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To cite this article: Manja Klemenčič & Pavel Zgaga (2014) Public-Private Dynamics in Higher Education in the Western Balkans, *European Education*, 46:3, 31-54

To link to this article: <https://doi.org/10.2753/EUE1056-4934460302>



Published online: 22 May 2015.



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European Education, vol. 46, no. 3 (Fall 2014), pp. 31–54.

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ISSN 1056–4934 (print)/ISSN 1944–7086 (online)

DOI: 10.2753/EUE1056-4934460302

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Public–Private Dynamics in Higher Education in the Western Balkans

Are Governments Leveling the Playing Field?

The article analyzes the public–private dynamics in the context of eight Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia, and Slovenia). This article examines whether and to what extent these governments “level the playing field” between private and public higher education providers, not in the sense that they have equal chances to succeed, but that they all play by the same set of rules and are able to compete fairly. The article first addresses the emergence of a private higher education sector and the access of this sector to public resources. Next, it discusses the extent of “privatization” of public higher education institutions and whether these are prompted to be more market oriented. We find that the boundaries between the public and private sectors are blurred and the relations aggravated while each of the sectors is faced with its own set of challenges to legitimacy and long-term financial sustainability.

Since the 1990s, higher education systems have changed dramatically in the eight countries of the Western Balkans (Albania, Bosnia and Herzegovina,

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Croatia, Former Yugoslav Republic of Macedonia [Macedonia], Kosovo, Montenegro, Serbia and Slovenia),¹ which are examined in this article. One of the most controversial higher education reforms has been the establishment of private higher education institutions and their positioning vis-à-vis public institutions. Prior to 1990 there were only state higher education institutions in the Western Balkans, with the exception of some religious higher schools established by churches in Yugoslavia, but these were not recognized as part of formal education. Embracing the market economic model in the early 1990s and facing rising student demand, the governments in the Western Balkans gradually made private higher provision legally possible. The first countries in the Western Balkans to license private providers were Slovenia and Serbia in 1993, followed by Bosnia and Herzegovina in 2000, Croatia, Montenegro and Macedonia in 2003, Albania in 2005, and Kosovo in 2007 (Branković, 2014). In the initial stages, the quest for more education providers to absorb the rising demand certainly prevailed as rationale for such policy choices. Among latecomers, some private provisions already existed in practice. Here governments intervened with legislation also in order to regulate private providers that operated in a “grey area” of the emerging liberal market economies.

Following the reforms, all the examined countries experienced a significant growth of private providers similar to what happened elsewhere in Central and Eastern Europe (Slantcheva & Levy, 2007). First of all, absolute student enrollments doubled, even tripled before the turn of the millennium (Zgaga et al., 2013, p. 14; see Figure 1). Enrollments in private-sector institutions grew significantly, both in absolute numbers and as a share of the entire student population (Branković, 2014; Zgaga et al., 2013). However, as will be discussed later, the biggest increase in enrollments was by self-paying students in public higher education institutions, either because of the introduction of tuition fees or due to extending study places to self-paying students. Nevertheless, private-sector institutions continue to absorb a relatively small share of the entire student body: on average about 19 percent of the student population in the region, but with varying proportions in different countries (see Figure 2). The negative demographic trends in the region are beginning to slow down student demand and in Serbia and student enrollments in Slovenia have already begun to decrease (Levy, 2013; Zgaga et al., 2013, p. 14). In turn, with the possible exception of Kosovo, the growth in enrollments to private institutions has been declining, and the same is the case with enrollments of “fee-paying” students to public higher education institutions (Branković, 2014). The competition between public and private institutions for fee-paying students is becoming fiercer, raising the question of how many higher education institutions are needed in these relatively small higher education systems (see Table 1 for number of higher education institutions per country).

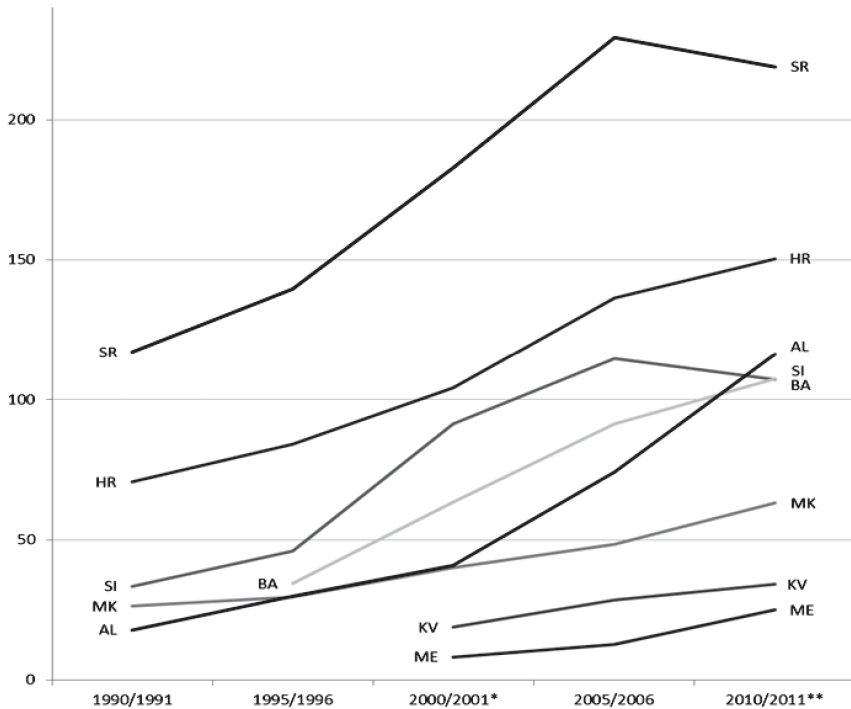


Figure 1. **Students** (in thousands) **enrolled to higher education institutions, 1990–91—2010–11**

Source: Compiled from national statistics offices; Zgaga et al., 2012.

