, from which affected economies have only recently emerged. Only Vietnam emerged from this financial crisis with its HDI ranking unchanged (UNDP 2005:20). Darkening this picture of limited resources are the debt levels carried by the majority of the five. While Vietnam's debt, expressed as a percentage of GDP, is relatively low, at 3.4 per cent, the ratios for all the other countries are much higher: Indonesia, 9.8 per cent; Malaysia, 8.5 per cent; Philippines, 10.9 per cent; and Thailand, 15.6 per cent (UNDP 2005:27). Additionally, in the case of Indonesia, expenditure on the military, expressed as a percentage of GDP, is as high as that for education (UNDP 2005:27). Such factors form an important part of the context and impose clear limits upon public-sector efforts in higher education: 'Expenditures on debt servicing and military spending tend to crowd out social expenditures' (UNDP 2005:26).

While all countries (including Vietnam, whose data are absent in Table 4.1) show a rise in public expenditure on education over the period 1990–2002, this needs to be put into perspective. First, compared with public expenditure on education by the European Union, for example (5.41 per cent for the EU15, and 5.14 per cent for the Accession 12), investment levels are modest for four of the five (UNDP 2007). Moreover, the apparently high proportion of the national budget expended on public education in Malaysia revealed in Table 4.1 is misleading, since in effect Chinese and Indian Malaysians (who together make up one-third of its population) are effectively excluded from the public sector in higher education (Tierney 2008; Welch 2008b), thereby heavily reducing access and equity. The same is true when proportions of public expenditure on tertiary education are examined, as seen in Table 4.2.

Table 4.1 Human development indicators, South-East Asia Five, 1990–2002

Country	HDI 1990	HDI 2002	HDI rank 2002	Life expectancy at birth 2002	Education index 2002	GDP per capita (PPP\$) 2002	Public expenditure on education (% of GDP) 1990	Public expenditure on education (% of GDP) 2002
Indonesia	0.623	0.692	111	78.0	0.80	3230	1.0	1.3
Malaysia	0.720	0.793	59	73.0	0.83	9120	5.2	7.9
Philippines	0.719	0.753	83	69.8	0.89	4170	2.9	3.2
Thailand	0.707	0.768	76	69.1	0.86	7010	3.5	5.0
Vietnam	0.610	0.691	112	69.0	0.82	2300

Source: UNDP (2005:20).

Table 4.2 Current public expenditure on tertiary education as proportion of total public expenditure on education

Country	Percentage of public education budget expended on tertiary sector
Indonesia	19
Malaysia	35
Philippines	14
Thailand	20
Vietnam	...

Source: UNDP (2007:266–7).

While significant variation is evident in the above data, the percentages are generally low compared with high human development countries (UNDP 2007). Once again, the exception is Malaysia, which spends 35 per cent of its public education budget on the tertiary sector; but, as seen above, funds are effectively cordoned off for ethnic Malays (*Bumiputras*).

In general, while rates of primary completion have shown significant growth, net secondary enrolment rates among the South-East Asia Five range from 58 per cent in Indonesia to 76 per cent in Malaysia (UNDP 2007). Many of those who do not complete secondary schooling, thereby rendering themselves ineligible for higher education, are from the poor.

Poverty is also a significant issue that constrains the development of the public higher education sector in South-East Asia; actual poverty rates vary from 9 per cent in Vietnam to more than 14.1 per cent in the Philippines, and 16.6 per cent for Indonesia (ADB 2005; World Bank 2007a:8). As measured by the GINI Index, inequality, particularly between rural and urban groups, is high relative to other world regions. Compared with the EU15, for example, which embraces a significant range of different contexts, all of the South-East Asia Five reveal relatively high indices, as evident in Table 4.3.

Table 4.3 GINI coefficient for the South-East Asia Five, compared with the EU15

Country/region	GINI index	Most recent data
Indonesia	34.3	2002
Malaysia	49.2	1997
Philippines	46.1	2000
Thailand	43.2	2000
Vietnam	36.1	1998
EU15	24.7–38.5	...*

* EU data cannot be given for a specific year since the category includes a number of countries for which data stem from different years.

Source: UNDP (2005:26).

In effect, what this means is that access by marginalised groups such as the urban and rural poor lags behind that of the overall population, in a context in which regional governments spend too little on the delivery of services to the poor.

In addition, spiralling costs of basic commodities such as food and fuel in 2007 and 2008 have meant that larger amounts are being taken from national budgets to support significant sections of the population hardest hit by swiftly

rising prices. In an effort to offset rising unrest among the poor, for example, Indonesia increased the price of subsidised rice by 60 per cent in April 2008, but also expanded eligibility—beyond the 19 million individuals who already qualify for 5 kg of subsidised rice monthly (SMH 2008). Millions of the poorest Filipinos—currently allocating almost all their income to buy rice—are barely being kept afloat by government food subsidies. Following similar action by Indonesia, Vietnam—traditionally a major exporter of rice—has imposed export restrictions (SMH 2008). The above measures do not merely reduce the discretionary income of poor families available for education, including higher education, they also significantly constrain state budgets for social and educational programs.