Note: *Montenegro—enrolled in 2002–3; **Albania—enrolled in 2009–10.

This article analyzes the public–private dynamics in higher education in the Western Balkan countries. Focusing on the system level, we explore the characteristics and causes of public–private relations in the eight Western Balkan countries. Specifically, we are interested in whether and to what extent these governments “level the playing field” between private and public higher education providers, not in the sense that they have equal chances to succeed, but that they all play by the same set of rules and are able to compete fairly. The public–private dynamics in this region has not yet received adequate attention by scholars, despite the obvious political salience of the topic. One notable exception is a chapter by Branković (2014) who introduces the key characteristics of the private sector in the region (apart from Slovenia) and focuses on positioning strategies of private-sector institutions in the emerging

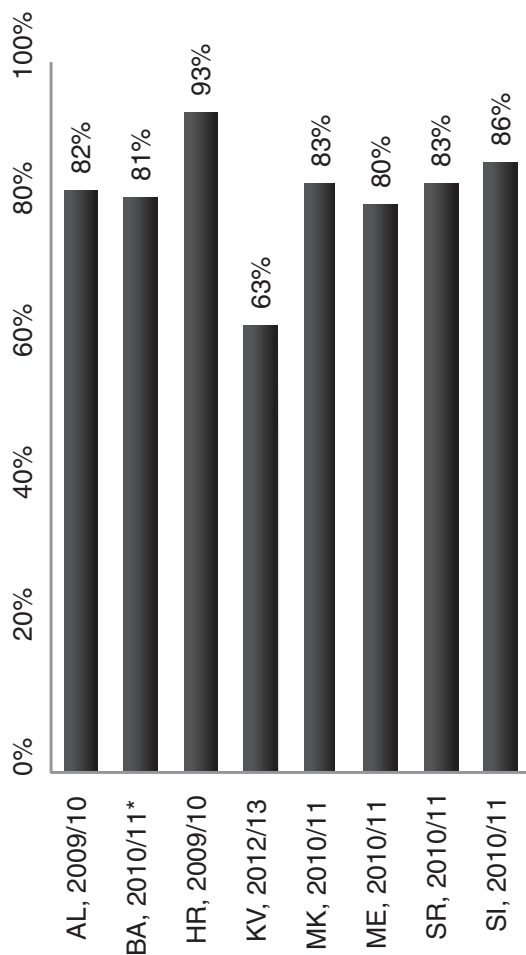


Figure 2. **Students Enrolled in Public Higher Education Institutions** (percentage by countries)

*These data present the number of enrolled students in public higher education institutions in Bosnia and Herzegovina: the Federation of Bosnia and Herzegovina and the Republic of Srbska, but without data for the Brèko district. Data for the Brèko district could not be obtained.

Source: Compiled from national statistics offices; Zgaga et al., 2012.

Table 1

Number of Higher Education Institutions per Country: University and Nonuniversity, Private and Public (2010–11)

Country	All public	Public university	Public nonuniversity	All private institutions*	Private university	Private nonuniversity
Albania	14	10	4	46	3	43
Bosnia and Herzegovina	10	8	2	33	17	16
Croatia	22	7	15	33	3	30
Kosovo**	5	4	1	22	1	21
FYR Macedonia	5	5	0	19	10	9
Montenegro	1	1	0	9	2	7
Serbia	50	7***	42	23	8	16
Slovenia	4	3	1	41	2	39

Note: *In the count of institutions we have not included the units of foreign universities in the region.

**Data for Kosovo are for 2012–13.

***In the official statistics of the Republic of Serbia, the University in Mitrovica (officially referred to as University of Priština, Kosovska Mitrovica) figures as the eighth Serbian university; the institution is located in the territory of Kosovo (under UN resolution 1244) and therefore subject to political and territorial tensions.

higher education markets. The Western Balkans countries form a particularly interesting region to study since, as suggested by Stensaker et al. (2014), they “make up a natural laboratory for comparative studies.” (p. 9). All examined countries except Albania were part of a single federal higher education system. All countries transitioned from communist rule, all joined the intergovernmental cooperation within the Bologna process, and all have affinity with the European Union (EU), albeit operating in different time-frames of the EU accession. Such a context allows us to compare the similarities and differences in policy responses emerging from very similar historical contexts, even if present financial and other capacities of higher education systems vary.

The article first introduces the theoretical concepts on public–private dynamics, which are applied in the empirical analyses that follow. The empirical sections discern the government policies that regulate public–private dynamics. The first empirical section addresses the emergence of a private higher education sector and the access of this sector to public resources. The second section discusses the extent of “privatization” of public higher education institutions through tuition fees and commercial services. The article concludes with a general discussion on the public–private dynamics in higher education in the Western Balkans.