Last, it is important to note that, in addition to the factors indicated above, pressure upon tertiary education provision in the South-East Asian context also stems from the demographic profile of all five countries, in terms of both the relative youth of their populations and the high fertility rates (relative to developed nations). The implications of each can be seen in Table 4.4.

Table 4.4 Demographic pressures on higher education, by country

Country	Total population (millions) 1975	Total population (millions) 2000	Annual population growth rate (%) 1975–2000	Population under 15 (% of total) 2000
Malaysia	12.3	22.2	2.4	34.1
Thailand	41.1	62.8	1.7	26.7
Philippines	42.0	75.7	2.4	37.5
Indonesia	134.6	212.1	1.8	30.8
Vietnam	48.0	78.1	2.0	33.4

Source: Compiled from UNDP (2002).

Simply responding to this demographic pressure—and rising aspiration levels for higher education—is a difficult task for each of the South-East Asia Five, even apart from questions of institutional quality.

A final index of development consists of foreign direct investment (FDI) inflows, which, while revealing remarkable changes over recent decades (including the substantial impact of the regional financial crisis of the late 1990s), remain modest (compared with China's current FDI inflow for 2006, for example, of some US\$72 billion). Some of this investment capital flows into South-East Asian higher education, as do some of the remittances—which, in the case of the Philippines, are extraordinarily high—but evidence is not systematic (Welch 2008b).

Table 4.5 FDI inflows, South-East Asia Five, 1970–2003

Country	1970	1980	1990	2000	2003
Indonesia	83	180	1092	–4550	–597
Malaysia	94	933.9	2611	3787.6	2474
Philippines	–1.04	–106	550	1345	319
Thailand	42.8	293.9	2575	3350.3	1802
Vietnam	0.07	17.9	180	1289.0	1450

Source: UNCTAD (2004).

All of the dimensions treated above significantly constrain growth in state capacity and substantial expansion of public higher education.

North–South Differences in Higher Education and Research

Thus, while the ambition and commitment of the South-East Asia Five, and more generally among countries of the global South, to expand access to higher education in these key areas—and at the same time to build world-class departments and institutions—are undoubted and ubiquitous, the question of how far and fast they can move on this front is a genuine one. This is all the more the case when one considers that many developing countries, including the majority of the countries in this survey (except the Philippines, whose impressive tertiary enrolment ratio of 30 per cent in 1995—albeit including many low-quality HEIs—bears comparison with many OECD countries) had a tertiary enrolment ratio in the second-lowest category of all internationally (between 5 and 15 per cent) in 1995 (World Bank 2000b:12–13), while quality among many HEIs is still problematic in all five.

What the above context adds up to is that the existing scientific gap between South and North is huge, and growing—exacerbated by trends that are examined below. This is not surprising, in light of some basic statistics. The North, for example, has something like 10 times the proportion of research and development (R&D) personnel (scientists and technicians) per capita of the South (3.8 per cent, compared with 0.4 per cent), and spends about four times the proportion of GDP on R&D—2 per cent compared with 0.5 per cent (World Bank 2000b). Most recent data further underline major disparities on a variety of knowledge indices, as seen in Table 4.6.

Table 4.6 National innovation indices, by country, region and level of development

Country	Average years of schooling	Researchers per million	Quality of scientific research institutions	University–industry research collaboration
South-East Asia	6.6	210	4.1	3.6
Indonesia	4.7	207	3.9	3.4
Malaysia	7.9	299	5.0	4.7
Philippines	7.6	48	3.3	2.7
Thailand	6.1	287	4.0	3.6
Developed-country average	9.5	3616	5.1	4.4

Source: World Bank (2006:134).

Particularly with respect to researchers per million of population, the average difference is more than seventeen-fold, while in no South-East Asian country is the difference from the developed-country average less than twelve-fold.

Table 4.7 reveals significant ongoing disparities in R&D, in terms of both spending and proportion of GDP.

Table 4.7 R&D expenditure levels and as a percentage of GDP, 2002 (R&D spending 2002; R&D as a percentage of GDP)*

Country	US\$ billion (PPP)	Percentage of world	1992	2002
South-East Asia	3.3	0.4	0.1	0.2
Indonesia	0.3	0.0	0.1	0.1
Malaysia	1.5	0.2	0.4	0.7
Philippines	0.4	0.0	0.2	0.1
Thailand	1.1	0.1	0.2	0.2
Developed-world average	645.8	77.8	2.3	2.3

* Regional data are the sum of R&D divided by the sum of PPP GDP

Source: World Bank (2006:116).