Basic theoretical concepts

The scholarly literature makes the distinction between public and private higher education sectors on the basis of funding, ownership, governance, and function, but it also notes that delineating the boundaries between the two sectors is a complex task, which should be approached *inductively* (Levy, 1992; Marginson, 1997). The most obvious delineating criterion is ownership (or founding source), which is often closely related to the institutions’ funding model. The ownership of higher education can be exclusively public, or mixed, or exclusively private (*ibid.*). Public institutions depend largely on public support, while private institutions rely primarily on private funding (Marginson, 1997). In the Western Balkans, there are instances of mixed public–private ownership, with governments cofinancing the institutions established by municipalities (e.g., University of Nova Gorica, Slovenia), by religious communities (e.g., International University of Novi Pazar, Serbia or Orthodox Faculty of Theology and Faculty of Islamic Sciences in Skopje, Macedonia) or with “seed-funding” provided through donations from international organizations (e.g., the Southeast European University in Tetovo, Macedonia). For the purposes of this article, we conceive the private higher education sector as consisting of both privately owned higher education establishments as well as those established by public bodies, such as municipalities, regional governments, and religious and ethnic communities, but not owned by the state. This distinction reflects the regional legislation where we typically only find the distinction between institutions owned by the state (referred to as public or state-owned) and other institutions (only referred to as “higher education institutions” without a specific designation as in cases of Bosnian and Albanian legislation, or designated as “private” elsewhere).²

At the heart of the analysis of private–public dynamics lies the role of the state and governments’ public policy choices: why states allow private providers, how they regulate them and how they position them *vis-à-vis* public institutions. The state shapes public–private relations through legislative,

financial, and regulatory mechanisms (Kwiek, 2006). Geiger (1986) suggests that there are three kinds of demands for private higher education: for “more” (demand-absorbing), “better” (elite or semi-elite types), and “different” (catering to special interests either in a programmatic sense or based on needs of ethnic and religious minorities) education. Teixeira et al. (2013) develop the latter point, suggesting that governments expect that private providers will add to system efficiency by seeking market niches in programmatic supply and by being more responsive to the labor market demands for particular skills and competences. Furthermore, Tierney (1998) shows that allowing for private higher education provision has been seen by governments as an instrument to prompt public institutions to become more efficient; hence they seek to promote quality in the system by inserting more competition. In other words, there are different roles envisioned for private providers within national systems.

The most relevant regulatory instruments concerning private provision include conditions for obtaining a license to operate, and standards and regulations regarding their accreditation. The required resources for obtaining a license typically include a number of full-time academics, physical space, and financial capital. In accreditation, the same standards and procedures tend to be set for both sectors. In the context of predominantly public higher education, like in the Western Balkans, the nature of the public–private dynamics is also determined by whether and to what extent governments make it possible for private providers to gain access to public resources, especially public subsidies for study programs, but also student support schemes (e.g., state grants, loans and tax exemptions) and public research funding (Zumeta, 1997). It is not only the emergence of private providers as such, but the competition for public resources, that directly impacts the relations between both sectors.

The state shapes the public–private relations by creating conditions that incentivize or pressure public higher education institutions toward “privatization” which is seen as a part of a broader process of inserting market-oriented practices into the higher education sector (Teixeira et al., 2004, pp. 4–5). Privatization of public institutions essentially means lowering their dependence on funding provided by the state and introducing more business-like responses to the supply and demand of resources and services (*ibid.*, pp. 4–5). Market mechanisms can be inserted into higher education systems through different measures. Tuition fees certainly are one such measure, and specifically tuition fees charged to full-time students in public undergraduate education, which create direct competition between private and public institutions for fee-paying students. The key issues at stake are the share of fee-paying students in the entire student body in public institutions and how tuition fees in public institutions compare to tuition fees in private institutions. Another question concerns whether the existing policies and practices incentivize pub-

lic institutions to diversify revenue sources through other activities, such as joint research with industry, intellectual property management, and university spinoffs. To put it differently, greater private funding of public institutions, through a combination of tuition fees and sale of services and products, is an important aspect of privatization of public sector institutions (Marginson, 1997). When prompted to seek private sources of revenue, public institutions are, in principle, becoming more similar to the private ones as they compete with private ones for resources.

Research methods

Data for this project was collected in the framework of the research project titled “Differentiation, equity, productivity: The social and economic consequences of expanded and differentiated higher education systems—internationalization aspect (DEP)” endorsed by the European Science Foundation and funded by the Slovenian Research Agency. The overall aim of the project was to explore higher education reforms in the Western Balkans in the context of European higher education developments and policies. Specifically, we explored the convergence of national policies with European recommendations, on the one hand, and the persistence of regional peculiarities and specific dynamics, on the other. A summary of the key findings from the field research was published in “Higher Education in the Western Balkans: Reforms, developments, trends” (Zgaga et al., 2013).

In this article we draw from three data sources. First, we analyzed legislative documents (higher education laws and relevant bylaws) and government higher education strategy documents since the 1990s. We also reviewed existing secondary literature, drawing mostly from the edited volume “The Re-institutionalization of Higher Education in the Western Balkans” (Branković et al., 2014) stemming from the project Knowledge Base for Higher Education and Research in the Western Balkans (HERDATA).³ Second, we conducted seventy-six interviews in 2012 with university leaders (from two main public universities and from a private university in Slovenia, Montenegro, and Macedonia), government representatives, quality assurance agency officials, and national experts from the eight countries; about nine interviews per each country. Our approach in interviews was highly inductive: we asked the interviewees about the key reforms in their respective higher education systems and the underlying rationales of the reforms. In the content analysis of the transcripts, we focused on identifying emerging themes, as well as similarities and differences among countries. Tensions in the public–private dynamics were identified as a major theme in all the countries, even in Croatia, which has the smallest share of enrollments in private sector. Third, we conducted

an opinion survey of academic staff from public universities (i.e., senior and junior professors, lecturers, and assistants) via an electronic questionnaire. The total number of respondents was 2,019 with a response rate of over 5 percent of the entire academic staff in the old universities and over 10 percent in the newer universities (Zgaga et al., 2012).