In addition, the North registers some 97 per cent of all patents registered in the United States and Europe, and, together with the newly industrialising countries of East Asia, accounts for 84 per cent of all scientific articles published (World Bank 2000b:69). Further data from the US Patent Office reveal a continuing wide gap in terms of performance with respect to patents.

Table 4.8 US patents granted, by region, country and level of development (number of patents; patents per 100 000 people)

	1990–94	2000–04	1990–94	2000–04	% change
South-East Asia	31	140	0.01	0.04	15.3
Indonesia	6	15	0.00	0.01	8.8
Malaysia	13	64	0.07	0.28	15.3
Philippines	6	18	0.01	0.02	10.4
Thailand	6	43	0.01	0.07	20.9
Developed world (average)	104 170	168 017	12.88	19.58	4.3

Source: World Bank (2006:123).

It is of course important to acknowledge that such indices as the Science Citation Index (SCI), Social Science Citation Index (SSCI), Engineering Index (EI) and the like are skewed in favour of English-language journals (thereby adding linguistic disadvantage to the existing disparities of wealth). Notwithstanding this additional burden for the South-East Asia Five, it is illustrative to note the following publication differentials (Table 4.9).

Table 4.9 Papers and citations, by country, 1980s and 1990s

Country	No. of papers 1981	No. of papers 1995	No. of citations 1981–85	No. of citations 1993–97
Indonesia	89	310	694	3364
Malaysia	229	587	1332	3450
Philippines	243	294	1379	2893
Thailand	373	648	2419	8398
Vietnam	49	192	203	1657

Source: World Bank (2000b:125–7).

Comparative figures help put this into perspective: Australian publications for 1995 totalled 18 088, and for Japan 58 910. Citation counts for each country in 1993–97 were 301 320 and 930 981, respectively. More recent data show that higher education across South-East Asia contributes much less to total R&D performance than among developed nations, as indicated in Table 4.10.

Table 4.10 R&D performance by sector

Country	Business	Government	Higher education
South-East Asia	51.3	22.1	15.7
Indonesia	14.3	81.1	4.6
Malaysia	65.3	20.3	14.4
Philippines	58.6	21.7	17.0
Thailand	43.9	22.5	31.0
Developed world (average)	62.9	13.3	27.0

Source: World Bank (2006:120).

Table 4.10 shows that, with the exception of Thailand, the higher education sector contributes little more than half of total R&D performance, relative to the average of developed nations, while in the case of Indonesia, it is about one-sixth, at 4.6 per cent.

These stark disparities exist, notwithstanding the existence of traditions of great respect for education and the role of the teacher in society that obtain in much of Asia, and East and South-East Asia particularly, and despite the venerable forms of learning that long obtained in countries such as Vietnam (where Ha Noi's *Van Mieu* [Temple of Literature]—founded in 1070, and more recently refurbished by American Express—contains the stelae of scholar-priests of many centuries ago) and Thailand (which exhibits a longstanding Buddhist tradition of commitment to learning) (Bovornsiri et al. 1996:55–7).

What the above data reveal is that, notwithstanding the highest annual GDP per capita growth rate of any world region in recent decades (World Bank 2006:38–9), very high aspirations for higher education at both individual and social levels, and a high commitment to learning, among South-East Asian nations, existing levels of infrastructure in higher education limit the capacity for knowledge creation—indicated by Castells as the fourth key function of the modern university.

The Rise of Private Higher Education

It is important to consider the implications of the above here. Given a young population (as seen above, only one of the South-East Asia Five has less than 30 per cent of its population under the age of fifteen, and in the case of the Philippines it is closer to 40 per cent), rising levels of aspiration for higher education, and a tight budgetary context, the state is less and less likely to be able to satisfy demand for tertiary entry. How far is this likely to fuel demand for private higher education? And, if so, what does this mean for equity in countries where, under the influence of globalisation and structural adjustment, the gap between the rich and poor—already large—is only widening (Mok and Welch 2003)?

Baseline data, against which to measure change, consist of the differing proportion of public and private higher education enrolments in the South-East Asia Five countries about a decade ago, as indicated in Table 4.11.

Table 4.11 Distribution of students in public and private institutions of higher education, South-East Asia Five countries, 1997–98

Country	Public	Private
Indonesia	44	59
Malaysia	100	0
Philippines	25	75
Thailand	60	40
Vietnam	100	0

Source: Gonzales (1999:116).

A striking index of change in South-East Asian higher education is the extent to which this picture has altered over the past decade. Notwithstanding the substantial diversity of political systems within the South-East Asia Five (ranging from a socialist polity adapting to the demands of a market economy and recent entry to the World Trade Organisation in Vietnam, to long-term crony-capitalist regimes such as the Philippines), private higher education in the region has grown apace.

Both the dynamism of the region and the incompleteness of the data preclude the development of a current table comparable with the above. Nonetheless, indices of change are telling. While private higher education in the Philippines was already dominant, it has continued to grow, so that the proportion of private HEIs has remained more than 75 per cent (Welch 2008b). Vietnam has announced strikingly ambitious targets to expand higher education, which entail vigorous growth of the private ('people's') higher educational institutions. (Following China, the term 'socialisation' is preferred to 'privatisation'.) Effectively, private-sector HEIs doubled their share of enrolments in Vietnam over the three years from 1996–97 to 1998–99 (Welch 2007b), while Le and Ashwill (2004) report that, by 2002–03, there were 23 private HEIs, enrolling 24 500 students (about 12 per cent of the total of 200 000 new enrolments). By 2020, government plans are for 40 per cent of all enrolments to be private ('non-public') (Hayden and Thiep 2004). In Malaysia, there are now 11 private universities registered, with a similar number of colleges, while private enrolments in higher education now significantly outnumber those in the public sector, if diploma and certificate levels are taken into account (MOHE 2006). In Indonesia, too, private higher education has grown, although with total private enrolments now estimated to be 1.9 million, of a total of 3.4 million (Buchori and Malik 2004; Welch 2007a), the proportion might not have increased.

Table 4.12 reveals the extent of change over the past decade or more.

Table 4.12 Numbers and types of HEIs, South-East Asia, 2007

Country	Public				Private			
	Degree	Non-degree	Subtotal	Degree	Non-degree	Subtotal	Total	
Indonesia	-	-	81	-	-	2431	2516	
Malaysia	18	40	58	22	519	541	599	
Philippines	424	1352	1776	1363	2045	3408	5184	
Thailand	66	-	66	54	401	455	521	
Vietnam	201	-	201	29	-	29	230	

Source: ADB (2008:45, citing SEAMEO 2007).

Fees and Funding

Funding and fees are each an important factor in the expansion of private higher education. Given that although specific policies differ across the region, state funding for private higher education remains minimal (some countries choose to make land or other facilities available, and in some instances allow private HEIs to compete for discretionary funds), and that perhaps 90 per cent of the income of private HEIs comes from fees, issues of quality—already problematic—remain a concern. Compared with this is the situation of public HEIs in Indonesia, for example, which still gain about two-thirds of their budget from the state (Purwadi 2001; Welch 2007a).

There are also direct implications for access and equity, since fee levels for private HEIs are at least 50 per cent higher, and are often at least three times higher, than those at public HEIs (Welch 2007a, 2007b), which are usually still of higher quality. For example, when per capita income level in Indonesia was at US \$880 in the mid 1990s, fees (which account for only an estimated 15–20 per cent of total costs) ranged from about US\$100–400 at public HEIs, and from US\$100–1000 in private institutions. (While fee levels have changed, the patterns of difference between public and private have not.) Making matters worse was the differential impact on the poor. World Bank data for 1995 showed that higher education was already well beyond the reach of many: average household expenditure on higher education per student in West Java, for example, was 84.6 per cent of total per capita expenditure levels. The average, however, conceals the differential impact on social strata, which ranged from 79.1 per cent for the highest quartile to 151.5 per cent for the lowest quartile (Welch 2007a).

Two factors increase the squeeze on the poor. The first is the effect of very different schooling retentivity rates. In Indonesia, for example, many 'students from poorer families fail to complete secondary school, and efforts to target the few poor students who do, for scholarships, have largely proved unsuccessful' (Welch 2007a). Second is the trend by many public HEIs—themselves squeezed in an era of rising enrolments but declining per-student funding from the state—to raise their fees, particularly for high-demand courses. In Indonesia, for example, it is now possible to pay more for specific high-demand courses—for example, in engineering—at a major public university than would be paid at a quality private HEI (Welch 2007a). The phenomenon known in Indonesia as '*Jalur Khusus*' (special path, or special passage) gives entry to perhaps 10 per cent of enrollees, upon payment of a fee that might be double that paid at a decent private HEI (Welch 2007a). The effects on the poor—for whom entry to a good public HEI was, however difficult, their only hope of an affordable place at a quality institution—are obvious.

In Vietnam, the relatively recent category of HEI known as ‘people’s universities’ (a term that disguises the fact that they are, for all intents and purposes, private institutions) attracts no funds from the state, and they are entirely dependent upon fees and donations (although they might be given land by the government, or permission to purchase land at a discount).