Emergence of private higher education and access of private institutions to public resources

The regional laws typically stipulate that higher education institutions can be established as public or private, and specify that the founders of private institutions can be domestic or national individuals or corporate entities. Croatian legislation (Croatia, 2003, Article 49) is most specific in stipulating also that counties, towns, and municipalities can establish private colleges by the decision of their representative bodies. The same Law also makes it possible for religious communities to establish private institutions and organize studies, which are not theological (*ibid.*, Article 52). Across the region, it is common for the founders of private institutions to obtain a license or permission from the Ministry or the National Higher Education Council, and be accredited to be able to issue formal degrees. A common finding from our interviews was that the conditions for establishing a private institution have been from the onset rather lenient and have largely remained unchanged. As suggested by one interviewee, the fast growth in the number of private institutions is seen as having been enabled by the “very soft criteria set and the absence of strict conditions” (interview 73; Bosnia and Herzegovina, 26 Mar. 2012).

Interviewees also pointed out a regional phenomenon of political leaders or their sponsors founding “their own” private universities or colleges and employing academics from their political milieu. In the words of one interviewee: “They [private institutions] are protected by politicians and those who have a stake in them and are influential” (interview 66; Bosnia and Herzegovina, 27 Mar. 2012). Similarly, an interviewee from Slovenia explained:

Who shapes higher education policy at national level? Four or five individuals. All these people have established private universities, faculties.... We are shutting our eyes if we believe that the university, faculties and experts are shaping higher education policy. Higher education has become “politics.com.” (Interview 42; Slovenia, 27 Feb. 2012)

These perceptions are intertwined with the view that private economic interests are not compatible with the public purpose of higher education. In the words of one interviewee, “private initiative has been allowed too soon—only on the higher education level, but also at other levels of education”:

When we get the right to establish a private faculty or university we will do this—not for the sake of the prosperity of our community, ... but because we need money for our private pockets. The private higher education institutions—not only in [our country], but in the broader region—are, in the first place, commercially oriented. (Interview 66; Bosnia and Herzegovina, 27 Mar. 2012)

The quality of private higher education institutions is supposed to be monitored by the accreditation process. Following the European Standards and Guidelines for Quality Assurance in Europe (ENQA, 2005) in the context of the Bologna process, all countries have introduced independent external accreditation agencies or bodies and strengthened the accreditation and external quality assurance procedures. However, their actual implementation has been gradual and often superficial, compromising the quality of higher education programs and encouraging the growth of the private sector. As stated by one of our interviewees:

External accreditation is legally formulated in a way that those responsible for accreditation should make an evaluation [of institutions]. Therefore I do not understand whether those responsible for accreditation are marginally willing or not at all willing to exert their role and thus influence the higher education system. If they are willing to perform their tasks correctly and if there was a rigorous Accreditation Commission, at least 30 percent of faculties in our country—public and private—would not gain such accreditation. (Interview 23; Montenegro, 01 Mar. 2012)

Private institutions' access to public resources

Interviews revealed that access of private providers to public resources has been the main sticking point in the public–private dynamic in the Balkan countries. The main issue is whether the state finances study programs offered by public institutions only or whether state finances are also available to private institutions. As pointed out by one interviewee: “That new [private] institutions were established is not ground breaking. But it is that institutions were established that have reached into the domains of old public universities” (interview 46; Slovenia, 10 Apr. 2012). Slovenia presents one of the extreme cases, legally allowing private institutions under certain conditions to apply for public subsidies to conduct study programs. This means that full-time undergraduate students enrolled in private institutions with a “concession contract” from the state do not pay fees. To illustrate, in the academic year 2010–11, public subsidies for study programs were obtained by the (only) private university—University of Nova Gorica—and twelve out of twenty-

seven other private higher education institutions (Slovenia, 2011a). In total, 89 percent of students in the first and second degree cycle were enrolled in public institutions, 5 percent in private institutions in state-subsidized study programs, and 6 percent in private institutions in programs that were not subsidized by the state (Slovenia, 2011a). In a different example from the same country, the European Law Faculty in Nova Gorica (established 2005), which is owned by three individuals and has ten employees, receives 1.2 million EUR in annual state subsidies.⁴ Similarly, the Faculty for Government and European Studies (established 2000), which is owned by two individuals and has six employees, receives 1 million euros in annual state subsidies.⁵ The key condition for obtaining “concessions” is that a private institution has been accredited at the national agency for quality assurance and that it provides higher education at the same standard (or at least not below it) as public institutions. Further criteria can be set by an open call (e.g., in what disciplines or study areas concessions shall be given) issued by the government, and this option opens possibilities for lobbying from interested parties.

Such legislative arrangement blurs the boundaries between private and public sectors. It is not unique to Slovenia, although elsewhere in the region it is much less widespread. The Croatian Law (Croatia, 2003, Article 109) stipulates that private higher education institutions “may also be funded from the state budget according to the rules determined by the National Council, taking into consideration available funds and the quality of these higher education institutions, paying attention to whether their capacities correspond to the needs for education in the particular scientific, artistic or professional area.” The Kosovar higher education law similarly states—even if in more ambiguous terms—that “the Ministry may provide public funds to licensed and accredited private providers of higher education in support of the Ministry’s objectives” and “Any private provider which accepts public funds shall be subject to the same accountability and audit requirements as public providers” (Kosovo, 2011, Article 20). In Montenegro, the Higher Education Law (Montenegro, 2013, Article 69, 71) introduced a provision on granting “concessions” to private institutions (including foreign providers) for the conduct of education programs of “high public interest.” However, due to limited funds these provisions are not implemented in practice to any significant extent. The Albanian Law on Higher Education (2007), the Serbian Law on Higher Education (2005), the Law on Higher Education of the Republic of Srpska (Republic of Srpska, 2010), and the Framework Law for Bosnia and Herzegovina (Bosnia and Herzegovina, 2007) do not legislate on this issue.⁶ Another aspect of blurring boundaries between public and private is whether individual students and academics from private institutions have access to public resources. For example, in Slovenia (1993), Croatia (2003),

and Montenegro (2013), all students—regardless the type of the institution they attend—are eligible for government student support including government scholarships, government-backed loan schemes, and access to publicly funded student housing. In Kosovo, the Higher Education Law specifically stipulates that student financial support established by the government “may include provisions for assisting students with the payment of tuition and other fees at public providers and according to the valuation of the ministry, at the providers of private higher education” (Kosovo, 2011, Article 32). In Albania, students from any higher education institution can apply for scholarships or special allowances based on successful academic performance (Albania, 2007, Article 57). In all countries, academics regardless of institutional affiliation are formally eligible to compete for research funding from national funding bodies on equal terms. However, since such funding is not only fairly low in several countries (Branković, 2014), but also distributed on a competitive basis, the actual success rate of academics from private institutions is fairly limited, given poorly developed research facilities at some of those institutions

In sum, the access of private providers to public subsidies for study programs has been fairly widespread so far only in Slovenia. Elsewhere in the region such practice is either not legally possible or, where it is, rarely applied in practice. The majority of individual students and academics from private institutions in the region have access to public resources, but these are fairly limited. However, a major reform of higher education financing is under way in Albania. In 2014, the government accepted a reform program that stipulates that all higher education institutions—private or public—can compete for government funds based on an independent rating of their performance (Albania, 2014). The proposed reform also introduces student loans and makes it possible for increases in tuition fees. In June 2014, protests took place in Tirana by students and academics against the proposed reform which would “keep the profit private, but make the financial burden public,”⁷ a view that is common across the region, where social acceptability of private higher education providers continues to be questioned (see also Silova et al. in this special issue).

Strengthening the ‘private’ in public higher education

Under the acute underfunding of higher education in some countries and the austerity measures in public spending elsewhere, governments in the region have been concerned about the financial sustainability of public higher education institutions. Across the region, a common political discourse is that “[t]he sum to be allocated in the budget cannot cover the needs of the institutions, if they are expected to provide quality education and research,” as stated in

the funding strategy for higher education in Montenegro (Montenegro, 2011, p. 13). Hence, governments are prompting public institutions to diversify their revenue sources. For example, the Albanian “National Strategy for Higher Education 2008–2013” (Albania 2008, Article 58) makes it very clear that the government will develop “measures to enable and encourage higher education institutions in making use of all legal opportunities for generation of revenues.” There are two main options to diversify sources of revenue: one is to introduce or increase tuition fees, and the other is to create revenues from commercial activities, including collaboration with industry and spinoffs. Both options require government intervention to create appropriate legal and policy frameworks.

Tuition-fee policies

The tuition-fee policies vary across examined countries. Already in the former Yugoslavia, higher education institutions began offering programs for self-paying part-time students in public institutions. After 1990, in response to increasing demand and limited public funds for extending “budget-funded” student places, this system has also been extended to full-time students. In Serbia, Croatia, Bosnia and Herzegovina, and Montenegro, public higher education follows a dual tuition system that admits some full-time students tuition-free based on state quotas. The others who do not qualify for the competitive tuition-free admissions can enroll in the same program and sit together in classrooms by paying a tuition fee (Zgaga et al., 2013). In this context, Slovenia has been a singular case in which the old tradition—of budget full-time and self-paying part-time students—has been retained. Slovenian legislation stipulates that there shall be no fees for full-time undergraduate students both in public as well as private institutions that have a “concession” from the state. Hence, a division between “budget-funded” and “nonbudget” students was not made possible. However, part-time students did already pay fees during the socialist period and this system has not changed until today.

At present, the phenomenon of fee-paying students in public universities is common across the region. In the four countries mentioned above, the enrollments of fee-paying students exceed enrollments of “state-funded” students. We have data for Croatia, where in the academic year 2013–14, full tuition fees were covered by the government for 38 percent of students, while 61 percent contributed to the study cost to some extent (Eurydice, 2014). Dolenc and Doolan (2013) observe that since mid-1990s the most significant growth of student population in Croatia has taken place among self-financed students (p. 330). While in the 1993–94 academic year only 11.8 percent of students were paying tuition fees in public institutions, by 2010–11 this share had

increased to 60 percent (p. 330). In Montenegro, the data for the only public university shows that only 25 percent of all enrolled students have state-funded study places, while others pay tuition fees (Eurydice, 2014). All master's degree students in the public university are obliged to pay fees. In Serbia, the total number of students who pay for their education in public institutions is 53 percent in the first cycle and 75 percent in the second cycle (Serbia, 2012). The share of fee-paying students in public universities is smaller in Slovenia, reaching 17 percent of first- and second-cycle enrollments in the 2010–11 academic year (Slovenia, 2011a, pp. 3–4). As explained above, these would all be part-time students.