Distinct political ideologies make a difference to higher education policies in each of the five cases, although at least three factors moderate these differences. The first are the powerful homogenising effects of economic globalisation and structural adjustment, which, as has been argued elsewhere, are moving many systems in a similar direction, albeit at different paces and to differing degrees (Welch and Mok 2003). The second is the gap between official rhetoric and actual practice in each case. Although following the example of its powerful and sometimes troublesome northern neighbour, Vietnam chooses to call its private universities ‘people’s universities’, they are in many ways little different in form and function to private institutions in other countries. The third homogenising effect is the rise of global English (Crystal 1997; Wilson et al. 1998), which is exerting pressure on teaching and research regimes—and not merely regionally.

State Capacity and Governance in Higher Education

What implications do the data and trends indicated above yield for the governance of regional higher education? Clearly, the fact that, with the exception of Malaysia, the South-East nations included here are each among the low-income category, and that additionally each of them suffered substantially in the fallout from the regional economic crisis of the late 1990s, imposes limits on both the quality of teaching and learning and the capacity of the public sector to respond to demand. Table 4.13 shows shifting levels of GDP growth among the South-East Asia Five before, during and after the regional economic crisis.

Table 4.13 GDP growth rates, South-East Asia Five countries, 1996–99 and 2005 (per cent)

Country	Growth rate 1996	Growth rate 1997	Growth rate 1998	Growth rate 1999	Growth rate 2005
Indonesia	8.0	4.5	-13.7	0.2	5.5
Malaysia	8.6	7.5	-7.5	5.4	5.3
Philippines	5.8	5.2	-0.5	3.2	5.0
Thailand	5.5	8.4	-10.0	4.2	5.2
Vietnam	9.3	8.2	3.5	4.2	7.5

Sources: World Bank (2000a, 2005); IMF (2001:Table 3, p. 35).

While Table 4.13 reveals significant economic regrowth among all of the South-East Asia Five, especially compared with the depths of the late 1990s, recent analyses predict that the 'global fallout from the US financial crisis' will reduce growth rates for 2008 in all of the South-East Asia Five, with the exception of Thailand (The Australian 2008).

What this means for universities throughout South-East Asia is that there is still much ground to be made up. None of the universities in the South-East Asia Five, for example, was among the top-500 universities listed in the Shanghai Jiaotong index of leading research universities (MOHE 2006:263–73). That said, of course, each country has cherished icons of higher education among its ranks: Vietnam National University, the University of the Philippines, the University of Indonesia, Chulalongkorn University and the University of Malaysia.

More than knowledge creation is, however, limited by relative lack of resources, infrastructure and training. The lack of income and infrastructure in education also affects regulatory capacity in higher education (notably, the various national agencies or departments charged with regulation and quality assurance) (Welch 2007a, 2007b). While regional higher education systems grow apace, particularly in the private sector, as was seen above, it is not clear that regulatory capacity, and in some cases transparency, has always grown in parallel, in either size or strength.

Internationally, a significant element of higher education reforms in recent years has been changes to governance. As the goals of higher education have been revised, against the background of a complex and shifting environment, so too has the governance of higher education (Amaral et al. 2002, 2003; OECD 2003). A key element common to many systems of higher education, including in the Asia-Pacific, is the move towards devolution, from a pattern of strong centralisation. While governments retain a strong interest in higher education, and in particular its capacity to contribute to national economic development, devolution to institutional level is seen as a means to ensure flexibility and diversity. In Indonesia, for example, educational decentralisation in higher education was trialled via a pilot scheme in five public HEIs, which were accorded the new status of '*Badan Hukum Milik Negera*' (BHMN; 'State-Owned Legal Institution') (Welch 2007a). By virtue of this new status, the selected HEIs were authorised to create new patterns of student recruitment, which would, inter alia, have the effect of garnering greater financial support from students and their families.

At the same time, however, HEIs are caught in something of a dilemma. On the one hand, the increasing mismatch between ever increasing enrolment demand and limited state capacity means that public HEIs are being pressured to diversify their income sources, while the private sector expands to respond to

unmet demand. Both trends are evident in the South-East Asian systems treated here. This might, however, add little if anything to teaching quality or research output; indeed, there is evidence in several South-East Asian systems that it could weaken each, with academics from the public sector either being poached to work in the private sector or increasingly moonlighting there (Welch 2007a).

On the other hand, while governments tout the virtues of devolution, institutions find themselves pressured by more intricate regulatory architecture, which sets real limits on their capacity to implement devolution effectively. While state funding per student plateaus, or even declines, governments demand more and more accountability—a process that has been characterised as like accountancy, as ‘rule by performance indicator’ increasingly burdens academic work and life (Welch 1998). In the process, devolution has been characterised as a form of ‘centralised decentralisation’ (Lee and Gopinathan 2004; Mok 2004). Many critics seriously question the extent to which the much-touted institutional freedom to run their own affairs is genuine, or illusory, against such a backdrop. Certainly, regional evidence shows that decentralisation of governance (Aspinall 2004) and education at other levels has not been without its problems (Amirrachman et al. 2008; Surakhmad 2002), while in higher education, too, problems persist, as is seen below.

The Impact of Limited Infrastructure

In a curious irony, it can be argued that the increasing demands of governance impose real limits on governability in South-East Asian universities. While regionally devolution has been accompanied by increased demands for performance data, and a move to discretionary funding for which HEIs must compete, little or no additional personnel or other resources have been made available to respond to such trends. At the same time, governments, too, are under pressure, often with very limited resources available within agencies and ministries charged with the regulation of quality and propriety in higher education. Given the less-developed status of all but one of the South-East Asia Five, personnel with which to perform such regulatory tasks are limited, and high-level training of such staff cannot always be assumed.

This has long been problematic, but has become more so in light of several factors. The rise of mass higher education systems, and larger numbers of institutions, makes the mechanics of ensuring quality control difficult, even in the public system. The rise and complexity of the private sector, sketched above, have made the job even more complex, with in some cases the total number of HEIs nationally rising to more than 1000. Most recent figures for Malaysia show 533 private HEIs of non-university status (MOHE 2006:257), while in Indonesia,

for example, there are two categories of private HEIs: *'terakreditasi'* (accredited) and *'tidak terakreditasi'* (non-accredited). The latter are quite widespread. Geographic dispersal adds to these difficulties—although in the early 1990s, some 25 per cent of all private HEIs were still located either in Jakarta (16.4 per cent) or East Java (9.6 per cent) (Pardoen 1998:28). The proliferation in recent years of private HEIs (PHEIs) well outside the major cities itself yields its own difficulties:

[S]uch a big number of PHEIs presents problems, especially when dealing with the quality control of the education they offer...the controls sound weak due to the fact that monitoring activities are not easy, and necessitate a high cost because some of the PHEIs are in scattered areas. Generally, the problems of monitoring PHEIs lead to several particulars concerning government policies, quality control and financial matters. (Hardihardaja 1996:42)

Last, the rise of transnational higher education and cross-border programs and institutions makes the regulatory challenge even tougher (Knight 2007) for already hard-pressed national regulatory agencies. While many transnational institutions and programs act ethically, and are of high quality, there are numerous regional examples of bogus 'cyber universities' and virtual-diploma mills.

Transparency: The impact of corruption

It must also be acknowledged that South-East Asia is not free of corruption, and that this also at times permeates higher education. While most university staff—both academic and administrative (sometimes they are the same individuals)—throughout the region work hard under challenging conditions, including the aforementioned poor remuneration rates and very limited resources, there are some who perform less honourably.

Transparency International's 2006 Corruption Perceptions Index points to a strong correlation between corruption and poverty, with a concentration of impoverished states at the bottom of the ranking. 'Corruption traps millions in poverty', according to the chair of Transparency International, Huguette Labelle. 'Despite a decade of progress in establishing anti-corruption laws and regulations, today's results indicate that much remains to be done before we see meaningful improvements in the lives of the world's poorest citizens' (Transparency International 2006).

The 2006 Corruption Perceptions Index (Transparency International 2006) is a composite index that draws on multiple expert opinion surveys that poll

perceptions of public-sector corruption in 163 countries around the world—the greatest scope of any Corruption Perceptions Index to date. Countries are scored on a scale from zero to 10: zero indicates high levels of perceived corruption, while 10 indicates low levels of perceived corruption.

A strong correlation between corruption and poverty—evident in the results of the 2006 Corruption Perceptions Index—affects the South-East Asia Five significantly. Public-sector wages in all but Malaysia are poor, and moonlighting is common. Indeed, the correlation between poverty and corruption is underscored by the fact that only Malaysia scored 5.0, while others ranged from 3.6 (Thailand) and 2.6 (Vietnam) to 2.4 (Indonesia) and 2.5 (Philippines). Moreover, there is evidence that, while some among the South-East Asia Five have made progress in controlling corruption in recent years (notably, Malaysia and Thailand), the situation has worsened in Indonesia, Vietnam and the Philippines (UNDP 2005:41). As seen below, higher education is not immune to such effects.

Westcott's (2001) analysis of corruption in South-East Asia provides some examples of the general effects of pervasive corruption (International Herald Tribune 2001). He cites, for example, the estimate of Thailand's National Counter-Corruption Commission (NCCC) that up to 30 per cent of government procurement budgets could be lost due to corrupt practices. At the lower end, this would almost equal the entire budget of the Ministry of Agriculture. At the upper end, it would exceed the combined budgets of Agriculture and Public Health (Westcott 2001:252). Data from Vietnam cite reports showing that nearly one-third of Vietnam's public investment expenditure in 1998—equivalent to 5 per cent of GDP—was lost to fraud and corruption, and the situation has not improved since then (Westcott 2001:258). As elsewhere in South-East Asia, in Vietnam, the situation is not helped by poor public-sector pay and widespread moonlighting (Welch 2007a, 2007b).