In Albania, Kosovo, and Macedonia, public higher education institutions charge tuition fees for full-time undergraduate and graduate programs. These tuition fees are regulated by the Ministry. In determining the fee (or different categories of fees), the Ministry follows a cost-sharing principle where a share—typically the major share—of the study cost per student is covered from the state budget, and the remainder is paid by the student. Consequently, fees in public institutions tend to be lower than fees in private institutions, amounting to a third or less of the tuition fees charged at comparable programs in private institutions. Fees for part-time studies in public institutions are higher and more comparable to those charged by private institutions, but such students present only a small share of all enrollments in all countries of the region.

Thus, higher education in the region is still predominantly free or characterized by low tuition fees in the public sector. The issue of the introduction of or increase in tuition fees for full-time undergraduate students (and related questions of study cost per student, cost-sharing, and economic benefits of undergraduate degree) will undoubtedly be raised as the region considers further reforms in the financing of higher education. However, changes in tuition-fee regimes are politically sensitive, especially in countries with strong and legitimate student unions. Judging from the survey of academics in the region, it is questionable whether governments will seek to introduce tuition fees for full-time students in countries where this is not yet the case. As Figure 3 illustrates, the highest share of academics supporting the introduction of tuition fees was in countries that already charge tuition fees, including Kosovo (83 percent) and Macedonia (65 percent) and the lowest in Serbia (27 percent) and Croatia (28 percent) (see Figure 3 below).

Revenues from strengthening cooperation with industry

All higher education laws in the region stipulate that public institutions may also earn revenue from commercial activities, including cooperation with in-

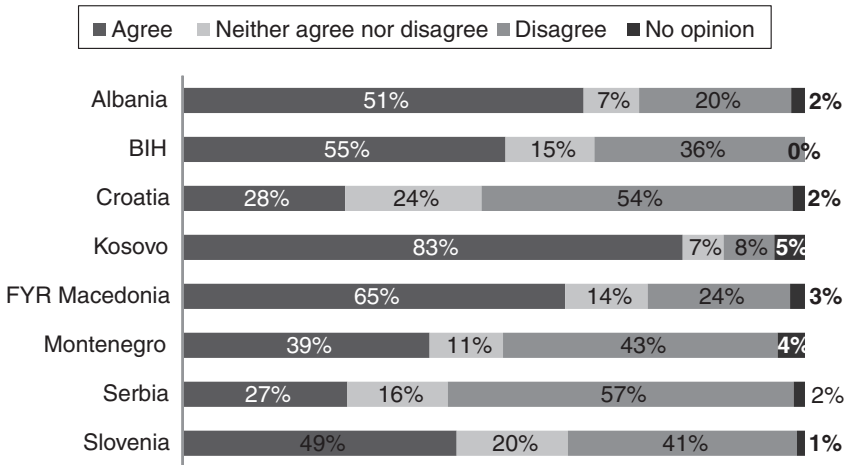


Figure 3. **Higher Education Should Also Be Financed by Full-Time Students Through Tuition Fees** ($N = 1,742$; Zgaga et al., 2012)

dustry. Knowledge transfer activities are, however, at very different levels of development across the region, significantly more in both EU member states (Slovenia and Croatia) than in other countries where investment into research and development is lower and institutional capacities weaker (European Commission, 2013). In all the examined countries, however, governments have developed policy frameworks to promote university–industry knowledge transfer, intellectual property management, and spinoffs. The impetus and prescriptive advice for these developments comes especially from the EU (Vukasović, 2014). The EU has clear objectives when it comes to funding higher education. In the “Modernization Agenda for Universities” (European Council, 2007), it recommends that universities “increase and diversify their sources of public and private funding in order to reduce the funding gap with the European Union’s main competitors” (p. 2). The agenda also highlights “the need for closer cooperation between academia and the world of enterprise” (p. 3). In other words, the EU recommendations are favorable to inserting market mechanisms into higher education sector and strengthening the competitive elements (Brown, 2011; Lynch, 2006). However, the European Union does not have legislative competences in higher education policies and can influence national policies only by a way of soft instruments, such as communications and stock-taking. Science and research polices, however, fall under the “EU community method” and the EU decisions have a direct effect on national legislation. There has been a significant “deepening” of both

policy areas—higher education, and research and science—in the aftermath of the EU Lisbon Agenda (Klemenčič, 2013). Yet, in view of its legislative mandate, the EU’s direct influence on national policy frameworks concerning universities is stronger in the area of science and research, and thus the EU uses this channel to also influence higher education. In other words, the EU prescribes market orientation in national higher education policies through the “back door” of research and science policy recommendations.

The concrete mechanisms for the diffusion of EU policy recommendations to the Western Balkan governments are two-fold. For the two EU member states—Slovenia and Croatia—policy recommendations in this area come through the implementation of the EU research and innovation policies in the context of the European Research Area, and specifically with such instruments as the European Commission’s recommendation on the management of intellectual property in knowledge transfer activities and Code of Practice for universities and other public research organizations (European Commission, 2008). The Code of Practice clearly states that “[p]ublic research organizations, including universities, need to more actively engaged in the exploitation of publicly funded research results, for instance through academia–industry collaborations, licensing and spin-offs” (European Commission, 2008, p. 5). For the non-EU countries, the policy diffusion works through the implementation of the Stabilization and Association Agreements, which all countries in the region have signed. These agreements imply progressive compliance with the EU *Acquis Communautaire* in the field of science and research—specifically, “Chapter 25 on Science and Research,” which is firmly grounded in the EU’s market-oriented vision of higher education systems.