Education effects at all levels, especially for the poor, are clearly evident, as illustrated in the following example taken from the Philippines:

Corruption...has an impact on the health and education of the poor...it reduces test scores, lowers national ranking of schools, raises variation of test scores within schools, and reduces satisfaction ratings...corruption affects public services in different ways than urban areas, and...harms the poor more than the wealthy. (UNDP 2005:44)

Specific effects on higher education are revealed in the two following examples. The first occurred within Indonesia, where a private HEI's Faculty of Engineering, facing an upcoming evaluation of its facilities by the national regulatory authority (BAN), and well aware that its level of engineering

infrastructure was inadequate, adopted a strategy designed to circumvent the problem. Unwilling to accept the consequences of a poor rating, the Faculty of Engineering approached local engineering firms to borrow numerous items of major equipment. The day after the successful inspection, which ultimately yielded a satisfactory B rating, all items of equipment were returned, leaving students just as bereft of much necessary equipment as before. Such stories are not uncommon: 'Many private schools provide engineering education without sufficient equipment to support the curriculum and end up compromising the quality of their graduates' (Buchori and Malik 2004:262). The need for a more effective regulatory regime is now widely acknowledged against a background of a widespread culture of corruption (known in Indonesia as KKN: '*Korrupsi, Kollusi and Nepotism*') that has the capacity to undermine the effectiveness of quality-assurance procedures (Kompas 2002; Transparency International: <<http://www.transparency.org>>). Indeed, one of the impacts of devolution in Indonesia in recent years is sometimes said to be the export of corruption to the local level (Amirrachman et al. 2008).

The second set of examples comes from Vietnam, where, in 2001, serious problems surfaced at certain private HEIs. At least two difficulties became apparent in the course of the official police investigation. Each also arguably related to their status as non-state institutions, ineligible for public funds. The first issue was that of over-enrolment, in a situation in which the Ministry of Education and Training (MOET) sets legally defined enrolment limits for such institutions. Dong Do University was found by MOET to have over-enrolled to the tune of 2.8 times its MOET quota. Thus, for the academic year 2001–02 alone, Dong Do had enrolled 4205 students, rather than its allotted 1500. Interestingly, however, the problems had been known for some years: 'The Dong Do University scandal first surfaced in October 1998 when officials of the Ministry of Education and Training found that the number of students admitted to the university far surpassed the permitted figure' (Viet Nam News 2002a).

The second issue was one of entry standards. While this could be seen as simply an issue of quality, it was alleged in 2001 that the leaders of Dong Do had been routinely accepting bribes from students or their families in order to secure entry to the institution. This, too, is strictly illegal, but allegedly occurred in an effort to boost the numbers of enrolments and income levels.

Once again, the official MOET investigation did indeed uncover substantial breaches: papers were given marks of eight or nine out of 10, at times by unqualified markers, when their real grade was assessed as being as low as 0.5. Several dozen students were accepted for enrolment without even being on the list of students for selection. Another 380 had no upper secondary graduation certificates at all. All in all, some 80 per cent of students accepted for enrolment at Dong Do were found to have scores lower than those reported by the

University Council, while some had had their marks increased by re-scoring. The investigating team also found, beyond these serious breaches of procedure, that the university had failed to build any facilities, offices or classrooms in seven years of operation or to invest in enhancing the quality of academic staff. Facilities were assessed as not meeting the standards of a university (*Lao Dong*: <<http://www.laodong.com.vn>>).

As a result of this investigation, Dong Do's 2002 enrolments were deemed cancelled, and the university was given strict instructions to end such illegal practices. The Ha Noi police were called in to conduct an investigation and, if necessary, proceed to prosecutions against the rector and other senior staff responsible. The deputy chair of its board of management was subpoenaed 'for his involvement in [one] of the biggest scandals to date in the education sector' (Viet Nam News 2002a, 2002b). The former director of its training department was also charged.

At times, too, gamekeeper has turned poacher. In a separate case in 2002, two senior MOET officials—both at deputy minister level—were either reprimanded or sacked after their involvement in the 'Asian International University' (AIU) scam was revealed. Both officials were linked with the 'bogus university, which set up shop in Viet Nam, and enrolled thousands, awarding worthless paper degrees' (Viet Nam News 2002c). After being in operation for five years, AIU, which was established in 1995 in cooperation with Hanoi University of Foreign Languages, ceased pretending to be a university, leaving more than 2000 students stranded, having lost hundreds of thousand of dollars (Le and Ashwill 2004). In another incident, the so-called American Capital University (ACU) offered an MBA program, together with a partner: the variously titled Singapore (later Senior) Management Training Centre. Both institutions are now defunct—again, leaving numbers of students thousands of dollars out of pocket (Ashwill 2006).