Furthermore, the diffusion of EU policies to national policy frameworks comes also through the regional intergovernmental strategy—the Western Balkans Regional Research and Development (R&D) Strategy for Innovation (World Bank, 2013). The strategy was adopted by all the governments (Slovenia is not part of it) with the support of the EU and the technical assistance from the World Bank. Its implementation is coordinated through the Regional Cooperation Council, and is also financially supported through the EU. The document serves as a framework for boosting institutional reforms and policy innovation and integrate the region into the European Research Area (ERA) and Innovation Union by: (a) meeting the requirements of EU *acquis*, (b) better absorption of funds from the Horizon 2020 program, and (c) gradually meeting the R&D objectives set out in South East Europe 2020 Strategy (World Bank, 2013). The South East Europe 2020 Strategy clearly states as one of its objectives to “introduce a Technology Transfer program to stimulate industry–science collaboration, encourage marketable research results and value-creation” (Regional Cooperation Council, 2013, p. 8).

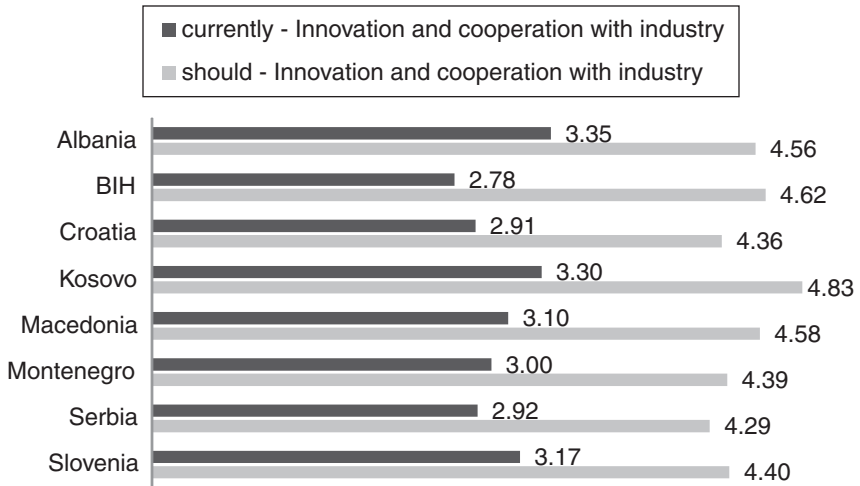


Figure 4. **Academics' Opinions About the Desired and Current Priorities of Higher Education Institutions for Innovation and Cooperation with Industry** (5: very important; 1: not important) ($N = 1,678$; Zgaga et al., 2012)

As Vukasović (2014) points out, the Western Balkan countries tend to be susceptible to incentives provided by the EU to strengthen the 'private' in public higher education. There appears a firm political commitment from regional governments to expand the range and the extent of private revenue sources through knowledge transfer activities and more. The institutional changes that are expected to follow will prompt public institutions to be more market oriented and as such more like private institutions. The likelihood for knowledge transfer policies to be implemented in practice also appears to be high since academics in the region are fairly favorable. In our survey, we asked academics for their opinion on their institutions' current priorities for university–industry collaboration and their desired priorities. In all countries, the respondents overwhelmingly agreed that these were not as high as they should be (see Figure 4).

In sum, we clearly see governments' public policy choices toward more diversified revenue sources in public universities. There are differences among countries as to which measures are especially pronounced. In all countries but Slovenia, the majority of students pay some share of their study cost. However, these tuition fees cover only a share of the total study cost per student and are as such usually lower than fees charged by private institutions. In Slovenia, no tuition fees are charged for full-time undergraduate students and there is a small share of fee-paying part-time students in public institutions.

However, as discussed above, students enrolled in concessionary programs in private institutions also do not pay any tuition. Furthermore, in all countries we observe policy developments toward strengthening university links with industry through knowledge transfer activities. The underlying aim is to help universities acquire revenue from private sources, the implication being that they begin to be more market-oriented, and thus in a way behave more like private institutions.

Conclusion

In the Balkan countries, rising student demand and transition to market economies have led to the emergence of private providers. Some private institutions emerged in the wake of economic liberalization even before states regulated their existence. However, rapid growth followed once legal provisions were introduced in higher education legislation. Even though the absolute number of private higher education institutions has grown significantly over the past two decades, the growth in their share of the national student body has not been equally dramatic and the majority of students are still enrolled in public higher education institutions. The higher education systems continue to be hierarchical with a “national university” at the top of the hierarchy due to location (in the capital city), tradition (the oldest), and size (the largest) (Zgaga et al., 2013). As argued by Zgaga et al. (2013) and Branković (2014), this status has not been challenged by the emergence of private providers and market competition. The flagship public universities in national capitals (e.g., Belgrade with around 90,000 students, Zagreb with around 70,000, and Ljubljana with around 50,000) still dominate the entire system in terms of student enrollments and resources. Nevertheless, bifurcation along the lines of private and public has created tensions in the region. It has provoked highly contentious political discourse, perhaps the most persistent and pervasive one in the higher education policies (Zgaga, 2013). Governments’ policies concerning the access of private providers to public resources have been a crucial point of contention common to the entire region.

A central point is whether private providers have access to state funding for conducting a study program. The more that is the case, the more level is the playing field between private and public providers. In Slovenia, private providers can apply for a “concession” to the state to fund their study programs and are granted such concession if they fulfill the same conditions (not more) as public higher education offering such study programs. The legal provisions on concessionary state subsidies level the playing field between private and public institutions. This is not widely spread in practice elsewhere, although it is legally possible.