What are the implications of the above examples for access and equity? The Indonesian example clearly raises issues of access, since if the process of accreditation had proceeded in a transparent manner, the ability of the institution to recruit would have been crippled. Equity is also implied, since under the current regime, students are being denied access to good-quality engineering education, notably through lack of relevant facilities and equipment. Of the Vietnamese cases, Dong Do could be said to represent widening of access—albeit illegally—but at the cost of quality, since students were able to enter at scores well below those normally deemed acceptable. The cases of the bogus AIU and ACU represented a loss of both access and equity, leaving many families out of pocket, having paid fees in good faith to institutions that proved in the end to be little more than shopfronts.

Conclusion: Blurring borders, changing balance

If, as is evident above, expanding access to higher education is occurring largely through expansion of the private sector—as is currently the case in many parts of the world (Altbach 1999)—the question of the impact of such a new balance on equality must be addressed:

[T]here is another important downside to private financing—it may preclude the enrolment of deserving students who do not have the ability to pay, and often evokes resentment among students who do. Means-tested scholarship and loan programs are one possible approach to addressing this problem, but they have proven very difficult to administer due to the difficulty of assessing ability to pay, sometimes exorbitant administrative costs, corruption and high rates of default. (World Bank 2000b:57)

The ongoing failure of student loans in the Philippines and Thailand illustrates such difficulties (Welch 2008b). At the very least, there is a heightened need for regulation and quality assurance (QA) in such a new context, in which there are likely to be a growing number of domestic and international private providers, some of whom are worthy and others of whom are little more than shopfronts or (cyber) diploma mills. As indicated above, already the rector of one of the larger and more longstanding 'people's universities' in Vietnam has been placed under police investigation, allegedly both for exceeding his enrolment quota by a huge margin and for taking bribes to allow students with poor marks to enrol. In Indonesia, and in others of the South-East Asia Five countries, further examples of corrupt practices and cheating exist. Such stratagems were driven, at least in part, by the need—or greed—for funding, as well as poor public-sector pay and a culture in which lack of transparency is widely accepted.

Despite the undoubted need for careful regulation of the higher education sector, and the importance of promoting quality, it will not be easily or simply accomplished:

[I]n most developing countries, no clearly identified set of individuals or institutions is working to ensure that all the goals of the country's higher education sector will be fulfilled. A coherent and rational approach toward management of the entire higher education sector is therefore needed... Policymakers must decide on the extent to which they will guide the development of their country's higher education sector, and the extent to which they think that market forces will lead to the establishment of and operation of a viable system. Overall, the Task Force believes that government guidance is an essential part of any solution. (World Bank 2000b:58)

The case of the Philippines, where, as was seen above, until recently more than 80 per cent of all HEIs were private, illustrates the difficulty clearly. In a political system in which every legislator sees it as part of their legacy to create an HEI that will be named after them, the proliferation of small, poor-quality institutions is a longstanding problem. Faced with this difficulty, efforts were made during the 1980s to introduce a national system that regulated the establishment and operations of private HEIs. The ensuing stout opposition by the private sector, many sections of which argued that the regulations threatened the financial viability of their institutions, forced the abandonment of the scheme, and a reversion to a *laissez-faire* pattern occurred. It is for such reasons, for example, that all but a few HEIs in the Philippines—public and private—are regarded by both domestic experts and external accreditation agencies as falling well short of international degree-level standards.

Finally, given the swiftness and the extent of the transformation, which are seeing public HEIs introducing fees, at times quite high, and employing all available strategies—and stratagems—to diversify their funding base, are the boundaries between public and private likely to be as clear in the future as in the past? Just as transnational HEIs and programs are breaching national borders on an unprecedented scale, are we likely to see a further blurring of borders between public and private in higher education?

Private higher education is one of the most dynamic and fastest-growing segments of post-secondary education at the start of the twenty-first century. A combination of unprecedented demand for access to higher education and the inability or unwillingness of governments to provide the necessary support has brought private higher education to the forefront. Private institutions—with a long history in many countries—are expanding in scope and number and are increasingly important in parts of the world that have relied on the public sector. A related phenomenon is the ‘privatisation’ of public institutions in some countries. With tuition and other charges rising, public and private institutions look more and more similar (World Bank 2000b:58).

In such circumstances, the challenge to access and equity in higher education in South-East Asia remains substantial. The second function of universities listed above by Castells—the selection and training of elites—is being distorted by increases in fees, which are excluding the poor both from both private and, increasingly, from public HEIs. Adding to the problem is corruption—an ongoing problem, with clear implications for access and equity. Hence, while the rise of private higher education ensures that access to higher education will continue to expand (albeit less so in the Philippines where access is already substantial), equity, particularly in terms of access to good-quality higher education for the poor, will likely continue to be quite limited.

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