The question of leveling the playing field between public and private providers does not concern only private institutions trespassing into the domain of public institutions by gaining access to public resources. When the public institutions are prompted to behave more like private institutions by increasingly market-driven higher education, this is also leveling the playing field between public and private institutions. We have thus explored to which extent the governments are creating conditions toward the privatization of public institutions. Knowledge transfer activities are most developed in Slovenia and Croatia, but government policy frameworks to strengthen university–industry links are also under way in other countries in the region. The question remains whether this will consequently mean that the share of private revenues in public institutions’ budgets will increase vis-à-vis the state contribution. The lower the share of state funds to balance public institutions’ budgets, the more public institutions will become private-like, the more market-oriented will be their behavior, and the stronger will be market mechanisms in national higher education systems. None of the examined countries is yet far advanced in this direction, but the wave of reforms of higher education financing in the region is just beginning. The proposed reforms in Albania appear to create a more advanced version of market-oriented higher education system: private and public higher education providers will compete on equal terms for all key resources—state funding and students.

As elsewhere in Europe, the boundaries and relations between the public and private sectors are blurred and shifting in the Western Balkans (Enders & Jongbloed, 2007). The public–private dynamic in higher education in the Western Balkans continues to evolve and is about to gain a new momentum with the wave of reforms of higher education financing. Albania has already undergone a reform process (Albania, 2014). An EU-funded project “Towards Sustainable & Equitable Financing of Higher Education Reform in Bosnia and Herzegovina, Montenegro and Serbia—FINHED” is expected to contribute the planned reforms in these three countries. In Montenegro, the World Bank is funding a project titled “Montenegro—Higher Education Research for Innovation and Competitiveness Project,” which clearly aims at the development of a new funding model for higher education in the country (Bassett, 2014). In Slovenia, the Resolution on National Higher Education Programme 2011–2020 (Slovenia, 2011b) and Resolution on Research and Innovation Strategy 2011–2020 (Slovenia, 2011c), which include changes in the higher education funding model, were adopted by Parliament in 2011, awaiting implementation in the Higher Education Law. It remains an open question just how far the governments will desire and be able to create conditions for public and private institutions to play by the same set of rules.

One factor that will certainly play a role is the “legitimacy” of both public

and private institutions. Legitimacy refers here to “the legal and social acceptability of an institution in society” and can be conferred—broadly speaking—by the state, market, and academia (Slantcheva & Levy, 2007, pp. 4–5). Both sectors face challenges to their legitimacy albeit in different conditions. Higher education institutions in the public sector have struggled to overcome the charge that they are inefficient, lack scientific excellence, and are beset by inbreeding, corruption, and/or detachment from the needs and expectations of the economies and societies (and local communities) within which they are located. They are perceived as having stretched their resources by increasing enrollments to the detriment of academic quality. And, at least in some countries, they have been chronically underfinanced. Of course, the exact challenges to legitimacy of public higher education institutions differ from one country to another, and even from one institution to another, but there are some generic concerns in the region. The private institutions also grapple with widespread mistrust over poor academic quality, poor conditions for study, and serving as “degree mills” producing academic credentials without upholding rigorous academic standards (Jahic, 2014). The public also tends to be suspicious of combining the for-profit interests of the owner with academic pursuits.

Theoretical understandings of the public–private dynamic have to take into consideration that the stage of development of a higher education system greatly determines government’s public policy choices in this area. In less mature higher education systems, such as in the postsocialist countries of the Western Balkans, governments have often behaved reactively in their choices: they have encouraged the development of the private higher education sector after private institutions had already begun to emerge. The vested interests of individual politicians and their supporters and their role in creating favorable conditions for private institutions should also not be ignored. Indeed, as Geiger (1986) suggests, the pervasiveness of corruption in higher education—both concerning public-sector and private institutions—needs to be added to the existing concepts explaining the emergence of private higher education as responding to the aims for “more,” “better,” and “different” educational provisions.

Acknowledgments

This article has been prepared with data obtained from the project “*ifferentiation, Equity, Productivity: the social and economic consequences of expanded and differentiated higher education systems—internationalisation aspects*” (DEP-08-EuroHESC-OP-016) funded by the Slovenian Research Agency (ARRS) and endorsed by the European Science Foundation (ESF). We thank the three anonymous reviewers for their thoughtful feedback.

Notes

1. Slovenia strictly speaking does not belong to the Western Balkans region, but it was part of the Socialist Federal Republic of Yugoslavia (SFRY) until 1991, together with all examined countries, but Albania.

2. A systematic inductive delineation of both sectors according to the above-mentioned criteria is a complex task that extends beyond the scope of this article and is an interesting research topic on its own.

3. www.herdata.org/. All links were last accessed 20 July 2014.

4. Cited in an article by B. Mekina, "Študenti po tekočem traku. Katere zasebne fakultete imamo, kdo so njihovi lastniki in koliko državnih subvencij dobivajo" [Students on the production line. Which private institutions we have, who are their owners, and how much public subsidies they receive]. *Mladina*, 24, 15 June 2012. www.mladina.si/113163/studenti-po-tekoecem-traku/.

5. *Ibid.*

6. Some of the canton laws of the Federation of Bosnia and Herzegovina, such as the Law of Canton Sarajevo (Canton Sarajevo, 2008, Article 146), also provide for financing of study programs in public interests conducted at private institutions.

7. Cited in an article by G. Erebara, "Reform of Albanian university funding denounced." *Balkan Insight*, 3 June 2014. www.balkaninsight.com/en/article/albania-students-rally-against-university-reform. See also idem, "Albania: Private universities in line for public cash." *Balkan Insight*, 9 July 2014. www.balkaninsight.com/en/article/albania-private-universities-eye-public-money NEWS 09 JUL 14.

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